

HoweStreet.com
the source for market opinions

follow us on
twitter

Coronado Resources Ltd.
A Gold and Copper Producer
TSX.V:CRD

HOME

OPINION

AUDIO & VIDEO

INVESTORS

RSS

SEARCH

go

ALWAYS CONSULT YOUR INVESTMENT PROFESSIONAL BEFORE MAKING ANY INVESTMENT DECISION

Howe Street Week

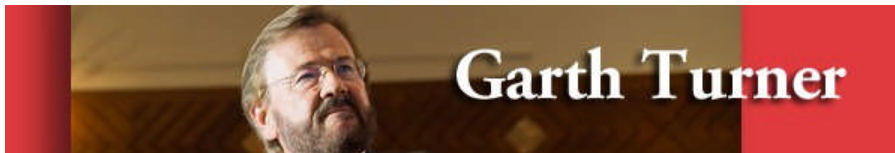
Our weekly recap of media

Receive Howe Street Week FREE

email: 
[View last week's recap](#)

**Investment
Opportunities**

Featured Advertisers



El predicto

December 31st, 2009



So what next? Some, like Roubini or Celente or Schiff, see double-dip recession, depression and deflation. Others, like the Bay Street McOnomists, see a 2010 with robust recovery and repair. It's a minefield of conflict and confusion. How can average folks possibly know whether to buy or sell, invest or save, borrow or hunker?

Nobody can predict a terrorist attack in Chicago or an invasion of Iran. Spain or Greece might default on its debt. That's a game-changer, and we'll all just have to roll with it.

But the future is not completely unknown, at least the factors shaping it. Every person taking a mortgage, buying a share in Google, deciding not to invest or putting their home on the market is taking a risk. We risk losing money in assets that may decline. We risk outliving what we've got. We risk being unprepared.

That's why forecasting is imprecise, sometimes slightly ridiculous, and essential.

So here goes.



Ross Clark

Financial Advisor
CIBC Wood Gundy

Technical Analysis
at the

HoweStreet.com
Money Expo
2010

Nanaimo Feb 13

Victoria Feb 14

Langley Feb 27

Kelowna Mar 13

Pre-Register
for

**FREE
ADMISSION**



Interest rates: Up in July. The jury is out on how much the first salvo will be – maybe a quarter, maybe a half. But that jump in the Bank of Canada's overnight rate will be followed by a string of other increases, taking the chartered bank prime from 2.25% in January of 2010 to 4% or beyond in barely a year. Five-year mortgages will again be 7%.

Stock market: Sideways. Index fund and ETF investors should expect a volatile, wild ride going nowhere. Smart investors, in contrast – who hold well-correlated securities and sector funds – will do quite well. The broad market indexes will probably end up about where they started – no 50% climb like the once-in-a-generation opportunity of 2009. Those who can see what higher rates, rising energy prices and commodity values can bring, will be happy.

Unemployment: Tenacious. Our blight, and the enduring symbol of failure for politicians in Ottawa or Washington. Time will show that pumping \$14 billion into the Canadian car industry was a bad idea, and just how much of the stimulus gravy was washed away without consequence. Far too many people who lost jobs in 2009 won't be working soon in 2010. Many Boomers won't work again.

Taxes: Up, silly. The HST comes into play in July for 16 million Canadians, increasing the price of damn near everything by seven or eight per cent. Despite the weasel words of politicians in BC and Ontario that the cost will be offset by more grants, subsidies and nicks, this will end up being a government tax grab, and inflationary. It's the precursor of much more tax to come.

5/35: Done. Allowing people to buy homes with 95% leverage and mortgages that take an adult lifetime to repay may have seemed like a good idea at the time, but no longer. Combined with emergency post-crash mortgage rates this policy of giving government insurance for high-ratio, high-risk loans just encouraged a tsunami of home ownership by people who didn't have money. That caused a bubble, and in 2009 alone increased the cost of housing for middle class Canada by more than 20%. If the finance minister has stones, this will soon be 10/30. Let's see.

Oil: \$100 in 2010. On its way to \$200.

Housing: Pfffft. Enough words on this topic have already been launched on this blog, but the days of the rate-induced, delusional, debt-drenched housing boom are numbered. Oh, it might stagger on for a few months as buyers rush to beat the HST, the end of the 5/35 and the mortgage crunch, but the whole juggernaut is wholly unsustainable. This is not a stable place to have the bulk of your net worth.

Bonds: Down. As interest rates increase, bond yields will rise and bond prices will fall. Bigtime. The historic rally in fixed-income securities is over, and if you missed it, you were not paying attention. Too late now. If you own a bunch of long bonds, they will soon match your complexion.

America: Bummer. The year will be one of immense disappointment for our American friends. The housing market will not recover, but fall further – maybe 10% or even 15%. The Dow might well finish the year lower than where it begins. Obama's Dems will probably lose a lot of ground in the midterms. States like Ohio, Michigan and Pennsylvania will swallow what's left of their American pride and import jobs from China and India (it's already started). They'll get factories again, thanks to the cheap US dollar, but not owned by Americans. Unemployment will persist, credit will stay scarce and millions more families will be in negative equity. The US deficit will top \$1.5 trillion, and none of this is good for Canada.

Dollar: Par or better. Likely by summer.

Public finances: Don't ask. In a decade or two your kids will wonder you what the hell people were thinking when they let governments spend money on car companies that would fail, encouraged young couples to pile into debt at the worst moment and burned through hundreds of billions they didn't have. Did you guys not realize, they'll ask, it all had to be paid back? You will have no answer.

Gold: Lower, then higher.

Inflation: Higher, then lower.

Depression: Not even close. There's no corporate or market crumble now large enough – not even the collapse of all derivatives – to turn 2010 into 1932. Governments are too invested economically and politically to allow that to happen, and the amount of global cooperation we've seen makes it all but impossible. That's the good news. The bad news is this decade will be positively glacial compared to the last one. Think Japan.

Boomers: Pass the Cialis, dude. Nine million start turning 65 at the end of this year, just as the economy grows stony, real estate corrects, and tempus fugit. You will not believe what this does to the housing market, starting in 2012. Best prepare now.

**Coronado
Resources
Ltd**



**A Gold
and
Copper
Producer**

TSX.V:CRD



David Morgan
Silver Investor
"The Morgan Report"

at the

**HoweStreet.com
Money Expo
2010**

Kelowna Mar 13

Pre-Register
for

**FREE
ADMISSION**

Please accept my thanks for coming and spending time with me on this blog during 2009. It is a daily epiphany. — Garth



Read comments at greaterfool.ca. Visit xurbia.ca "for those who can't stand reading the financial news any more!"

[Advertising Inquiries](#) [Contact Us](#) [Terms and Conditions](#) [Privacy Policy](#)
© 2002 - 2008 Howe Street Media Inc. ALL RIGHTS RESERVED. This site is best viewed in 1024 x 768 .



David Skarica
Author, Writer
"Addicted to Profits"

at the
HoweStreet.com
Money Expo
2010

Nanaimo Feb 13
Victoria Feb 14

Pre-Register
for
**FREE
ADMISSION**



David Morgan
Silver Investor
"The Morgan Report"

at the
HoweStreet.com
Money Expo
2010

Kelowna Mar 13

Pre-Register
for
**FREE
ADMISSION**



David Morgan
Silver Investor
"The Morgan Report"

at the

HoweStreet.com

Money Expo
2010

Kelowna Mar 13

Pre-Register
for

**FREE
ADMISSION**