

Weekly Trend Watch

February 5, 2010



Inflation/Deflation Timer - Current Indication:

Neutral

The Inflation-Deflation Timer is a trend-following model, and this class of model is incapable of calling tops or bottoms, and therefore its value is in the ability to spot trends. The trends we are looking for are: inflation, deflation and neutral.

This publication is an ongoing monitor of the Inflation-Deflation Timer model, for more information on the model, see:

http://www.qwestfunds.com/publications/newsletters_pdf/newsletter_november_2009.pdf; and
http://www.qwestfunds.com/publications/newsletters_pdf/newsletter_february_2010.pdf

Cam Hui, Board of Advisors, Qwest Investment Management Corp.

Qwest Commentary

A neutral reading

The Inflation-Deflation Timer model remains at neutral after moving from an inflation reading to neutral last week.

Technical analysis raises yellow flags

There is a possibility that the model could turn positive on inflation again. The commodity and stock markets appear to be staging an oversold rally, which could create a whipsaw condition and flip the model back to inflation.

We believe that any such reversals are likely to be fake-outs. The accompanying chart shows commodity prices as measured by the Reuters/Jeffries CRB Index. The Inflation-Deflation Timer model's neutral signal coincided with a technical violation of the uptrend line, which confirms our more cautious stance on stocks and commodities. Commodity prices are likely to enter a prolong period of sideways movement.

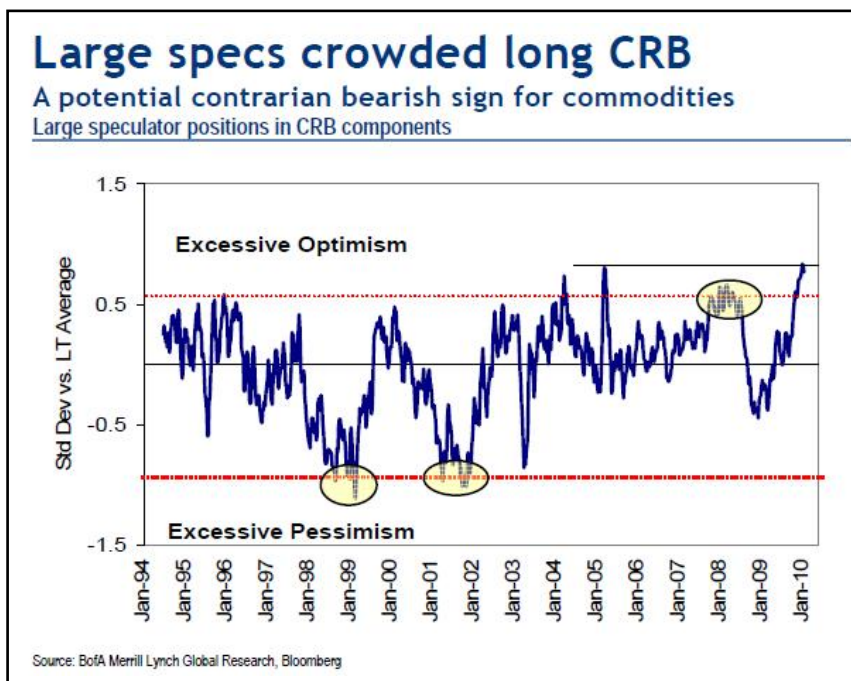


Sentiment models also signal caution

Investor sentiment models are also showing a crowded long position in commodities. The accompanying chart from Mary Ann Bartels of BoA/Merrill Lynch shows that large speculators (read: hedge funds) are in an aggregate crowded long in the commodity complex. This condition is contrarian bearish. A pull-back in the commodity complex would present a more attractive entry point for equity positions in commodity producers.

A more defensive position

A person who strictly follows the Inflation-Deflation Timer model would move from a position of holding a Canadian Dollar hedged basket of commodities into a 100% equity allocation. However, we would also like to state that we are inclined to be more cautious than to assume the risk of an all-equity portfolio that the model suggests.



DEFINITIONS (as defined in the American Heritage Dictionary)

Inflation

A persistent increase in the level of consumer prices or a persistent decline in the purchasing power of money, caused by an increase in available currency and credit beyond the proportion of available goods and services.

Deflation

A persistent decrease in the level of consumer prices or a persistent increase in the purchasing power of money because of a reduction in available currency and credit.

IMPORTANT DISCLOSURES

This information is made available by Qwest Investment Management Corp. ("Qwest") for information purposes only. This information is not intended to be and should not to be construed as investment advice, and any recommendations that may be contained herein have not been based upon a consideration of the investment objectives, financial situation or particular needs of any specific recipient. In addition, this information is not to be construed as an offer to sell, or solicitation for, or an offer to buy, any securities.

The information is intended for residents of Canada only.

The opinions, estimates and projections contained herein are those of the author and not Qwest. Qwest makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions which may be contained herein and accepts no liability whatsoever for any damage or loss arising from any use of or reliance on this information. Qwest is under no obligation to update or keep current the information contained herein.

The information presented may not be discussed or reproduced without prior written consent.

Qwest, its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities mentioned herein as principal or agent.

Copyright © Qwest Investment Management Corp. 2009. All rights reserved.

For More Information Please Contact:

Maurice Levesque
Managing Director , President
Phone: 604-601-5802 or Email: mlevesque@qwestfunds.com

Website:
www.qwestfunds.com