



Weekly Market Insight

May 9, 2008

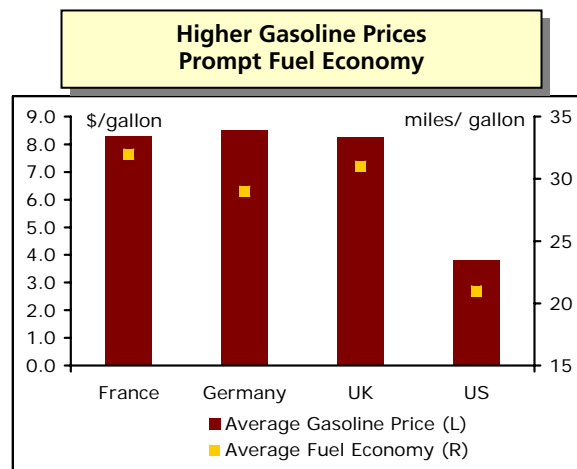
NORTH AMERICAN & INTERNATIONAL ECONOMIC HIGHLIGHTS

Raise, Don't Lower, the US Gasoline Tax

Clinton and McCain have rightly named the US federal tax on gasoline as a policy instrument worth looking at. But their call for a temporary holiday from that tax is 180 degrees in the wrong direction. If Washington wants to stem the billions of dollars leaking from its economy to the Hugo Chavezs and the Mahmoud Ahmadinejads of the world, it needs to raise its paltry 18 cent/gallon gas tax significantly.

Because one way or another, Americans, and the world's drivers in general, are going to pay more, much more, for gasoline in the years ahead. Rising incomes in developing Asia, Russia and the OPEC countries are putting millions of new drivers on the road each year. To ration a very slow growing world supply, prices at the pump are going to have to be high enough to induce steady annual reductions in consumption in the developed West. So the only issue is who will keep the associated increase in revenues per gallon from America's gasoline consumers —the US, or its foreign oil suppliers.

Oil exporters aside, Americans are among the least-taxed energy consumers. Europeans fill up at \$8-9/gallon and more than half of that is tax, and even diesel is much more expensive than in the US. It takes only a quick glance of the local streets to see the consequences in terms consumers' choices for vehicle sizes and fuel economy (Chart). A higher gasoline tax would depress US energy demand, and partially substitute for rising crude oil prices as a mechanism for helping to ration the limited world supply. True, the depressing impact on world crude prices would theoretically reduce incentives for further exploration and development. But how many projects are now on the drawing board that need a \$125/bbl target to get a green light?



Sources: US EIA (prices), World Resources Inst (fuel economy)

While a huge fuel tax would be a negative for consumer spending and the economy writ large, returning the gas tax revenues to the economy through the income tax system would offset that drag, while still retaining the incentives to conserve. The share raised from households could be matched by a refundable income tax credit, to ensure that those with incomes that are too low to pay personal income tax still benefit.

But for now, such a policy volte-face seems unlikely. Obama was cited for political courage in merely eschewing a call for a gasoline tax holiday. So instead of putting their own brakes on fuel consumption, Americans seem destined to let world crude prices and a huge import tab do it for them.

Avery Shenfeld
Senior Economist

International Stock Indexes

Thursday, May 08, 2008

Region/Country	Index	DAILY					52 WEEK				3-yr % chg
		High	Low	Close	Chg	% Chg - +	YTD % chg	High	Low	% Chg	
World											
World	DJ World Index	290.31	288.33	290.2	0.55	0.19	-3.5	320.33	261.44	-2.7	11.6
World	DJ World ex U.S.	264.25	261.84	263.97	0.06	0.02	-2.9	291.11	231.73	-0.2	15.7
World	MSCI EAFE*	n.a.	n.a.	2164.79	2.35	0.11	-3.9	2388.74	1913.54	-3.2	13.3
Asia Pacific											
Asia-Pacific	DJ Asia-Pacific	155	153.12	154.07	-0.38	-0.25	-2.5	172.49	133.78	-1.3	12.8
Australia	All Ordinaries	5811.6	5682.6	5800.9	43.1	0.75	-9.7	6853.6	5163.8	-8.7	13.8
Australia	S & P/ASX 200	5731.9	5590.6	5723.2	54.8	0.97	-9.7	6828.7	5086.1	-9.9	12.8
China	DJ CBN China 600	31001.37	29750.05	30993.79	778.1	2.58	-25.2	44631.83	26024.77	3.6	n.a.
China	Dow Jones China 88	342.18	329.99	342.04	6.67	1.99	-27.6	530.54	288.35	9	47.8
China	Shanghai Composite	3658.05	3523.03	3656.84	77.7	2.17	-30.5	6092.06	3094.67	-9.7	n.a.
Hong Kong	Hang Seng	25616.95	25353.51	25449.79	-160.42	-0.63	-8.5	31638.22	20293.76	22.7	22
India	Bombay Sensex	17212.61	17038.03	17080.65	-258.66	-1.49	-15.8	20873.33	13771.23	24	38.8
Indonesia	Jakarta Composite	2376.93	2345.87	2376.93	-5.77	-0.24	-13.4	2830.26	1908.64	16.1	30.6
Malaysia	Kuala Lumpur Composite	1287.39	1275.91	1280.35	-6.8	-0.53	-11.4	1516.22	1173.22	-5.6	12.4
New Zealand	NZSX-50	3625.6	3564.83	3625.6	28.78	0.8	-10.3	4333.24	3404.55	-14.7	7.5
Pakistan	KSE 100	14681.24	14328.37	14388.52	-66.77	-0.46	2.2	15676.34	11958.09	16.5	26.1
Philippines	Manila Composite	2762.41	2712.18	2760.62	21.19	0.77	-23.8	3873.5	2722.95	-17.4	13
Singapore	Straits Times	3201.21	3153.39	3171.88	-57.07	-1.77	-8.5	3831.19	2792.75	-6.2	15
South Korea	Kospi	1854.55	1830.46	1848	-6.01	-0.32	-2.6	2064.85	1574.44	15.5	25.2
Sri Lanka	Colombo Stock Exchange	2654.41	2642.73	2646.96	4.33	0.16	4.2	2700.19	2354.98	-2	11.8
Taiwan	Weighted	8880.71	8806.99	8866.62	-59.72	-0.67	4.2	9809.88	7408.4	9.5	14.1
Thailand	SET	856.81	846.96	850.17	1.46	0.17	-0.9	915.03	706.9	20.2	7.2
Japan	Nikkei Stock Avg	14036.31	13930.28	13943.26	-159.22	-1.13	-8.9	18261.98	11787.51	-21.4	7.6
Japan	Nikkei 300	281.6	278.58	278.58	-4.69	-1.66	-7.5	359.95	234.2	-19.8	8.4
Europe											
Europe	DJ Stoxx 600	329.65	327.36	329.28	-0.07	-0.02	-9.7	400.31	290.26	-15.1	7.9
Europe	DJ Stoxx 50	3285.53	3255.95	3275.63	-10.9	-0.33	-11.1	3998.93	2873.33	-15.2	4.2
Euro zone	DJ Euro Stoxx 50	3861.91	3829.93	3855.86	-15.9	-0.41	-12.4	4557.57	3431.82	-12.2	8.5
Euro zone	DJ Euro Stoxx	371.05	368.6	370.78	-1.22	-0.33	-10.6	442.87	328.12	-13	10.5
Austria	ATX	4370.08	4267.51	4294.89	-75.6	-1.73	-4.8	4981.87	3524.64	-8.2	19.2
Belgium	Bel-20	3882.29	3850.18	3873.16	-33.45	-0.86	-6.2	4756.82	3460	-17.1	7.7
Czech Republic	PX 50	1670.9	1646.9	1663.7	...	Closed	-8.3	1936.9	1405.1	-9.3	14.2
Denmark	OMX Copenhagen	418.62	409.03	417.23	5.56	1.35	-7	492.84	368.52	-11.3	13.9
Finland	OMX Helsinki	9936.06	9789.07	9838.19	-97.87	-0.98	-15.2	12656.77	9190.48	-7.9	13.5
France	CAC 40	5066.87	5025.21	5055.58	-19.73	-0.39	-9.9	6168.15	4431.04	-15.9	7.8
Germany	DAX	7073.45	7013.06	7071.9	-4.35	-0.06	-12.3	8105.69	6182.3	-4.6	17.9
Hungary	BUX	23325.06	22947.4	23138.21	-49.67	-0.21	-11.8	30118.12	21073.23	-11.8	11.8
Italy	S & P/MIB	34343	33888	34082	-465	-1.35	-11.6	44364	30371	-21.5	2.8
Netherlands	AEX	484.79	481.2	484.61	-0.69	-0.14	-6	561.9	415.92	-8.4	10.8
Norway	All-Shares	568.84	556.93	567.88	5.55	0.99	-0.4	605.05	442.79	4.5	27.5
Poland	WIG	47973.63	47631.15	47729.92	-534.4	-1.11	-14.2	67568.51	44509.36	-19.5	22.5
Portugal	PSI 20	11252.29	11189.32	11247.38	-46.69	-0.41	-13.6	13702.03	9814.88	-8.6	13.7
Russia	DJ Russia Titans 10	7231.79	6905.77	7231.79	313.66	4.53	-5.7	7920.96	6035.72	8.4	50.2
Russia	RTS Index	2284.01	2191.2	2283.99	82.5	3.75	-0.3	2359.85	1724.69	20.7	50.5
Spain	IBEX 35	14074	13881.3	14074	47.2	0.34	-7.3	15945.7	12254.6	-3.4	15
Sweden	SX All Share	329	325.84	329	0.02	0.01	-6.5	427.24	293.53	-18	11.6
Switzerland	Swiss Market	7611.49	7550.96	7586.15	-53.01	-0.69	-10.6	9531.46	6774.26	-19	8
Turkey	Istanbul National 100	43272.46	41982.37	42310.37	-962.09	-2.22	-23.8	58231.9	39015.44	-6.1	19.3
U.K.	FTSE 100	6273.3	6217	6270.8	9.8	0.16	-2.9	6732.4	5414.4	-3.9	8.4
U.K.	FTSE 250	10549.8	10376.8	10549.8	101.2	0.97	-1	12220.2	9260.6	-12.5	15.9
Americas											
Americas	DJ Americas	365.66	362.75	365.03	1.55	0.43	-3.2	399.86	330.4	-2.7	9.2
Argentina	Merval	2102.17	2083.56	2101.85	7.86	0.38	-2.32	2351.44	1833.71	0.2	13.7
Brazil	Sao Paulo Bovespa	69876.93	69013.56	69722.25	704.59	1.02	9.1	70195.27	48015.55	38.8	39.7
Canada	S & P/TSX Comp	14609.24	14371.53	14607.99	236.46	1.65	5.6	14625.76	12132.13	5.4	15.3
Chile	Santiago IPSA	2928.58	2914.55	2922.17	-2.26	-0.08	-4.2	3499.5	2427.11	-9.6	13.6
Mexico	IPC All-Share	30802.42	30586.91	30751.97	-10.19	-0.03	4.1	32836.12	25284.88	3.7	34.6
Venezuela	Caracas General	38174.92	37853.18	38174.92	82.75	0.22	0.7	43721.9	34172.43	-12.7	16.6
Other Countries											
Egypt	CASE 30	11697.4	11546.07	11546.38	-151.02	-1.29	9.4	11935.67	7410.72	51.3	n.a.
Israel	Tel Aviv	1101.96	1083.12	1087.02	...	Closed	-10.7	1237.13	964.38	-1.8	17.5
South Africa	Johannesburg All Share	32153.48	31710.92	32153.48	258.79	0.81	11	32153.48	25135.13	13.1	35.4

* Europe, Australia, Far East; U.S.-dollar terms

Three year percent change is annualized.

Sources: Reuters; WSJ.com

MARKET INDICES	May 8	a month ago	a year ago
S&P/TSX Composite	14607.99	13727.53	13915.36
S&P 500	1397.68	1365.54	1507.72
Dow Jones Industrial Average	12866.78	12576.4	13309.1

INTEREST / FX RATES	May 9	a month ago	a year ago
Prime Can (%)	4.75	5.25	6.00
Prime US (%)	5.00	5.25	8.25
30 Day BA Can (%)	3.200	3.612	4.36
3 month US T-Bill (%)	1.62	1.20	4.83
3 month Can T-Bill (%)	2.670	2.358	4.154
10yr US Bond (%)	3.749	3.46	4.616
10yr Can Bond (%)	3.59	3.56	4.16
10yr-2yr US Spread (bps)	155.10	171.80	-3.50
10yr-2yr Spread Can (bps)	84.00	87.00	-1.0
US\$/Cdn\$	0.9924	0.9785	1.1155
US\$/Euro	1.5433	1.5819	1.3500
Yen/US\$	103.09	100.91	119.66

INTERNATIONAL INTEREST RATES	May 9		
	3 mo LIBOR (%)	Spread vs US (bps)	a wk ago (Spread—bps)
United States	2.69	NA	NA
Canada	3.33	65	64
Euro-zone	4.85	217	209
Switzerland	2.78	9	4
Japan	0.91	-177	-185
Australia	7.81	512	501
	10 Year Bond (%)	Spread vs US (bps)	a wk ago (Spread—bps)
United States	3.75	NA	NA
Canada	3.59	-15.9	-23.9
Euro-zone	4.48	73.2	78.4
Switzerland	2.98	-77.0	-73.4
Japan	1.55	-219.5	-222.0
Australia	6.21	245.6	237.4

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