



May 24, 2005

Index Rebalancing Forecast

S&P/TSX Canadian Bond Index

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Summary of projected changes to the index due to May 31, 2005 rebalancing effects and June 1 coupon effects

We forecast the S&P/TSX Canadian Bond Index to extend duration by 0.10 on May 31 due to rebalancing effects, and by an additional 0.05 on June 1 due to coupon effects, for a total expected extension of 0.15 (Figure 1).

- On average over the last eight years, a broad market composite index of the Canadian bond market has extended by 0.18 in total given May 31 rebalancing effects and June 1 coupon effects, fluctuating within a range of 0.11 to 0.23.
- The mid index will see the largest change in duration due to rebalancing effects, extending by 0.19, followed by the long index at 0.17 and the short at 0.14. The short index will see an increase in market value weight of 0.8% due to rebalancing effects, while the long index will decrease by 0.5% and the mid index by 0.2%.
- 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.
- As of the close of May 20, projected index additions, re-openings and other changes due to re-purchases and stripping are expected to increase the broad index market value by 0.83%, whereas projected deletions are expected to reduce it by 2.43%, for a net reduction in broad market value of 1.59% or \$8.1bn.
- See Figure 6 on page 4 for details of projected changes to the index on a bond-by-bond basis. See Figure 7 on page 5 for details of projected May 31 index rolls on a bond-by-bond basis.

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Figure 1 - Projected changes in index characteristics for May 31 and June 1, 2005

S&P/TSX CANADIAN BOND INDEX: Projected changes in weights (%)					
SECTOR	20-May	31-May	Change ¹	1-Jun	Change ²
BROAD MARKET	100.0	100.0	0.0	100.0	0.0
SHORT TERM	44.4	45.2	0.8	45.0	-0.2
MID TERM	27.5	27.2	-0.2	27.7	0.4
LONG TERM	28.1	27.6	-0.5	27.3	-0.3

S&P/TSX CANADIAN BOND INDEX: Projected changes in modified durations					
SECTOR	20-May	31-May	Change ¹	1-Jun	Change ²
BROAD MARKET	6.14	6.24	0.10	6.29	0.05
SHORT TERM	2.63	2.77	0.14	2.79	0.02
MID TERM	5.74	5.93	0.19	6.00	0.07
LONG TERM	12.07	12.24	0.17	12.36	0.12

1. 'Change' is the difference between the projected value for May 31 assuming a rebalanced index portfolio and May 20.

2. 'Change' is the difference between the projected value at June 1 given coupon effects and the projected value for May 31.

We anticipate very small changes in sector weights at the broad level

- The weight for the All Government sector will increase marginally by 0.1% due to rebalancing.

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.

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

The Corporate BBB sector will decrease 0.6% in market value, mostly due to the downgraded auto paper issues, and modified duration for the sector will extend by 0.6.

The All Governments sector will extend duration 0.09 due to rebalancing effects, and by an additional 0.07 due to coupon effects, while the All Corporate sector will extend by 0.15 due to rebalancing effects only, much of it attributable to duration extension in the Corporates BBB sector.

The All Corporates sector weight within the short index will decrease by 1.2% in total, mostly due to downgrades of auto paper.

The All Governments sector within the short index will extend duration by 0.15 due to rebalancing effects and by an additional 0.02 due to coupon effects, mostly all from the Canada/Agencies sector. The All Corporates sector will extend by 0.11 mostly due to downgraded auto paper leaving the index. Indeed, the Corporate BBB sector will extend duration by 0.38.

Figure 2 - Projected changes in broad index characteristics for May 31 and June 1, 2005

S&P/TSX CANADIAN BOND INDEX: Projected changes in weights (%)					
SECTOR	20-May	31-May	Change¹	1-Jun	Change²
BROAD MARKET	100.0	100.0	0.0	100.0	0.0
ALL GOVERNMENTS	73.9	74.0	0.1	74.0	0.0
CANADA/AGENCIES	48.3	48.0	-0.3	48.0	0.0
ALL PROVINCIALS	23.5	23.8	0.3	23.9	0.0
MUNICIPALS	2.0	2.1	0.1	2.1	0.0
ALL CORPORATES	26.1	26.0	-0.1	26.0	0.0
CORPORATE AAA	3.6	3.6	0.0	3.6	0.0
CORPORATE AA	3.2	3.2	0.1	3.2	0.0
CORPORATE A	14.7	15.0	0.3	15.0	0.0
CORPORATE BBB	4.7	4.2	-0.6	4.2	0.0

S&P/TSX CANADIAN BOND INDEX: Projected changes in modified durations					
SECTOR	20-May	31-May	Change¹	1-Jun	Change²
BROAD MARKET	6.14	6.24	0.10	6.29	0.05
ALL GOVERNMENTS	6.38	6.47	0.09	6.53	0.07
CANADA/AGENCIES	5.66	5.77	0.10	5.86	0.10
ALL PROVINCIALS	7.76	7.79	0.03	7.80	0.00
MUNICIPALS	7.51	7.49	-0.02	7.52	0.03
ALL CORPORATES	5.46	5.60	0.15	5.61	0.00
CORPORATE AAA	3.60	3.59	-0.01	3.59	0.00
CORPORATE AA	5.21	5.18	-0.03	5.19	0.01
CORPORATE A	6.16	6.22	0.06	6.23	0.01
CORPORATE BBB	4.84	5.44	0.60	5.44	0.01

1. 'Change' is the difference between the projected value for May 31 assuming a rebalanced index portfolio and May 20.

2. 'Change' is the difference between the projected value at June 1 given coupon effects and the projected value for May 31.

Figure 3 - Projected changes in short index characteristics for May 31 and June 1, 2005

S&P/TSX CANADIAN BOND INDEX: Projected changes in weights (%)					
SECTOR	20-May	31-May	Change¹	1-Jun	Change²
SHORT TERM	100.0	100.0	0.0	100.0	0.0
ALL GOVERNMENTS	71.0	72.3	1.3	72.2	-0.1
CANADA/AGENCIES	56.1	57.6	1.5	57.4	-0.3
ALL PROVINCIALS	14.1	13.9	-0.2	14.0	0.1
MUNICIPALS	0.8	0.8	0.0	0.8	0.0
ALL CORPORATES	29.0	27.7	-1.3	27.8	0.1
CORPORATE AAA	6.1	6.0	-0.1	6.1	0.0
CORPORATE AA	4.0	4.1	0.1	4.1	0.0
CORPORATE A	13.2	13.1	0.0	13.2	0.1
CORPORATE BBB	5.7	4.4	-1.3	4.4	0.0

S&P/TSX CANADIAN BOND INDEX: Projected changes in modified durations					
SECTOR	20-May	31-May	Change¹	1-Jun	Change²
SHORT TERM	2.63	2.77	0.14	2.79	0.02
ALL GOVERNMENTS	2.61	2.77	0.15	2.79	0.02
CANADA/AGENCIES	2.59	2.77	0.18	2.79	0.02
ALL PROVINCIALS	2.70	2.75	0.05	2.78	0.03
MUNICIPALS	2.75	2.76	0.02	2.78	0.02
ALL CORPORATES	2.67	2.78	0.11	2.78	0.00
CORPORATE AAA	2.75	2.74	-0.01	2.74	0.00
CORPORATE AA	2.94	2.93	0.00	2.94	0.00
CORPORATE A	2.75	2.80	0.06	2.81	0.01
CORPORATE BBB	2.21	2.58	0.38	2.58	0.00

1. 'Change' is the difference between the projected value for May 31 assuming a rebalanced index portfolio and May 20.

2. 'Change' is the difference between the projected value at June 1 given coupon effects and the projected value for May 31.

The rebalancing effects on the weights of All Governments and the All Corporates sectors are nearly completely offset by the coupon effect, resulting in a small total market value increase of 0.1% in the All Corporates sector.

The All Governments sector will extend duration 0.25 due to rebalancing effects, and by an additional 0.09 due to coupon effects, while the All Corporate sector will extend by only 0.05 in total.

The All Corporates sector weight within the long index will increase by 1.1% mostly due to the rebalancing effect at the expense of the All Governments index.

The All Governments sector will extend duration 0.22 due to rebalancing effects, and by an additional 0.16 due to coupon effects, while the All Corporate sector will extend by only 0.05 in total.

Figure 4 - Projected changes in mid index characteristics for May 31 and June 1, 2005

S&P/TSX CANADIAN BOND INDEX: Projected changes in weights (%)					
SECTOR	20-May	31-May	Change¹	1-Jun	Change²
MID TERM	100.0	100.0	0.0	100.0	0.0
ALL GOVERNMENTS	72.8	72.2	-0.6	72.7	0.5
CANADA/AGENCIES	43.8	41.8	-2.0	42.5	0.7
ALL PROVINCIALS	26.7	27.4	0.7	27.2	-0.2
MUNICIPALS	2.3	3.0	0.7	3.0	-0.1
ALL CORPORATES	27.2	27.8	0.6	27.3	-0.5
CORPORATE AAA	3.1	3.2	0.1	3.2	0.0
CORPORATE AA	3.2	3.2	0.0	3.1	0.0
CORPORATE A	17.6	18.2	0.6	17.9	-0.3
CORPORATE BBB	3.2	3.2	-0.1	3.1	-0.1

S&P/TSX CANADIAN BOND INDEX: Projected changes in modified durations					
SECTOR	20-May	31-May	Change¹	1-Jun	Change²
MID TERM	5.74	5.93	0.19	6.00	0.07
ALL GOVERNMENTS	5.72	5.97	0.25	6.06	0.09
CANADA/AGENCIES	5.61	6.01	0.39	6.15	0.14
ALL PROVINCIALS	5.88	5.88	0.00	5.90	0.02
MUNICIPALS	5.80	6.19	0.39	6.21	0.03
ALL CORPORATES	5.78	5.82	0.04	5.83	0.01
CORPORATE AAA	6.24	6.21	-0.03	6.21	0.00
CORPORATE AA	6.00	6.04	0.05	6.04	0.00
CORPORATE A	5.73	5.74	0.02	5.75	0.01
CORPORATE BBB	5.43	5.68	0.25	5.69	0.01

1. 'Change' is the difference between the projected value for May 31 assuming a rebalanced index portfolio and May 20.

2. 'Change' is the difference between the projected value at June 1 given coupon effects and the projected value for May 31.

Figure 5 - Projected changes in long index characteristics for May 31 and June 1, 2005

S&P/TSX CANADIAN BOND INDEX: Projected changes in weights (%)					
SECTOR	20-May	31-May	Change¹	1-Jun	Change²
LONG TERM	100.0	100.0	0.0	100.0	0.0
ALL GOVERNMENTS	79.4	78.5	-0.9	78.3	-0.2
CANADA/AGENCIES	40.5	38.6	-1.9	38.2	-0.4
ALL PROVINCIALS	35.4	36.6	1.3	36.8	0.2
MUNICIPALS	3.6	3.3	-0.3	3.3	0.0
ALL CORPORATES	20.6	21.5	0.9	21.7	0.2
CORPORATE AA	1.7	1.8	0.1	1.8	0.0
CORPORATE A	14.3	15.0	0.7	15.1	0.1
CORPORATE BBB	4.6	4.8	0.2	4.8	0.1

S&P/TSX CANADIAN BOND INDEX: Projected changes in modified durations					
SECTOR	20-May	31-May	Change¹	1-Jun	Change²
LONG TERM	12.07	12.24	0.17	12.36	0.12
ALL GOVERNMENTS	12.28	12.50	0.22	12.66	0.16
CANADA/AGENCIES	12.42	12.83	0.40	13.13	0.31
ALL PROVINCIALS	12.32	12.32	0.01	12.35	0.02
MUNICIPALS	10.29	10.67	0.37	10.68	0.02
ALL CORPORATES	11.24	11.28	0.04	11.29	0.01
CORPORATE AA	12.21	12.19	-0.03	12.24	0.05
CORPORATE A	11.65	11.71	0.06	11.72	0.01
CORPORATE BBB	9.59	9.58	-0.02	9.58	0.00

1. 'Change' is the difference between the projected value for May 31 assuming a rebalanced index portfolio and May 20.

2. 'Change' is the difference between the projected value at June 1 given coupon effects and the projected value for May 31.

The 3% Canada of June/06 accounts for over 50% of total deletions from the index, while downgraded bonds account for 15%

- Figure 6 shows CIBC WM's forecasted additions and re-openings to the index as of May 20. At a market value of 0.63%, the latter are twice as important as the net new additions to the index, which account for 0.35% of market value. In market value, additions are fairly evenly split between the short (0.13%), the mid (0.13% and the long (0.09%) indices.
- Of the expected rollouts from the index, the 3% Canadas of June/06 account for over half of the total of \$14.756bn, while bonds downgraded to below BBB account for only \$2.21bn of total rollouts. Of these, the Ford Credit and GMAC issues account for 0.31%, with Domtar and Royal Group Technologies accounting for the remaining 0.4%.

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

Issue	Coupon (%)	Maturity	Par value (\$'000's)	Market value weight		Sector
ADDITIONS						
JOHN DEERE CREDIT	3.85	29-Apr-09	75,000	0.01%	Short	Corporate A: Financials
HSBC FIN CORP	4.00	3-May-10	400,000	0.07%	Short	Corporate A: Financials
NOVA SCOTIA POWER INC.	4.22	17-May-10	100,000	0.02%	Short	Corporate BBB: Utilities
METRO TORONTO	3.75	20-May-10	200,000	0.03%	Short	Governments: Municipals
ALIANTELECOM INC.	4.52	24-May-12	150,000	0.02%	Mid	Corporate A: Telecom. Services
CMHC	4.30	1-Apr-15	250,000	0.04%	Mid	Governments: Federal Agencies
METRO TORONTO	4.55	20-May-15	60,000	0.01%	Mid	Governments: Municipals
YORK REGION	4.60	25-May-15	50,000	0.01%	Mid	Governments: Municipals
CANADIAN TIRE	4.95	1-Jun-15	300,000	0.05%	Mid	Corporate BBB: Consumer Discretionary
HONG KONG BANK OF CDA	5.15	30-Jun-15	200,000	0.03%	Long	Corporate A: Financials
HYDRO ONE INC.	5.36	20-May-36	350,000	0.06%	Long	Corporate A: Utilities
TOTAL ADDITIONS			2,135,000	0.35%		
DELETIONS						
CANADA	3.00	1-Jun-06	7,525,665	1.23%	Short	Governments: Canada
CDN CAP AUTO REC	4.27	17-May-06	200,000	0.03%	Short	Corporate AAA: ABS
DAIMLER CHRYSLER CAN FIN	7.20	3-May-06	100,000	0.05%	Short	Corporate BBB: Financials
DAIMLER CHRYSLER CAN FIN	5.00	29-May-06	300,000	0.02%	Short	Corporate BBB: Financials
EXPORT DEVELOPMENT CORP	5.00	4-May-06	499,000	0.08%	Short	Governments: Federal Agencies
FINANCEMENT QUEBEC	6.30	1-Jun-06	926,680	0.16%	Short	Governments: Provincials
FORD CREDIT CANADA	5.80	26-Sep-06	500,000	0.02%	Short	Corporate BBB: Financials
FORD CREDIT CANADA	4.00	8-Jan-07	100,000	0.08%	Short	Corporate BBB: Financials
FORD CREDIT CANADA	4.60	20-Feb-07	500,000	0.08%	Short	Corporate BBB: Financials
GMAC	4.35	9-Jan-07	50,000	0.01%	Short	Corporate BBB: Financials
GMAC	4.60	16-Feb-07	150,000	0.01%	Short	Corporate BBB: Financials
GMAC	4.60	28-Feb-07	100,000	0.01%	Short	Corporate BBB: Financials
GMAC	6.50	22-Mar-07	100,000	0.01%	Short	Corporate BBB: Financials
GMAC	4.50	13-Aug-07	80,000	0.02%	Short	Corporate BBB: Financials
GMAC	4.55	17-Sep-07	50,000	0.02%	Short	Corporate BBB: Financials
GMAC	4.55	5-Mar-08	50,000	0.01%	Short	Corporate BBB: Financials
GMAC	5.05	30-Sep-08	50,000	0.01%	Short	Corporate BBB: Financials
GMAC	5.45	20-Aug-09	65,000	0.01%	Short	Corporate BBB: Financials
GMAC	5.40	24-Sep-09	91,000	0.02%	Short	Corporate BBB: Financials
HSBC FIN CORP	3.80	8-May-06	200,000	0.03%	Short	Corporate A: Financials
HYDRO ONE INC.	4.20	1-Jun-06	168,376	0.03%	Short	Corporate A: Utilities
JJH EQUIP TRUST	6.63	25-May-06	201,000	0.03%	Short	Corporate A: Utilities
PROVIGO	8.70	23-May-06	125,000	0.02%	Short	Corporate A: Consumer Staples
ROYAL GROUP TECH.	6.90	13-Apr-10	150,000	0.02%	Short	Corporate BBB: Industrials
SASKATCHEWAN	6.00	1-Jun-06	250,000	0.04%	Short	Governments: Provincials
TELUS CORPORATION	7.50	1-Jun-06	1,600,000	0.28%	Short	Corporate BBB: Telecom. Services
TERASEN INC	4.85	8-May-06	100,000	0.02%	Short	Corporate BBB: Utilities
BANK OF MTL	8.15	9-May-11	300,000	0.05%	Mid	Corporate A: Financials
LAURENTIAN BANK	6.50	1-Jun-11	149,000	0.03%	Mid	Corporate BBB: Financials
DOMTAR INC	10.85	5-Aug-17	75,000	0.02%	Long	Corporate BBB: Materials
TOTAL DELETIONS			14,755,721	2.43%		
RE-OPENINGS						
HYDRO ONE INC.	3.95	2/24/2009	150,000	0.02%	Short	Corporate A: Utilities
ONTARIO	4.00	5/19/2009	500,000	0.05%	Short	Governments: Provincials
CANADA	4.00	9/1/2010	2,000,000	0.24%	Mid	Governments: Canada
FINANCEMENT QUEBEC	5.25	12/1/2011	500,000	0.06%	Mid	Governments: Provincials
CANADA	4.50	6/1/2015	2,100,000	0.26%	Mid	Governments: Canada
SASKATCHEWAN	5.00	3/5/2037	175,000	0.01%	Long	Governments: Provincials
TOTAL RE-OPENINGS			5,425,000	0.63%		
OTHER (re-purchases, stripping and reconstitution)						
			904,824	0.15%		
TOTAL			(8,100,545)	-1.30%		

Canadas account for 75% to 80% of rolls from long to mid and mid to short indices

- Figure 7 shows projected rolls between the long, mid and short indices as of the May 31 rebalancing date.
- The 5.5% Canada of June/10 accounts for over 80% of the total roll from the mid index to the short index.
- The 4.5% Canada of June/15 accounts for over 75% of the total roll from the long index to the mid index.

Figure 7 – Projected index rolls on May 31, 2005

Issue	Coupon (%)	Maturity	Par value (\$000's)	Sector
Rolls				
Mid to Short				
CANADA	9.50	6/1/2010	404,626	Governments: Canada
CANADA	5.50	6/1/2010	10,249,417	Governments: Canada
CANADIAN TIRE	12.10	5/10/2010	102,500	Corporate BBB: Consumer Discetionary
LOBLAWS	7.10	5/11/2010	350,000	Corporate A: Consumer Staples
ONTARIO	4.00	5/19/2010	300,000	Governments: Provincials
SEARS CANADA INC	7.45	5/10/2010	500,000	Corporate BBB: Consumer Discetionary
UNION GAS	7.20	6/1/2010	200,000	Corporate BBB: Energy
WELLS FARGO & CO	4.35	6/1/2010	185,000	Corporate AA: Financials
TOTAL			12,291,543	
Long to Mid				
ATLA CAP FIN AUTHORITY	4.90	1-Jun-15	100,000	Governments: Provincials
CANADA	11.25	1-Jun-15	340,196	Governments: Canada
CANADA	4.50	1-Jun-15	5,221,910	Governments: Canada
NEW BRUNSWICK	8.75	12-May-15	184,511	Governments: Provincials
ONT STRAT INFRASTR FIN AU	4.60	1-Jun-15	650,000	Governments: Muniapipls
WINNIPEG	9.13	12-May-15	100,000	Governments: Muniapipls
TOTAL			6,596,617	

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