

CANADA BENCHMARKS					
TERM	COUPON	MATURITY	PRICE	YIELD	\$ CHANGE
2 YR	2.750	01-Dec-10	99.98	2.76	-0.05
5 YR	3.500	1-Jun-13	102.07	3.03	-0.10
10 YR	4.250	1-Jun-18	106.20	3.49	#N/A
30 YR	5.000	1-Jun-37	117.90	3.95	-0.10



US BENCHMARKS					
TERM	COUPON	MATURITY	PRICE	YIELD	\$ CHANGE
2 YR	2.375	31-Aug-10	100.06	2.34	-0.03
5 YR	3.125	31-Aug-13	100.61	2.99	0.00
10 YR	4.000	15-Aug-18	102.67	3.68	0.16
30 YR	4.500	15-May-38	104.11	4.25	0.33



**FIXED INCOME**

**CAD\$ FOREIGN EXCHANGE CROSSES**

CROSS	SPOT	CHANGE	CAD Direction
USD/CAD	#N/A	-0.0028	+
CAD/US	#N/A		
EUR/CAD	1.5029	-0.0032	+
GBP/CAD	1.8714	-0.0020	+
CAD/JPY	101.4400	0.0000	+

**US\$ FOREIGN EXCHANGE CROSSES**

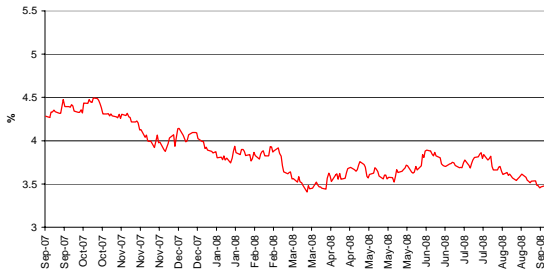
CROSS	SPOT	CHANGE	USD direction
EUR/USD	#N/A	0.0015	-
GBP/USD	1.7608	0.0022	-
USD/JPY	107.8600	-0.2700	-

**NOTABLE QUOTES**

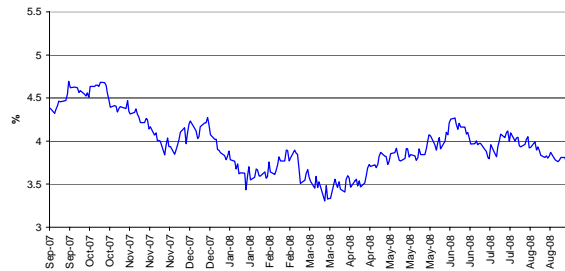
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**1 Year Charts**

**Canada Ten Year Yield**



**US Ten Year Yield**



**CAD\$**



**Daily Commentary**

It was a wild session in bonds and in credit yesterday. In Canada, both stocks and bonds ended the day lower, while in the US, they both ended the day higher. Top rated corporate and government credit (provinces and agencies) initially came crashing in, moving up big relative to Canadas, only to moderate later in the day. Canada Housing Trust bonds finished barely 1 bp better after initially rising almost 5 bps. Banks rallied over 15 bps in the 10 year term, and 12-13 bps in the 5 year term, and also gave some of it back at the end of the day. All in all, however, credit finished the day MUCH stronger.

No surprise, really, further thought on the whole FNM/FRE deal has led me to believe that fundamentally, this does not change much. The average household was (is) still way too over-levered, and it will take further time to reduce this leverage and get back to normal lending practices so that banks and brokers can make some money again. What worries us is that the GSE's will now have to reduce their MBS holdings (by selling them into the market). This could cause excess supply which will make it harder for banks to securitize NEW mortgages. If they can't securitize, they won't be able to write as many new mortgages.

This, however, is all part of the de-levering process. We'll probably overshoot the other way too.

What it DID do, however, is significantly reduce the counterparty risk in the markets. Banks and brokers should be less worried about lending to each other, given the new found support to an entire class of the debt markets.

**Canada Housing Starts** rebounded in August to 211,000 units, 55% of which was in multi-unit residences. Ontario led the way in gains. Interesting that this came out at the same time as the Globe and Mail story about Toronto area condo projects being pulled (reported in the Blackblog yesterday)

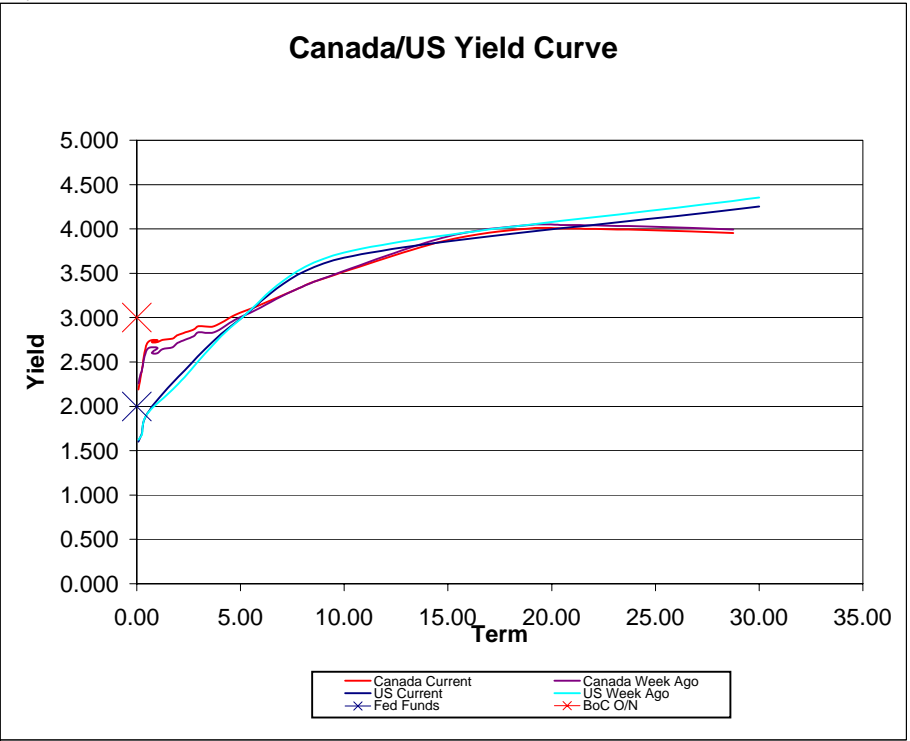
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ECONOMIC NEWS SCHEDULED FOR RELEASE						
Date	CANADA	EST	ACTUAL	US	EST	ACTUAL
<b>MON 8</b>	Building Permits	-1.8%	1.8%	Consumer Credit	\$8.6B	
<b>TUES 9</b>	Housing Starts	192k	211k	Pending Home Sales IBD/TIPP Econ Optimism Wholesale Inventories	-1.3% 44.00 0.7%	
<b>WED 10</b>	Labour Productivity	0.3%		ABC Consumer Confidence MBA Mortgage Apps		7.5%
<b>THURS 11</b>	Int'l Merch Trade New House Px Index	C\$5.6 0.1%		Trade Balance Import Price Index MoM Import Price Index YoY Monthly Budget Statement	-30k -1.5% 20.2% -\$105.0B	
<b>FRI 12</b>	Capacity Utilization Net Change Employment Ivey PMI	79.1% 10k 61.50	6.1% 15.2k	PPI PPI core PPI YoY PPI Core YoY Advanced Retail Sales Retail sales less autos U.Mich confidence Business Inventories	-0.5% 0.2% 10.2% 3.7% 0.3% -0.2% 64.00 0.5%	



Other Notable Economic Events	CDN Money Market	CANADIAN RATES	US RATES	CANADA-US SPREADS	YIELD CURVE SHIFTS	TED Spread
	Bankers Acceptance	PRIME 4.75	PRIME 5.00	TERM 3M 66.9 -1.1	ROLL 2yr -5yr 23.5 -3.6	1.30
	30 Day 2.95	BANK RATE 3.00	BANK RATE 3.75	3M 66.9 -1.1	SPREAD 2yr -10yr 70.8 -3.8	1.32
	60 Day 3.00		FED FUNDS 2	5Y 4.0 2.8	CHANGE 2 yr -30yr 19.3 -2.2	
	90 Day 3.10		DISCOUNT 2.25	10Y -17.5 4.3		
	Indication only - actual rates may vary		LIBOR 3M 2.8181	30Y -29.7 62.5		