

CANADA BENCHMARKS					
TERM	COUPON	MATURITY	PRICE	YIELD	\$ CHANGE
2 YR	2.750	01-Dec-10	100.19	2.66	0.10
5 YR	3.500	1-Jun-13	101.83	3.07	0.18
10 YR	4.250	1-Jun-18	104.53	3.69	0.24
30 YR	5.000	1-Jun-37	113.80	4.17	0.30



US BENCHMARKS					
TERM	COUPON	MATURITY	PRICE	YIELD	\$ CHANGE
2 YR	2.000	30-Sep-10	100.45	1.77	0.10
5 YR	3.125	30-Sep-13	101.45	2.81	0.24
10 YR	4.000	15-Aug-18	102.25	3.73	0.14
30 YR	4.500	15-May-38	105.39	4.18	0.77



**FIXED INCOME**



CAD\$ FOREIGN EXCHANGE CROSSES			
CROSS	SPOT	CHANGE	CAD Direction
USD/CAD	1.0729	0.0086	-
CAD/US	0.9321		
EUR/CAD	1.4797	-0.0109	+
GBP/CAD	1.8860	0.0043	-
CAD/JPY	98.4400	-1.0300	-

US\$ FOREIGN EXCHANGE CROSSES			
CROSS	SPOT	CHANGE	USD direction
EUR/USD	1.3776	-0.0213	+
GBP/USD	1.7616	-0.0099	+
USD/JPY	105.4800	-0.3000	-

NOTABLE QUOTES

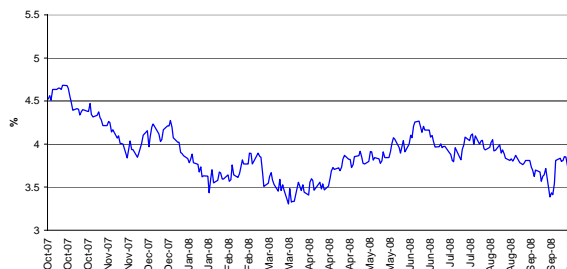


1 Year Charts

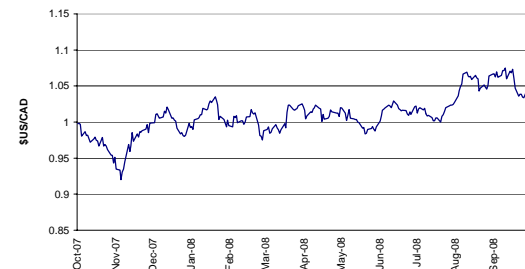
Canada Ten Year Yield



US Ten Year Yield



CAD\$



**Daily Commentary**

For the second time in two weeks, Buffet has gotten junk-level paper given to him on high quality investment grade names. He's getting 10% on AA- rated Goldman paper and 10% on AAA rated GE, both while renting the equity upside. He certainly is a legend for a reason - these are great investments for him, but we'll echo Scott's comments on the implications for the rest of us - if GE, on of the biggest, most respected companies in the world needs to get the "Buffet seal of investment approval", what chance do the rest of the companies have of raising capital? While we were being offered GE 3 year bonds at 400 over Canadas yesterday, the Sage was picking some up at 600 over treasuries.

Yesterday's ISM manufacturing index numbers came in with a resounding "thud". Printing at 43.5, the level is well into recessionary territory and continuing a longer term downward trend. The Prices Paid component also dropped significantly to 53.5 from 77.0 in August. This is recessionary and deflationary all in one go. **Vehicle Sales** were also reported for September, 12.5M total while 13.5M was expected. This comes as Grant Thornton LLP releases a study claiming that 1 in 5 US car dealerships could file for bankruptcy this year or next.

The **ECB decided to leave rates unchanged** this morning at 4.25%. They finally admitted that the risks to growth are mounting and the risks of inflation are easing, which is a step in the right direction. It is quite amazing how stubborn the ECB has been on the inflation front. With headline PPI running at 8.5% and headline CPI @ 3.8%, we understand their concern (although it is dropping). It just seems counter intuitive to be blasting liquidity into the banking systems at full pace, while keeping rates high as they are.

**Jobless Claims** came in at 497k - 11 weeks in a row above 400k. Continuing claims also posted its highest level since Nov 2001. The chart below shows continuing jobless claims back to the beginning of the decade. I don't think I need to reiterate the implications here. Tomorrow's payrolls number has been set up to disappoint.

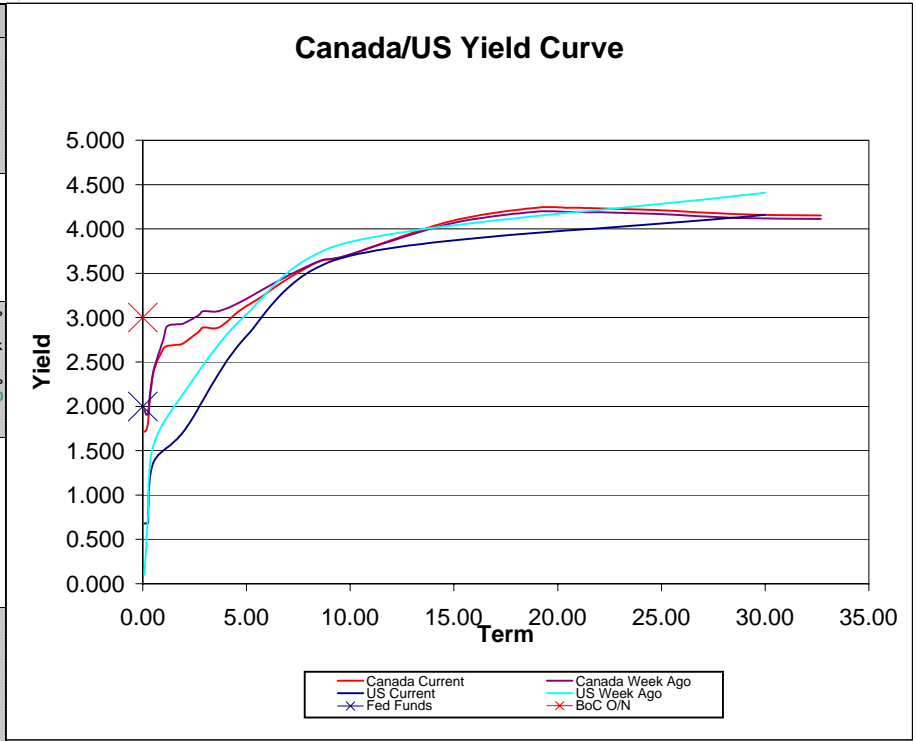
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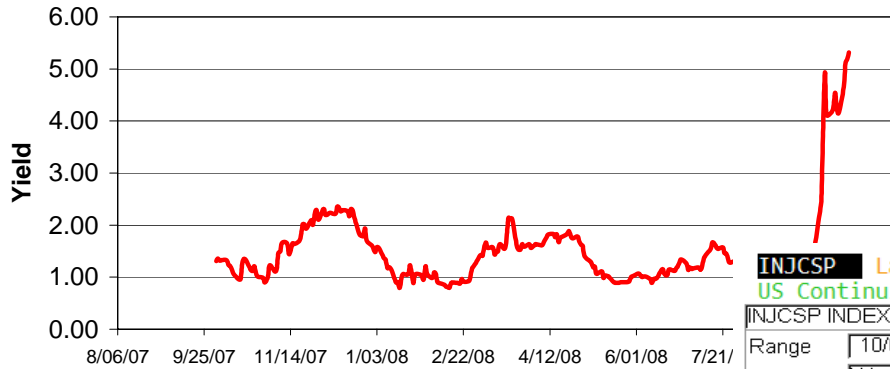
October 2, 2008

ECONOMIC NEWS SCHEDULED FOR RELEASE						
Date	CANADA	EST	ACTUAL	US	EST	ACTUAL
<b>MON 29</b>	No News			Personal Income Personal Spending PCE Deflator PCE Core MoM PCE Core YoY	0.2% 0.2% 4.5% 0.2% 2.4%	0.5% 0.0% 4.5% 0.2% 2.6%
<b>TUES 30</b>	Industrial Product Price MoM Raw MAterials Price Index GDP MoM	-0.2% -3.5% 0.2%	<b>-0.2%</b> <b>-7.7%</b> <b>0.7%</b>	S&P/CS House Px Composite Chicago PMI Consumer Confidence NAPM Milwaukee	-16% 53.00 55 44.0	<b>-16.35%</b> <b>56.70</b> <b>59.80</b> <b>46.00</b>
<b>WED 1</b>	No News			ABC Consumer Confidence MBA Mortgage Apps Challenger Job Cuts ADP Employment Change ISM Manufacturing Construction Spending ISM Prices Paid	-43 -53k 49.5 -0.5% 73.0	<b>-41</b> <b>-23%</b> <b>32.6%</b> <b>-8k</b> <b>43.50</b> <b>0.00%</b> <b>53.50</b>
<b>THURS 2</b>	No News			RPX Composite 28dy YoY Factory Orders	-2.8%	
<b>FRI 3</b>	No News			Initial Jobless Claims Continuing Claims Change in Nonfarm Payrolls Unemployment Rate Chg Manufacturing payrolls Avg Hourly Earnings Avg Weekly Hours ISM Non-Manufacturing	475k 3550k -105k 6.1% -50k 0.3% 33.7 50.0	<b>497k</b> <b>3591k</b>



Other Notable Economic Events	CDN Money Market	CANADIAN RATES	US RATES	CANADA-US SPREADS	YIELD CURVE SHIFTS	
	Bankers Acceptance	PRIME 4.75	PRIME 5.00	TERM 3M 86.3	ROLL 2yr -5yr 52.2	
	30 Day 3.40	BANK RATE 3.00	BANK RATE 3.75	CHANGE -3.9	SPREAD 2yr -10yr 111.0	
	60 Day 3.43		FED FUNDS 2	CHANGE 0.5	CHANGE 2 yr -30yr 51.2	
	90 Day 3.47		DISCOUNT 2.25	CHANGE 0.9	CHANGE 5yr -10yr 59.0	
	indication only - actual rates may vary		LIBOR 3M 4.2075	CHANGE -0.7	CHANGE 10yr -30yr 40.0	
				CHANGE 4.8		TED Spread Week ago 5.32 / 4.25

### TED Spread



Remember when we thought 200 on the TED spread was bad? Ahh - the good old days.

**INJCSP** Last 3591K SEP 20 Next 10/09/08 08:30 Surv -- Index **GP**  
**US Continuing Jobless Claims SA**



Continuing Jobless Claims