



## Fixed Income Snapshot

February 21, 2008

CANADA BENCHMARKS					
TERM	COUPON	MATURITY	PRICE	YIELD	\$ CHANGE
2 YR	4.250	01-Dec-09	101.79	3.20	-0.08
5 YR	3.750	1-Jun-12	100.94	3.51	-0.02
10 YR	4.000	1-Jun-17	100.58	3.92	0.02
30 YR	5.000	1-Jun-37	112.60	4.24	0.20



US BENCHMARKS					
TERM	COUPON	MATURITY	PRICE	YIELD	\$ CHANGE
2 YR	2.125	31-Jan-10	99.92	2.17	-0.05
5 YR	2.875	31-Jan-13	99.57	2.97	0.06
10 YR	3.500	15-Feb-18	96.94	3.87	0.16
30 YR	4.375	15-Feb-38	96.67	4.58	0.45



### FIXED INCOME



CAD\$ FOREIGN EXCHANGE CROSSES			
CROSS	SPOT	CHANGE	CAD Direction
USD/CAD	1.0122	-0.0002	+
CAD/US	0.9879		
EUR/CAD	1.4917	0.0027	-
GBP/CAD	1.9816	0.0162	-
CAD/JPY	106.7200	-0.0500	-

USD FOREIGN EXCHANGE CROSSES			
CROSS	SPOT	CHANGE	USD direction
EUR/USD	1.4736	0.0026	-
GBP/USD	1.9581	0.0162	-
USD/JPY	108.0700	-0.0600	-

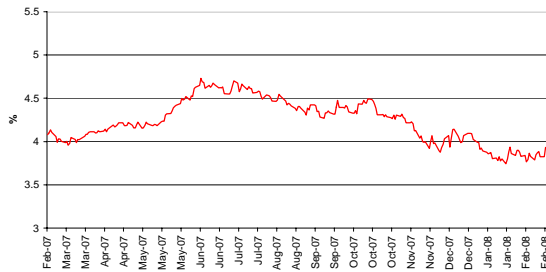
NOTABLE QUOTES			

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### 1 Year Charts

Canada Ten Year Yield



US Ten Year Yield



CAD\$



### Daily Commentary

Yesterday, the minutes to the Federal Reserve's meeting were released. It was very interesting to note that the overall Fed concern was certainly the economy. They noted that declines in housing prices and equity prices simultaneously (and sharply) would lead to reductions in household wealth and dampen consumer spending. Most have been banging on this drum for some time, but as we know, the Fed was behind the times a little (which caused their drastic 125 bp action last month). Now, we know they acknowledge the risks. While there is still mention of inflation pressures in the meeting, most Fed "participants generally expect inflation to moderate somewhat in coming quarters".

This is not making flashy headlines, but is important nevertheless. **Dresdner Bank** of Germany (owned by **Allianz**) is committing \$19 bln to bail out its SIV "K2". This follows a long line of similar bank actions around the world (including BMO yesterday), and is the third largest SIV rescue operation after Citigroup and HSBC. While they tried to re-assure investors by telling them there is no subprime exposure in the portfolio, the results were the same. The SIV, which was structured on paying short term funding rates to finance long term higher yielding assets, could no longer roll over the financing.

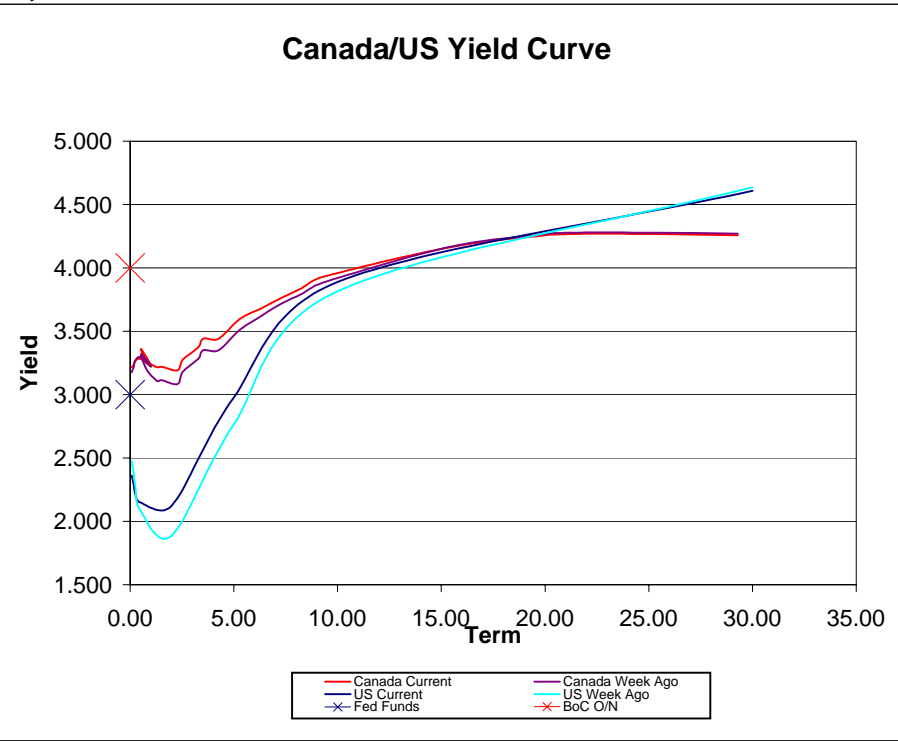
*This is beyond a subprime problem.* For anyone who thinks everything above subprime is fine, there will be more shocks to come.

The most worrying aspects of all these SIV and fund bailouts is the effect it will have on future earnings. Because these banks are committing so much capital to support these existing pools of loans, their profit margins will be seriously squeezed. Furthermore, they will be very unlikely to want to create MORE of these types of loans while they are sitting on a barely profitable multi-billion dollar pool of old ones (most of which are consumer level loans like mortgages, auto loans and credit cards). We are seeing major tightening of lending standards. While this may not have serious implications in economies with huge amounts of personal savings, we live in an economy where borrowing is a way of life.

Look for charts on pg 3 of weekly Initial Jobless claims... we anxiously watch the early employment numbers for signs of weakness. Also, watch the tape at 10am as Leading Indicators and Philli Fed index will be released. These could cause some intra-day volatility.

February 12, 2008

ECONOMIC NEWS SCHEDULED FOR RELEASE						
Date	CANADA	EST	ACTUAL	US	EST	ACTUAL
MON 18	No News			No News		
TUES 19	CPI MoM CPI YoY CPI Core MoM CPI Core YoY Wholesale Sales	-0.1% 2.2% 0.1% 1.4% -0.7%	-0.2% 2.2% 0.1% 1.4% -2.9%	NAHB Housing Px Index     ABC Consumer Confidence	19.00	20.00     -37
WED 20	Int'l Securities Transactions Leading Indicators	C\$1.5000 0.0%	C\$1.241 0.2%	MBA Mortgage Apps CPI CPI core CPI YoY CPI core YoY Housing Starts Building Permits		-22.6% 0.3% 0.2% 4.2% 2.4% 1010k 1045k
THURS 21	No News			Philadelphia Fed Leading Indicators   Initial Jobless Claims Continuing Claims	-10.0 -0.1%	   345k 2768k
FRI 22	Retail Sales MoM Retail Sales less autos	0.8% 0.4%		No News		349k 2784k



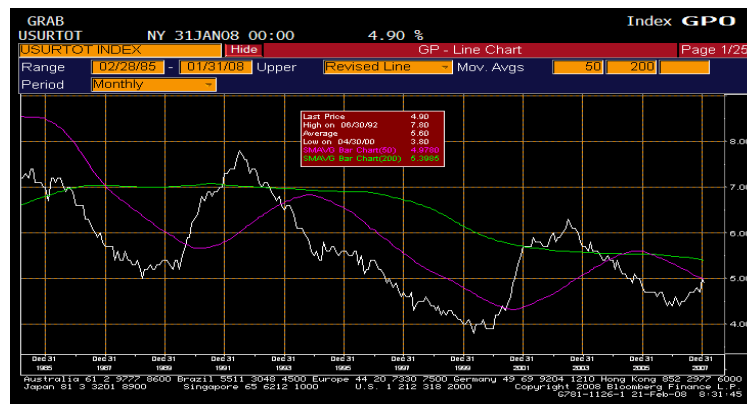
Other Notable Economic Events		CANADIAN RATES		US RATES		CANADA-US SPREADS			YIELD CURVE SHIFTS				
PRIME	5.75	PRIME	6.00	TERM	BPS	CHANGE	ROLL	SPREAD	CHANGE				
BANK RATE	4.00	BANK RATE	4.75	3M	99.5	-4.2	2yr -5yr	30.4	-1.7				
		FED FUNDS	3	2Y	113.2	0.5	2yr -10yr	73.1	-2.2			TED Spread	0.85
		DISCOUNT	3.5	5Y	69.5	-1.4	2 yr -30yr	9.1	-3.4			Week ago	1.09
		LIBOR 3M	3.0675	10Y	15.9	-1.6	5yr -10yr	42.7	-0.5				
				30Y	-27.0	-50.7	10yr -30yr	36.0	-2.2				



US Initial Jobless Claims since 1985



US Continuing jobless claims since 1985



US Unemployment rate since 1985

There are worrying tails on all 3 of these charts. We hope that these upwards tails are not signs of coming trends.