



August 22, 2005

# Index Rebalancing Forecast

## S&P/TSX Canadian Bond Index

Jonathan O'Keefe (416) 594-7388, Maurice Smith (416) 594-8076, Kenneth Kelly (416) 594-8238

### Summary of projected changes to the index due to August 31, 2005 rebalancing effects

We forecast the August 31 rebalancing to extend duration of the S&P/TSX Canadian Bond Index by 0.10 (Figure 1).

- The Broad Market Composite Index will experience a net decrease of \$5 bn face value on August 31, accompanied by a 0.10 increase in duration. These effects result from \$10 bn in bonds dropping out of the index along with \$5 bn in new issue activity.
- The most significant change will be a 1.30% decline in weight for the Mid Term Index, versus 0.71% and 0.58% increases in weight for the Short and Long Term Indices, respectively.
- The decrease in weight of the Mid Term Index can be attributed to a roll of \$10.2 bn face value from the Mid to the Short Term Index. This roll is also largely responsible for the 0.11 year increase in duration for the Mid Index.
- On balance, the face value of the Short Term Index remained unchanged, as about \$10 bn face value of bonds dropped below one year to maturity and hence were removed from the Short Index. These changes generated a 0.13 year increase in duration for the Short Index.
- Figures 2 to 5 below illustrate the impact of the August 31 rebalancing on the Broad, Short, Mid and Long Indices at the sectoral level.
- Projected index additions, re-openings and other changes due to re-purchases and stripping are expected to add over \$5.9 bn in par to the index. Of this amount, \$4.2 bn is due to re-openings and repurchases, while only 28% is due to new additions. Projected deletions are expected to reduce total par by \$11 bn, with the total effect expected to be a net decrease of \$4.9 bn.
- See Figure 6 on page 3 for details of projected changes to the index on a bond-by-bond basis. See Figure 7 on page 4 for details of projected August 31 index rolls on a bond-by-bond basis.

See "Legal Disclaimer" section at the end of this report for important disclosures, including potential conflicts of interest

Maurice Smith, CFA, 416-594-8076

Kenneth Kelly, CFA, 416-594-8238

Jonathan O'Keefe, 416-594-7388

Joanna Zapor, CFA, 416-594-8498

Source for all data in this report: CIBC World Markets and S&P/TSX Canadian Bond Index

Figure 1 - Projected changes in index characteristics for August 31, 2005

S&P/TSX COMPOSITE INDICES: Projected changes						
INDEX	Weights (%)			Duration		
	19-Aug	31-Aug	Rebalance Effect <sup>1</sup>	19-Aug	31-Aug	Rebalance Effect <sup>1</sup>
BROAD MARKET	100.00	100.00	0.00	6.34	6.42	0.10
SHORT TERM	44.45	45.17	0.71	2.61	2.77	0.13
MID TERM	27.30	26.00	-1.30	5.93	6.00	0.11
LONG TERM	28.24	28.83	0.58	12.53	12.50	0.00

1. "Rebalance Effect" is the projected impact of all rebalancing effects on the rebalancing date of August 31, 2005.

Note: Please note that we use will/would/is/expected to interchangeably for readability. All comments are our opinions only, based on the application of the index methodology.

Within the Broad Market Index, there will be a 0.20% shift in weight from the All Government to the All Corporate sector.

Within Governments, Canadas/Agencies had the largest decrease in weight of 0.71%.

Within Corporates, the greatest increase in weight, 0.22%, is seen in the Corporate AA sector.

Figure 2 - Projected changes in Broad Index characteristics for August 31, 2005

S&P/TSX BROAD MARKET INDEX: Projected changes						
SECTOR	Weights (%)			Duration		
	19-Aug	31-Aug	Rebalance Effect <sup>1</sup>	19-Aug	31-Aug	Rebalance Effect <sup>1</sup>
COMPOSITE	100.00	100.00	0.00	6.34	6.42	0.10
ALL GOVERNMENTS	74.07	73.88	-0.20	6.58	6.67	0.12
CANADA/AGENCIES	47.96	47.27	-0.71	5.81	5.94	0.16
ALL PROVINCIALS	24.06	24.51	0.46	8.02	8.00	0.01
MUNICIPALS	2.04	2.10	0.05	7.57	7.57	0.02
ALL CORPORATES	25.93	26.12	0.20	5.68	5.71	0.06
CORPORATE AAA	3.55	3.51	-0.04	3.53	3.57	0.07
CORPORATE AA	3.29	3.51	0.22	5.28	5.34	0.08
CORPORATE A	14.88	14.85	-0.02	6.34	6.37	0.06
CORPORATE BBB	4.21	4.25	0.04	5.43	5.44	0.04

1. "Rebalance Effect" is the projected impact of all rebalancing effects on the rebalancing date of August 31, 2005.

The Short Index saw an increase in weight in the All Governments sector, accompanied by a shift from Canada/Agencies to Provincials and Municipals. The Corporate AA sector was the only All Corporate Short Term sector to see an increase in weight. All sectors in the Short Term Index extended duration.

Figure 3 - Projected changes in Short Index characteristics for August 31, 2005

S&P/TSX SHORT TERM INDEX: Projected changes						
SECTOR	Weights (%)			Duration		
	19-Aug	31-Aug	Rebalance Effect <sup>1</sup>	19-Aug	31-Aug	Rebalance Effect <sup>1</sup>
COMPOSITE	100.00	100.00	0.00	2.67	2.77	0.13
ALL GOVERNMENTS	71.11	71.51	0.39	2.63	2.77	0.17
CANADA/AGENCIES	56.75	56.07	-0.68	2.61	2.77	0.19
ALL PROVINCIALS	13.58	14.58	1.00	2.69	2.77	0.11
MUNICIPALS	0.78	0.86	0.08	2.68	2.80	0.15
ALL CORPORATES	28.89	28.49	-0.39	2.77	2.77	0.04
CORPORATE AAA	6.27	6.05	-0.22	2.77	2.80	0.07
CORPORATE AA	4.17	4.32	0.16	2.83	2.85	0.05
CORPORATE A	13.78	13.51	-0.27	2.81	2.81	0.03
CORPORATE BBB	4.68	4.61	-0.07	2.57	2.57	0.03

1. "Rebalance Effect" is the projected impact of all rebalancing effects on the rebalancing date of August 31, 2005.

In the Mid Index, a positive increase in duration occurred in all sectors, with the All Governments seeing duration extend 0.12 vs. overall Broad Market Index extension of 0.10. In the All Corporate sector, all four rating categories increase, with the A-rated Corporate sector leading the way at 0.66%.

Figure 4 - Projected changes in Mid Index characteristics for August 31, 2005

S&P/TSX MID TERM INDEX: Projected changes						
SECTOR	Weights (%)			Duration		
	19-Aug	31-Aug	Rebalance Effect <sup>1</sup>	19-Aug	31-Aug	Rebalance Effect <sup>1</sup>
COMPOSITE	100.00	100.00	0.00	5.93	6.00	0.11
ALL GOVERNMENTS	73.92	72.48	-1.44	5.92	6.03	0.13
CANADA/AGENCIES	44.07	42.48	-1.62	5.95	6.07	0.16
ALL PROVINCIALS	26.87	26.95	0.11	5.86	5.94	0.10
MUNICIPALS	2.99	3.05	0.06	6.11	6.16	0.08
ALL CORPORATES	26.08	27.52	1.44	5.93	5.94	0.03
CORPORATE AAA	2.81	3.00	0.19	6.31	6.29	0.00
CORPORATE AA	3.39	3.62	0.23	6.13	6.10	0.00
CORPORATE A	16.59	17.25	0.66	5.85	5.86	0.04
CORPORATE BBB	3.29	3.65	0.36	5.83	5.84	0.04

1. "Rebalance Effect" is the projected impact of all rebalancing effects on the rebalancing date of August 31, 2005.

The Long Term Index had no change in duration overall.

The Corporate AA sector experienced a large 0.55 decrease in duration as a result of a \$600 million Bank of Montreal issue, which carries a weight of almost 16% within the sector and has a relatively short 9.1 year duration.

Figure 5 - Projected changes in Long Index characteristics for August 31, 2005

S&P/TSX LONG TERM INDEX: Projected changes						
SECTOR	Weights (%)			Duration		
	19-Aug	31-Aug	Rebalance Effect <sup>1</sup>	19-Aug	31-Aug	Rebalance Effect <sup>1</sup>
COMPOSITE	100.00	100.00	0.00	12.53	12.50	0.00
ALL GOVERNMENTS	78.86	78.84	-0.04	12.78	12.74	0.00
CANADA/AGENCIES	37.90	37.78	-0.14	13.20	13.17	0.00
ALL PROVINCIALS	37.83	37.87	0.04	12.51	12.48	0.00
MUNICIPALS	3.12	3.18	0.06	10.84	10.79	-0.02
ALL CORPORATES	21.14	21.16	0.04	11.62	11.62	0.01
CORPORATE AA	1.82	2.15	0.33	12.60	12.02	-0.55
CORPORATE A	14.95	14.80	-0.16	11.99	12.01	0.04
CORPORATE BBB	4.37	4.22	-0.14	9.95	10.05	0.09

1. "Rebalance Effect" is the projected impact of all rebalancing effects on the rebalancing date of August 31, 2005.

**Reopening and Repurchase activity will add \$4.2 bn in par to the index, which is dramatically lower than the value of deletions from the index.**

- Figure 6 shows CIBC WM's forecasted additions, deletions, net re-openings and other changes in the index on August 31, 2005.

Figure 6 - Projected changes in the composition of the index on August 31, 2005

Issue	Coupon (%)	Maturity	Par value (\$000's)	Market value weight		Sector
<b>ADDITIONS</b>						
BANK OF NOVA SCOTIA	3.47	2-Sep-08	750,000	0.12%	SHORT	FINANCIALS AA
BANK OF MTL	4.55	1-Aug-17	600,000	0.10%	LONG	FINANCIALS AA
QUEBEC	5.35	1-Jun-25	288,000	0.05%	LONG	ALL PROVINCIALS
ONTARIO SCHOOL BOARDS FIN	4.79	8-Aug-30	122,875	0.02%	LONG	MUNICIPALS
<b>TOTAL ADDITIONS</b>			<b>1,760,875</b>	<b>0.28%</b>		
<b>DELETIONS</b>						
ANDERSON EXPLORATION LTD	6.55	2-Aug-06	(200,000)	0.03%	SHORT	ENERGY BBB
GOLDEN CREDIT CARD TST	5.70	15-Aug-06	(617,500)	0.10%	SHORT	ASSET BACKED SECURITIES AAA
CITIGROUP FIN CDA	5.75	17-Aug-06	(300,000)	0.05%	SHORT	FINANCIALS AA
PANCANADIAN PETROLEUM	7.50	25-Aug-06	(100,000)	0.02%	SHORT	ENERGY A
CANADA	5.75	1-Sep-06	(9,022,084)	1.50%	SHORT	CANADA/FEDERAL AGENCIES
ALBERTA ENERGY	5.95	1-Oct-07	(200,000)	0.03%	SHORT	ENERGY A
ALBERTA ENERGY	5.95	2-Jun-08	(100,000)	0.02%	SHORT	ENERGY A
THOMSON CORP.	6.90	4-Jun-08	(400,000)	0.07%	SHORT	CONSUMER DISCRETIONARY A
ALBERTA ENERGY	5.80	19-Jun-08	(100,000)	0.02%	SHORT	ENERGY A
ALBERTA ENERGY	6.10	1-Jun-09	(150,000)	0.03%	SHORT	ENERGY A
ALBERTA ENERGY	7.15	17-Dec-09	(150,000)	0.03%	SHORT	ENERGY A
ALBERTA ENERGY	7.10	11-Oct-11	(190,000)	0.04%	MID	ENERGY A
ALBERTA ENERGY	7.30	2-Sep-14	(150,000)	0.03%	MID	ENERGY A
<b>TOTAL DELETIONS</b>			<b>(11,679,584)</b>	<b>1.96%</b>		
<b>RE-OPENINGS / REPURCHASES</b>						
CANADA	2.75	01-Dec-07	207,164	0.03%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	5.50	01-Jun-09	(80,000)	-0.01%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	5.50	01-Jun-10	(35,000)	-0.01%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	4.00	01-Sep-10	2,000,000	0.34%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	6.00	01-Jun-11	(120,456)	-0.02%	MID	CANADA/FEDERAL AGENCIES
CANADA	5.25	01-Jun-12	(115,000)	-0.02%	MID	CANADA/FEDERAL AGENCIES
CANADA	4.50	01-Jun-15	2,100,000	0.36%	MID	CANADA/FEDERAL AGENCIES
CANADA	8.00	01-Jun-23	(87,532)	-0.02%	LONG	CANADA/FEDERAL AGENCIES
CANADA	9.00	01-Jun-25	(75,000)	-0.02%	LONG	CANADA/FEDERAL AGENCIES
CANADA	8.00	01-Jun-27	(72,000)	-0.02%	LONG	CANADA/FEDERAL AGENCIES
ONTARIO	5.60	02-Jun-35	500,000	0.09%	LONG	ALL PROVINCIALS
<b>NET RE-OPENINGS</b>			<b>4,222,176</b>	<b>0.70%</b>		
<b>STRIPPING AND RECONSTITUTION</b>						
CANADA	3.25	1-Dec-06	631,000	0.10%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	9	1-Jun-25	233,400	0.06%	LONG	CANADA/FEDERAL AGENCIES
CANADA	7.25	1-Jun-07	169,500	0.03%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	5.75	1-Jun-33	71,000	0.01%	LONG	CANADA/FEDERAL AGENCIES
CANADA	4.25	1-Sep-09	63,000	0.01%	SHORT	CANADA/FEDERAL AGENCIES
ONTARIO	7.6	2-Jun-27	50,000	0.01%	LONG	ALL PROVINCIALS
CANADA	7	1-Dec-06	(631,000)	-0.11%	SHORT	CANADA/FEDERAL AGENCIES
QUEBEC HYDRO	11	15-Aug-20	(181,682)	-0.05%	LONG	ALL PROVINCIALS
CANADA	3	1-Jun-07	(169,500)	-0.03%	SHORT	CANADA/FEDERAL AGENCIES
ONTARIO	6.2	2-Jun-31	(79,500)	-0.02%	LONG	ALL PROVINCIALS
QUEBEC HYDRO	6.5	15-Feb-35	(56,000)	-0.01%	LONG	ALL PROVINCIALS
All Other			(33,544)	0.00%		
<b>NET STRIPS AND RECONS</b>			<b>66,674</b>	<b>0.02%</b>		
<b>TOTAL</b>			<b>(5,629,859)</b>	<b>-0.96%</b>		

**Rolls from mid to short are over 25 times the par value of the rolls from long to mid.**

- Figure 7 shows projected rolls between the long, mid and short indices as of the August 31, 2005 rebalancing date.

Figure 7 – Projected index rolls on August 31, 2005

Issue	Coupon (%)	Maturity	Par value (\$000's)	Sector
<b>Rolls</b>				
<b>Mid to Short</b>				
BRITISH COLUMBIA	6.38	23-Aug-10	1,272,500	ALL PROVINCIALS
CANADA	4.00	1-Sep-10	7,154,034	CANADA/FEDERAL AGENCIES
CANADIAN UTILITIES	11.40	15-Aug-10	106,742	UTILITIES A
GREAT WEST LIFE	6.75	10-Aug-10	200,000	FINANCIALS A
METRO TORONTO	6.25	3-Aug-10	200,000	MUNICIPALS
CANADA	4.00	1-Sep-10	7,154,034	CANADA/FEDERAL AGENCIES
NOVA SCOTIA	6.40	1-Sep-10	600,000	ALL PROVINCIALS
SASKATCHEWAN	6.15	1-Sep-10	550,000	ALL PROVINCIALS
TRANS CDA PIPE	10.50	20-Aug-10	120,000	ENERGY A
<b>TOTAL</b>			<b>17,357,310</b>	
<b>Long to Mid</b>				
TRANS CDA PIPE	11.90	20-Aug-15	117,956	ENERGY A
UNION GAS	11.50	28-Aug-15	140,875	ENERGY BBB
<b>TOTAL</b>			<b>258,831</b>	

**Potential Conflicts of Interest:** Research analysts and economists employed by CIBC World Markets are compensated from revenues generated by various CIBC World Markets businesses, including the CIBC World Markets Investment Banking Department within the Corporate and Leveraged Finance Division. Research analysts do not receive compensation based upon revenues from specific investment banking transactions. CIBC World Markets generally prohibits any research analyst and any member of his or her household from executing trades in the securities of a company that such research analyst covers. Additionally, CIBC World Markets generally prohibits any research analyst from serving as an officer, director or advisory board member of a company that such analyst covers.

CIBC World Markets may have a long or a short position or deal as principal in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon.

**Legal Disclaimer:** This report is issued and approved for distribution by (i) in Canada, CIBC World Markets Inc., a member of the Investment Dealers Association ("IDA"), the Toronto Stock Exchange, the TSX Venture Exchange and CIPF, (ii) in the United Kingdom, CIBC World Markets plc, which is regulated by the Financial Services Authority ("FSA"), and (iii) in Australia, CIBC World Markets Australia Limited, a member of the Australian Stock Exchange and regulated by the ASIC (collectively, "CIBC World Markets"). This report is distributed in the United States by CIBC World Markets Inc. and has not been reviewed or approved by CIBC World Markets Corp., a member of the New York Stock Exchange ("NYSE"), NASD and SIPC. This report is intended for distribution in the United States only to Major Institutional Investors (as such term is defined in SEC 15a-6 and Section 15 of the Securities Act of 1934, as amended) and is not intended for the use of any person or entity that is not a major institutional investor. Major Institutional Investors receiving this report should effect transactions in securities discussed in the report through CIBC World Markets Corp.

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets in Canada, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. This document and any of the products and information contained herein are not intended for the use of private investors in the United Kingdom. Such investors will not be able to enter into agreements or purchase products mentioned herein from CIBC World Markets plc. The comments and views expressed in this document are meant for the general interests of clients of CIBC World Markets Australia Limited.

The securities mentioned in this report may not be suitable for all types of investors. This report does not take into account investment objectives, financial situation or specific needs of any particular client of CIBC World Markets. Recipients should consider this report as only a single factor in making an investment decision and should not rely solely on investment recommendations contained herein as a substitution for independent judgment of the merits and risks of investments. Before making an investment decision with respect to any security recommended in this report, the recipient should consider whether such recommendation is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC World Markets suggests that, prior to acting on any of the recommendations herein, Canadian retail clients of CIBC World Markets contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Non-client recipients of this report who are not institutional investor clients of CIBC World Markets should consult with an independent financial advisor prior to making any investment decision based on this report or for any necessary explanation of its contents. CIBC World Markets will not treat non-client recipients as its clients by virtue of their receiving this report.

Past performance is not a guarantee of future results, and no representation or warranty, express or implied, is made regarding future performance of any security mentioned in this report. The price of the securities mentioned in this report and the income they produce may fluctuate and/or be adversely affected by exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. CIBC World Markets accepts no liability for any loss arising from the use of information contained in this report, except to the extent that liability may arise under specific statutes or regulations applicable to CIBC World Markets.

Information, opinions and statistical data contained in this report were obtained or derived from sources believed to be reliable. CIBC World Markets does not represent that such information, opinion or statistical data is accurate or complete (with the exception of information contained in the Important Disclosures section of this report provided by CIBC World Markets or individual research analysts). They should not be relied upon as such. All estimates, opinions and recommendations expressed herein constitute judgments as of the date of this report and are subject to change without notice.

Nothing in this report constitutes legal, accounting or tax advice. Since levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as tax advice on the tax consequences of investments. As with any investment having potential tax implications, clients should consult with their own independent tax adviser.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC World Markets has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

Although each company issuing this report is a wholly owned subsidiary of Canadian Imperial Bank of Commerce ("CIBC"), each is solely responsible for its contractual obligations and commitments, and any securities products offered or recommended to or purchased or sold in any client accounts (i) will not be insured by the Federal Deposit Insurance Corporation ("FDIC"), the Canada Deposit Insurance Corporation or other similar deposit insurance, (ii) will not be deposits or other obligations of CIBC, (iii) will not be endorsed or guaranteed by CIBC, and (iv) will be subject to investment risks, including possible loss of the principal invested. The CIBC trademark is used under license.

© 2005 CIBC World Markets Inc. All rights reserved. Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets is prohibited by law and may result in prosecution.