



Weekly Market Insight

July 3, 2009

NORTH AMERICAN & INTERNATIONAL ECONOMIC HIGHLIGHTS

What To Expect In the Second Half

If the economic theme of the first half of the year could be described as “stepping back from the abyss”, then the theme of the second half of the year is likely to be “inching towards recovery”. The last six months were exciting for all the wrong reasons as the global economy came close to falling into a depression and the American banking system teetered on the edge of systemic failure. Those worst-case scenarios did not come to pass giving a big boost to equities, and fuelling talk of a robust economic recovery. Unfortunately, the next six months are likely to be unexciting for all the wrong reasons as the economic recovery moves much slower, and less decisively, than many people expect.

Just as consumers are having to make due with less during these difficult times, investors will also have to learn to make due with less—less rosy economic data that is—as the initial euphoria over recent economic developments die down. As June’s US nonfarm payroll report illustrates, those that are counting on a linear economic recovery either in the US or in Canada are sure to be disappointed. The reality is that improvements on both sides of the border will come in fits and starts over the coming months with encouraging data followed by disappointing ones.

We expect both the US and Canadian economies to turn the corner in the fourth quarter of the year, but even if real GDP starts growing again the economy isn’t going to feel very healthy anytime soon. In both countries job losses will remain very elevated for an extended period of time and unemployment rates will keep climbing, past 10% in the US, and above 9% in Canada.

Although the weak labour market will ensure that consumers remain hobbled until at least the end of the year, the second half of 2009 will see government spending take on a much bigger role in the economy. This is especially true in the United States, where the government will be pumping out tens of billions in stimulus checks over the coming months. In fact, the latest personal income and spending figures already bear the deep imprint of the close to \$1 trillion American Recovery and Reinvestment Act, with personal income up 1.4% in May even as the compensation component of that measure fell 0.1%.

Fiscal stimulus will kick into high gear, even as monetary policy remains highly expansionary. According to the Bank of Canada its policy setting is on hold until at least the end of the second quarter of 2010, and probably even longer. Meanwhile, in the US the Fed has not given any explicit time frame to its current rate setting, but in a recent speech Federal Reserve Bank of San Francisco President Janet Yellen said that it is “not outside the realm of possibility that officials will leave the fed funds target rate near zero for the next several years.

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Market Snapshot

US	Current*	yesterday*	a week ago*	a month ago*	a year ago
TED SPREAD (bps)	40	43	44	50	100
10Y / 2Y SPREAD (bps)	251	251	243	273	145
2Y SWAP SPREAD (bps)	39	40	37	46	100
3M T-Bill (%)	0.16	0.15	0.16	0.13	1.79
LIBOR 1 MONTH (%)	0.30	0.30	0.31	0.32	2.46
LIBOR 3 MONTH (%)	0.56	0.58	0.60	0.63	2.79
2-YR BOND (%)	0.98	0.99	1.09	0.91	2.53
5-YR BOND (%)	2.42	2.45	2.55	2.49	3.28
10-YR BOND (%)	3.49	3.50	3.52	3.65	3.98
A Rated / 10Y TREASURY (bps)	273	275	271	299	208
B Rated / 10Y TREASURY (bps)	857	851	835	868	558
BB Rated / 10Y TREASURY (bps)	640	643	640	674	430
CANADA					
PRIME / BA SPREAD (bps)	185	185	185	186	159
CDOR 3 MONTH (%)	0.60	0.60	0.60	0.67	3.45
CDOR 3 MONTH / 3M T-BILL SPREAD (bps)	38	36	36	47	102
10Y / 2Y SPREAD (bps)	218	220	221	224	53
2-YR BOND (%)	1.18	1.18	1.22	1.16	3.21
5-YR BOND (%)	2.43	2.43	2.51	2.46	3.45
10-YR BOND (%)	3.36	3.38	3.43	3.41	3.75
A Rated / 10Y TREASURY (bps)	197	198	205	228	146
BBB Rated / 10Y TREASURY (bps)	261	261	269	306	266
CAN Sovereign Agency / 10Y TREASURY (bps)	55	54	58	59	57
Provincial / 10Y TREASURY (bps)					
ALTA	105	102	106	106	72
BC	105	105	109	111	71
MAN	101	103	108	110	76
NB	102	103	106	109	79
PEI	133	133	138	143	78
NFLD	139	139	144	154	82
ONT	114	114	117	123	76
QUE	122	122	127	132	82
SASK	102	102	104	124	72
NS	122	122	126	130	75
COMMODITIES					
WTI CRUDE FUTURE (US\$ / bbl.)	66.5	67.0	69.3	68.0	145.3
NATURAL GAS (US\$ / MMBtu)	3.7	3.7	3.8	3.7	13.6
SILVER (US\$ / t oz.)	13.5	13.3	14.1	15.6	18.3
GOLD (US\$ / t oz.)	933.5	929.3	943.0	974.2	933.6
WHEAT (US\$ / bu.)	500.3	504.3	532.0	639.8	872.8
SOYBEANS (US\$ / bu.)	1243.0	1253.0	1203.0	1203.8	1658.0
SUGAR (US\$ / lb.)	17.6	17.4	16.5	15.0	13.9
CORN (US\$ / bu.)	345.8	345.5	380.5	442.8	746.0
FX					
C\$ / US\$	1.158	1.158	1.156	1.097	1.018
US\$ / EURO	1.401	1.401	1.406	1.420	1.570
C\$ / EURO	1.622	1.622	1.625	1.558	1.599
YEN / US\$	96.010	96.145	95.310	96.322	106.730
US\$ / BRITISH POUND	1.633	1.633	1.648	1.623	1.983
SWISS FRANCS / US\$	1.086	1.085	1.086	1.067	1.026

* As of 11:00 a.m.

Note: Data is for reference only.

International Stock Indexes

Thursday, July 02, 2009

Region/Country	Index	DAILY					52 WEEK				3-yr % chg
		High	Low	Close	Chg	% Chg - +	YTD % chg	High	Low	% Chg	
World											
World	Global Dow	1651.48	1607.76	1608.29	-38.05	-2.31	5.4	2451.69	1139.9	-33.2	-4.2
World	Global Dow Euro	1097.02	1080.25	1080.34	-16.67	-1.52	4.5	1515.69	849.42	-25.1	-7.1
World	DJ World Index	187.18	182.42	182.43	-4.43	-2.37	6.1	263.02	130.29	-29.9	-9.5
World	DJ World ex U.S.	166.01	162.19	162.32	-3.2	-1.93	10.6	235.85	111.8	-30.8	-8.7
World	MSCI EAFE*	n.a.	n.a.	1295.15	-30.43	-2.3	4.7	1933.65	911.39	-32.5	-10.8
Asia Pacific											
Asia-Pacific	DJ Asia-Pacific	106.63	105.39	105.81	-0.13	-0.12	13.1	140.29	73.76	-23.1	-7.8
Australia	All Ordinaries	3907.7	3870.7	3875.2	2.9	0.07	5.9	5215.5	3111.7	-23.9	-8.4
Australia	S & P/ASX 200	3910.2	3872.8	3877.3	3.3	0.09	4.2	5144.1	3145.5	-22.4	-8.6
China	DJ CBN China 600	26073.65	25733.63	26065.1	332.35	1.29	76.5	26065.1	12886.57	17.6	30.4
China	Dow Jones China 88	288.67	284.01	288.21	4.24	1.49	76.2	288.21	149.53	20.1	33.1
China	Shanghai Composite	3062.56	3015.08	3060.25	52.1	1.73	68.1	3060.25	1706.7	13.2	22.3
Hong Kong	Hang Seng	18780.96	18053.1	18178.05	-200.68	-1.09	26.3	23134.55	11015.84	-14.4	3.8
India	Bombay Sensex	14764.35	14469.69	14658.49	13.02	0.09	51.9	15503.92	8160.4	11.9	11.4
Indonesia	Jakarta Composite	2085.45	2056.76	2065.75	5.87	0.28	52.4	2314.75	1111.39	-9.7	16.4
Malaysia	Kuala Lumpur Composite	1083.25	1075.06	1078.71	-0.69	-0.06	23	1163.09	829.41	-6.5	5.7
New Zealand	NZSX-50	2806.5	2767.55	2768.19	-12.18	-0.44	1.9	3378.89	2417.95	-10.5	-8.3
Pakistan	KSE 100	7505.28	7296.5	7498.34	227.62	3.13	27.8	12035.21	4815.34	-37.7	-9.1
Philippines	Manila Composite	2452.89	2436.81	2438.04	5.15	0.21	30.2	2768.52	1704.41	4.2	3.8
Singapore	Straits Times	2361.92	2313.89	2320.82	-31.73	-1.35	31.7	2978.98	1456.95	-19.4	-1.1
South Korea	Kospi	1419.15	1403.18	1411.48	-0.18	-0.01	25.5	1626.14	938.75	-12.1	2.9
Sri Lanka	Colombo Stock Exchange	2425.58	2407.92	2408.91	-9.82	-0.41	60.3	2480.6	1484.53	-0.5	4.4
Taiwan	Weighted	6686.7	6600.91	6667.53	88.56	1.35	45.2	7394.1	4089.93	-9.8	-0.2
Thailand	SET	602.45	582.58	586.42	-11.06	-1.85	30.3	743.03	384.15	-21	-4.7
Japan	Nikkei Stock Avg	9993.77	9869.54	9876.15	-63.78	-0.64	11.5	13603.31	7054.98	-25.5	-14
Japan	Nikkei 300	187.56	185.25	185.3	-1.03	-0.55	5.9	271.28	140.76	-30.1	-15.7
Europe											
Europe	DJ Stoxx 600	208.99	204.12	204.12	-5.34	-2.55	3.7	293.06	157.97	-27.9	-14
Europe	DJ Stoxx 50	2130.67	2075.97	2075.97	-60.03	-2.81	0.5	2962.67	1614.75	-27.8	-15
Euro zone	DJ Euro Stoxx 50	2441.94	2369.65	2369.65	-80.08	-3.27	-3.3	3446.66	1809.98	-28.9	-13.4
Euro zone	DJ Euro Stoxx	226.71	220.89	220.89	-6.45	-2.84	-0.9	325.45	169.38	-30.1	-13.6
Austria	ATX	2140.2	2086.67	2099.38	-40.29	-1.88	19.9	3865.12	1411.95	-45.7	-17.6
Belgium	Bel-20	2075.92	2038.05	2038.05	-35.93	-1.73	6.8	3211.59	1527.27	-34	-18.1
Czech Republic	PX 50	900.2	883.7	886.5	-12.5	-1.39	3.3	1478.2	628.5	-38.5	-13.9
Denmark	OMX Copenhagen	275.29	270	271.07	-4.28	-1.55	19.8	395.22	193.26	-28.8	-8.1
Finland	OMX Helsinki	5705.52	5601.77	5607.2	-110.23	-1.93	3.8	8664.12	4110.31	-32.9	-13.4
France	CAC 40	3200.62	3116.41	3116.41	-100.59	-3.13	-3.2	4539.07	2519.29	-28.3	-14.4
Germany	DAX	4891	4718.49	4718.49	-186.95	-3.81	-1.9	6609.63	3666.41	-25.7	-6
Hungary	BUX	15382.53	14947	15099.57	-326.41	-2.12	23.3	22511.25	9461.29	-24.8	-11
Italy	S & P/MIB	19443.18	18928.66	18928.66	-514.52	-2.65	-2.7	29557	12621	-34.9	-19.6
Netherlands	AEX	258.45	252.69	252.69	-7.6	-2.92	2.7	415.56	199.25	-38.1	-16.9
Norway	All-Shares	339.71	331.99	331.99	-6.31	-1.87	22.9	519.7	232.29	-35.6	-8.5
Poland	WIG	30794.76	30228.23	30252.24	-436.49	-1.42	11.1	42416.36	21274.28	-24.6	-9.4
Portugal	PSI 20	7231.87	7119.11	7119.11	-121.13	-1.67	12.3	8851.71	5743.09	-18.1	-9.2
Russia	DJ Russia Titans 10	4200.09	4034.59	4052.13	-147.55	-3.51	50.1	6897.92	2216.22	-41.1	-8.5
Russia	RTS Index	979.82	960.46	960.46	-17.48	-1.79	52	2223.48	498.2	-56.6	-13.7
Spain	IBEX 35	9922.3	9643.5	9643.5	-260.2	-2.63	4.9	12047.7	6817.4	-19.5	-5.8
Sweden	SX All Share	250.12	244.14	244.55	-5.6	-2.24	19.7	288.34	176.54	-10.8	-7.6
Switzerland	Swiss Market	5461.16	5353.52	5355.23	-117.71	-2.15	-3.2	7337.73	4307.67	-21.8	-11.2
Turkey	Istanbul National 100	37636.25	36891.93	37038.21	-207.65	-0.56	37.9	43259.37	21228.27	9.2	1.5
U.K.	FTSE 100	4340.7	4230.8	4234.27	-106.44	-2.45	-4.5	5636.6	3512.1	-22.7	-10.1
U.K.	FTSE 250	7506.78	7374.01	7374.01	-132.7	-1.77	15.9	9543.6	5491.46	-14.8	-7.9
Americas											
Americas	DJ Americas	241.73	234.83	234.83	-6.89	-2.85	3.9	339.55	172.41	-29.5	-9.4
Argentina	Merval	1609.52	1557.87	1561.94	-48.17	-2.99	44.7	2006.44	828.99	-21.8	-3
Brazil	Sao Paulo Bovespa	51538.3	50607.51	51024.94	-518.84	-1.01	35.9	62056.47	29435.11	-13.9	11.7
Canada	S & P/TSX Comp	10374.91	10217.13	10245.91	-129	-1.24	14	14143.57	7566.94	-27.6	-4.1
Chile	Santiago IPSA	3111.15	3077.09	3103.87	-2	-0.06	30.6	3257.89	2101.1	12.5	13.4
Mexico	IPC All-Share	24506.35	23956.85	24051.46	-472.55	-1.93	7.5	28551.25	16868.66	-15.5	7.9
Venezuela	Caracas General	44522.42	44417.04	44521.13	12.72	0.03	27.5	44669.07	33894.41	16.4	13.1
Other Countries											
Egypt	CASE 30	5965.06	5786.18	5965.06	262.19	4.6	29.8	9949.93	3389.31	-40	n.a.
Israel	Tel Aviv	871.42	860.43	862.67	-8.87	-1.02	31.7	1038.67	592.07	-16.3	2.6
South Africa	Johannesburg All Share	22710.16	22139.8	22174.13	-536.03	-2.36	3.1	28392.19	17814.42	-21.9	1.5

*Europe, Australia, Far East: U.S.-dollar terms
Three year percent change is annualized.
Sources: Reuters; WSJ.com

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