



February 21, 2007

**S&P/TSX Canadian
Bond Index**

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Index Rebalancing Forecast

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

On the upcoming February 28 rebalancing date, the duration of the S&P/TSX Canadian Bond Index is projected to extend by 0.02 due to month-end rebalance effects (Figure 1), resulting in a projected duration of 6.52 at the close of February 28, 2007.

- The broad composite index will experience a net increase of \$305 mn in par value due to rebalancing. The net increase results from more than \$1.7 bn in new bond issues and reopenings and from over \$1.4 bn in face value leaving the index.
- On average over the last ten years, the broad market composite index has extended by 0.07 at the February month-end rebalancing, fluctuating within a range of -0.00 to 0.13.
- The short index weight will decrease by 0.18%, due primarily to the deletion of \$1.06 bn of par value in securities from the index. In contrast, the mid and long indexes will see increases in weight of 0.14% and 0.05% respectively.
- Figures 2 to 5 below illustrate the impact of the February 28 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 February 28 index rolls on a bond-by-bond basis.
- **NEW!** See Figure 8 on page 5 for expected upcoming cash flows in the S&P/TSX Canadian Bond Index

Figure 1: Projected changes in index characteristics for February 28, 2007

S&P/TSX CANADIAN BOND INDEX: Projected changes in weights (%)					
Sector	20-Feb	28-Feb	Time ¹	Rebalance ²	Total Change
BROAD COMPOSITE	100.00	100.00	0.00	0.00	0.00
SHORT TERM	45.88	45.69	0.00	-0.18	-0.18
MID TERM	23.10	23.23	0.00	0.14	0.13
LONG TERM	31.03	31.08	0.00	0.05	0.05

1. "Time" is the projected change, prior to the rebalancing, due to the passage of time from February 20 to February 28 given yields of February 20.
2. "Rebalance" is the change due to projected rebalancing effects on February 28.

S&P/TSX CANADIAN BOND INDEX: Projected changes in modified duration					
Sector	20-Feb	28-Feb	Time ¹	Rebalance ²	Total Change
BROAD COMPOSITE	6.52	6.52	-0.02	0.02	0.00
SHORT TERM	2.67	2.66	-0.02	0.01	-0.01
MID TERM	6.06	6.06	-0.02	0.01	-0.01
LONG TERM	12.54	12.53	-0.02	0.01	-0.01

1. "Time" is the projected change, prior to the rebalancing, due to the passage of time from February 20 to February 28 given yields of February 20.
2. "Rebalance" is the change due to projected rebalancing effects on February 28.

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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 application of the index methodology.

Within the broad composite, there will be a shift in weight of 0.16% from corporates to governments due to rebalancing. The provincials will have the biggest relative increase (i.e. 0.20%), largely due to the two reopenings, a \$1 bn Ontario and a \$500 mn Quebec.

Corporates will see duration extend by 0.02, with the corporate AAA sector being the largest contributors (i.e. 0.05). This increase can be attributed to the deletion of two asset-backed securities in the short index.

In the short index, provincials will see the biggest increase in weight within governments (i.e. 0.12%), mostly due to rolls from the mid to the short sector. Corporate AAAs will have the biggest decrease (i.e. 0.14%), largely due to the deletion of the two asset-backed securities from this sector.

Corporates will extend duration by 0.02, with the largest increase coming in the corporate AAA sector (i.e. 0.04).

Figure 2: Projected changes in broad index characteristics for February 28, 2007

S&P/TSX CANADIAN BOND INDEX: Projected changes in weight in broad index					
Sector	20-Feb	28-Feb	Time ¹	Rebalance ²	Total Change
BROAD COMPOSITE	100.00	100.00	0.00	0.00	0.00
ALL GOVERNMENTS	72.38	72.56	0.01	0.16	0.17
CANADA/AGENCIES	45.10	45.10	0.02	-0.02	0.00
ALL PROVINCIALS	25.17	25.37	-0.01	0.20	0.19
MUNICIPALS	2.11	2.09	0.00	-0.01	-0.01
ALL CORPORATES	27.62	27.44	-0.01	-0.16	-0.17
CORPORATE AAA	3.99	3.92	0.00	-0.08	-0.08
CORPORATE AA	6.64	6.60	0.00	-0.03	-0.04
CORPORATE A	11.56	11.53	0.00	-0.03	-0.03
CORPORATE BBB	5.43	5.40	-0.01	-0.02	-0.03

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S&P/TSX CANADIAN BOND INDEX: Projected changes in duration in broad index					
Sector	20-Feb	28-Feb	Time ¹	Rebalance ²	Total Change
BROAD COMPOSITE	6.52	6.52	-0.02	0.02	0.00
ALL GOVERNMENTS	6.83	6.83	-0.02	0.01	-0.01
CANADA/AGENCIES	5.89	5.87	-0.02	0.00	-0.02
ALL PROVINCIALS	8.48	8.49	-0.01	0.03	0.01
MUNICIPALS	7.29	7.31	-0.02	0.04	0.02
ALL CORPORATES	5.69	5.70	-0.02	0.02	0.01
CORPORATE AAA	3.34	3.36	-0.02	0.05	0.03
CORPORATE AA	4.42	4.42	-0.02	0.02	0.00
CORPORATE A	6.91	6.91	-0.02	0.01	-0.01
CORPORATE BBB	6.39	6.38	-0.01	0.00	-0.01

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Figure 3: Projected changes in short index characteristics for February 28, 2007

S&P/TSX CANADIAN BOND INDEX: Projected changes in weight in short index					
Sector	20-Feb	28-Feb	Time ¹	Rebalance ²	Total Change
SHORT COMPOSITE	100.00	100.00	0.00	0.00	0.00
ALL GOVERNMENTS	69.93	70.11	0.01	0.17	0.19
CANADA/AGENCIES	54.58	54.64	0.02	0.04	0.06
ALL PROVINCIALS	14.27	14.38	-0.01	0.12	0.11
MUNICIPALS	1.08	1.09	0.00	0.01	0.01
ALL CORPORATES	30.07	29.89	-0.01	-0.17	-0.19
CORPORATE AAA	6.76	6.62	0.00	-0.14	-0.14
CORPORATE AA	8.54	8.50	-0.01	-0.03	-0.04
CORPORATE A	9.73	9.71	0.00	-0.01	-0.02
CORPORATE BBB	5.04	5.06	0.00	0.02	0.02

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S&P/TSX CANADIAN BOND INDEX: Projected changes in duration in short index					
Sector	20-Feb	28-Feb	Time ¹	Rebalance ²	Total Change
SHORT COMPOSITE	2.67	2.66	-0.02	0.01	-0.01
ALL GOVERNMENTS	2.69	2.67	-0.02	0.00	-0.02
CANADA/AGENCIES	2.69	2.67	-0.02	0.00	-0.02
ALL PROVINCIALS	2.66	2.65	-0.02	0.01	-0.01
MUNICIPALS	2.75	2.82	-0.02	0.09	0.07
ALL CORPORATES	2.64	2.64	-0.02	0.02	0.00
CORPORATE AAA	2.58	2.60	-0.02	0.04	0.02
CORPORATE AA	2.54	2.53	-0.02	0.01	-0.01
CORPORATE A	2.83	2.82	-0.02	0.01	-0.01
CORPORATE BBB	2.54	2.52	-0.02	0.00	-0.02

1. "Time" is the projected change, prior to the rebalancing, due to the passage of time from February 20 to February 28 given yields of February 20.
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In the mid index, corporates will see an increase in weight of 0.14%. The corporate BBB sector will see the largest increase (i.e. 0.33%), largely due to the roll of the \$700 mn 5% 02/15/17 Bell issue from the mid to short sector.

The corporate sector will see duration extend by 0.03, with the largest extensions occurring in the corporate BBB (i.e. 0.13) mostly due to rolls from longs to mids.

In the long index, governments will see an increase in weight of 0.37%. The biggest increase will occur in the provincials sector (i.e. 0.50%), mostly due to the Quebec and Ontario reopenings.

The corporate sector will see duration increase by 0.07, with the largest increase coming in the corporate BBB (i.e. 0.23) This is due to the roll from the long to the mid sector of the \$700 mn Bell 5% 02/15/17.

Figure 4: Projected changes in mid index characteristics for February 28, 2007

S&P/TSX CANADIAN BOND INDEX: Projected changes in weight in mid index					
Sector	20-Feb	28-Feb	Time ¹	Rebalance ²	Total Change
MID COMPOSITE	100.00	100.00	0.00	0.00	0.00
ALL GOVERNMENTS	67.69	67.56	0.00	-0.14	-0.13
CANADA/AGENCIES	37.10	37.25	0.02	0.13	0.15
ALL PROVINCIALS	27.35	27.16	-0.02	-0.17	-0.19
MUNICIPALS	3.24	3.15	0.00	-0.09	-0.09
ALL CORPORATES	32.31	32.44	0.00	0.14	0.13
CORPORATE AAA	3.86	3.83	0.00	-0.02	-0.02
CORPORATE AA	9.35	9.29	0.00	-0.06	-0.07
CORPORATE A	13.37	13.27	0.01	-0.10	-0.10
CORPORATE BBB	5.73	6.05	-0.01	0.33	0.32

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S&P/TSX CANADIAN BOND INDEX: Projected changes in duration in mid index					
Sector	20-Feb	28-Feb	Time ¹	Rebalance ²	Total Change
MID COMPOSITE	6.06	6.06	-0.02	0.01	-0.01
ALL GOVERNMENTS	6.06	6.04	-0.02	0.00	-0.02
CANADA/AGENCIES	6.02	5.99	-0.02	0.00	-0.02
ALL PROVINCIALS	6.08	6.07	-0.01	0.00	-0.01
MUNICIPALS	6.39	6.42	-0.02	0.05	0.03
ALL CORPORATES	6.08	6.08	-0.02	0.03	0.01
CORPORATE AAA	5.97	5.95	-0.02	0.00	-0.02
CORPORATE AA	6.02	6.01	-0.01	0.00	-0.01
CORPORATE A	6.10	6.08	-0.02	0.00	-0.02
CORPORATE BBB	6.17	6.29	-0.01	0.13	0.12

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Figure 5: Projected changes in long index characteristics for February 28, 2007

S&P/TSX CANADIAN BOND INDEX: Projected changes in weight in long index					
Sector	20-Feb	28-Feb	Time ¹	Rebalance ²	Total Change
LONG COMPOSITE	100.00	100.00	0.00	0.00	0.00
ALL GOVERNMENTS	79.50	79.88	0.01	0.37	0.38
CANADA/AGENCIES	37.04	36.93	0.01	-0.13	-0.12
ALL PROVINCIALS	39.67	40.17	0.00	0.50	0.50
MUNICIPALS	2.79	2.78	0.00	-0.01	0.00
ALL CORPORATES	20.50	20.12	-0.01	-0.37	-0.38
CORPORATE AAA	0.00	0.00	0.00	0.00	0.00
CORPORATE AA	1.80	1.80	0.00	0.00	0.00
CORPORATE A	12.93	12.90	0.00	-0.03	-0.02
CORPORATE BBB	5.77	5.42	-0.01	-0.34	-0.35

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S&P/TSX CANADIAN BOND INDEX: Projected changes in duration in long index					
Sector	20-Feb	28-Feb	Time ¹	Rebalance ²	Total Change
LONG COMPOSITE	12.54	12.53	-0.02	0.01	-0.01
ALL GOVERNMENTS	12.71	12.68	-0.02	-0.01	-0.03
CANADA/AGENCIES	12.77	12.72	-0.02	-0.02	-0.05
ALL PROVINCIALS	12.80	12.79	-0.02	0.00	-0.01
MUNICIPALS	10.68	10.66	-0.02	0.00	-0.02
ALL CORPORATES	11.87	11.93	-0.01	0.07	0.06
CORPORATE AA	11.45	11.43	-0.02	0.00	-0.02
CORPORATE A	12.08	12.07	-0.02	0.00	-0.02
CORPORATE BBB	11.52	11.76	0.01	0.23	0.24

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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 February 28, 2007 rebalancing.

Additions, along with net reopening/repurchase activity, will add more than \$1.7 bn in par to the index. The Quebec 4.5% 12/01/17 (\$500 mn) and the Ontario 4.7% 06/02/37 (\$1 bn) reopenings account for more than 85% of this amount. In total, the index par value will increase by just over \$300 mn.

Figure 6: Projected changes in the composition of the index on February 28, 2007

Issue	Coupon (%)	Maturity	Par value (\$000's)	Market value weight		Sector
ADDITIONS						
CMHC	4.35	1-Feb-17	275,000	0.04%	MID	CANADA/FEDERAL AGENCIES
TOTAL ADDITIONS			275,000	0.04%		
DELETIONS						
BANK OF MTL	5.75	4-Feb-08	(150,000)	0.00	SHORT	FINANCIALS A
CAN REV AUTO FLOORPL TR	4.65	15-Feb-08	(300,000)	0.00	SHORT	ASSET BACKED SECURITIES AAA
CITIGROUP FIN CDA	3.40	18-Feb-08	(200,000)	0.00	SHORT	FINANCIALS AA
NIF-T	4.28	23-Feb-08	(210,000)	0.00	SHORT	ASSET BACKED SECURITIES AAA
CANADA	12.75	1-Mar-08	(125,372)	0.00	SHORT	CANADA/FEDERAL AGENCIES
EDMONTON ALBERTA	10.25	1-Mar-08	(74,950)	0.00	SHORT	MUNICIPALS
BELL CANADA	10.55	15-Feb-15	(114,000)	0.00	MID	TELECOMMUNICATION SERVICES BBB
TOTAL DELETIONS			(1,174,322)	0.18%		
RE-OPENINGS/REPURCHASES						
CANADA	5.50	1-Jun-10	(175,000)	0.00	SHORT	CANADA/FEDERAL AGENCIES
CANADA	6.00	1-Jun-11	(107,000)	0.00	SHORT	CANADA/FEDERAL AGENCIES
CANADA	3.75	1-Jun-12	300,000	0.00	MID	CANADA/FEDERAL AGENCIES
CANADA	5.00	1-Jun-14	(64,793)	0.00	MID	CANADA/FEDERAL AGENCIES
QUEBEC	4.50	1-Dec-17	500,000	0.00	LONG	ALL PROVINCIALS
ONTARIO	4.70	2-Jun-37	1,000,000	0.00	LONG	ALL PROVINCIALS
NET RE-OPENINGS			1,453,207	0.21%		
STRIPPING AND RECONSTITUTION						
CANADA	3.75	01-Jun-09	693,500	0.10%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	5.25	01-Jun-12	392,400	0.06%	MID	CANADA/FEDERAL AGENCIES
CANADA	6.00	01-Jun-08	198,300	0.03%	SHORT	CANADA/FEDERAL AGENCIES
ONTARIO	5.38	02-Dec-12	186,900	0.03%	MID	ALL PROVINCIALS
CANADA	8.00	01-Jun-27	112,000	0.03%	LONG	CANADA/FEDERAL AGENCIES
CANADA	10.00	01-Jun-08	81,276	0.01%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	9.00	01-Jun-25	74,800	0.02%	LONG	CANADA/FEDERAL AGENCIES
CANADA	5.50	01-Jun-09	(698,200)	-0.11%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	5.75	01-Jun-33	(380,000)	-0.07%	LONG	CANADA/FEDERAL AGENCIES
CANADA	3.75	01-Jun-12	(350,000)	-0.05%	MID	CANADA/FEDERAL AGENCIES
CANADA	3.75	01-Jun-08	(280,000)	-0.04%	SHORT	CANADA/FEDERAL AGENCIES
ONTARIO	5.60	02-Jun-35	(90,000)	-0.02%	LONG	ALL PROVINCIALS
QUEBEC HYDRO	5.00	15-Feb-45	(80,000)	-0.01%	LONG	ALL PROVINCIALS
QUEBEC	5.00	01-Dec-38	(50,000)	-0.01%	LONG	ALL PROVINCIALS
ALL OTHER			(59,159)	0.00%		
NET STRIPS AND RECONS			(248,182)	-0.03%		
TOTAL			305,703	0.40%		

Figure 7 shows projected rolls between the long, mid and short indices on February 28, 2007. Notably, the \$700 mn Bell Canada 5% 02/15/17 roll from mid to short accounts for 70% of the entire rolls for the month.

Figure 7: Projected index rolls on February 28, 2007 (par values)

Issue	Coupon (%)	Maturity	Par value (\$000's)	Sector
Rolls				
Mid to Short				
EDMONTON ALBERTA	9.63	13-Feb-12	94,000	MUNICIPALS
QUEBEC	9.00	10-Feb-12	160,914	ALL PROVINCIALS
TOTAL			254,914	
Long to Mid				
BELL CANADA	5.00	15-Feb-17	700,000	TELECOMMUNICATION SERVICES BBB
TOTAL			700,000	
TOTAL			954,914	

Figure 8 shows projected cash flows for March 2007.

The table includes the following information:

- March 1 – There are eight Government of Canada bonds that pay coupons on this date.
- March 8 – There are eight Ontario bonds that pay coupons on this date.
- March 15 - There are eight Canada Housing Trust bonds that pay coupons on this date.

Figure 8: Upcoming cash flows in the S&P/TSX Canadian Bond Market Index*

Projected Cashflows for the Broad Market Composite (\$000's)			
Date	Interest	Principal Amortization	Total
01-Mar-07	932,686	0	932,686
02-Mar-07	66,099	0	66,099
05-Mar-07	162,835	0	162,835
07-Mar-07	16,748	0	16,748
08-Mar-07	537,696	0	537,696
09-Mar-07	24,375	0	24,375
12-Mar-07	54,032	0	54,032
13-Mar-07	6,675	0	6,675
14-Mar-07	20,525	0	20,525
15-Mar-07	1,333,268	0	1,333,268
16-Mar-07	45,751	16,411	62,162
19-Mar-07	69,347	0	69,347
20-Mar-07	18,280	0	18,280
21-Mar-07	27,602	0	27,602
22-Mar-07	80,749	0	80,749
26-Mar-07	111,118	0	111,118
27-Mar-07	19,265	0	19,265
28-Mar-07	47,629	0	47,629
30-Mar-07	21,508	0	21,508

*Note: The above expected cash flows table does not include coupon payments for bonds that have a maturity of less than one year, which have already been removed from the index. An example of this is the maturing \$5.9 bn 4.75% CHT 03/15/07 bond, which was removed from the index back in March 2006.

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