CIBC World Markets

THE WEEK AHEAD

April 7-11, 2008

Economics & Strategy

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" ...the hallmark of long and deep recessions was the response, or rather the lack of, by the central bankers of the day."

How Long, How Deep

by Avery Shenfeld

Ben Bernanke studiously avoided saying it, but the rest of the world is shouting it from the rooftops: America's economy is in recession. The last doubters will throw in the towel after today's non-farm payrolls report. Forward-looking investors have therefore turned to the new issue at hand, namely, just how long, and just how deep the US downturn will be when the final chapters are written. And that's of critical concern to Canada, since while the economy here seems to still be inching ahead, with job gains rather than losses, a protracted and deep American recession would inevitably send Canada into its own tailspin.

The optimist in us would like to be able to say that the mild tone to American payrolls declines thus far tells us something about the prognosis for what lies ahead. Typically, recessions entail months where 200,000-300,000 jobs disappear, and we've yet to see that scale of damage.

Unfortunately, the early months of recession are not helpful in predicting its severity. If anything, the ugliest real GDP downturns—1974 and 1981-82 being cases in point—seem to start with better news on employment than the short and shallow recessions of 1991 and 2001. So is the "good" news we've seen on layoffs a predictor of very bad news ahead?

Not really, because the hallmark of long and deep recessions was the response, or rather the lack of, by the central bankers of the day. Worried about inflation, and energy prices in particular, the Fed actually tightened during the first half of the 1974 recession, taking the funds rate up by more than 300 basis points. Similarly, the Fed held on to a high, double-digit fed funds rate, and a high real funds rate, until the 1981-82 recession was nearly over. The Great Depression, which some are pointing to today, was so "great" because the central bank allowed a collapse in the financial sector and, in effect, a massive tightening in monetary policy.

In contrast, Greenspan was well into his easing cycle when the recession got underway in 1991 and 2001, and took real rates to zero by the middle of those slumps. Bernanke has taken his cue from those two, more shallow downturns. He's fighting a credit crunch that has slowed the transmission of lower overnight rates into other private sector yields. But with a 1.25% funds rate likely by summer's end, and more steps by Washington to wade into the mortgage mess, the overall thrust of monetary policy will be just what's needed for this recession to be mild, and shallow.

Early Job Losses and US Recession Depths

http://research.cibcwm.com/res/Eco/EcoResearch.html

CIBC World Markets

Week Ahead Calendar And Forecast

CANADA

Day	Event	Period	Significance	CIBC World Markets	Consensus	Prior
Monday April 7	**CASH MANAGEMENT AUCTION: 24-D BILLS $2B**					
	8:30 AM BUILDING PERMITS M/M	(Feb)	(L)	**2.0%**	1.0%	-2.9%
Tuesday April 8	**8:15 AM** HOUSING STARTS	(Mar)	(M)	**235K**	220K	257K
Wednesday April 9						
Thursday April 10	**8:30 AM** MERCHANDISE TRADE	(Feb)	(H)	**$3.5B**	$3.4B	$3.3B
	Speaker(s): 3:00 PM David Longworth (Deputy)					
Friday April 11	**8:30 AM** NEW HOUSING PRICES M/M	(Feb)	(L)	**0.7%**	0.4%	0.6%

UNITED STATES

Day	Event	Period	Significance	CIBC World Markets	Consensus	Prior
Monday April 7	**AUCTION: 3-M BILLS $24B , 6-M BILLS $21B**					
	3:00 PM CONSUMER CREDIT	(Feb)	(L)		5.5B	6.9B
	Speaker(s): 9:30 AM () Henry M. Paulson (Secretary); 4:00 PM () Henry M. Paulson (Secretary); 5:30 PM (v) Janet Yellen (San Fran); 5:30 PM (v) Donald L. Kohn (Governor)					
Tuesday April 8	**AUCTION: 4-WEEK BILLS $18B (prev)**					
	10:00 AM PENDING HOME SALES M/M	(Feb)	(M)		-0.8%	0.0%
	2:00 PM MINUTES OF FED'S MARCH MEETING					
	5:00 PM ABC CONSUMER CONFIDENCE	Apr-06	(L)			-33.0
Wednesday April 9	**7:00 AM** MBA-APPLICATIONS	Apr-04	(L)			-28.7%
	10:00 AM WHOLESALE INVENTORIES M/M	(Feb)	(L)	**0.2%**	0.5%	1.0%
	Speaker(s): 9:30 AM (v) Ben Bernanke (Chairman); 1:30 PM (nv) Richard W. Fisher (Dallas)					
Thursday April 10	**AUCTION: 10-YR TIPS $8B (prev), Apr-15-2018**					
	8:30 AM TRADE BALANCE	(Feb)	(L)	**-$57.0B**	-$58.0B	-$58.2B
	INITIAL CLAIMS	Apr-5	(L)		365K	407K
	CONTINUING CLAIMS	Mar-29	(L)			2937K
	1:30 PM ICSC CHAIN STORE SALES Y/Y	(Mar)	(H)			1.9%
	2:00 PM TREASURY BUDGET	(Mar)	(L)		-$81.0B	-$175.6B
	Speaker(s): 1:00 PM (v) Ben Bernanke (Chairman)					
Friday April 11	**8:30 AM** IMPORT PRICE INDEX M/M	(Mar)	(L)		2.0%	0.2%
	10:00 AM U of M CONFIDENCE	(Apr)	(H)	**68.0**	69.0	69.5
	Speaker(s): 9:00 AM (nv) Richard W. Fisher (Dallas)					

H, M, L = High, Medium or Low Significance **(v/nv)-voting/non-voting FOMC member** **Consensus Source: Reuters (Canada), Bloomberg (US)**

Week Ahead's Market Call

by Avery Shenfeld

In the US, it's not a busy week for economic data, which will keep the focus on the health of the banking system. Bernanke speaks, but we've already heard his take, and it will be more interesting to hear from Richard Fisher, one of two FOMC members who voted against being as aggressive on the last rate cut, and to read the minutes of that last meeting for a better sense of what comes next. Keep an eye on jobless claims, which took a huge upward leap this past week, but might be volatile due to the shifting Easter holiday.

In Canada, the spotlight is on the economy's weakest link, the trade sector. The surplus could actually improve a bit further after rebounding in January, but that will be due largely to resource price increases, rather than an improvement in volumes. Housing starts should be a bit softer after a banner month in February, but the housing sector still shows none of the stresses observable south of the border.

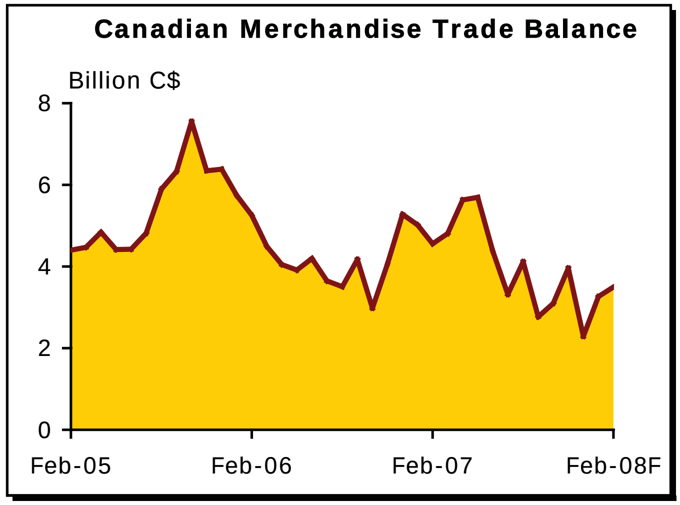
Week Ahead's Key Canadian Number:

Merchandise Trade Balance—February

(Thursday, 8:30 a.m.)

Krishen Rangasamy (416) 956-3219

	CIBC WM	Mkt	Prior
Merchandise Trade Bal.	C$3.5B	C$3.4B	C$3.3B



Energy and autos will again be pulling the merchandise trade balance in opposing directions in February, but overall we are looking for a small improvement to $3.5 billion thanks again to energy and other resources.

Autos trade has been drowning in red ink for the past seven months, and it looks like February will be no different given the weak US auto sales in the first quarter (which would have taken a bite out of Canadian auto exports), and imports remaining brisk due to strong Canadian demand. Fortunately, Canadians can rely on energy which, once again, should allow for an improved trade surplus. While the currency appreciation in February would have restrained any nominal gains, the rising commodity prices (as suggested by the Bank of Canada's February price indices) should have lifted the merchandise trade balance.

Forecast Implications—While imports continue to rise thanks to support from Canadian income growth and consumption, real exports remain limited by the strong currency and a US economy in recession. Worse, is the Canadian manufacturing sector's struggle with its structural problems and its difficulties in adapting to the strong currency as demonstrated by the rising trade deficit in autos (reaching a record C$1 billion in January). Our forecast of a strong currency means that we do not expect to see any significant recovery in the auto trade balance this year, with the deficit countering the gains in energy to keep the total merchandise trade balance subdued in 2008.

Market Impact—We are too close to consensus to induce a market response if our call is on the mark. A stronger-than-expected Canadian trade number might not, however, provide much support to the loonie if the US trade deficit continues to improve.

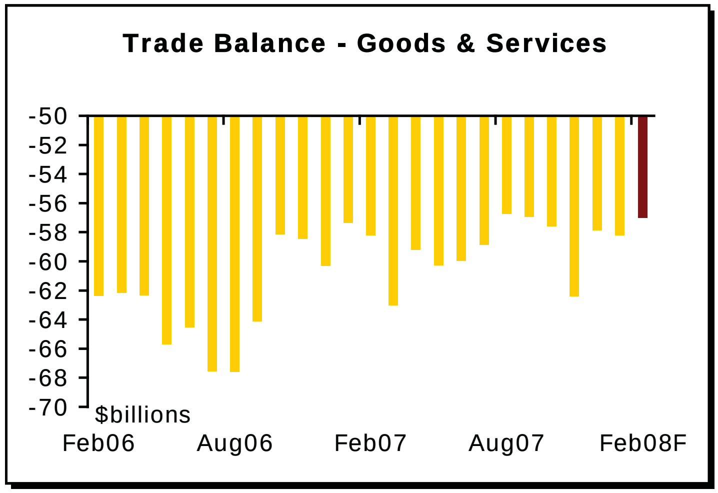
Week Ahead's Key US Number:

Goods & Services Trade Balance—February

(Thursday, 8:30 a.m.)

Meny Grauman (416) 956-6527

	CIBC WM	Mkt	Prior
Trade Balance	-\$57.0B	-\$57.0B	-\$68.7B



Despite the fact that the IMF has once again revised down its outlook for world growth, strong foreign demand for American-made goods continues to boost US exports. This trend is also being helped along by the US dollar, which once again deteriorated on a trade-weighted basis in February. On the import side a slowing US economy will continue to act as a drag on the pace of domestic demand for imports, further helping the trade position. January's trade deficit deteriorated a little bit, but remained below $60 billion for the second month in a row. We expect this streak to continue into February and see the trade balance improving to -$57 billion. This would be the best result since September. Since average prices for crude appreciated very modestly during the month, energy will be less of a factor this time around. Also potentially significant will be the impact of particularly harsh winter weather in China in the lead up to the Chinese New Year, which may have negatively impacted import volumes.

Forecast Implications — Although our outlook for the economy is decidedly negative over the next two quarters, an improving net American trade position should continue to make a positive contribution to overall economic performance. This component has added over 1 percentage point to real GDP growth over the last three quarters, and should make an even bigger impact in the first quarter of 2008.

Market Impact — An improving US trade position should continue to highlight one of the particularly bright areas of the economic outlook, and raise the probability of a third quarter recovery. As investors try to get a handle on this latest American slowdown, this report should help boost the argument that the current recession will be a mild one.

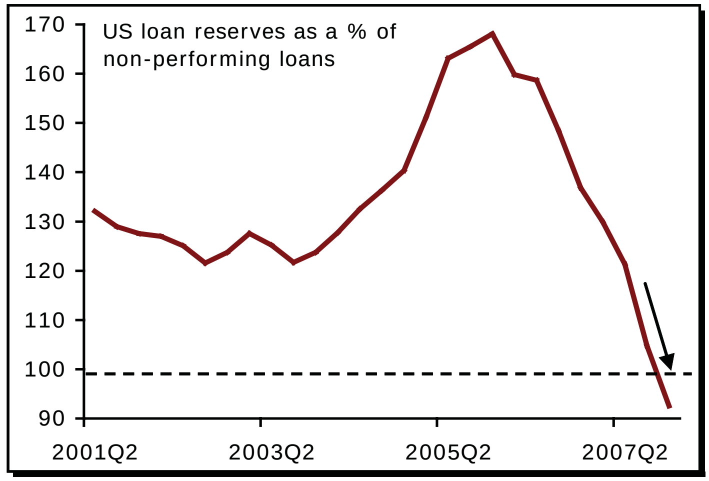
Equity Insights

Avery Shenfeld

Early Optimism?

Although financials will eventually see a nice recovery, the past week's optimism on global financials doesn't look likely to have much near term follow through. Why was it such good news that a major European bank had to take a $19 bn charge? The news was so good that its chairman had to resign. Similarly, some of the dancing for joy on US brokerages seemed to simply be a sigh of relief that they are able to raise money if they need it, and aren't headed Bear Stearns' way. Here's a reality check: for the first time in more than two decades, non-performing loans of US banks now top their loss reserves. For Canadian banks, the question will be asked just what the true market value today would be on the major US commercial banks they bought in the past couple of years.

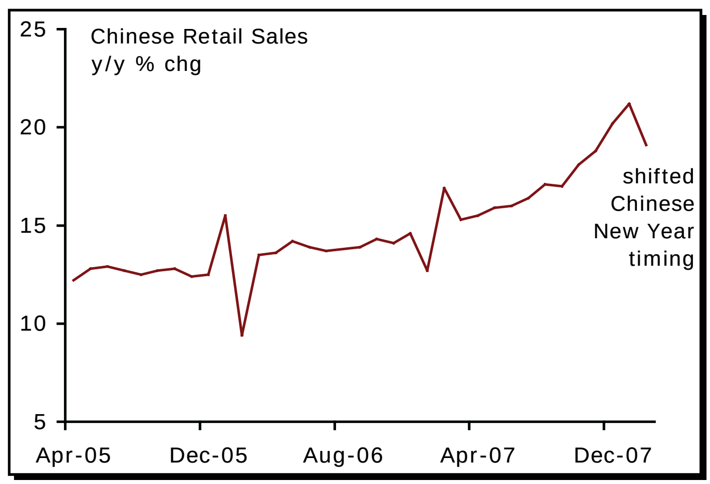
US Banks Under Stress



China in Recession? Hardly

China's activity is central to much of the optimism surrounding resource prices and related equities. While some have pointed to a cooling in various economic indicators, we see no reason to worry about anything beyond a moderation from massively overheated conditions. Capital spending isn't quite as breakneck as it has been, but retail sales are brisk, and import growth shows huge demand for foreign goods. Don't make too much of upcoming reports, which will be clouded by both the shifts in the timing of Chinese New Year, and the disruptions from massive snow storms in February.

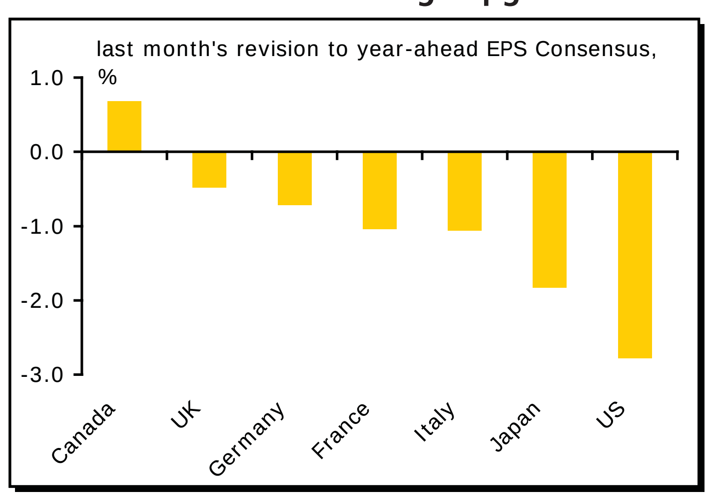
Brisk Retail Activity Bolsters China



Earnings Revisions Favour TSX

Typically, when times are tough, analysts begin to mark down their heady pre-year earnings projections once numbers or warnings roll in at the end of Q1. Indeed, among the G-7 markets, virtually all, with one exception, are seeing declines in consensus EPS calls for the year. Canada is that lone standout, with small upgrades for the year's outlook coming in over the past month. That is in line with our general view that in terms of equity allocations, staying close to home will have its rewards in 2008.

TSX Alone in Recent Earnings Upgrades



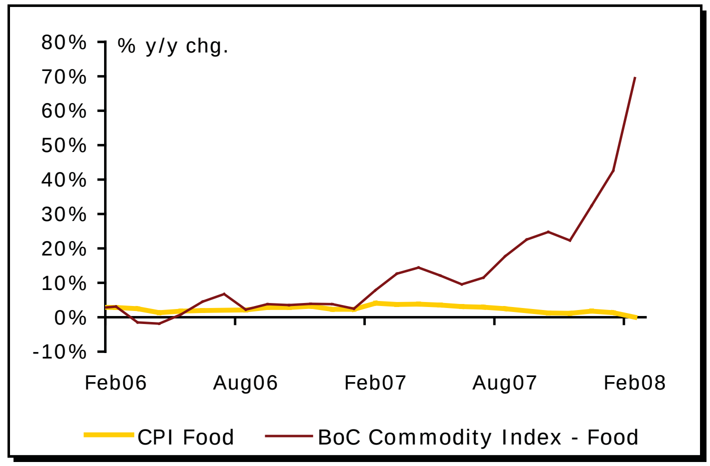
Currency Currents

Avery Shenfeld and Krishen Rangasamy

Cheap Eats Give Room for Rate Cuts

Since food prices other than fresh produce are in Canada's core CPI rate, their behaviour can influence Bank of Canada interest rate policy, and therefore, the exchange rate. Despite soaring raw commodity prices and high food inflation abroad, Canada's food prices have been somnolent, testimony in part to the impact of a strong C$ on import costs. While that may not last if the C$ eventually levels off, for now, it gives a green light to a 50 bp rate cut later this month, a step that will hold the C$ roughly steady vs. the greenback.

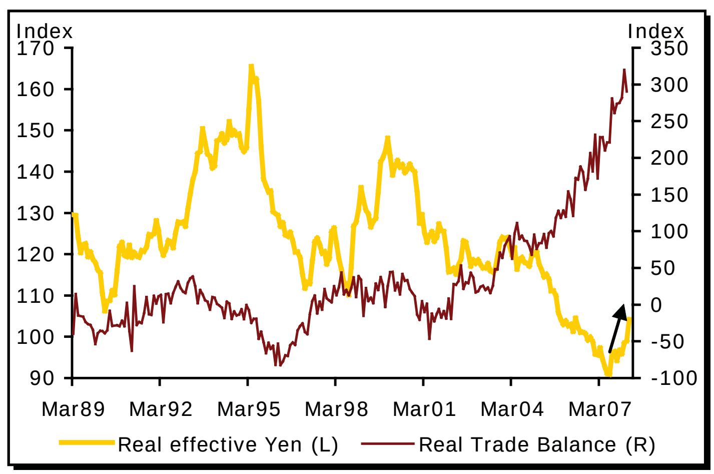
Cdn Food Inflation Contained Despite Run-Up in Food Commodity Prices



How Worried Should Japan Be?

Japan's exporters don't face an easy time in the US market, given the impacts of an American recession and the past year's yen gains against the greenback. But overall, Japan should be able to live with that exchange rate, if not even stronger. Against its overall basket of trading partners, the yen's real exchange rate is actually quite soft by the standards of the past few decades. And in real terms, Japan's trade balance has been very impressive, if in part due to the country's sluggish trend for consumer spending and the resulting dampened appetite for imported household goods.

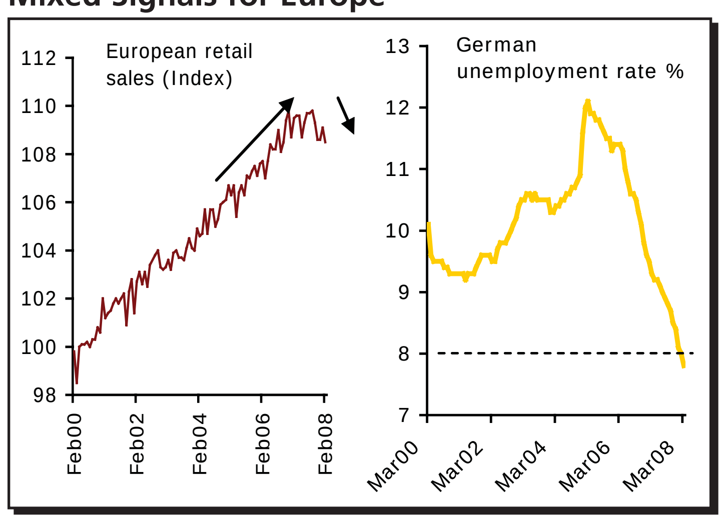
Yen Still Cheap by Historical Standards



Puzzling European Retail Slump

We've been relative optimists on eurozone growth in light of bullish reports on industrial activity and employment. But the latest figures on real retail sales threw a spanner in the works, showing signs that consumer activity is starting to retrench. That would mean trouble given expectations for weaker orders from the US, and fears on that score took some shine off the euro this week. Still, we'll hold judgment, as the first monthly numbers don't yet have information from some key markets, including France and Italy. Moreover, the decline was led by a drop in German sales, one that seems unlikely to persist given that the unemployment rate dropped to a 15-year low.

Mixed Signals for Europe



CANADIAN RELEASE AND EVENT DATES
April/May 2008

CIBC World Markets

MONDAY 31

GDP BY INDUSTRY
8:30 AM (2002$)

	GDP M	IND.PROD. M
NOV	0.1	-0.3
DEC	-0.7	-2.5
JAN	0.6	1.1

TUESDAY 1

INDUSTRIAL PRICES
8:30 AM

	M (NSA)	Y
DEC	1.1	-0.7
JAN	1.0	0.0
FEB	0.1	-0.8

WEDNESDAY 2

THURSDAY 3

INTERNATIONAL RESERVES
8:15 AM

	$BN CHANGE	$BN LEVEL
JAN	1.180	42.3
FEB	1.352	43.6
MAR	-0.556	43.1

FRIDAY 4

LABOUR FORCE SURVEY
7:00 AM

	EMPLOY (HOUSE) M	UNEMP Y	RATE %	AVG HRLY EARN Y
JAN	0.3	2.0	5.8	4.9
FEB	0.3	2.2	5.8	4.7
MAR	0.1	1.9	6.0	4.7

IVEY PURCHASING MANAGERS' INDEX
10:00 AM

MONDAY 7

BUILDING PERMITS ($)
8:30 AM

	M (RES)	M (NON-RES)
DEC	0.5	-1.0
JAN	-13.9	16.4
FEB		

TUESDAY 8

HOUSING STARTS
8:15 AM 000's (AR)

	TOTAL	SINGLES
JAN	223	82
FEB	257	83
MAR		

WEDNESDAY 9

THURSDAY 10

MERCHANDISE TRADE
8:30 AM

	$MN	12 MO. BALANCE
DEC	2,292	49,635
JAN	3,260	47,879
FEB		

FRIDAY 11

NEW HOUSING PRICE INDEX
8:30 AM

MONDAY 14

CAR & TRUCK SALES
8:30 AM 000's (AR)

	TOTAL	DOM.BUILT CAR SALES
DEC	1,699	522
JAN	1,839	637
FEB		

Bank of Canada Business Outlook Survey

TUESDAY 15

WAGE SETTLEMENTS
10:00 AM (%)

	PVT.	PUB.	TOT.
DEC	4.1	3.2	3.4
JAN	4.5	2.9	3.3
FEB			

WEDNESDAY 16

SURVEY OF MANUFACTURING
8:30 AM SHIPMENTS

	M	Y
DEC	-3.7	-6.3
JAN	1.3	-3.6
FEB		

THURSDAY 17

CONSUMER PRICE INDEX
7:00 AM

	M (NSA)	Y
JAN	-0.2	2.2
FEB	0.4	1.8
MAR		

FRIDAY 18

WHOLESALE TRADE
8:30 AM

LEADING INDICATOR
8:30 AM

MONDAY 21

INT'L TRANSACTIONS IN SECURITIES C$BN
8:30 AM

	NET BONDS	NET MONEY MARKET	NET STOCKS	NET TOT
DEC	-0.4	0.5	1.3	1.3
JAN	6.4	-2.1	-3.3	0.9
FEB				

TUESDAY 22

Bank of Canada Interest Rate Announcement

WEDNESDAY 23

RETAIL TRADE
8:30 AM (Current$)

	M	Y
DEC	0.8	5.6
JAN	1.5	7.5
FEB		

THURSDAY 24

Bank of Canada Monetary Policy Report

FRIDAY 25

MONDAY 28

TUESDAY 29

BUSINESS CONDITIONS SURVEY
8:30 AM

WEDNESDAY 30

GDP BY INDUSTRY
8:30 AM (2002$)

	GDP M	IND.PROD. M
DEC	-0.7	-2.5
JAN	0.6	1.1
FEB		

INDUSTRIAL PRICES
8:30 AM

	M (NSA)	Y
JAN	1.0	0.0
FEB	0.1	-0.8
MAR		

THURSDAY 1

FRIDAY 2

All data seasonally adjusted except where noted "NSA". M: per cent change from previous month. Q: per cent change from previous quarter at annual rates. Y: per cent change from year earlier. AR: Annual Rate. YTD: Year to date. Release dates are provided by sources outside CIBC World Markets. Dates are subject to change. Sources for historical data: Statistics Canada, CMHC, Human Resources Development Canada and the Bank of Canada.

U.S. RELEASE AND EVENT DATES
April/May 2008

CIBC World Markets

MONDAY 31

CHICAGO PMI
9:45 AM

2-, 5-Yr NOTE SETTLEMENT

TUESDAY 1

ISM MFG SURVEY

10:00 AM	COMP. INDEX	PRICES INDEX
JAN	50.7	76.0
FEB	48.3	75.5
MAR	48.6	83.5

DOMESTIC AUTO SALES

BOT (9:00) REDBOOK (10:40)

WEDNESDAY 2

ADP SURVEY
8:15 AM

FACTORY ORDERS

10:00 AM	M	Y
DEC	2.0	5.8
JAN	-2.3	7.9
FEB	-1.3	6.0

THURSDAY 3

ISM NON-MFG SURVEY
10:00 AM

INITIAL JOBLESS CLAIMS (8:30)

FRIDAY 4

EMP. SITUATION

8:30 AM (000s)	NON-FARM PAYROLL	CIV UNEMP RATE %	AVG HRLY EARN Y
	M		
JAN	-76	4.9	3.7
FEB	-76	4.8	3.7
MAR	-80	5.1	3.6

MONDAY 7

CONSUMER CREDIT
3:00PM

TUESDAY 8

FOMC Minutes

BOT (9:00) REDBOOK (10:40)

WEDNESDAY 9

Chair. Bernanke gives introductory remarks at Financial Literacy press conference @ 9:30 AM ET

THURSDAY 10

GOODS & SERVICES BALANCE (BOP) $B

8:30 AM	GDS	SERV	TOT
DEC	-68.0	10.1	-57.9
JAN	-68.7	10.5	-58.2
FEB			

Chair. Bernanke speaks at World Affairs Conf. in Richmond Virg. @ 1:00 PM ET

TREASURY BUDGET
2:00 PM

MONEY SUPPLY M-2

4:30 PM	M	Y
JAN	0.7	5.8
FEB	1.4	6.9
MAR		

INITIAL JOBLESS CLAIMS (8:30)

FRIDAY 11

MICHIGAN SENTIMENT (P)
10:00 AM

MONDAY 14

RETAIL SALES

8:30 AM	M	Y
JAN	0.4	4.0
FEB	-0.6	2.6
MAR		

BUSINESS INVENTORIES
10:00 AM

TUESDAY 15

PRODUCER PRICE INDEX

8:30 AM	M (SA)	Y (NSA)
JAN	1.0	7.4
FEB	0.3	6.4
MAR		

NET CAPITAL INFLOWS TICS
9:00 AM

BOT (9:00) REDBOOK (10:40)

WEDNESDAY 16

HOUSING STARTS

8:30 AM	MIL (AR)	M
JAN	1.071	7.1
FEB	1.065	-0.6
MAR		

CONSUMER PRICE INDEX

8:30 AM	M (SA)	Y (NSA)
JAN	0.4	4.3
FEB	0.0	4.0
MAR		

CAPACITY UTIL/IND. PROD.

9:15 AM	LEV	M	Y
JAN	81.0	0.1	2.5
FEB	80.4	-0.5	1.3
MAR			

Beige Book

THURSDAY 17

LEADING INDICATOR
10:00 AM

PHILADELPHIA FED INDEX
10:00 PM

INITIAL JOBLESS CLAIMS (8:30)

FRIDAY 18

MONDAY 21

2-, 5-Yr NOTE ANNOUNCEMENT

TUESDAY 22

EXISTING HOME SALES
10:00 AM

BOT (9:00) REDBOOK (10:40)

WEDNESDAY 23

2-Yr NOTE AUCTION

THURSDAY 24

DURABLE GOODS ORDERS

8:30 AM	M	Y
JAN	-4.4	4.7
FEB	-1.1	3.0
MAR		

NEW HOME SALES
10:00 AM

5-Yr NOTE AUCTION

INITIAL JOBLESS CLAIMS (8:30)

FRIDAY 25

MICHIGAN SENTIMENT (F)
10:00 AM

MONDAY 28

TUESDAY 29

S&P/CASE-SHILLER HOUSE PRICE INDEX
9:00 AM

CONSUMER CONFIDENCE
10:00 AM

2-Day FOMC Meeting

BOT (9:00) REDBOOK (10:40)

WEDNESDAY 30

ADP SURVEY
8:15 AM

GDP

8:30 AM (AR)	REAL GDP	IMPLICIT DEFLATOR
07:Q3(F)	4.9	1.0
07:Q4(F)	0.6	2.4
08:Q1(A)		

CHICAGO PMI
9:45 AM

2-, 5-Yr NOTE SETTLEMENT

10-, 30-Yr (r) NOTE ANNOUNCEMENT

FOMC Rate Decision

THURSDAY 1

PERS. INCOME & OUTLAYS

8:30 AM	INCOME M	CONS M	SAVING RATE AR
JAN	0.3	0.4	-0.1
FEB	0.5	0.1	0.3
MAR			

ISM MFG SURVEY

10:00 AM	COMP. INDEX	PRICES INDEX
FEB	48.3	75.5
MAR	48.6	83.5
APR		

DOMESTIC AUTO SALES

INITIAL JOBLESS CLAIMS (8:30)

FRIDAY 2

EMP. SITUATION

8:30 AM (000s)	NON-FARM PAYROLL	CIV UNEMP RATE %	AVG HRLY EARN Y
	M		
FEB	-76	4.8	3.7
MAR	-80	5.1	3.6
APR			

FACTORY ORDERS

10:00 AM	M	Y
JAN	-2.3	7.9
FEB	-1.3	6.0
MAR		

All data seasonally adjusted except where noted "NSA". M: per cent change from previous month. Q: per cent change from previous quarter at annual rates. Y: per cent change from year earlier. AR: Annual Rate. YTD: Year to date. Release dates are provided by sources outside CIBC World Markets. Dates are subject to change. Sources for historical data: U.S. Department of Commerce, U.S. Department of Labor and U.S. Federal Reserve Board.