



# Weekly Market Insight

July 30, 2010

## NORTH AMERICAN & INTERNATIONAL ECONOMIC HIGHLIGHTS

### What's Taking So Long?

Concerns about the US all come down to one big worry—jobs. If hiring had picked up, as it did within months after the end of recessions prior to the 90s, we would have had the income growth needed to raise the savings rate, cover tax hikes and have something left over for spending. But it really hasn't. Instead, we seem to be following the pattern evident after US recessions of the past two decades, in which it took two to three years for hiring to gain serious momentum (Chart). Why, then, have these recent cycles been so different?

In part, it reflects a change in the nature of job losses. Temporary layoffs now account for a much smaller share of recessionary employment declines than they did prior to 1990. The globalized nature of today's economy has meant that recessionary earnings pressures often see businesses accelerate shifts in production locations, including those involving overseas plants, leading to more permanent shutdowns during the downturns. Furloughs have also not been as customary in the service sector, which has gained in its share of total US employment over the past few decades.

Furloughed workers are ready to be quickly recalled when demand picks up, without needing to go through the adjustment process of relocating or changing skills. Those frictions lead to a slower process in re-employing workers when their job loss was from a permanent shutdown, as is more often the case these days.

But that's not the whole story, because it's not as if there has been a groundswell of unfilled job vacancies. Perhaps the technology investments in recent decades have businesses under-appreciating how lean they can run. It's only under the profit pressures of a recession that they uncover all of the labour saving opportunities, so that rehiring doesn't have to coincide as directly with an output recovery.

Finally, in this cycle, we have the particular role played by the unprecedented slump in home building, and the inability of the traditional weapon, low interest rates, to reignite activity in the face of the huge inventory of foreclosed properties, an indebted household sector, and weakened financial intermediation. In Canada, where those factors have weighed less if at all, construction employment is nearly back to its pre-recession peak.

In the US, there are nearly three times as many employees in residential construction and related trades as there would typically be with this level of housing starts. So building could pick up without much hiring as the existing workforce simply extends its weekly hours. One more reason why it could be a long, long road back to full employment.



## Market Snapshot

US	Current*	yesterday*	a week ago*	a month ago*	a year ago
TED SPREAD (bps)	30	32	35	37	31
10Y / 2Y SPREAD (bps)	236	239	238	233	241
2Y SWAP SPREAD (bps)	18	15	24	36	36
3M T-Bill (%)	0.15	0.15	0.14	0.16	0.17
LIBOR 1 MONTH (%)	0.31	0.31	0.33	0.35	0.28
LIBOR 3 MONTH (%)	0.45	0.47	0.49	0.53	0.48
2-YR BOND (%)	0.56	0.59	0.56	0.63	1.15
5-YR BOND (%)	1.62	1.66	1.67	1.81	2.59
10-YR BOND (%)	2.93	2.98	2.94	2.97	3.56
A Rated / 10Y TREASURY (bps)	175	167	170	175	253
B Rated / 10Y TREASURY (bps)	687	681	680	659	786
BB Rated / 10Y TREASURY (bps)	453	447	456	453	602
<b>CANADA</b>					
PRIME / BA SPREAD (bps)	186	186	187	183	185
CDOR 3 MONTH (%)	0.99	0.98	0.94	0.84	0.60
CDOR 3 MONTH / 3M T-BILL SPREAD (bps)	34	33	33	34	36
10Y / 2Y SPREAD (bps)	165	163	164	165	205
2-YR BOND (%)	1.49	1.56	1.57	1.44	1.45
5-YR BOND (%)	2.32	2.39	2.41	2.36	2.65
10-YR BOND (%)	3.14	3.19	3.21	3.09	3.50
A Rated / 10Y TREASURY (bps)	136	133	129	129	168
BBB Rated / 10Y TREASURY (bps)	188	191	187	190	221
CAN Sovereign Agency / 10Y TREASURY (bps)	49	45	41	42	62
Provincial / 10Y TREASURY (bps)					
ALTA	71	69	72	71	92
BC	94	90	92	89	97
MAN	83	81	84	84	94
NB	91	88	92	90	93
PEI	108	104	105	100	125
NFLD	114	110	112	110	120
ONT	100	98	99	100	106
QUE	108	104	103	106	112
SASK	106	103	104	100	96
NS	107	101	103	98	114
<b>COMMODITIES</b>					
WTI CRUDE FUTURE (US\$ / bbl.)	77.6	78.7	78.7	72.7	67.2
NATURAL GAS (US\$ / MMBtu)	4.9	4.8	4.6	4.8	3.7
SILVER (US\$ / t oz.)	18.0	17.7	18.1	17.7	13.5
GOLD (US\$ / t oz.)	1175.0	1164.3	1196.8	1205.6	939.7
WHEAT (US¢ / bu.)	640.8	626.0	594.8	483.0	520.5
SOYBEANS (US¢ / bu.)	1042.8	1020.0	1013.5	953.5	1127.0
SUGAR (US¢ / lb.)	19.5	19.4	18.4	16.4	18.5
CORN (US¢ / bu.)	385.3	382.8	377.5	362.3	335.0
<b>FX</b>					
C\$ / US\$	1.031	1.036	1.040	1.062	1.081
US\$ / EURO	1.304	1.308	1.284	1.259	1.416
C\$ / EURO	1.344	1.354	1.335	1.337	1.531
YEN / US\$	86.680	86.940	87.330	87.750	95.330
US\$ / BRITISH POUND	1.567	1.560	1.538	1.520	1.654
SWISS FRANCS / US\$	1.045	1.039	1.051	1.065	1.080

\* As of 11:00 a.m.

Note: Data is for reference only.

## International Stock Indexes

Thursday, July 29, 2010

Index (Regiona/Country)	DAILY					52 WEEK			3-yr % chg	
	High	Low	Close	Chg	% Chg - +	YTD % chg	High	Low		% Chg
<b>Global</b>										
The Global Dow (World)	1879.86	1851.66	1860.09	-0.83	-0.04	-6.3	2087.12	1699.63	5.5	-9.2
The Global Dow (Euro) (World)	1351.1	1333.86	1338.53	-7.8	-0.58	2.8	1448.65	1171.86	13.4	-7.9
DJ Global Index (World)	223.92	220.77	221.8	-0.06	-0.03	-2.3	242.2	199.17	11.1	-9.1
DJ Global ex U.S. (World)	195.86	193.57	194.5	0.52	0.27	-3.3	210.96	170.93	10.1	-9.7
MSCI EAFE* (World)	n.a.	n.a.	1485.63	3.07	0.21	-6	1642.2	1305.13	5.3	-12.2
<b>Asia Pacific</b>										
DJ Asia-Pacific (Asia-Pacific)	123.61	122.67	123.36	0.31	0.25	0.3	132.22	111.94	9.9	-8.4
All Ordinaries (Australia)	4542.7	4517.6	4536.2	-5.93	-0.13	-7.1	5024.1	4195.9	8.1	-9.5
S & P/ASX 200 (Australia)	4531.6	4503.6	4524.07	-5.87	-0.13	-7.1	5001.9	4190.5	8	-9.4
DJ CBN China 600 (China)	24153.64	23851.17	24083.73	120.74	0.5	-17.1	29890.92	20950.68	-15.9	-10.7
Dow Jones China 88 (China)	235.97	233.19	235.01	0.94	0.4	-22	327.69	208.48	-25.8	-14.3
Shanghai Composite (China)	2656.41	2623.94	2648.12	14.45	0.55	-19.2	3471.44	2363.95	-20.3	-15.2
Hang Seng (Hong Kong)	21130.74	20970.93	21093.82	2.64	0.01	-3.6	22943.98	18985.5	4.2	-2.2
Bombay Sensex (India)	18013.1	17902.84	17992	34.63	0.19	3	18130.98	14784.92	16.9	5.7
Jakarta Composite (Indonesia)	3097.19	3056.67	3096.82	39.34	1.29	22.2	3096.82	2277.75	34.8	10.5
Nikkei 300 (Japan)	175.2	174.04	174.72	-0.71	-0.4	-5.6	202.75	164.24	-7.5	-20
Nikkei Stock Avg (Japan)	9732.76	9648.97	9696.02	-57.25	-0.59	-8.1	11339.3	9081.52	-4.6	-17.5
Topix Index (Japan)	864.04	859.05	861.27	-4.24	-0.49	-5.1	998.9	811.01	-8.1	-20.3
Kuala Lumpur Composite (Malaysia)	1359.27	1353.16	1358.41	3.22	0.24	6.7	1358.41	1155.53	17	0.1
NZSX-50 (New Zealand)	3033.02	3009.94	3033.02	10.84	0.36	-6.1	3335.51	2933.82	1.3	-10.6
KSE 100 (Pakistan)	10481.48	10416.54	10427.28	-9.01	-0.09	11.1	10677.47	7491.76	39.2	-8.5
Manila Composite (Philippines)	3456.08	3429.1	3429.1	-22.81	-0.66	12.3	3472.33	2720.18	24	-0.9
Straits Times (Singapore)	2997.65	2980.7	2997.65	12.27	0.41	3.5	3019.74	2522.78	13.7	-4.4
Kospi (South Korea)	1776.96	1767.96	1770.88	-2.59	-0.15	5.2	1773.47	1524.5	15.4	-2
Colombo Stock Exchange (Sri Lanka)	5192.96	5118.54	5119.1	-19.83	-0.39	51.2	5138.93	2500.46	103.8	27.6
Weighted (Taiwan)	7799.57	7738.48	7798.99	14.18	0.18	-4.8	8356.89	6654.8	11	-5.2
SET (Thailand)	858.27	849.11	854.59	0.81	0.09	16.3	854.59	621.95	37.4	-0.4
<b>Europe</b>										
Stoxx Europe 600 (Europe)	259.57	256.26	256.26	-0.95	-0.37	1.2	272.14	224.23	13.8	-11.7
Stoxx Europe 50 (Europe)	2521.45	2486.79	2486.79	-11.14	-0.45	-3.6	2711.84	2281.63	7.8	-12.6
Euro Stoxx 50 (Euro zone)	2801.46	2752.93	2752.93	-13.18	-0.48	-7.2	3017.85	2488.5	3.7	-13.4
Euro Stoxx (Euro zone)	266.7	262.72	262.72	-1.04	-0.39	-4.4	284.91	237.29	7.4	-13.9
ATX (Austria)	2533.85	2478.17	2506.57	26.55	1.07	0.4	2795.32	2216.84	11.5	-18.1
Bel-20 (Belgium)	2562.83	2537	2537.9	-7.18	-0.28	1	2716.7	2155.09	17.8	-16.4
PX 50 (Czech Republic)	1194.3	1184.3	1191.4	7.5	0.63	6.6	1314.6	1030.2	15.6	-12.4
OMX Copenhagen (Denmark)	387.78	384.47	386.02	1.89	0.49	22.3	392.6	292.5	32	-6.5
OMX Helsinki (Finland)	6745.34	6647.3	6685.53	0.34	0.01	3.6	7452.62	5751.47	15.8	-15.4
CAC 40 (France)	3720.63	3651.91	3651.91	-18.45	-0.5	-7.2	4065.65	3331.29	6.3	-13.5
DAX (Germany)	6243.42	6124.45	6134.7	-44.24	-0.72	3	6332.1	5201.61	14.4	-6.3
BUX (Hungary)	22755.89	22523.85	22681.39	173.37	0.77	6.9	25322.96	17122.1	32.5	-7.9
FTSE MIB (Italy)	21435.67	21043.61	21096.97	14.91	0.07	-9.3	24425.98	18382.71	1.3	-18.9
AEX (Netherlands)	336.73	331.95	332.13	-2.9	-0.87	-1	357.43	282.01	17	-14.3
All-Shares (Norway)	414.5	409.06	409.35	-5.06	-1.22	-2.6	444.01	341.8	18.3	-10
WIG (Poland)	42719.07	42518.38	42616.78	201	0.47	6.6	44078.65	34676.38	21.2	-12
PSI 20 (Portugal)	7462.54	7398.3	7407.56	-48.21	-0.65	-12.5	8882.69	6624.29	0.8	-17.6
DJ Russia Titans 10 (Russia)	5659.62	5531.82	5621.01	81.71	1.48	0.8	6071.02	4192.47	27.4	-6.4
RTS Index (Russia)	1510.37	1475.76	1503.68	28.72	1.95	5.4	1676.27	993.57	50.2	-8.6
IBEX 35 (Spain)	10788	10602.5	10659.5	15.6	0.15	-10.7	12222.5	8669.8	-2	-9.9
SX All Share (Sweden)	330.33	326.92	327.4	-0.65	-0.2	9.3	337.54	265.39	21.8	-6.1
Swiss Market (Switzerland)	6307.26	6218.38	6220.65	-56.84	-0.91	-5	6967.56	5883.7	4.9	-10.6
Istanbul National 100 (Turkey)	60950.85	60467.05	60737.28	332.95	0.55	15	60737.28	42182.11	44	5.6
FTSE 100 (U.K.)	5375.2	5314	5313.95	-5.73	-0.11	-1.8	5825	4608.4	14.7	-5.1
FTSE 250 (U.K.)	10125.07	10019.71	10074.17	54.47	0.54	8.2	10690.08	7934.63	27	-2.8
<b>Americas</b>										
DJ Americas (Americas)	298.11	291.86	294.54	-0.93	-0.31	-0.7	324.75	256.77	13.7	-7.3
Merval (Argentina)	2407.38	2377.77	2405.47	31.25	1.32	3.7	2487.76	1696.19	41.8	3.8
Sao Paulo Bovespa (Brazil)	67428.2	66596.03	66953.83	145.58	0.22	-2.4	71784.77	54478.43	22.9	8.2
S & P/TSX Comp (Canada)	11771.78	11634.13	11728.64	32.01	0.27	-0.1	12280.97	10531.59	9.9	-5.2
Santiago IPSA (Chile)	4370.19	4328.48	4357.21	3.18	0.07	21.7	4379.08	3132.55	34.5	9.8
IPC All-Share (Mexico)	32802.3	32408.12	32463.72	-201.84	-0.62	1.1	34134.23	26810.27	21.1	2.4
Caracas General (Venezuela)	64326.91	64161.17	64272.9	-54.01	-0.08	16.7	66061.09	45702.1	39	16.1
<b>Other Countries</b>										
CASE 30 (Egypt)	6316.52	6212.55	6316.52	90.34	1.45	1.7	7603.04	5850.38	2.3	-9.3
Tel Aviv (Israel)	1121.62	1114.6	1118.59	-1.96	-0.17	-2.3	1237.85	922.49	17.7	0.9
Johannesburg All Share (South Africa)	28550.07	28356.97	28550.07	182.81	0.64	3.2	29565.1	24067.41	18.6	1

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

Three year percent change is annualized.

Sources: Reuters; WSJ.com

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