

Fixed Income Snapshot

February 6, 2009

CANADA BENCHMARKS					
TERM	COUPON	MATURITY	PRICE	YIELD	\$ CHANGE
2 YR	2.750	1-Dec-10	102.88	1.13	0.18
5 YR	3.500	1-Jun-13	106.62	1.89	0.37
10 YR	4.250	1-Jun-18	110.27	2.98	0.35
30 YR	5.000	1-Jun-37	122.35	3.72	0.20

US BENCHMARKS					
TERM	COUPON	MATURITY	PRICE	YIELD	\$ CHANGE
2 YR	0.875	31-Jan-11	99.83	0.96	0.01
5 YR	1.750	31-Jan-14	99.21	1.92	-0.12
10 YR	3.750	15-Nov-18	106.80	2.95	-0.36
30 YR	4.500	15-May-38	114.38	3.69	-0.69



FIXED INCOME

CAD\$ FOREIGN EXCHANGE CROSSES

CROSS	SPOT	CHANGE	CAD Direction
USD/CAD	1.2491	0.0161	-
CAD/US	0.8006		
EUR/CAD	1.6003	0.0227	-
GBP/CAD	1.8313	0.0289	-
CAD/JPY	73.4100	-0.4600	-

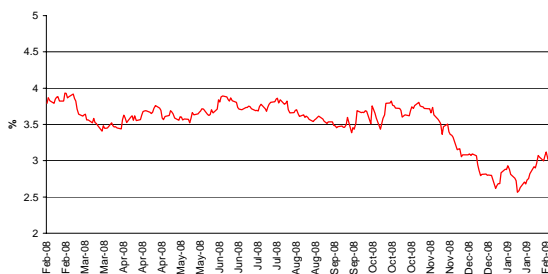
US\$ FOREIGN EXCHANGE CROSSES

CROSS	SPOT	CHANGE	USD direction
EUR/USD	1.2820	0.0017	-
GBP/USD	1.4661	0.0042	-
USD/JPY	91.7300	0.6100	+

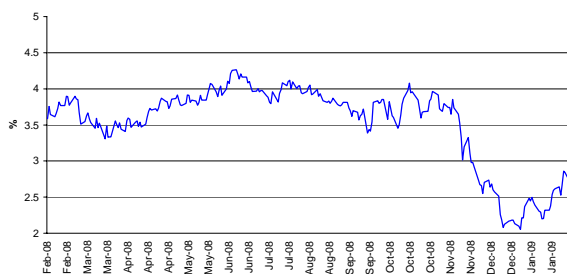
NOTABLE QUOTES

1 Year Charts

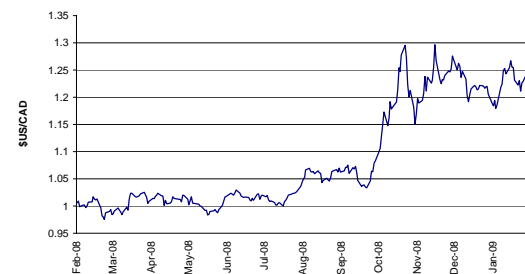
Canada Ten Year Yield



US Ten Year Yield



CAD\$



Daily Commentary

Under the hood of the horrible -129,000 jobs number in Canada reveals some ugly data as well. 114,000 of the 129k were full time jobs. Goods producing jobs took a beating, representing 120,000 of the number, 80% of that in manufacturing. The only meaningful up sectors were health care and financial services (yes I'm as surprised as you are). By region, Ontario took the biggest paddling, followed by BC and Quebec. Alberta and New Brunswick actually added jobs. The unemployment rate now stands at 7.2% in Canada.

These numbers make the bank of Canada's forecasts seem a little optimistic, to say the least. The BoC is calling for 3.8% growth in 2010, though the economists' consensus is for just 2%. Does the BoC know something we don't?

The loonie is sinking on the release, losing more than two full pennies.

US Jobs Numbers are ugly as well. The headline NFP came out at -598,000, and the manufacturing sector lost 207,000. Both of these are worse than expected, and both suffered downward revisions from last month's reports as well. **US unemployment rate** is now 7.6% (up from 7.2%). We'll admit we had taken the over on this month's NFP. Having seen a glimmer of good data this past week. Upon reflection, however, after seeing the employment sections of the ISM, Chicago and Philly Fed surveys, we should have known jobs was going to be a tough spot. They all had weak employment sections.

Strangely, Treasuries are selling off on the report – the tens are flirting with 3% again. We've included a chart on page 3. Technically, the tens have now retraced 2/3's of their spectacular Nov – Dec rally, and we are starting to get interested again. It seems everyone is talking about inflation, but we feel that trade is still too far away. The unemployment numbers are dismal, and you can't have meaningful inflation when people aren't working. We don't deny that massive stimulus packages will eventually be inflationary, but the governments spending money once won't spark it. It will take the velocity of that money to increase.

Breakevens (Treasury yield less TIPS yields) are still WELL below long term trend, implying 1.16% CPI for 10 years.

This is back from implying *negative* CPI, so we know the market certainly is not right all the time, but the fact that an indicator like this is so stable and suddenly is calling for big disinflation makes us look.

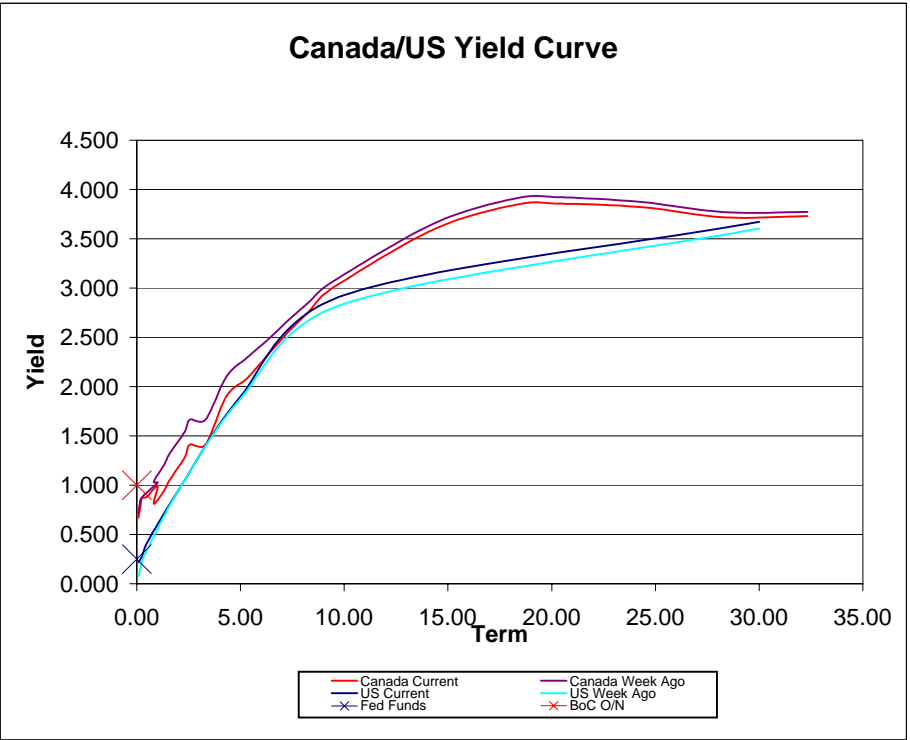
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February 6, 2009

ECONOMIC NEWS SCHEDULED FOR RELEASE						
Date	CANADA	EST	ACTUAL	US	EST	ACTUAL
MON 2	No News			Personal Income Personal Spending PCE Deflator PCE Core MoM PCE Core YoY ISM Manufacturing ISM Prices Paid Construction Spending	-0.4% -0.9% 1.0% 0.0% 1.7% 32.50 18.00 -1.2%	-0.2% -1.0% 0.6% 0.0% 1.7% 35.60 29.00 -1.4%
TUES 3	No News			Pending Home Sales Total Vehicle Sales Domestic Veh Sales	0.0% 10.2m 7.7m	6.3% 9.6m 6.9m
WED 4	No News			ABC Consumer Confidence MBA Mortgage Apps Challenger Job Cuts ADP Employment Change ISM Non-Manufacturing		-52 8.6% 222.40% -522k 42.90
THURS 5	Building Permits Ivey PMI	-5.0% 40.00	-3.9% 36.10	ICSC Chain Store Sales NonFarm Productivity Unit Labor Cost Factory Orders Initial Jobless Claims Continuing Claims	1.5% 3.0% -3.1% 585k 4795k	3.2% 1.8% -3.9% 626k 4788k
FRI 6	Unemployment Rate Net Change Employment	6.8% -40.0k	7.2% -129k	Chg NonFarm Payrolls Unemployment Rate Chg Manufacturing Payrolls Avg Hourly Earnings MoM Avg Hourly Earnings YoY Avg Weekly Hours Consumer Credit	-533k 7.5% -143k 0.2% 3.6% 33.30 -\$3.5B	-598k 7.6% -207k 0.3% 3.9% 33.3



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 0.80	BANK RATE 1.00	BANK RATE 2.00	3M 53.1 2.5	2yr -5yr 5.6 1.3	
	60 Day 0.88		FED FUNDS 0-0.25	2Y 16.3 8.8	2yr-10yr 84.1 5.5	TED Spread 1.38
	90 Day 0.85		DISCOUNT 0.5	5Y -2.8 11.1	2 yr -30yr 57.8 8.6	Week ago 1.27
	Indication only - actual rates may vary		LIBOR 3M 1.2413	10Y 2.5 8.4	5yr-10yr 8.5 4.2	
				30Y 3.1 -4.7	10yr-30yr 3.7 3.1	

US Treasury 10 year yield

USGG10YR ↓ 2.9239 +.0119

Index **GPO**

At 8:49 Vol 0 Op 2.9079 Hi 2.9613 Lo 2.8706 Prev 2.9120

USGG10YR INDEX	Hide	GPO - Bar Chart	Page 1/37
Range	02/07/07 - 02/06/09	Upper	Bar Chart
Period	Daily	Lower	None
			Mov. Avgs 50 200
			Mov. Avg

