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Index Rebalancing Forecast

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S&P/TSX Canadian Bond Index

Summary of projected changes to the index due to July 29, 2005 rebalancing effects

We forecast the July 29 rebalancing effects on the S&P/TSX Canadian Bond Index to extend duration by 0.02 (Figure 1).

- On average over the last eight years, a broad market composite index of the Canadian bond market has extended by 0.03 in total given July 29 rebalancing effects, fluctuating within a range of –0.01 to +0.06.
- Only the short and mid indices will see a change in duration due to rebalancing effects, the short extending by 0.02 and the mid by 0.01. The long index duration will not change.
- However, the net effect from sector rolls, new issues and deletions will cause the long index weight to increase by 0.12, all at the expense of the short index weight. The mid index weight will not change. The net result is a weighted average impact on overall index duration of 0.02.
- See Figures 2 to 5 for an evaluation of rebalancing effects and coupon effects on the main index sectors for the broad, short, mid and long indices.
- Projected index additions, re-openings and other changes due to re-purchases and stripping are expected to add $3.3 bn in par to the index. Of this amount, $2.6 bn is due to re-openings and repurchases, while only 10% is due to new additions. Projected deletions are expected to reduce total par by $1.9 bn, with the total effect expected to be a net increase of $1.3 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 July 29 index rolls on a bond-by-bond basis.

Figure 1 - Projected changes in index characteristics for July 29, 2005

S&P/TSX CANADIAN BOND INDEX: Projected changes						
	Weights (%)			Duration		
SECTOR	19-Jul	29-Jul	Rebalance Effect1	19-Jul	29-Jul	Rebalance Effect1
BROAD MARKET	100.00	100.00	0.00	6.31	6.31	0.02
SHORT TERM	45.02	44.89	-0.12	2.70	2.72	0.02
MID TERM	27.35	27.35	0.00	5.98	5.97	0.01
LONG TERM	27.63	27.76	0.12	12.48	12.46	0.00

1. "Rebalance Effect" is the projected impact of all rebalancing effects on the rebalancing date of July 29, 2005.

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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.*

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

At the broad index level, corporates will see a net decrease in weight of 0.18%, all to the benefit of governments. Within governments, most of the increase is due to an increase in the weight of Canadas/Agencies of 0.18%. Within corporates the decrease in weight is shared mostly between AAA corps and A corps.

Figure 2 - Projected changes in broad index characteristics for July 29, 2005

S&P/TSX CANADIAN BOND INDEX: Projected changes						
	Weights (%)			Duration		
SECTOR	19-Jul	29-Jul	Rebalance Effect1	19-Jul	29-Jul	Rebalance Effect1
BROAD MARKET	100.00	100.00	0.00	6.31	6.31	0.02
ALL GOVERNMENTS	73.72	73.94	0.18	6.56	6.54	0.01
CANADA/AGENCIES	47.78	47.99	0.18	5.81	5.78	0.00
ALL PROVINCIALS	23.90	23.88	-0.02	7.96	7.95	0.02
MUNICIPALS	2.04	2.07	0.02	7.60	7.62	0.04
ALL CORPORATES	26.28	26.06	-0.18	5.63	5.68	0.06
CORPORATE AAA	3.71	3.58	-0.11	3.50	3.57	0.09
CORPORATE AA	3.30	3.33	0.04	5.23	5.28	0.06
CORPORATE A	15.03	14.92	-0.09	6.30	6.34	0.06
CORPORATE BBB	4.25	4.23	-0.02	5.43	5.45	0.04

1. "Rebalance Effect" is the projected impact of all rebalancing effects on the rebalancing date of July 29, 2005.

The increase in weight for governments at the broad level is entirely attributable to an increase in their weight within the short index by 0.26% and within the mid index by 0.28%. The reduction in corporate weighting in AAA corps is concentrated in the short index, while the reduction in A-rated corps is concentrated in the mid index.

Figure 3 - Projected changes in short index characteristics for July 29, 2005

S&P/TSX CANADIAN BOND INDEX: Projected changes						
	Weights (%)			Duration		
SECTOR	19-Jul	29-Jul	Rebalance Effect1	19-Jul	29-Jul	Rebalance Effect1
SHORT TERM	100.00	100.00	0.00	2.73	2.72	0.02
ALL GOVERNMENTS	70.87	71.18	0.26	2.71	2.69	0.00
CANADA/AGENCIES	56.38	56.79	0.36	2.70	2.67	0.00
ALL PROVINCIALS	13.72	13.61	-0.11	2.77	2.77	0.03
MUNICIPALS	0.77	0.78	0.00	2.76	2.73	0.00
ALL CORPORATES	29.13	28.82	-0.26	2.77	2.81	0.06
CORPORATE AAA	6.52	6.26	-0.24	2.75	2.82	0.08
CORPORATE AA	4.17	4.21	0.04	2.88	2.87	0.01
CORPORATE A	13.73	13.68	-0.02	2.80	2.85	0.07
CORPORATE BBB	4.71	4.67	-0.04	2.62	2.62	0.03

1. "Rebalance Effect" is the projected impact of all rebalancing effects on the rebalancing date of July 29, 2005.

At the broad level, most of the duration extension is due to corporates, which will see duration extend by 0.06 vs. overall index extension of 0.02. All four rating categories are contributing to the extension, with the highest contribution coming from AAA-rated corps with a duration extension of 0.09.

Figure 4 - Projected changes in mid index characteristics for July 29, 2005

S&P/TSX CANADIAN BOND INDEX: Projected changes						
	Weights (%)			Duration		
SECTOR	19-Jul	29-Jul	Rebalance Effect1	19-Jul	29-Jul	Rebalance Effect1
MID TERM	100.00	100.00	0.00	5.98	5.97	0.01
ALL GOVERNMENTS	73.47	73.76	0.28	5.99	5.97	0.00
CANADA/AGENCIES	43.88	44.07	0.17	6.03	6.01	0.00
ALL PROVINCIALS	26.60	26.69	0.10	5.91	5.88	0.00
MUNICIPALS	2.99	3.00	0.01	6.15	6.13	0.00
ALL CORPORATES	26.53	26.24	-0.28	5.96	5.96	0.02
CORPORATE AAA	2.81	2.82	0.01	6.35	6.34	0.00
CORPORATE AA	3.41	3.42	0.01	6.14	6.14	0.00
CORPORATE A	17.03	16.71	-0.32	5.87	5.89	0.04
CORPORATE BBB	3.28	3.29	0.01	5.89	5.87	0.00

1. "Rebalance Effect" is the projected impact of all rebalancing effects on the rebalancing date of July 29, 2005.

Most of the corporate duration extension is due to extension at the short index level, with AAA-rated corps extending by 0.08 and A-rated corps by 0.07. AA-rated corps sees most of their extension coming from the long index sector.

Figure 5 - Projected changes in long index characteristics for July 29, 2005

S&P/TSX CANADIAN BOND INDEX: Projected changes						
	Weights (%)			Duration		
SECTOR	19-Jul	29-Jul	Rebalance Effect1	19-Jul	29-Jul	Rebalance Effect1
LONG TERM	100.00	100.00	0.00	12.48	12.46	0.00
ALL GOVERNMENTS	78.61	78.56	-0.06	12.73	12.70	0.00
CANADA/AGENCIES	37.62	37.61	-0.02	13.16	13.13	0.00
ALL PROVINCIALS	37.81	37.72	-0.10	12.46	12.43	-0.01
MUNICIPALS	3.18	3.23	0.06	10.86	10.88	0.04
ALL CORPORATES	21.39	21.44	0.06	11.57	11.57	0.01
CORPORATE AA	1.77	1.85	0.07	12.48	12.58	0.13
CORPORATE A	15.17	15.15	-0.01	11.93	11.92	0.00
CORPORATE BBB	4.45	4.44	0.00	9.96	9.94	0.00

1. "Rebalance Effect" is the projected impact of all rebalancing effects on the rebalancing date of July 29, 2005.

Reopening and Repurchase activity will add over $2.6 bn in par, which is materially higher 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 July 29,2005.

Figure 6 - Projected changes in the composition of the index on July 29, 2005

Issue	Coupon (%)	Maturity	Par value		Sector
			ADDITIONS		
JOHN DEERE CREDIT	3.32	7-Jul-08	50,000,000	SHORT	FINANCIALS A
MANULIFE FINANCIAL	3.72	23-Jun-10	50,000,000	SHORT	FINANCIALS AA
OTTAWA CARLETON	4.46	18-Jul-25	100,000,000	LONG	MUNICIPALS
UNI OF BRITISH COLUMBIA	4.82	26-Jul-35	125,000,000	LONG	CONSUMER DISCRETIONARY AA
TOTAL ADDITIONS			**325,000,000**		
			DELETIONS		
CAMECO CORPORATION	6.90	12-Jul-06	(100,000,000)	SHORT	ENERGY BBB
JOHN DEERE CREDIT	4.10	17-Jul-06	(100,000,000)	SHORT	FINANCIALS A
CDN TIRE RECEIVABLE TRUST	6.16	21-Jul-06	(108,800,000)	SHORT	ASSET BACKED SECURITIES AAA
YORK RECEIVABLES TRUST	3.57	21-Jul-06	(200,000,000)	SHORT	ASSET BACKED SECURITIES AAA
ONTARIO	7.75	24-Jul-06	(300,000,000)	SHORT	ALL PROVINCIALS
T-D BANK	6.00	26-Jul-06	(475,000,000)	SHORT	FINANCIALS A
BC GAS UTILITY	6.15	31-Jul-06	(531,666,000)	SHORT	UTILITIES BBB
NFLD LAB HYDRO	6.24	17-Oct-42	(108,800,000)	LONG	ALL PROVINCIALS
TOTAL DELETIONS			**(1,924,266,000)**		
			RE-OPENINGS / REPURCHASES		
CANADA	5.00	01-Jun-37	1,300,000,000	LONG	CANADA/FEDERAL AGENCIES
QUEBEC	5.75	01-Dec-36	500,000,000	LONG	ALL PROVINCIALS
GREATER TORONTO AIRPORT	6.45	30-Jul-29	(8,416,090)	LONG	INDUSTRIALS A
ROYAL BANK	3.70	24-Jun-10	300,000,000	MID	FINANCIALS AA
GREATER TORONTO AIRPORT	6.98	15-Oct-32	42,000,000	LONG	INDUSTRIALS A
ONTARIO	4.50	08-Mar-15	500,000,000	MID	ALL PROVINCIALS
CANADA	8.00	01-Jun-23	(15,000,000)	LONG	CANADA/FEDERAL AGENCIES
NET RE-OPENINGS			**2,618,583,910**		
			STRIPPING AND RECONSTITUTION		
ONTARIO	5.60	02-Jun-35	349,000,000	LONG	ALL PROVINCIALS
CANADA	9.00	01-Jun-25	205,203,000	LONG	CANADA/FEDERAL AGENCIES
ONTARIO	6.20	02-Jun-31	137,500,000	LONG	ALL PROVINCIALS
CANADA	7.25	01-Jun-07	93,972,000	SHORT	CANADA/FEDERAL AGENCIES
CANADA	8.00	01-Jun-27	(176,500,000)	LONG	CANADA/FEDERAL AGENCIES
CANADA	5.00	01-Jun-14	(163,425,000)	MID	CANADA/FEDERAL AGENCIES
QUEBEC HYDRO	6.50	15-Feb-35	(84,284,000)	LONG	ALL PROVINCIALS
CANADA	7.00	01-Dec-06	(64,620,000)	SHORT	CANADA/FEDERAL AGENCIES
All OTHERS			3,000,000		
NET STRIPS AND RECONS			**299,846,000**		
TOTAL			**1,319,163,910**		

Rolls from mid to short are over four times more important than rolls from long to mid.

- Figure 7 shows projected rolls between the long, mid and short indices as of the July 29,2005 rebalancing date.

Figure 7 – Projected index rolls on July 29, 2005

Issue	Coupon (%)	Maturity	Par value ($000's)	Sector
		Rolls		
Mid to Short				
BC GAS UTILITY	6.15	31-Jul-06	100,000	UTILITIES BBB
CAMECO CORPORATION	6.90	12-Jul-06	100,000	ENERGY BBB
CDN TIRE RECEIVABLE TRUST	6.16	21-Jul-06	300,000	ASSET BACKED SECURITIES AAA
JOHN DEERE CREDIT	4.10	17-Jul-06	200,000	FINANCIALS A
ONTARIO	7.75	24-Jul-06	531,666	ALL PROVINCIALS
T-D BANK	6.00	26-Jul-06	775,000	FINANCIALS A
YORK RECEIVABLES TRUST	3.57	21-Jul-06	475,000	ASSET BACKED SECURITIES AAA
TOTAL			**2,481,666**	
Long to Mid				
GREATER TORONTO AIRPORT	6.70	19-Jul-10	580,000	INDUSTRIALS A
TOTAL			**580,000**	
TOTAL			**3,061,666**	

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