



September 22, 2005

Index Rebalancing Forecast

S&P/TSX Canadian Bond Index

Summary of projected changes to the index due to September 30, 2005 rebalancing effects

The duration of the S&P/TSX Canadian Bond Index is projected to extend by 0.02 to 6.43 due to the September 30 rebalancing effects (Figure 1).

- The Broad Market Composite Index will experience a net increase of more than \$ 6.8 bn face value on September 30, resulting in duration increasing by 0.02. The net increase is due to over \$9.4 bn in new issue activity along with \$2.6 bn bonds 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 0.05 in total given September 30 rebalancing effects, fluctuating within a range of -0.02 to +0.18.
- The weights of the Short and Long Term indices will increase by 0.56% and 0.04%, respectively, to the detriment of the Mid Term index whose weight will decrease by 0.60%.
- The decrease in the weight of the Mid Term index can be attributed mostly to rolls of over \$4.2 bn face value into the Short Term index. This rebalancing effect will contribute to an increase in duration for the Mid Term index of 0.06 to 6.03. Meanwhile, this same effect, along with new issue activity, will result in the Short Term index face value increasing by over \$8.1 bn and its duration increasing by 0.05 to 2.77.
- The Long Term index will see a small increase in duration of 0.01 to 12.51.
- Figures 2 to 5 below illustrate the impact of the September 30 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 September 30 index rolls on a bond-by-bond basis.

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Figure 1: Projected changes in index characteristics for September 30, 2005

INDEX	S&P/TSX CANADIAN BOND INDEX: Projected changes					
	Weights (%)			Duration		
	21-Sep	30-Sep	Rebalance Effect ¹	21-Sep	30-Sep	Rebalance Effect ¹
BROAD MARKET	100.00	100.00	0.00	6.43	6.41	0.02
SHORT TERM	44.82	44.82	0.56	2.76	2.72	0.05
MID TERM	27.49	27.24	-0.60	5.99	5.97	0.06
LONG TERM	28.94	28.94	0.04	12.52	12.50	0.01

1. The table shows current index characteristics and projected month-end characteristics for Sept 30. The "Rebalance effect" is the impact projected to occur from rebalancing GIVEN the projected September 30, 2005 index characteristics.

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

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

Within the Broad Market Index, there will be a 0.49% shift in the weight from the All Government to the All Corporate sector, with the former decreasing in weight to 73.59% and the latter increasing to 26.41%.

Within Governments, Canada/Agencies will see the largest change in weight with a decrease of 0.25%.

Within Corporates, A-rated Corps will see the greatest increase in weight of 0.28%.

In the Short Index, the All Corporate sector will see an increase in weight, with all of the accompanying decrease in governments coming from the All Provincials sector.

Within the All Corporate sector, lower rated Corps (A and BBB) will see an increase in weight to the detriment of higher rated Corps (AAA and AA).

In the Mid Index, the All Corporate sector will see an increase in weight of 0.86%, with most of the accompanying decrease in governments coming from the Canadas/Agencies sector.

In the Mid Index, duration in the All Government sector will increase by 0.06 while duration in the All Corporate sector will increase by 0.08.

In the Long Index, the All Corporate sector will see an increase in weight of 0.30%, with most of the accompanying decrease in governments coming from the Canadas/Agencies sector.

The Long Term index will see a small change duration.

Figure 2: Projected changes in Broad Index characteristics for September 30, 2005

S&P/TSX BROAD MARKET INDEX: Projected changes						
SECTOR	Weights (%)			Duration		
	21-Sep	30-Sep	Rebalance Effect ¹	21-Sep	30-Sep	Rebalance Effect ¹
COMPOSITE	100.00	100.00	0.00	6.43	6.41	0.02
ALL GOVERNMENTS	74.07	74.08	-0.49	6.69	6.67	-0.02
CANADA/AGENCIES	47.43	47.44	-0.25	5.96	5.93	0.00
ALL PROVINCIALS	24.55	24.55	-0.21	8.03	8.01	0.06
MUNICIPALS	2.09	2.09	-0.03	7.54	7.53	0.11
ALL CORPORATES	25.93	25.92	0.49	5.68	5.66	0.04
CORPORATE AAA	3.48	3.48	-0.02	3.53	3.50	0.00
CORPORATE AA	3.48	3.48	-0.03	5.31	5.30	0.04
CORPORATE A	14.75	14.75	0.28	6.35	6.33	0.01
CORPORATE BBB	4.22	4.21	0.27	5.41	5.39	0.17

1. The table shows current index characteristics and projected month-end characteristics for Sept 30. The "Rebalance effect" is the impact projected to occur from rebalancing GIVEN the projected September 30, 2005 index characteristics.

Figure 3: Projected changes in Short Index characteristics for September 30, 2005

S&P/TSX SHORT TERM INDEX: Projected changes in:						
SECTOR	Weights (%)			Duration		
	21-Sep	30-Sep	Rebalance Effect ¹	21-Sep	30-Sep	Rebalance Effect ¹
COMPOSITE	100.00	100.00	0.00	2.74	2.72	0.05
ALL GOVERNMENTS	71.56	71.57	-0.40	2.75	2.73	0.04
CANADA/AGENCIES	56.18	56.19	0.13	2.76	2.74	0.04
ALL PROVINCIALS	14.52	14.53	-0.58	2.72	2.70	0.04
MUNICIPALS	0.86	0.85	0.05	2.75	2.74	0.38
ALL CORPORATES	28.44	28.43	0.40	2.72	2.70	0.07
CORPORATE AAA	6.04	6.04	-0.10	2.75	2.73	0.00
CORPORATE AA	4.31	4.31	-0.11	2.80	2.78	0.05
CORPORATE A	13.48	13.48	0.48	2.76	2.74	0.11
CORPORATE BBB	4.60	4.61	0.13	2.51	2.49	0.06

1. The table shows current index characteristics and projected month-end characteristics for Sept 30. The "Rebalance effect" is the impact projected to occur from rebalancing GIVEN the projected September 30, 2005 index characteristics.

Figure 4: Projected changes in Mid Index characteristics for September 30, 2005

S&P/TSX MID TERM INDEX: Projected changes in:						
SECTOR	Weights (%)			Duration		
	21-Sep	30-Sep	Rebalance Effect ¹	21-Sep	30-Sep	Rebalance Effect ¹
COMPOSITE	100.00	100.00	0.00	5.99	5.97	0.06
ALL GOVERNMENTS	72.91	72.91	-0.86	6.03	6.01	0.05
CANADA/AGENCIES	43.05	43.06	-1.20	6.09	6.07	0.08
ALL PROVINCIALS	26.85	26.85	0.50	5.93	5.91	0.00
MUNICIPALS	3.01	3.00	-0.15	6.12	6.11	0.18
ALL CORPORATES	27.09	27.09	0.86	5.89	5.87	0.08
CORPORATE AAA	2.95	2.95	0.05	6.24	6.22	0.00
CORPORATE AA	3.56	3.56	0.07	6.06	6.04	0.00
CORPORATE A	16.99	16.99	0.18	5.81	5.79	0.02
CORPORATE BBB	3.58	3.58	0.56	5.80	5.79	0.46

1. The table shows current index characteristics and projected month-end characteristics for Sept 30. The "Rebalance effect" is the impact projected to occur from rebalancing GIVEN the projected September 30, 2005 index characteristics.

Figure 5: Projected changes in Long Index characteristics for September 30, 2005

S&P/TSX LONG TERM INDEX: Projected changes in:						
SECTOR	Weights (%)			Duration		
	21-Sep	30-Sep	Rebalance Effect ¹	21-Sep	30-Sep	Rebalance Effect ¹
COMPOSITE	100.00	100.00	0.00	12.52	12.50	0.01
ALL GOVERNMENTS	79.00	79.02	-0.30	12.76	12.74	0.01
CANADA/AGENCIES	37.85	37.85	-0.23	13.17	13.15	0.00
ALL PROVINCIALS	37.99	37.99	-0.04	12.52	12.50	0.02
MUNICIPALS	3.17	3.17	-0.02	10.77	10.75	0.00
ALL CORPORATES	21.00	20.98	0.30	11.63	11.62	0.02
CORPORATE AA	2.12	2.12	-0.01	12.09	12.08	0.00
CORPORATE A	14.68	14.68	0.12	12.02	12.01	0.03
CORPORATE BBB	4.19	4.18	0.19	10.04	10.04	0.06

1. The table shows current index characteristics and projected month-end characteristics for Sept 30. The "Rebalance effect" is the impact projected to occur from rebalancing GIVEN the projected September 30, 2005 index characteristics.

Figure 6 shows CIBC World Market's forecasted additions, deletions, net re-openings and other changes in the index on September 30, 2005.

Additions, along with reopening/repurchase activity, will add nearly \$9 bn in par to the index, which is over three times the value of deletions from the index.

Figure 6– Projected changes in the composition of the index on September 30, 2005

Issue	Coupon (%)	Maturity	Par value (\$000's)	Market value		Sector
				weight		
ADDITIONS						
HONG KONG BANK OF CDA	3.50	2-Sep-08	275,000,000	0.04%	SHORT	FINANCIALS A
DAIMLER CHRYSLER CAN FIN	4.10	12-Sep-08	500,000,000	0.08%	SHORT	FINANCIALS BBB
ENCANA CORP	3.60	15-Sep-08	500,000,000	0.08%	SHORT	ENERGY A
CITIGROUP FIN CDA	3.49	22-Sep-08	200,000,000	0.03%	SHORT	FINANCIALS AA
HONG KONG BANK OF CDA	3.50	1-Dec-08	400,000,000	0.06%	SHORT	FINANCIALS A
ALTAGAS SERVICES INC.	4.41	1-Sep-10	100,000,000	0.02%	SHORT	ENERGY BBB
CIBC	3.75	9-Sep-10	1,300,000,000	0.21%	SHORT	FINANCIALS A
CALLOWAY REIT	4.51	22-Sep-10	200,000,000	0.00%	SHORT	FINANCIALS BBB
CAMECO CORPORATION	4.70	16-Sep-15	300,000,000	0.05%	MID	ENERGY BBB
MOLSON COORS	5.00	22-Sep-15	900,000,000	0.14%	MID	CONSUMER STAPLES BBB
MONTREAL QUEBEC	4.00	30-Sep-15	58,470,000	0.01%	MID	MUNICIPALS
BELL CANADA	4.64	22-Feb-16	200,000,000	0.03%	LONG	TELECOMMUNICATION SERVICES A
UNION GAS	4.64	30-Jun-16	200,000,000	0.03%	LONG	ENERGY BBB
CANADIAN TIRE	5.61	4-Sep-35	200,000,000	0.03%	LONG	CONSUMER DISCRETIONARY BBB
AEROPORTS DE MONTREAL	5.17	17-Sep-35	300,000,000	0.05%	LONG	CONSUMER STAPLES A
NEW BRUNSWICK	4.65	26-Sep-35	250,000,000	0.04%	LONG	ALL PROVINCIALS
P.E.I.	4.65	19-Nov-37	100,000,000	0.02%	LONG	ALL PROVINCIALS
TOTAL ADDITIONS			5,133,470,000	0.75%		
DELETIONS						
ONTARIO	3.50	8-Sep-06	(956,499,000)	0.15%	SHORT	ALL PROVINCIALS
MERRILL LYNCH	4.00	12-Sep-06	(150,000,000)	0.02%	SHORT	FINANCIALS A
ROYAL BANK	6.50	12-Sep-06	(350,000,000)	0.06%	SHORT	FINANCIALS A
CANADA LIFE ASSURANCE CO	8.00	19-Sep-06	(250,000,000)	0.04%	SHORT	FINANCIALS A
WELLS FARGO & CO	6.40	22-Sep-06	(100,000,000)	0.02%	SHORT	FINANCIALS AA
BC MUNICIPAL FINANCE	7.25	25-Sep-06	(100,000,000)	0.02%	SHORT	MUNICIPALS
CITIGROUP FIN CDA	3.65	26-Sep-06	(200,000,000)	0.03%	SHORT	FINANCIALS AA
METRO TORONTO	7.40	27-Sep-06	(100,000,000)	0.02%	SHORT	MUNICIPALS
CANADA	14.00	1-Oct-06	(105,106,010)	0.02%	SHORT	CANADA/FEDERAL AGENCIES
PRECISION DRILLING	6.85	26-Jun-07	(200,000,000)	0.03%	SHORT	ENERGY BBB
PRECISION DRILLING	7.65	27-Oct-10	(150,000,000)	0.03%	MID	ENERGY BBB
TOTAL DELETIONS			(2,661,605,010)	0.28%		
RE-OPENINGS/REPURCHASES						
CANADA	2.75	01-Dec-07	3,400,000,000	0.54%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	4.25	01-Sep-08	(72,000,000)	-0.01%	SHORT	CANADA/FEDERAL AGENCIES
ONTARIO	4.40	19-Nov-08	250,000,000	0.04%	SHORT	ALL PROVINCIALS
CANADA	5.50	01-Jun-09	(393,000,000)	-0.07%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	5.50	01-Jun-10	(135,000,000)	-0.02%	SHORT	CANADA/FEDERAL AGENCIES
QUEBEC	5.00	01-Dec-15	500,000,000	0.09%	LONG	ALL PROVINCIALS
ONTARIO	5.60	02-Jun-35	500,000,000	0.09%	LONG	ALL PROVINCIALS
MONTREAL QUEBEC	6.00	01-Jun-43	250,000,000	0.05%	LONG	MUNICIPALS
NET RE-OPENINGS			4,300,000,000	0.56%		
STRIPPING AND RECONSTITUTION						
CANADA	7.25	01-Jun-07	102,400,000	0.02%	SHORT	CANADA/FEDERAL AGENCIES
QUEBEC HYDRO	11.00	15-Aug-20	56,690,909	0.02%	LONG	ALL PROVINCIALS
ONTARIO	5.60	02-Jun-35	(232,000,000)	-0.04%	LONG	ALL PROVINCIALS
CANADA	3.00	01-Jun-07	(183,000,000)	-0.03%	SHORT	CANADA/FEDERAL AGENCIES
QUEBEC HYDRO	6.50	15-Feb-35	(104,062,000)	-0.02%	LONG	ALL PROVINCIALS
QUEBEC HYDRO	6.00	15-Feb-40	(78,200,000)	-0.02%	LONG	ALL PROVINCIALS
CANADA	5.75	01-Jun-33	(59,544,000)	-0.01%	LONG	CANADA/FEDERAL AGENCIES
All Other			32,600,000	0.00%		
NET STRIPS AND RECONS			-465,115,091	-0.08%		
TOTAL			6,771,865,041	1.59%		

Figure 7 shows projected rolls between the long, mid and short indices as of September 30, 2005.

Three quarters of the value of rolls from the Mid to the Short index is attributable to the \$3.1 bn Canada Housing Trust issue.

Figure 7- Projected index rolls on September 30, 2005

Issue	Coupon (%)	Maturity	Par value (\$000's)	Sector
Rolls				
Mid to Short				
CANADA	8.75	1-Oct-10	105,706,000	CANADA/FEDERAL AGENCIES
CANADA HOUSING TRUST	3.55	15-Sep-10	3,100,000,000	CANADA/FEDERAL AGENCIES
CIBC	4.95	2-Sep-10	325,000,000	FINANCIALS A
ONTARIO SCHOOL BOARDS FIN	6.30	22-Sep-10	345,245,000	MUNICIPALS
PRECISION DRILLING	7.65	27-Oct-10	150,000,000	ENERGY BBB
SEARS CANADA INC	7.05	20-Sep-10	100,000,000	CONSUMER DISCRETIONARY BBB
SNC LAVALIN GROUP INC.	7.70	20-Sep-10	105,000,000	INDUSTRIALS BBB
TOTAL			4,230,951,000	
Long to Mid				
BC GAS UTILITY	11.80	30-Sep-15	75,000,000	UTILITIES A
TOTAL			75,000,000	
TOTAL			4,305,951,000	

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