



## Fixed Income Snapshot

May 28, 2008

CANADA BENCHMARKS					
TERM	COUPON	MATURITY	PRICE	YIELD	\$ CHANGE
2 YR	3.750	01-Jun-10	101.26	3.10	-0.08
5 YR	3.500	1-Jun-13	100.72	3.34	-0.08
10 YR	4.000	1-Jun-17	102.38	3.69	-0.17
30 YR	5.000	1-Jun-37	114.79	4.12	-0.16



US BENCHMARKS					
TERM	COUPON	MATURITY	PRICE	YIELD	\$ CHANGE
2 YR	2.125	30-Apr-10	99.16	2.58	-0.12
5 YR	3.125	30-Apr-13	99.20	3.30	-0.35
10 YR	3.875	15-May-18	99.13	3.98	-0.50
30 YR	4.375	15-Feb-38	94.95	4.69	-0.75



### FIXED INCOME



CAD\$ FOREIGN EXCHANGE CROSSES			
CROSS	SPOT	CHANGE	CAD Direction
USD/CAD	0.9947	0.0012	-
CAD/US	1.0053		
EUR/CAD	1.5544	-0.0034	+
GBP/CAD	1.9620	0.0003	-
CAD/JPY	105.6000	0.7100	+

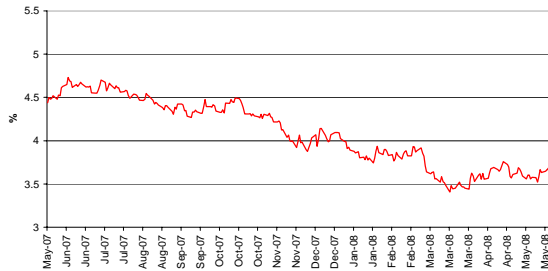
US\$ FOREIGN EXCHANGE CROSSES			
CROSS	SPOT	CHANGE	USD direction
EUR/USD	1.5626	-0.0050	+
GBP/USD	1.9722	-0.0022	+
USD/JPY	105.1200	0.8600	+

NOTABLE QUOTES

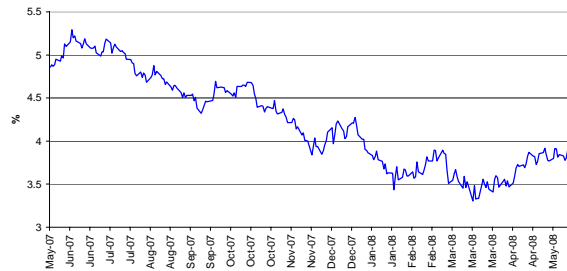


### 1 Year Charts

Canada Ten Year Yield



US Ten Year Yield



CAD\$



### Daily Commentary

As oil retreated yesterday, so did the bonds. Most of the action was south of the border, where the benchmark ten year dropped three-quarters of a point (gained 8 bps). This could have been aided by Fed-speak, as **Janet Yellen - President of the San Fran Fed** spoke on inflation:

*"This is not the 1970s, but we can't let it get to be the 1970s. Our behaviour is critical to that. We have to be the barrier"*

We're not exactly sure what she means by that. Does that mean we shouldn't demand pay hikes as our costs go up? Because if we ALL adhere to that rule, she's right. We will be the barrier. Let's make a pact.... Check out the Blackblog for more on inflation... Scott had a great post here: [The Semantics of "Stagflation"](#) (click on the Economics Category)

The credit markets were slightly weaker going into yesterday, but firmed up somewhat. **Shoppers Drugmart** announced a new 5 year issue at around +167 bps over the Canadas. This is a little wider than where straight bank bonds trade in that area. We don't see a whole lot of value, but it's probably fairly priced, and non-financial issues tend to sell well in our thin corporate market.

Yesterday's New Home Sales came higher than expectations, gaining 3.3% over March sales. We'll just add that it's easy to post percentage gains when the numbers get low enough....

US GDP is out tomorrow morning. We won't be holding our breath to find out what happened two months ago though, but expect around 1% annualized. Personal consumption and GDP Prices will be more interesting to see.

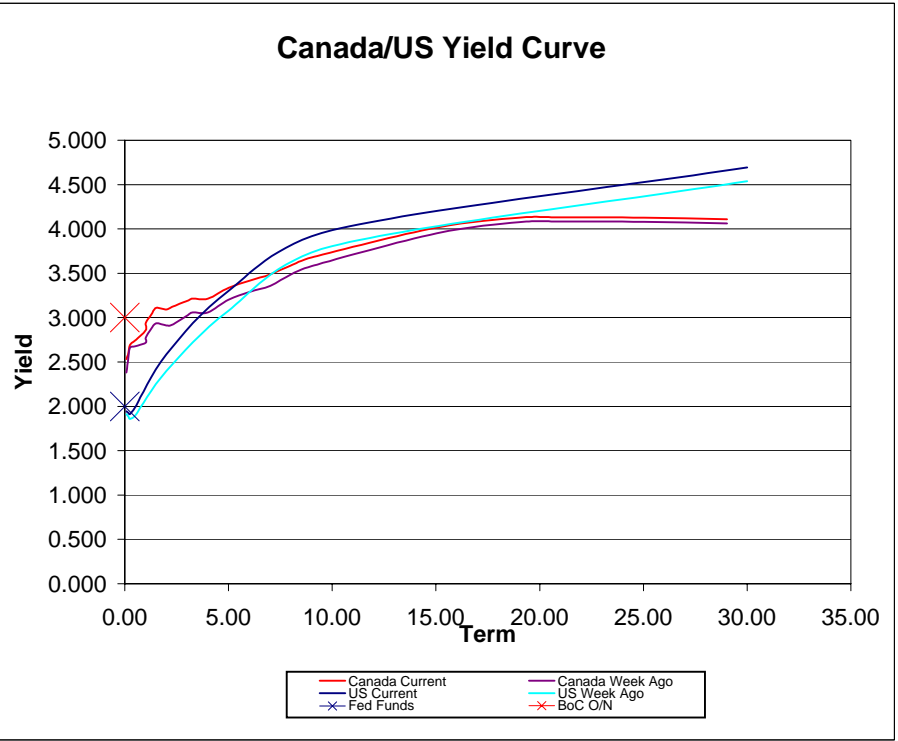
Durable Goods are out this morning in the US. It's a volatile series, so we'll watch the trend, not the print which came in at -0.5%, 2.5% ex-transports. This is a strong number and getting better over the past couple of months.

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May 28, 2008

ECONOMIC NEWS SCHEDULED FOR RELEASE						
Date	CANADA	EST	ACTUAL	US	EST	ACTUAL
<b>MON 26</b>	No News			No News		
<b>TUES 27</b>	No News			S&P/CS Home Px Index 20 YoY S&P/CS Home Px Index US YoY Consumer Confidence Richmond Fed New Home Sales New Home Sales MoM	-14.2% -12.5% 60 1 520k -1.1%	-14.4% -14.1% 57.20 -3 526k 3.3%
<b>WED 28</b>	No News			ABC Consumer Confidence MBA Mortgage Apps Durable Goods Durable ex-transport	-49 -1.5% -0.5%	-51 -4.6% 2.5%
<b>THURS 29</b>	Current Account BoP	\$2.9B		GDP QoQ Personal Consumption GDP Px Index Core PCE QoQ Help Wanted Index  Initial Jobless Claims Continuing Claims	0.9% 1.0% 2.6% 2.2% 19.00  370k 3080k	
<b>FRI 30</b>	GDP MoM Quarterly GDP, annualized Industrial Product Prices Raw Materials Prices	0.0% 0.4% 1.0% 2.8%		Personal Income Personal Spending PC Deflator YoY PCE Core MoM PCE Core YoY Chicago PMI IU, Mich Confidence NAPM-Milwaukee	0.2% 0.2% 3.1% 0.1% 2.1% 48.50 59.50	



Other Notable Economic Events	CDN Money Market	CANADIAN RATES	US RATES	CANADA-US SPREADS	YIELD CURVE SHIFTS	
	<b>Bankers Acceptance</b>	PRIME 4.75	PRIME 5.00	TERM 3M 79.4 0.9	ROLL 2yr -5yr 24.8 -1.8	
	30 Day 2.95	BANK RATE 3.00	BANK RATE 3.75	FED FUNDS 2 2Y 51.8 -2.7	SPREAD 2yr -10yr 59.2 -1.3	
	60 Day 2.95		FED FUNDS 2	DISCOUNT 2.25 5Y 4.0 -6.0	2 yr -30yr 2.6 -2.7	
	90 Day 2.98		LIBOR 3M 2.6494	10Y -29.6 -3.9	5yr-10yr 34.4 0.5	
	indication only - actual rates may vary			30Y -57.1 -110.0	10yr-30yr 43.4 -1.3	
						TED Spread Week ago 0.89