

Fixed Income Snapshot

January 16, 2008

CANADA BENCHMARKS					
TERM	COUPON	MATURITY	PRICE	YIELD	\$ CHANGE
2 YR	4.250	01-Dec-09	101.84	3.22	0.01
5 YR	3.750	1-Jun-12	101.13	3.47	0.03
10 YR	4.000	1-Jun-17	101.82	3.77	0.11
30 YR	5.000	1-Jun-37	116.88	4.02	0.27

US BENCHMARKS					
TERM	COUPON	MATURITY	PRICE	YIELD	\$ CHANGE
2 YR	3.250	31-Dec-09	101.45	2.49	0.02
5 YR	3.625	31-Dec-12	103.12	2.94	0.10
10 YR	4.250	15-Nov-17	104.77	3.67	0.11
30 YR	5.000	15-May-37	112.09	4.27	0.13

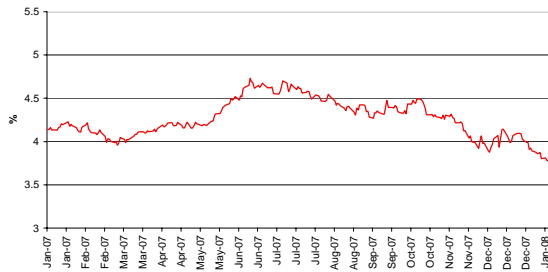


FIXED INCOME

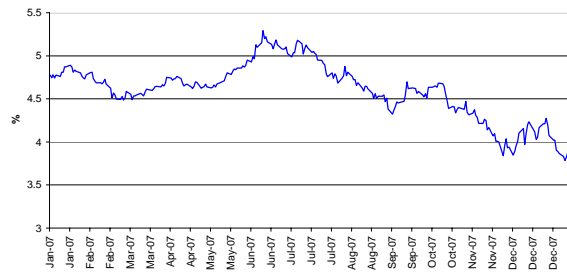
CAD\$ FOREIGN EXCHANGE CROSSES				US\$ FOREIGN EXCHANGE CROSSES				NOTABLE QUOTES
CROSS	SPOT	CHANGE	CAD Direction	CROSS	SPOT	CHANGE	USD direction	
USD/CAD	1.0208	0.0039	-	EUR/USD	1.4792	-0.0008	+	
CAD/US	0.9796			GBP/USD	1.9642	0.0016	-	
EUR/CAD	1.5099	0.0047	-	USD/JPY	106.4000	-0.3700	-	
GBP/CAD	2.0047	0.0089	-					
CAD/JPY	104.2400	-0.7000	-					

1 Year Charts

Canada Ten Year Yield



US Ten Year Yield



CAD\$



Daily Commentary

Earnings are grabbing most of the headlines this morning as Intel misses and JP Morgan adds \$1.3 billion to the write downs. It is worrisome that they specifically called this a subprime write-down. We're worried that this credit problem extends FAR past subprime, and it will be interesting to see if other assets such as Alt-A, investment grade CDO's and especially derivatives begin to get written down as well.

As mentioned in the Launchpad, the disturbing news of the day came out of the Canadian banks. We've much discussed the spread between the Bank of Canada's target overnight rate and the rate that the average individual or company can borrow money. Part of the problem with this cycle is that the spread is increasing to alarming levels, as witnessed by high LIBOR, a huge TED spread and closer to home high Bankers Acceptance rates compared to T-Bills. This, in essence, means that the central banks have less power to influence short term rates, and therefore less power to influence the direction of the economy through monetary policy. The implications of this kind of move are huge.

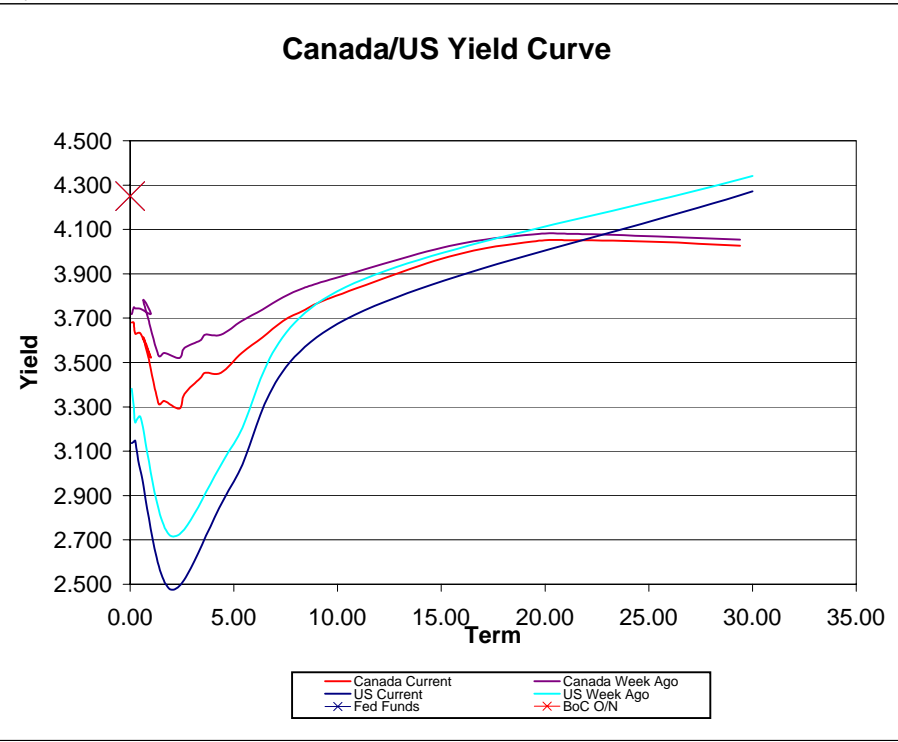
The banks are attempting to increase their margins at the expense of the consumer in Canada, while the Bank of Canada is trying to provide relief. We sincerely hope that the BoC will lean on the banks and encourage them to pass along the stimulus. We also hope that the banks don't go cartel on us. Should one or two of the banks decide not to lower prime, while the others do, they will see a precipitous loss of business in that competitive environment. If the government is so intent on protecting our oligopoly banking system, this is where they need to step in on the other side and prevent a gross injustice from happening.

US CPI is out in line with expectations. The core is running at 2.4%, a slight tick up from last month. This is remaining somewhat sticky, probably stickier than the Fed would like, but we re-iterate our view that it will come down eventually. CPI is a rear-view mirror number, and we should be looking at leading indicators and employment as an indication of where it will go.

As expected with the turmoil, Yen, Greenbacks, and Swiss Francs are much stronger. This is to be expected on days where equities tumble and investors run for cover. CAD\$ and Aussie dollars are weaker.

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ECONOMIC NEWS SCHEDULED FOR RELEASE						
Date	CANADA	EST	ACTUAL	US	EST	ACTUAL
MON 14	New Motor Veh Sales	-1.0%	-2.9%	No News		
TUES 15	No News			PPI PPI ex food and energy PPI YoY PPI ex food and energy YoY Advanced Retail Sales less autos Empire Manufacturing ABC Consumer Confidence	0.2% 0.2% 7.1% 2.0% 0.0% -0.1% 10.0	-0.1% 0.2% 6.3% 2.0% -0.4% -0.4% 9.00
WED 16	No News			MBA Mortgage Apps CPI CPI ex food and energy CPI YoY CPI ex food and energy YoY Net Long Term TIC flows Industrial Production Capacity Utilization	0.2% 0.2% 4.1% 2.4% \$60.0b -0.2% 81.2%	.28.4% 0.3% 0.2% 4.1% 2.4% -0.2% 81.2%
THURS 17	Int'l Securities Transactions	C\$1.5		Housing Starts Building Permits Philadelphia Fed Initial Jobless Claims Continuing Claims	1145k 1135k -1.0 334k 2705k	
FRI 18	Manufacturing Shipments	0.5%		U Mich Confidence Leading Indicators	74.50 -0.1%	



Other Notable Economic Events											
CANADIAN RATES		US RATES		CANADA-US SPREADS			YIELD CURVE SHIFTS				
				TERM	BPS	CHANGE	ROLL	SPREAD	CHANGE		
PRIME	6.00	PRIME	7.25	3M	48.5	3.1	2yr -5yr	24.4	-0.2		
BANK RATE	4.25	BANK RATE	6.00	FED FUNDS	4.25	2Y	73.7	0.4	2yr -10yr	54.2	-1.0
		DISCOUNT	4.75	5Y	52.4	1.5	2 yr -30yr	79.2	-0.9		
		LIBOR 3M	3.9513	10Y	9.9	-0.2	5yr -10yr	29.8	-0.8		
				30Y	-25.6	-50.5	10yr-30yr	25.0	-1.0		
										TED Spread	0.90
										Week ago	1.17