VIEWPOINT

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MARKET SUMMARY

After a positive month in October markets resumed their downtrend in November. The month of November is sometimes looked upon to start a winter rally in the markets but that simply wasn't the case this year. The Canadian market was down 0.4%, the U.S. market was down 0.5%, and the International market was down 5.2%. Oil prices on the other hand surged higher, moving up 7.7%, on worries that tensions between Israel and Iran over Iran's developing nuclear program are escalating.

Canadian Economy Bounces Back

The latest data from Statistics Canada revealed a solid rebound in overall economic growth in the third quarter of 2011. Gross domestic product (GDP) advanced at an annualized 3.5% pace after posting an outright 0.5% contraction in the previous quarter. On a year-over-year basis, economic output stands with a 2.4% advance.

U.S. Jobs Growth Continues

The U.S. unemployment rate dropped unexpectedly to 8.6% in November – the lowest in two and a half years – while employment growth accelerated in a further sign that the uneven recovery has regained some vigor. U.S. non-farm payrolls posted a 120,000 advance in November, a fourteenth consecutive gain. Advances in private sector employment continue to be partially offset by cuts in government public payrolls. The latest 20,000 drop in public sector payrolls takes the total decline to 485,000 since February 2010. Private employment has climbed by 2.9 million over the same period.

Canadian Equities: TSX

1 Month = -0.4 % 1 Year = -5.8 %

U.S. Equities: S&P 500

1 Month = -0.5 % 1 Year = +5.6 %

International Equities: EAFE

1 Month = -5.2 % 1 Year = -7.0 %

Oil

1 Month = +7.7 % 1 Year = +19.3 %

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CONTACT:

GARY BEAN SECURITIES LTD.

Email : info@garybean.ca

Call us: 519-235-4099 or 800-710-5216

Drop in: 588 Main St. S. Exeter, ON N0M 1S1

Website: www.garybean.ca

Special Announcement!

Gary Bean Securities Ltd. supports Big Brothers Big Sisters of South Huron. If you would like to join in on the support, feel free to drop off any non-perishable food donation at our office until December 15th.

MONTHLY HIGHLIGHT:

Historical "Bear" Markets

The table below outlines each of the market declines greater than 15% experienced by the U.S. stock markets over the 60 year period from 1950 to 2010. There were thirteen such declines or "bear" markets over that timeframe. The average decline during these unstable times was 30.2% and the average duration from the time the market peaked until it finally bottomed was 13 months.

The summer of 2011 will mark the fourteenth "bear" market since 1950. The U.S. market declined by just under 20% from May to November. The Canadian markets declined by approximately 22% over the same period. Understanding market declines is important, but it is also important to understand what happens in the aftermath. In the twelve months following a bear market the average rally experienced by the stock markets has been over 30%. Over the two year period following a bear market the average gain has been almost 44%.

What sort of practical investment advice flows from a table like this one? Quite simply the message is don't panic. The table below puts some numbers to these words and shows exactly what the average investor could've missed out on if they panicked and sold out when markets were at their worst.

Bear Market Began	% Decline	Historical U.S. Bear Markets Duration (Months)	12-Month Return from End of Bear Market	2-Year Return from End of Bear Market
1-Jul-56	-19.0%	17	38.1%	49.8%
12-Dec-61	-24.6%	6	26.7%	5.9%
18-Jan-66	-22.1%	9	26.3%	34.1%
14-Nov-68	-36.1%	19	37.1%	47.3%
11-Jan-73	-48.2%	21	32.0%	65.6%
21-Sep-76	-19.4%	18	10.6%	31.0%
13-Feb-80	-17.1%	1	33.2%	40.7%
28-Nov-80	-27.1%	21	51.8%	50.2%
25-Aug-87	-33.5%	3	18.8%	37.7%
16-Jul-90	-19.9%	3	29.1%	58.5%
17-Jul-98	-19.3%	2	37.9%	36.7%
24-Mar-00	-49.1%	31	22.2%	17.7%
9-Oct-07	-56.8%	17	68.6%	95.1%
Average	**-30.2%**	**13**	**33.3%**	**43.9%**

Note: Bear Market is defined as Peak-Trough corrections exceeding 15%. Data based on daily close prices of S&P 500 Index.
Source: RBC Asset Management Inc. as of November 28, 2008

There has been no better example of this than the most recent market decline in 2008. The rally following the fall 2008 market turmoil was dramatic. Of course it would have been best to get out before the 2008, and all other "bear" markets, and then re-enter the markets to capitalize on the rally that followed. More realistically, many investors held stocks and mutual funds throughout the 2008 decline. Their question then became what to do now. With hindsight we can clearly see that the answer was to hang on and not panic in order to capitalize on the 2009 and 2010 rally.

The same advice has value today. With perfect hindsight the best strategy would have been to sell all of your stocks in February or March this year. If you didn't now is not the time to lose heart. More likely it is now a better time to do some selective buying to add high quality names to your portfolio that can ideally capitalize on a rally that may potentially follow some of the historic patterns we have seen over the past 60 years.