



Weekly Market Insight

January 23, 2009

NORTH AMERICAN & INTERNATIONAL ECONOMIC HIGHLIGHTS

Governments and central banks continue to fire from all directions. In the US, the fed funds rate is already at zero. But the Fed continues to ease in different ways. Mr. Bernanke is now targeting not the fed funds rate but rather private sector borrowing rates. By buying spread products, the Fed is trying to lower borrowing cost and stimulate borrowing activity. Bank loans and leases outstanding increased by \$8 billion in the latest week, the first rise in four weeks, but are up just 1% from this time last year.

The Bank of Canada's 50 basis points rate cut this week was not the last one for this cycle. Look for the Bank to cut by another 50 basis points come March. This move is already fully discounted by the market and will not have any significant impact on long-term rates.

But even if the Fed and the Bank of Canada are successful in lowering borrowing rates, you still need to create conditions in which households will be willing to borrow. We know that there is some pent up demand for borrowing following the recent decline in US long-term mortgage rates (after the Fed actively purchased MBA securities), refinancing activity has tripled. But in order to insure a sustained rise in credit demand, we need a stronger level of economic activity, and that's where governments enter the picture.

In the US, the Obama Administration will soon introduce an estimated \$875 billion in fiscal stimulus and in Canada, we will see roughly \$30 billion of new spending this year. A notable portion of this spending will go towards infrastructure. And from an economic perspective, this is important as the economic multiplier of infrastructure spending is significant. After all, when it comes to creating jobs and stimulating activity, infrastructure spending is a much more effective tool than tax cuts. In the US, the impact of economic growth of infrastructure spending worth 1% of GDP is more than double the impact of tax cuts, which have a greater leakage to imported consumer goods, and which risk being saved by households. In Canada, \$10 billion of infrastructure spending can potentially create 110,000 jobs and lift economic growth by close to 1.5 percentage points—well above the stimulus effect of a tax cut of a similar size.

And that's the main reason for the renewed optimism by the Bank of Canada, which now calls for a continual recession in the coming six months but a healthy recovery in the second half. This is more or less in line with our ongoing view—the combination of monetary and fiscal stimulus will be powerful enough to turn things around in the second half of the year.

Benjamin Tal
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International Stock Indexes

Thursday, January 22, 2009

Region/Country	Index	DAILY					52 WEEK				3-yr % chg
		High	Low	Close	Chg	% Chg - +	YTD % chg	High	Low	% Chg	
World											
World	Global Dow	1392.14	1353.64	1364.88	-10.19	-0.74	-10.6	2774.34	1264.68	-44.4	-7.4
World	Global Dow Euro	1005.99	972.98	991.65	-13.96	-1.39	-4.1	1683.79	950.87	-36.9	-9.5
World	DJ World Index	158.72	154.42	155.75	-1.35	-0.86	-9.4	297.12	143.63	-42.7	-13.4
World	DJ World ex U.S.	134.24	131.32	131.5	-0.22	-0.17	-10.4	270.51	123.87	-45.7	-13.6
World	MSCI EAFE*	n.a.	n.a.	1094.19	-0.96	-0.09	-11.6	2206.72	1044.24	-45.6	-14.1
Asia Pacific											
Asia-Pacific	DJ Asia-Pacific	87.6	85.94	87.2	0.32	0.37	-6.8	157.77	79.11	-38.2	-13.3
Australia	All Ordinaries	3439.6	3397.9	3431.9	37.1	1.09	-6.2	6035	3332.6	-38.8	-10.6
Australia	S & P/ASX 200	3492.2	3445.7	3486.8	44	1.28	-6.3	5949.4	3352.9	-37.5	-10.4
China	DJ CBN China 600	16738.25	16460.63	16708.24	197.24	1.19	13.2	40012.9	12886.57	-57.9	22.6
China	Dow Jones China 88	183.7	180.2	182.88	1.62	0.89	11.8	439.38	149.53	-57.8	21.9
China	Shanghai Composite	2009.85	1980.44	2004.95	19.94	1	10.1	4761.69	1706.7	-57.5	16.9
Hong Kong	Hang Seng	12895.25	12657.1	12657.99	74.36	0.59	-12	26262.13	11015.84	-46.2	-6.9
India	Bombay Sensex	8927.69	8699.32	8813.84	34.67	0.39	-8.6	18663.16	8451.01	-48.8	-2.5
Indonesia	Jakarta Composite	1336.78	1314.74	1327.32	5.87	0.44	-2.1	2756.31	1111.39	-47.3	2.8
Malaysia	Kuala Lumpur Composite	883.03	874.79	879.02	5.61	0.64	0.3	1436.1	829.41	-36.5	-1
New Zealand	NZSX-50	2738.32	2705.04	2734.41	29.37	1.09	0.7	3729.15	2575.48	-25.3	-6.5
Pakistan	KSE 100	5132.16	4953.01	5020.71	-115.77	-2.25	-14.4	15676.34	5020.71	-63.4	-21.1
Philippines	Manila Composite	1869.35	1848.35	1863.52	23.4	1.27	-0.5	3323.25	1704.41	-40.8	-4
Singapore	Straits Times	1736.79	1701.93	1708.77	4.25	0.25	-3	3248.75	1600.28	-44	-9.7
South Korea	Kospi	1127.35	1106.74	1116.23	12.62	1.14	-0.7	1888.88	938.75	-32.9	-5.6
Sri Lanka	Colombo Stock Exchange	1753.23	1719.45	1750.14	30.01	1.74	16.4	2681.27	1484.53	-28.2	-2.9
Taiwan	Weighted	4265.33	4164.19	4247.97	...	Closed	-7.5	9295.2	4089.93	-43.5	-13.2
Thailand	SET	441.6	434.57	438.27	7.04	1.63	-2.6	884.19	384.15	-39.8	-16.3
Japan	Nikkei Stock Avg	8051.74	7809.89	8051.74	150.1	1.9	-9.1	14489.44	7162.9	-38.5	-20
Japan	Nikkei 300	161.84	158.63	161.72	1.8	1.13	-7.6	290.48	152.8	-38.3	-19.5
Europe											
Europe	DJ Stoxx 600	188.56	182.41	182.85	-1.67	-0.91	-7.1	332.87	182.13	-43.2	-16.4
Europe	DJ Stoxx 50	1960.71	1895.74	1898.46	-18.4	-0.96	-8.1	3308.61	1894.31	-41.8	-17.2
Euro zone	DJ Euro Stoxx 50	2247.56	2150.94	2160.07	-28.4	-1.3	-11.9	3882.28	2160.07	-43.3	-15.3
Euro zone	DJ Euro Stoxx	207.21	199.06	199.88	-2.28	-1.13	-10.3	375.21	198.93	-44.6	-15.4
Austria	ATX	1658.73	1579.35	1591.88	-20.8	-1.29	-9.1	4532.1	1516.09	-59.1	-25.5
Belgium	Bel-20	1853.57	1802.04	1805.38	10.41	0.58	-5.4	3946.34	1783.7	-51	-21
Czech Republic	PX 50	810.7	763.4	767.8	-16.6	-2.12	-10.5	1710.8	699.8	-49.6	-20.5
Denmark	OMX Copenhagen	237.62	229.93	231.06	-0.92	-0.4	2.2	439.09	215.4	-39.9	-14.2
Finland	OMX Helsinki	5266.11	4905.28	4943.63	-159.05	-3.12	-8.5	11055.19	4943.63	-52.3	-16
France	CAC 40	2981.1	2864.74	2869.62	-35.95	-1.24	-10.8	5142.1	2869.62	-41.6	-15.6
Germany	DAX	4368.47	4197.02	4219.42	-41.73	-0.98	-12.3	7225.94	4127.41	-38.1	-7.6
Hungary	BUX	12226.29	11514.86	11643.58	-199.02	-1.68	-4.9	24545.51	10751.23	-51.2	-20
Italy	S & P/MIB	18110	17253	17369	-315	-1.78	-10.7	34767	17369	-49.3	-21.3
Netherlands	AEX	243.21	234.01	235.46	-2.25	-0.95	-4.3	496.12	222.93	-47	-18.3
Norway	All-Shares	278.77	266.84	267.96	-3.32	-1.22	-0.8	603.98	232.29	-41.8	-12.4
Poland	WIG	25953.34	24512.83	24932.01	-696.8	-2.72	-8.4	50193.53	24852.95	-47.2	-13.9
Portugal	PSI 20	6334.78	6228.17	6263.83	39.8	0.64	-1.2	11477.77	5801.76	-43.1	-10.7
Russia	DJ Russia Titans 10	2540.03	2357.36	2362.67	-113.86	-4.6	-12.5	7900.67	2216.22	-63.8	-19.5
Russia	RTS Index	535.9	515.26	515.51	-14.58	-2.75	-18.4	2487.92	514.29	-74.1	-26.6
Spain	IBEX 35	8451.2	8117.1	8159.3	-71.4	-0.87	-11.3	14247.6	7905.4	-37.7	-8.8
Sweden	SX All Share	194.9	188.74	189.42	-1.46	-0.76	-7.2	334.77	176.54	-39	-14.1
Switzerland	Swiss Market	5459.59	5307.5	5329.44	25.27	0.48	-3.7	7815.98	5144.02	-30.7	-11.5
Turkey	Istanbul National 100	25305.27	24489.94	24641.93	-94.19	-0.38	-8.3	46446.64	21228.27	-45.3	-17.9
U.K.	FTSE 100	4153.9	4046.4	4052.23	-7.65	-0.19	-8.6	6376.5	3781	-31	-10.6
U.K.	FTSE 250	6268.46	6144.54	6167.13	7.63	0.12	-3	10557.3	5491.46	-37.4	-11.7
Americas											
Americas	DJ Americas	211.97	204.47	208.12	-3.52	-1.66	-8	375.06	186.51	-39.8	-12.7
Argentina	Merval	1064.91	1031.65	1057.82	-4.86	-0.46	-2	2248.63	828.99	-46.2	-14.7
Brazil	Sao Paulo Bovespa	38844.76	37255.49	37894.33	-648.57	-1.68	0.9	73516.8	29435.11	-34.1	1.1
Canada	S & P/TSX Comp	8757.89	8472.52	8486.56	-271.33	-3.1	-5.6	15073.13	7724.76	-34.2	-9.9
Chile	Santiago IPSA	2496.07	2465.15	2493.96	23.63	0.96	4.9	3096.11	2101.1	-6.6	6.5
Mexico	IPC All-Share	19616.3	19038.85	19306.73	-190.37	-0.98	-13.7	32095.04	16868.66	-30.8	1.7
Venezuela	Caracas General	35400.43	35046.73	35400.43	94.48	0.27	1.4	41450.77	33894.41	-1.5	12.2
Other Countries											
Egypt	CASE 30	3950.17	3780.38	3810.18	29.8	0.79	-17.1	11935.67	3686.35	-61.9	n.a.
Israel	Tel Aviv	661.54	634.09	637.23	-12.44	-1.91	-2.7	1133.97	592.07	-40.2	-8.7
South Africa	Johannesburg All Share	20445.78	19695.98	19876.34	-172.66	-0.86	-7.6	33232.89	17814.42	-24.9	1.7

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

Three year percent change is annualized.

Sources: Reuters; WSJ.com

MARKET INDICES	Jan 22	a month ago	a year ago
S&P/TSX Composite	8486.56	8249.53	12640.9
S&P 500	827.50	871.63	1310.50
Dow Jones Industrial Average	8122.80	8519.77	11971.2

INTEREST / FX RATES	Jan 23	a month ago	a year ago
Prime Can (%)	3.00	3.50	5.75
Prime US (%)	3.25	3.25	6.50
30 Day BA Can (%)	1.137	1.656	4.095
3 month US T-Bill (%)	0.09	0.01	2.28
3 month Can T-Bill (%)	0.860	0.870	3.486
10yr US Bond (%)	2.624	2.123	3.655
10yr Can Bond (%)	2.76	2.82	3.89
10yr-2yr US Spread (bps)	185.50	140.10	140.70
10yr-2yr Spread Can (bps)	155.00	155.00	63.00
US\$/Cdn\$	0.7958	0.8220	0.9951
US\$/Euro	1.2821	1.3932	1.4710
Yen/US\$	89.130	89.4550	107.1800

INTERNATIONAL INTEREST RATES	Jan 23		
	3 mo LIBOR (%)	Spread vs US (bps)	a wk ago (Spread—bps)
United States	1.17	NA	NA
Canada	1.54	37	46
Euro-zone	2.19	102	131
Switzerland	0.54	-62.9	-58.4
Japan	0.69	-48	-43
Australia	4.24	307	323
	10 Year Bond (%)	Spread vs US (bps)	a wk ago (Spread—bps)
United States	2.62	NA	NA
Canada	2.76	13.6	32.1
Euro-zone	3.66	103.2	120.9
Switzerland	2.18	-44.5	-19.7
Japan	1.23	-139.4	-113.3
Australia	4.10	148.0	162.6

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