



## Fixed Income Snapshot

September 21, 2007

CANADA BENCHMARKS				
TERM	COUPON	MATURITY	PRICE	YIELD
2 YR	3.750	01-Jun-09	99.09	4.31
5 YR	3.750	1-Jun-12	97.45	4.36
10 YR	4.000	1-Jun-17	96.43	4.46
30 YR	5.000	1-Jun-37	107.98	4.51

  

US BENCHMARKS				
TERM	COUPON	MATURITY	PRICE	YIELD
2 YR	4.000	31-Aug-09	99.76	4.13
5 YR	4.125	31-Aug-12	98.91	4.37
10 YR	4.750	15-Aug-17	100.38	4.70
30 YR	5.000	15-May-37	100.69	4.96



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	1.0026		6.25	4.50	8.25	7.00	3M	26.0	0.8	2 yr -30yr	19.7	-0.2
US/CAD	0.9974						2Y	18.2	-3.5	2yr -5yr	4.6	-1.1
YEN/US	115.7700				5.25		5Y	-1.9	-4.0	5yr-10yr	9.7	0.0
GBP/US	2.0154						10Y	-24.7	-3.1	10yr-30yr	5.4	-1.1
							30Y	-44.9	-88.9	2yr-10yr	14.3	-1.1

ECONOMIC NEWS SCHEDULED FOR RELEASE							Daily Comment
CANADA		EST	ACTUAL	US		EST	ACTUAL
<b>MON 17</b>	Int'l Securities Transactions	C\$-1.5	<b>C\$1.502</b>	Empire Manufacturing		18.00	<b>14.70</b>
<b>TUES 18</b>	New Motor Veh Sales	-3.0%	<b>-2.7%</b>	PPI		-0.3%	<b>-1.4%</b>
				PPI ex food-energy		0.1%	<b>0.2%</b>
				PPI YoY		3.2%	<b>2.2%</b>
				PPI ex food-energy YoY		2.2%	<b>2.2%</b>
				Net Long Term TIC flows		\$95.0B	<b>\$19.2B</b>
				Total Net TIC Flows		\$60.0B	<b>\$103.8B</b>
				NAHB Housing mkt Ndx		20.00	<b>20.00</b>
				<b>FOMC Rate Decision</b>		<b>5.00%</b>	<b>4.75</b>
				ABC Consumer Confidence			<b>-15</b>
<b>WED 19</b>	CPI	0.1%	<b>-0.3%</b>	MBA Mortgage Applic'ns			<b>2.4%</b>
	CPI YoY	2.1%	<b>1.7%</b>	CPI		0.0%	<b>-0.1%</b>
	CPI Core	0.2%	<b>0.1%</b>	CPI ex food-energy		0.2%	<b>0.2%</b>
	CPI Core YoY	2.3%	<b>2.2%</b>	CPI YoY		2.1%	<b>2.0%</b>
	Leading Indicators	0.3%	<b>0.3%</b>	CPI ex food-energy YoY		2.2%	<b>2.1%</b>
				Housing Starts		1350k	<b>1331k</b>
				Building Permits		1345k	<b>1307k</b>
<b>THURS 20</b>	Wholesale Sales	0.5%	<b>2.0%</b>	Leading Indicators		-0.4%	<b>0.6%</b>
				Philadelphia Fed		2.60	<b>10.90</b>
				Initial Jobless Claims		321k	<b>311k</b>
				Continuing Claims		2575k	<b>2544k</b>
<b>FRI 21</b>	Retail Sales	0.0%	<b>-0.8%</b>	No News			
	Retail Sales less autos	0.4%	<b>-0.3%</b>				

With most of the data behind us for the week, we head into a quadruple witching day. Expect to see some volatility. Bonds are mostly unchanged right now after trading higher early in the morning. The trends are definitely in place right now, and the charts are looking pretty ugly.

Canada's retail sales came out weak. The headline dropped 0.8% while the less autos number dropped 0.3%. This may be a little catalyst for the short end of the yield curve to rally and the CAD\$ to weaken a little bit. With the soft print on CPI Wednesday, soft retail sales and the CAD\$ trading at par - the Bank of Canada has been given a green light to lower rates and take some pressure off. Add in the government of Alberta deciding to cool their own economy, and the dichotomy between east and west which has been plaguing the Feds may ease. Ontario and Quebec especially are screaming for rate cuts as manufacturing, and forestry sectors are being hammered by strong loonies.

All this leads us to believe the steepening yield curve. With the 2 years trading at 4.30% and the 30 years @ 4.52%, there's plenty of room for the former to fall and the latter to rise.

The Fixed Income desk is now running a pool on the over/under date for the first Canadian store to have a sign saying "US\$ accepted at par". Call to place your bets. Seriously though, the US\$ is highly oversold at this point, and sentiment couldn't get much worse. While their fundamentals have not changed in the past couple of years, the contrarian has to be looking at this trade - the strongest G8 currency vs. the weakest, and expect the CAD\$ to bounce back a little from the 0.9940 we saw overnight.



J.Price

# Canada/US Yield Curve

