



September 21, 2006

**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 September 2006 rebalancing effects

On the upcoming September 29 rebalancing date, the duration of the S&P/TSX Canadian Bond Index is projected to extend by 0.08 due to month-end rebalance effects (Figure 1), resulting in a projected duration of 6.53 at the close of September 29, 2006.

- The broad composite index will experience a net increase of over \$3 bn in par value due to rebalancing. The net increase results from more than \$15.6 bn in new bond issues and reopenings and over \$12.6 bn in face value leaving the index.
- On average over the last eight years, the broad market composite index has extended by 0.4 at the September month-end rebalancing, fluctuating within a range of -0.01 to +0.18.
- The mid index weight will decrease by 0.62%, due primarily to the roll out into the short index of the \$5 bn CHT September 2011 issue. In contrast, the short index will see an increase in weight of 0.59% and the long index will experience an increase in weight of 0.03%.
- Of note, four large issues will impact the short index: the deletion of the \$6.6 bn CHT 5.1 09/15/07, the \$ 6.35 bn reopening of the CHT 4.6 09/15/11, the \$3.4 bn reopening of the Canada 4.25 12/01/08, and the roll of the \$5 bn CHT 4.6 09/15/11 from the mid to short sector.
- Figures 2 to 5 below illustrate the impact of the September 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 September 29 index rolls on a bond-by-bond basis.

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

S&P/TSX CANADIAN BOND INDEX: Projected changes in weights (%)					
Sector	20-Sep	29-Sep	Time ¹	Rebalance ²	Total Change
BROAD COMPOSITE	100.00	100.00	0.00	0.00	0.00
SHORT TERM	45.24	45.83	0.00	0.59	0.59
MID TERM	24.48	23.86	-0.01	-0.62	-0.62
LONG TERM	30.28	30.31	0.00	0.03	0.03

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

S&P/TSX CANADIAN BOND INDEX: Projected changes in modified duration					
Sector	20-Sep	29-Sep	Time ¹	Rebalance ²	Total Change
BROAD COMPOSITE	6.47	6.53	-0.02	0.08	0.06
SHORT TERM	2.68	2.80	-0.02	0.15	0.12
MID TERM	6.03	6.10	-0.02	0.09	0.07
LONG TERM	12.49	12.51	-0.02	0.04	0.02

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

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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 0.34% from governments to corporates due to rebalancing. The provincials sector will have the biggest decrease, (i.e. -0.56%). Deletions of the \$2.7 bn Quebec 6.5 of '07 and the Ontario 6.13 of '07 are the largest contributors to this result.

As a result of rebalancing, governments will extend duration by 0.09, with the provincials sector being the largest contributor, with an increase of 0.24.

In the short index, the biggest increase in the government sector is the Canada/Agencies (i.e. 1.72%), which could be attributed to net reopenings. Provincials had the biggest decrease (i.e. -1.53%) and this was largely due to deletions.

Governments will extend duration by 0.19 at month end, with the biggest increases coming in provincials (i.e. 0.24) and Canada/Agencies (i.e. 0.17).

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

S&P/TSX CANADIAN BOND INDEX: Projected changes in weight in broad index					
Sector	20-Sep	29-Sep	Time ¹	Rebalance ²	Total Change
BROAD COMPOSITE	100.00	100.00	0.00	0.00	0.00
ALL GOVERNMENTS	72.63	72.30	0.01	-0.34	-0.33
CANADA/AGENCIES	45.10	45.27	0.01	0.16	0.17
ALL PROVINCIALS	25.43	24.87	0.00	-0.56	-0.56
MUNICIPALS	2.10	2.16	0.00	0.07	0.06
ALL CORPORATES	27.37	27.70	-0.01	0.34	0.33
CORPORATE AAA	3.63	3.67	0.00	0.04	0.05
CORPORATE AA	4.95	4.93	0.00	-0.02	-0.02
CORPORATE A	13.43	13.50	-0.01	0.08	0.07
CORPORATE BBB	5.36	5.59	-0.01	0.24	0.23

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S&P/TSX CANADIAN BOND INDEX: Projected changes in duration in broad index					
Sector	20-Sep	29-Sep	Time ¹	Rebalance ²	Total Change
BROAD COMPOSITE	6.47	6.53	-0.02	0.08	0.06
ALL GOVERNMENTS	6.80	6.87	-0.02	0.09	0.07
CANADA/AGENCIES	5.98	6.00	-0.02	0.04	0.01
ALL PROVINCIALS	8.20	8.41	-0.02	0.24	0.21
MUNICIPALS	7.45	7.44	-0.01	-0.01	-0.01
ALL CORPORATES	5.59	5.65	-0.02	0.08	0.06
CORPORATE AAA	3.32	3.28	-0.02	-0.02	-0.04
CORPORATE AA	4.52	4.54	-0.02	0.03	0.01
CORPORATE A	6.39	6.51	-0.02	0.14	0.12
CORPORATE BBB	6.09	6.09	-0.01	0.01	0.00

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

S&P/TSX CANADIAN BOND INDEX: Projected changes in weight in short index					
Sector	20-Sep	29-Sep	Time ¹	Rebalance ²	Total Change
SHORT COMPOSITE	100.00	100.00	0.00	0.00	0.00
ALL GOVERNMENTS	69.45	69.66	0.01	0.20	0.21
CANADA/AGENCIES	54.29	56.02	0.01	1.72	1.73
ALL PROVINCIALS	14.05	12.53	0.00	-1.53	-1.53
MUNICIPALS	1.11	1.11	-0.01	0.01	0.01
ALL CORPORATES	30.55	30.34	-0.01	-0.20	-0.21
CORPORATE AAA	6.16	6.19	0.00	0.03	0.03
CORPORATE AA	7.21	7.17	0.00	-0.04	-0.04
CORPORATE A	11.99	11.53	-0.01	-0.46	-0.47
CORPORATE BBB	5.19	5.46	0.00	0.27	0.27

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S&P/TSX CANADIAN BOND INDEX: Projected changes in duration in short index					
Sector	20-Sep	29-Sep	Time ¹	Rebalance ²	Total Change
SHORT COMPOSITE	2.68	2.80	-0.02	0.15	0.12
ALL GOVERNMENTS	2.70	2.86	-0.02	0.19	0.17
CANADA/AGENCIES	2.75	2.90	-0.02	0.17	0.15
ALL PROVINCIALS	2.47	2.69	-0.02	0.24	0.22
MUNICIPALS	2.97	3.01	-0.01	0.04	0.04
ALL CORPORATES	2.63	2.66	-0.02	0.05	0.03
CORPORATE AAA	2.57	2.54	-0.02	-0.01	-0.03
CORPORATE AA	2.64	2.68	-0.02	0.07	0.05
CORPORATE A	2.79	2.81	-0.02	0.04	0.02
CORPORATE BBB	2.35	2.46	-0.02	0.13	0.11

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In the mid index, governments will see a decrease in weight of 1.38%. The Canada/Agencies will see the largest decrease (i.e. -2.58%), largely due to the roll of the \$5 bn CHT 4.6 09/15/11 from the mid to the short sector.

The governments sector will see duration extend by 0.12, with the largest duration extensions occurring in the Canada/Agencies (i.e. 0.17) and the municipals (i.e. 0.15) sectors.

In the long index, governments will see a decrease in weight of 0.34%. The biggest decrease will occur in the Canada/Agencies sector (i.e. -0.34%).

The corporates sector will see duration increase by 0.12, with the biggest increase coming in the corporate A sector (i.e. 0.16). New issuance is the biggest contributor.

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

S&P/TSX CANADIAN BOND INDEX: Projected changes in weight in mid index					
Sector	20-Sep	29-Sep	Time ¹	Rebalance ²	Total Change
MID COMPOSITE	100.00	100.00	0.00	0.00	0.00
ALL GOVERNMENTS	70.34	68.98	0.02	-1.38	-1.36
CANADA/AGENCIES	39.09	36.53	0.02	-2.58	-2.56
ALL PROVINCIALS	28.58	29.42	0.00	0.84	0.84
MUNICIPALS	2.67	3.03	0.00	0.36	0.36
ALL CORPORATES	29.66	31.02	-0.02	1.38	1.36
CORPORATE AAA	3.44	3.52	0.00	0.07	0.08
CORPORATE AA	4.57	4.50	0.00	-0.07	-0.07
CORPORATE A	16.23	17.18	0.00	0.95	0.95
CORPORATE BBB	5.42	5.82	-0.02	0.42	0.40

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S&P/TSX CANADIAN BOND INDEX: Projected changes in duration in mid index					
Sector	20-Sep	29-Sep	Time ¹	Rebalance ²	Total Change
MID COMPOSITE	6.03	6.10	-0.02	0.09	0.07
ALL GOVERNMENTS	6.06	6.15	-0.02	0.12	0.10
CANADA/AGENCIES	6.16	6.31	-0.02	0.17	0.15
ALL PROVINCIALS	5.90	5.93	-0.02	0.05	0.03
MUNICIPALS	6.35	6.50	-0.01	0.15	0.14
ALL CORPORATES	5.96	5.98	-0.02	0.04	0.02
CORPORATE AAA	5.81	5.79	-0.02	0.00	-0.02
CORPORATE AA	6.33	6.38	-0.02	0.07	0.06
CORPORATE A	5.86	5.86	-0.02	0.02	0.00
CORPORATE BBB	6.04	6.15	0.00	0.10	0.10

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

S&P/TSX CANADIAN BOND INDEX: Projected changes in weight in long index					
Sector	20-Sep	29-Sep	Time ¹	Rebalance ²	Total Change
LONG COMPOSITE	100.00	100.00	0.00	0.00	0.00
ALL GOVERNMENTS	79.24	78.92	0.01	-0.34	-0.32
CANADA/AGENCIES	36.23	35.90	0.01	-0.34	-0.33
ALL PROVINCIALS	39.88	39.94	0.01	0.06	0.07
MUNICIPALS	3.13	3.07	0.00	-0.06	-0.06
ALL CORPORATES	20.76	21.08	-0.01	0.34	0.32
CORPORATE AA	1.89	1.87	0.00	-0.01	-0.01
CORPORATE A	13.31	13.60	-0.01	0.29	0.29
CORPORATE BBB	5.56	5.61	-0.01	0.06	0.05

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2. "Rebalance" is the change due to projected rebalancing effects on September 20.

S&P/TSX CANADIAN BOND INDEX: Projected changes in duration in long index					
Sector	20-Sep	29-Sep	Time ¹	Rebalance ²	Total Change
LONG COMPOSITE	12.49	12.51	-0.02	0.04	0.02
ALL GOVERNMENTS	12.71	12.71	-0.02	0.03	0.00
CANADA/AGENCIES	13.07	13.06	-0.02	0.01	-0.01
ALL PROVINCIALS	12.54	12.56	-0.02	0.04	0.02
MUNICIPALS	10.58	10.61	-0.02	0.04	0.02
ALL CORPORATES	11.65	11.75	-0.01	0.12	0.11
CORPORATE AA	11.76	11.75	-0.01	0.00	-0.01
CORPORATE A	11.75	11.90	-0.01	0.16	0.15
CORPORATE BBB	11.35	11.39	0.00	0.05	0.05

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2. "Rebalance" is the change due to projected rebalancing effects on September 20.

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 September 29, 2006 rebalancing.

Additions, along with reopening/repurchase activity, will add more than \$15.6 bn in par to the index. The reopening of the Canada 4.25 12/01/08 (\$3.4 bn) and the CHT 4.6 09/15/11 (\$6.35 bn) account for more than 60% of this amount. Just over \$12.3 bn in par will be dropping from the index, with the deletion of the \$6.6 bn CHT 5.1 09/15/07 representing over 50% of this amount. In total, the index par value will increase by over \$3 bn.

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

Issue	Coupon (%)	Maturity	Par value (\$000's)	Market value weight		Sector
ADDITIONS						
CDN CAP AUTO REC	4.40	17-Sep-08	200,000	0.03%	SHORT	FINANCIALS AAA
CDN CAP AUTO REC	4.45	17-Sep-09	200,000	0.03%	SHORT	FINANCIALS AAA
FIRST CAPITAL REALTY INC.	5.25	30-Mar-11	100,000	0.02%	SHORT	FINANCIALS BBB
WELLS FARGO & CO	4.45	13-Sep-11	300,000	0.05%	SHORT	FINANCIALS AA
BELL ALIANT	4.72	26-Sep-11	750,000	0.11%	SHORT	TELECOMMUNICATION SERVICES BBB
METRO TORONTO	4.20	27-Sep-11	100,000	0.02%	SHORT	MUNICIPALS
ALBERTA TREASURY BRANCH	4.10	1-Dec-11	200,000	0.03%	MID	ALL PROVINCIALS
FIRST CAPITAL REALTY INC.	5.49	1-Dec-11	100,000	0.02%	MID	FINANCIALS BBB
FIRST CAPITAL REALTY INC.	5.34	1-Apr-13	100,000	0.02%	MID	FINANCIALS BBB
ROYAL BANK	5.95	18-Jun-14	600,000	0.10%	MID	FINANCIALS A
BELL ALIANT	5.41	26-Sep-16	500,000	0.08%	MID	TELECOMMUNICATION SERVICES BBB
METRO TORONTO	4.50	27-Sep-16	100,000	0.02%	MID	MUNICIPALS
YORK REGION	4.50	28-Sep-16	300,000	0.05%	MID	MUNICIPALS
UNION GAS	5.46	11-Sep-36	165,000	0.03%	LONG	ENERGY BBB
ALTALINK LP	5.25	22-Sep-36	150,000	0.02%	LONG	UTILITIES A
TERASEN GAS	5.55	25-Sep-36	120,000	0.02%	LONG	UTILITIES A
BANK OF NOVA SCOTIA	5.65	31-Dec-36	750,000	0.11%	LONG	FINANCIALS A
TOTAL ADDITIONS			4,735,000	0.73%		
DELETIONS						
T-D BANK	5.20	4-Sep-07	(550,000)	0.08%	SHORT	FINANCIALS A
SASKATCHEWAN	5.00	6-Sep-07	(388,220)	0.06%	SHORT	ALL PROVINCIALS
ONTARIO	6.13	12-Sep-07	(1,400,985)	0.22%	SHORT	ALL PROVINCIALS
CANADA HOUSING TRUST	5.10	15-Sep-07	(6,637,750)	1.02%	SHORT	CANADA/FEDERAL AGENCIES
CITIGROUP FIN CDA	5.03	17-Sep-07	(300,000)	0.05%	SHORT	FINANCIALS AA
TRANS CDA PIPE	6.15	1-Oct-07	(150,000)	0.02%	SHORT	ENERGY A
NOVA ALBERTA CRP	11.95	1-Oct-07	(50,618)	0.01%	SHORT	ENERGY A
ALBERTA	5.65	1-Oct-07	(166,000)	0.03%	SHORT	ALL PROVINCIALS
QUEBEC	6.50	1-Oct-07	(2,787,400)	0.45%	SHORT	ALL PROVINCIALS
TOTAL DELETIONS			(12,430,973)	1.94%		
RE-OPENINGS/REPURCHASES						
CANADA	4.25	1-Sep-08	(350,000)	-0.05%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	4.25	1-Dec-08	3,400,000	0.53%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	4.25	1-Sep-09	(100,000)	-0.02%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	6.00	1-Jun-11	(25,000)	0.00%	SHORT	CANADA/FEDERAL AGENCIES
CANADA HOUSING TRUST	4.60	15-Sep-11	6,350,000	0.99%	SHORT	CANADA/FEDERAL AGENCIES
CANADA	5.25	1-Jun-12	(21,000)	0.00%	MID	CANADA/FEDERAL AGENCIES
CANADA	5.25	1-Jun-13	(385,000)	-0.06%	MID	CANADA/FEDERAL AGENCIES
CANADA	10.25	15-Mar-14	(47,701)	-0.01%	MID	CANADA/FEDERAL AGENCIES
CANADA	5.00	1-Jun-14	(50,000)	-0.01%	MID	CANADA/FEDERAL AGENCIES
MANITOBA	4.30	1-Mar-16	250,000	0.04%	MID	ALL PROVINCIALS
ONTARIO	4.40	8-Mar-16	500,000	0.08%	MID	ALL PROVINCIALS
CANADA	4.00	1-Jun-16	400,000	0.06%	MID	CANADA/FEDERAL AGENCIES
QUEBEC	4.50	1-Dec-16	500,000	0.08%	LONG	ALL PROVINCIALS
ONTARIO	4.70	2-Jun-37	500,000	0.08%	LONG	ALL PROVINCIALS
NET RE-OPENINGS			10,921,299	1.68%		
STRIPPING AND RECONSTITUTION						
ONTARIO	6.10	02-Dec-11	90,054	0.02%	MID	ALL PROVINCIALS
CANADA	5.75	01-Jun-33	81,100	0.02%	LONG	CANADA/FEDERAL AGENCIES
ONTARIO	6.20	02-Jun-31	59,000	0.01%	LONG	ALL PROVINCIALS
CANADA	9.00	01-Jun-25	(155,706)	-0.04%	LONG	CANADA/FEDERAL AGENCIES
CANADA	8.00	01-Jun-27	(121,700)	-0.03%	LONG	CANADA/FEDERAL AGENCIES
ONTARIO	4.40	02-Dec-11	(91,600)	-0.01%	MID	ALL PROVINCIALS
QUEBEC HYDRO	6.00	15-Feb-40	(76,000)	-0.01%	LONG	ALL PROVINCIALS
ALL OTHER			37,623	0.01%		
NET STRIPS AND RECONS			(177,229)	-0.05%		
TOTAL			3,048,097	4.31%		

Figure 7 shows projected rolls between the long, mid and short indices on September 29, 2006. Notably, the CHT 3.75 09/01/11 issue accounts for over 90% of the total par value of this roll.

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

Issue	Coupon (%)	Maturity	Par value (\$000's)	Sector
Rolls				
Mid to Short				
BANK OF NOVA SCOTIA	4.92	15-Sep-11	250,000	FINANCIALS AA
CANADA HOUSING TRUST	4.60	15-Sep-11	5,098,200	CANADA/FEDERAL AGENCIES
MANITOBA TELECOM	5.20	27-Sep-11	220,000	TELECOMMUNICATION SERVICES BBB
QUEBEC	9.50	2-Sep-11	361,975	ALL PROVINCIALS
QUEBEC HYDRO	10.00	26-Sep-11	487,213	ALL PROVINCIALS
BANK OF NOVA SCOTIA	4.92	15-Sep-11	250,000	FINANCIALS AA
TOTAL			6,667,388	
Long to Mid				
ALBERTA	5.93	16-Sep-16	439,397	ALL PROVINCIALS
BC GAS UTILITY	10.30	30-Sep-16	200,000	UTILITIES A
METRO TORONTO	8.00	27-Sep-16	64,028	MUNICIPALS
TOTAL			703,425	
TOTAL			7,370,814	

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