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S&P Canadian Bond Index

Index Rebalancing Forecast

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Summary of projected changes to the index due to the August 2007 rebalancing effects

On the upcoming August 31 rebalancing date, the duration of the S&P Canadian Bond Index is projected to extend by 0.11 due to month-end rebalance effects (Figure 1), resulting in a projected duration of 6.36 at the close of August 31, 2007.

- The broad composite index will experience a net decrease of $4.9 bn in par value due to rebalancing. The net decrease is due to over $11.2 bn in face value dropping out of the index and more then $6.3 bn in new bond entering the index as a result of new additions and re-openings.
- On average over the last ten years, the broad market composite index has extended by 0.11 at the August month-end rebalancing, fluctuating within a range of 0.06 to 0.15.
- The short index weight will decrease by 0.96%, due primarily to the deletion of the $10.1 bn Canada 4.25 09/01/08 issue. In contrast, both the mid and the long indexes will see an increase in weight of 0.59 and 0.37 respectively.
- 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.
- 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 August 31 index rolls on a bond-by-bond basis.

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Figure 1: Projected changes in index characteristics for August 31, 2007

S&P CANADIAN BOND INDEX: Projected changes in weights (%)					
Sector	**17-Aug**	**31-Aug**	**Time[1]**	**Rebalance[2]**	**Total Change**
BROAD COMPOSITE	100.00	100.00	0.00	0.00	0.00
SHORT TERM	47.63	46.66	0.00	-0.96	-0.96
MID TERM	22.76	23.36	0.00	0.59	0.59
LONG TERM	29.61	29.98	0.01	0.37	0.37

1. "Time" is the projected change, prior to the rebalancing, due to the passage of time from August 17 to August 31 given yields of August 17.
2. "Rebalance" is the change due to projected rebalancing effects on August 31.

S&P CANADIAN BOND INDEX: Projected changes in modified duration					
Sector	**17-Aug**	**31-Aug**	**Time[1]**	**Rebalance[2]**	**Total Change**
BROAD COMPOSITE	6.28	6.36	-0.03	0.11	0.07
SHORT TERM	2.67	2.71	-0.04	0.08	0.04
MID TERM	6.11	6.12	-0.03	0.04	0.01
LONG TERM	12.22	12.22	-0.03	0.02	-0.01

1. "Time" is the projected change, prior to the rebalancing, due to the passage of time from August 17 to August 31 given yields of August 17.
2. "Rebalance" is the change due to projected rebalancing effects on August 31.

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

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 composite, there will be a shift in weight of 0.21% from governments to corporates due to rebalancing. The Canada/Agencies sector will have the biggest relative decrease (i.e. -0.58%), largely due to the deletion of the Canada 4.25 09/01/08 issue.

Governments will see duration extend by 0.14 due to rebalancing. This increase can be attributed mostly to the deletion of the previously mentioned Canada issue.

Figure 2: Projected changes in broad index characteristics for August 31, 2007

S&P CANADIAN BOND INDEX: Projected changes in weight in broad index					
Sector	**17-Aug**	**31-Aug**	**Time[1]**	**Rebalance[2]**	**Total Change**
BROAD COMPOSITE	100.00	100.00	0.00	0.00	0.00
ALL GOVERNMENTS	72.44	72.25	0.02	-0.21	-0.19
CANADA/AGENCIES	45.46	44.90	0.02	-0.58	-0.56
ALL PROVINCIALS	24.93	25.28	-0.01	0.36	0.35
MUNICIPALS	2.05	2.07	0.00	0.02	0.02
ALL CORPORATES	27.56	27.75	-0.02	0.21	0.19
CORPORATE AAA	3.71	3.94	0.00	0.23	0.23
CORPORATE AA	7.17	7.05	-0.01	-0.11	-0.12
CORPORATE A	11.10	11.15	0.00	0.05	0.05
CORPORATE BBB	5.58	5.62	-0.01	0.04	0.04

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2. "Rebalance" is the change due to projected rebalancing effects on August 31.

S&P CANADIAN BOND INDEX: Projected changes in duration in broad index					
Sector	**17-Aug**	**31-Aug**	**Time[1]**	**Rebalance[2]**	**Total Change**
BROAD COMPOSITE	6.28	6.36	-0.03	0.11	0.07
ALL GOVERNMENTS	6.58	6.68	-0.03	0.14	0.10
CANADA/AGENCIES	5.61	5.74	-0.04	0.17	0.13
ALL PROVINCIALS	8.28	8.30	-0.03	0.05	0.02
MUNICIPALS	7.23	7.19	-0.03	0.00	-0.03
ALL CORPORATES	5.51	5.52	-0.03	0.04	0.01
CORPORATE AAA	3.24	3.34	-0.03	0.14	0.10
CORPORATE AA	4.14	4.18	-0.03	0.07	0.05
CORPORATE A	6.81	6.80	-0.03	0.02	-0.01
CORPORATE BBB	6.20	6.17	-0.02	0.00	-0.02

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In the short index, the Canada/Agencies will see the biggest decrease in weight (i.e. –1.06%), mostly due to the roll out of the $10 bn Canada. Corporate AAAs will have the biggest increase (i.e. 0.39%) in corporates, largely due to the addition of the $700 mn 5.29% GE Cap 08/17/12 issue to this sector.

Corporates will extend duration by 0.04, with the largest increase coming in the corporate AA sector (i.e. +0.07), due to the deletion of three short corporate bonds from the index.

Figure 3: Projected changes in short index characteristics for August 31, 2007

S&P CANADIAN BOND INDEX: Projected changes in weight in short index					
Sector	**17-Aug**	**31-Aug**	**Time[1]**	**Rebalance[2]**	**Total Change**
SHORT COMPOSITE	100.00	100.00	0.00	0.00	0.00
ALL GOVERNMENTS	71.03	70.37	0.03	-0.68	-0.66
CANADA/AGENCIES	57.56	56.53	0.03	-1.06	-1.03
ALL PROVINCIALS	12.55	12.90	-0.01	0.36	0.35
MUNICIPALS	0.92	0.95	0.00	0.03	0.02
ALL CORPORATES	28.97	29.63	-0.03	0.68	0.66
CORPORATE AAA	6.04	6.44	0.00	0.39	0.40
CORPORATE AA	9.29	9.24	-0.03	-0.02	-0.05
CORPORATE A	8.78	8.95	0.00	0.17	0.17
CORPORATE BBB	4.86	5.00	0.00	0.14	0.14

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S&P CANADIAN BOND INDEX: Projected changes in duration in short index					
Sector	**17-Aug**	**31-Aug**	**Time[1]**	**Rebalance[2]**	**Total Change**
SHORT COMPOSITE	2.67	2.71	-0.04	0.08	0.04
ALL GOVERNMENTS	2.70	2.75	-0.04	0.09	0.06
CANADA/AGENCIES	2.74	2.82	-0.04	0.12	0.08
ALL PROVINCIALS	2.52	2.49	-0.03	0.00	-0.03
MUNICIPALS	2.64	2.61	-0.03	0.00	-0.03
ALL CORPORATES	2.60	2.61	-0.03	0.04	0.01
CORPORATE AAA	2.55	2.58	-0.04	0.06	0.03
CORPORATE AA	2.49	2.53	-0.03	0.07	0.04
CORPORATE A	2.82	2.81	-0.03	0.02	-0.02
CORPORATE BBB	2.48	2.45	-0.04	0.00	-0.04

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In the mid index, governments will see an increase in weight of 0.33%. The Canada/Agencies sector will see the largest increase (i.e. 0.91%), due to the $2.6 bn reopening of the 4% Canada 06/01/17 issue.

The corporate sector will see duration increase by 0.03, with the largest increase occurring in corporate AAA's (i.e.+ 0.20) mostly due to the addition of the $650 mn GE Cap 5.53% 08/17/17 issue.

Figure 4: Projected changes in mid index characteristics for August 31, 2007

S&P CANADIAN BOND INDEX: Projected changes in weight in mid index

Sector	17-Aug	31-Aug	Time[1]	Rebalance[2]	Total Change
MID COMPOSITE	100.00	100.00	0.00	0.00	0.00
ALL GOVERNMENTS	66.43	66.77	0.01	0.33	0.34
CANADA/AGENCIES	33.75	34.68	0.02	0.91	0.93
ALL PROVINCIALS	29.32	28.79	-0.02	-0.52	-0.53
MUNICIPALS	3.37	3.31	0.00	-0.06	-0.06
ALL CORPORATES	33.57	33.23	-0.01	-0.33	-0.34
CORPORATE AAA	3.66	4.01	0.00	0.35	0.34
CORPORATE AA	10.23	9.91	0.00	-0.32	-0.32
CORPORATE A	13.02	12.79	0.01	-0.24	-0.23
CORPORATE BBB	6.65	6.52	-0.01	-0.12	-0.13

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S&P CANADIAN BOND INDEX: Projected changes in duration in mid index

Sector	17-Aug	31-Aug	Time[1]	Rebalance[2]	Total Change
MID COMPOSITE	6.11	6.12	-0.03	0.04	0.01
ALL GOVERNMENTS	6.14	6.15	-0.03	0.04	0.01
CANADA/AGENCIES	6.34	6.37	-0.04	0.08	0.04
ALL PROVINCIALS	5.92	5.89	-0.03	0.00	-0.03
MUNICIPALS	6.20	6.16	-0.04	0.00	-0.04
ALL CORPORATES	6.06	6.05	-0.03	0.03	0.00
CORPORATE AAA	5.63	5.80	-0.03	0.20	0.17
CORPORATE AA	5.94	5.93	-0.03	0.02	-0.01
CORPORATE A	6.24	6.20	-0.03	0.00	-0.03
CORPORATE BBB	6.12	6.10	-0.02	0.00	-0.02

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2. "Rebalance" is the change due to projected rebalancing effects on August 31.

In the long index, governments will see an increase in weight of 0.10%. The biggest increase will occur in the All Provincial sector (i.e. +0.35%), mostly attributed to the reopening of the Ontario 4.7% 06/02/37 and the Quebec Hydro 5% 02/15/45 issues.

The government sector will see duration increase by 0.03, with the largest increase in the All Provincial sector (i.e. +0.05) This is mostly due to previously mentioned provincial reopenings in the long sector.

Figure 5: Projected changes in long index characteristics for August 31, 2007

S&P CANADIAN BOND INDEX: Projected changes in weight in long index

Sector	17-Aug	31-Aug	Time[1]	Rebalance[2]	Total Change
LONG COMPOSITE	100.00	100.00	0.00	0.00	0.00
ALL GOVERNMENTS	79.34	79.44	0.01	0.10	0.11
CANADA/AGENCIES	34.99	34.76	0.01	-0.24	-0.23
ALL PROVINCIALS	41.49	41.84	0.00	0.35	0.35
MUNICIPALS	2.85	2.84	0.00	-0.01	-0.01
ALL CORPORATES	20.66	20.56	-0.01	-0.10	-0.11
CORPORATE AAA	0.00	0.00	0.00	0.00	0.00
CORPORATE AA	1.41	1.40	0.00	-0.01	-0.01
CORPORATE A	13.34	13.29	0.00	-0.06	-0.06
CORPORATE BBB	5.91	5.87	-0.02	-0.03	-0.04

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2. "Rebalance" is the change due to projected rebalancing effects on August 31.

S&P CANADIAN BOND INDEX: Projected changes in duration in long index

Sector	17-Aug	31-Aug	Time[1]	Rebalance[2]	Total Change
LONG COMPOSITE	12.22	12.22	-0.03	0.02	-0.01
ALL GOVERNMENTS	12.44	12.44	-0.03	0.03	-0.01
CANADA/AGENCIES	12.69	12.66	-0.04	0.01	-0.03
ALL PROVINCIALS	12.36	12.38	-0.03	0.05	0.02
MUNICIPALS	10.54	10.51	-0.04	0.00	-0.04
ALL CORPORATES	11.39	11.37	-0.02	0.00	-0.02
CORPORATE AA	11.56	11.52	-0.04	0.00	-0.04
CORPORATE A	11.47	11.44	-0.03	0.00	-0.03
CORPORATE BBB	11.17	11.18	0.01	0.00	0.01

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2. "Rebalance" is the change due to projected rebalancing effects on August 31.

Figure 6 shows CIBC World Market's forecasted additions, deletions, net re-openings and other changes to the index due to take effect on the August 31, 2007 rebalancing.

Deletions, along with stripping and reconstitution activity, will delete more than $11.2 bn in par to the index. The Canada 4.25% 09/01/08 ($10.1 bn) deletion accounts for more than 85% of this amount. In total, the index par value will decrease by over $4.9 bn.

Figure 6: Projected changes in the composition of the index on August 31, 2007

Issue	Coupon (%)	Maturity	Par value ($000's)	Market value weight		Sector
			ADDITIONS			
FED BUS DEV BK	4.75	2-Aug-11	100,000	0.01%	SHORT	CANADA/FEDERAL AGENCIES
GE CAP CAN FUND	5.29	17-Aug-12	700,000	0.10%	SHORT	FINANCIALS AAA
GE CAP CAN FUND	5.53	17-Aug-17	650,000	0.10%	MID	FINANCIALS AAA
TOTAL ADDITIONS			**1,450,000**	**0.21%**		
			DELETIONS			
CITIGROUP FIN CDA	4.30	5-Aug-08	(300,000)	0.00	SHORT	FINANCIALS AA
CATERPILLAR INC	4.50	7-Aug-08	(250,000)	0.00	SHORT	INDUSTRIALS A
BANK OF NOVA SCOTIA	4.30	22-Aug-08	(530,000)	0.00	SHORT	FINANCIALS AA
CIBC	4.40	26-Aug-08	(300,000)	0.00	SHORT	FINANCIALS AA
CANADA	4.25	1-Sep-08	(10,089,840)	0.01	SHORT	CANADA/FEDERAL AGENCIES
TOTAL DELETIONS			**(11,469,840)**	**1.62%**		
			RE-OPENINGS/REPURCHASES			
CANADA	5.50	1-Jun-10	(29,000)	0.00	SHORT	CANADA/FEDERAL AGENCIES
CANADA	4.00	1-Sep-10	(371,000)	0.00	SHORT	CANADA/FEDERAL AGENCIES
CANADA	3.75	1-Jun-12	2,000,000	0.00	SHORT	CANADA/FEDERAL AGENCIES
CANADA	5.25	1-Jun-13	(125,000)	0.00	MID	CANADA/FEDERAL AGENCIES
CANADA	4.00	1-Jun-17	2,600,000	0.00	MID	CANADA/FEDERAL AGENCIES
CANADA	8.00	1-Jun-23	(90,000)	0.00	LONG	CANADA/FEDERAL AGENCIES
CANADA	9.00	1-Jun-25	(68,000)	0.00	LONG	CANADA/FEDERAL AGENCIES
CANADA	8.00	1-Jun-27	(73,000)	0.00	LONG	CANADA/FEDERAL AGENCIES
CANADA	5.75	1-Jun-29	(35,000)	0.00	LONG	CANADA/FEDERAL AGENCIES
ONTARIO	4.70	2-Jun-37	600,000	0.00	LONG	ALL PROVINCIALS
QUEBEC HYDRO	5.00	15-Feb-45	500,000	0.00	LONG	ALL PROVINCIALS
NET RE-OPENINGS			**4,909,000**	**0.56%**		
			STRIPPING AND RECONSTITUTION			
CANADA	3.75	01-Jun-12	389,946	0.06%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	5.50	01-Jun-09	383,720	0.06%	SHORT	CANADA/FEDERAL AGENCIES
ONTARIO	6.20	02-Jun-31	121,883	0.02%	LONG	ALL PROVINCIALS
BRITISH COLUMBIA	6.35	18-Jun-31	120,000	0.02%	LONG	ALL PROVINCIALS
CANADA	9.00	01-Jun-25	70,867	0.02%	LONG	CANADA/FEDERAL AGENCIES
QUEBEC	5.75	01-Dec-36	55,000	0.01%	LONG	ALL PROVINCIALS
CANADA	5.25	01-Jun-12	(390,200)	-0.06%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	3.75	01-Jun-09	(378,405)	-0.06%	SHORT	CANADA/FEDERAL AGENCIES
ONTARIO	5.60	02-Jun-35	(141,500)	-0.02%	LONG	ALL PROVINCIALS
QUEBEC	6.25	01-Jun-32	(60,000)	-0.01%	LONG	ALL PROVINCIALS
ALL OTHER			1,241	0.00%		
NET STRIPS AND RECONS			**172,552**			
TOTAL			**(4,938,288)**			

Figure 7 shows projected rolls between the long, mid and short indices on August 31, 2007.

Notably, the only roll this month is from the mid to the short index. The Wells Fargo issue is the only issue changing term.

Figure 7: Projected index rolls on August 31, 2007 (par values)

Issue	Coupon (%)	Maturity	Par value ($000's)	Sector
		Rolls		
Mid to Short				
WELLS FARGO & CO	6.05	27-Aug-12	200,000	FINANCIALS AA
TOTAL			**200,000**	
Long to Mid				
TOTAL			**-**	
TOTAL			**200,000**	

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