



November 9, 2006

## Index Forecast and December 1 Coupons

### S&P/TSX Canadian Bond Index

Duration of the S&P/TSX Canadian Bond Index is projected to extend by 0.07 on November 30 due to rebalancing and a further 0.05 on December 1 due to coupon flows (Figure 1):

- The broad composite index will experience a net decrease of \$ 3.0 bn in face value due to rebalancing, which will cause the index to extend duration by 0.07 on November 30. The net decrease results from \$8.7 bn in face value dropping out of the index and more than \$5.7 bn in new bonds entering the index.
- The broad composite index will extend a further 0.05 on December 1 due to \$5.3 bn in coupon payments.
- Together, rebalancing effects and December 1 coupons will cause duration to extend by 0.12.
- On average over the last eight years, the broad market composite index has extended by 0.19 in total given the November month-end rebalancing and December 1 coupon effects, fluctuating within a range of 0.09 to 0.24.
- Figures 2 to 5 below illustrate the impact of the November 30 rebalancing and December 1 coupon effects 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 December 1 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

Figure 1: Projected changes in index characteristics for December 1, 2006

S&P/TSX CANADIAN BOND INDEX: Projected changes in weights (%)						
Sector	7-Nov	1-Dec	Nov 30		Dec 1	
			Time <sup>1</sup>	Rebalance <sup>2</sup>	Coupon <sup>3</sup>	Total Change
BROAD COMPOSITE	100.00	100.00	0	0	0	0
SHORT TERM	45.58	45.47	-0.01	-0.20	0.10	-0.11
MID TERM	23.56	23.91	0.01	0.39	-0.05	0.35
LONG TERM	30.86	30.62	0.00	-0.19	-0.06	-0.24

1. "Time" is the projected change, prior to rebalancing, of the passage of time from November 7 to November 30 given yields of November 7.  
2. "Rebalance" is the change due to projected rebalancing effects on November 30.  
3. "Coupon" is the change due to projected coupon cash flows on December 1.

S&P/TSX CANADIAN BOND INDEX: Projected changes in modified duration						
Sector	7-Nov	1-Dec	Nov 30		Dec 1	
			Time <sup>1</sup>	Rebalance <sup>2</sup>	Coupon <sup>3</sup>	Total Change
BROAD COMPOSITE	6.52	6.58	-0.05	0.07	0.05	0.06
SHORT TERM	2.73	2.76	-0.06	0.08	0.01	0.03
MID TERM	6.04	6.11	-0.06	0.07	0.06	0.07
LONG TERM	12.49	12.63	-0.05	0.07	0.12	0.14

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3. "Coupon" is the change due to projected coupon cash flows on December 1.

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

Note that we use 'will/would/is/expected to' interchangeably for readability. All comments are our opinions only, based on the applications on the index methodology.

Within the broad composite, there will be a 0.45% shift in weight from the All Government to the All Corporate sector. Notably, the Canada/Agencies weight will fall 0.87%, but its impact on All Governments is muted by an increase in Provincial weight of 0.34%.

The November 30 rebalancing plus December 1 coupon effects will cause the All Governments sector to extend duration by 0.16 in total.

In the short index, the Canada/Agencies sector will see the biggest decrease in weight at -1.88%, with the largest contributor being the deletion of the Canada 2.75 Dec '07 bond. The provincials sector will see an increase in weight of 0.81% due to rolls from the mid index. The All Corporates sector will see an increase in weight, by 1.09%, due to rolls and additions to the index.

Within the All Governments sector, duration will extend by 0.10, mostly due to government bonds exiting the index and provincial bonds rolling from the mid to the short index. Provincials will extend by 0.13.

Figure 2: Projected changes in broad index characteristics for December 1, 2006

S&P/TSX CANADIAN BOND INDEX: Projected changes in weight in broad index						
Sector	7-Nov	1-Dec	Time <sup>1</sup>	Nov 30	Dec 1	Total Change
				Rebalance <sup>2</sup>	Coupon <sup>3</sup>	
BROAD MARKET	100.00	100.00	0	0	0	0
ALL GOVERNMENTS	72.41	71.96	0.03	-0.29	-0.19	-0.45
CANADA/AGENCIES	45.24	44.38	0.04	-0.64	-0.26	-0.87
ALL PROVINCIALS	25.06	25.40	-0.01	0.28	0.07	0.34
MUNICIPALS	2.11	2.18	0.00	0.07	0.01	0.07
ALL CORPORATES	27.59	28.04	-0.03	0.29	0.19	0.45
CORPORATE AAA	3.93	3.94	0.00	-0.01	0.03	0.01
CORPORATE AA	6.56	6.54	0.00	-0.06	0.04	-0.02
CORPORATE A	11.68	11.96	-0.02	0.22	0.08	0.28
CORPORATE BBB	5.42	5.60	0.00	0.15	0.04	0.18

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S&P/TSX CANADIAN BOND INDEX: Projected changes in duration in broad index						
Sector	7-Nov	1-Dec	Time <sup>1</sup>	Nov 30	Dec 1	Total Change
				Rebalance <sup>2</sup>	Coupon <sup>3</sup>	
BROAD MARKET	6.52	6.58	-0.05	0.07	0.05	0.06
ALL GOVERNMENTS	6.86	6.96	-0.06	0.09	0.07	0.10
CANADA/AGENCIES	5.95	6.07	-0.06	0.10	0.08	0.12
ALL PROVINCIALS	8.45	8.47	-0.05	0.02	0.04	0.02
MUNICIPALS	7.42	7.45	-0.04	0.04	0.03	0.03
ALL CORPORATES	5.63	5.62	-0.05	0.03	0.01	-0.02
CORPORATE AAA	3.28	3.24	-0.05	0.02	0.00	-0.04
CORPORATE AA	4.41	4.45	-0.05	0.09	0.00	0.04
CORPORATE A	6.79	6.72	-0.04	-0.03	0.01	-0.07
CORPORATE BBB	6.32	6.29	-0.05	0.01	0.01	-0.03

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Figure 3: Projected changes in short index characteristics for December 1, 2006

S&P/TSX CANADIAN BOND INDEX: Projected changes in weight in short index						
Sector	7-Nov	1-Dec	Time <sup>1</sup>	Nov 30	Dec 1	Total Change
				Rebalance <sup>2</sup>	Coupon <sup>3</sup>	
SHORT TERM	100.00	100.00	0	0	0	0
ALL GOVERNMENTS	69.45	68.36	0.02	-0.97	-0.14	-1.09
CANADA/AGENCIES	55.65	53.78	0.06	-1.85	-0.09	-1.88
ALL PROVINCIALS	12.65	13.46	-0.04	0.90	-0.05	0.81
MUNICIPALS	1.14	1.12	0.00	-0.01	0.00	-0.02
ALL CORPORATES	30.55	31.64	-0.02	0.97	0.14	1.09
CORPORATE AAA	6.71	7.05	-0.01	0.31	0.04	0.35
CORPORATE AA	8.92	8.78	0.00	-0.17	0.04	-0.14
CORPORATE A	9.89	10.48	-0.01	0.55	0.04	0.59
CORPORATE BBB	5.04	5.33	0.00	0.27	0.02	0.29

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S&P/TSX CANADIAN BOND INDEX: Projected changes in duration in short index						
Sector	7-Nov	1-Dec	Time <sup>1</sup>	Nov 30	Dec 1	Total Change
				Rebalance <sup>2</sup>	Coupon <sup>3</sup>	
SHORT TERM	2.73	2.76	-0.06	0.08	0.01	0.03
ALL GOVERNMENTS	2.76	2.80	-0.06	0.08	0.02	0.04
CANADA/AGENCIES	2.80	2.83	-0.06	0.08	0.02	0.03
ALL PROVINCIALS	2.59	2.67	-0.05	0.11	0.02	0.08
MUNICIPALS	2.95	2.95	-0.06	0.04	0.03	0.01
ALL CORPORATES	2.65	2.67	-0.06	0.08	0.00	0.02
CORPORATE AAA	2.59	2.64	-0.06	0.10	0.00	0.04
CORPORATE AA	2.58	2.60	-0.06	0.07	0.00	0.01
CORPORATE A	2.82	2.85	-0.05	0.08	0.00	0.02
CORPORATE BBB	2.52	2.51	-0.06	0.05	0.00	-0.01

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In the mid index, the All Corporates sector will see a decrease in weight of 0.98%, mostly due to bonds rolling out and into the short index. The increase in the All Governments sector is led by the All Provincials (i.e. 0.51%) mostly due to re-openings and a roll from the long index.

Duration for the All Government sector will extend by 0.16 driven mostly by extension in the All Provincials sector by 0.24.

In the long index, the All Corporates sector will see an increase in weight of 0.53%, attributable mostly to an increase in weight in the Corporate BBB sector of (i.e. 0.28%) due to \$350 mn of new BBB bonds being added to the index. The provincials index will decrease in weight by 0.46% mostly due to a roll into the mid index.

The November 30 and December 1 effects will cause duration for the All Government index to extend by 0.24, with duration for the Canada/Agencies extending by 0.28.

Figure 4: Projected changes in mid index characteristics for December 1, 2006

S&P/TSX CANADIAN BOND INDEX: Projected changes in weight in mid index						
Sector	7-Nov	1-Dec	Time <sup>1</sup>	Nov 30	Dec 1	Total Change
				Rebalance <sup>2</sup>	Coupon <sup>3</sup>	
MID TERM	100.00	100.00	0.00	0.00	0.00	0.00
ALL GOVERNMENTS	68.83	69.81	0.03	1.19	-0.23	0.98
CANADA/AGENCIES	36.46	36.65	0.02	0.58	-0.41	0.19
ALL PROVINCIALS	29.41	29.92	0.02	0.34	0.15	0.51
MUNICIPALS	2.97	3.24	-0.01	0.26	0.02	0.28
ALL CORPORATES	31.17	30.19	-0.03	-1.19	0.23	-0.98
CORPORATE AAA	3.70	3.07	0.00	-0.65	0.02	-0.63
CORPORATE AA	8.16	8.22	0.00	0.00	0.07	0.06
CORPORATE A	13.39	13.14	-0.01	-0.33	0.10	-0.25
CORPORATE BBB	5.93	5.76	-0.01	-0.21	0.05	-0.17

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S&P/TSX CANADIAN BOND INDEX: Projected changes in duration in mid index						
Sector	7-Nov	1-Dec	Time <sup>1</sup>	Nov 30	Dec 1	Total Change
				Rebalance <sup>2</sup>	Coupon <sup>3</sup>	
MID TERM	6.04	6.11	-0.06	0.07	0.06	0.07
ALL GOVERNMENTS	6.07	6.17	-0.06	0.08	0.08	0.09
CANADA/AGENCIES	6.21	6.23	-0.06	-0.04	0.13	0.03
ALL PROVINCIALS	5.87	6.05	-0.06	0.21	0.03	0.18
MUNICIPALS	6.47	6.55	-0.04	0.10	0.02	0.08
ALL CORPORATES	5.97	5.98	-0.05	0.05	0.01	0.01
CORPORATE AAA	5.68	5.89	-0.05	0.24	0.02	0.21
CORPORATE AA	6.14	6.12	-0.05	0.02	0.01	-0.03
CORPORATE A	5.84	5.83	-0.05	0.02	0.01	-0.02
CORPORATE BBB	6.19	6.20	-0.05	0.05	0.01	0.01

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Figure 5: Projected changes in long index characteristics for December 1, 2006

S&P/TSX CANADIAN BOND INDEX: Projected changes in weight in long index						
Sector	7-Nov	1-Dec	Time <sup>1</sup>	Nov 30	Dec 1	Total Change
				Rebalance <sup>2</sup>	Coupon <sup>3</sup>	
LONG TERM	100.00	100.00	0	0	0	0
ALL GOVERNMENTS	79.52	78.98	0.04	-0.38	-0.19	-0.53
CANADA/AGENCIES	36.57	36.45	0.03	0.31	-0.46	-0.12
ALL PROVINCIALS	40.06	39.60	0.02	-0.73	0.25	-0.46
MUNICIPALS	2.89	2.93	-0.01	0.03	0.02	0.04
ALL CORPORATES	20.48	21.02	-0.04	0.38	0.19	0.53
CORPORATE AA	1.86	1.89	0.00	0.02	0.01	0.03
CORPORATE A	13.02	13.24	-0.04	0.13	0.12	0.22
CORPORATE BBB	5.60	5.88	-0.01	0.23	0.06	0.28

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2. "Rebalance" is the change due to projected rebalancing effects on November 30.  
3. "Coupon" is the change due to projected coupon cash flows on December 1.

S&P/TSX CANADIAN BOND INDEX: Projected changes in duration in long index						
Sector	7-Nov	1-Dec	Time <sup>1</sup>	Nov 30	Dec 1	Total Change
				Rebalance <sup>2</sup>	Coupon <sup>3</sup>	
LONG TERM	12.49	12.63	-0.05	0.07	0.12	0.14
ALL GOVERNMENTS	12.66	12.86	-0.06	0.09	0.15	0.19
CANADA/AGENCIES	12.84	13.05	-0.06	-0.01	0.29	0.21
ALL PROVINCIALS	12.64	12.83	-0.05	0.20	0.04	0.19
MUNICIPALS	10.77	10.78	-0.02	0.00	0.03	0.01
ALL CORPORATES	11.80	11.78	-0.02	-0.01	0.01	-0.02
CORPORATE AA	11.55	11.54	-0.04	0.00	0.04	-0.01
CORPORATE A	11.97	11.97	-0.01	0.00	0.00	0.00
CORPORATE BBB	11.49	11.44	-0.03	-0.01	0.00	-0.04

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Figure 6 shows CIBC World Markets forecasted additions, deletions, net re-openings and other changes in the index on November 30, 2006 due to rebalancing.

\$8.7 bn in par will be deleted from the index, over 50% more than the value of projected additions to the index of \$5.7 bn. This is, for the most part, due to the removal of the \$6.9 bn Canada 2.75 12/01/07 bond.

Figure 6: Projected changes in the composition of the index on November 30, 2006

Issue	Coupon (%)	Maturity	Par value (\$000's)	Market value weight		Sector
<b>ADDITIONS</b>						
DAIMLER CHRYSLER CAN FIN	4.70	10-Nov-09	600,000	0.09%	SHORT	FINANCIALS BBB
MET LIFE	4.45	8-Nov-13	350,000	0.05%	MID	FINANCIALS AA
CIBC	4.35	1-Nov-11	675,000	0.10%	SHORT	FINANCIALS A
CANADA	3.75	1-Jun-12	2,000,000	0.30%	MID	CANADA/FEDERAL AGENCIES
BROOKFIELD POWER	5.84	5-Nov-36	150,000	0.02%	LONG	UTILITIES BBB
BROOKFIELD POWER	5.25	5-Nov-18	200,000	0.03%	LONG	UTILITIES BBB
NATIONAL BANK OF CDA	4.46	2-Nov-11	500,000	0.07%	SHORT	FINANCIALS A
<b>TOTAL ADDITIONS</b>			<b>4,475,000</b>	<b>0.67%</b>		
<b>DELETIONS</b>						
BC MUNICIPAL FINANCE	5.63	5-Nov-07	(60,000)	0.01%	SHORT	MUNICIPALS
MERRILL LYNCH	5.35	19-Nov-07	(400,000)	0.06%	SHORT	FINANCIALS AA
WEST FRASER MILL	6.80	19-Nov-07	(125,000)	0.02%	SHORT	MATERIALS BBB
CITIGROUP FIN CDA	3.74	2-Nov-07	(200,000)	0.03%	SHORT	FINANCIALS AA
CDN CAP AUTO REC	3.78	17-Nov-07	(200,000)	0.03%	SHORT	ASSET BACKED SECURITIES AAA
CANADIAN UTILITIES	4.80	22-Nov-07	(50,000)	0.01%	SHORT	UTILITIES A
CANADA	2.75	1-Dec-07	(6,935,048)	1.03%	SHORT	CANADA/FEDERAL AGENCIES
BANK OF NOVA SCOTIA	3.72	5-Nov-07	(250,000)	0.04%	SHORT	FINANCIALS AA
MBNA CANADA BANK	6.63	23-Nov-07	(100,000)	0.02%	SHORT	FINANCIALS AA
<b>TOTAL DELETIONS</b>			<b>(8,320,048)</b>	<b>1.24%</b>		
<b>RE-OPENINGS/REPURCHASES</b>						
CANADA	8.50	1-Jun-11	(8,000)	0.00%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	5.25	1-Jun-13	(57,000)	-0.01%	MID	CANADA/FEDERAL AGENCIES
CANADA	6.00	1-Jun-11	(25,000)	0.00%	SHORT	CANADA/FEDERAL AGENCIES
BC MUNICIPAL FINANCE	4.65	19-Apr-16	465,000	0.07%	MID	MUNICIPALS
ONTARIO	4.70	2-Jun-37	500,000	0.08%	LONG	ALL PROVINCIALS
NOVA SCOTIA	4.50	1-Jun-37	200,000	0.03%	LONG	ALL PROVINCIALS
FINANCEMENT QUEBEC	4.25	1-Mar-14	500,000	0.08%	MID	ALL PROVINCIALS
CANADA	5.00	1-Jun-14	(260,000)	-0.04%	MID	CANADA/FEDERAL AGENCIES
CANADA	5.50	1-Jun-10	(50,000)	-0.01%	SHORT	CANADA/FEDERAL AGENCIES
<b>NET RE-OPENINGS</b>			<b>1,265,000</b>	<b>0.19%</b>		
<b>STRIPPING AND RECONSTITUTION</b>						
CANADA	9.00	01-Jun-25	261,750	0.07%	LONG	CANADA/FEDERAL AGENCIES
CANADA	6.00	01-Jun-08	140,000	0.02%	SHORT	CANADA/FEDERAL AGENCIES
ONTARIO	7.60	02-Jun-27	81,410	0.02%	LONG	ALL PROVINCIALS
QUEBEC HYDRO	6.00	15-Aug-31	62,815	0.01%	LONG	ALL PROVINCIALS
CANADA	8.00	01-Jun-27	(266,000)	-0.06%	LONG	CANADA/FEDERAL AGENCIES
CANADA	3.75	01-Jun-08	(172,856)	-0.03%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	5.75	01-Jun-33	(146,000)	-0.03%	LONG	CANADA/FEDERAL AGENCIES
ONTARIO	4.70	02-Jun-37	(58,480)	-0.01%	LONG	ALL PROVINCIALS
ONTARIO	5.60	02-Jun-35	(52,150)	-0.01%	LONG	ALL PROVINCIALS
QUEBEC	5.75	01-Dec-36	(50,100)	-0.01%	LONG	ALL PROVINCIALS
QUEBEC HYDRO	5.00	15-Feb-45	(50,000)	-0.01%	LONG	ALL PROVINCIALS
ALL OTHER			(140,320)	-0.02%		
<b>NET STRIPS AND RECONS</b>			<b>(389,931)</b>	<b>-0.06%</b>		
<b>TOTAL</b>			<b>(2,969,979)</b>	<b>2.04%</b>		

Figure 7 shows projected rolls between the long, mid and short indices as of November 30, 2006. The \$3 bn Quebec 4.5 12/01/16 issue is the only bond rolling out of the long index and into the mid index.

Figure 7: Projected index rolls on November 30, 2006

Issue	Coupon (%)	Maturity	Par value (\$000's)	Sector
<b>Rolls</b>				
<b>Mid to Short</b>				
SUMMIT REAL ESTATE INVT	5.70	10-Nov-11	115,000	FINANCIALS BBB
MASTER CREDIT CARD TRUST	4.44	21-Nov-11	955,000	ASSET BACK SECURITIES AAA
JOHN HANCOCK CDN	6.50	30-Nov-11	175,000	FINANCIALS AA
HYDRO ONE INC.	6.40	1-Dec-11	250,000	UTILITIES A
NEW BRUNSWICK	5.85	1-Dec-11	600,000	NEW BRUNSWICK
ALBERTA TREASURY BRANCH	4.10	1-Dec-11	200,000	ALBERTA
FIRST CAPITAL REALTY INC.	5.49	1-Dec-11	100,000	FINANCIALS BBB
FINANCEMENT QUEBEC	5.25	1-Dec-11	1,475,000	QUEBEC
<b>TOTAL</b>			<b>3,870,000</b>	
<b>Long to Mid</b>				
QUEBEC	4.50	1-Dec-16	3,000,000	QUEBEC
<b>TOTAL</b>			<b>3,000,000</b>	
<b>TOTAL</b>			<b>6,870,000</b>	

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