

LOOKING AHEAD

As we ease back into our routines for the new year, the media bombards us with ideas for 2006. These range from tips on personal habits to horoscopes to financial forecasts. As with any given year, it doesn't matter what the pundits, gurus and experts tell you – the future is uncertain. So many variables come into play that forecasts are little more than a “best guess”.

Consider the year just past: who would have believed that oil would surge over \$30 per barrel, that gold would rise to well over \$500 an ounce, we would experience two of the worst hurricanes in history or that Canada would be in the middle of an election due to a non-confidence vote. Looking back on the events of 2005, it would seem reasonable to conclude that the markets would have been lack luster at best, yet in the face of the uncertainties and adversities the TSX grew by a whopping 21.91% on the year. However, as I've expressed in the past, one must look beyond the cover to fully appreciate the book. With oil sky rocketing to \$70 per barrel and the oil and gas sector representing such a large portion of the TSX index, it is little wonder that the TSX would surge on these conditions. The US markets have yet to fare so well, 2005 marked the fifth consecutive year that the US markets have lagged other world markets. The Dow Jones index produced a loss of .61%; the S&P saw a gain of 3.00% while the Nasdaq showed a gain of 1.37%. In addition, the US dollar continued to lose ground against the Canadian dollar, dropping 5.61% on the year.

Given the “best guess” forecasts for 2006 the only conclusion that we can reach is that 2006 will be filled with challenges, successes and failures, much like any other year.

Personally, I'm optimistic about 2006. Over the coming year I believe that many of the underlying positive economic and business trends will continue. Inflation will remain low globally, and growth is forecast to advance at a positive rate. The energy shock of 2005 is over and a fall in oil prices could be the catalysts to positive investor sentiment. We could see a re-allocation of money from real estate to equities and the end to the war in Iraq and finally, corporations putting their extraordinarily strong balance sheets to work. Some or all of these may or may not materialize, but none seem unreasonable or impossible, as the saying goes, “Only Time Will Tell”. I look forward to spending that “Time” with you.

Regards,

Don

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