



March 16, 2007

S&P/TSX Canadian
Bond Index

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Index Rebalancing Forecast

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 March 2007 rebalancing effects

On the upcoming March 30 rebalancing date, the duration of the S&P/TSX Canadian Bond Index is projected to extend by 0.05 due to month-end rebalance effects (Figure 1), resulting in a projected duration of 6.53 at the close of March 30, 2007.

- The broad composite index will experience a net increase of just under \$3.5 bn in par value due to rebalancing. The net increase results from more than \$11.3 bn in new bond issues and reopenings and from over \$7.8 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 March month-end rebalancing, fluctuating within a range of 0.00 to 0.16.
- The mid index weight will increase by 1.25%, due primarily to the addition of the \$7.7 bn, 4% CHT 06/15/12 issue. In contrast, the short and long indexes will see decreases in weight of 1.11% and 0.14% respectively.
- Figures 2 to 5 below illustrate the impact of the March 30 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 March 30 index rolls on a bond-by-bond basis.

Figure 1: Projected changes in index characteristics for March 30, 2007

| S&P/TSX CANADIAN BOND INDEX: Projected changes in weights (%) | | | | | |
|---|--------|--------|-------------------|------------------------|--------------|
| Sector | 15-Mar | 30-Mar | Time ¹ | Rebalance ² | Total Change |
| BROAD COMPOSITE | 100.00 | 100.00 | 0.00 | 0.00 | 0.00 |
| SHORT TERM | 45.46 | 44.35 | 0.00 | -1.11 | -1.11 |
| MID TERM | 23.38 | 24.62 | 0.00 | 1.25 | 1.24 |
| LONG TERM | 31.16 | 31.03 | 0.01 | -0.14 | -0.13 |

1. "Time" is the projected change, prior to the rebalancing, due to the passage of time from March 15 to March 30 given yields of March 30.
2. "Rebalance" is the change due to projected rebalancing effects on March 30.

| S&P/TSX CANADIAN BOND INDEX: Projected changes in modified duration | | | | | |
|---|--------|--------|-------------------|------------------------|--------------|
| Sector | 15-Mar | 30-Mar | Time ¹ | Rebalance ² | Total Change |
| BROAD COMPOSITE | 6.52 | 6.53 | -0.04 | 0.05 | 0.01 |
| SHORT TERM | 2.64 | 2.65 | -0.04 | 0.05 | 0.01 |
| MID TERM | 6.04 | 5.96 | -0.04 | -0.04 | -0.08 |
| LONG TERM | 12.53 | 12.52 | -0.03 | 0.03 | -0.01 |

1. "Time" is the projected change, prior to the rebalancing, due to the passage of time from March 15 to March 30 given yields of March 30.
2. "Rebalance" is the change due to projected rebalancing effects on March 30.

Maurice Smith, CFA, 416-594-8076

Kenneth Kelly, CFA, 416-594-8238

Jonathan O'Keefe, 416-594-7388

Joanna Zapior, CFA, 416-594-8498

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 0.19% from governments to corporates due to rebalancing. The provincials will have the biggest relative decrease (i.e. 0.23%), largely due to the deletion of the \$1 bn 3.88% Ontario 03/08/08 issue.

Governments will see duration extend by 0.05, with the municipals sector being the largest contributor (i.e. 0.15). This increase is attributed to the deletion of the BC Municipal Finance issue from the short index.

Figure 2: Projected changes in broad index characteristics for March 30, 2007

| S&P/TSX CANADIAN BOND INDEX: Projected changes in weight in broad index | | | | | |
|---|--------|--------|-------------------|------------------------|--------------|
| Sector | 15-Mar | 30-Mar | Time ¹ | Rebalance ² | Total Change |
| BROAD COMPOSITE | 100.00 | 100.00 | 0.00 | 0.00 | 0.00 |
| ALL GOVERNMENTS | 72.33 | 72.17 | 0.03 | -0.19 | -0.17 |
| CANADA/AGENCIES | 44.91 | 45.04 | 0.03 | 0.10 | 0.12 |
| ALL PROVINCIALS | 25.32 | 25.10 | 0.00 | -0.23 | -0.22 |
| MUNICIPALS | 2.10 | 2.04 | 0.00 | -0.06 | -0.06 |
| ALL CORPORATES | 27.67 | 27.83 | -0.03 | 0.19 | 0.17 |
| CORPORATE AAA | 3.92 | 3.87 | 0.00 | -0.05 | -0.05 |
| CORPORATE AA | 6.64 | 6.69 | 0.00 | 0.05 | 0.05 |
| CORPORATE A | 11.53 | 11.59 | -0.01 | 0.07 | 0.06 |
| CORPORATE BBB | 5.58 | 5.68 | -0.02 | 0.12 | 0.10 |

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2. "Rebalance" is the change due to projected rebalancing effects on March 30.

| S&P/TSX CANADIAN BOND INDEX: Projected changes in duration in broad index | | | | | |
|---|--------|--------|-------------------|------------------------|--------------|
| Sector | 15-Mar | 30-Mar | Time ¹ | Rebalance ² | Total Change |
| BROAD COMPOSITE | 6.52 | 6.53 | -0.04 | 0.05 | 0.01 |
| ALL GOVERNMENTS | 6.83 | 6.85 | -0.04 | 0.05 | 0.02 |
| CANADA/AGENCIES | 5.87 | 5.90 | -0.04 | 0.06 | 0.02 |
| ALL PROVINCIALS | 8.49 | 8.50 | -0.04 | 0.05 | 0.01 |
| MUNICIPALS | 7.29 | 7.42 | -0.02 | 0.15 | 0.13 |
| ALL CORPORATES | 5.70 | 5.71 | -0.03 | 0.04 | 0.01 |
| CORPORATE AAA | 3.33 | 3.31 | -0.04 | 0.02 | -0.02 |
| CORPORATE AA | 4.42 | 4.38 | -0.04 | 0.00 | -0.04 |
| CORPORATE A | 6.86 | 6.90 | -0.03 | 0.07 | 0.04 |
| CORPORATE BBB | 6.48 | 6.47 | -0.01 | 0.01 | -0.01 |

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Figure 3: Projected changes in short index characteristics for March 30, 2007

In the short index, Canada/Agencies will see the biggest decrease in weight within governments (i.e. -0.78%), mostly due to the deletion of a \$5.7 bn CHT issue. Corporate AAs will have the biggest increase (i.e. +0.37%), largely due to the \$600 mn reopening of the 4.35 % CIBC '11 issue.

Governments will extend duration by 0.06, with the largest increase coming in the municipals sector (i.e. 0.20).

| S&P/TSX CANADIAN BOND INDEX: Projected changes in weight in short index | | | | | |
|---|--------|--------|-------------------|------------------------|--------------|
| Sector | 15-Mar | 30-Mar | Time ¹ | Rebalance ² | Total Change |
| SHORT COMPOSITE | 100.00 | 100.00 | 0.00 | 0.00 | 0.00 |
| ALL GOVERNMENTS | 69.95 | 69.06 | 0.03 | -0.92 | -0.89 |
| CANADA/AGENCIES | 54.39 | 53.64 | 0.03 | -0.78 | -0.75 |
| ALL PROVINCIALS | 14.46 | 14.42 | 0.00 | -0.04 | -0.04 |
| MUNICIPALS | 1.10 | 1.00 | -0.01 | -0.09 | -0.10 |
| ALL CORPORATES | 30.05 | 30.94 | -0.03 | 0.92 | 0.89 |
| CORPORATE AAA | 6.66 | 6.72 | -0.01 | 0.07 | 0.07 |
| CORPORATE AA | 8.53 | 8.90 | 0.00 | 0.37 | 0.37 |
| CORPORATE A | 9.77 | 10.04 | -0.01 | 0.28 | 0.27 |
| CORPORATE BBB | 5.09 | 5.27 | -0.01 | 0.20 | 0.18 |

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| S&P/TSX CANADIAN BOND INDEX: Projected changes in duration in short index | | | | | |
|---|--------|--------|-------------------|------------------------|--------------|
| Sector | 15-Mar | 30-Mar | Time ¹ | Rebalance ² | Total Change |
| SHORT COMPOSITE | 2.64 | 2.65 | -0.04 | 0.05 | 0.01 |
| ALL GOVERNMENTS | 2.66 | 2.68 | -0.04 | 0.06 | 0.02 |
| CANADA/AGENCIES | 2.67 | 2.69 | -0.04 | 0.06 | 0.02 |
| ALL PROVINCIALS | 2.62 | 2.62 | -0.04 | 0.04 | 0.00 |
| MUNICIPALS | 2.79 | 2.96 | -0.02 | 0.20 | 0.18 |
| ALL CORPORATES | 2.60 | 2.60 | -0.04 | 0.03 | 0.00 |
| CORPORATE AAA | 2.57 | 2.54 | -0.04 | 0.01 | -0.02 |
| CORPORATE AA | 2.50 | 2.50 | -0.04 | 0.04 | 0.00 |
| CORPORATE A | 2.78 | 2.79 | -0.04 | 0.04 | 0.00 |
| CORPORATE BBB | 2.48 | 2.49 | -0.03 | 0.04 | 0.00 |

1. "Time" is the projected change, prior to the rebalancing, due to the passage of time from March 15 to March 30 given yields of March 30.
2. "Rebalance" is the change due to projected rebalancing effects on March 30.

In the mid index, governments will see an increase in weight of 1.41%. The Canada/Agencies sector will see the largest increase (i.e. +2.49%), largely due to the addition of the \$7.7 bn 4% 06/15/12 CHT issue.

The government sector will see duration decrease by 0.07, with the largest decrease occurring in the Canada/Agencies (i.e. -0.15) mostly due to the previously mentioned CHT new issue.

Figure 4: Projected changes in mid index characteristics for March 30, 2007

| S&P/TSX CANADIAN BOND INDEX: Projected changes in weight in mid index | | | | | |
|---|--------|--------|-------------------|------------------------|--------------|
| Sector | 15-Mar | 30-Mar | Time ¹ | Rebalance ² | Total Change |
| MID COMPOSITE | 100.00 | 100.00 | 0.00 | 0.00 | 0.00 |
| ALL GOVERNMENTS | 67.24 | 68.67 | 0.02 | 1.41 | 1.44 |
| CANADA/AGENCIES | 37.15 | 39.66 | 0.03 | 2.49 | 2.52 |
| ALL PROVINCIALS | 26.94 | 26.05 | 0.00 | -0.90 | -0.90 |
| MUNICIPALS | 3.15 | 2.96 | -0.01 | -0.17 | -0.18 |
| ALL CORPORATES | 32.76 | 31.33 | -0.02 | -1.41 | -1.44 |
| CORPORATE AAA | 3.83 | 3.61 | 0.00 | -0.21 | -0.21 |
| CORPORATE AA | 9.42 | 8.89 | 0.00 | -0.52 | -0.52 |
| CORPORATE A | 13.23 | 12.49 | 0.00 | -0.74 | -0.74 |
| CORPORATE BBB | 6.29 | 6.33 | -0.02 | 0.06 | 0.04 |

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| S&P/TSX CANADIAN BOND INDEX: Projected changes in duration in mid index | | | | | |
|---|--------|--------|-------------------|------------------------|--------------|
| Sector | 15-Mar | 30-Mar | Time ¹ | Rebalance ² | Total Change |
| MID COMPOSITE | 6.04 | 5.96 | -0.04 | -0.04 | -0.08 |
| ALL GOVERNMENTS | 6.03 | 5.91 | -0.04 | -0.07 | -0.11 |
| CANADA/AGENCIES | 5.96 | 5.77 | -0.04 | -0.15 | -0.19 |
| ALL PROVINCIALS | 6.07 | 6.08 | -0.04 | 0.04 | 0.01 |
| MUNICIPALS | 6.39 | 6.37 | -0.02 | 0.00 | -0.02 |
| ALL CORPORATES | 6.06 | 6.05 | -0.03 | 0.02 | -0.01 |
| CORPORATE AAA | 5.91 | 5.88 | -0.03 | 0.00 | -0.03 |
| CORPORATE AA | 6.00 | 5.97 | -0.03 | 0.00 | -0.03 |
| CORPORATE A | 6.05 | 6.02 | -0.04 | 0.00 | -0.04 |
| CORPORATE BBB | 6.25 | 6.34 | -0.01 | 0.10 | 0.09 |

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2. "Rebalance" is the change due to projected rebalancing effects on March 30.

Figure 5: Projected changes in long index characteristics for March 30, 2007

In the long index, governments will see a decrease in weight of 0.27%. The biggest decrease will occur in the provincials sector (i.e. -0.34%), mostly due to the roll of the \$1 bn Ontario 03/08/17 issue from longs to mid.

The corporate sector will see duration increase by 0.05, with the largest increase coming in the corporate A (i.e. 0.08) This is due to the addition of the \$400 mn 4.89% Hydro One 03/13/37 and \$250 5.02% BC Ferry Services 03/26/37 issues.

| S&P/TSX CANADIAN BOND INDEX: Projected changes in weight in long index | | | | | |
|--|--------|--------|-------------------|------------------------|--------------|
| Sector | 15-Mar | 30-Mar | Time ¹ | Rebalance ² | Total Change |
| LONG COMPOSITE | 100.00 | 100.00 | 0.00 | 0.00 | 0.00 |
| ALL GOVERNMENTS | 79.63 | 79.38 | 0.03 | -0.27 | -0.25 |
| CANADA/AGENCIES | 36.92 | 37.00 | 0.02 | 0.07 | 0.08 |
| ALL PROVINCIALS | 39.93 | 39.60 | 0.01 | -0.34 | -0.33 |
| MUNICIPALS | 2.78 | 2.78 | 0.00 | 0.00 | 0.00 |
| ALL CORPORATES | 20.37 | 20.62 | -0.03 | 0.27 | 0.25 |
| CORPORATE AAA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CORPORATE AA | 1.79 | 1.79 | 0.00 | 0.00 | 0.00 |
| CORPORATE A | 12.81 | 13.07 | -0.01 | 0.28 | 0.27 |
| CORPORATE BBB | 5.78 | 5.76 | -0.01 | 0.00 | -0.02 |

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| S&P/TSX CANADIAN BOND INDEX: Projected changes in duration in long index | | | | | |
|--|--------|--------|-------------------|------------------------|--------------|
| Sector | 15-Mar | 30-Mar | Time ¹ | Rebalance ² | Total Change |
| LONG COMPOSITE | 12.53 | 12.52 | -0.03 | 0.03 | -0.01 |
| ALL GOVERNMENTS | 12.68 | 12.67 | -0.04 | 0.02 | -0.02 |
| CANADA/AGENCIES | 12.70 | 12.65 | -0.04 | -0.01 | -0.05 |
| ALL PROVINCIALS | 12.82 | 12.83 | -0.04 | 0.05 | 0.02 |
| MUNICIPALS | 10.64 | 10.60 | -0.04 | 0.00 | -0.04 |
| ALL CORPORATES | 11.91 | 11.95 | -0.01 | 0.05 | 0.04 |
| CORPORATE AA | 11.48 | 11.45 | -0.03 | 0.00 | -0.03 |
| CORPORATE A | 12.03 | 12.09 | -0.02 | 0.08 | 0.06 |
| CORPORATE BBB | 11.79 | 11.79 | 0.00 | 0.00 | 0.00 |

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2. "Rebalance" is the change due to projected rebalancing effects on March 30.

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 March 30, 2007 rebalancing.

Additions, along with net reopening/repurchase activity, will add more than \$11.3 bn in par to the index. The CHT 4% 06/15/12 (\$7.7 bn) new issue accounts for more than 65% of this amount. In total, the index par value will increase by just under \$3.5 bn.

Figure 6: Projected changes in the composition of the index on March 30, 2007

| Issue | Coupon (%) | Maturity | Par value (\$000's) | Market value weight | | Sector |
|-------------------------------------|------------|-----------|---------------------|---------------------|-------|--------------------------------|
| ADDITIONS | | | | | | |
| ENCANA CORP | 4.30 | 12-Mar-12 | 500,000 | 0.07% | SHORT | ENERGY A |
| TELUS COMMUNICATIONS INC. | 4.50 | 15-Mar-12 | 300,000 | 0.04% | SHORT | TELECOMMUNICATION SERVICES BBB |
| CANADA HOUSING TRUST | 4.00 | 15-Jun-12 | 7,700,000 | 1.12% | MID | CANADA/FEDERAL AGENCIES |
| FARM CREDIT CORP | 4.00 | 24-May-13 | 100,000 | 0.01% | MID | CANADA/FEDERAL AGENCIES |
| TELUS COMMUNICATIONS INC. | 4.95 | 15-Mar-17 | 700,000 | 0.10% | MID | TELECOMMUNICATION SERVICES BBB |
| HYDRO ONE INC. | 4.89 | 13-Mar-37 | 400,000 | 0.06% | LONG | UTILITIES A |
| BC FERRY SVCS | 5.02 | 20-Mar-37 | 250,000 | 0.04% | LONG | INDUSTRIALS A |
| NEW BRUNSWICK | 4.55 | 26-Mar-37 | 300,000 | 0.04% | LONG | ALL PROVINCIALS |
| TOTAL ADDITIONS | | | 10,250,000 | 1.49% | | |
| DELETIONS | | | | | | |
| ENBRIDGE INC. | 6.04 | 5-Mar-08 | (100,000) | 0.00 | SHORT | ENERGY A |
| ONTARIO | 3.88 | 8-Mar-08 | (979,656) | 0.00 | SHORT | ALL PROVINCIALS |
| CANADA HOUSING TRUST | 4.40 | 15-Mar-08 | (5,701,700) | 0.01 | SHORT | CANADA/FEDERAL AGENCIES |
| NIF-T | 3.54 | 17-Mar-08 | (185,000) | 0.00 | SHORT | ASSET BACKED SECURITIES AAA |
| BC MUNICIPAL FINANCE | 5.50 | 24-Mar-08 | (336,000) | 0.00 | SHORT | MUNICIPALS |
| TEXTRON FIN CDA. | 4.00 | 1-Apr-08 | (130,000) | 0.00 | SHORT | FINANCIALS A |
| TOTAL DELETIONS | | | (7,432,356) | 1.08% | | |
| RE-OPENINGS/REPURCHASES | | | | | | |
| CANADA | 3.75 | 1-Jun-09 | 300,000 | 0.00 | SHORT | CANADA/FEDERAL AGENCIES |
| CANADA | 4.25 | 1-Sep-09 | (170,083) | 0.00 | SHORT | CANADA/FEDERAL AGENCIES |
| CANADA | 10.75 | 1-Oct-09 | (2,468) | 0.00 | SHORT | CANADA/FEDERAL AGENCIES |
| CANADA | 5.50 | 1-Jun-10 | (73,500) | 0.00 | SHORT | CANADA/FEDERAL AGENCIES |
| CIBC | 4.35 | 1-Nov-11 | 600,000 | 0.00 | SHORT | FINANCIALS AA |
| CANADA | 5.00 | 1-Jun-14 | (134,100) | 0.00 | MID | CANADA/FEDERAL AGENCIES |
| CANADA | 4.00 | 1-Jun-17 | 163,038 | 0.00 | LONG | CANADA/FEDERAL AGENCIES |
| CANADA | 9.75 | 1-Jun-21 | (3,000) | 0.00 | LONG | CANADA/FEDERAL AGENCIES |
| CANADA | 9.00 | 1-Jun-25 | (25,000) | 0.00 | LONG | CANADA/FEDERAL AGENCIES |
| SASKATCHEWAN | 4.75 | 1-Jun-40 | 400,000 | 0.00 | LONG | ALL PROVINCIALS |
| NET RE-OPENINGS | | | 1,054,887 | 0.15% | | |
| STRIPPING AND RECONSTITUTION | | | | | | |
| CANADA | 5.25 | 01-Jun-12 | 242,000 | 0.04% | MID | CANADA/FEDERAL AGENCIES |
| CANADA | 8.00 | 01-Jun-27 | 200,000 | 0.04% | LONG | CANADA/FEDERAL AGENCIES |
| QUEBEC | 5.75 | 01-Dec-36 | 188,032 | 0.03% | LONG | ALL PROVINCIALS |
| ONTARIO | 6.20 | 02-Jun-31 | 87,000 | 0.02% | LONG | ALL PROVINCIALS |
| ONTARIO | 5.60 | 02-Jun-35 | 71,400 | 0.01% | LONG | ALL PROVINCIALS |
| QUEBEC | 6.25 | 01-Jun-32 | 68,840 | 0.01% | LONG | ALL PROVINCIALS |
| QUEBEC | 5.00 | 01-Dec-38 | (442,836) | -0.07% | LONG | ALL PROVINCIALS |
| ONTARIO | 4.70 | 02-Jun-37 | (442,200) | -0.07% | LONG | ALL PROVINCIALS |
| CANADA | 3.75 | 01-Jun-12 | (152,000) | -0.02% | MID | CANADA/FEDERAL AGENCIES |
| CANADA | 9.00 | 01-Jun-25 | (125,600) | -0.03% | LONG | CANADA/FEDERAL AGENCIES |
| QUEBEC HYDRO | 5.00 | 15-Feb-45 | (95,000) | -0.01% | LONG | ALL PROVINCIALS |
| CANADA | 6.00 | 01-Jun-08 | (56,200) | -0.01% | SHORT | CANADA/FEDERAL AGENCIES |
| ALL OTHER | | | 33,085 | 0.01% | | |
| NET STRIPS AND RECONS | | | (423,479) | -0.04% | | |
| TOTAL | | | 3,449,052 | 2.68% | | |

Figure 7 shows projected rolls between the long, mid and short indices on March 30, 2007.
 The only Index roll for this month is the \$1 bn Ont 4.3 03/08/17 bond moving from the long to the mid sector, with no bonds rolling from the mid to the short sector.

Figure 7: Projected index rolls on March 30, 2007 (par values)

| Issue | Coupon (%) | Maturity | Par value (\$000's) | Sector |
|---------------------|------------|----------|---------------------|-----------------|
| Rolls | | | | |
| Mid to Short | | | | |
| TOTAL | | | - | |
| Long to Mid | | | | |
| ONTARIO | 4.30 | 8-Mar-17 | 1,000,000 | ALL PROVINCIALS |
| TOTAL | | | 1,000,000 | |
| TOTAL | | | 1,000,000 | |

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