



October 21, 2005

Index Rebalancing Forecast

S&P/TSX Canadian Bond Index

Summary of projected changes to the index due to October 31, 2005 rebalancing effects

The duration of the S&P/TSX Canadian Bond Index is projected to extend by 0.02 to 6.31 due to the October 31 rebalancing effects (Figure 1):

- The Broad Market Composite Index will experience a net increase of more than \$ 3.1 bn in face value on October 31, resulting in duration increasing by 0.02. The net increase is due to over \$4 bn in new issue activity along with less than \$1 bn dropping out of the index.
- On average over the last eight years a broad market composite index of the Canadian bond market has extended by 0.04 in total at the October 31 rebalancing, fluctuating within a range of 0.01 to 0.66.
- The weight of the long index will increase by 0.19%, to the detriment of the short and mid term indices, whose weights will decrease by 0.13% and 0.06%, respectively.
- The increase in the weight of the long index can be attributed mostly to an addition of over \$2 bn in face value (including the \$1.2 bn Royal Bank 12/31/15 issue), with rolls to mids from longs only amounting to \$135 mn face value. These rebalancing effects will cause a decrease in duration for the long index of -0.03, to 12.31.
- The short and mid indices will see a small increase in duration of 0.02 and 0.01, respectively.
- Figures 2 to 5 below illustrate the impact of the October 31 rebalancing on the broad, short, mid and long indices at the sectoral level.
- See Figure 6 on page 3 for details of projected changes to the index on a bond-by-bond basis.
- See Figure 7 on page 4 for details of projected October 31 index rolls on a bond-by-bond basis.

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Figure 1: Projected changes in index characteristics for October 31, 2005

S&P/TSX CANADIAN BOND INDEX: Projected changes						
INDEX	Weights (%)			Duration		
	20-Oct	31-Oct	Rebalance Effect ¹	20-Oct	31-Oct	Rebalance Effect ¹
BROAD COMPOSITE	100.00	100.00	0.00	6.31	6.29	0.02
SHORT TERM	45.99	45.98	-0.13	2.74	2.70	0.02
MID TERM	27.49	27.24	-0.06	5.97	5.94	0.01
LONG TERM	28.68	28.69	0.19	12.36	12.34	-0.03

1. The table shows current index characteristics and projected month-end characteristics for Oct 31. The "Rebalance effect" is the impact projected to occur from rebalancing GIVEN the projected October 31, 2005 index characteristics shown above.

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 0.24% shift in weight from the All Government to the All Corporate sector, with the former decreasing in weight to 73.72 and the latter increasing to 26.28

In the short index, the All Corporates sector will see an increase in weight, with the majority of that increase occurring in the Corporate AAA sector.

Within the All Governments sector, All Provincials had the largest decrease in weight, but the All Government sector was the only one to see an increase in duration.

In the mid index, the All Corporates sector will see a decrease in weight of -0.11%, with the Corporate AA sector being the major contributor to the decline. Corporate BBBs had an increase in both weight (0.13%) and duration (0.15).

In the long index, the All Governments sector will see a decrease in weight of -0.61%, with most of the accompanying increase in All Corporates coming from the Corporate A sector. This can be attributed mostly to the Royal Bank 4.87 12/31/15 new issue.

The long index will see a decrease in duration of -0.03.

Figure 2: Projected changes in broad index characteristics for October 31, 2005

S&P/TSX BROAD MARKET INDEX: Projected changes						
SECTOR	Weights (%)			Duration		
	20-Oct	31-Oct	Rebalance Effect ¹	20-Oct	31-Oct	Rebalance Effect ¹
COMPOSITE	100.00	100.00	0.00	6.31	6.29	0.02
ALL GOVERNMENTS	73.93	73.96	-0.24	6.55	6.52	-0.03
CANADA/AGENCIES	47.78	47.80	-0.14	5.78	5.75	0.00
ALL PROVINCIALS	24.08	24.09	-0.13	7.98	7.95	0.02
MUNICIPALS	2.06	2.06	0.03	7.72	7.69	0.03
ALL CORPORATES	26.07	26.04	0.24	5.64	5.63	0.06
CORPORATE AAA	3.42	3.41	0.18	3.45	3.43	0.06
CORPORATE AA	3.40	3.40	-0.04	5.25	5.22	0.04
CORPORATE A	14.86	14.85	0.04	6.28	6.26	0.06
CORPORATE BBB	4.39	4.38	0.06	5.51	5.49	0.19

1. The table shows current index characteristics and projected month-end characteristics for Oct 31. The "Rebalance effect" is the impact projected to occur from rebalancing GIVEN the projected October 31, 2005 index characteristics shown above.

Figure 3: Projected changes in short index characteristics for October 31, 2005

S&P/TSX SHORT TERM INDEX: Projected changes in:						
SECTOR	Weights (%)			Duration		
	20-Oct	31-Oct	Rebalance Effect ¹	20-Oct	31-Oct	Rebalance Effect ¹
COMPOSITE	100.00	100.00	0.00	2.73	2.70	0.02
ALL GOVERNMENTS	72.04	72.07	-0.22	2.74	2.71	0.00
CANADA/AGENCIES	57.49	57.52	-0.05	2.74	2.71	0.00
ALL PROVINCIALS	13.66	13.67	-0.17	2.69	2.66	0.02
MUNICIPALS	0.88	0.88	0.00	3.06	3.04	0.00
ALL CORPORATES	27.96	27.93	0.22	2.72	2.69	0.06
CORPORATE AAA	5.79	5.78	0.42	2.67	2.65	0.12
CORPORATE AA	4.10	4.10	0.04	2.77	2.74	0.07
CORPORATE A	13.53	13.51	-0.22	2.79	2.77	0.03
CORPORATE BBB	4.55	4.54	-0.02	2.50	2.48	0.06

1. The table shows current index characteristics and projected month-end characteristics for Oct 31. The "Rebalance effect" is the impact projected to occur from rebalancing GIVEN the projected October 31, 2005 index characteristics shown above.

Figure 4: Projected changes in mid index characteristics for October 31, 2005

S&P/TSX MID TERM INDEX: Projected changes in:						
SECTOR	Weights (%)			Duration		
	20-Oct	31-Oct	Rebalance Effect ¹	20-Oct	31-Oct	Rebalance Effect ¹
COMPOSITE	100.00	100.00	0.00	5.97	5.94	0.01
ALL GOVERNMENTS	72.14	72.17	0.11	6.00	5.97	0.00
CANADA/AGENCIES	42.07	42.09	-0.05	6.08	6.05	0.00
ALL PROVINCIALS	27.22	27.23	0.03	5.86	5.83	0.00
MUNICIPALS	2.85	2.85	0.13	6.22	6.20	0.08
ALL CORPORATES	27.86	27.83	-0.11	5.89	5.87	0.04
CORPORATE AAA	3.00	2.98	0.00	6.17	6.17	0.00
CORPORATE AA	3.62	3.61	-0.21	5.97	5.96	0.11
CORPORATE A	17.11	17.11	-0.02	5.75	5.73	0.00
CORPORATE BBB	4.14	4.13	0.13	6.18	6.16	0.15

1. The table shows current index characteristics and projected month-end characteristics for Oct 31. The "Rebalance effect" is the impact projected to occur from rebalancing GIVEN the projected October 31, 2005 index characteristics shown above.

Figure 5: Projected changes in long index characteristics for October 31, 2005

S&P/TSX LONG TERM INDEX: Projected changes in:						
SECTOR	Weights (%)			Duration		
	20-Oct	31-Oct	Rebalance Effect ¹	20-Oct	31-Oct	Rebalance Effect ¹
COMPOSITE	100.00	100.00	0.00	12.36	12.34	-0.03
ALL GOVERNMENTS	78.55	78.56	-0.61	12.60	12.57	0.00
CANADA/AGENCIES	37.25	37.26	-0.28	12.99	12.96	-0.01
ALL PROVINCIALS	38.03	38.04	-0.33	12.37	12.34	0.00
MUNICIPALS	3.27	3.27	-0.01	10.88	10.85	0.02
ALL CORPORATES	21.45	21.44	0.61	11.49	11.47	-0.07
CORPORATE AA	2.09	2.09	-0.02	11.94	11.91	0.00
CORPORATE A	15.01	15.00	0.50	11.85	11.84	-0.16
CORPORATE BBB	4.35	4.35	0.13	10.00	9.99	0.21

1. The table shows current index characteristics and projected month-end characteristics for Oct 31. The "Rebalance effect" is the impact projected to occur from rebalancing GIVEN the projected October 31, 2005 index characteristics shown above.

Figure 6 shows CIBC World Markets forecasted additions, deletions, net re-openings and other changes in the index on October 31, 2005.

Additions, along with reopening/repurchase activity, will add nearly \$3.6 bn in par to the index, which is four times the value of projected deletions from the index.

Figure 6: Projected changes in the composition of the index on October 31, 2005

Issue	Coupon (%)	Maturity	Par value (\$000's)	Market value weight		Sector
ADDITIONS						
DAIMLER CHRYSLER CAN FIN	4.18	20-Dec-07	150,000	0.02%	SHORT	CONSUMER DISCRETIONARY BBB
CARDS TRUST SERIES 1998	3.87	15-Oct-10	750,500	0.12%	SHORT	CONSUMER DISCRETIONARY AAA
ALGONQUIN CREDIT CARDS TR	3.99	15-Oct-10	397,500	0.06%	SHORT	CONSUMER DISCRETIONARY AAA
ALGONQUIN CREDIT CARDS TR	4.45	15-Oct-10	50,000	0.01%	SHORT	CONSUMER DISCRETIONARY AAA
ALGONQUIN CREDIT CARDS TR	4.80	15-Oct-10	52,500	0.01%	SHORT	CONSUMER DISCRETIONARY AAA
BC MUNICIPAL FINANCE	4.15	13-Oct-15	160,000	0.03%	MID	MUNICIPALS
TOROMONT IND.	4.92	13-Oct-15	125,000	0.02%	MID	CONSUMER DISCRETIONARY BBB
METRO INC	4.98	15-Oct-15	200,000	0.03%	MID	CONSUMER STAPLES BBB
METRO TORONTO	4.38	28-Oct-15	50,000	0.01%	MID	MUNICIPALS
ROYAL BANK	4.87	31-Dec-15	1,200,000	0.19%	LONG	FINANCIALS A
BRITISH COLUMBIA	5.60	1-Jun-18	200,000	0.04%	LONG	ALL PROVINCIALS
FARM CREDIT CORP	4.30	5-Oct-20	200,000	0.03%	LONG	CANADA/FEDERAL AGENCIES
BC MUNICIPAL FINANCE	4.60	2-Apr-26	50,000	0.01%	LONG	MUNICIPALS
METRO INC	5.97	15-Oct-35	400,000	0.06%	LONG	CONSUMER STAPLES BBB
TOTAL ADDITIONS			3,585,500	0.56%		
DELETIONS						
LAURENTIAN BANK	6.00	2-Oct-06	(280,000)	0.05%	SHORT	FINANCIALS BBB
NOVA SCOTIA	7.25	11-Oct-06	(243,463)	0.04%	SHORT	ALL PROVINCIALS
NEW BRUNSWICK	7.10	16-Oct-06	(200,000)	0.03%	SHORT	ALL PROVINCIALS
TRANSALTA UTILITIES	6.75	16-Oct-06	(100,000)	0.02%	SHORT	UTILITIES BBB
NATIONAL BANK OF CDA	7.50	17-Oct-06	(150,000)	0.02%	SHORT	FINANCIALS A
CIBC	7.00	23-Oct-06	(250,000)	0.04%	SHORT	FINANCIALS A
GEORGE WESTON LIMITED	5.25	24-Oct-06	(200,000)	0.03%	SHORT	CONSUMER STAPLES A
WELLS FARGO & CO	5.10	26-Oct-06	(200,000)	0.03%	SHORT	FINANCIALS AA
TOTAL DELETIONS			(900,000)	0.11%		
RE-OPENINGS/REPURCHASES						
CANADA	5.50	01-Jun-10	(304,290)	-0.05%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	4.00	01-Sep-10	300,000	0.05%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	9.00	01-Jun-25	(305,365)	-0.08%	LONG	CANADA/FEDERAL AGENCIES
CANADA	5.00	01-Jun-37	299,746	0.05%	LONG	CANADA/FEDERAL AGENCIES
QUEBEC HYDRO	6.00	15-Feb-40	500,000	0.09%	LONG	ALL PROVINCIALS
NET RE-OPENINGS			490,091	0.06%		
STRIPPING AND RECONSTITUTION						
CANADA	3.00	01-Jun-07	268,500	0.04%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	3.25	01-Dec-06	110,500	0.02%	SHORT	CANADA/FEDERAL AGENCIES
ONTARIO	5.60	02-Jun-35	90,000	0.02%	LONG	ALL PROVINCIALS
CANADA	9.00	01-Jun-25	85,750	0.02%	LONG	CANADA/FEDERAL AGENCIES
CANADA	9.50	01-Jun-10	81,650	0.02%	SHORT	CANADA/FEDERAL AGENCIES
ONTARIO	9.50	13-Jul-22	57,632	0.01%	LONG	ALL PROVINCIALS
CANADA	7.25	01-Jun-07	(437,550)	-0.08%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	7.00	01-Dec-06	(100,000)	-0.02%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	5.50	01-Jun-09	(84,152)	-0.01%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	5.50	01-Jun-10	(82,650)	-0.01%	SHORT	CANADA/FEDERAL AGENCIES
ONTARIO	7.60	02-Jun-27	(76,000)	-0.02%	LONG	ALL PROVINCIALS
QUEBEC HYDRO	6.50	15-Feb-35	(59,191)	-0.01%	LONG	ALL PROVINCIALS
BANK OF MTL	4.87	22-Apr-15	(55,000)	-0.01%	MID	FINANCIALS A
All Other			(49,000)	0.00%		
NET STRIPS AND RECONS			-943,543	-0.03%		
TOTAL			3,175,642	0.74%		

Figure 7 shows projected rolls between the long, mid and short indices as of October 31, 2005. Nearly three quarters of the value of rolls from the mid to the short sector is attributable to the \$300 mn Clarica Life Ins. issue.

Figure 7: Projected index rolls on October 31, 2005

Issue	Coupon (%)	Maturity	Par value (\$000's)	Sector
Rolls				
Mid to Short				
CLARICA LIFE INS. CO.	6.65	12-Oct-10	300,000	FINANCIALS AA
FORTIS INC.	7.40	25-Oct-10	100,000	UTILITIES BBB
UNION GAS	11.55	15-Oct-10	61,000	ENERGY BBB
TOTAL			461,000	
Long to Mid				
NOVA SCOTIA POWER INC.	8.40	23-Oct-15	60,000	UTILITIES BBB
P.E.I.	8.50	27-Oct-15	75,000	ALL PROVINCIALS
TOTAL			135,000	
TOTAL			596,000	

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