MORNING NOTES
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Wednesday May 6, 2009

Today's Notes:

1. **The Certain Spring**
2. **In Honour of Saskatchewan**

1. ONLY THE CERTAIN SPRING

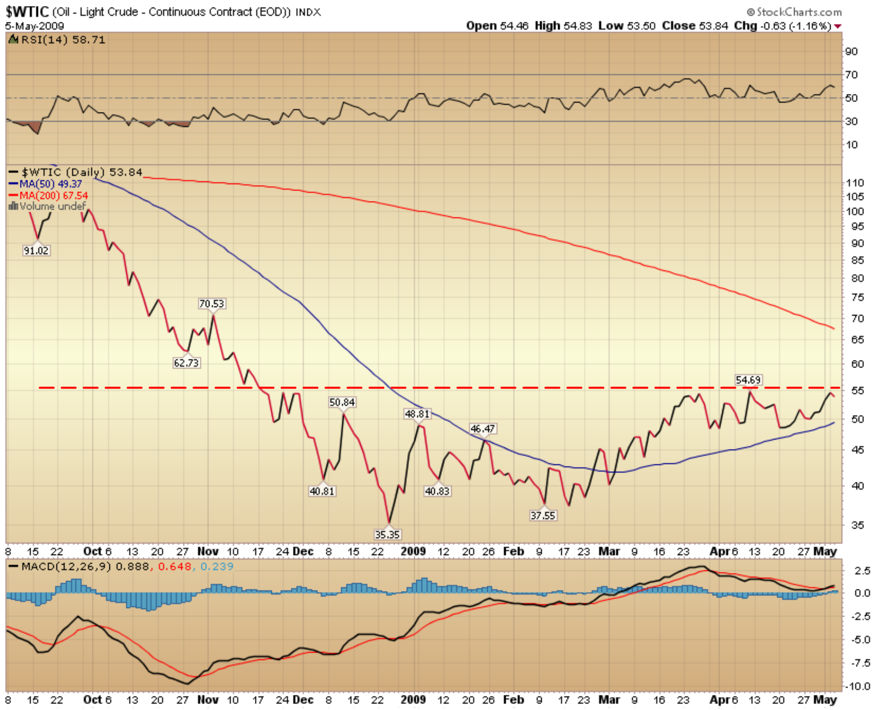
They will come again, the leaf and the flower, to arise
From squalor of rottenness into the old splendour,
And magical scents to a wondering memory bring;
The same glory, to shine upon different eyes.
Earth cares for her own ruins, naught for ours.
Nothing is certain, only the certain spring.

Laurence Binyon, The Burning of the Leaves

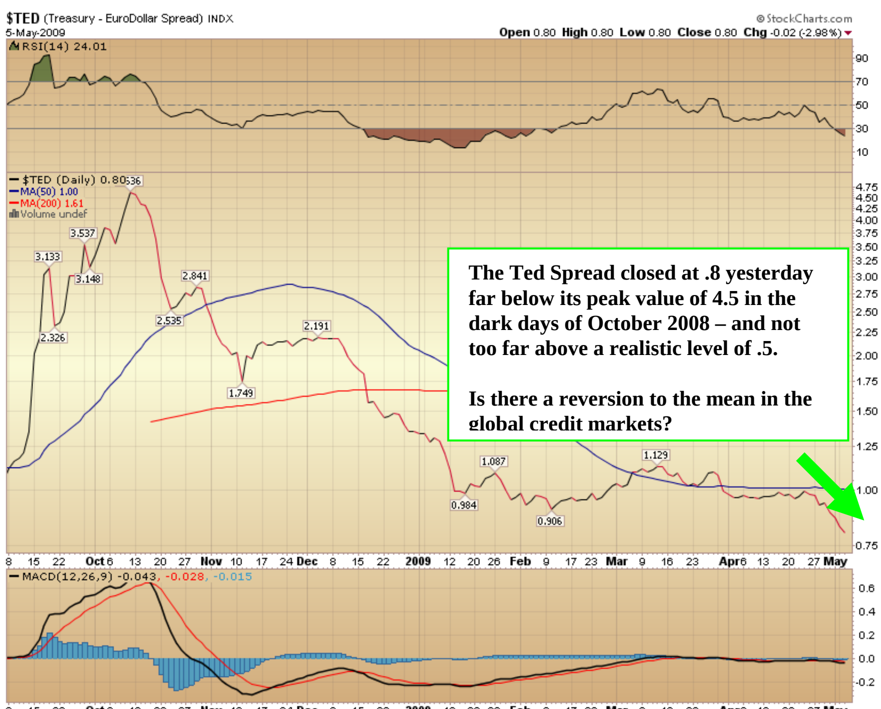
The capital markets seem to be releasing their icy grip on the balance sheets of the mining sector. On Monday I noted that the Morgan Stanley Equity commodity index had appeared to break out of its malaise. It is too early to claim the bottom is in but this is surely a good sign. As I have mentioned, the MS index ($CRX) contains 20 large cap commodity companies. It is well diversified across food, energy, metals and paper companies. It is possible that the CRX's recovery is the knee-jerk reaction from the destructive de leveraging and commodity market vaporization that Treasury Secretary Paulson initiated in July 2008.

Such a broad-based commodity sector performance cannot be Chinese-only in origin. **There must be institutional investing in these "green shoots."**

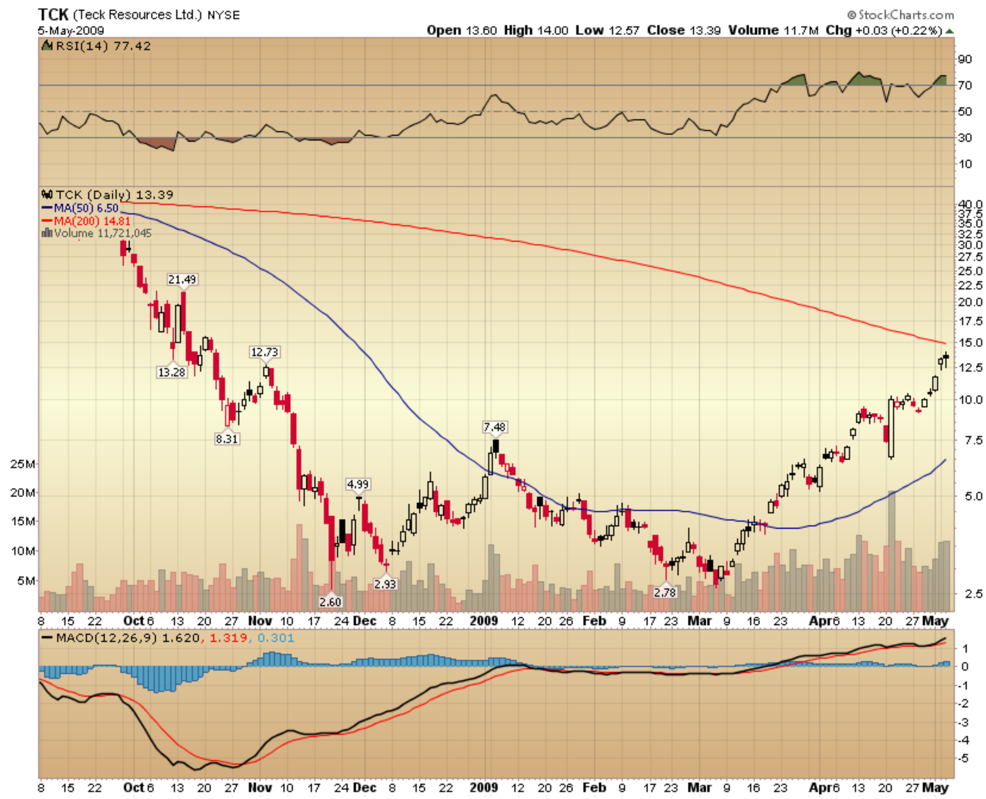
We have now witnessed oil moving beyond the $48 to $52 range per barrel. A move of oil above $55 would be highly significant in view of its action in the past five months. The one holdout has been natural gas. Natty refuses to acknowledge and confirm good news.



The Ted Spread has reverted more closely to its norm of ~.5. Lending may now free up. This market freeze on every aspect of the bond, credit and commercial paper markets may be thawing because of the unprecedented treasury and Fed programs. The reversion of Ted is a positive toward the end of this horrific episode in the history of our global capital markets.



Last evening Teck Cominco, a large cap commodity player, pulled a large 144A debt deal out of the markets. I am told it was initially proposed to be much smaller. The deal was oversubscribed by $10 billion. Maturities of 5, 7 and 10 year debt priced to yield 9.75% to 10.75% came to market. Teck raised $4.2 billion with the bonds priced variously at $94 to $95. In the after market they traded to par. Teck has suffered along with the rest of the world as global debt de leveraging occurred. The highly levered Fording deal was beginning to look like a death knell for Teck. It now seems as if the capital markets have recanted. Take a look at Teck's stock price over the past two months. The overall market bottom of March 6th marked the current bottom for Teck Cominco. Evidently Dennis Gartman was right in his old economy stock call (buying things that hurt when they fall on your feet). Teck's shares are about to meet the 200 day MA.



Teck Resources Limited (TSX: TCK.A and TCK.B, NYSE: TCK) announced today that it has priced its previously-announced offering of senior secured notes, and will issue US$4.225 billion in aggregate principal amount of senior secured notes, consisting of US$1.315 billion aggregate principal amount of five-year notes, US$1.06 billion aggregate principal amount of seven-year notes and US$1.85 billion aggregate principal amount of ten-year notes.

The five-year notes will bear interest at the rate of 9.75% per annum, will be issued at 95.27% of face value and will be non-callable. The seven-year notes will bear interest at the rate of 10.25% per annum, will be issued at 94.654% of face value and will be callable on or after May 15, 2013. The ten-year notes will bear interest at the rate of 10.75% per annum, will be issued at 94.893% of face value and will be callable on or after May 15, 2014.

Teck intends to use the net proceeds from the private placement to repay borrowings under its existing bridge credit facility. On completion of the transaction, the outstanding balance under the bridge facility is expected to be US$603 million, which is due on October 30, 2011.

Where do we stand today? On Monday April 20th deflation seemed to reign supreme. The US $ and Yen soared as did gold as a safe haven. De leveraging, according to many of the Wall Street solons, is not nearly complete. Household savings rates have reached 4% and unemployment seems poised to move quite a bit higher.

This AM ADP job losses were 491,000, **far below expectations**. Perhaps these green shoots will indeed blossom even though April was the 15th consecutive monthly of job losses which now total 5.1 million jobs since the beginning of the recession. Depending upon your source, banks still need trillions of dollars in recapitalization and commercial real estate appears to be a shoe that is already dropping.

Is it possible that the commodity sector is discounting the eventual recovery?

It is not only copper that resonates. Oil and large cap commodity equities have also been singing a new tune for several months. Perhaps the unprecedented and all-in fiscal and monetary programs will be effective. Many Fed Bank Presidents are of this opinion and are concerned for a resurgence of inflation.

Do the capital markets agree on their opinions?

The relentless struggle between deleveraging, with its deflationary pressures, and inflation is still on. But there is this new and important message now in the mix. Do commodities see through the fog of the global war of financial contraction? We are not yet ready to call the bottom of this horrendous episode of wealth destruction but we do see green shoots.

Last week I met with several major brokers – all interested in junior mining companies here in the US (NYC). This interest is also unprecedented and certainly qualifies as a green shoot. Email me if you are interested. It is certainly a departure form the recent investor and banking requirements of gold only / in or near production.

This AM Richard Bernstein, former Chief Strategist for Merrill Lynch on Bloomberg radio said,

"this is a heck of a rally … it has removed much of the recent risk aversion very quickly … it is clear the world is not coming to an end, but the economy may be a different story."

If these recent trends persist perhaps we shall have more **certain** reflation signals. Then again, as Laurence Binyon wrote in his fabulous poem, ***The Burning of the Leaves.***

"Earth cares for her own ruins, naught for ours
Nothing is certain only the certain spring."

Binyon wrote the poem immediately after WWII. It describes the destruction of WW II an experience similar to the vast wealth destruction from housing that we have just experienced. It is a must read.

2. IN HONOUR OF SASKATCHEWAN

Yesterday a senior geologist working in Saskatchewan and a long time MN reader sent me a paper from a professor at the University of Saskatchewan in Saskatoon. Many thanks, Rick. I shall be travelling to that fine Canadian province on Friday to present my Green Shoot thesis at Joe Martin's SaskRocks and to meet with NuCoal executives (a Saskatchewan lignite coal to gasoline project) and Mr. Tom McNeil of the 49 North Fund. By the way Mr. McNeil will be in New York City next week should you like to visit with him and learn of his portfolio offering.

I am going to place the U of Sask. Professor's article in this Morning Note. It was written by Professor Brian Platt, a professor of Geology at the University of Saskatchewan. In this paper he makes a cogent case that we must not yield to the fear mongering of politicians regarding global warming. In many ways I agree with him. I hope you will read his article and make your own decision on the issue of anthropogenic (human) global warming.

The article is titled ***Global Warming: An Alternative View***. It relates what many scientists and geologists feel about the current politicization of the issue. Professor Platt suggests,

"In the midst of all the public discussion about climate change, people lose site of the simple, fundamental question:

What is normal climate change?

Here in Saskatchewan we aren't even sure what normal weather is"

His paper is posted on my web site along with these Morning Notes. Please read it with an open mind. Have a great day. Hope to see you in Saskatoon this weekend.

Global Green Solutions (400,000 options) and War Eagle Mining. He owns shares and in Goldcorp, Senesco Technologies, DataMeg, Immtech International, Horseshoe Gold, Derek Oil and Gas, Terraco Gold, US Silver, Neuralstem, Piedmont Mining, MegaWest Energy, Valcent Products, CGX Energy, MacMillan Gold and Quaterra Resources. He has been awarded 250,000 options on Terraco Gold exercisable at C$.50 for 5 years, for services as a financial advisor. In his role as advisor he has been awarded 75,000 options from Polymet which strike at C$2.76. We cannot attest to nor certify the correctness of any information in this note. Please consult your financial advisor and perform your own due diligence before considering any companies mentioned in this informational bulletin.