

Fixed Income Snapshot

January 28, 2009

CANADA BENCHMARKS						
TERM	COUPON	MATURITY	PRICE	YIELD	\$ CHANGE	
2 YR	2.750	1-Dec-10	102.52	1.36	-0.07	
5 YR	3.500	1-Jun-13	106.27	1.98	-0.16	
10 YR	4.250	1-Jun-18	110.75	2.93	-0.22	
30 YR	5.000	1-Jun-37	122.96	3.69	-0.24	

US BENCHMARKS						
TERM	COUPON	MATURITY	PRICE	YIELD	\$ CHANGE	
2 YR	0.875	31-Jan-11	99.96	0.89	-0.10	
5 YR	1.500	31-Dec-13	99.47	1.61	0.05	
10 YR	3.750	15-Nov-18	110.20	2.56	0.16	
30 YR	4.500	15-May-38	123.05	3.27	0.47	

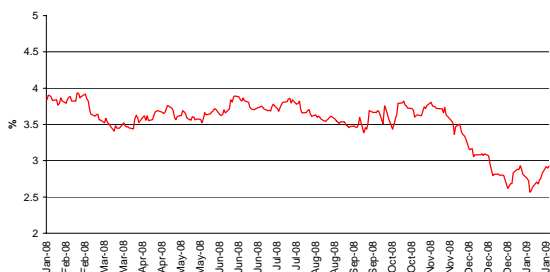


FIXED INCOME

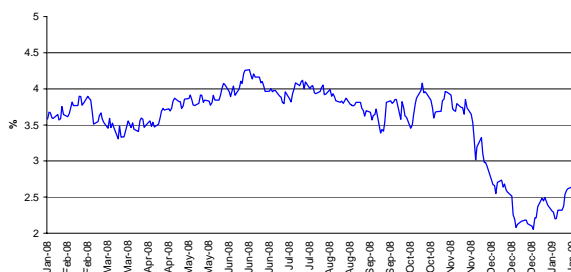
CAD\$ FOREIGN EXCHANGE CROSSES				US\$ FOREIGN EXCHANGE CROSSES				NOTABLE QUOTES
CROSS	SPOT	CHANGE	CAD Direction	CROSS	SPOT	CHANGE	USD direction	
USD/CAD	1.2076	-0.0235	+	EUR/USD	1.3269	0.0114	-	
CAD/US	0.8281			GBP/USD	1.4315	0.0188	-	
EUR/CAD	1.6015	-0.0169	+	USD/JPY	89.3200	0.4000	+	
GBP/CAD	1.7261	-0.0108	+					
CAD/JPY	74.0400	1.7500	+					

1 Year Charts

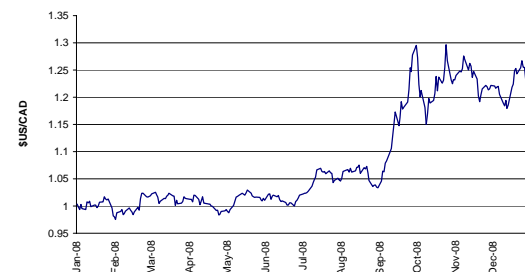
Canada Ten Year Yield



US Ten Year Yield



CAD\$



Daily Commentary

The Federal budget promises to keep bond desks busy by issuing over \$80 billion in new debt amidst spending that will boost GDP by 1.2% this year.

The bond market is reacting mostly negatively, particularly in the mids, where plenty of this supply will come when they re-introduce the 3 year benchmark bond. My question for the BoC and the Treasury – why not issue a 50 year? France did it in 2005, issuing a 2055 maturity bond with a 4% coupon. Surely the governments and taxpayers would benefit from long term financing in the 4% range. The one benefit of the recent turmoil is that the government is financing itself on the cheap. This week, the BoC issued a 2011 bond with a 1.25% coupon!

The generally positive tone this morning, sparked by better than expected earnings from Wells Fargo, Connoco and the “Bad Bank” plan. We’re skeptical that this leper colony approach to fixing the financial crisis will work, but then again nothing else has worked either. Unfortunately, the “market price” for this type of toxic assets would render the holder pretty much insolvent. This Bad Bank would be financed by FDIC insured bonds, and speculators say it should be run by FDIC Chair Sheila Bair, who has proven to be pretty sharp in addressing this banking crisis.

C\$ are flying off the shells as investors brace the good news and run out to take some risk this morning, gaining almost 3 cents against the greenback. It is by far the strongest currency in the world, spurred on by a street friendly budget, a little risk taking and a fresh takeover bid in the oil patch.

The fact that it is a Fed decision day doesn't seem to be registering. Since effectively cutting the rate to zero, there is not much to do. We certainly aren't expecting them to raise, or even hint at raising the rates today. It will be interesting to hear the Fed's take on the current state of the relief programs, and if they are working.

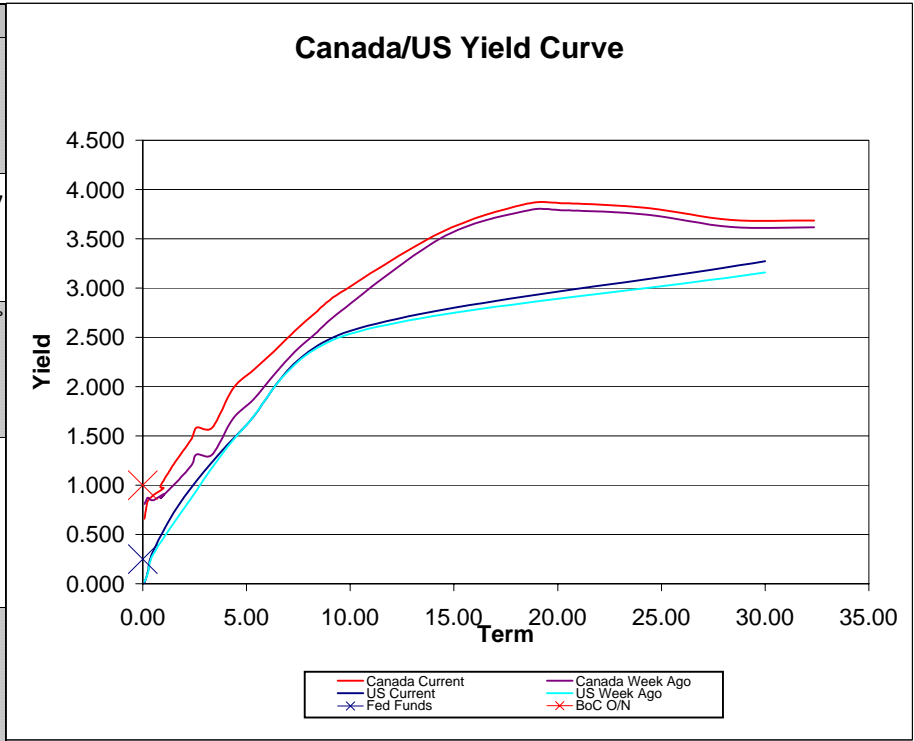
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ECONOMIC NEWS SCHEDULED FOR RELEASE						
Date	CANADA	EST	ACTUAL	US	EST	ACTUAL
MON 26	No News			Leading Indicators Existing Homes Sales Existing Homes Sales MoM Dallas Fed Manf Activity	-0.2% 4.4M -2.0%	0.3% 4.74m 6.5% -50.5
TUES 27	Budget Day			S&P/CaseSchiller Home Px comp Consumer Confidence Richmond Fed	-18.4% 39.00 -50.0	-18.18% 37.7 -49
WED 28	Wholesale Sales	-1.5%	-1.6%	ABC Consumer Confidence MBA Mortgage Apps FOMC Rate Decision	-53 0.25%	-54 -38.8%
THURS 29	Industrial Product Price MoM Raw Materials Price	-2.0% -10.0%		Durable Goods Orders Durbates Ex-transports House Price Index MoM New Home Sales New Home Sales MoM	-2.0% -2.7% -1.2% 398k -2.2%	
FRI 30	GDP MoM	-0.5%		Initial Jobless Claims Continuing Claims GDP QoQ (annualized) Personal Consumption GDP Price Index Core PCE QoQ Employment Cost Index Chicago PMI NAMP-Milwaukee RPX Composite home Px YoY	578k 4615k -5.5% -3.5% 0.5%	



Other Notable Economic Events	CDN Money Market	CANADIAN RATES	US RATES	CANADA-US SPREADS	YIELD CURVE SHIFTS	
	Bankers Acceptance	PRIME 3.00	PRIME 3.25	TERM BPS CHANGE	ROLL SPREAD CHANGE	
	30 Day 0.90	BANK RATE 1.00	BANK RATE 2.00	3M 71.3 2.5	2yr -5yr 2.3 0.4	
	60 Day 0.89		FED FUNDS 0-0.25	2Y 46.4 1.6	2yr -10yr 57.0 1.1	TED Spread 1.38
	90 Day 0.89		DISCOUNT 0.5	5Y 37.3 4.8	2 yr -30yr 33.2 2.4	Week ago 1.64
	Indication only - actual rates may vary		LIBOR 3M 1.1744	10Y 36.2 4.6	5yr -10yr 4.7 0.7	
				30Y 42.1 3.9	10yr-30yr 6.2 1.3	