

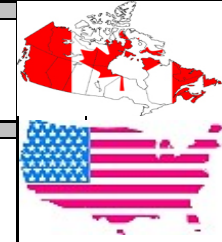


Fixed Income Snapshot

May 3, 2007

CANADA BENCHMARKS				
TERM	COUPON	MATURITY	PRICE	YIELD
2 YR	3.750	01-Jun-09	99.13	4.19
5 YR	3.750	1-Sep-11	98.38	4.16
10 YR	4.000	1-Jun-16	98.59	4.19
30 YR	5.750	1-Jun-33	123.70	4.24

US BENCHMARKS				
TERM	COUPON	MATURITY	PRICE	YIELD
2 YR	4.500	30-Apr-09	99.68	4.67
5 YR	4.500	30-Apr-12	99.72	4.56
10 YR	4.625	15-Feb-17	99.75	4.66
30 YR	4.750	15-Feb-37	98.83	4.82



FOREIGN EXCHANGE			CANADIAN RATES		US RATES		CANADA-US SPREADS			YIELD CURVE SHIFTS		
CROSS	SPOT	CHANGE	PRIME	BANK RATE	PRIME	BANK RATE	TERM	BPS	CHANGE	ROLL	SPREAD	CHANGE
CAD/US	1.1073		6.00	4.25	8.25	7.00	3M	-72.9	-0.9	2 yr -30yr	4.7	0.2
US/CAD	0.9031						2Y	-47.8	-0.6	2yr -5yr	-3.4	-1.4
YEN/US	120.1800				5.25		5Y	-40.6	-1.5	5yr-10yr	3.1	-0.2
GAP/US	1.9903						10Y	-46.7	-1.1	10yr-30yr	5.0	-1.6
							30Y	-58.5	-117.0	2yr-10yr	-0.3	-1.6

ECONOMIC NEWS SCHEDULED FOR RELEASE						
CANADA			US			
		EST	ACTUAL		EST	ACTUAL
MON 30	GDP	0.20	0.40	Personal Inc	0.60	0.70
				Personal Spending	0.50	0.30
				PCE Deflator YoY		2.40
				PCE core	0.10	0.0%
				PCE core YoY	2.2	2.1%
TUES 1	Industrial Product Px	0.8%	1.3%	Pending Home Sales	0.20	-4.9%
	Raw Mats Price	1.5%	1.3%	ISM Manufacturing	51.00	54.70
				ISM Prices Paid	67.30	73.00
				Consumer Confidence		-5
				Total Vehicle Sales	16.2m	16.3M
				Dom vehicle Sales	12.3m%	12.5M
WED 2	No News			MBA Mortgage Apps		0.6%
				ADP Employment Chg	105k	64k
				Factory Orders	2.1%	3.1%
				Challenger Job Cuts		18.4%
THURS 3	No News			Initial Jobless Claims	325k	305k
				Continuing Claims	2550k%	2495k
				NonFarm Productivity	0.80	1.7%
				Unit Labor Cost	3.90	0.6%
				ISM Non-Manufacturing	53.20	
FRI 4	Ivey PMI			Change in Non-Farm payrolls	100k	
				Unemployment Rate	4.50	
				Chg in Manufac payrolls	-14k	
				Avg Hourly Earnings MoM	0.30	
				Avg Hourly Earnings YoY	3.90	
				Avg Weekly Hours	33.80	

Daily Comment

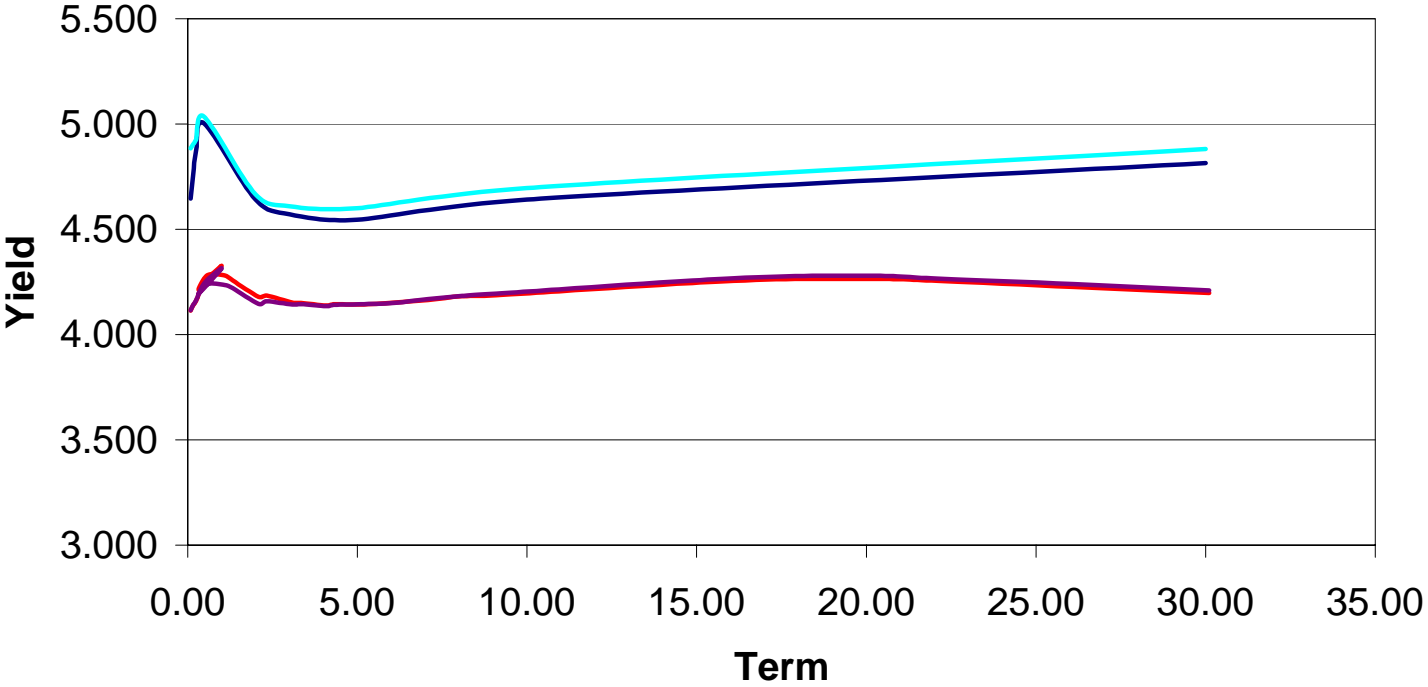
It doesn't look like a rally is gaining any traction here. Every time the bonds try to move up, the gains are quick and then we resume a grinding flat to lower market. There is plenty of data this week, the most important of which is the employment numbers out of the US tomorrow. This morning's productivity was up and Labor cost was down (it's a US number - thus the spelling - I'll talk about Canadian Labour next week). Mixed reactions in the bond market on these numbers. Productivity indicates strength in the economy, but Labor costs show a lack of inflation pressure on wages.

ISM non-manufacturing is due at 10am. It will be interesting to see if it follows the manufacturing sector (reported Tuesday) and shows similar strength. We are seeing some steepening of the yield curve at this point (Canada 2yr-30yr at 5 bps). Interestingly in Canada, BAX futures are showing short term rates rising by 25bps over the next year. This certainly is not enough to be conclusive, but it is interesting to see market participants not expecting overnight rates to decline. In fact, RBC has revised their forecasts for O/N rates 25bps in Q4 and thrice in '08. The inversion out to five years has also slimmed to 10 bps.

US outperformance continues as the 10yr spread has narrowed to 45 bps. Look for a pause in the CAD\$ rally to give this trade more validity.



Canada/US Yield Curve



— Canada Current — Canada Week Ago — US Current — US Week Ago