



Fixed Income Snapshot

December 12, 2007

CANADA BENCHMARKS				
TERM	COUPON	MATURITY	PRICE	YIELD
2 YR	4.250	01-Dec-09	100.96	3.73
5 YR	3.750	1-Jun-12	99.66	3.83
10 YR	4.000	1-Jun-17	100.08	3.99
30 YR	5.000	1-Jun-37	114.71	4.13

US BENCHMARKS				
TERM	COUPON	MATURITY	PRICE	YIELD
2 YR	3.125	30-Nov-09	99.99	3.13
5 YR	3.375	30-Nov-12	99.56	3.47
10 YR	4.250	15-Nov-17	101.38	4.08
30 YR	5.000	15-May-37	107.52	4.53



FOREIGN EXCHANGE			CANADIAN RATES		US RATES		CANADA-US SPREADS			YIELD CURVE SHIFTS		
CROSS	SPOT	CHANGE	PRIME	6.00	PRIME	7.50	TERM	BPS	CHANGE	ROLL	SPREAD	CHANGE
CAD/US	1.0085		BANK RATE	4.25	BANK RATE	6.25	3M	85.4	-7.2	2 yr -30yr	39.8	-6.8
US/CAD	0.9916				FED FUNDS	4.5	2Y	62.2	-8.6	2yr -5yr	9.9	-3.3
YEN/US	111.8600				DISCOUNT	5	5Y	39.4	-5.2	5yr-10yr	15.7	-1.5
GBP/US	2.0486						10Y	-8.6	-4.4	10yr-30yr	14.2	-4.8
							30Y	-40.0	-77.2	2yr-10yr	25.6	-4.8

ECONOMIC NEWS SCHEDULED FOR RELEASE						Daily Comment	
CANADA		EST	ACTUAL	US	EST	ACTUAL	
MON 10	Housing Starts	222K	227.9K	Pending Home Sales	-1%	0.6%	<p>Confused? Join the crowd. The Fed cut the Fed Funds Rate as expected and left the door open for further cuts. So bond prices soared, stocks cratered and the US dollar rallied. This morning, bond prices are sinking, equity futures are higher and the dollar is weaker. Somewhere out there someone is playing with the joy stick.</p> <p>We think that the Fed is in danger of falling behind the curve and perhaps that is why the markets were disappointed over this timid move even though that is what the market thought the Fed should do.</p> <p>Oh well, back to the rest of the world. This morning, Canada's trade surplus surprised, by gaining \$ 3.3 billion versus consensus of \$ 2.3 billion. The Canadian dollar is slightly better on this news. Also, Canada's Import Price Index rose sharply, by 2.7% for the month and 11.4% year over year.</p> <p>Tomorrow we will see the US PPI and the important retail sales number and these two releases should clarify somewhat what the Fed is looking at.</p> <p>The Fed is also examining other methods of unlocking credit flows and is expected to announce such measures shortly. They could involve lengthier repo terms as well as a broader range of acceptable collateral.</p> <p>Bank of Canada Governor Dodge, enjoying his lame duck status, spoke in a very stern way concerning the frozen ABCP market and the tepid flow of inter bank funds. He is right to be concerned as credit will not begin to flow just because the cost of money is lower. After all, the word credit is derived from the Latin, credere, which means to believe. One lends funds to another party if you believe that you will be paid back. There are a lot of non-believers in the market.</p>
TUES 11	No News			Wholesale Inventories	0.5%	0.0%	
				ABC Consumer Confidence	-20	-23	
				FOMC Rate Decision	4.25%	4.25%	
WED 12	Int. Merchandise Trade	\$2.3	\$3.33	MBA Mortgage Applications	0	2.5%	
				US Trade Balance	-\$57.3B	\$57.8B	
				Import Price Index MoM	2%	2.7%	
				Import Price Index YoY	11.1%	11.4%	
THURS 13	New Housing Price Index	0.3%		PPI	6.2%		
	Manufacturing Shipments	-0.9%		PPI Core	0.2%		
	Labour Productivity	0.1%		Advance Retail Sales	0.6%		
				Retail Sales Less Autos	0.6%		
				Initial Jobless Claims	335K		
				Continuing Claims	2590K		
				Business Inventories	0.3%		
FRI 14	Capacity Utilization Rate	82.5%		Consumer Price Index MoM	0.6%		
				Core CPI MoM	0.2%		
				Consumer Price Index YoY	4.1%		
				Core CPI YoY	2.3%		
				Consumer Price Index NSA	209.777		
				Industrial Production	0.1%		
				Capacity Utilization	81.7%		

