



3i Financial Group Inc.
"Performance Drives Performance"

MARKET UPDATE NEWSLETTER

1st Quarter - March 31, 2008

Consumer Corner

Prime rate at most financial institutions is at **5.25%**

The current Bank of Canada prime rate is **3.50%**

The following are some of the most competitive interest rates for deposit savings and chequing accounts:

Deposit Savings

- 1) Altamira : **3.20%**
- 2) M.R.S Trust : **3.10%**
- 3) Dundee Bank : **3.10%**

Chequing

- 1) State Bank of India : **3.60%**
- 2) Manulife Bank : **3.05%**
- 3) Dundee Wealth Bank : **2.0%**

Mortgage Rates (lowest rate)

1 Year	5.20%
2 Year	5.40%
3 Year	5.40%
4 Year	5.85%
5 Year	5.64%

* As of March 31, 2008

For further information and advice, please contact your licensed professional financial advisor:

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Tax season is once again upon us. The Canada Revenue Agency 2007 personal income tax filing deadline is April 30, 2008. Payment to CRA of your balance owing for 2007 personal income tax is due April 30, 2008 for all personal income tax filers including those self-employed.

Additional information on CRA dates and deadlines can be found at the following websites:

- **CRA Tax Deadlines for Individuals:**
<http://www.cra-arc.gc.ca/tax/individuals/topics/all-dates/menu-e.html>
- **CRA Tax Deadlines for Businesses:**
<http://www.cra-arc.gc.ca/tax/business/topics/all-dates/menu-e.html>

Inflation – A Worldwide Problem

It is not a surprise that inflation is now a worldwide on-going problem. China has recently reported that its inflation rate has hit its highest level in 12 years, following a continued rise in food cost. China's inflation rate is currently at 8.70% along with a 23.30% jump in food prices last month, which caused the overall increase. The positive thing with this piece of news is that at least China is admitting that they have an on-going problem with inflation and it is getting worst. They have and will continue to take measures to contain and control their rate of inflation which is what any responsible and rational government would do. We believe the Chinese government is understating their numbers.

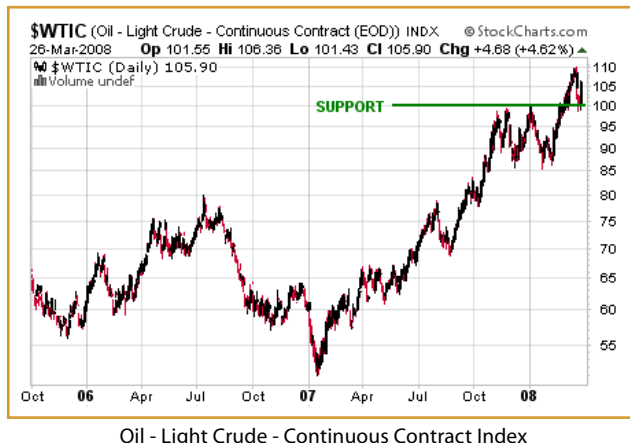
As we turn our attention to North America, ask yourself this basic question:

"In terms of cost of living and daily / weekly / monthly expenses, have these expenses increase from a year, two years, or even three years ago?"

We are referring to items like gasoline, food prices, transportation cost, entertainment cost, housing, and material cost (for producers and business owners). We believe the majority consensus is a definite YES.

How can one truly believe and have full confidence when reported statistics say core inflation is well below 2% and everything is fine? For your information, core inflation statistics exclude majority of the above items we were referring to.

The next time you go do your grocery shopping, make a mental note of your grocery bill and what they used to be a year or two ago.



U.S Economy is now in a Recession

That is correct, we believe more and more data will support our position that the U.S. economy is now in a recession. Lagging data from December 2007 and January 2008 are showing the U.S. economic growth is declining and in danger of recessing. A worsening housing and retail environment is finally taking a toll and working its way into the economic system of the United States. Despite an aggressive interest rate reduction policy by the U.S. Federal Reserve, this will only prolong the negative implications of the slow down in economic activities in the States.

Protecting Yourself and Your Family

We understand that we have been reiterating the same investment themes for the past 3 years to our subscribers and clients in our newsletters. Please do understand that these are the themes that have been providing our clients with superior returns while significantly limiting their downside exposure. This is what we do to help protect ourselves, help our clients protect their assets and wealth, educate and assist clients in protecting their family's assets and wealth. Make no mistake, going forward into the future, this is how you will be able to protect the lifestyle, the comfortable living standard of you and your family. Again, we recommend that you avoid investing or putting your hard-earned money in any investment that has a position in the financial industry (banks, investment banks, brokerages, etc). Avoid the long term (10 year+) treasury bonds, stay more in cash, avoid holding cash or positions in U.S. Dollars, overweight a bit more (20 to 30%) in soft and hard commodities (precious metals – gold and silver, corn, wheat, rough rice, etc) and lastly, keep your asset denominated in Canadian Dollars.

Insolvency of a Major Investment Bank – Bear, Stearns Co. Inc

This is what happens when a major investment bank over leverage their existing assets in sub-prime lending loans and investment in similar sub-prime structured products (SIVs). Bear Stearn's stocks drop from a high of over \$170 a share one year ago to \$2 when they announced that J.P. Morgan with the backing of the Federal Reserve is buying the whole company for \$2 a share. The combination of excessive risk undertaking, mismanagement of risk exposure, and greed meant Bear Stearns Co. Inc. was on the losing end on a lot of these derivatives contracts and counter-party investments. That's the reason Bear Stearns was hastily sold for a mere \$2 a share without giving much resistance and did not consult with the majority shareholders to vote on such a deal. It surely makes one wonder what is going on behind closed doors. For your information, Bear Stearns is comparable to any major global investment banks in terms of assets, strength, reputation, history, branding, and global industry influence. We anticipate more of these insolvencies will take place before any trust and confidence can be restored to the financial sector.

Once again – please AVOID investing your hard-earned money in any of these financial institutions for the time being. It pays to wait. Park your money in a Canadian \$ Money Market Fund or a high interest savings account (Cdn \$) which pays out a monthly interest while you wait for the dust to settle.



PRODUCT SHOWCASE

Why you should get Mortgage Insurance through a licensed broker with a federally licensed insurance company like Equitable Life; AIG; Manulife; Sunlife; and **NOT THROUGH A BANK.**

HIGHLY RECOMMEND YOU WATCH THE VIDEO PROVIDED BY THE LINK

(Video length of time : 26 mins)

http://www.cbc.ca/marketplace/in_denial/

The Show

MORTGAGE INSURANCE: NOT ALWAYS A SURE THING

If you have a mortgage on your home, chances are good you also have mortgage insurance. The idea is that if you should become seriously ill or die before paying off the mortgage, the coverage will kick in and pay it off for you. It's meant to offer peace of mind and to reassure you that your family will be able to stay in your home if anything should happen to you.

The reality falls a little short of that. In this week's Marketplace investigation, we meet two families who bought the coverage and thought they were protected, only to have their claims denied when they became sick or died. In each case, the insurer said the applicant person had lied on their initial application form.

It turns out a routine test at the doctor could be reason to deny your claim, if you don't mention it. Had a cuff inflated on your bicep? That counts as being tested for high blood pressure.

As Erica Johnson reports, the bank staffers selling mortgage insurance are unlicensed and rarely trained to explain the details and legalities of those insurance products. The result is people who pay premiums and think they are covered, only to realize later that they are not.

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