

| CANADA BENCHMARKS | | | | | | |
|-------------------|--------|----------|--------|-------|--------------|--|
| TERM | COUPON | MATURITY | PRICE | YIELD | \$ CHANGE | |
| 2 YR | 2.750 | 1-Dec-10 | 102.80 | 1.29 | -0.02 | |
| 5 YR | 3.500 | 1-Jun-13 | 106.72 | 1.92 | 0.12 | |
| 10 YR | 4.250 | 1-Jun-18 | 111.15 | 2.89 | 0.50 | |
| 30 YR | 5.000 | 1-Jun-37 | 125.05 | 3.59 | 1.55 | |

| US BENCHMARKS | | | | | | |
|---------------|--------|-----------|--------|-------|--------------|--|
| TERM | COUPON | MATURITY | PRICE | YIELD | \$ CHANGE | |
| 2 YR | 1.250 | 30-Nov-10 | 101.13 | 0.66 | -0.02 | |
| 5 YR | 2.000 | 30-Nov-13 | 103.50 | 1.27 | 0.08 | |
| 10 YR | 3.750 | 15-Nov-18 | 114.25 | 2.15 | 1.09 | |
| 30 YR | 4.500 | 15-May-38 | 138.09 | 2.63 | 2.33 | |

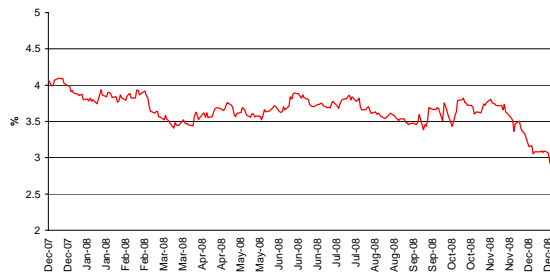


FIXED INCOME

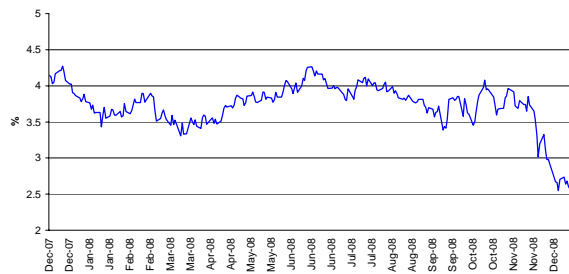
| CAD\$ FOREIGN EXCHANGE CROSSES | | | | US\$ FOREIGN EXCHANGE CROSSES | | | | NOTABLE QUOTES |
|--------------------------------|---------|---------|---------------|-------------------------------|---------|---------|---------------|----------------|
| CROSS | SPOT | CHANGE | CAD Direction | CROSS | SPOT | CHANGE | USD direction | |
| USD/CAD | 1.2061 | 0.0040 | - | EUR/USD | 1.4102 | 0.0053 | - | |
| CAD/US | 0.8291 | | | GBP/USD | 1.5397 | -0.0188 | + | |
| EUR/CAD | 1.7048 | 0.0137 | - | USD/JPY | 88.4600 | -0.4600 | - | |
| GBP/CAD | 1.8610 | -0.0157 | + | | | | | |
| CAD/JPY | 73.2000 | -0.6300 | - | | | | | |

1 Year Charts

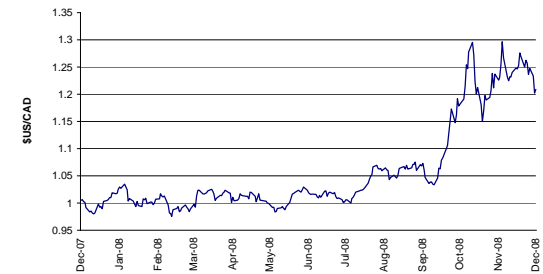
Canada Ten Year Yield



US Ten Year Yield



CAD\$



Daily Commentary

Bernanke has spoken. Loudly and clearly the Fed says they are willing to do whatever it takes to reflate this economy. This includes zero interest rates, aggressive buying of mortgage backed securities, and other targeted policy maneuvers. The "range" of Fed funds is more appropriate for these times. Fed funds had rarely been trading at their target anyways, so 0% - 0.25% is more accurate. The powerful equity rally was accompanied by an even more incredible bond rally. The difference is, this morning, the equities appear to be fading while the bonds continue to move sharply higher

US 30 year bonds are up \$7 points since this time yesterday, now yielding 2.63% (see the chart on pg 3). The 10's are at 2.15%.

In Canada we underperformed, but rallied heavily nonetheless. Our 30s and 10s are at 3.60% and 2.89% respectively. The 5 year Canada bonds, which have been our favourite investment for some time now, are yielding 1.93%. For the record, one could have bought these at 2.75% in November and realized an annualized yield of over 40%. This just goes to show you – don't get hung up on yield... **yield and realized return** are two totally different things, unless you are holding 'till maturity. Please keep that in mind.

Canadian Wholesale Sales are out this morning. They disappointed at -1.8% for October, down from September's gain of 1.1%. Canadas are continuing their strong day mostly trading off the treasuries, but the data is bond friendly as well. Credit is starting the day somewhat weaker. While there was strong buying of high quality credit last week and early this week, the indications have softened somewhat.

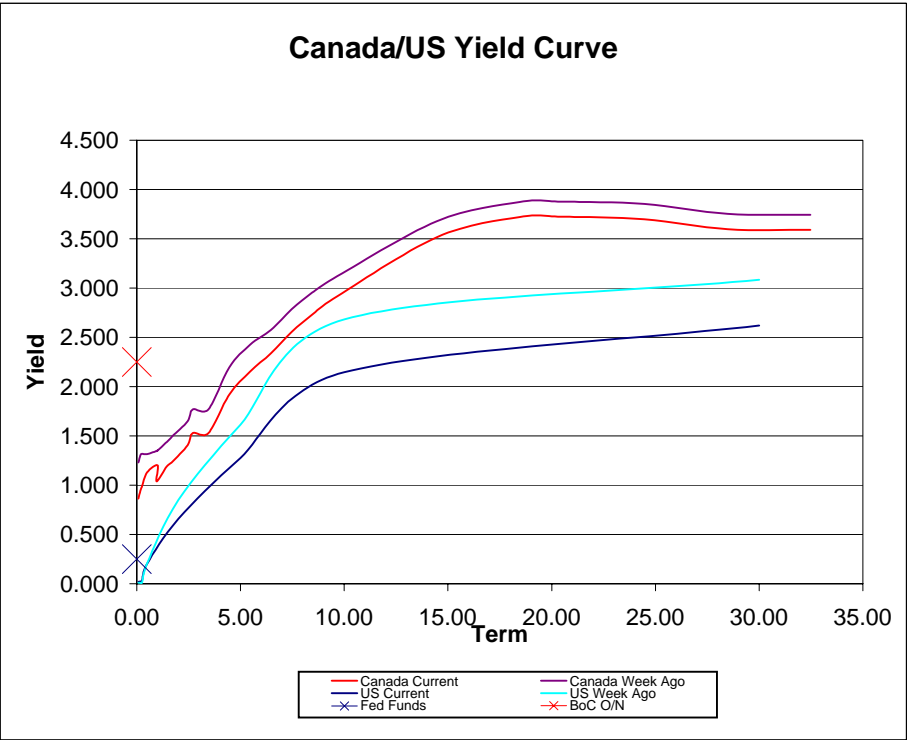
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December 17, 2008

| ECONOMIC NEWS SCHEDULED FOR RELEASE | | | | | | |
|-------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------|--------|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------------|
| Date | CANADA | EST | ACTUAL | US | EST | ACTUAL |
| MON 15 | No News | | | Empire Manufacturing Net Long Term TIC Flows Total Net TIC Flows Industrial Production Capacity Utilization NAHB House Price Index | -28 -0.8% 75.6% 10.00 | -25.7 \$1.5B \$286.3B -0.6% 75.4% 9.00 |
| TUES 16 | Manufacturing Shipments | -0.4% | -0.5% | CPI CPI core CPI YoY CPI core YoY Housing Starts Building Permits FOMC RATE DECISION ABC Consumer Confidence | -1.3% 0.1% 1.5% 2.1% 738k 700k 0.5% -52 | -1.7% 0.0% 1.1% 2.0% 625k 616k 0.0 - 0.25% -51 |
| WED 17 | WholeSale Sales | -0.5% | -1.8% | MBA Mortgage Apps Bloomberg Global Confidence Current Account Balance | -\$179.0B | 2.9% 6.10 -\$174.1B |
| THURS 18 | Int'l Securities Transactions Leading Indicators Retail Sales Retail sales less autos | -1.000B -0.4% -1.1% -1.0% | | Philadelphia Fed Leading Indicators Initial Jobless Claims Continuing Claims | -40.2 -0.4% 555k 4375k | |
| FRI 19 | CPI CPI YoY CPI core CPI core YoY | -0.8% 1.5% -0.10% 1.6% | | No News | | |



| Other Notable Economic Events | CDN Money Market | CANADIAN RATES | US RATES | CANADA-US SPREADS | YIELD CURVE SHIFTS | |
|-------------------------------|-----------------------------------------|----------------|-----------------|-------------------|----------------------|-------------------------------|
| | Bankers Acceptance | PRIME 3.50 | PRIME 3.25 | TERM BPS CHANGE | ROLL SPREAD CHANGE | |
| | 30 Day 0.43 | BANK RATE 1.50 | BANK RATE 2.00 | 3M 87.0 2.5 | 2yr -5yr 79.4 13.0 | |
| | 60 Day 0.55 | | FED FUNDS 0.25 | 2Y 62.9 -0.1 | 2yr-10yr 174.0 8.9 | |
| | 90 Day 0.71 | | DISCOUNT 0.5 | 5Y 63.9 -2.1 | 2 yr -30yr 29.6 -7.4 | |
| | indication only - actual rates may vary | | LIBOR 3M 1.5775 | 10Y 74.5 6.1 | 5yr-10yr 95.4 -4.2 | |
| | | | | 30Y 95.9 189.1 | 10yr-30yr 54.8 -16.0 | TED Spread Week ago 1.97 2.99 |

US Treasury Bond 4.50% 15-may-2038

GP

Govt **GP**

