



Weekly Market Insight

July 23, 2010

NORTH AMERICAN & INTERNATIONAL ECONOMIC HIGHLIGHTS

Recent sentiment information from the US clearly shows that Americans are getting nervous about the coming six months. The AAll bull/bear indicators is now back to the level seen in 2009 and it is much the same for other sentiment readings such as Market Vane and the NAAIM. We already know that consumer confidence is on the decline and if you take a look at Google Trends you will find that the number of searches for the term "double dip" has surged.

The key question here is not what will trigger the softening in economic activity in the coming six months but what will drive growth during this period. It is clear that the inventory cycle and fiscal stimulus will not play any role in US overall economic activity in the coming 12 months and while business investment is still healthy, it accounts for less than 7% of the economy.

By now it is clear that the US housing market has at least 12 more months before it can initiate contribution to growth while the labour market is not showing any signs that it is about to recover anytime soon. Consumers continue to deleverage while banks are not in any mood to extend credit.

Accordingly, it is not unthinkable that Obama will have to rethink its fiscal exit strategy and will be forced to maintain some level of stimulus in the coming 12 months in order to prevent a double dip. Same goes for the Fed. While Bernanke is starting to talk about his exit strategy, the reality is that the Fed is already back in the MBS market after announcing that it has completed its operation in that market in March of this year. In fact, it is very possible that the Fed will toy again with some limited measures of quantitative easing in the coming few quarters just to keep things going. In this context, it is hard to see the Fed touching interest rates before the third or fourth quarter of 2011.

While all the above will not prevent the Bank of Canada from its tightening monetary policy, however, it will impact how high the Bank can go. The Bank is indicating that it is willing to continue to raise rates but at the same time, it is clear that the Bank is not blind to what is happening around it. A slowing US economy; uncertainty regarding Europe; a slowing Chinese economy and a rapidly cooling real estate market here at home, all will work to limit rate increases this year, with the bank rate projected to reach only 1.25% by year-end.

Benjamin Tal

Market Snapshot

US	Current*	yesterday*	a week ago*	a month ago*	a year ago
TED SPREAD (bps)	35	35	38	43	32
10Y / 2Y SPREAD (bps)	238	236	235	243	265
2Y SWAP SPREAD (bps)	24	21	23	36	44
3M T-Bill (%)	0.14	0.15	0.14	0.11	0.18
LIBOR 1 MONTH (%)	0.33	0.33	0.34	0.35	0.29
LIBOR 3 MONTH (%)	0.49	0.50	0.52	0.54	0.50
2-YR BOND (%)	0.56	0.58	0.59	0.68	1.01
5-YR BOND (%)	1.67	1.69	1.70	1.91	2.54
10-YR BOND (%)	2.94	2.93	2.94	3.11	3.66
A Rated / 10Y TREASURY (bps)	170	165	178	181	255
B Rated / 10Y TREASURY (bps)	680	671	673	659	833
BB Rated / 10Y TREASURY (bps)	456	451	457	448	621
CANADA					
PRIME / BA SPREAD (bps)	187	187	168	183	185
CDOR 3 MONTH (%)	0.94	0.94	0.88	0.83	0.60
CDOR 3 MONTH / 3M T-BILL SPREAD (bps)	33	33	33	26	36
10Y / 2Y SPREAD (bps)	164	166	159	161	221
2-YR BOND (%)	1.57	1.55	1.61	1.62	1.32
5-YR BOND (%)	2.41	2.40	2.44	2.54	2.65
10-YR BOND (%)	3.21	3.21	3.19	3.24	3.53
A Rated / 10Y TREASURY (bps)	129	119	132	135	166
BBB Rated / 10Y TREASURY (bps)	187	179	193	199	228
CAN Sovereign Agency / 10Y TREASURY (bps)	41	28	48	52	54
Provincial / 10Y TREASURY (bps)					
ALTA	72	58	75	80	91
BC	92	81	96	96	95
MAN	84	72	88	93	93
NB	92	82	95	95	93
PEI	105	95	110	110	123
NFLD	112	103	117	114	117
ONT	99	88	105	108	105
QUE	103	92	110	113	111
SASK	104	93	104	104	96
NS	103	90	106	106	112
COMMODITIES					
WTI CRUDE FUTURE (US\$ / bbl.)	78.7	78.3	75.5	75.8	66.9
NATURAL GAS (US\$ / MMBtu)	4.6	4.7	4.5	4.8	3.6
SILVER (US\$ / t oz.)	18.1	18.2	17.8	18.4	13.8
GOLD (US\$ / t oz.)	1196.8	1197.6	1186.2	1228.4	952.1
WHEAT (US¢ / bu.)	594.8	600.0	590.8	465.8	525.5
SOYBEANS (US¢ / bu.)	1013.5	1021.8	1018.8	962.8	1023.5
SUGAR (US¢ / lb.)	18.4	18.0	17.1	16.5	18.4
CORN (US¢ / bu.)	377.5	383.0	392.5	349.8	322.5
FX					
C\$ / US\$	1.040	1.039	1.053	1.044	1.083
US\$ / EURO	1.284	1.292	1.294	1.224	1.419
C\$ / EURO	1.335	1.342	1.363	1.277	1.537
YEN / US\$	87.330	87.110	86.330	90.150	94.730
US\$ / BRITISH POUND	1.538	1.527	1.534	1.489	1.641
SWISS FRANCS / US\$	1.051	1.041	1.046	1.111	1.073

* As of 11:00 a.m.

Note: Data is for reference only.

International Stock Indexes

Thursday, July 22, 2010

Index (Regiona/Country)	DAILY					% Chg - +	YTD % chg	52 WEEK			3-yr % chg
	High	Low	Close	Chg				High	Low	% Chg	
Global											
The Global Dow (World)	1829.16	1784.95	1824.73	36.24		2.03	-8	2087.12	1699.63	4.8	-11.2
The Global Dow (Euro) (World)	1334.89	1322.25	1331.14	17.33		1.32	2.2	1448.65	1150.17	15.7	-9.2
DJ Global Index (World)	218.38	213.44	218	3.95		1.85	-3.9	327.69	196.8	10.7	-11.2
DJ Global ex U.S. (World)	189.95	186.06	189.79	2.81		1.5	-5.6	210.96	170.93	9.2	-12.1
MSCI EAFE* (World)	n.a.	n.a.	1445.68	25.33		1.78	-8.5	1642.2	1305.13	4.3	-14.6
Asia Pacific											
DJ Asia-Pacific (Asia-Pacific)	119.53	118.84	119.33	-0.03	-0.03		-3	132.22	109.35	9.1	-10.6
All Ordinaries (Australia)	4430.8	4394.8	4394.8	-33.92	-0.77		-10	5024.1	4072.6	7.9	-12
S & P/ASX 200 (Australia)	4414.3	4374.7	4374.65	-38.1	-0.86		-10.2	5001.9	4064.1	7.6	-12
DJ CBN China 600 (China)	23236.36	22828.88	23234.06	290.66		1.27	-20	29890.92	20950.68	-19.1	-9.2
Dow Jones China 88 (China)	228.07	224.21	227.82	2.49		1.11	-24.4	327.69	208.48	-27.3	-13.2
Shanghai Composite (China)	2563.24	2522.2	2562.41	27.01		1.07	-21.8	3471.44	2363.95	-23	-14.2
Hang Seng (Hong Kong)	20592.46	20384.73	20589.7	102.47		0.5	-5.9	22943.98	18985.5	3.9	-4
Bombay Sensex (India)	18127.9	17879.88	18113.15	135.92		0.76	3.7	18113.15	14784.92	18.9	5.2
Jakarta Composite (Indonesia)	3019.01	2997.31	3009.92	-3.48	-0.12		18.8	3013.4	2160.72	39.3	8.4
Nikkei 300 (Japan)	167.5	166.41	167.21	-0.71	-0.42		-9.6	202.75	164.24	-8.4	-22.4
Nikkei Stock Avg (Japan)	9254.19	9176.12	9220.88	-57.95	-0.62		-12.6	11339.3	9081.57	-5.8	-20.2
Topix Index (Japan)	827.43	822.02	825.48	-3.87	-0.47		-9	998.9	811.01	-9.2	-22.5
Kuala Lumpur Composite (Malaysia)	1339.98	1332.92	1336.05	-4.97	-0.37		5	1346.92	1152.15	16	-1.1
NZSX-50 (New Zealand)	3003.41	2981.28	2981.36	-22.05	-0.73		-7.7	3335.51	2918.63	2.1	-11.6
KSE 100 (Pakistan)	10289.79	10210.69	10228.86	-5.17	-0.05		9	10677.47	7491.76	30.1	-8.5
Manila Composite (Philippines)	3422.2	3402.3	3414.9	-3.81	-0.11		11.9	3472.33	2612	30.7	-3
Straits Times (Singapore)	2955.67	2928.46	2955.67	29.58		1.01	2	3019.74	2484.9	18.9	-6.2
Kospi (South Korea)	1752.58	1732.49	1735.53	-13.25	-0.76		3.1	1758.01	1496.49	16	-4.4
Colombo Stock Exchange (Sri Lanka)	4878.73	4845.89	4849.17	-8.4	-0.17		43.2	4857.57	2480.56	95.5	26.7
Weighted (Taiwan)	7718.92	7665.78	7666.34	-34.95	-0.45		-6.4	8356.89	6654.8	9.8	-7.2
SET (Thailand)	836.66	824.98	833.01	2.08		0.25	13.4	833.01	612.19	36.1	-0.7
Europe											
Stoxx Europe 600 (Europe)	254.67	248.19	254.37	5.13		2.06	0.5	272.14	218.54	15.7	-13.5
Stoxx Europe 50 (Europe)	2468.46	2403.99	2463.26	49.8		2.06	-4.5	2711.84	2240.95	9.5	-14.3
Euro Stoxx 50 (Euro zone)	2718.35	2623.25	2714.21	74.69		2.83	-8.5	3017.85	2488.5	5	-15.2
Euro Stoxx (Euro zone)	259.97	251.58	259.73	6.76		2.67	-5.5	284.91	237.16	8.9	-15.6
ATX (Austria)	2413.97	2331.96	2413.19	74.09		3.17	-3.3	2795.32	2177.97	10.8	-20.7
Bel-20 (Belgium)	2504.65	2439.96	2501.41	49.48		2.02	-0.4	2716.7	2108.78	16.8	-18.3
PX 50 (Czech Republic)	1170.2	1155.6	1169.8	9.5		0.82	4.7	1314.6	957.2	22.2	-14.2
OMX Copenhagen (Denmark)	381.32	376.36	381.14	4.31		1.14	20.7	392.6	283.73	32.8	-8
OMX Helsinki (Finland)	6584.75	6450.38	6574.77	103.24		1.6	1.8	7452.62	5643.78	16.1	-17.1
CAC 40 (France)	3604.9	3469.47	3600.57	106.65		3.05	-8.5	4065.65	3330.97	6.7	-15.5
DAX (Germany)	6148.13	5961.86	6142.15	151.77		2.53	3.1	6332.1	5174.74	17.1	-8
BUX (Hungary)	22338.84	22020.8	22277.18	-25.88	-0.12		4.9	25322.96	16481.39	34.7	-9.2
FTSE MIB (Italy)	20710.12	19991.46	20694.26	556.34		2.76	-11	24425.98	18382.71	2.2	-20.7
AEX (Netherlands)	335.25	324.55	335.2	8.84		2.71	-0.04	357.43	274.24	21.4	-15.5
All-Shares (Norway)	409.87	398.41	409.77	8.97		2.24	-2.5	444.01	337.46	17.9	-12
WIG (Poland)	42158.92	41376.74	42158.92	595		1.43	5.4	44078.65	33529.5	25.7	-13.6
PSI 20 (Portugal)	7289.09	7095.7	7289.09	161.8		2.27	-13.9	8882.69	6624.29	-0.1	-18.9
DJ Russia Titans 10 (Russia)	5478.58	5333.46	5472.68	103.56		1.93	-1.8	6071.02	4172.09	26.6	-8.5
RTS Index (Russia)	1445.37	1442.46	1442.62	24.9		1.76	1.1	1676.27	973.78	47.8	-11.3
IBEX 35 (Spain)	10334.7	9967.8	10302.9	262.1		2.61	-13.7	12222.5	8669.8	-0.6	-11.6
SX All Share (Sweden)	330.56	322.6	330.32	6.57		2.03	10.3	337.54	261.16	23.8	-7.6
Swiss Market (Switzerland)	6218.67	6101.55	6194.18	61.52		1	-5.4	6967.56	5760.9	7.4	-12.1
Istanbul National 100 (Turkey)	60112.01	59303.61	59919.48	424.81		0.71	13.4	59919.48	38901.97	54	4.2
FTSE 100 (U.K.)	5319.5	5181	5313.81	99.17		1.9	-1.8	5825	4528.8	16.5	-6.9
FTSE 250 (U.K.)	10003.18	9804.41	10003.18	156.88		1.59	7.5	10690.08	7731.16	26.8	-5.4
Americas											
DJ Americas (Americas)	293.18	285.52	292.28	6.51		2.28	-1.4	324.75	255.55	14	-9.2
Merval (Argentina)	2373.06	2329.7	2359.73	32.38		1.39	1.7	2487.76	1655.68	40.5	1.2
Sao Paulo Bovespa (Brazil)	66212.79	64503.73	65748.1	1271.26		1.97	-4.1	71784.77	53734.53	21.2	4.6
S & P/TSX Comp (Canada)	11667.95	11513.37	11667.76	154.43		1.34	-0.7	12280.97	10455.33	9.3	-7.2
Santiago IPSA (Chile)	4328.86	4286.37	4304	17.86		0.42	20.2	4304	3132.55	32.9	8.5
IPC All-Share (Mexico)	32720.76	32135.19	32720.76	611.77		1.91	1.9	34134.23	26516.5	22.1	0.8
Caracas General (Venezuela)	64250.07	64137.59	64137.59	-112.48	-0.18		16.5	66061.09	45646.75	40.5	15.7
Other Countries											
CASE 30 (Egypt)	6030.34	5951.24	6029.03	61.5		1.03	-2.9	7603.04	5850.38	1.4	-10.7
Tel Aviv (Israel)	1119.54	1102.2	1118.51	8.38		0.75	-2.3	1237.85	915.44	22.2	-1.2
Johannesburg All Share (South Africa)	28292.16	27649.87	28274.03	440.51		1.58	2.2	29565.1	23589.29	18.2	-1.6

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

Three year percent change is annualized.

Sources: Reuters; WSJ.com

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