



April 22, 2005

Index Rebalancing Forecast

S&P/TSX Canadian Bond Index

Summary of projected changes to the index on the April 29, 2005 rebalancing

We forecast the S&P/TSX Canadian Bond Index to shorten duration marginally, overall by 0.01 (see Figure 1):

- The government sector is projected to shorten duration by 0.02, while the corporate sector is projected to extend by 0.02.
- The short index will be extending duration by 0.01. In contrast, the mid index will shorten duration by 0.04 and the long index by 0.09.
- On average over the last eight years, a broad composite index of the Canadian bond market has extended by 0.03 on the April to May rebalancing date, fluctuating within a range of 0.01 to 0.07.
- See Figure 2 on page 2 for details of projected changes to the index on a bond-by-bond basis.

Our preliminary assessment of coupon flows on June 1, 2005 shows that the index will extend by 0.05 – see Figure 3 on page 3.

See Figure 4 on page 3 for our preliminary three-month projection of roll-outs from the index.

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Fig 1 – Projected changes in index characteristics for April 29, 2005

	Weights (%)		Duration	
	Projected *	Change	Projected *	Change
Broad Composite	100	-	6.12	-0.01
All Governments	73.85	0.08	6.37	-0.02
All Corporates	26.15	-0.08	5.43	0.02
Canadas	48.37	-0.06	5.68	-0.02
Provincials	23.47	0.13	7.72	-0.04
Municipals	2.01	0.01	7.28	0.02
Short Composite	44.63	-0.20	2.70	0.01
Mid Composite	27.45	0.16	5.75	-0.04
Long Composite	27.91	0.03	11.97	-0.09

* Projected weights and adjusted durations are based on index prices and yields as of April 20, 2005.

We anticipate small changes in sector weights on April 29, 2005

- We expect an increase in the weight of the government sector to 73.85% of the index, at the expense of corporates. This is a change in weight of 0.08%.
- The increase in government weight will come mostly from an increase in provincial weight, with new Ontario and Quebec issues projected to add \$1 bn par to the index.
- By maturity sector, the biggest change will be in the mid composite, whose weight will increase by 0.16%, while the short composite weight will decline by 0.20%.

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Ins and outs of the index for April 2005

Although we expect the index to tilt towards governments at the April 29, 2005 rebalancing date, the highlight of the changes during April will be that most of the additions are corporates.

- However, the total par amount of corporate additions roughly equals the total par of projected corporate deletions.
- The tilt towards governments comes from three large government new issues totaling about \$1.6 bn in par value that we expect to be added to the index.

Two thirds of the par value of securities we expect to be added are in the mid and the long indices, with nearly half in the mid index alone. Projected par additions to the long index lag both the short and the mid indices.

Few bonds are expected to roll between maturity sectors, with only three bonds rolling to the short index from the mid index.

Figure 2 shows projected changes to the composition of the S&P/TSX Canadian Bond Index based on the index inclusion and rebalancing rules.

Fig 2 – Projected changes in the composition of the index on April 29, 2005

Issue	Coupon (%)	Maturity	Par value (\$000's)	Market value weight *		Sector *
Additions						
TEXTRON FIN CDA.	4.00	1-Apr-08	130,000	0.02%	Short	Corporate: Industrial
DAIMLER CHRYSLER CAN FIN	4.35	14-Apr-08	350,000	0.06%	Short	Corporates: Financial
CDN CREDIT CARD TRUST	4.14	26-Apr-10	425,250	0.07%	Short	Corporates: ABS
ONTARIO	4.00	19-May-10	500,000	0.08%	Mid	Governments: Prov
GOLDEN CREDIT CARD TST	4.05	15-Jun-10	600,000	0.10%	Mid	Corporates: ABS
CDN CREDIT CARD TRUST	4.51	24-Apr-12	330,750	0.05%	Mid	Corporates: ABS
QUEBEC	5.00	1-Dec-15	500,000	0.09%	Long	Governments: Prov
BC MUNICIPAL FINANCE	4.98	6-Apr-25	118,300	0.02%	Long	Governments: Muni
TOTAL ADDITIONS			2,954,300	0.49%		
Deletions						
ENBRIDGE INC	5.45	12-Apr-06	400,000	0.07%	Short	Corporates: Energy
EMERA INC.	6.00	17-Apr-06	100,000	0.02%	Short	Corporates: Utility
HYDRO ONE INC.	4.15	21-Apr-06	280,115	0.05%	Short	Corporates: Utility
CIBC	8.15	25-Apr-06	250,000	0.04%	Short	Corporates: Financial
CITIGROUP FIN CDA	4.30	25-Apr-06	200,000	0.03%	Short	Corporates: Financial
HOLLIS RECVBLS TERM TRUST	5.67	26-Apr-06	600,000	0.10%	Short	Corporates: ABS
QUEBEC	9.50	1-May-06	70,000	0.01%	Short	Governments: Prov
TOTAL DELETIONS			1,900,115	0.32%		
Re-openings						
NEW BRUNSWICK	4.50	2/4/2015	300,000	0.05%	Mid	Governments: Prov
CANADA	5.00	6/1/2037	300,000	0.05%	Long	Governments: Can
TOTAL RE-OPENINGS			600,000	0.10%		
Other (re-purchases, stripping and reconstitution)						
			-351,000	-0.09%		
TOTAL			1,303,185	0.17%		

* Market value weights are relative to the Broad Composite market value as of April 20, 2005. Projected sector classifications are based on existing index classifications as of April 20, 2005

Issue	Coupon (%)	Maturity	Par value (\$000's)	Market value weight *	Maturity Sector Change
Rolls					
BELL CANADA	11.45	15-Apr-10	79,400	0.02%	Mid to Short
NOVA ALBERTA CRP	12.63	15-Apr-10	85,794	0.02%	Mid to Short
ROYAL GROUP TECH.	6.90	13-Apr-10	150,000	0.02%	Mid to Short
TOTAL			315,194	0.06%	

* Market value weights are relative to the Broad Composite market value as of April 20, 2005.

June 1 coupon flows

Our preliminary assessment of coupon flows to take place on June 1, 2005 shows the index will extend duration by 0.05. Total flows of over \$5.6 bn are projected to equal 0.90% of the broad composite.

As expected, most of the coupon flows emanate from Canadas, which we expect to result in a decrease in the weight of governments by 0.19% in favor of corporates. The weight of Canadas should decline by 0.29%.

Figure 3 summarizes our preliminary assessment of the impact of June 1, 2005 coupon cash flows on the index.

Fig 3 – Projected coupon effects on the index for June 1, 2005

	Coupon effects *		
	Cash flow (\$ mn)	Weights (%)	Duration
Broad Composite	5,609.20	-0.90	0.05
All governments	5,333.93	-0.19	0.07
All corporates	275.27	0.19	0.01
Canadas	4,525.25	-0.29	0.08
Provincials	759.41	0.09	0.04
Municipals	49.28	0.01	0.03

* Projected weights and adjusted durations are based on index prices and yields as of April 20, 2005.

Future roll-outs from the index

Looking ahead to the next three index rebalancing dates, the May 31, 2005 date shows over \$13 bn of market value rolling out of the index, with 75% attributable to governments and 25% to corporates.

Roll-outs on the subsequent two rebalancing dates are projected to drop off considerably, to less than three quarters of the total market value of roll-outs projected for May 31, 2005.

At the July 29, 2005 rebalancing date, we expect 80% of roll-outs to be corporates.

Fig 4 – Three-month projected roll-outs

	31-May-05		30-Jun-05		29-Jul-05	
	# issues	\$ mn *	# issues	\$ mn *	# issues	\$ mn *
All governments	4	9,409	4	2,880	1	582
All corporates	11	3,664	1	160	6	2,029
Canadas	2	8,160	1	2,310	0	0
Provincials	2	1,249	2	461	1	582
Municipals	0	0	1	108	0	0
Composite	15	13,073	5	3,039	7	2,612

* Market values are based on prices and yields as of April 20, 2005.

Sources for all charts and tables in this report: CIBC World Markets Financial Markets Analytics, S&P/TSX Canadian Bond Index

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