

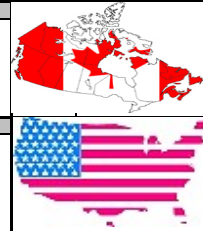


Fixed Income Snapshot

September 17, 2007

CANADA BENCHMARKS				
TERM	COUPON	MATURITY	PRICE	YIELD
2 YR	3.750	01-Jun-09	99.12	4.29
5 YR	3.750	1-Jun-12	97.75	4.28
10 YR	4.000	1-Jun-17	97.35	4.34
30 YR	5.000	1-Jun-37	110.62	4.36

US BENCHMARKS				
TERM	COUPON	MATURITY	PRICE	YIELD
2 YR	4.000	31-Aug-09	99.87	4.07
5 YR	4.125	31-Aug-12	99.70	4.19
10 YR	4.750	15-Aug-17	102.25	4.47
30 YR	5.000	15-May-37	104.39	4.72



FIXED INCOME

CROSS	FOREIGN EXCHANGE		CANADIAN RATES		US RATES		CANADA-US SPREADS			YIELD CURVE SHIFTS		
	SPOT	CHANGE	PRIME	BANK RATE	PRIME	BANK RATE	TERM	BPS	CHANGE	ROLL	SPREAD	CHANGE
CAD/US	1.0271		6.25	4.50	8.25	7.00	3M	-7.9	-8.7	2 yr -30yr	7.0	-3.9
US/CAD	0.9736						2Y	21.7	1.2	2yr -5yr	-0.6	-3.6
YEN/US	114.8300				5.25		5Y	8.9	-1.7	5yr-10yr	5.5	0.6
GBP/US	2.0000						10Y	-12.7	0.0	10yr-30yr	2.1	-3.0
							30Y	-36.5	-73.0	2yr-10yr	4.9	-3.0

ECONOMIC NEWS SCHEDULED FOR RELEASE						Daily Comment
	CANADA	EST	ACTUAL	US	EST	ACTUAL
MON 17	Int'l Securities Transactions	C\$-1.5		Empire Manufacturing	18.00	
TUES 18	New Motor Veh Sales	-3.0%		PPI PPI ex food-energy PPI YoY PPI ex food-energy YoY Net Long Term TIC flows Total Net TIC Flows NAHB Housing mkt Ndx FOMC Rate Decision	-0.3% 0.1% 3.2% 2.2% \$95.0B \$60.0B 20.00 5.00%	
WED 19	CPI CPI YoY CPI Core CPI Core YoY Leading Indicators	0.1% 2.1% 0.2% 2.3% 0.3%		MBA Mortgage Applic'ns CPI CPI ex food-energy CPI YoY CPI ex food-energy YoY Housing Starts Building Permits	 0.0% 0.2% 2.1% 2.2% 1350k 1345k	
THURS 20	Wholesale Sales	0.5%		Leading Indicators Philadelphia Fed	-0.4% 2.60	
FRI 21	Retail Sales Retail Sales less autos	0.0% 0.4%		No News	 321k 2575k	


The data will be heavy this week, both sides of the border. As Bernanke and the Fed come out with what will probably be the most watched and analyzed rate decision in some time, we will also be bombarded with inflation, housing and leading indicators.

We continue to see the Fed cutting by 25 bps tomorrow, rather than the 50 that many are calling for. As of now, there is no emergency in the market, and Bernanke will not want to give the impression that the Fed thinks there is one. Measured 25 bp hikes were the rule on the way up, and it will be so on the way down, unless an emergency develops.

What is interesting to note, however, is the length of time it actually takes for Fed rate movements to really work their way into the economy.

Today's woes of excessive speculation and highly geared structured financial products are being blamed on an interest rate policy that ended on June 30, 2004. While Fed cuts will provide great psychological relief to the markets Bernanke is well aware that the 1% policy of June 2003 to June 2004 may very well have caused the excess we are seeing now. Throw in a Japanese ZIRP (Zero Interest Rate Policy) from Feb 1999 through 2006 (Japanese overnight target is now 0.5%) and a much more global financial system, and we see that these cycles play out over years.

In news outside of economic releases, the Northern Rock turmoil continues and is almost playing out like a run on the bank. Individuals are withdrawing their money, and shares are tumbling. Surprisingly, this is not having a great effect on the Gilt market. While the Gilt curve has rallied to lower yields, it is still very inverted (3 month @ 5.60%, Ten year @ 4.85%), and there has been very little steepening over the past few weeks as we have seen in the treasury market. We would have expected to see the short



Canada/US Yield Curve

