

- **P. 2 Speculation**
- **P. 3 Paris Real Estate**
- **P. 4 The Great Reflation**
- **P. 5 Selection of Financial & Economic Indicators**



Feature Article
Speculation

By Rolf Spielmann

Over the past 50 years the average annual stock market turnover has increased tenfold. It has become cheaper and easier to trade, information is plentiful and it now travels at lightning speed, and the attention span of the average investor is frighteningly short. There is so much noise in the markets from politicians, analysts, economists, strategists, etc. that every decision appears questionable at any moment. Downgrades quickly follow upgrades and...

[Read more](#)

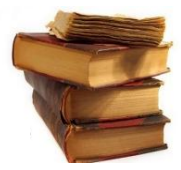


European Observer
Paris Real Estate

By Luc Granger

In a period when investors are having an increasingly tough time finding somewhere lucrative to park their cash, Paris real estate has never done as well. Its rise since the start of the year has exceeded 10%, and prices have overcome the stigma of the crisis, reaching levels above their 2007 peak despite a highly depressed economic environment in France. Some of the reasons for the recent rise in real estate prices are objective...

[Read more](#)



Book Review
The Great Reflation

J. Anthony Boeckh
John Wiley & Sons Inc.
2010

What is one to say about a book that has been recommended by Baron Biggs, Henry Kaufman, Marc Faber and Michael Wilson amongst others? Who has more credentials to write such a book than Tony Boeckh, founder of the very highly regarded Bank Credit Analyst and for decades an astute market observer, a historian, an economist and a strategist? You will not be disappointed...

[Read more](#)



Market Watch
Selection of Financial and Economic Indicators

Index	DJ1	DJ Transp.	Nasdaq	S&P500	S&P/TSX	MSCI World
September 30	10788,05	4522,32	2368,62	1141,20	12368,65	1179,19
Monthly var.	7,72%	9,70%	12,04%	8,76%	3,82%	9,11%
Year-to-date	3,45%	10,31%	4,38%	2,34%	5,52%	0,92%
Year-over-year	11,08%	19,01%	11,60%	7,96%	8,74%	4,63%
Index	FTSE	DAX	CAC40	SMI	NIKKEI	EURO50
September 30	5548,62	6229,02	3715,18	6296,33	9369,35	2747,90
Monthly var.	6,19%	5,13%	6,43%	1,87%	6,18%	5,08%
Year-to-date	2,51%	4,56%	-5,62%	-3,81%	-11,16%	-7,56%
Year-over-year	8,08%	9,76%	-2,11%	-0,42%	-7,54%	-4,34%
Commodities	GOLD	COPPER	CRUDE	WHEAT	LUMBER	CRB
September 30	1310,50	365,50	79,95	674,00	228,70	286,86
Monthly var.	4,90%	7,86%	11,46%	-1,71%	10,70%	8,58%
Year-to-date	19,57%	9,32%	0,13%	22,94%	-1,85%	0,84%
Year-over-year	29,98%	30,07%	13,68%	47,32%	34,61%	10,59%
Currencies	SCA	¥	€	£	SAU	
September 30	1,0290	83,5000	1,3630	1,5705	0,9660	
Monthly var.	3,43%	0,60%	7,49%	2,38%	8,42%	
Year-to-date	1,72%	10,31%	-4,88%	-2,91%	7,57%	
Year-over-year	3,83%	7,02%	-6,84%	-1,75%	9,46%	

[Read More](#)



Speculation

Over the past 50 years the average annual stock market turnover has increased tenfold. It has become cheaper and easier to trade, information is plentiful and it now travels at lightning speed, and the attention span of the average investor is frighteningly short. There is so much noise in the markets from politicians, analysts, economists, strategists, etc. that every decision appears questionable at any moment. Downgrades quickly follow upgrades and forecasters see nothing wrong in changing direction all too often. Because of information overload, speculation is in, and sound long-term thinking has gone the way of the dodo bird.

But over time, does speculation add to our wealth? Studies show that over the past 100 years or so, the annual stock market return was 9.6%. Of this, 4.5% is applicable to the average dividend yield and 5% is the result of annual earnings growth. This leaves a meager 0.1% which can be attributed to speculation. For such a meager return, must we really be glued to our television and computer screens, trying to absorb as much information as possible?

And to what degree is the human thought process still in charge of giving markets a direction? The Flash Crash of May 6 of this year has reminded us what mindless program trading can do. Healthy corporations suddenly traded at a tiny fraction of their real value. And as quickly as the market collapsed, it rebounded. Some got rich thanks to dumb luck, and some got poor because they were victims of a computer program. Should an investor allow himself to be caught in such a scenario?

It turns out that the much heralded "financial innovation" was largely ill-advised. No lesson was learned from the 1987 crash when portfolio insurance turned out to be portfolio destruction.

New generations of mathematical geniuses were allowed to create ever more complex, yet untested and untestable structures. And perfidy must never be underestimated, see the elaborately structured derivatives which, for example, allowed Greece for a time to hide the tragic size of its debt.

It is not just the bankers which are to blame. Regulators routinely close their eyes until the damage is done, at which point they voice their outrage and suggest the regulations that were theirs to implement in the first place. As to the rating agencies, we have said many times in this letter that they have a tendency to recognize a problem after the fact and the conflict of interest situation in which they operate surely has something to do with this. X cannot give an unbiased opinion on Y if Y paid the bills of X.

All this is to say that little is gained from trying to outsmart the world. Stick to the stock and bonds of solid corporations and leave the speculation to others. You will live longer, healthier, and you will not be any poorer!

By Rolf Spielmann, CFA
Senior Vice President of BLUE BRIDGE®





Paris Real Estate

(Translated from French)

In a period when investors are having an increasingly tough time finding somewhere lucrative to park their cash, Paris real estate has never done as well. Its rise since the start of the year has exceeded 10%, and prices have overcome the stigma of the crisis, reaching levels above their 2007 peak despite a highly depressed economic environment in France.

Some of the reasons for the recent rise in real estate prices are objective:

The first of these is historically low interest rates. Low rates reduce financing costs and increase household buying power. French residents can now borrow for 20 years at a fixed rate of less than 3.50%.

Another reason is that the supply of vacant housing is insufficient to meet demand. This phenomenon is prevalent. For more than 20 years, the pace of construction in Paris and its inner suburbs has clearly been inadequate. The crisis added to this state of affairs in 2008, and then, in 2009, major developers chose to suspend or even cancel projects that were under way. We are now feeling the initial delayed effects, since these cancelled programs should normally have been reaching the market by this time.

However, other less rational causes are supporting and feeding the market:

Some investors tend to look in the rear-view mirror when making their buying decisions. We are hearing of more and more investors wanting to buy, because Parisian properties produced tremendous profits in the previous 10 years (with few downward periods even during the crises), whereas the equity markets had negative annual earnings over the same period of time. In short, Parisians are selling stocks to buy Parisian real

estate based on the notion that real estate prices do not go down.

Today, a sizable number of investors have gotten into the "real assets" mode. Real estate – like gold, forests or raw materials – is a true embodiment of "real assets."

Finally, cash is abundant in investors' portfolios, and bankers are no longer hesitant to finance real estate projects, even though the profits depend heavily on potential appreciation at the time of resale and thus are chancy. Rental returns from a purchase in Paris residential neighbourhoods are now below inflation.

Investors hardly need reminding that real estate is an asset like any other and that its value can fall, even in Paris. Some will still remember the Paris real estate crisis of the 1990s, when prices dropped by an average of more than 40%. The phenomenon that is affecting real estate in Paris is indicative of a bubble market. The trouble with this bubble phenomenon lies in knowing when it is going to burst. The evolution of this real estate bubble may, however, help us anticipate what could happen on equity markets: following government bonds, corporate bonds, gold and then real estate, might it not be equities' turn?

***By Luc Granger, Founding associate
Intuitae Family Office***





The Great Reflation

By J. Anthony Boeckh
By John Wiley & Sons Inc.
2010

What is one to say about a book that has been recommended by Baron Biggs, Henry Kaufman, Marc Faber and Michael Wilson amongst others? Who has more credentials to write such a book than Tony Boeckh, founder of the very highly regarded Bank Credit Analyst and for decades an astute market observer, a historian, and economist and a strategist?

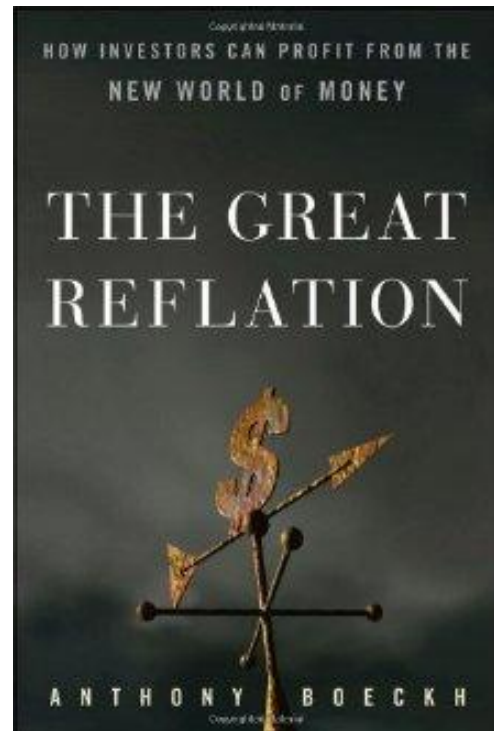
You will not be disappointed reading this book, but it will shake you up, maybe even rob you of a few hours sleep, for Mr. Boeckh puts the factors which have contributed to the recent economic crisis into a somber perspective. It is easy and convenient to think that the worst is behind us, and maybe it is, but we should not assume that it will be smooth sailing from here on. The shockwaves from the events in 2007 and 2008 will reverberate for a long time to come.

The book analyses the global monetary and fiscal policies which have been put in place to jumpstart the economies. In the short-term they appear to be mostly successful, for they prevented a meltdown, but short-term decisions which are forced upon policy makers are seldom carefully tested and reflected upon, and here we find the problem. Nobody knows what the longer-term consequences of those policies will be, we can only speculate how all this will play out, but even today we see that the withdrawal of some of the stimulus is uncovering a much more fragile environment than most had anticipated.

Tony Boeckh has been called the ultimate macro thinker. In the 1970 he pioneered the concept of debt Supercycle. His investment intellect is unchallenged, hence the importance of the second part of the book which deals with ways for investors to not only protect themselves but also to benefit from trends which are likely to emerge from recent policy decisions. This is not a

get-rich book; it is a solid analysis of how to evaluate investment options and how to review portfolio allocation strategies.

All of us have a tendency to think that markets must return to an environment which we expediently consider as "normal". Everybody likes predictability and most investment decisions are taken in the hope that the "normal state" will, no must, sooner or later reemerge. This is not the message of this book however. Mr. Boeckh challenges the reader to look at the investment world in a different way, for the world in which we were comfortable was blown away for good a few years ago. Read this book, you will not regret it. It will leave you somewhat unsettled but with a sounder view of what the future might hold.



Selection of Financial & Economic Indicators

Index	DJ I	DJ Transp.	Nasdaq	S&P500	S&P/TSX	MSCI World
September 30	10788,05	4522,32	2368,62	1141,20	12368,65	1179,19
Monthly var.	7,72%	9,70%	12,04%	8,76%	3,82%	9,11%
Year-to-date	3,45%	10,31%	4,38%	2,34%	5,52%	0,92%
Year-over-year	11,08%	19,01%	11,60%	7,96%	8,74%	4,63%

Index	FTSE	DAX.	CAC40	SMI	NIKKEI	EURO50
September 30	5548,62	6229,02	3715,18	6296,33	9369,35	2747,90
Monthly var.	6,19%	5,13%	6,43%	1,87%	6,18%	5,08%
Year-to-date	2,51%	4,56%	-5,62%	-3,81%	-11,16%	-7,36%
Year-over-year	8,08%	9,76%	-2,11%	-0,42%	-7,54%	-4,34%

Commodities	GOLD	COPPER	CRUDE	WHEAT	LUMBER	CRB
September 30	1310,50	365,50	79,95	674,00	228,70	286,86
Monthly var.	4,90%	7,86%	11,46%	-1,71%	10,70%	8,58%
Year-to-date	19,57%	9,32%	0,13%	22,94%	-1,85%	0,84%
Year-over-year	29,98%	30,07%	13,68%	47,32%	34,61%	10,59%

Currencies	\$CA	¥	€	£	\$AU
September 30	1,0290	83,5000	1,3630	1,5705	0,9660
Monthly var.	3,43%	0,60%	7,49%	2,38%	8,42%
Year-to-date	1,72%	10,31%	-4,88%	-2,91%	7,57%
Year-over-year	3,83%	7,02%	-6,84%	-1,75%	9,46%

Alain E. Roch, MBA

President | alain.roch@bluebridge.ca

Rolf Spielmann, CFA

Senior Vice President | rolf.spielmann@bluebridge.ca



Blue Bridge Wealth Management Consultants Inc. | www.bluebridge.ca

1800 McGill College Avenue, Suite 2108, Montreal (Qc) H3A 3J6 Canada
Tel. +1 514 845 9165

Blue Bridge is an independent wealth management consulting firm that provides investment advice to high net worth individuals.

Blue Bridge is registered as an adviser with l'Autorité des marchés financiers (Quebec).

The information contained in this report is not guaranteed in any manner whatsoever. It is for information purposes only, and does not constitute a recommendation to buy or sell stocks, bonds, currencies, and/or any other values. This newsletter cannot be reproduced in any way and/or for any purpose without the express authorization of Blue Bridge Wealth Management Consultants Inc.

