



Weekly Market Insight

June 19, 2009

NORTH AMERICAN & INTERNATIONAL ECONOMIC HIGHLIGHTS

Just a Thought

Things have changed very quickly in the past three months. In March of this year the stock market thinking was dominated by despair. Earnings were in a clear downward trajectory, the US financial system was in disarray—with rising concerns about Alt A mortgages, commercial real-estate and credit cards losses, the TED spread was hovering around 100 basis points, the auto sector was begging for bailout money, the housing market did not show any signs of bottoming out and consumer and business confidence were at record lows.

And yet, this environment has generated a 40% breakout in the stock market that caught almost everybody by surprise. Of course, during the course of this rally there was no shortage of commentary dismissing the swing in stock prices as insignificant, short-lived or a bear market rally. Those gloom merchants missed not only the big picture, but also the strongest pre-recession-end stock market rally in the post war era.

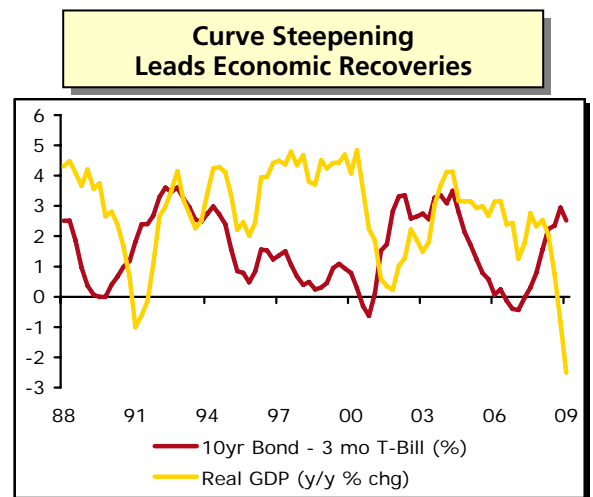
But the stock market was not the only surprise. As recently as March the commodity market was viewed by many as a dead market. The CRB is now up 28% from its recent bottom, and oil prices at \$70 are a full \$35 above their long term average—not bad considering that we are still in the midst of one of the worst recessions since 1945.

The bond market has been also busy during this remarkable second quarter of the year. Despite heroic efforts by the Fed to put a cap on the long end of the curve, the 10-year rate is now 1.27% higher than its level in mid-March, with the 3-month to 10-year yield curve steepening by roughly 150 bps. As illustrated in the chart, a steepening in the yield curve is basically a precondition for an economic recovery.

Yes, there are many reasons to believe that things are a bit different now. The stock market is probably ahead of itself, while the yield curve is too steep for the current stage of the economic cycle. All indicators and common sense suggest that this recovery will be muted. After all, the US housing market is yet to find its footing, consumers are in a bad mood and deleveraging is king. Savings, not consumption, will be the new “in”. Add to this mix a new wave of regulation, protectionism, higher energy prices and more expensive borrowing costs, not to mention potential fiscal tightening, and you have a recipe for a subpar recovery.

But the signals from stocks, commodities and bond markets suggest that while the next several quarters will be lacklustre, the medium-term outlook could be brighter than many currently suspect. Just a thought

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Market Snapshot

US	Current*	yesterday*	a week ago*	a month ago*	a year ago
TED SPREAD (bps)	44	44	47	50	103
10Y / 2Y SPREAD (bps)	257	256	248	252	127
2Y SWAP SPREAD (bps)	49	46	42	39	91
3M T-Bill (%)	0.17	0.17	0.15	0.16	1.77
LIBOR 1 MONTH (%)	0.32	0.32	0.32	0.31	2.48
LIBOR 3 MONTH (%)	0.61	0.61	0.62	0.66	2.80
2-YR BOND (%)	1.26	1.20	1.30	0.87	2.89
5-YR BOND (%)	2.84	2.77	2.80	2.17	3.59
10-YR BOND (%)	3.83	3.76	3.77	3.39	4.16
A Rated / 10Y TREASURY (bps)	269	268	295	323	195
B Rated / 10Y TREASURY (bps)	847	837	838	909	550
BB Rated / 10Y TREASURY (bps)	639	632	656	725	422
CANADA					
PRIME / BA SPREAD (bps)	185	185	186	186	160
CDOR 3 MONTH (%)	0.61	0.62	0.65	0.70	3.45
CDOR 3 MONTH / 3M T-BILL SPREAD (bps)	38	39	41	52	82
10Y / 2Y SPREAD (bps)	221	214	212	211	52
2-YR BOND (%)	1.30	1.32	1.39	1.16	3.30
5-YR BOND (%)	2.64	2.63	2.71	2.29	3.52
10-YR BOND (%)	3.52	3.46	3.51	3.26	3.83
A Rated / 10Y TREASURY (bps)	206	206	217	265	140
BBB Rated / 10Y TREASURY (bps)	276	275	292	351	256
CAN Sovereign Agency / 10Y TREASURY (bps)	58	59	64	60	51
Provincial / 10Y TREASURY (bps)					
ALTA	104	101	102	127	71
BC	107	104	107	129	69
MAN	108	102	101	129	73
NB	105	101	103	126	77
PEI	138	134	143	156	72
NFLD	143	139	148	166	79
ONT	117	112	114	140	74
QUE	127	122	127	155	79
SASK	105	100	107	140	71
NS	125	120	122	145	73
COMMODITIES					
WTI CRUDE FUTURE (US\$ / bbl.)	71.8	71.2	71.6	61.0	134.6
NATURAL GAS (US\$ / MMBtu)	4.1	4.2	3.8	3.6	13.0
SILVER (US\$ / t oz.)	14.3	14.2	14.9	14.7	17.4
GOLD (US\$ / t oz.)	936.5	940.5	939.2	959.9	901.3
WHEAT (US\$ / bu.)	564.3	557.0	584.5	602.5	866.5
SOYBEANS (US\$ / bu.)	1214.5	1210.0	1265.0	1180.5	1532.5
SUGAR (US\$ / lb.)	15.0	14.9	15.2	15.6	12.0
CORN (US\$ / bu.)	404.5	403.8	438.3	428.0	721.3
FX					
C\$ / US\$	1.135	1.126	1.121	1.126	1.016
US\$ / EURO	1.391	1.397	1.398	1.398	1.561
C\$ / EURO	1.579	1.573	1.567	1.574	1.586
YEN / US\$	96.780	96.250	98.200	94.480	107.330
US\$ / BRITISH POUND	1.640	1.635	1.640	1.586	1.976
SWISS FRANCS / US\$	1.086	1.081	1.082	1.086	1.036

* As of 11:00 a.m.

Note: Data is for reference only.

International Stock Indexes

Thursday, June 18, 2009

Region/Country	Index	DAILY					52 WEEK				3-yr % chg
		High	Low	Close	Chg	% Chg - +	YTD % chg	High	Low	% Chg	
World											
World	Global Dow	1627.44	1607.78	1622.96	5.54	0.34	6.3	2582.29	1139.9	-37.2	-2.4
World	Global Dow Euro	n.a.	n.a.	1094.57	-3.89	-0.35	5.9	1569.86	849.42	-30.3	-5.6
World	DJ World Index	183.98	181.88	183.53	0.87	0.48	6.7	276.09	130.29	-33.5	-8.3
World	DJ World ex U.S.	161.66	159.84	161.25	0.41	0.25	9.9	247.43	111.8	-34.8	-7.5
World	MSCI EAFE*	n.a.	n.a.	1293.36	4.33	0.34	4.5	2008.49	911.39	-35.6	-9.4
Asia Pacific											
Asia-Pacific	DJ Asia-Pacific	104.99	103.19	103.46	-1.38	-1.32	10.5	145.64	73.76	-29	-7.4
Australia	All Ordinaries	3914.9	3868.8	3887.4	-16.8	-0.43	6.2	5484.3	3111.7	-29.1	-7.6
Australia	S & P/ASX 200	3921.4	3871.5	3892.1	-12	-0.31	4.6	5366.6	3145.5	-27.5	-7.8
China	DJ CBN China 600	24554.32	24200.6	24533.6	329.81	1.36	66.2	24533.6	12886.57	11.9	30.2
China	Dow Jones China 88	267.67	262.87	267.35	4.43	1.68	63.4	267.35	149.53	8.3	31.8
China	Shanghai Composite	2855.42	2810.85	2853.9	43.78	1.56	56.7	2920.55	1706.7	3.8	21.9
Hong Kong	Hang Seng	18069.76	17655.82	17776.66	-307.94	-1.7	23.6	23134.55	11015.84	-22	3.9
India	Bombay Sensex	14630.73	14188.25	14265.53	-257.31	-1.77	47.9	15503.92	8160.4	-5.5	13
Indonesia	Jakarta Composite	2025.12	1940.32	1950.99	-73.98	-3.65	43.9	2378.81	1111.39	-17.8	14.2
Malaysia	Kuala Lumpur Composite	1073.26	1052.48	1054.41	-16.49	-1.54	20.3	1209.11	829.41	-11.9	5.7
New Zealand	NZSX-50	2800.86	2778.04	2798.24	20.2	0.73	3	3378.89	2417.95	-16.2	-7.7
Pakistan	KSE 100	7142.96	7026.73	7051.77	-24.16	-0.34	20.2	12452.08	4815.34	-40.6	-9.8
Philippines	Manila Composite	2468.67	2427.38	2434.26	-7.49	-0.31	30	2768.52	1704.41	-6.1	4.7
Singapore	Straits Times	2275.71	2237.2	2237.2	-34.25	-1.51	27	3001.81	1456.95	-25.2	-1.4
South Korea	Kospi	1396.75	1371.38	1375.76	-15.41	-1.11	22.3	1740.72	938.75	-21	2.9
Sri Lanka	Colombo Stock Exchange	2417.75	2342.92	2403.97	61.05	2.61	59.9	2481.33	1484.53	-1.2	4.1
Taiwan	Weighted	6279.36	6100.08	6144.53	-51.38	-0.83	33.8	8047.74	4089.93	-23.6	-2.2
Thailand	SET	588.89	566.5	570.43	-15.71	-2.68	26.8	778.42	384.15	-23.2	-5
Japan	Nikkei Stock Avg	9778.35	9649.83	9703.72	-137.13	-1.39	9.5	14130.17	7054.98	-31.3	-13.3
Japan	Nikkei 300	184.86	182.26	183.22	-2.48	-1.34	4.7	280.14	140.76	-34.6	-15
Europe											
Europe	DJ Stoxx 600	206.17	202.92	205.64	1.01	0.49	4.4	300.24	157.97	-31.5	-12.6
Europe	DJ Stoxx 50	2117.59	2080.1	2111.69	13.88	0.66	2.2	2976.35	1614.75	-29.1	-13.4
Euro zone	DJ Euro Stoxx 50	2421.05	2369.77	2414.44	30.73	1.29	-1.5	3486.71	1809.98	-30.8	-11.3
Euro zone	DJ Euro Stoxx	223.14	219.16	222.51	1.92	0.87	-0.1	335.85	169.38	-33.7	-12
Austria	ATX	2070.39	2022.55	2027.85	7.12	0.35	15.8	4152.7	1411.95	-51.2	-16.1
Belgium	Bel-20	1987.41	1954.19	1980.83	16.19	0.82	3.8	3441.42	1527.27	-42.4	-17.3
Czech Republic	PX 50	925.5	912.3	922.2	unch.	unch.	7.5	1613.1	628.5	-42.8	-10.3
Denmark	OMX Copenhagen	273.29	266.46	271.45	2.07	0.77	20	413.43	193.26	-34.3	-6.7
Finland	OMX Helsinki	5649.14	5554.04	5614.24	22.43	0.4	3.9	8838.35	4110.31	-36.3	-12
France	CAC 40	3207.08	3139.41	3194.06	32.92	1.04	-0.7	4591.39	2519.29	-30.4	-12.1
Germany	DAX	4858.67	4768.94	4837.48	37.5	0.78	0.6	6721.17	3666.41	-28	-3.5
Hungary	BUX	15476.93	15089.87	15369.96	94.79	0.62	25.6	22511.25	9461.29	-27.4	-5.9
Italy	S & P/MIB	19273.41	18808.13	19233.79	210.74	1.11	-1.2	30368	12621	-36.7	-18.3
Netherlands	AEX	254.43	249.47	253.52	2.29	0.91	3.1	446.68	199.25	-43.2	-15.5
Norway	All-Shares	342.17	333.88	340.59	3.45	1.02	26.1	565.82	232.29	-39.8	-5.8
Poland	WIG	31255.54	30752.54	31081.2	-44.68	-0.14	14.1	43310.33	21274.28	-28.2	-5.1
Portugal	PSI 20	6979.16	6875.45	6941.98	31.98	0.46	9.5	9847.92	5743.09	-29.5	-9.3
Russia	DJ Russia Titans 10	4490.55	3994.9	4125.37	-96.97	-2.3	52.8	7630.71	2216.22	-45.9	-3.7
Russia	RTS Index	1041.68	991.15	997.68	-40.73	-3.92	57.9	2400.84	498.2	-58.4	-9.1
Spain	IBEX 35	9414.2	9218.9	9384	100.8	1.09	2	12585	6817.4	-25.4	-5.1
Sweden	SX All Share	242.57	238.67	241.51	0.78	0.32	18.3	301.37	176.54	-19.9	-6.4
Switzerland	Swiss Market	5385.55	5282.56	5376.84	74.55	1.41	-2.8	7337.73	4307.67	-24.9	-9.7
Turkey	Istanbul National 100	35715.56	34587.66	35715.56	1120.17	3.24	32.9	43259.37	21228.27	-6	1.6
U.K.	FTSE 100	4305.4	4239.7	4280.86	2.4	0.06	-3.5	5708.4	3512.1	-25	-8.6
U.K.	FTSE 250	7328.2	7181.82	7241.67	-67.38	-0.92	13.8	9543.6	5491.46	-23.3	-7.3
Americas											
Americas	DJ Americas	240.8	237	239.87	2.17	0.91	6.1	356.26	172.41	-32.7	-8.1
Argentina	Merval	1553.75	1527.78	1529.9	-4.74	-0.31	41.7	2107.87	828.99	-25.8	-1
Brazil	Sao Paulo Bovespa	51275.1	50510.19	50903.02	-142.82	-0.28	35.6	66590.41	29435.11	-23.6	14
Canada	S & P/TSX Comp	10142.63	10005.36	10121.5	55.39	0.55	12.6	14790.15	7566.94	-31.6	-3.3
Chile	Santiago IPSA	3146.56	3091.3	3118.99	12.98	0.42	31.2	3257.89	2101.1	1.5	14.8
Mexico	IPC All-Share	24464.09	24085.43	24340.65	189.71	0.79	8.8	29847.85	16868.66	-18.5	10.5
Venezuela	Caracas General	43930.54	43554.36	43638.28	83.92	0.19	24.9	44669.07	33894.41	18.8	12.7
Other Countries											
Egypt	CASE 30	6270.84	6162.93	6163.26	-143.58	-2.28	34.1	10329.31	3389.31	-40.2	n.a.
Israel	Tel Aviv	840.62	828.09	832.74	-3.72	-0.44	27.2	1128.73	592.07	-26.2	0.5
South Africa	Johannesburg All Share	22191.71	21848.23	22156.41	207.75	0.95	3	31295.46	17814.42	-29.2	4

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

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