



3i Financial Group Inc.
"Performance Drives Performance"

MARKET UPDATE NEWSLETTER

2nd Quarter - June 30, 2007

Consumer Corner

Prime rate at most financial institutions is at **6.00%**

The current Bank of Canada prime rate is **4.25%**

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

Deposit Savings

- 1) Royal Bank - **4.00%**
- 2) Dundee Bank - **3.85%**
- 3) Altamira - **2.75%**

Chequing

- 1) Manulife Bank - **3.75%**
- 2) ATB Financial - **3.10%**
- 3) Dundee Wealth Bank - **2.75%**

Mortgage Rates (lowest rate)

| | |
|---------|------------------------------------|
| 1 Year | 5.40% |
| 2 Year | 5.40% |
| 3 Year | 5.45% |
| 4 Year | 5.45% |
| 5 Year | 5.50% |
| 7 Year | 6.20% |
| 10 Year | 6.45% * As of June 30, 2007 |

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



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Market Highlights

- Inflation data has been higher than expected. This should not be a surprise as the market is in the midst of an unprecedented credit bubble and higher energy prices.
- Gold bottomed out at \$645 US/oz, softly touched the \$690 US/oz high, currently at \$653 US/oz. Gold prices has been strong during periods of weak seasonal demand.
- Unprecedented market speculation has driven Asian stock prices and price to equity ratios to dangerous levels.
- The US Dollar Index (a general indicator of the international value of the US Dollar) continues its downtrend. This has prompted major entities to accelerate their diversification of their reserves out of the U.S. Dollar.
- Collapse in the government bond prices have caused a sharp rise in bond yields leading to the recent sharp global market correction.

Economic Highlights

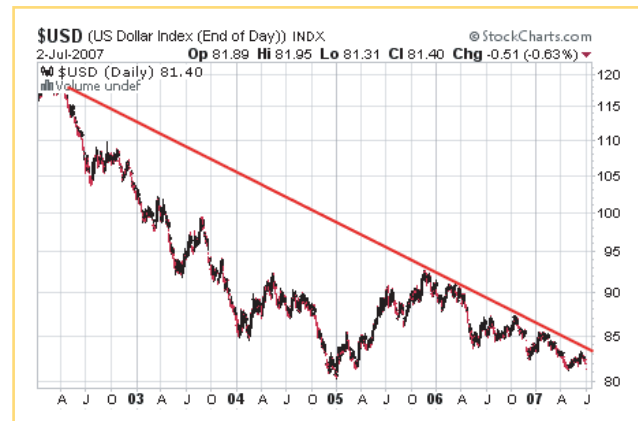
- Acceleration and further confirmation of a worsening sub-prime mortgage and U.S. housing market.
- U.S. corporate profits continue to soften as higher cost and lower demand eats into profit margins.
- The Canadian Dollar has risen sharply on firmer energy prices, favorable economic developments and higher interest rate expectations.
- Canadian housing market continues to be robust and shows solid indications of continued strength.

Going Forward

The summer months are usually weak for the equity markets. It should not be a surprise that we will experience yet another correction. Yet, as time progresses, each correction finishes at higher and higher lows of the Index. This is what we call an uptrend. The fundamentals have not changed and one must keep the big picture in mind. Readers who initiated our recommendations have done well with the long term returns of such trends. There are no indications whatsoever that our proposed trend and themes will change anytime soon. So what are the main themes you should have a strong understanding and conviction? They are as follow:

- Growth in the developing economies like China, India, and the Asian regions will continue to offer attractive returns.
- Energy prices will continue to go higher due to strong growth in demand.
- Long term bearish sentiment leading to a bearish outlook on the U.S. Dollar and hence higher gold prices.
- Industrial and precious metals will be required to support and maintain global growth rates. Supply of such metals is stagnant while demand is rising, hence long term higher prices of such metals.

In time of market weakness, this is where one should add to their position, hold, and prosper from the trend.



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