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December 22, 2006

Index Rebalancing Forecast

S&P/TSX Canadian Bond Index

Jonathan O'Keefe 416-594-7388, Maurice Smith 416-594-8076, Ken Kelly 416-594-8238

Summary of projected changes to the index due to the December 2006 rebalancing effects

On the upcoming December 29 rebalancing date, the duration of the S&P/TSX Canadian Bond Index is projected to extend by 0.03 due to month-end rebalance effects (Figure 1), resulting in a projected duration of 6.58 at the close of December 29, 2006.

- The broad composite index will experience a net increase of over $11.5 bn in par value due to rebalancing. The net increase results from more than $16.4 bn in new bond issues and reopenings and from over $4.8 bn in face value leaving the index.
- On average over the last eight years, the broad market composite index has extended by 0.01 at the December month-end rebalancing, fluctuating within a range of -0.01 to 0.04.
- The short index weight will increase by 0.55%, due primarily to the addition of the $8.1 bn Canada Housing Trust 3.95% 12/15/11 issue. In contrast, both the mid and long indexes will see an equal decrease in weight of 0.27%.
- Figures 2 to 5 below illustrate the impact of the December 29 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 December 29 index rolls on a bond-by-bond basis.

Maurice Smith, CFA, 416-594-8076

Kenneth Kelly, CFA, 416-594-8238

Jonathan O'Keefe, 416-594-7388

Joanna Zapior, CFA, 416-594-8498

Figure 1: Projected changes in index characteristics for December 29, 2006

S&P/TSX CANADIAN BOND INDEX: Projected changes in weights (%)

Sector	20-Dec	29-Dec	Time[1]	Rebalance[2]	Total Change
BROAD COMPOSITE	100.00	100.00	0.00	0.00	0.00
SHORT TERM	45.52	46.06	0.00	0.55	0.54
MID TERM	23.77	23.50	0.00	-0.27	-0.27
LONG TERM	30.72	30.44	0.00	-0.27	-0.27

1. "Time" is the projected change, prior to the rebalancing, due to the passage of time from December 20 to December 29 given yields of December 20.
2. "Rebalance" is the change due to projected rebalancing effects on December 29.

S&P/TSX CANADIAN BOND INDEX: Projected changes in modified duration

Sector	20-Dec	29-Dec	Time[1]	Rebalance[2]	Total Change
BROAD COMPOSITE	6.57	6.58	-0.02	0.03	0.01
SHORT TERM	2.72	2.78	-0.02	0.09	0.07
MID TERM	6.08	6.15	-0.02	0.09	0.06
LONG TERM	12.65	12.66	-0.02	0.02	0.00

1. "Time" is the projected change, prior to the rebalancing, due to the passage of time from December 20 to December 29 given yields of December 20.
2. "Rebalance" is the change due to projected rebalancing effects on December 29.

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 application of the index methodology.

Within the broad composite, there will be a shift in weight of 0.02% from corporates to governments due to rebalancing. The corporate AA sector will have the biggest relative increase, while the corporate BBB will have the biggest relative decrease, mostly due to additions and deletions.

Corporates will extend duration by 0.15, with the corporate AA sector being the largest contributor (i.e. 0.24). Duration for Canada/Agencies will fall 0.03, mostly due to the $8.1 bn Canada Housing Trust 3.95% 12/15/11. Provincials will see an increase in duration of 0.04 due to reopenings of $1.85 bn.

Figure 2: Projected changes in broad index characteristics for December 29, 2006

S&P/TSX CANADIAN BOND INDEX: Projected changes in weight in broad index

Sector	20-Dec	29-Dec	Time[1]	Rebalance[2]	Total Change
BROAD COMPOSITE	100.00	100.00	0.00	0.00	0.00
ALL GOVERNMENTS	71.76	71.78	0.01	0.02	0.02
CANADA/AGENCIES	44.33	44.63	0.01	0.29	0.30
ALL PROVINCIALS	25.28	25.03	0.00	-0.24	-0.24
MUNICIPALS	2.15	2.12	0.00	-0.04	-0.04
ALL CORPORATES	28.24	28.22	-0.01	-0.02	-0.02
CORPORATE AAA	4.28	4.15	0.00	-0.14	-0.14
CORPORATE AA	6.61	6.94	-0.01	0.34	0.33
CORPORATE A	11.67	11.71	0.00	0.04	0.04
CORPORATE BBB	5.68	5.42	0.00	-0.26	-0.26

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2. "Rebalance" is the change due to projected rebalancing effects on December 29.

S&P/TSX CANADIAN BOND INDEX: Projected changes in duration in broad index

Sector	20-Dec	29-Dec	Time[1]	Rebalance[2]	Total Change
BROAD COMPOSITE	6.57	6.58	-0.02	0.03	0.01
ALL GOVERNMENTS	6.95	6.91	-0.02	-0.01	-0.03
CANADA/AGENCIES	6.01	5.96	-0.02	-0.03	-0.05
ALL PROVINCIALS	8.54	8.56	-0.02	0.04	0.02
MUNICIPALS	7.45	7.43	-0.02	0.00	-0.02
ALL CORPORATES	5.60	5.73	-0.02	0.15	0.13
CORPORATE AAA	3.37	3.38	-0.02	0.04	0.01
CORPORATE AA	4.42	4.64	-0.02	0.24	0.22
CORPORATE A	6.77	6.87	-0.02	0.13	0.11
CORPORATE BBB	6.28	6.46	-0.02	0.19	0.17

1. "Time" is the projected change, prior to the rebalancing, due to the passage of time from December 20 to December 29 given yields of December 20.
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In the short index, the Canada/Agencies (i.e. 0.56%), will see the biggest increase within the Governments sector, mostly due to the new issue. Corporate BBBs will have the biggest decrease (i.e. 0.43%), largely due to the deletions of five BBB issues in this sector from the index.

Corporates will extend duration by 0.09 at month end, with the biggest increases coming in the corporate BBB (i.e. 0.16) and corporate A (i.e. 0.14) sectors.

Figure 3: Projected changes in short index characteristics for December 29, 2006

S&P/TSX CANADIAN BOND INDEX: Projected changes in weight in short index

Sector	20-Dec	29-Dec	Time[1]	Rebalance[2]	Total Change
SHORT COMPOSITE	100.00	100.00	0.00	0.00	0.00
ALL GOVERNMENTS	68.28	69.24	0.01	0.95	0.96
CANADA/AGENCIES	53.89	54.45	0.01	0.56	0.57
ALL PROVINCIALS	13.29	13.71	0.00	0.42	0.42
MUNICIPALS	1.11	1.08	0.00	-0.03	-0.03
ALL CORPORATES	31.72	30.76	-0.01	-0.95	-0.96
CORPORATE AAA	7.41	7.06	0.00	-0.35	-0.35
CORPORATE AA	8.92	8.84	-0.01	-0.07	-0.08
CORPORATE A	9.95	9.86	0.00	-0.09	-0.09
CORPORATE BBB	5.44	5.00	0.00	-0.43	-0.43

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2. "Rebalance" is the change due to projected rebalancing effects on December 29.

S&P/TSX CANADIAN BOND INDEX: Projected changes in duration in short index

Sector	20-Dec	29-Dec	Time[1]	Rebalance[2]	Total Change
SHORT COMPOSITE	2.72	2.78	-0.02	0.09	0.07
ALL GOVERNMENTS	2.75	2.82	-0.02	0.09	0.07
CANADA/AGENCIES	2.78	2.84	-0.02	0.09	0.06
ALL PROVINCIALS	2.63	2.72	-0.02	0.11	0.09
MUNICIPALS	2.91	2.89	-0.02	0.00	-0.02
ALL CORPORATES	2.64	2.71	-0.02	0.09	0.07
CORPORATE AAA	2.63	2.64	-0.02	0.03	0.01
CORPORATE AA	2.60	2.61	-0.02	0.04	0.02
CORPORATE A	2.77	2.89	-0.02	0.14	0.12
CORPORATE BBB	2.50	2.64	-0.02	0.16	0.14

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In the mid index, corporates will see an increase in weight of 1.25%. The corporate AAs will see the largest increase (i.e. 0.98%), largely due to additions. Provincials will have the largest decrease (i.e. 1.44%), due to the roll of $1.4 bn 6.1% 12/2/11 Ontario issue from the mid to short sector.

The corporates sector will see duration extend by 0.17, with the largest extensions occurring in the corporate A (i.e. 0.33) and corporate BBB (i.e. 0.11) sectors.

Figure 4: Projected changes in mid index characteristics for December 29, 2006

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

Sector	20-Dec	29-Dec	Time[1]	Rebalance[2]	Total Change
MID COMPOSITE	100.00	100.00	0.00	0.00	0.00
ALL GOVERNMENTS	69.36	68.13	0.01	-1.25	-1.23
CANADA/AGENCIES	36.47	36.69	0.01	0.21	0.22
ALL PROVINCIALS	29.67	28.23	0.00	-1.44	-1.44
MUNICIPALS	3.22	3.21	0.00	-0.02	-0.02
ALL CORPORATES	30.64	31.87	-0.01	1.25	1.23
CORPORATE AAA	3.50	3.48	0.00	-0.02	-0.02
CORPORATE AA	8.29	9.26	-0.01	0.98	0.97
CORPORATE A	13.10	13.46	0.00	0.37	0.37
CORPORATE BBB	5.76	5.67	0.00	-0.09	-0.09

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

Sector	20-Dec	29-Dec	Time[1]	Rebalance[2]	Total Change
MID COMPOSITE	6.08	6.15	-0.02	0.09	0.06
ALL GOVERNMENTS	6.14	6.16	-0.02	0.05	0.02
CANADA/AGENCIES	6.19	6.16	-0.02	0.00	-0.02
ALL PROVINCIALS	6.04	6.12	-0.02	0.11	0.09
MUNICIPALS	6.53	6.51	-0.02	0.00	-0.02
ALL CORPORATES	5.95	6.11	-0.02	0.17	0.16
CORPORATE AAA	5.91	5.88	-0.02	0.00	-0.02
CORPORATE AA	6.09	6.13	-0.01	0.05	0.04
CORPORATE A	5.78	6.09	-0.02	0.33	0.31
CORPORATE BBB	6.17	6.26	-0.02	0.11	0.09

1. "Time" is the projected change, prior to the rebalancing, due to the passage of time from December 20 to December 29 given yields of December 20.
2. "Rebalance" is the change due to projected rebalancing effects on December 29.

In the long index, corporates will see an increase in weight of 0.31%. The biggest increase will occur in the corporate AA sector (i.e. 0.39).

The corporate sector will see duration increase by 0.07, with the only sub sector in the long composite to decrease being the Canada/Agencies sector (i.e. -0.01).

Figure 5: Projected changes in long index characteristics for December 29, 2006

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

Sector	20-Dec	29-Dec	Time[1]	Rebalance[2]	Total Change
LONG COMPOSITE	100.00	100.00	0.00	0.00	0.00
ALL GOVERNMENTS	78.77	78.45	0.00	-0.31	-0.32
CANADA/AGENCIES	36.25	35.90	0.01	-0.36	-0.35
ALL PROVINCIALS	39.65	39.70	-0.02	0.07	0.05
MUNICIPALS	2.88	2.86	0.00	-0.02	-0.02
ALL CORPORATES	21.23	21.55	0.00	0.31	0.32
CORPORATE AAA	0.27	0.27	0.00	0.00	0.00
CORPORATE AA	1.87	2.26	0.00	0.39	0.39
CORPORATE A	13.12	13.17	0.01	0.04	0.05
CORPORATE BBB	5.97	5.85	0.00	-0.12	-0.12

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2. "Rebalance" is the change due to projected rebalancing effects on December 29.

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

Sector	20-Dec	29-Dec	Time[1]	Rebalance[2]	Total Change
LONG COMPOSITE	12.65	12.66	-0.02	0.02	0.00
ALL GOVERNMENTS	12.89	12.88	-0.02	0.01	-0.01
CANADA/AGENCIES	13.01	12.98	-0.02	-0.01	-0.04
ALL PROVINCIALS	12.93	12.95	-0.01	0.03	0.02
MUNICIPALS	10.85	10.82	-0.02	0.00	-0.02
ALL CORPORATES	11.78	11.83	-0.02	0.07	0.05
CORPORATE AAA	7.98	7.95	-0.02	0.00	-0.02
CORPORATE AA	11.59	11.96	-0.02	0.39	0.37
CORPORATE A	12.02	12.01	-0.02	0.01	-0.01
CORPORATE BBB	11.47	11.54	-0.01	0.08	0.07

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2. "Rebalance" is the change due to projected rebalancing effects on December 29.

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 December 29, 2006 rebalancing.

Additions, along with net reopening/repurchase activity, will add more than $16.4 bn in par to the index. The new Canada Housing Trust 3.95% 12/15/11 ($8.1 bn) bond accounts for almost 50% of this amount. In terms of deletions, over $4.8 bn in par will be dropping from the index, with the $1.2 bn CMHC 5.3% 12/3/07 representing 25% of this amount. In total, the index par value will increase by over $11.5 bn.

Figure 6: Projected changes in the composition of the index on December 29, 2006

Issue	Coupon (%)	Maturity	Par value ($000's)	Market value weight		Sector
			ADDITIONS			
KEYBANK NS	4.21	14-Dec-09	300,000	0.04%	SHORT	FINANCIALS A
ING BANK OF CANADA	4.30	5-Dec-11	320,500	0.05%	SHORT	FINANCIALS AA
CANADA HOUSING TRUST	3.95	15-Dec-11	8,125,000	1.21%	SHORT	CANADA/FEDERAL AGENCIES
WELLS FARGO & CO	4.33	6-Dec-13	350,000	0.05%	MID	FINANCIALS AA
T-D BANK	4.78	14-Dec-16	2,250,000	0.33%	MID	FINANCIALS A
MANUF LIFE INSURANCE CO.	4.45	15-Dec-16	550,000	0.08%	MID	FINANCIALS AA
VANCOUVER INTL AIRPORT	4.42	7-Dec-18	200,000	0.03%	LONG	INDUSTRIALS AA
ENBRIDGE CONSUMERS GAS	4.77	17-Dec-21	175,000	0.03%	LONG	UTILITIES A
UNION GAS	4.85	25-Apr-22	125,000	0.02%	LONG	ENERGY BBB
MANUF LIFE INSURANCE CO.	5.06	15-Dec-36	650,000	0.10%	LONG	FINANCIALS AA
ENBRIDGE PIPELINE	5.08	19-Dec-36	150,000	0.02%	LONG	UTILITIES A
TOTAL ADDITIONS			**13,195,500**	**1.96%**		
			DELETIONS			
GREATER TORONTO AIRPORT	5.95	3-Dec-07	(365,000)	0.06%	SHORT	INDUSTRIALS A
CMHC	5.30	3-Dec-07	(1,184,074)	0.18%	SHORT	CANADA/FEDERAL AGENCIES
ENCANA CORP	5.30	3-Dec-07	(300,000)	0.05%	SHORT	ENERGY A
HALIFAX-DART BRIDGE COMM	5.95	4-Dec-07	(100,000)	0.02%	SHORT	INDUSTRIALS A
TRANSALTA CORP	4.20	5-Dec-07	(200,000)	0.03%	SHORT	UTILITIES BBB
NEWFOUNDLAND	5.90	12-Dec-07	(123,175)	0.02%	SHORT	ALL PROVINCIALS
DAIMLER CHRYSLER CAN FIN	3.90	13-Dec-07	(600,000)	0.09%	SHORT	FINANCIALS BBB
407 INTERNATIONAL INC	6.90	17-Dec-07	(430,000)	0.07%	SHORT	INDUSTRIALS A
UNION GAS	5.19	17-Dec-07	(200,000)	0.03%	SHORT	ENERGY BBB
CDN TIRE RECEIVABLE TRUST	4.82	20-Dec-07	(450,000)	0.07%	SHORT	ASSET BACKED SECURITIES AAA
DAIMLER CHRYSLER CAN FIN	4.18	20-Dec-07	(150,000)	0.02%	SHORT	FINANCIALS BBB
KINGSWAY FIN. SERVICES	8.25	31-Dec-07	(78,000)	0.01%	SHORT	FINANCIALS BBB
TOTAL DELETIONS			**(4,180,249)**	**0.63%**		
			RE-OPENINGS/REPURCHASES			
CANADA	3.75	1-Jun-09	300,000	0.04%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	6.00	1-Jun-11	(504,696)	-0.08%	SHORT	CANADA/FEDERAL AGENCIES
HSBC FIN CORP	4.35	6-Oct-11	250,000	0.04%	SHORT	FINANCIALS AA
ALBERTA TREASURY BRANCH	4.10	1-Dec-11	200,000	0.03%	SHORT	ALL PROVINCIALS
CANADA	3.75	1-Jun-12	300,000	0.04%	MID	CANADA/FEDERAL AGENCIES
BANK OF NOVA SCOTIA	4.56	30-Oct-13	750,000	0.11%	MID	FINANCIALS AA
ONTARIO	4.40	8-Mar-16	500,000	0.07%	MID	ALL PROVINCIALS
EXPORT DEVELOPMENT CORP	4.30	1-Jun-16	300,000	0.04%	MID	CANADA/FEDERAL AGENCIES
MANITOBA	5.70	5-Mar-37	150,000	0.03%	LONG	ALL PROVINCIALS
ONTARIO	4.70	2-Jun-37	500,000	0.08%	LONG	ALL PROVINCIALS
QUEBEC	5.00	1-Dec-38	500,000	0.08%	LONG	ALL PROVINCIALS
NET RE-OPENINGS			**3,245,304**	**0.49%**		
			STRIPPING AND RECONSTITUTION			
CANADA	5.25	01-Jun-12	155,000	0.02%	MID	CANADA/FEDERAL AGENCIES
ONTARIO	4.40	02-Dec-11	128,000	0.02%	SHORT	ALL PROVINCIALS
CANADA	5.50	01-Jun-09	107,122	0.02%	SHORT	CANADA/FEDERAL AGENCIES
QUEBEC HYDRO	6.00	15-Aug-31	86,066	0.02%	LONG	ALL PROVINCIALS
ONTARIO	6.20	02-Jun-31	83,500	0.02%	LONG	ALL PROVINCIALS
ONTARIO	5.60	02-Jun-35	(202,750)	-0.04%	LONG	ALL PROVINCIALS
EXPORT DEVELOPMENT CORP	6.20	22-Jun-10	(185,000)	-0.03%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	3.75	01-Jun-12	(156,200)	-0.02%	MID	CANADA/FEDERAL AGENCIES
CANADA	5.75	01-Jun-33	(146,500)	-0.03%	LONG	CANADA/FEDERAL AGENCIES
QUEBEC HYDRO	6.00	15-Feb-40	(131,000)	-0.02%	LONG	ALL PROVINCIALS
ONTARIO	6.10	02-Dec-11	(129,500)	-0.02%	SHORT	ALL PROVINCIALS
QUEBEC HYDRO	5.00	15-Feb-45	(89,300)	-0.01%	LONG	ALL PROVINCIALS
ONTARIO	5.38	02-Dec-12	(67,600)	-0.01%	MID	ALL PROVINCIALS
QUEBEC	5.75	01-Dec-36	(60,000)	-0.01%	LONG	ALL PROVINCIALS
ALL OTHER			(100,923)	-0.02%		
NET STRIPS AND RECONS			**(709,085)**	**-0.12%**		
TOTAL			**11,551,470**	**2.96%**		

Figure 7 shows projected rolls between the long, mid and short indices on December 29, 2006.

Notably, the $1.45 bn Ontario 6.1% 12/02/11 roll from mid to short accounts for 35% of the entire rolls for the month.

Figure 7: Projected index rolls on December 29, 2006 (par values)

Issue	Coupon (%)	Maturity	Par value ($000's)	Sector
			Rolls	
Mid to Short				
ALTA MUNIC FIN	4.44	15-Dec-11	50,000	ALL PROVINCIALS
BANK OF MTL	6.69	31-Dec-11	400,000	FINANCIALS A
BELL CANADA	6.90	15-Dec-11	186,000	TELECOMMUNICATION SERVICES BBB
FINNING INTL INC	4.64	14-Dec-11	150,000	INDUSTRIALS BBB
ONTARIO	4.40	2-Dec-11	825,700	ALL PROVINCIALS
ONTARIO	6.10	2-Dec-11	1,459,806	ALL PROVINCIALS
SUN LIFE ASSURANCE	6.87	31-Dec-11	950,000	FINANCIALS A
TOTAL			**4,021,506**	
Long to Mid				
MI DEVELOPMENTS INC	6.05	22-Dec-16	265,000	FINANCIALS BBB
TOTAL			**265,000**	
TOTAL			**4,286,506**	

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