

Morning Coffee



Friday June 6, 2008

S&P/TSX Composite	+292.45	14982.91
Dow Jones	+213.97	12604.45
S&P 500	+26.85	1404.05
NASDAQ	+46.80	2549.94
S&P/TSX Venture	+14.06	2656.63
Philadelphia SOX	+4.35	417.53
Crude Oil (US\$/brrl)	+5.49	127.79
Gas (US\$/mmbtu)	+0.14	12.52
Copper (US\$/lb)	+0.00	3.55
Gold (US\$/oz)	-8.30	875.50
Nickel (US\$/lb)	+0.23	10.28
Palladium (US\$/oz)	+1.00	428.00
Platinum (US\$/oz)	+15.00	2008.00
Silver (US\$/oz)	+0.32	17.16
Uranium (US\$/lb)	-1.00	59.00
Zinc LME (US\$/lb)	+0.02	0.90
Canadian Dollar	-0.0011	0.9826
30 Year Canada	+0.05	4.155
30 Year U.S.	+0.03	4.733

In Some Parts, He's "Tiger Kim"



North Korea has opened a luxury spa and 18-hole golf course with a par 7, 929-metre hole, the world's longest, the JoongAng Daily reported, citing a spokesman at developer Emerson Pacific Group.

The resort includes a hotel and restaurants on about 1.7 million square metres of land near the Mount Kumgang tourism project managed by a Hyundai Group subsidiary, the newspaper said, citing Seoul-based Emerson's spokesman Kim Min Jung.

Beside the par 7, number 12 hole, the 6,900-metre course has a par 3 so-called funnel hole, which guarantees a hole-in-one if a golfer lands a ball on the green, the report said.

The course is members-only for the first six-months and the group has sold 2,000 memberships to non-North Koreans for between 17 million won (\$16,400) to 35 million won each.

CANADA

The S&P/TSX Composite stocks rose for the second time this week after Citigroup predicted **Research In Motion (RIM)** would increase its profit forecast. Shares rose to a three-week high, as new products and the company's "superior" business model will help the Blackberry e-mail mobile phone maker top earnings estimates, Citigroup said.

Canadian Western Bank (CWB) rallied after reporting a profit for the 80th straight quarter, as the lender benefited from a booming economy in oil-rich Alberta.

Allen-Vanguard (VRS) surged after the security equipment maker announced an order worth US\$10 million for equipment to jam roadside bombs, to an unnamed Commonwealth customer.

Essential Energy Services Trust (ESN.UN) was down sharply on news it is reducing its monthly distribution and selling its transport division to **Mullen (MTL.UN)**, as it focuses on oilfield down-hole services.

MDS (MDS) slumped after the maker of medical devices and software cut its earnings forecast for the year due to "softening demand" for equipment used in the pharmaceutical industry and a delay in reaching "targeted profitability" in the contract-research division.

UNITED STATES

Stocks rose for the first time this week as May sales at **Wal-Mart Stores (WMT)** and **Costco Wholesale (COST)** beat analysts' estimates and jobless claims fell, bolstering expectations consumer spending will boost profits.

Verizon Communications (VZ) rallied the most in five years after saying it agreed to acquire Alltel from **TPG (TPG)** and **Goldman Sachs Group (GS)** for \$28.1 billion in cash and debt, becoming the biggest U.S. mobile-phone company in the process.

U.S. Steel (X) led steelmakers higher after rival **Nucor (NUE)** said it will earn more in the second quarter than it previously forecasted.

Continental Airlines (CAL) rallied on news it will cut 3,000 jobs and shrink its fleet by 67 planes because of record fuel expenses.

Martek Biosciences (MATK) was down sharply after the maker of nutritional oils for foods and baby formula said fiscal third quarter net income will be lower because of production timing and ordering patterns of several large customers.

Smithfield Foods (SFD) also slid after the world's biggest pork processor said fourth quarter profit plunged 94% as rising grain prices increased feed costs.

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ECON 101

CANADIAN Data Today: This morning, the **Unemployment Rate** (May) is expected to remain at 6.1%, while the **Net Change in Employment** (May) should come in at 10.0K, compared to 19.2K the previous month.

U.S. Data Today: This morning, the **Unemployment Rate** (May) is expected to rise to 5.1% from 5.0% the previous month. **Non-Farm Payrolls** (May) should fall by 60K, after losing 20K the previous month, while **Manufacturing Payrolls** (May) should fall by 40K, after 46K before that.

Average Hourly Earnings (May) are expected to rise by 0.2% over the previous month, while **Average Weekly Hours** (May) should remain at 33.7.

MARKET MOVERS

Technical Indicators:

	TSX	TSX-V	NYSE	NASDAQ	AMEX
Advancers	933	549	2486	2111	780
Decliners	617	518	650	721	339
Net	+316	+31	+1836	+1390	+441

Notable 52-Week Highs:

Augusta Resource	AZC	\$ 4.70	Ivanhoe Energy	IE	\$ 3.15
Bombardier	BBD.B	\$ 8.97	Inter Pipeline Fund	IPL.UN	\$ 10.15
Burmis Energy	BME	\$ 4.86	Lassonde Industries	LAS.A	\$ 46.25
Baytex Energy Trust	BTE.UN	\$ 31.83	Potash Corp. of Saskatchewan	POT	\$223.14
Calfrac Well Services	CFW	\$ 29.39	Aberdeen SCOTS Trust	SCO.UN	\$ 22.24
Celtic Exploration	CLT	\$ 19.75	Storm Exploration	SEO	\$ 16.55
Cline Mining	CMK	\$ 2.32	Canadian Superior Energy	SNG	\$ 4.36
Crescent Point Energy Trust	CPG.UN	\$ 39.24	SCITI Total Return Trust	STF.UN	\$ 10.66
Duvernay Oil	DDV	\$ 59.30	Timminco	TIM	\$ 35.69
Delphi Energy	DEE	\$ 3.15	Molson Coors Canada	TPX.B	\$ 60.32
Emera	EMA	\$ 23.40			

Notable 52-Week Lows:

AutoCanada Income Fund	ACQ.UN	\$ 6.40	InStorage REIT	IS.UN	\$ 4.46
Automodular	AM	\$ 1.35	Kingsway Financial Services	KFS	\$ 8.90
Anatolia Minerals	ANO	\$ 3.13	Liberty Mines	LBE	\$ 0.63
Brascan Adjustable Rate Tr. I	BAO.UN	\$ 1.16	Linear Metals	LRM	\$ 0.70
Breakwater Resources	BWR	\$ 0.57	Marathon PGM	MAR	\$ 3.26
Cascades	CAS	\$ 6.59	Metallic Ventures Gold	MVG	\$ 1.42
Crew Gold	CRU	\$ 1.30	Novadaq Technologies	NDQ	\$ 2.85
DPF India Opportunities Fund	DPF.UN	\$ 7.29	Noranda Income Fund	NIF.UN	\$ 8.04
Essential Energy Services	ESN.UN	\$ 2.80	Polaris Minerals	PLS	\$ 6.50
FairWest Energy	FEC	\$ 0.11	Pethealth	PTZ	\$ 1.49
Forbes Energy Services	FRB	\$ 6.40	Saxon Financial	SFI	\$ 14.00
Far West Mining	FWM	\$ 3.02	San Anton Resource	SNN	\$ 0.28
Guardian Capital Group	GCG	\$ 8.46	Sterling Shoes Income Fund	SSI.UN	\$ 10.29
Guyana Goldfields	GUY	\$ 4.16	Zi Corp.	ZIC	\$ 0.39
AirIQ	IQ	\$ 0.04			

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CANADIAN EQUITIES OF INTEREST

Listed Alphabetically by Symbol

S&P/TSX Composite (TSX : 14982.91), Net Change: 292.45, % Change: 1.99%

If they don't let you in, there's always the Emperors' Club. The TSX and S&P rebalance their namesake Composite Index on a quarterly basis to properly represent the largest and most liquid stocks on the TSX. The next rebalancing is to be implemented on June 20, after market. Analysts and traders are beginning the guessing game as to which companies will be added and deleted from the index. This has the ability to cause major inflows and outflows of the specified stocks. One global brokerage firm suggested four "higher probability" additions to the S&P/TSX Composite. The strategist expects S&P to announce the additions/deletions on or about June 13. His picks for likely inclusion are **Iteration Energy (ITX)**, **Birchcliff Energy (BIR)**, **Bankers Petroleum (BNK)** and **Crew Energy (CR)**. All four are Calgary-based oil and gas companies. The six stocks identified as deletion candidates are: **Breakwater Resources (BWR)**, **Crystallex International (KRY)**, **Allen-Vanguard (VRS)**, **Ballard Power Systems (BLDP)**, **Aastra Technologies (AAH)** and **Canwest Global Communications (CGS)**. Separately, TSX reported its May monthly trading statistics, which showed that trading value increased 5.3%, while the volume of shares traded declined 3.6%, on a year-over-year basis. Year to date, the value of shares traded is up 18.6%, while volume is up 4.6%. Financings, on the other hand, dropped 39% to \$14.4 billion on a year-to-date basis.

Housing Sector

Not since the Bee Gees wondered "How Can You Mend a Broken Heart?" Marvin Gaye asked "What's Going On?" and Joe Cocker thought it was "High Time We Went." Canadians home ownership is at its highest level since 1971, according to Statistics Canada, and owners have the soaring debt levels to prove it. It was also said that nearly 37% of mortgages sold between the fall of 2006 and fall of 2007 were 25-year amortizations or longer. A month ago, we read a Re-Max statistic that put the figure at more than double this when looking at the past year. The point is, the popularity of long mortgages has been unprecedented, as buyers struggle to afford today's market prices. Two-thirds of Canada's 12.4 million households own their home. British Columbians are committing the most to housing expenses as a percentage of their income: over 30% of household income. A bank study from a couple of months ago found that it would take 70% of pre-tax income for the median household in Vancouver to afford a median priced home. In other words, most Vancouverites could not afford to purchase their homes at today's market prices. If that isn't a market of unsustainably, we don't know what is.

Oil Futures July '08 (OILC : NYMEX : US\$127.79), Net Change: 5.49, % Change: 4.49%

When \$1 billion per day is not enough... Oil prices spiked in the second half of the trading day yesterday when it was announced Saudi Arabia's Shura Council (i.e. parliament) were set to discuss the controversial proposal by a key member to curb oil production to save reserves for better prices. "[The individual] will seek to persuade council members that the oil production must be linked to the country's actual development needs not the needs of foreign consumers...he will tell the Council that keeping sufficient oil quantities underground is a good investment for the future as oil prices will then be higher." Saudi oil revenues are now \$1 billion per day but apparently that is not enough for some Saudi members of government. They seem to forget that the higher oil goes, the more incentive there is for the West to figure out alternative sources of energy. Separately, in a report titled "Black Gold or Market Tar?", Credit Suisse states that the sky-high oil prices have effects that go well beyond the pain at the pump. Everything from SUV sales to trends toward discount retailers to specialty pharmaceutical companies like Allergan (AGN) and Advanced Medical Optics (EYE), which derive a high proportion of sales from products subject to discretionary spending decisions. Both have been beaten up significantly. Beneficiaries? Besides oil and gas companies, industrial gas companies like Air Products and Praxair have products that improve energy efficiency for customers. Also, office REIT Brookfield Properties could continue to outperform as 15% of its net operating income is derived from the Houston and Calgary markets.

Ag Sector

Message to old-school gold bugs: FOOD IS THE NEW GOLD. The New York Times has been running a series of food articles this year in what they call The Food Chain series, the latest being "Food Is Gold, So Billions Invested in Farming". It is no secret that hundreds of billions of dollars have been pushed into food commodities. But some major players are getting more aggressive and longer-term in their strategies and are directly buying up farmland, fertilizer, grain elevators and shipping equipment, according to the article. One bought several ethanol plants, Canadian farmland and space in the Midwest to hold

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millions of bushels of grain. Another is buying grain elevators, fertilizer distribution outlets and fleets of barges and ships. It's called "owning structure", taking further Denis Gartman's descriptions of commodities "things that if you drop on your foot will hurt" to a whole new level. Efforts to consolidate, aggressively manage, and increase technology are expected to significantly increase efficiencies and therefore food yields. By the way, Bloomberg reported that North Korean leader Kim Jong Il is said to be diverting over 90% of international food aid to the military so as to maintain his grip in power at the expense of his starving citizens, according to defectors.

Baytex Energy Trust* (BTE.UN : TSX : \$31.74), Net Change: 2.93, % Change: 10.17%, Volume: 1,433,522

We're told that this is better than an unassisted triple play: Baytex announced three developments yesterday: 1) A 25% increase to monthly distributions from \$0.20 to \$0.25 per trust unit; 2) the successful completion of the acquisition of Burmis Energy; and 3) the increase of their corporate credit facilities to \$485 million. The increase in monthly distributions will start in July. The distribution increase is attributable to the strength of Baytex's underlying business and the outlook for a continued strong commodity price environment. The company's guidance for the remainder of the year is 40,500-41,000 boe/d and total distributions in 2008 will represent a payout ratio of approximately 50% (before DRIP). It is anticipated that the company's cash flow balance for 2008 will be more than sufficient to fund their exploration and development capital program of \$170 million for the year. Concurrent with the closing of the Burmis acquisition and Baytex's total corporate credit, facilities have been increased to \$485 million from \$370 million. Production from the Burmis properties averaged 3,791 boe/d during the first quarter of 2008. The assets of Burmis are principally multi-zone liquids-rich natural gas and light oil properties in west central Alberta, and include approximately 9.5 million boe of proved plus probable reserves and 110,300 net acres of undeveloped land at year-end 2007. By the way, there are nearly 90 Blue Jays games on TV between now and NHL pre-season.

Certicom* (CIC : TSX : \$2.16), Net Change: -0.31, % Change: -12.55%, Volume: 275,846

Blame Big Blue. Certicom reported weak Q4 results yesterday, with revenues well below expectations at US\$3.5 million (down 46% year over year). The company's net loss came in at US\$4.1 million, or US\$0.09 per share, while Canaccord Adams Technology Analyst Dushan Batrovic had been forecasting sales of US\$5 million and a US\$0.04 loss. Management attributed the miss to the timing of **IBM (IBM)** revenue recognition and to a shift in strategy toward solution-based versus toolkit-based offerings. Batrovic believe this transition could have further disruptive impacts to Certicom's near-term financials, with perhaps resurgence in the back half of the year. Batrovic's inclination is to give the new CEO Karna Gupta the benefit of the doubt on this quarter's poor performance for two reasons: First, financial disruptions during a required strategic shift should not be considered a major surprise. Second, since Gupta has come on board, Certicom has announced several material contracts, including a notable one from IBM. Gupta's commentary would also suggest that we could see other large announcements in the coming months.

Cline Mining* (CMK : TSX : \$2.27), Net Change: 0.48, % Change: 26.82%, Volume: 9,059,165

Like the word "counterintuitive" being one word – counterintuitive. Like many small Canadian coal companies, shares of Cline Mining added to their recent run yesterday, helped by a big one-day move in energy and the TSX Composite. Earlier this week, the Financial Post Trading Desk highlighted a Reuters report of more hikes to coal price contracts by Chinese coking coal producers, and a separate report by Reuters that state-run Coal India is eyeing assets in Canada, Africa and Australia to meet the energy needs of the country. What was impressive yesterday was that Cline continued to show strength in the face of what at first glance appeared to be negative news for the company. On Tuesday and Wednesday this week, the Globe and Mail, and The Province (local B.C. paper), respectively, reported on comments made by Democratic nomination front-runner and possibly the next U.S. President, concerning a long-simmering sore point in Canada-U.S. relations. With voters in South Dakota and Montana going to the polls this week in the last two primaries in a dramatic race for the Democratic nomination, Obama appealed to environmentalists - and a few superdelegates - by throwing his support behind a campaign to halt a proposed coal mine on the headwaters of the Flathead River, in southeastern B.C. In an email, Matt Chandler, of Obama's Montana press office, stated, "Barack Obama supports efforts by Senators Max Baucus, Jon Tester as well as Governor Brian Schweitzer to stop the Cline mine." According to the Globe and Mail, the three Montana politicians, all superdelegates at the Democratic national convention, have been strong critics of the proposed mine, saying it would pollute waters south of the border and threaten Montana's Glacier National Park. The Province added that Cline Mining is seeking approval for the Lodgepole Mine in the Flathead Valley 50 kilometres south of Fernie, which would swallow a mountain ridge in order to produce 5,480 tonnes of coal per day over 12 years. It is important to note that the decision over whether the proposed coal mine goes ahead clearly rests with B.C. and Canada, as said by Chloe O'Loughlin, director of the B.C. chapter, Canadian Parks and Wilderness Society.

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Cardiome Pharma* (COM : TSX : \$10.20), Net Change: 0.58, % Change: 6.03%, Volume: 348,265

This one's now in the SAC. Hedge fund billionaire Steve Cohen's SAC Capital disclosed a 6.8% passive ownership in the biotech firm through a couple of his firms. That's 4,327,480 shares, having only owned 36,945 at the quarter ending March 31, 2008. SAC is a multi-strategy, \$14 billion behemoth founded by Cohen in 1992. He is reported to be personally worth some \$6.5 billion. Recently, **Sanofi-Aventis (SNY)** announced it expects to file for FDA approval of its atrial fibrillation drug Multaq in June. This is a potential competitor drug to Cardiome's vernakalant oral drug. The Phase 2b vernakalant oral data is expected in late June. Management also recently said that active negotiations with a few potential partners are underway and expects to announce a partnership agreement or buyout shortly after, likely in early July. The FDA continues to lean on its proverbial shovel. The dossier remains under review at the Office of Drug Evaluation, although on the positive side, no further data has been requested.

Daylight Resources Trust (DAY.UN : TSX : \$11.22), Net Change: 0.41, % Change: 3.79%, Volume: 482,788

You want to do WHAT in broad daylight? The trust has had its share of difficulties in the past; some operational, some weather related and some market related. However, with the recent strengthening of commodity prices, combined with recent operational success, Daylight appears to be back on track and in a position to execute on a more growth-oriented strategy. While lacking the niche focus that some trusts have, Daylight has a well-balanced portfolio of conventional oil and gas assets that offer both near-term and long-term growth potential. The recent success of its west central farm-outs has revealed significant future development potential from its existing properties in the region while GPP status granted on its Cecil property has finally allowed them to ramp up production from that asset. The recently announced acquisition of **Cadence Energy (CDS)** will consolidate its ownership in a high-quality light-oil pool with significant long-term development potential. Daylight continues to trade at a substantial discount relative to its market peers and at a discount that Canaccord Adams Energy Trust Analyst Kyle Preston believes unwarranted. Could Daylight raise its monthly distribution? If monthly distributions stayed at \$0.10 per unit, Daylight's distribution payout ratio would be 30% and their total payout ratio would be 72% including distributions and capital expenditures.

Essential Energy Services (ESN.UN : TSX : \$3.12), Net Change: -1.05, % Change: -25.18%, Volume: 1,806,165

Mullen Group Income Fund (MTL.UN : TSX : \$22.47), Net Change: 1.36, % Change: 6.44%, Volume: 122,222

Maintaining monthly distributions, Essential? Mullen plans to buy Essential's fluid-transport and oil-field hauling business for \$135 million in cash. The acquisition will bolster Mullen's operations in regions that have been getting attention for their unconventional oil and gas resources. The transport and hauling unit, which operates under a host of names, includes six business lines active in Saskatchewan, Alberta and north-eastern British Columbia. Mullen expects the business to generate revenue of \$115 million in 2008, and produce margins similar to its other operations. The acquisition expands Mullen's services to companies playing prospects such as the Horn River and Montney unconventional gas formations in British Columbia and Bakken oil in south-eastern Saskatchewan. The transaction is expected to close by early July. Mullen will fund the cash purchase price from its existing cash reserves and its existing bank facility. Essential's trust units tumbled after announcing the deal; the trust will have to cut its monthly distribution to \$0.015 from \$0.05 per unit. According to Essential, the business it is selling accounted for 38% of its revenue (~\$34 million) in Q1. Essential will reposition itself as pure-play down-hole oil field services firm.

Intrinsyc Software* (ICS : TSX : \$0.59), Net Change: -0.01, % Change: -1.67%, Volume: 23,100

Their Soleus Adaptation Kit plugs into the Microsoft Platform Builder configuration tool, with a combined menu structure and expanded drag-and-drop support to accelerate OS and mobile device configuration – comes in cherry red. It appears small-cap tech stocks are attracting more interest of late. Several of them have had significant bounces off their recent lows after suffering many challenging months, including **Redline Communications (RDL)**, **DragonWave (DWI)**, and **Bridgewater Systems (BWC)**. Dragonwave and Redline benefited directly from the announcement that **Sprint (S)** and **Clearwire (CLWR)** would merge their wireless broadband divisions. Redline announced some good news of its own, including a solid quarter, as well as industry awards. Bridgewater meanwhile announced customer wins. As risk appears to be draining out of the market, investors may be gaining confidence in these small-cap tech names. We wonder if there are other beaten-down, small-cap Canadian tech names that could bounce on some good news. One company covered by Canaccord Adams comes to mind: Intrinsyc Software. After winning several contracts earlier this year, the shares have pulled back. Canaccord Adams Technology Analyst Peter Misek thinks more contract announcements are on the way. Based on Intrinsyc's growth potential, he believes that the current market discount is not justified.

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MDS (MDS : TSX : \$16.90), Net Change: -1.70, % Change: -9.14%, Volume: 1,505,051

“After careful examination, I have diagnosed a disappointed shareholder.” – Dr. Go Desk. This health sciences company, which specializes in analytical instruments, molecular imaging and contract research, reported a lower Q2 profit and reduced its full-year outlook due to weak U.S. demand for its high-end medical instruments. Adjusted EPS was \$0.06, down from \$0.11 a year ago, while revenue rose 24% to \$326 million. In comparison, analysts were expecting revenue of \$306.5 million and adjusted EPS of \$0.10. Worse, MDS lowered its outlook for the year, now expecting revenue of \$1.25-1.29 billion and adjusted EPS in the range of \$0.27-0.33. The previous estimate was \$1.25-1.3 billion for the revenue and \$0.37-0.43 for the adjusted EPS. Management attributes the weak outlook to drop in sales of specialized medical instruments in the U.S, and slower-than-expected growth in its contract research. In early April, Obrem Capital Management LLC, which holds a 5.1% stake, said it wanted the company to formally hire financial advisers to explore strategic alternatives. According to Obrem, significant shareholder value could be created through the spin-off or sale of one or several of the company’s business units.

Pacific Rubiales Energy* (PEG : TSX : \$10.67), Net Change: 0.61, % Change: 6.06%, Volume: 1,872,067

So you think you can find oil in Columbia? The auditions continue... Yesterday, Pacific Rubiales successfully completed the first phase selection process for the crude oil development in the Eastern Llanos Basin of Columbia. The company reported that Meta Petroleum, the company’s wholly-owned subsidiary has qualified by the Agencia Nacional de Hidrocarburos (ANH) as a valid operator along with 11 other companies, and will move into the next round. This will culminate in ANH awarding contracts for eight exploratory blocks. The results of the bidding process are expected to be announced by June 20. The company also believes that with Meta Petroleum’s experience in the development and operation of the Rubiales heavy oil field, they will have a competitive advantage in the new exploratory block allocation process, expected to be completed by August. The Eastern Llanos basin has high hydrocarbon potential. Two major oil fields, Caño-Limón and Castilla, are located in this basin and there are more than 50 other minor oil fields. Most of the oil in this basin has been found in structural features including basin (antithetic) faults. Also, there are reverse-fault anticlines, low-relief anticlines and stratigraphic traps that have high exploration potential but have not been highly explored to date.

Allen-Vanguard* (VRS : TSX : \$2.64), Net Change: 0.20, % Change: 8.20%, Volume: 1,093,609

If there’s one thing these guys know better than anybody else – it’s all about timing. Shares of this bomb disposal and protection equipment company didn’t totally blow after announcing it received an order valued at US\$10 million for dismantled electronic counter-measures equipment (“ECM”) for a Commonwealth country customer. Shares rallied despite the fact that the new contract is coming from pending orders, and is part of the previously-announced \$50 million of expected orders for ECM equipment. The new order is scheduled for delivery through the fourth quarter of fiscal 2008 and the first quarter of fiscal 2009. The stock has been beaten down since last September, when the company completed the acquisition of Med Eng Systems, a world leader in bomb-disposal suits. Recently, the shares bounced off their 52-week low as Allen-Vanguard announced what appeared to be a positive agreement with Science Applications International Corporation (SAI) to develop CBRNE (Chemical, Biological, Radiation, Nuclear and Explosive) Defence technologies and distribute Allen-Vanguard’s products to U.S. Federal Agencies.

Westport Innovations* (WPT : TSX : \$4.59), Net Change: -0.23, % Change: -4.77%, Volume: 1,221,179

Backin’ my HayDay. Westport reported their Q4 and fiscal 2008 results this week and said they were witnessing an “unprecedented” increase in interest for their products, due to the lower cost of natural gas compared with oil-based fuels, coupled with the environmental benefits. Yesterday, Westport announced that HayDay Farms has ordered 20 heavy duty LNG trucks (new Kenworth T800 trucks incorporating the company’s proprietary HPDI technologies). The value of the contract was not disclosed, but assuming US\$80,000/truck (for Westport), the deal would be around US\$1.6 million. This order comes from a non-port customer and confirms Westport’s assertion that commercial interest is now extending beyond the ports of Los Angeles and Long Beach and that economics are combining with the environmental benefits to drive this demand. According to this customer: “At over US\$4 per gallon for diesel and the natural gas equivalent at approximately US\$3 per gallon, purchasing LNG trucks delivering the same torque and efficiency just makes sense.”

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U.S. EQUITIES OF INTEREST

Listed Alphabetically by Symbol

Cirrus Logic (CRUS : NASDAQ : US\$7.00), Net Change: 0.37, % Change: 5.58%, Volume: 1,500,014

Pentium inside? Don't think so. Roth Capital said yesterday that during their recent trip to Asia, the firm's channel checks at consumer electronics manufacturers confirmed that Cirrus has been designed into the next generation **Apple's (AAPL)** Classic, Touch and Nano iPods. While the company is not commenting on these design wins, Roth believes Apple could become a meaningful revenue contributor to Cirrus starting in Q2/09. The firm has raised its target price, believing Cirrus could potentially secure an additional ~25 million unit order for its audio codecs with these two design wins. Oppenheimer is slightly less bullish, noting that after a recent meeting with Cirrus management, they believe near-term trends remain muted, if only seasonal, although management continues to be bullish on H2/08 prospects, particularly in portable audio. The firm highlights that Cirrus is a share taker in portable audio, with key design wins at multiple tier-1 players, which should help spark some long-awaited top-line growth. They remain concerned, however, with the potential margin degradation and lack of non-portable growth drivers.

Del Monte Foods (DLM : NYSE : US\$7.78), Net Change: -1.05, % Change: -11.89%, Volume: 4,948,071

Peaches, pears and pineapples – i.e. the full Del Monte. The producer, distributor and marketer of branded food and pet products had investors going bananas after providing an outlook for its 2009 fiscal year that was lower than Wall Street estimates, citing rising commodity costs. Shares fell even though Del Monte posted higher quarterly profit - net sales for Q4F08 of \$1.04 billion compared to \$940.1 million last year, an increase of 11.1%. EPS from continuing operations was \$0.25, up \$0.07 from the previous year. The positive impact from the earnings reported more than offset significant year-over-year increases in inflationary and other operation costs, particularly pet ingredient and fish costs. Overall, there are two main themes to FY09: a) The company is planning to drive and invest behind much higher levels of innovation in key brands and expansion of packaged produce to facilitate long-term EPS growth; and b) The company is expecting to implement price hikes of about three times higher than usual. As for use of cash in 2009, the company plans to focus on debt reduction and maintain its dividend pay out. Given the challenging economic conditions, planned investments in growth engines and targeted leverage ratios, Del Monte does not currently plan to repurchase any common stock. Going forward, Del Monte expects sales growth of 5-7% in FY09, with earnings per share from continuing operations of \$0.58-0.62.

First Solar (FSLR : NASDAQ : US\$256.00), Net Change: 13.12, % Change: 5.40%, Volume: 4,924,562

Suffering from tellurium availability issues? With the Dow up more than 200 points yesterday, it would be surprising for a stock not to be in the green. However, there were a couple First Solar and solar industry-specific pieces of news that provided a little extra boost. Briefing.com reported that research out of Deutsche said nothing new has emerged to fundamentally impact First Solar, and that the recent volatility in the stock has been driven by incentive program speculation and changes. The brokerage also said volatility has been impacted by press commentary on: a) CEO stock sales; b) speculation on potential legislation banning cadmium; and c) tellurium availability issues. In short, Deutsche believes these are recycled issues, and that nothing new has emerged to fundamentally impact the company. Separately, AmTech said that a parliamentary discussion in Germany will be taking place today, in regards to finalizing FIT digressions in Germany. FIT Digression Assumptions Remain the Same: Roof system cut 8% in 2009 and 2010, 9% in 2011. Roof systems main end market in Germany versus free-field in Spain. Large free field digression 10% in 2009 and 2010, 9% in 2011. Install Windows Possible: In addition to the FIT reductions above, which have been discussed over the past several days, there is now the potential for growth windows to be added to the legislation in order to fine tune the subsidy burden.

Level III Comm. (LVL3 : NASDAQ : US\$4.42), Net Change: 0.52, % Change: 13.33%, Volume: 106,294,645

What could possibly be better than Level II? Level III Communications climbed higher in head-scratching fashion yesterday, rising on what appeared to be a complete lack of newsflow. On closer look, it would appear investors were simply happy with the company's comments at the annual Oppenheimer Communications & Technology Conference (yes, the very one we've been raving about all week). After all, who doesn't get excited when they hear about semiconductors and software services (-_^)? Level III did provide a fairly positive update in its Tuesday presentation, saying that it expects to be cash flow break-even for

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the remainder of 2008 and cash flow positive by 2009. Core revenue growth for 2008 is expected to range 8-13% (higher than a consensus forecast), and the company said it should not have any debt issues until at least 2010. Good news. However, another explanation for this week's share appreciation relates to recent analyst activity. UBS upped its price target earlier in the week, saying it was pleased with the growth in Level III's core network services. The firm believes that demand and pricing trends will remain healthy, and is confident in management's ability to achieve its financial goals. JPMorgan and Goldman Sachs have also been touting the stock, saying Level III should reach 2008 targets without backloading. Perhaps the best news of all was that Level III had decided to change its name to Level IV to boost its competitive advantage. Just kidding...but we'd certainly be buyers if they did.

Monsanto Company (MON : NYSE : US\$138.51), Net Change: 6.91, % Change: 5.25%, Volume: 10,060,287

When in Rome... The agricultural biotech company pledged to develop seeds by 2030 that would yield crops of corn, soybeans and cotton that uses 30% less water, land and energy to grow. The announcement was made to coincide with the major world summit on the subject of food being held now in Rome. Monsanto is lobbying the case for genetically modified food, and rightfully so, though they did not mention the word "genetic" anywhere. One expert doubts Monsanto's goals, saying "The hype-to-reality ratio of [doubling yields] is essentially infinity." One thing is beyond debate: Monsanto's stock has already doubled and it took less than a year to do so.

Nucor (NUE : NYSE : US\$80.54), Net Change: 6.40, % Change: 8.63%, Volume: 12,706,402

Clark Kent – sans cape. Shares of Nucor have been resembling the Man de Steel of late, nearly doubling in the past 52 weeks, and continued to surge higher yesterday after the steel producer raised its profit forecast for the second quarter because of strong global demand for steel products and rising margins. The bullish announcement came as JP Morgan and S&P Equity Research both raised Nucor's share price target, just two days after a similar upgrade of the steelmaker by Citigroup. Nucor said it now expects quarterly earnings between \$1.75-1.80 per share, compared to its previous forecast of \$1.55-1.60 per share, and above both the Street's consensus estimate of \$1.69 per share. An independent steel industry analyst said, "This is an indication of the sea-change in the global steel market, which has become a tsunami." She added that the Chinese-driven growth in demand has spread to the whole emerging market and driven up steel prices. Slightly less positive, an analyst with Bradford Research/Soleil said steel prices have soared nearly 50% this year, but said he believed they may have peaked. Moreover, "We are seeing that in some grades, such as galvanized steel, but it depends where scrap ends up," he said. Prices for scrap metal, which some steelmakers, like Nucor, use as a raw material are at record highs. For the day at least, the market viewed the Nucor news as a positive, and in return the entire steel sector was jumping yesterday, including U.S. Steel (X) and AK Steel (AKS).

Oracle (ORCL : NASDAQ : US\$23.18), Net Change: 0.27, % Change: 1.18%, Volume: 31,048,823

Takeover (n): a) A corporate action where an acquiring company makes a bid for an acquiree; b) What Larry Ellison does. Bernstein & Co. asserted yesterday that Oracle is almost certainly going to continue spending billions of dollars on additional acquisitions. They note that CEO Larry Ellison last summer projected that the company would hit \$50 billion in annual revenue by FY12, but they contend that current businesses, growing at an estimated 11.4% CAGR, would only bring the total to \$34.4 billion by that time. Ergo, Bernstein thinks the company needs to make up the \$15.6 billion shortfall via acquisitions. At current rates, that would mean \$40 billion of additional acquisitions over the next four years. Ellison has spent \$33.5 billion buying the software maker's way into markets for telecom, retail and financial-services program. To keep his promise to double sales by 2012, Ellison needs to find a target in another big-spending industry, namely health care. And many say **Cerner (CERN)** may be Oracle's best target. The health-care software maker with programs for handling electronic medical records, accounting and billing now has a market value of \$3.71 billion. While Oracle hasn't made a public bid for Cerner, it has already bought the two largest companies on the target list - PeopleSoft and BEA Systems. Note that 63-year-old Ellison has been the architect of 40 takeovers since 2005.

Regeneron (REGN : NASDAQ : US\$15.35), Net Change: -3.73, % Change: -19.55%, Volume: 5,741,656

Regenerun. This drug-maker had investors running scared yesterday after it provided an uninspiring update at the North American Brain Tumour Consortium. Regeneron said that while its aflibercept treatment was showing positive radiological response rates in two types of brain cancer, the progression-free survival (PFS) primary endpoint had not been met. Important radiological response rates have been witnessed in all trials, but the duration of these responses was apparently inadequate. Even more disappointing, was that there appeared to be a difference in the treatment's toxicity profile compared to **Genentech's (DNA)** drug Avastin. Credit Suisse advised not to make too much of this latter point, as Regeneron's treatment has not been

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subjected to the same tests. However, the firm will be more cautious moving forward and has trimmed its target and rating on the news. Credit Suisse still believes in the long-term potential of Regeneron, due to: a) its aforementioned aflibercept drug; b) its strong cash position; c) potential for value creation with a recent **Sanofi (SNE)** deal; and d) potential for application of its IL-1 drug in other illnesses. Canaccord Adams remains equally bullish on the company's future, saying that it was encouraged by a large amount of other data presented at the conference.

Smithfield Foods (SFD : NYSE : US\$28.28), Net Change: -1.85, % Change: -6.14%, Volume: 4,528,615

Oink. Food producer Smithfield was uglier than a pudgy pink pig (please – they really aren't cute) after releasing weak Q4 results and providing flat guidance. Profit for the quarter ended April 27 came in at \$2.4 million, or 2 cents per share, as compared to \$37.1 million, or 33 cents per share in the year-ago period. Analysts had been expecting earnings of around \$0.07 a share on revenues of \$3.55 billion (versus an actual \$2.87 billion). Smithfield attributed its poor performance to weakness in their hog production business, which saw live hog prices fall dramatically and costs go through the roof. The company was able to offset much of this weakness through substantial improvement in its pork operations, as it received greater-than-expected prices and margins. Smithfield's exporting business was also solid, with its shipping rates higher than industry averages (total exports exceeded 1 billion pounds, a notable achievement). Still, these few positives were not enough to offset many negatives, with the company commenting that the meat industry could "not sustain itself in this environment." Grain diversion into ethanol, higher corn prices, and increased competition have seriously hurt Smithfield, who went as far as predicting a "worldwide disaster" should such conditions continue. The company said that it could not provide any assurance that operations would be profitable in the near future. It looks like you'll have to look for other stocks to bring home the bacon.

Verizon Communications (VZ : NYSE : US\$38.96), Net Change: 1.98, % Change: 5.35%, Volume: 40,504,346

Can you hear me now? Investors were all ears yesterday when Verizon announced that it would acquire competitor Alltel in a deal that will see the company become America's largest cellular provider. The company has entered into an agreement with Alltel and Atlantis Holdings (an affiliate of private investment firm TPG Capital and GS Capital Partners) to acquire all of Alltel's equity for approximately \$5.9 billion. Based on Alltel's projected net debt of \$22.2 billion, the aggregate value of this transaction is \$28.1 billion. Verizon believes the transaction (expected to close by the end of the year) will be "immediately accretive" and estimates its NPV to be approximately \$9 billion. This will be driven primarily by reduced capital expenditures and operating expenses, with the company guiding for cost savings of around \$1 billion. Lehman Brothers agreed with this forecast, commenting that Verizon should be able to realize significant synergies given its "existing roaming agreements, comparable network technologies, contiguous service territories and redundant SG&A." Credit Suisse added that the transaction should "make sense for [Verizon] equity owners", but only if the banks that underwrote Alltel's debt cooperate. The firm notes that banks still hold a material amount of Alltel bonds, which currently trade at a discount. If banks were to bid up these issues, the deal could end up costing a lot more. The Street didn't seem worried about this possibility, however, with most believing the gains to be derived against competitors such as **AT&T (T)** are far more important.

Wal-Mart (WMT : NYSE : US\$59.80), Net Change: 2.12, % Change: 3.68%, Volume: 34,870,871

Costco Wholesale (COST : NASDAQ : US\$73.50), Net Change: 2.69, % Change: 3.80%, Volume: 6,103,358

"Soon everyone in the world will be wearing 2-for-1 jeans and Khakis will be outlawed forever, Muhahahah!" – Evil Discounting Deviant. Wal-Mart and Costco on Wednesday announced May sales climbed more than analysts estimated, as shoppers flocked to discount chains to save money on fuel and food. Wal-Mart's same-store sales, excluding fuel, rose 3.9%, well ahead of the 1.6% growth analysts were expecting. Note that Wal-Mart shares are up more than 20% year to date; if the stock sustains its pace for the remainder of 2008, it would result in the best performance by the stock in nine years. The company is simply benefiting from the cost-conscious consumer as they are "cutting back on the number of destinations," and are, "going to...places they know they can rely on," one fund manager said on Thursday. It seems that in today's challenging market environment, Wal-Mart's message: "Save Money, Live Better" is becoming more and more relevant. Visits to Wal-Mart and Costco locations in higher income markets is growing faster than the rest of the chain, signalling that retailers are gaining among consumers because they save them money. Costco yesterday reported an increase in U.S. same-store sales of 7% in the four weeks ended June 1, while net income increased 32% to \$295.1 million. High(er)-end retailer **Gap (GPS)** meanwhile showed yesterday a decrease in net sales of 8% to \$1.09 billion and a same-store sale decrease of 14%! Note to Gap: Consider selling medicine for \$4 or less and stop making 30-second commercials with people swing dancing in Khakis.

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GO FIGURE



Question: *What are the criteria for a player to get his name on the Stanley Cup?*

Answer: According to About.com, the Stanley Cup is the only trophy in pro sport that bears the names of players, coaches, management and staff from the winning teams.

Prior to 1977 only players who had completed the Stanley Cup playoffs were eligible. Today, players appearing in 41 regular-season games or one Stanley Cup Final game for the championship team have their names engraved on the Cup. The NHL makes exceptions for players who do not meet the standard because of injury or other extenuating circumstances.

That's why Jiri Slegr was the luckiest guy in the NHL in the spring of 2002. Acquired by Detroit at the trade deadline, he played just eight regular season games as a Red Wing and did not dress for a single playoff game for the first three rounds. But he was called on to play game five of the Stanley Cup Final in place of Jiri Fischer, who had to serve a one-game suspension. So Slegr got his name on the Stanley Cup, and has a nasty Fischer cross-check to thank for it.

Besides eligible players, the names of coaches, management and staff of the winning team are also engraved on the Cup.

It takes 13 years to fill a ring on the Stanley Cup. When a ring is full, an older ring is removed from near the top of the Cup and put on display at the Hockey Hall of Fame.

Only one name has been added against the rules. When the Edmonton Oilers won their first championship in 1984, owner Peter Pocklington included his father's name – "Basil Pocklington" – among the names engraved. It was later scratched out with a series of Xs.

THE LAST DROP: I don't know how expensive the champagne is but it tastes pretty good.

– Detroit Red Wing Brad Stuart, drinking from the Stanley Cup



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