

# The Guardian Insight

Timely Perspectives from the  
GCA Investment Committee

**May 27, 2010**

**"mounting sovereign and private debt pressures globally are offsets to generally better economic readings...."**

## **Current Sentiment:**

At our most recent meeting, Investment Committee members at Guardian Capital Advisors again maintained a view to remain neutral with a defensive bias from an equity weight perspective within unconstrained portfolios. In general, mounting sovereign and private debt pressures globally were off-sets to generally better, though not fully robust economic readings. Inflation and double-dip recession risks are considered minimal at this time.

## **Current Observation Detail:**

Certainly the ongoing issues in Greece and the proverbial PIIGS (Portugal, Ireland, Italy, Greece & Spain) in general are dominating headlines and attention right now. From our viewpoint, the forced austerity measures will only exacerbate the problems, at least in the near term. Though risk spreads like LIBOR (London Inter Bank Offer Rate) are still only a fraction of what they were at the height of the Lehman crisis, a recent downgrade to Spain's credit rating by Moody's, a major credit rating agency, is likely only the start of this type of activity, and is likely to lead to more risk aversion. Debt levels in the USA also bring into question their own ability to grow out of their problems as state/local government restraint is a huge headwind to the stimulus being administered at the Federal level.

There is no question that better economic

activity is taking place around the world, with purchasing managers surveys and industrial production indicators still signaling expansion. A key question is how long it will or can continue when stimulus programs are removed, as it is a truism that the fiscal stimulus has to end at some point.

The secular growth in Asia is not up for dispute as many nations are showing double-digit levels of growth. Emerging consumers are starting to shift economies from being completely reliant on exports to more balanced by domestic consumption. The current bear market in Chinese equities and possible rupturing property bubble do give pause for concern, but with massive reserves and control over the economy, the Government will likely be able to maneuver through their near term challenges.

## **Conclusion:**

Overall, we continue to follow a 'neutral' placement of portfolios along the risk/return continuum. The underlying mood of the Committee remains cautious with an ever constant eye on capital protection. Our longer term prognosis is still for moderate equity market outperformance vis-a-vis fixed income markets, so we anticipate adding equity exposure when we see improved risk/return pricing relative to the slower growth world that we expect to unfold in the near term.

**Guardian Capital Advisors  
Investment Committee**



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