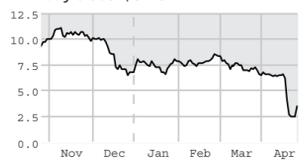


# BULLS & BEARS

John Morrissy's weekly review of select market performances (jmorrissy@canwest.com)

## Dynasty Metals and Mining Inc.



Socialism is fun in college. Then you become a money-crazed capitalist and forget about all that. So when the lefties in Ecuador clobber Dynasty and others with some keep-the-mining-profits-at-home nonsense, do we rejoice for the downtrodden? And do we trust Friday's stock surge after the government suddenly changes its tune?

## Netflix Inc.



There will be blood... for any company that fails to produce in this merciless market. A mere 36 per cent increase in first-quarter profit and its biggest quarterly influx of new customers were hardly enough to save Netflix, the high-flying online DVD rental service, from an R-rating by investors who fretted about rising costs.

## OAO Gazprom



As Russian cultural exports go, Maria Sharapova probably keeps more balalaikas ringing out. But with its \$311-billion US market cap and closing grip on European energy markets, Gazprom is getting the attention. And the way things are going, it'll soon overtake GE as the world's fourth-largest company. That should keep the comrades warm.

## Ambac Financial Group Inc.



And Conrad Black gets six years? When you consider the billions lost to Wall Street's subprime shenanigans, it seems laughable. Let us forget, the carnage continues, the latest installment being from mortgage insurer Ambac, which lost \$3.1 billion in the latest quarter. Now under \$4 US, the stock was above \$96 less than a year ago.

## Precision Drilling



And the best performing stock on the S&P/TSX composite index this year is... Potash Corp.? Close, but no cigar. It's oil and gas drilling contractor Precision Drilling which, despite lacklustre results this week, is riding high on expectations that firming natural gas prices will revive exploration activity in Alberta.

# YOUR MONEY

INVESTMENTS • MUTUAL FUNDS • PERSONAL FINANCE

## Alliance Grain sows seeds of success



RYAN IRVINE  
THE YOUNG BUCK

The four-week mini bull, driven by surging crude and solid metals prices, came to a halt this past week, but Friday ended on a positive note.

Given the fact we believe the U.S. economy is in recession, we do see some unique pockets of strength. One area we continue to like is the agriculture and food segment.

This week, we highlight a company we have followed with great success for the better part of a year now, **Alliance Grain Traders Income Fund (AGTUN:TSX-V)**.

Through its operating company, Alliance Grain is engaged in the business of sourcing and processing (cleaning, splitting, sorting and bagging) specialty crops, primarily for export markets. Within Canada, the United States and Australia, Alliance handles the full range of pulses and specialty crops including lentils, peas, chickpeas, beans, and canary seed, through six processing plants.

While not the sexiest story on the street, it's a company in which we've seen solid potential since its shares traded in the \$6 range late last summer.

Growth in Alliance Grain's market has been driven by an increasing world population, globalization, an increase in the health concerns of consumers and the increasing use of pulses in animal feed products.

In what we believe to be a rather ill-conceived venture, traditional protein crops such as corn, wheat and soy are being consumed at an increasing rate by the growing biofuels industry in the U.S. This is driving up the global prices of such crops.

For Alliance Grain, sales increased to \$79.1 million in 2007 from \$12.1 million in 2006, with net earnings rising to \$3.7 million, or \$1.07 per unit, on a non-diluted basis. Results were particularly strong in the fourth quarter, with sales of \$42.7 million for the three months ended Dec. 31, 2007.

### Common cents



Ken Murray

**Name:** Ken (Magellan Fund) Murray  
**Age:** 28  
**Location:** Calgary  
**Occupation:** Architect  
**Hobbies:** Skateboarding, BMXing, watching hockey, and reading.

**Financial goal:** A modern-day Ferdinand Magellan, Ken is saving for the trip of a lifetime. He is planning an around-the-world journey and would like to know a good place to park his money over the course of the next year that might earn a bit more than his regular savings account.

**Our take:** While potential returns from individual stocks,

funds or ETFs might look enticing, when saving for anything under a year, your investment horizon is considered short term.

As such, preservation of capital will be one of your key goals, so you will have to forgo some potential return in favour of safety. Fortunately, there are a couple of places where you can look to get a better return than the 1.5 per cent or less your average savings account may pay.

First, you can look at money market funds, which provide investors with a safe place to invest easily accessible cash-equivalent assets characterized as a low-risk, with a better return than a typical savings account. Many banks or virtual banks, such as **ING Direct**, have higher-interest savings accounts that currently yield up to 3.5 per cent for 90, 180 or 270 days — each with a guaranteed rate of return. Shop your money around, and that round trip may come faster than you think.

### Stock stumper

This Pennsylvania-born TV personality, author, hedge fund manager, The Street co-founder and jack-of-all-financial has become one of the most widely known on-air financial pundits in the world.

While he may play a total madman on TV, this "guru" is really just an unbalanced guy at home.

However, when it comes to stocks, he believes in being rigorous and methodical, not crazy. There's no madness to this investor's method. Who am I?

**Last week's answer:** Benjamin Graham  
**Last week's winner:** James Ludwick, Calgary

### Put it to us

**Question:** When a stock is falling rapidly, does this mean there are no buyers for it?  
— Renee Trembley, Calgary

**Answer:** In most cases, when a stock is falling it does not mean it has "no" buyers. The stock market works on the basic economic concepts of supply and demand.

If there is more demand, buyers will bid more than the current price and as a result, the price of the stock will rise. If there is more supply, sellers are forced to ask less than the current price, causing the price of the stock to fall. When stocks are traded, it means that buyers and sellers are coming together in equilibrium.

That said, in extreme cases, it is possible for a stock to have no buyers. Typically, this happens only for thinly traded stocks on the markets, such as the pink sheets or over-the-counter bulletin board (OTCBB), not stocks on a major exchange such as the New York Stock Exchange. In these extreme cases, when there are no buyers, you may be unable to sell your shares immediately and you could be stuck with them until there is some interest from other investors.

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## INVESTING



Bloomberg Archive

Traders in New York have seen both energy and agriculture stocks soar this year.

# Oil, agriculture make market bedfellows



RAY TURCHANSKY

## Industries part of same equities party

The energy and agriculture industries have historically had a somewhat strained relationship, with claims of oil companies harming crops and animals, but the two are now enjoying a strange stock market liaison.

The price of oil and potash reached all-time highs on the same day last week, sending shares in both industries soaring.

So now I ask you to sit right back and hear a tale of two stocks.

In June 2006, I attended a presentation on the oilsands by Calgary-based **Blackmont Capital**. During the evening, Derek Gates of **Sustainable Wealth Management Ltd.**, who in 2004 developed the Oil Sands Sector Index, gushed about the prospects of **Petrobank Energy**, which has its own oilsands reserves and is one of three companies trying to develop a cheaper and more environmentally friendly way of extracting oil from the sands.

While I bought nothing, I mentioned the company around the house and my son Zak, age 14 at the time, included the stock in his portfolio for a junior high school project. Its share value increased 6.6 per cent in four weeks (79.2

per cent annualized).

Then in March 2007, I attended a presentation by Brad Willock, senior portfolio manager with **RBC Asset Management**, who said: "Potash is probably better than the oilsands. There's no environmental liability, no CO<sub>2</sub>, the mine is automated. It's just a cash machine. Right now, potash is \$200 a tonne, and it needs to be \$350 a tonne to incent someone to build a new mine. And it's in Saskatchewan; nobody's going to abscond with it, like in Venezuela."

Shares of **Potash Corp. of Saskatchewan** were \$61 when Willock spoke.

Then last summer, when news first emerged that **Bear Stearns** was suffering subprime mortgage woes, stock markets plunged and I jumped in. I bought Petrobank, which had been trading at \$30, for \$26.85. But Potash Corp., which had been trading at \$90, announced record profits that day and spending on a New Brunswick mine. Shares leapt to \$96, so I passed.

Alas, early this January, Potash shares hit \$150. So on Jan. 21, with U.S. markets closed for Martin Luther King Day and the S&P/TSX index falling some 600 points, I bought Potash for \$122.98.

Somehow the oilsands and agriculture industries seemed like a hedge for each other. If government incentives lured farmers into growing corn to produce ethanol as a substitute for fossil fuels, the potash demand would be insatiable. Conversely, if that whole concept drove food prices skyward and the idea backfired, reliance on the oilsands would heighten.

But what happened the same day this week was bizarre. Crude oil prices rose to \$115.14 US a barrel in New York, the highest since oil futures began trading in 1983. And China agreed to a new contract buying potash at \$576 US a tonne

from **Canpotex Ltd.**, which is controlled by Potash Corp., **Agrium Inc.** and **Mosaic Co.**

The day ended with Petrobank shares sitting at \$53.50 and Potash up \$10.35 at \$198.50. In fact, that allowed Potash Corp. to leapfrog ahead of **Royal Bank of Canada** as the third-largest public company in Canada, with \$62.9 billion in market capitalization, trailing only **Research In Motion Ltd.** at \$68.4 billion and **EnCana Corp.** at \$63.8 billion.

The point of these observations isn't to gloat over my recent successes — my wife, Loraine, reminds me I could have bought Potash at \$96 — and we all know that stock prices don't go up in a straight line. There will be pullbacks, and joining the party late is better than not joining at all.

The big question is how this relationship between energy and agriculture will play out.

Newspapers have been churning out stories about skyrocketing food prices, as the cost of wheat hits record highs. Food riots are going on in parts of the world. It's due to countries such as India and China developing middle classes with dietary demands for protein from animals, which graze on plants, at the same time more corn is being grown for biofuels instead of food.

This week, the U.S. consulting firm **Wood Mackenzie** told The Associated Press: "The high cost of biofuels production, due to the price of feedstocks, is a significant constraining factor on demand." But at the same time, international investors were set to complain at meetings of **BP PLC**, **ConocoPhillips** and **Chevron Corp.** about the environmental harm of oilsands production.

Right now, investors are able to profit from both industries. But it's a tug-of-war they will have to watch closely, and be nimble when it comes time to pick sides.



THE CALGARY 55  
Calgary-based companies trading on the TSX

### Oil and Gas

| Company         | Close  | Net Chg |
|-----------------|--------|---------|
| Cdn Natural Res | 85.56  | +2.31   |
| Compton Pete    | 11.80  | +0.07   |
| EnCana          | 83.47  | +2.21   |
| First Calgary   | 2.50   | +0.04   |
| Husky Energy    | 45.99  | +1.19   |
| Imperial Oil    | 57.91  | +1.06   |
| Nexen           | 36.72  | +1.33   |
| Niko Resources  | 92.12  | +0.30   |
| OPTI Canada     | 19.85  | +0.44   |
| Paramount Res   | 18.70  | +0.45   |
| Petro-Canada    | 49.32  | -0.14   |
| Suncor Energy   | 117.27 | +2.99   |
| Talisman Energy | 20.22  | -0.22   |

### Industrials

| Company         | Close | Net Chg |
|-----------------|-------|---------|
| ATCO INV        | 47.00 | -0.85   |
| Agrium          | 90.30 | +4.44   |
| Cdn Pac Rail    | 69.08 | +0.65   |
| Enbridge        | 42.18 | -0.22   |
| Ensign Energy   | 22.03 | +0.62   |
| Forzani Group   | 17.70 | -0.05   |
| Pason Systems   | 16.92 | +0.42   |
| Shaw Comm B NV  | 20.99 | +0.04   |
| TransAlta       | 33.46 | -0.35   |
| TransCanada     | 36.50 | -0.01   |
| Trican Well Svc | 22.57 | +0.21   |
| WestJet Airl    | 16.48 | +0.31   |

### Trusts

| Company          | Close | Net Chg |
|------------------|-------|---------|
| ARC Energy Tr    | 26.64 | +0.49   |
| AltaGas Income   | 23.88 | +0.07   |
| Baytex Energy    | 25.51 | +0.96   |
| Big Rock Brewery | 11.85 | -0.20   |
| Boardwalk REIT   | 40.45 | +0.88   |
| Bonavista Energy | 31.34 | +0.04   |
| Cdn Oil Sands    | 45.41 | +1.12   |
| Enerplus Res     | 46.00 | +0.95   |
| Fording Cdn      | 63.88 | +1.80   |
| Ft Chicago LP    | 10.80 | +0.04   |
| Inter Pipeline   | 9.59  | +0.08   |
| Mullen Group     | 20.35 | -0.35   |
| Newalta Income   | 20.45 | +0.17   |
| Pembina Pipeline | 17.15 | +0.18   |
| Pengrowth Enrgy  | 20.53 | +0.33   |
| Penn West Enrgy  | 31.54 | +0.85   |
| Peyto Energy     | 20.24 | +0.19   |
| Precision Dring  | 25.88 | +1.51   |
| Provident Energy | 11.00 | +0.10   |
| Superior Plus    | 13.73 | -0.07   |
| Vermilion Enrgy  | 38.65 | -0.05   |

POSITIONS IN THE CALGARY 55 ARE DETERMINED PRIMARILY BY MARKET CAPITALIZATION. THE LISTINGS ARE REVIEWED ANNUALLY AND CATEGORIES ARE SUBJECT TO CHANGE.

## Critical Numbers

### Markets

|                 |        |          |
|-----------------|--------|----------|
| ▲ TSX Composite | 137.54 | 14103.87 |
| ▲ Dow Jones     | 42.91  | 12891.86 |
| ▼ Nasdaq        | 5.99   | 2422.93  |
| ▲ TSX Venture   | 10.10  | 2489.20  |

### Currency

|                 |       |           |
|-----------------|-------|-----------|
| ▼ Cdn dollar    | 0.020 | 0.984 US  |
| ▲ New York Gold | 0.30  | 889.70 US |

### Energy

|              |       |           |
|--------------|-------|-----------|
| ▲ West Texas | 2.49  | 119.70 US |
| ▲ NYMEX gas  | 0.173 | 10.963 US |



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