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FINANCIAL SOLUTIONS

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> "...forecast predicts real estate values for 2013 will tumble 20%"

Employment numbers in America surprised everyone. A total of 157,000 new jobs were added in the month of January showing that economic activity and hiring are much stronger than believed. Additionally, the report revised its numbers for November and December to 247,000 and 196,000 jobs, respectively. Business activity remained strong in the face of increased taxation and government spending cuts. Such strong indications point to an American economy that has considerable momentum than anyone anticipated.

On the political scene, little to nothing has changed. Stalemates, brinkmanship and strong-arming are quite fashionable political tools. Unfortunately, economic growth suffers as we saw with the last presidential term.

Ben Bernanke on the other hand (is definitely not Alan Greenspan), has a firm grip on monetary policy. Government spending acts and tax increases detract from economic growth. It is to be expected that Ben Bernanke will continue quantitative easing for an extended period of time given the fact that even though the economy has good momentum it is still very weak and fragile requiring assistance and intervention.

Economic momentum and a positive revision in employment numbers served as a catalyst in moving markets higher globally although at varying degrees.

In Europe, the labour department employment report pushed markets higher with the manufacturing sector in Germany being the biggest benefactor. Markit Economics revealed the purchasing managers' index rose from 46 in December to 49.8 in January. The rate of inflation fell unexpectedly from 2.2% to 2%. Inflation was forecasted to remain unchanged at 2.2%. Not all this positive news is translating to positive long term results as unemployment remains at 11.7%.

China appears to have turned the corner. A survey from the National Bureau of Statistics showed Chinese manufacturing sector expanding for four consecutive months in January. Unfortunately, so far the purchasing manager index actually declined from 50.6 in December to 50.4 in January. China may double dip.

Japan's unusual monetary policy move is paying off. Stocks rose for a fourth straight session. The Nikkei rose an average of 0.5% led by the auto sector which is being fuelled by a weakening Yen. The Topix rose slightly less at 0.3%.

Australia All Ordinaries rode the topside of the wave to a 22 month high with miners leading as iron hit a two-week high.

Global upbeat economic news did nothing for India's Sensex, which was subdued.

Oil prices reduced their rate of climb mid week as investors were hit with reports of inventory buildup. All that changed by the end of the week with oil resuming its climb up by $0.28 to $97.77 a barrel. Crude oil for March delivery hit a trading intraday high of $98.04 a barrel.

Gold prices took a tumble due to profit taking by speculators snapping up the last two days of gains. Gold prices fell 0.8% in January. April gold contracts fell $19.90 or 1.2%. Friday gold closed up $8.60 at $1,670.60

All is unusually quiet on Canada's economic front. Canadian Business magazine annual forecast issue has struck fear into the hearts of Canadian homeowners. The forecast predicts real estate values for 2013 will tumble 20%. Close to 70% of Canadians own a home with high-risk mortgage compromising more than half of the $1.1 trillion dollars of mortgage debt. The average home price in Canada is $350,000, which in twice the value of the average home price in America. Prices have slowed significantly not due to poor economic growth or unemployment but due to the heavy intervention from government and the big banks. Strict criteria in qualifying for both new and existing homebuyers make it harder to borrow cheaply.

The resale market ladder is a big part of the real estate activity and rising demand. Since incomes have not been rising to make moving up attainable, homeowners seeking to climb the ladder to their dream home are left to ask unrealistic prices to be able to afford the next big leap. Qualifying for a mortgage is not just tough for new homebuyers but also for existing homeowners looking to refinance or upgrade. By allowing only to 80% on refinance, homeowners must retain a higher equity position at all times even when buying a larger home. In the past institutions would allow 90% refinance or 10% retained equity. Those days are gone. It would not be farfetched to see banks demand 75% or retained equity of 25%. Even though we are seeing some of the cheapest borrowing rates in the world. Banks are making it harder and harder to borrow while governments make to easier for banks to get funding at record low rates.