

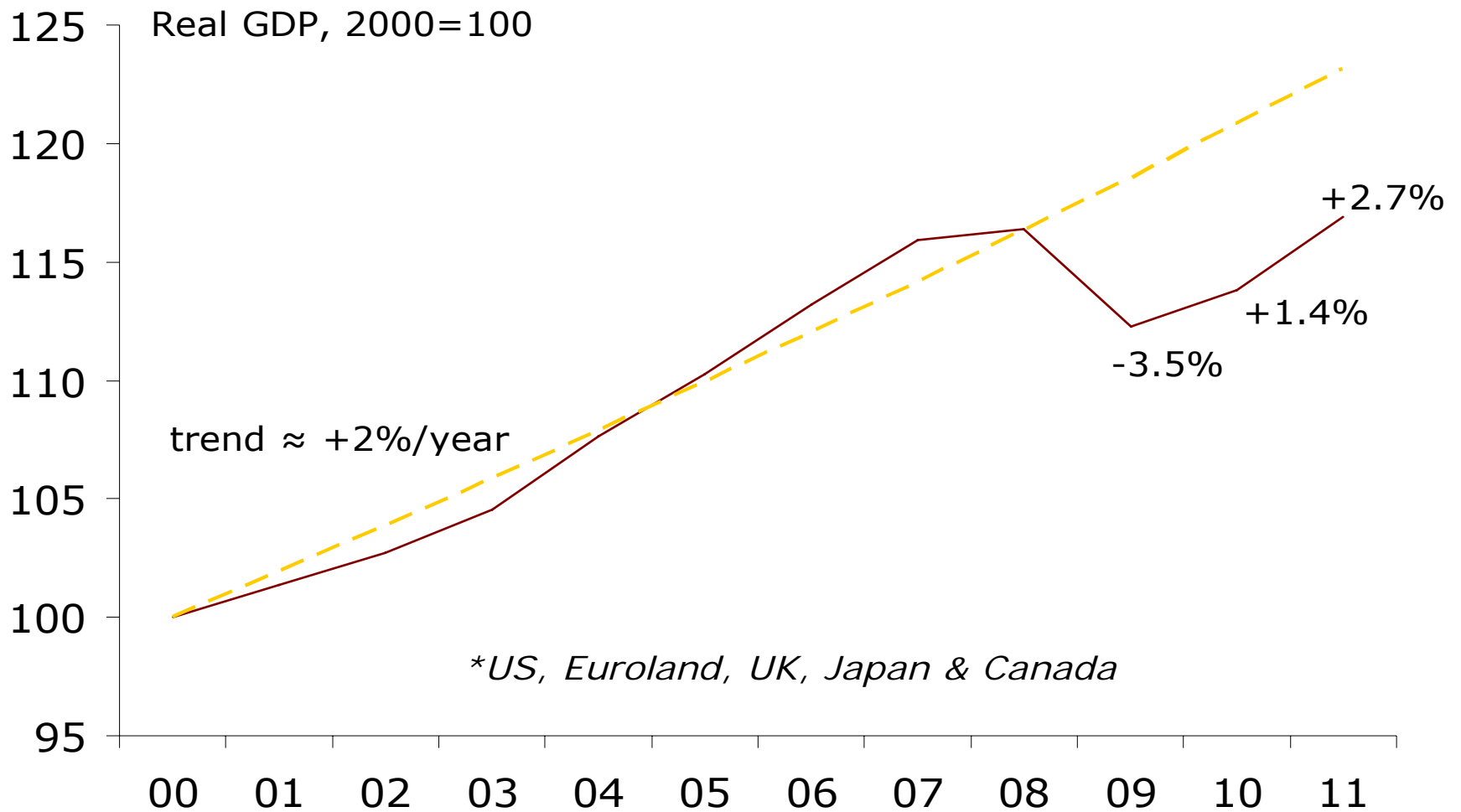
# Not So Fast

*By Avery Shenfeld, Chief Economist & Managing Director*

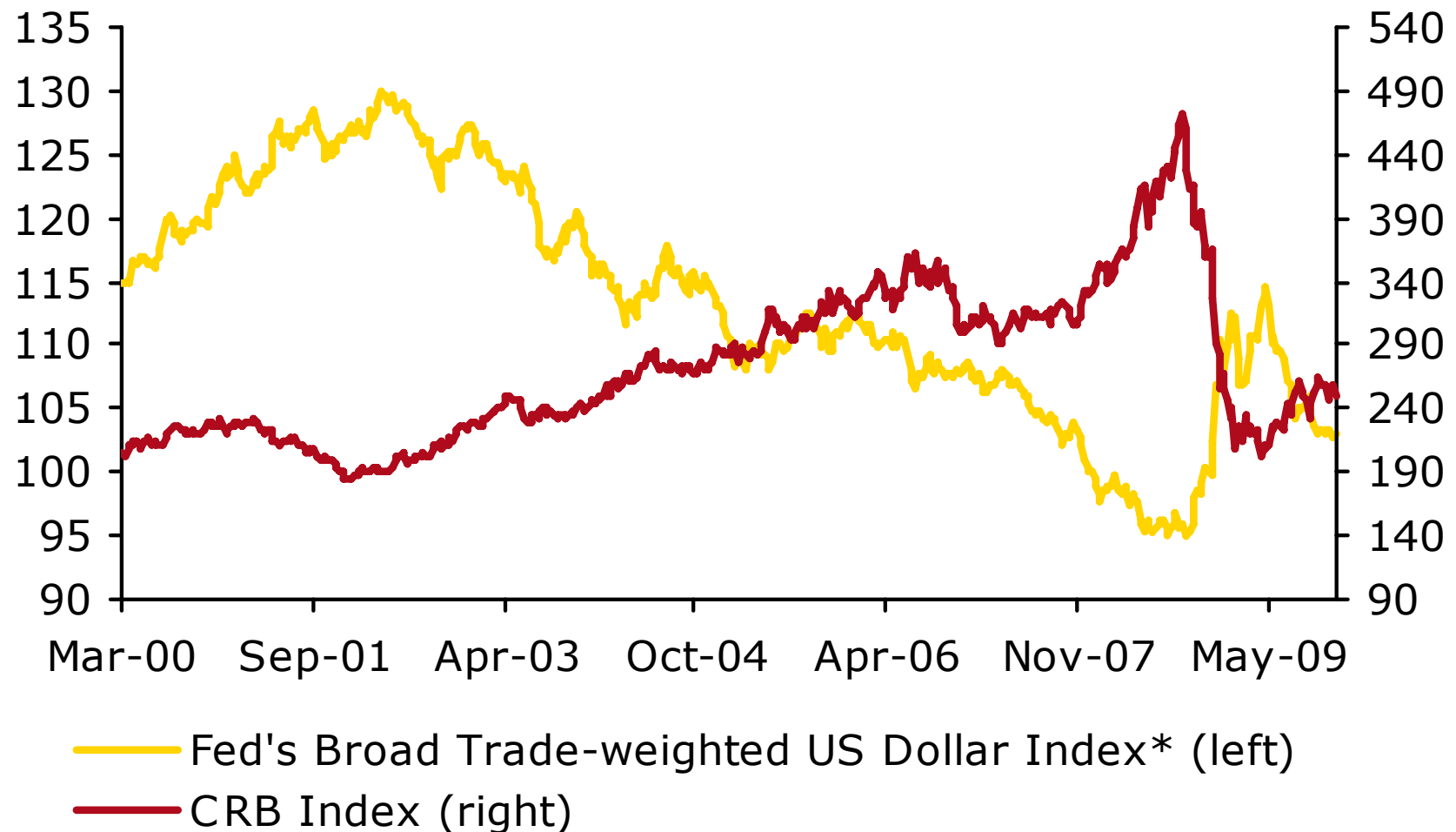
December 2009



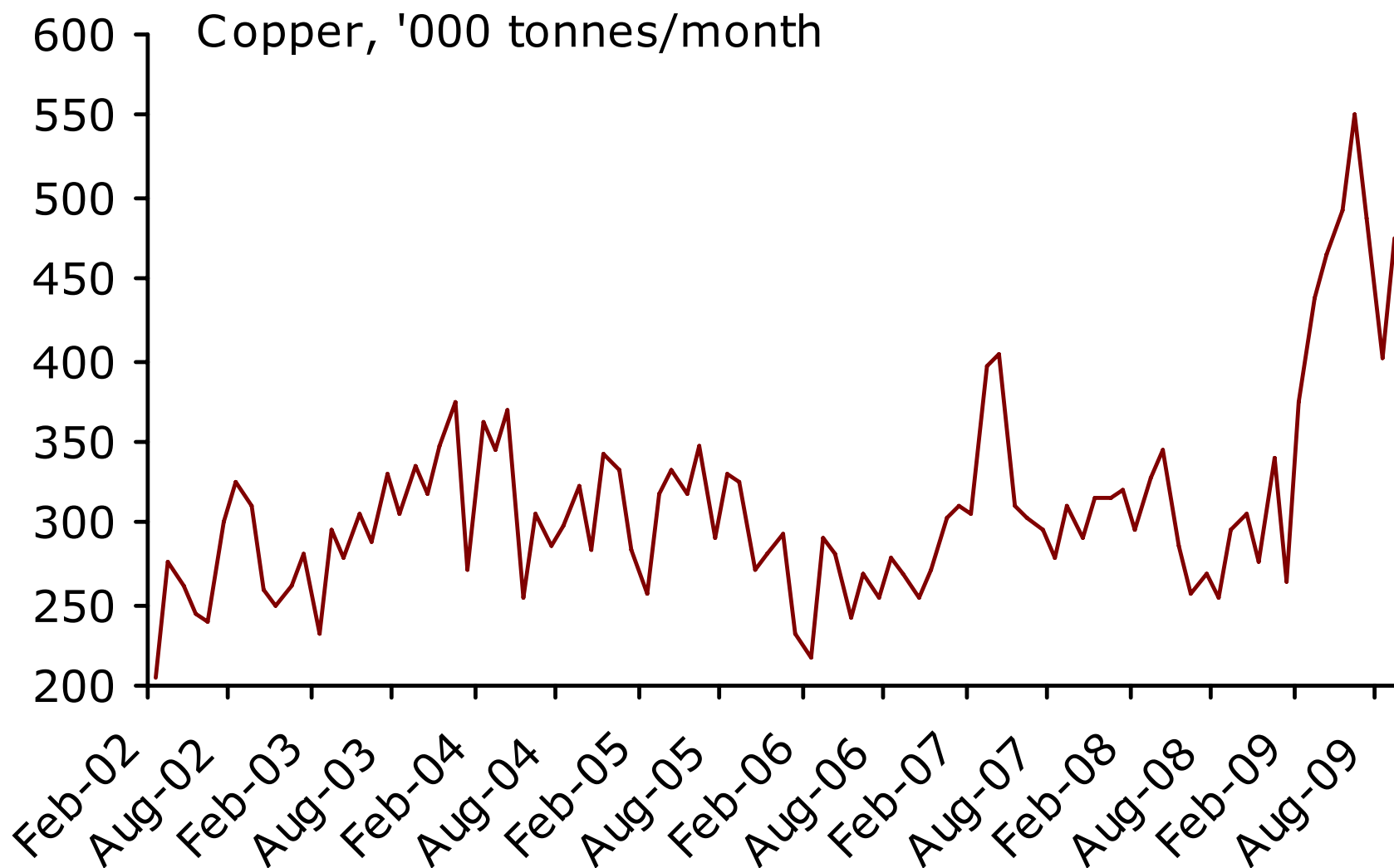
# Developed World Sees Deep Recession and Only U-Shaped Recovery



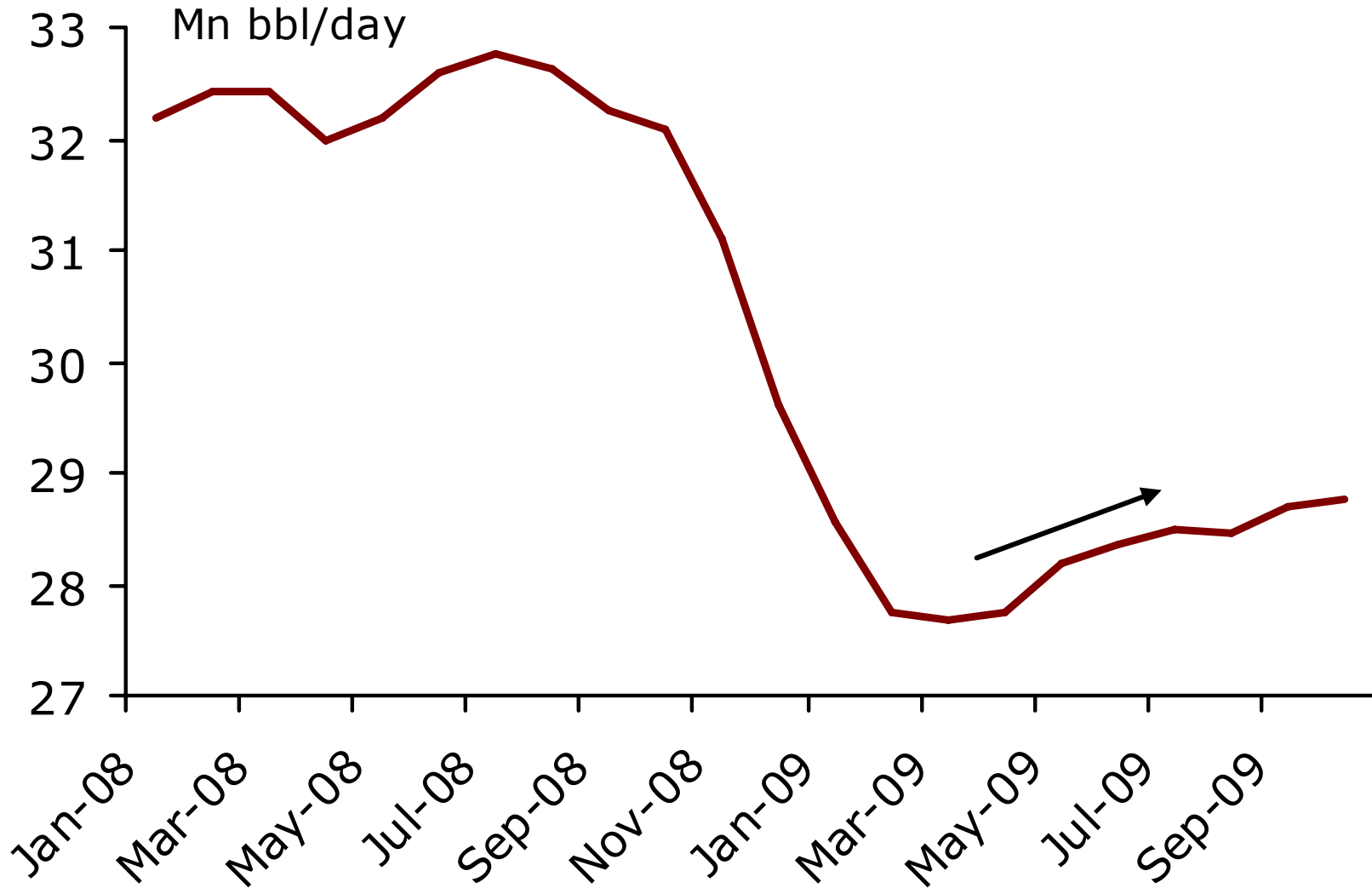
# Weak US\$ Explains One-Third of Recent Commodities Price Gains



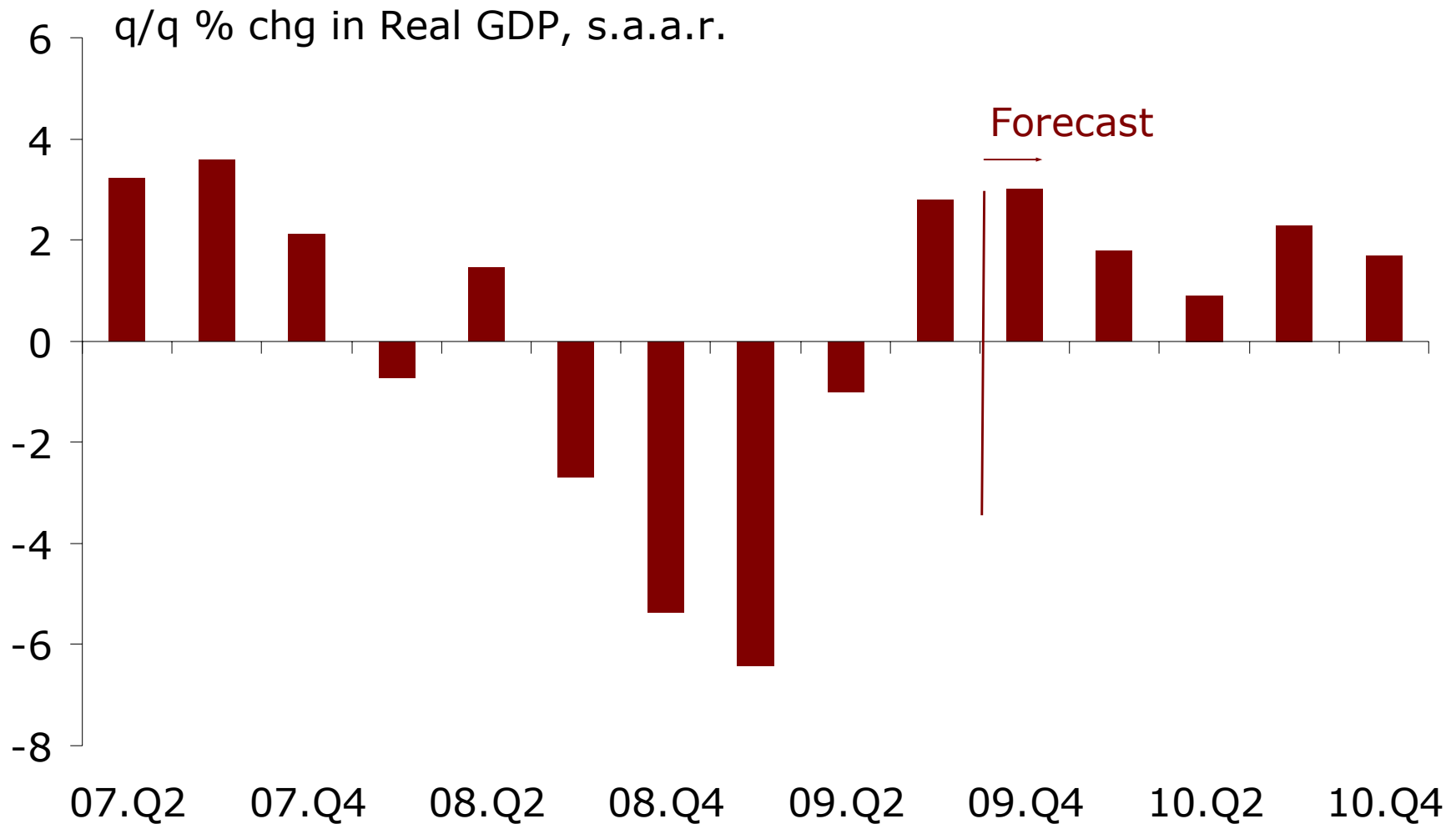
## China's Metal Imports Showing Strength



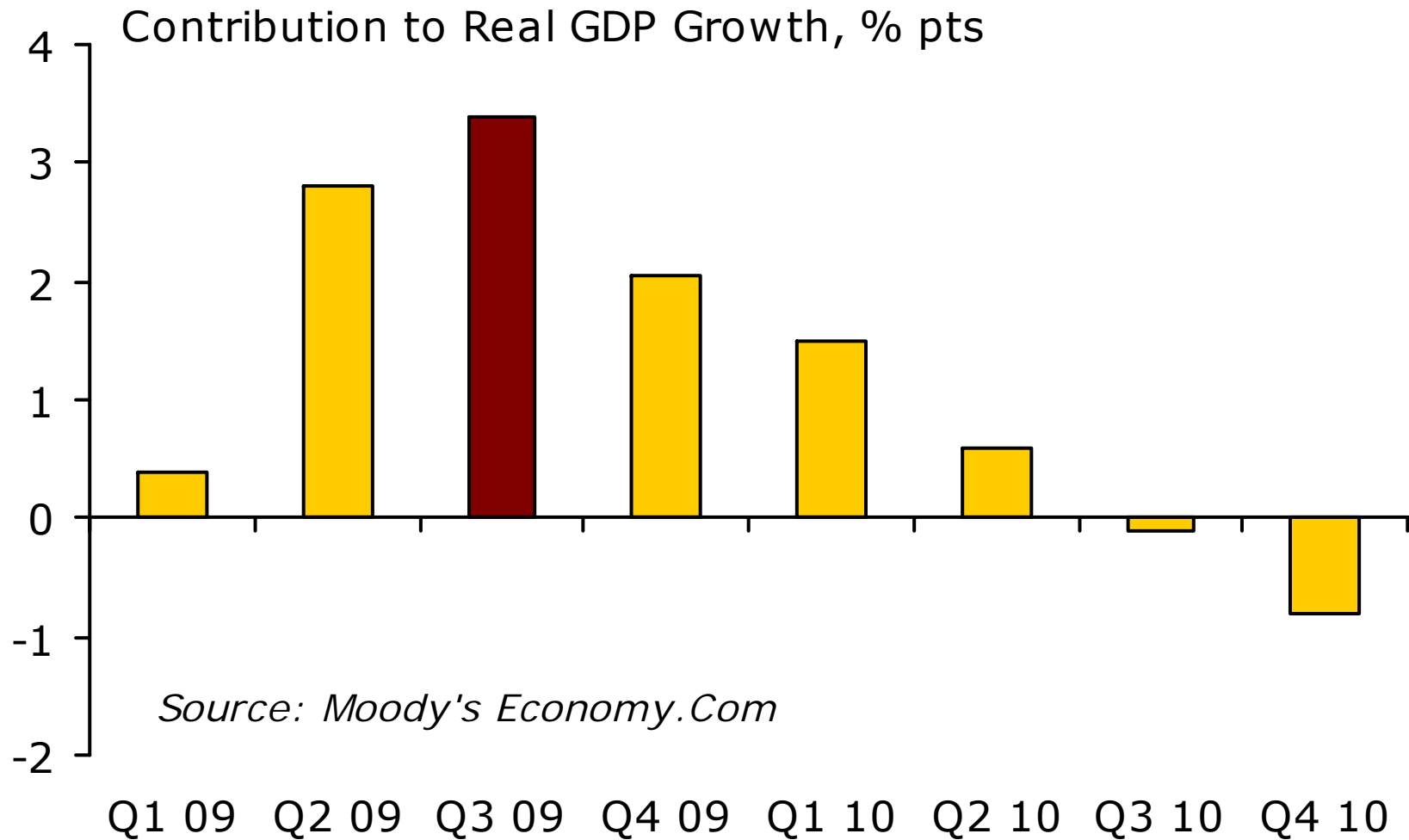
# OPEC Pumps More Crude as Prices Rise



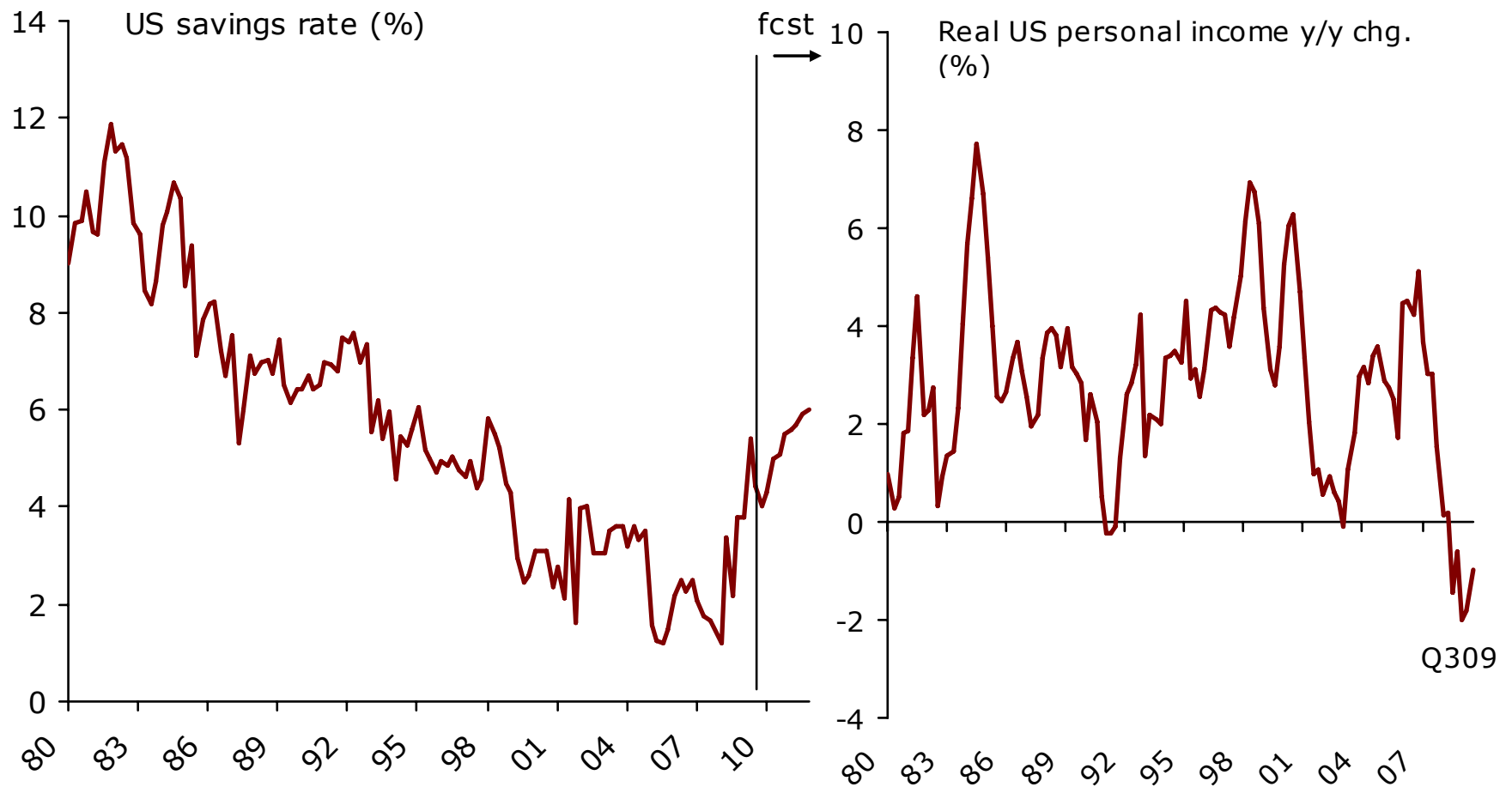
# US Economy: A Pop and a Fizzle



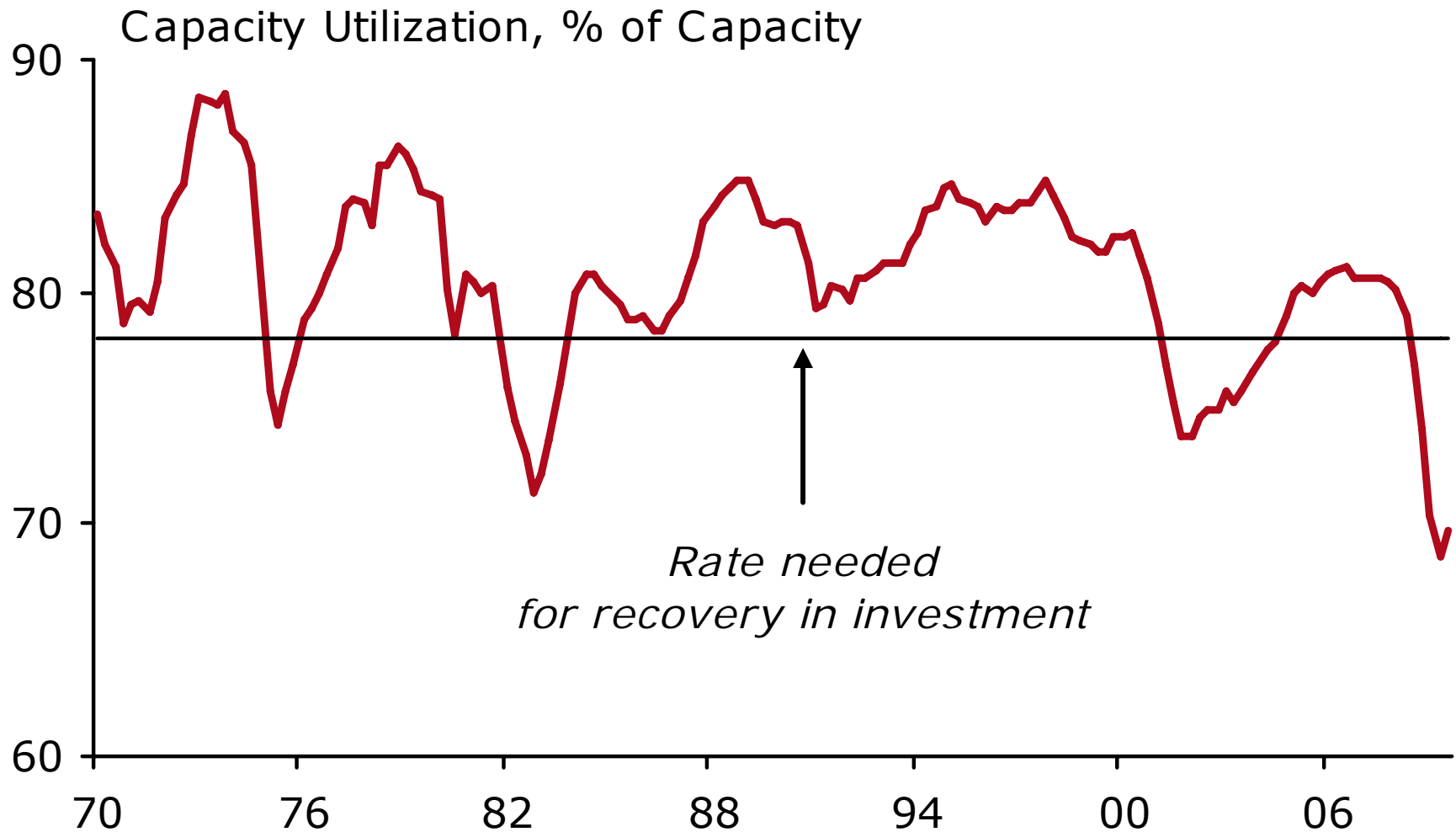
## Impact of Fiscal Stimulus Peaked in Q3



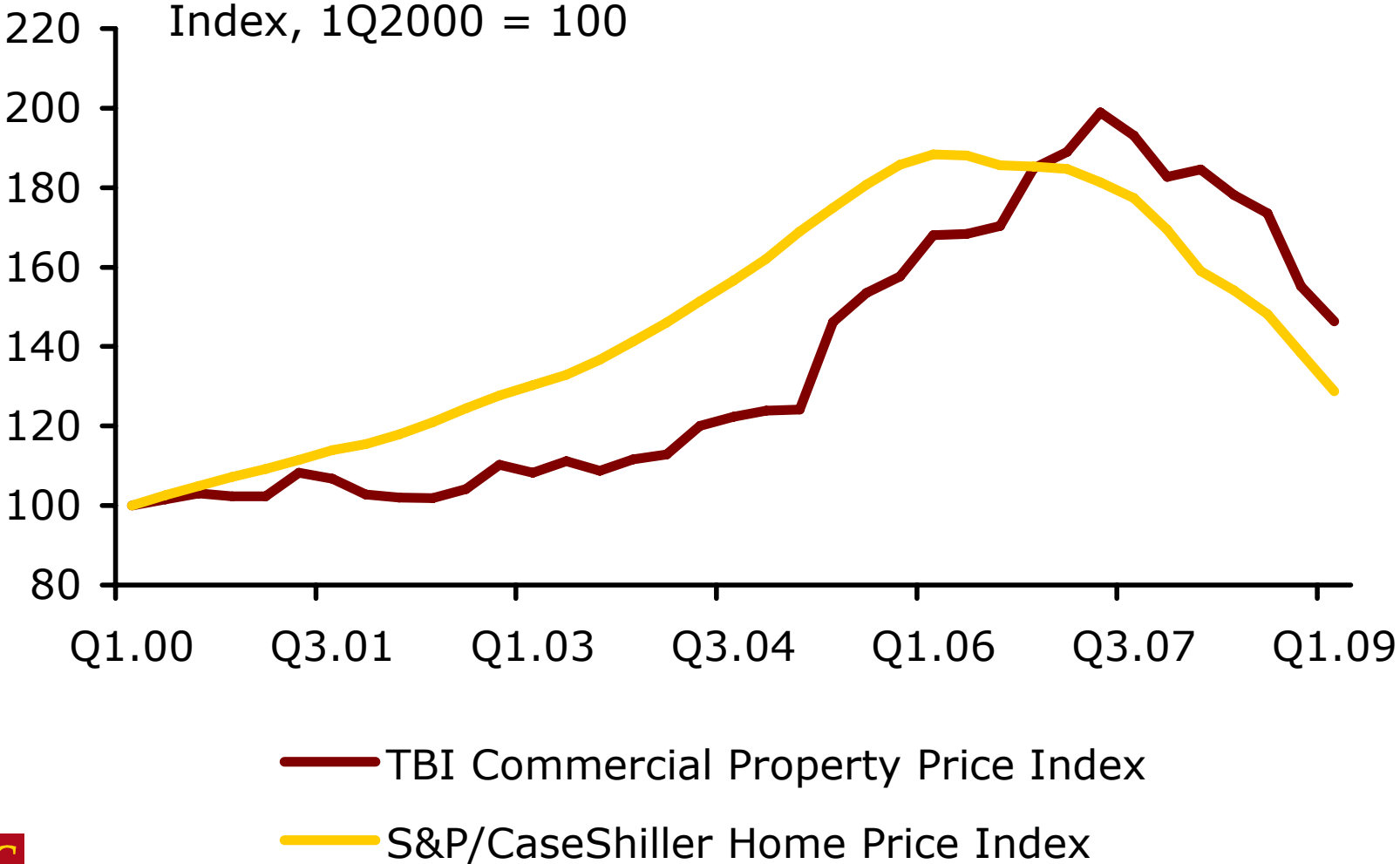
# Weakest US Consumer Setting in Decades



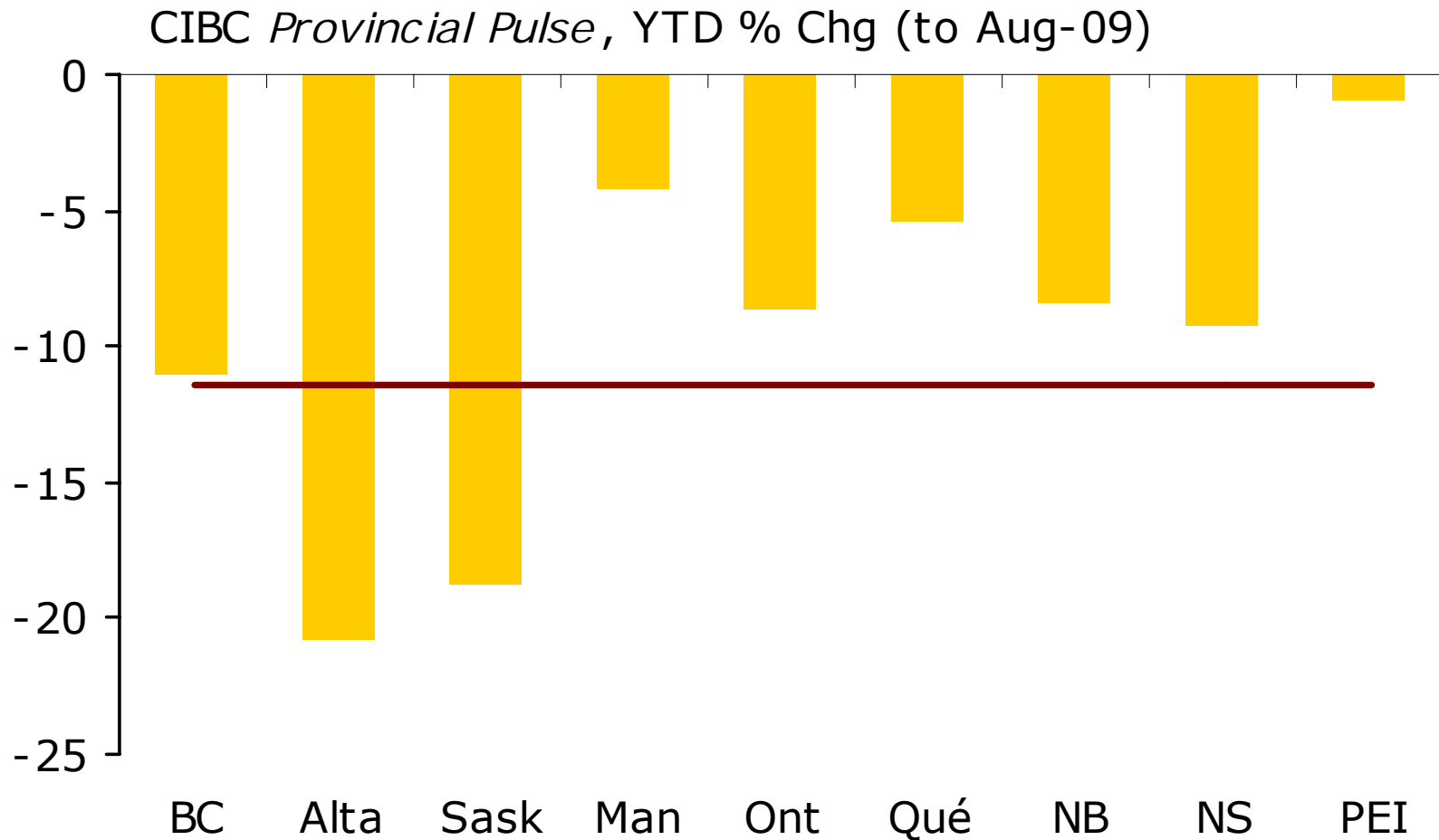
# US Capital Spending Depressed by Low Capacity Use



# Where Houses Went, Commercial RE Follows



# Recession Hit Nominal GDP Deepest In West



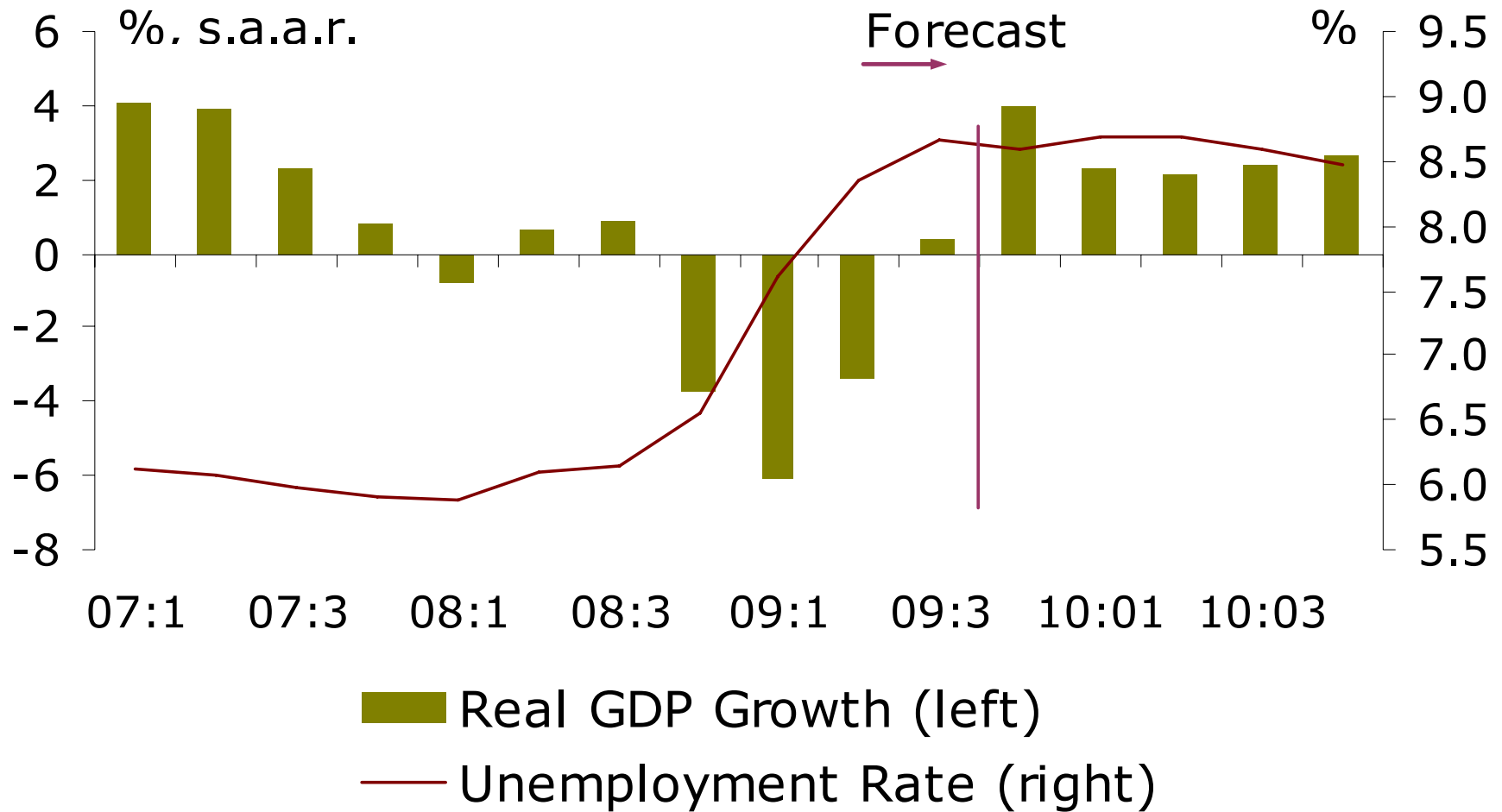
■ Provincial Indices

— Composite Index



Source: CIBC

# Canadian Recovery Sub-Par Until 2011



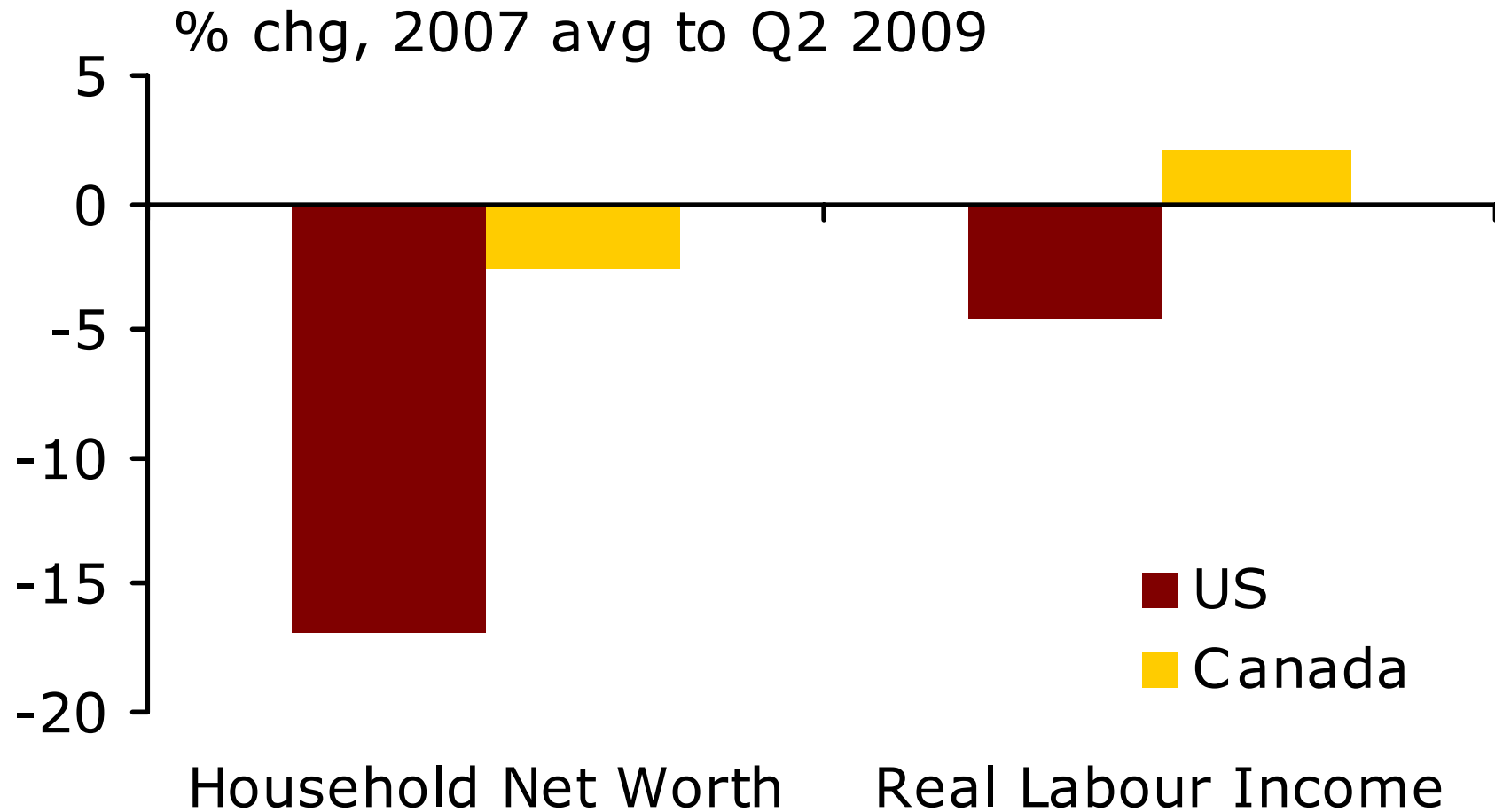
# Provincial Growth — 2010's Modest Recovery Gives Way to Robust 2011

Y/Y %	Actual 2008	CIBC Forecasts			Reference: Past Recessions	
		2009	2010	2011	1982	1991
<b>BC</b>	0.0	-2.2	2.5	4.1	-6.1	0.2
<b>Alta</b>	0.0	-2.6	2.1	4.8	-3.2	0.5
<b>Sask</b>	4.2	-1.5	2.4	5.2	-1.9	1.1
<b>Man</b>	2.0	-0.5	2.0	3.8	-2.6	-3.4
<b>Ont</b>	-0.5	-3.5	2.1	3.5	-2.7	-3.9
<b>Qué</b>	1.0	-1.4	1.9	3.5	-3.6	-2.7
<b>NB</b>	0.0	-0.6	2.0	3.4	1.9	0.0
<b>NS</b>	2.2	-0.3	1.8	3.3	3.7	-0.9
<b>PEI</b>	0.5	-0.2	1.7	3.0	0.9	-0.3
<b>N&amp;L</b>	0.5	-3.0	2.3	4.1	1.0	0.5
<b>CDA</b>	0.4	-2.5	2.0	3.8	-2.9	-2.1
<b>US</b>	0.4	-2.5	1.8	3.3	-1.9	-0.2

Note: Shading denotes annual decline in provincial real GDP



# Canada's Households Less Battered

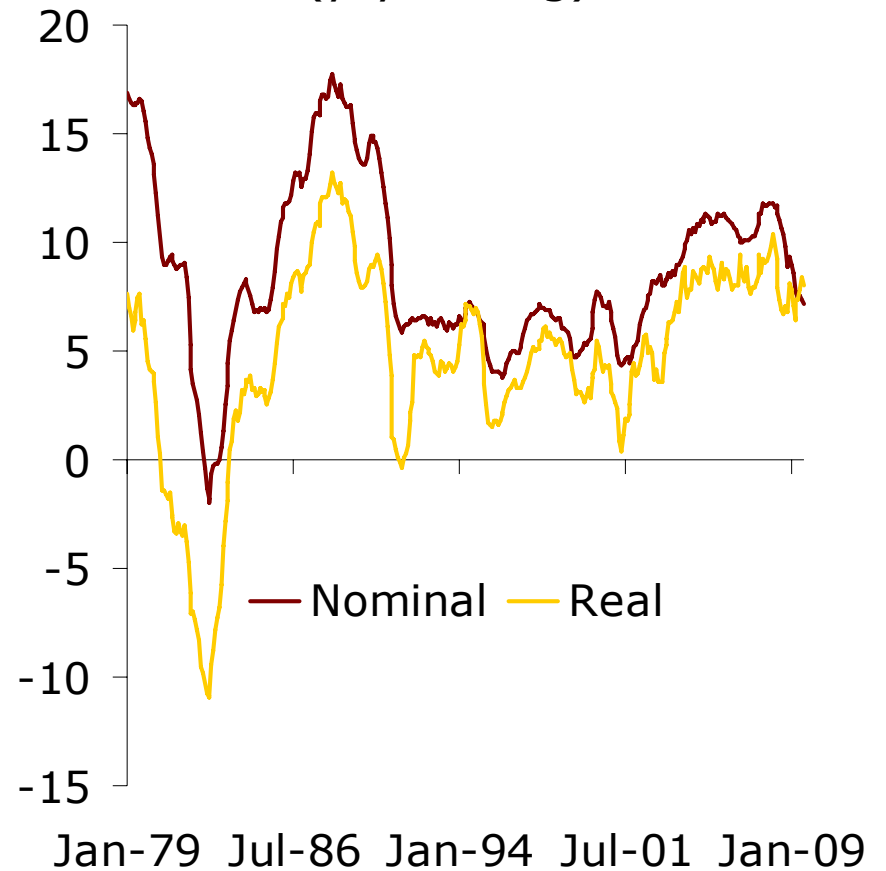


# Some Go Bust, But Credit Growth Brisk

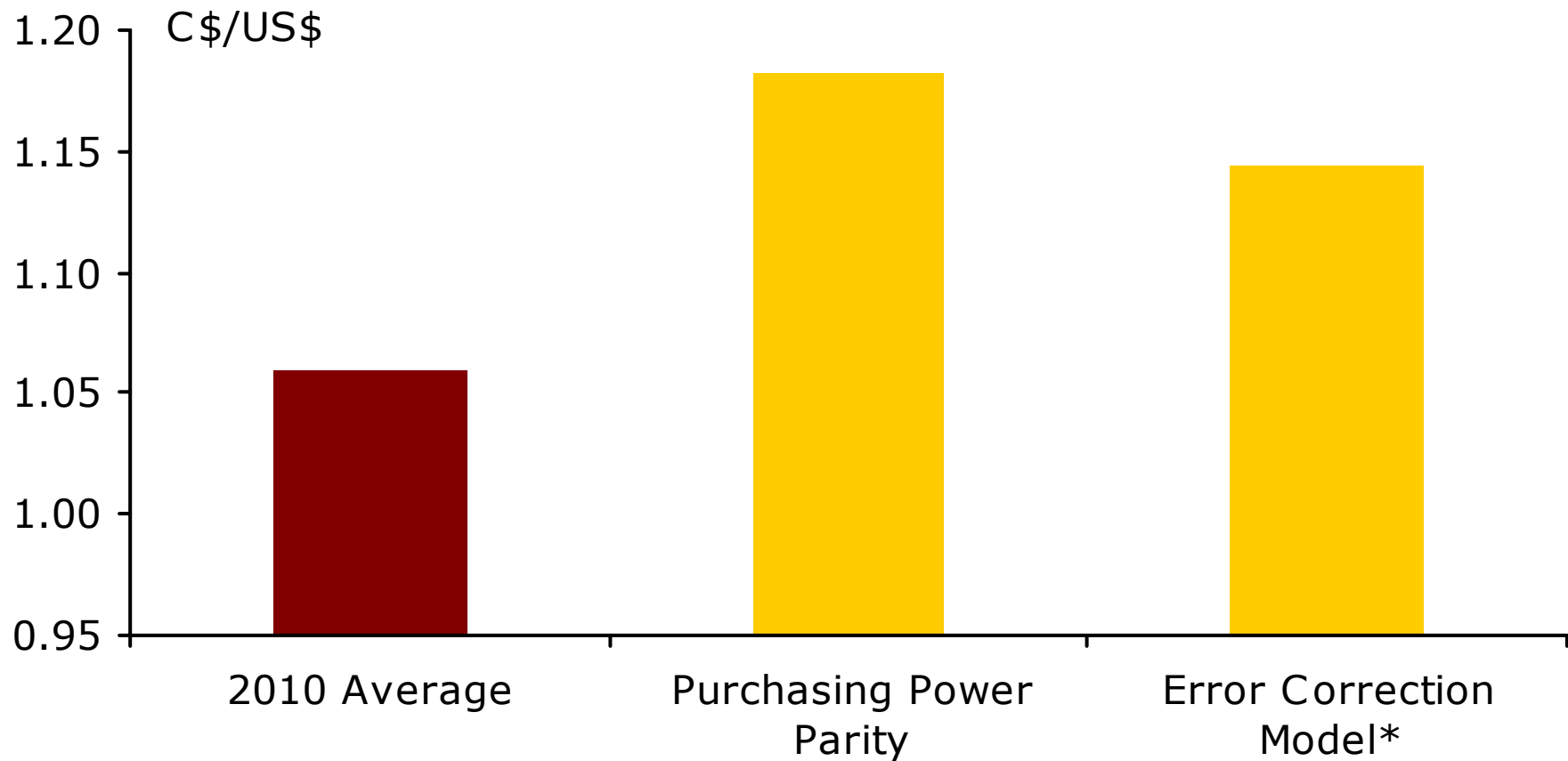
Cdn Consumer Bankruptcies  
(3-mon moving average, SA)



Cdn Household Credit  
(y/y % chg)



# C\$ Stuck in Overvalued Range

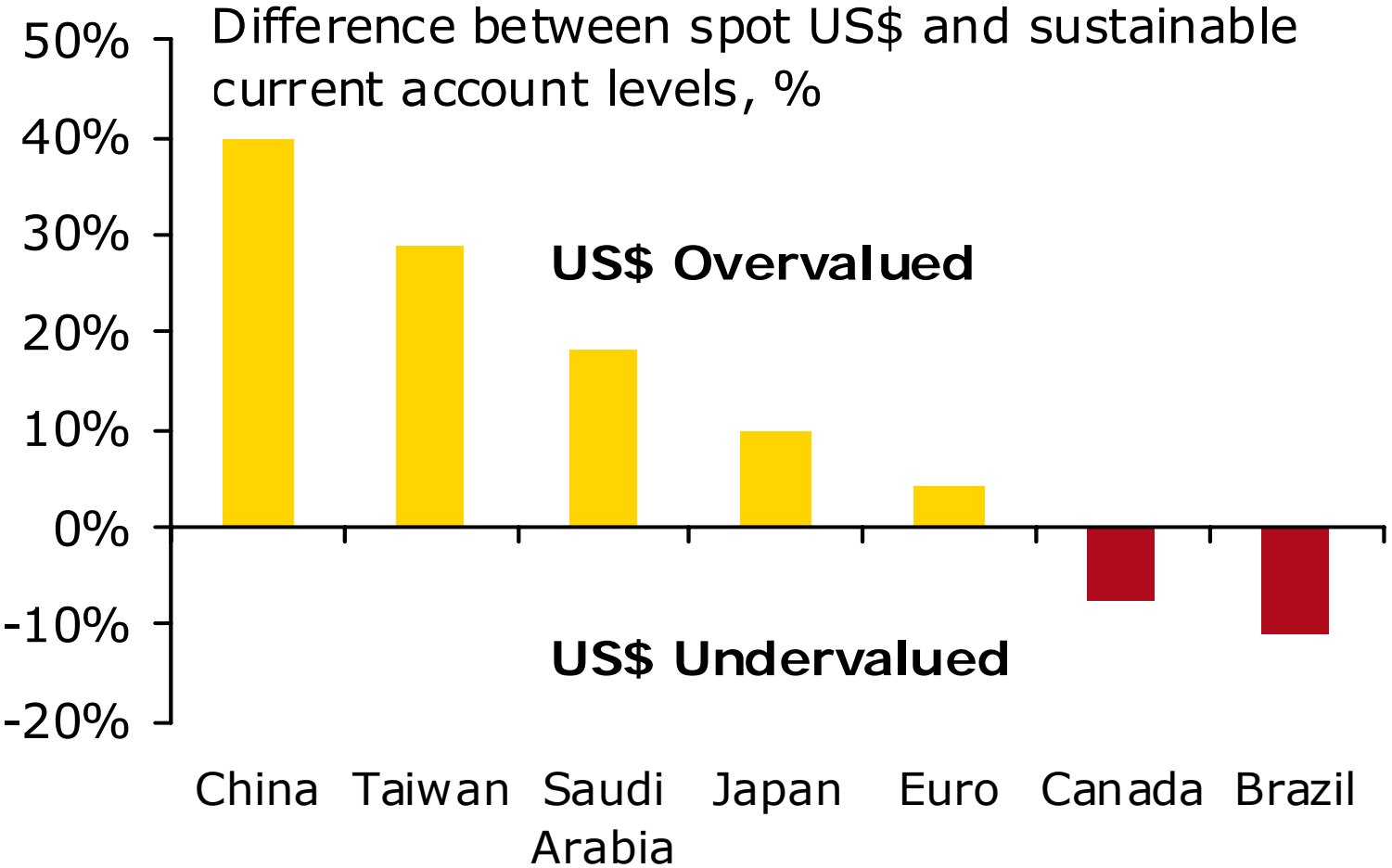


Source: OECD (PPP); CIBC (ECM)

\*based on rate spreads and real commodity prices

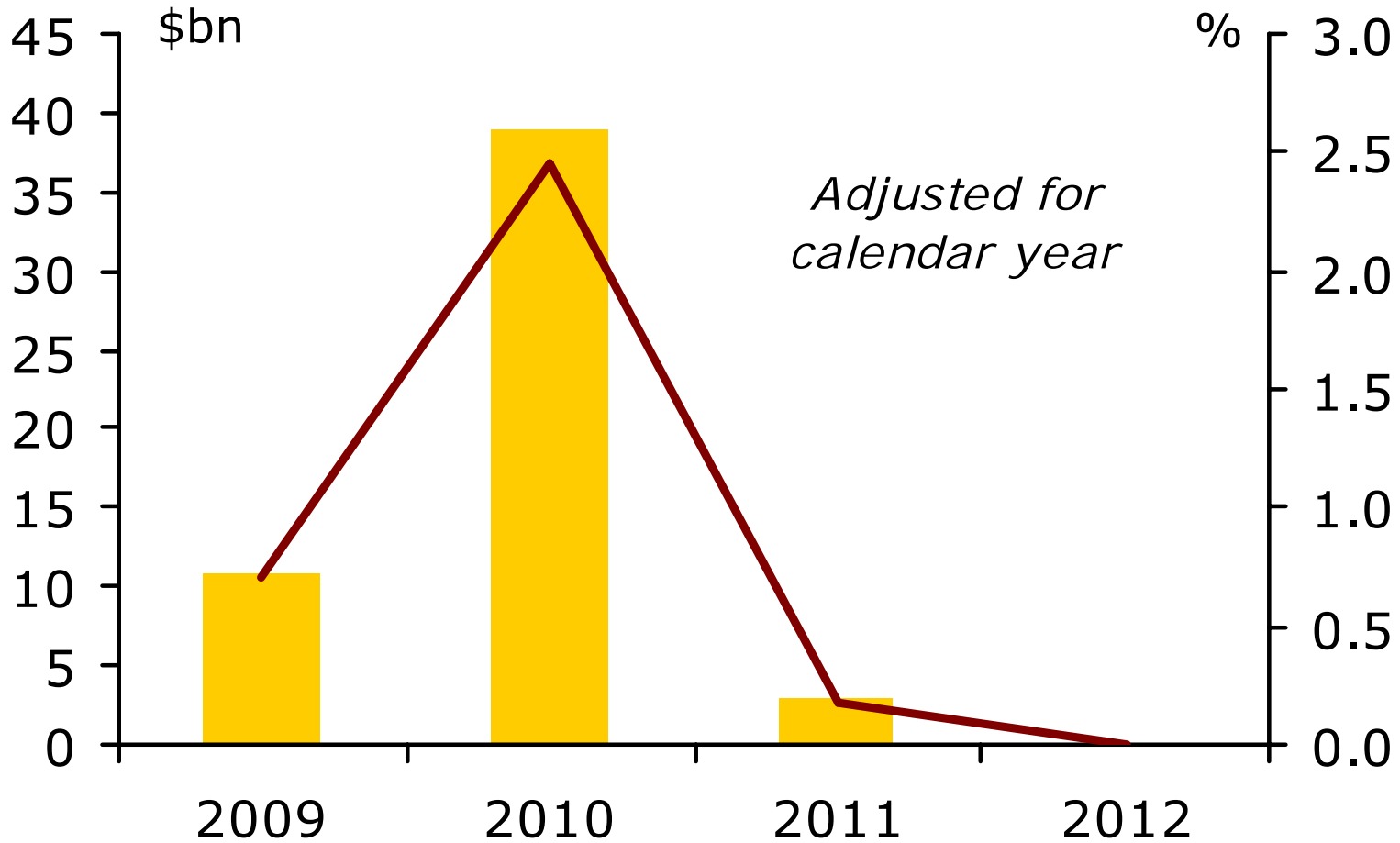


# US\$ vs Fundamental Equilibrium Exchange Rate



Source: Cline & Williamson (2009)

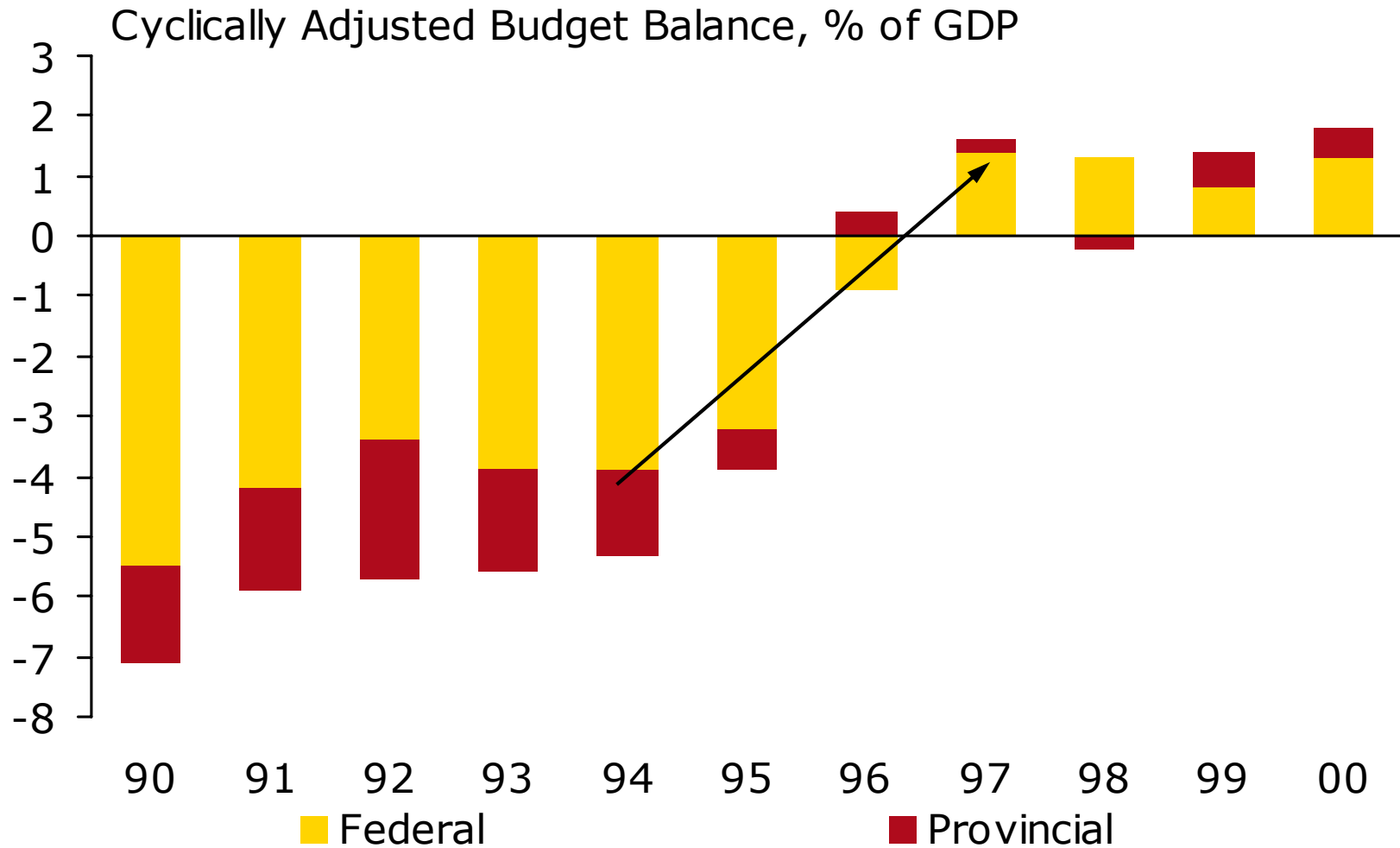
# Federal Discretionary Stimulus Dives in 2011



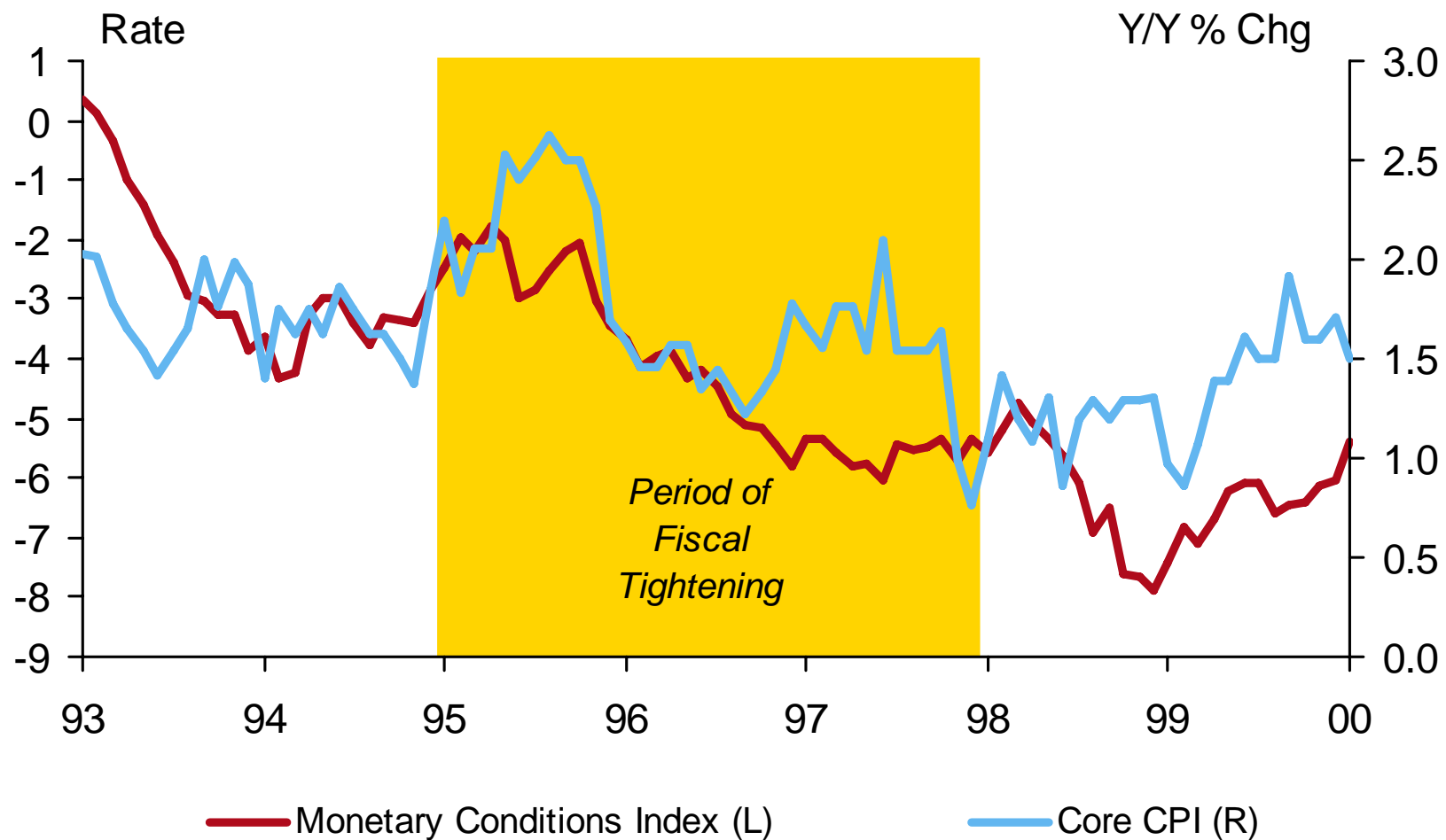
■ Non-Cyclical Stimulus (L)      — Ratio to GDP (R)



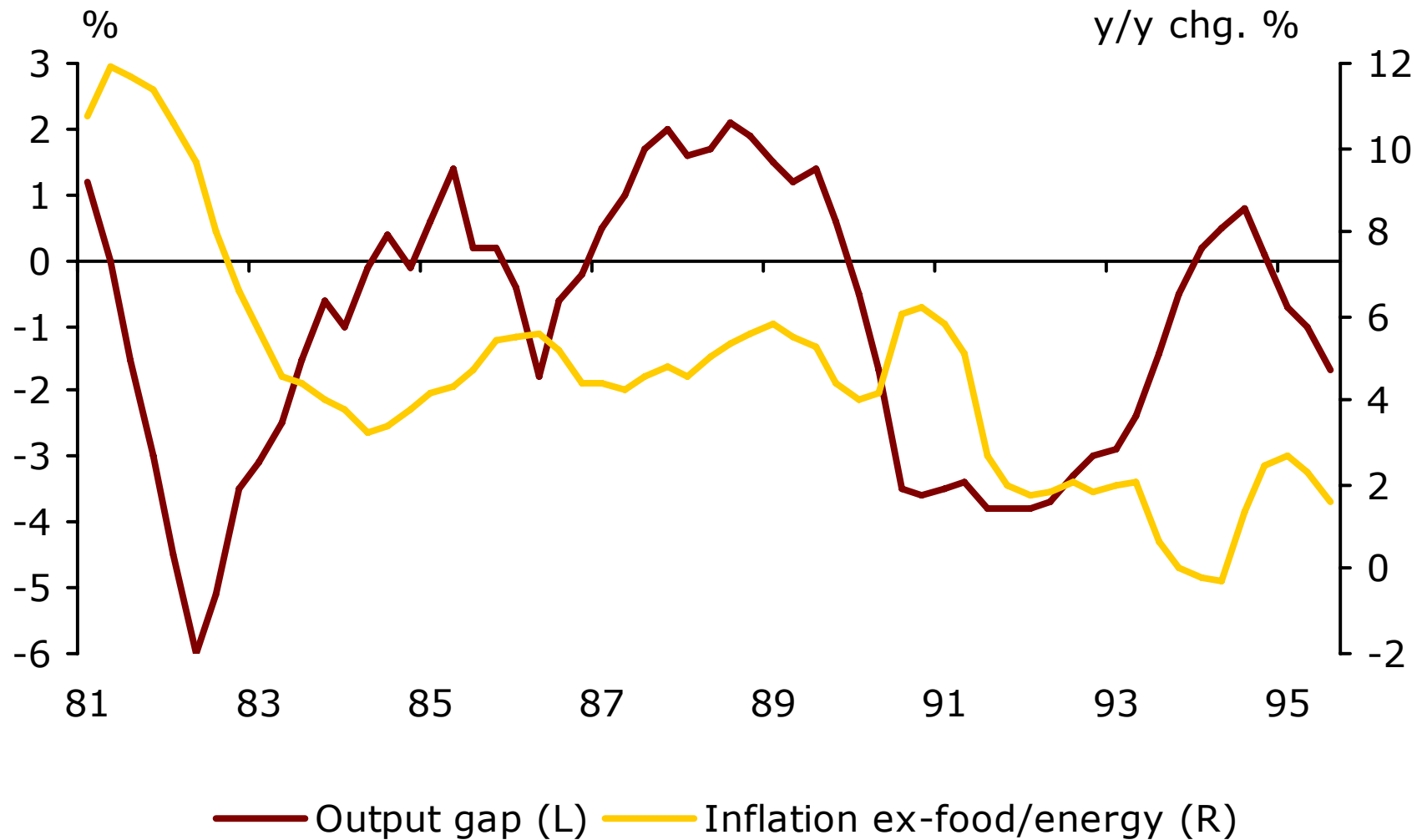
# Canada's Fiscal Tightening After 1994...



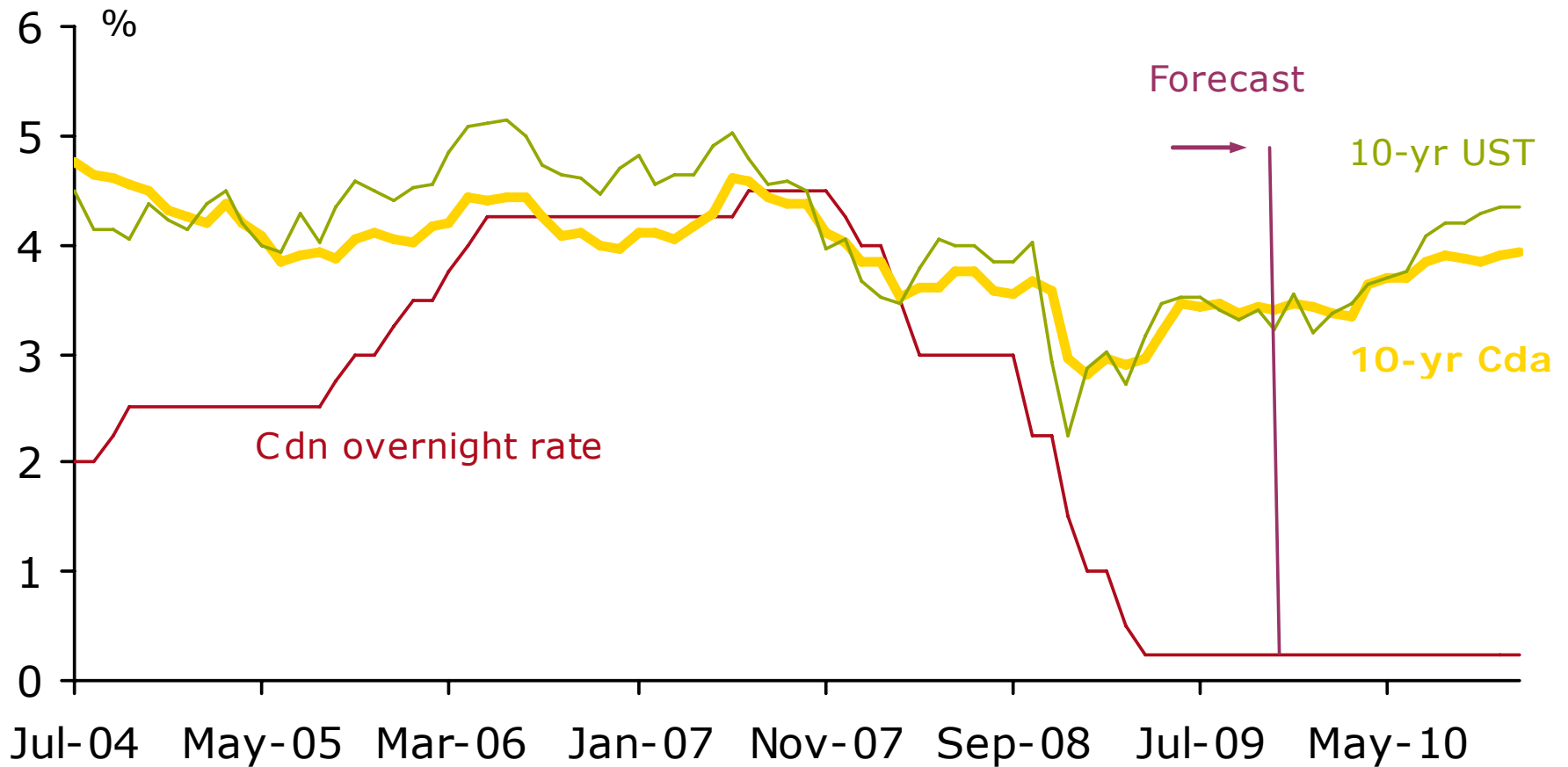
## ...Required Huge Easing in Monetary Conditions



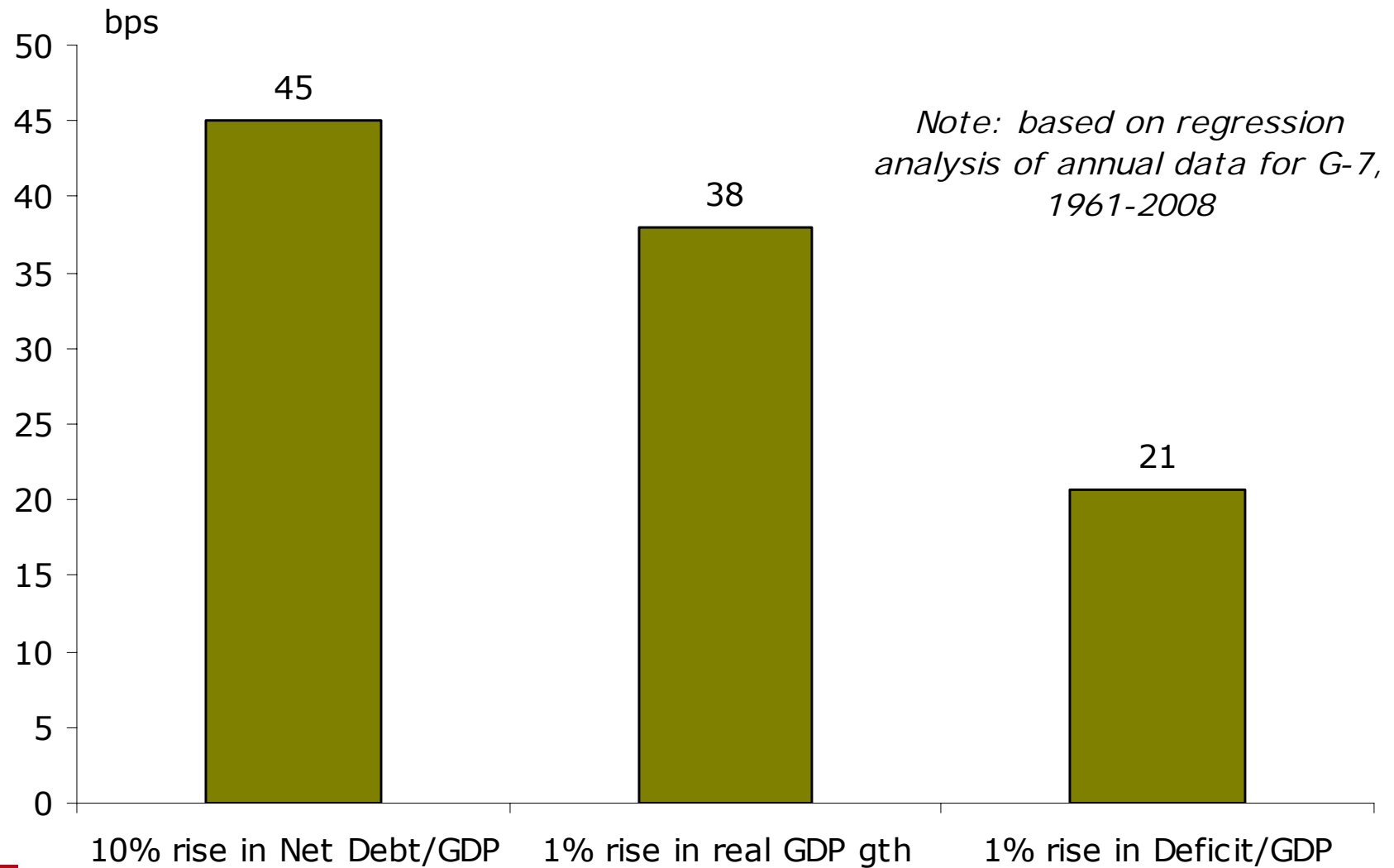
# Falling Core Inflation Tends to Lag Large Drops in Output Gap



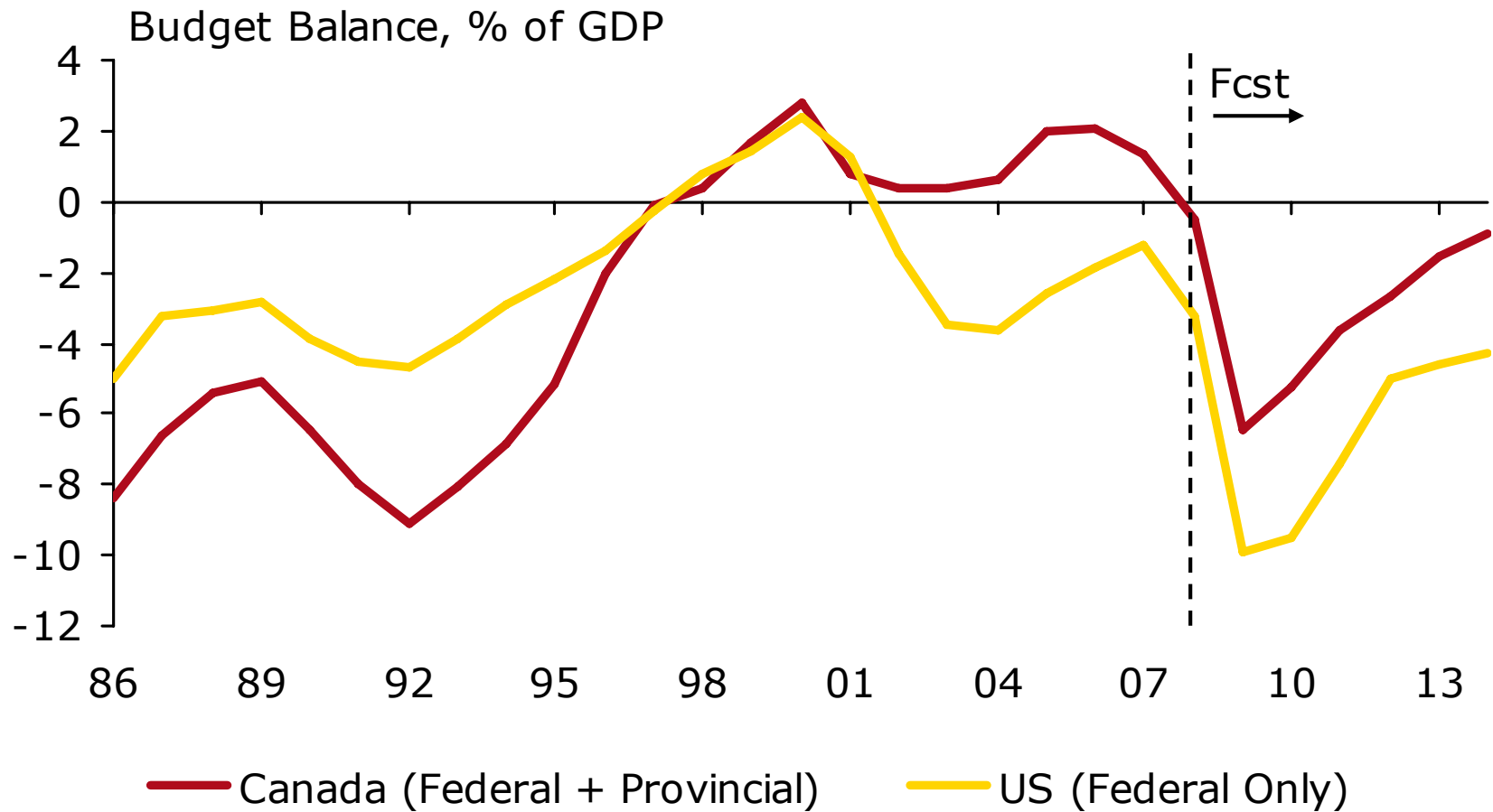
# Bank of Canada On Hold Until 2011 But Longer Rates Drift Higher



# Impact of Fiscal & Economic Performance on Long Bond Yields – International Experience



# Canada's Deficits Not as Alarming



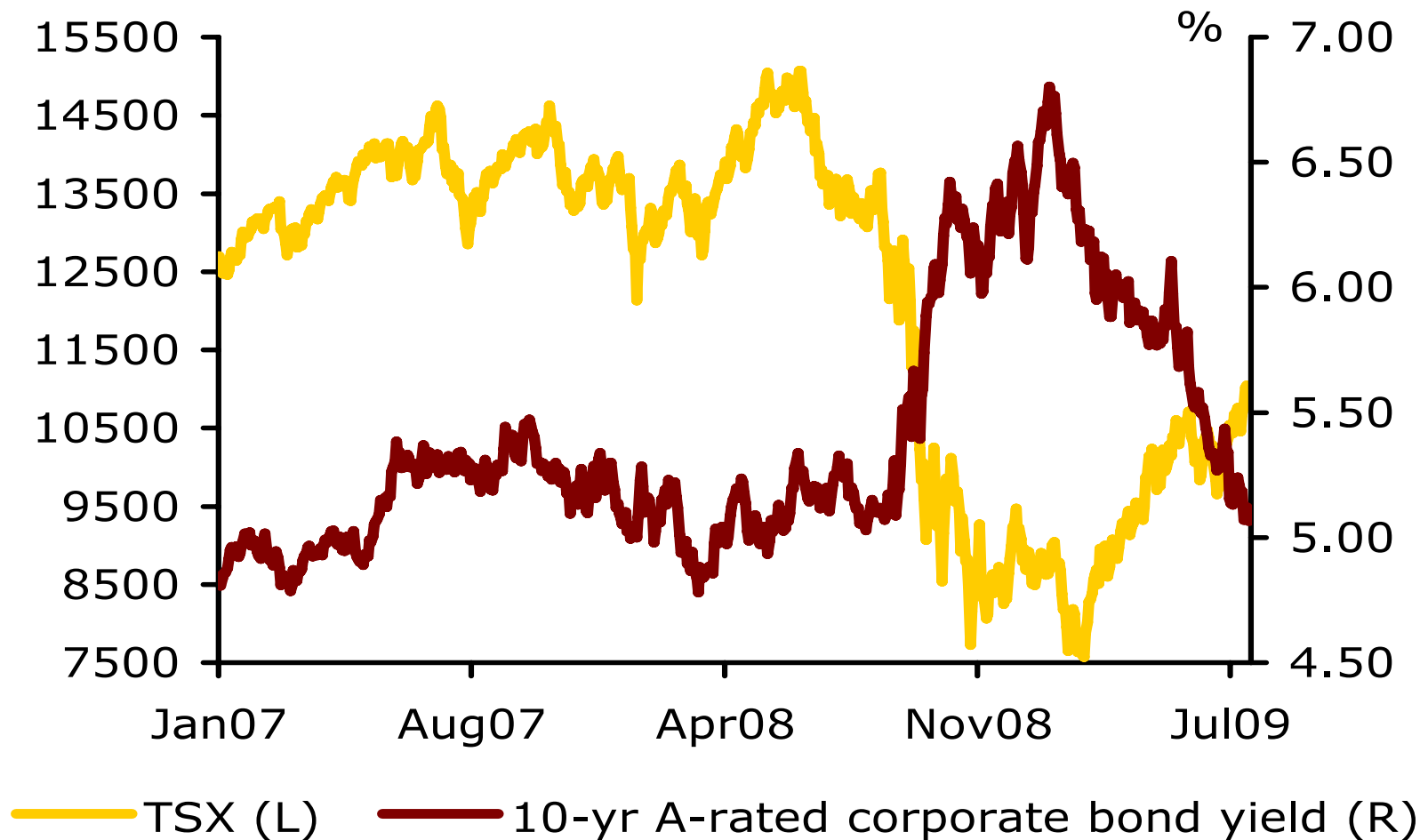
# CIBC's Projected Government Bond Supply

## Heavy Provincial Borrowing Through 2011/12

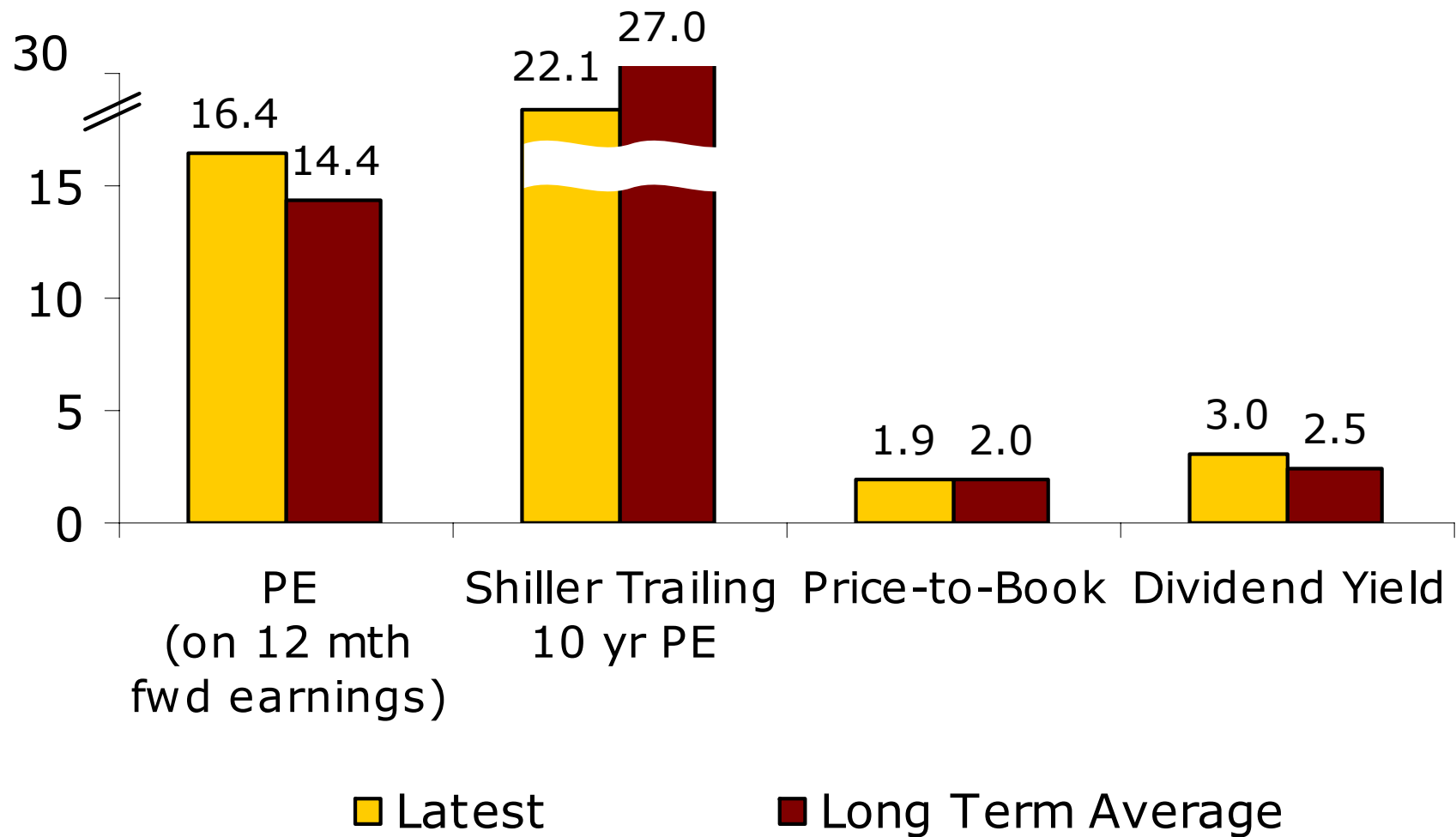
	08/09(A)	09/10(E)	10/11(F)	11/12(F)
<b>Gross Issues (C\$billions)</b>				
Canadas (C\$)	73	100	75	70
CMB	46	48	52	54
Provincial	53	73	80	72
Municipal	4	5	5	4
Total	176	226	212	200
<b>Net Issues (C\$billions)</b>				
Canadas (C\$)	39	72	40	20
CMB	27	30	30	30
Provincial	21	43	48	40
Municipal	1	2	2	1
Total	88	147	120	91
<b>Provincial Share of Government Supply (%)</b>				
Gross	30	32	38	36
Net	24	29	40	44



# Corporate Yield Decline Fueled TSX



# TSX Fairly Valued, But Can Earnings Match 2010 Consensus for 25%+ Gain?



# Excess Liquidity Among Individual Investors

