

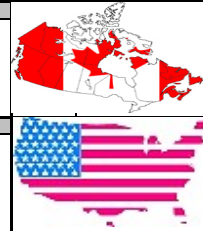


Fixed Income Snapshot

November 27, 2007

CANADA BENCHMARKS				
TERM	COUPON	MATURITY	PRICE	YIELD
2 YR	4.250	01-Dec-09	101.29	3.58
5 YR	3.750	1-Jun-12	99.94	3.76
10 YR	4.000	1-Jun-17	100.19	3.98
30 YR	5.000	1-Jun-37	114.07	4.17

US BENCHMARKS				
TERM	COUPON	MATURITY	PRICE	YIELD
2 YR	3.625	31-Oct-09	101.07	3.05
5 YR	3.875	31-Oct-12	102.43	3.34
10 YR	4.250	15-Nov-17	102.75	3.91
30 YR	5.000	15-May-37	111.13	4.33



FIXED INCOME



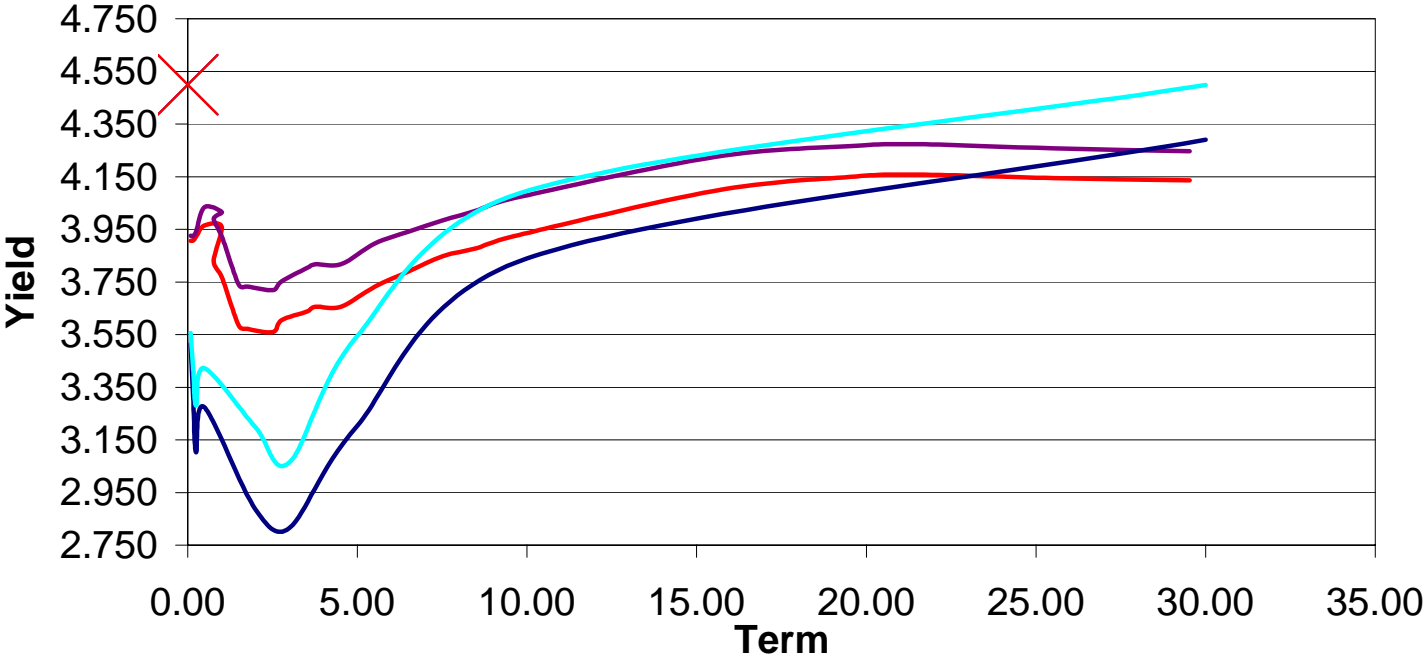
FOREIGN EXCHANGE			CANADIAN RATES		US RATES		CANADA-US SPREADS			YIELD CURVE SHIFTS		
CROSS	SPOT	CHANGE	PRIME	BANK RATE	PRIME	BANK RATE	TERM	BPS	CHANGE	ROLL	SPREAD	CHANGE
CAD/US	0.9934		6.25	4.50	7.50	6.25	3M	72.2	-8.4	2 yr -30yr	58.9	-5.8
US/CAD	1.0066				4.5	4.5	2Y	53.6	-4.7	2yr -5yr	18.5	-1.1
YEN/US	107.9300						5Y	43.4	-3.8	5yr-10yr	21.2	-1.3
GBP/US	2.0722						10Y	6.4	-0.1	10yr-30yr	19.2	-2.4
							30Y	-15.9	-31.6	2yr-10yr	39.7	-2.4

ECONOMIC NEWS SCHEDULED FOR RELEASE						Daily Comment
CANADA		EST	ACTUAL	US		
DATE	NEWS			EST	ACTUAL	
MON 26	No News			No News		
TUES 27	No News			S&P/CS Comp Home Px Consumer Confidence Richmond Fed Index	-4.1% 91.00 -2.0	What a session yesterday was. Risk free bonds continued their path higher, but instead of marching it was an all out sprint. 30 year treasuries were up 3.5 dollars at one point during the day (that's 20 bps) and even more impressive was the 2 year treasury which had a 28 bp move! Canada lagged in the size of the moves, but they were large as well, the Canada 30 year trading up over a point. Once again, this came mostly at the expense of credit in the market. Corporate spreads moved wider once again as investors fled anything risky. This is leaving especially the financials in poor shape. Take Lehman and Merrill ten year bonds as an example. Having traded as expensive as 104 bps over treasuries 6 months ago, these have gotten as wide as 280 bps over and are currently bid around +245 (chart example in Daily FI Snapshot). While risk free yields have declined significantly in 6 months, the cost of corporate funding has actually increased for even the safest corporations. This is worrying as it raises the prospect that Fed and Bank of Canada rate cuts won't have their desired effect should that lower cost of funds not work its way into the broader economy.
WED 28	No News			ABC Consumer Confidence Durable Goods Orders Durable ex Trans MBA Mtg Apps Existing Home Sales Existing Home Sales MoM Belge Book	0.0% 0.4% 5.00M -0.8%	If you want this in terms that are much closer to home - the last time Canada bonds were trading this low in yield, a 5 year closed mortgage from ING direct in Canada could be gotten for about 5.00% (and rates were on their way up). Today that rate is 6% (while rates are coming down) - so while overall benchmark interest rates are lower, loans carrying risk are MUCH higher.
THURS 29	Current Account Industrial Production Px Raw Materials Px	\$3.4B -0.6% 0.4%		GDP Annualized Personal Consumption GDP Px Index Core PCE QoQ New Home Sales New Home Sales MoM Help Wanted House Price Index QoQ Initial Jobless Claims Continuing Claims	4.9% 2.8% 0.8% 1.8% 750k -2.6% 23.00 -0.5% 330k 2575k	It's interesting to note that the credit yield spreads have not improved since the Abu Dhabi - Citigroup news. On first analysis, we'd argue this is because the Abu Dhabi deal should actually serve to WIDEN credit spreads. This isn't all good news. Abu Dhabi will be paid 11% yield on preferred shares for a average of 3.5 years until they are forced to convert to common shares.
FRI 30	GDP MoM Quarterly GDP Ann.	0.1% 2.1%		Personal Income Personal Spending PCE Delfator YoY PCE Core MoM PCE Core YoY Chicago PMI Construction Spending MoM	0.4% 0.3% 2.8% 0.2% 1.8% 50.50 -0.3%	Given that market traded prefs are trading closer to 6.5% (lower in Canada), this seems like extraordinarily expensive financing for Citi, or the deal of the century for Abu Dhabi. Citi shares would have to fall by over a third in the next three years (and stay below that level) for Abu Dhabi to lose money on this deal. With Citi practically giving away this 4.9% stake in their company, we're worried about their underlying need for financing being much larger than the market anticipated, and more importantly, the implications of this on corporations who are not as big or stable as the Citigroup (which is ALL financials, as Citi is the biggest bank in the world)



J.Price

Canada/US Yield Curve



ML Yield is the top (white) line, Treasury yield the bottom (orange) line - The difference between the two on the lower chart.



51) Spread 52) Correlation

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000