

Fixed Income Snapshot

January 29, 2009

CANADA BENCHMARKS						
TERM	COUPON	MATURITY	PRICE	YIELD	\$ CHANGE	
2 YR	2.750	1-Dec-10	102.45	1.39	-0.04	
5 YR	3.500	1-Jun-13	#N/A	2.06	-0.10	
10 YR	4.250	1-Jun-18	110.20	2.99	-0.14	
30 YR	5.000	1-Jun-37	122.00	3.74	-0.20	

US BENCHMARKS						
TERM	COUPON	MATURITY	PRICE	YIELD	\$ CHANGE	
2 YR	0.875	31-Jan-11	99.98	0.88	#N/A	
5 YR	1.500	31-Dec-13	99.00	1.72	-0.13	
10 YR	3.750	15-Nov-18	109.06	2.70	-0.30	
30 YR	4.500	15-May-38	118.94	3.47	-0.72	



FIXED INCOME

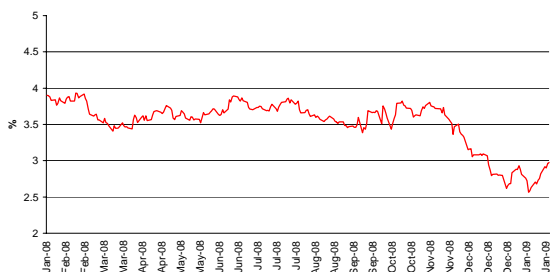


CAD\$ FOREIGN EXCHANGE CROSSES				US\$ FOREIGN EXCHANGE CROSSES				NOTABLE QUOTES
CROSS	SPOT	CHANGE	CAD Direction	CROSS	SPOT	CHANGE	USD direction	
USD/CAD	1.2146	0.0031	-	EUR/USD	1.3155	-0.0012	+	
CAD/US	0.8233			GBP/USD	1.4314	0.0075	-	
EUR/CAD	1.5973	0.0033	-	USD/JPY	89.9700	-0.3000	-	
GBP/CAD	1.7393	0.0137	-					
CAD/JPY	73.9800	-0.4800	-					

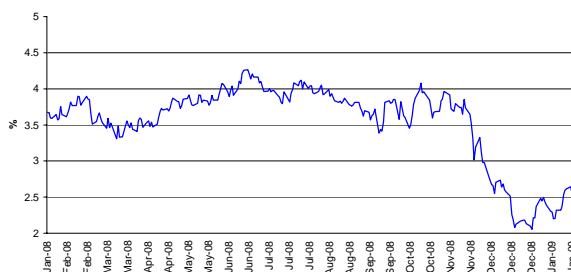


1 Year Charts

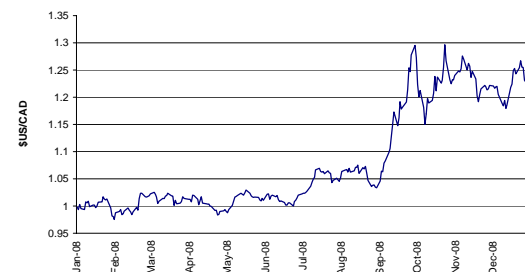
Canada Ten Year Yield



US Ten Year Yield



CAD\$



Daily Commentary

Despite the Fed's comments yesterday acknowledging that deflation was a much greater concern than inflation, bonds continued their slide yesterday. This also comes as the Fed continues to ponder outright purchases of T-Bonds to keep rates low down the curve, beyond the reach of the Fed Funds rate. Technically speaking, the 10 year has broken through its 50 day moving average (it is at 2.67%), but is still well below the 200 day MA (at 3.51%).

The speed of yield decline during November and December does need to be unwound to some extent, but the fundamentals remain... unemployment and deflation are on the rise. There is very little historical correlation between treasury issuance and yields (ie - more supply does not necessarily mean higher yields), so we're skeptical of that as the latest "reason" for the 7 day slide in bonds is supply. We'll call it a backup from overbought territory.

Durable Goods orders disappointed once again, particularly when including the revisions to November's data. Durables have been declining for 5 consecutive months now. Machinery and metals showed the most weakness, while electrical equipment orders actually rose.

Weekly Jobless Claims continued their climb. Continuing claims jumped to 4.776 million - the chart (FI Snapshot pg 3) is looking parabolic now. This has some very deflationary implications. Given these numbers, we would look to own government bonds once the aforementioned speculative excess unwinds itself. We will watch the government bond auctions closely (\$30 bln 5 year treasuries hit the street today), as we suspect it could spark some buying should the auction go well and equities weaken.

Canadian Raw Materials prices are declining at an accelerating pace. They dropped 15% in December, after falling 13% in November. No surprise here really, although with our declining dollar through those months, we would have expected the numbers to be softer.

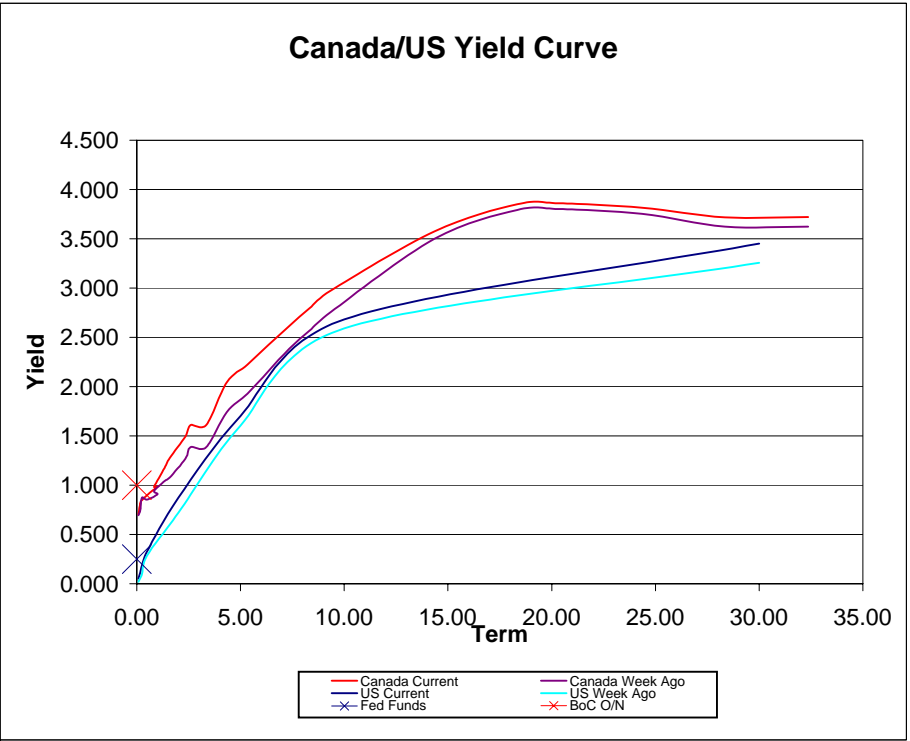
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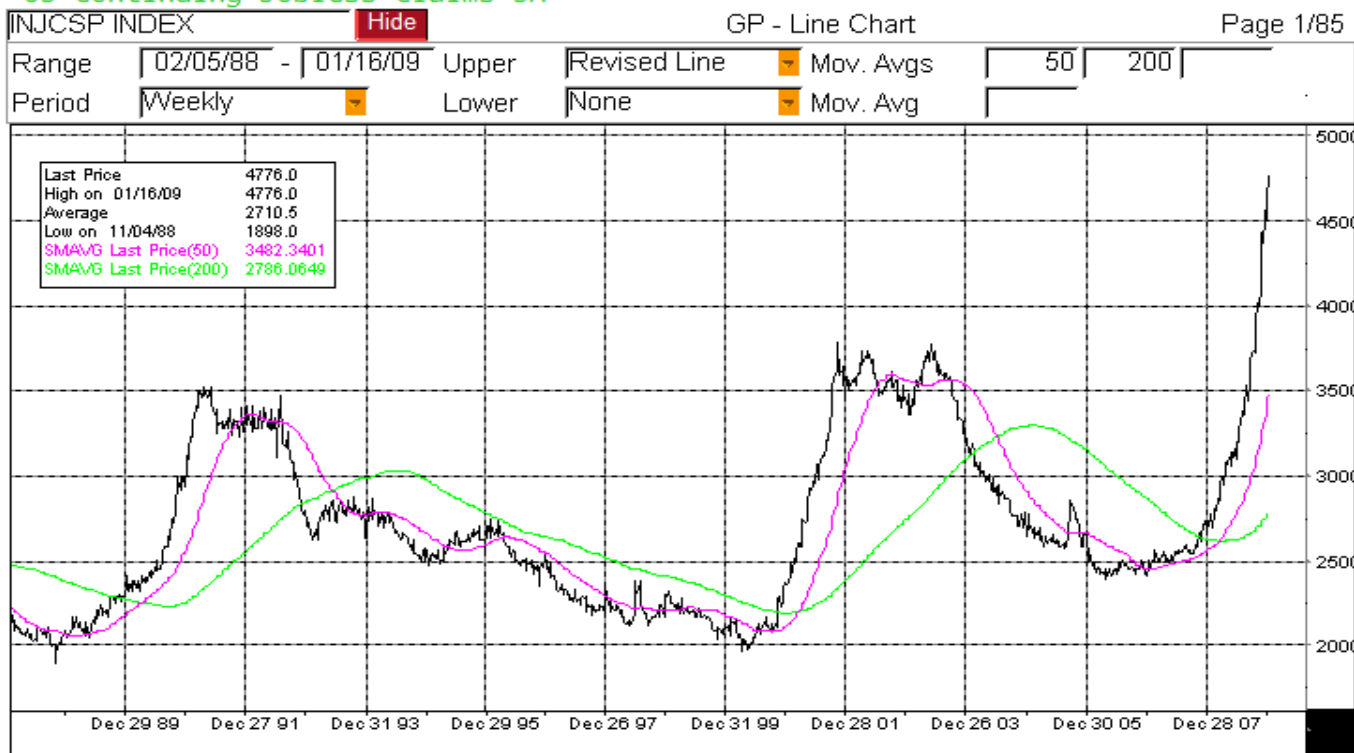
ECONOMIC NEWS SCHEDULED FOR RELEASE						
Date	CANADA	EST	ACTUAL	US	EST	ACTUAL
MON 26	No News			Leading Indicators Existing Homes Sales Existing Homes Sales MoM Dallas Fed Manf Activity	-0.2% 4.4M -2.0%	0.3% 4.74m 6.5% -50.5
TUES 27	Budget Day			S&P/CaseSchiller Home Px comp Consumer Confidence Richmond 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% 0-0.25%
THURS 29	Industrial Product Price MoM Raw Materials Price	-2.0% -10.0%	-1.9% -15.4%	Durable Goods Orders Durbales Ex-transports New Home Sales New Home Sales MoM	-2.0% -2.7% 398k -2.2%	-2.6% -3.6% 588k 4776k
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%	588k 4776k



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 3M 66.7	ROLL 2yr -5yr 5.5	
	30 Day 0.90	BANK RATE 1.00	BANK RATE 2.00	5Y 33.4	SPREAD 2yr -10yr 57.8	
	60 Day 0.89		FED FUNDS 0-0.25	10Y 30.5	CHANGE 2 yr -30yr 32.6	
	90 Day 0.88		DISCOUNT 0.5	30Y 27.0	CHANGE 5yr -10yr 2.3	
	indication only - actual rates may vary		LIBOR 3M 1.1700		CHANGE 10yr-30yr 4.8	
						TED Spread Week ago 1.31 1.70

US Continuing Jobless Claims - back to 1988

INJCSP Last 4776K JAN 17 Next 02/05/09 08:30 Surv -- Index **GPO**
US Continuing Jobless Claims SA



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000
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