



Weekly Market Insight

May 1, 2009

NORTH AMERICAN & INTERNATIONAL ECONOMIC HIGHLIGHTS

Now... don't get too excited, but there are some encouraging signs from both sides of the border suggesting that we are getting close to the bottom of this recession. In fact, we are already starting to accumulate the ammunition we might need to fuel the recovery.

But before we go to the good news, we have to realize that the drop in first quarter Canadian GDP will eclipse the decline stateside. In fact, the projected 7.3% annualized GDP drop in the quarter will be, by far, the steepest on record, and the speed at which the labour market is degenerating is now matching the darkest hours of the 1982 recession. Decades from now, economists, not yet born, will point to the first quarter of 2009 as the epitome of weak economic data.

But the news is getting better:

- For the first time in many months, both US and Canadian investors are not adding to their cash positions. In fact, we are starting to see a reversal of this trend—a bullish signal since these mountains of extra cash (\$1.1 trillion in the US and close to \$90 billion in Canada) will be redeployed.
- With commodity prices stabilizing, the gap between nominal and real GDP in Canada is narrowing back to its long-term average. This means that real economic variables such as real GDP will be much more relevant to corporate profits—eliminating a source of uncertainty and volatility in the market.
- The pace at which house prices in Canada are falling is moderating and at this rate, this housing market correction (from a national perspective) will end up being a mild one—both in absolute and relative terms. In fact, the notable improvement in housing affordability is injecting some life to the mortgage market, encouraging new purchasing and refinancing activities.
- Consumer confidence in both countries is starting to improve, while retail sales are surprisingly on the upside.
- And the money multiplier in the US has leveled off in recent weeks. That is extremely important since it suggests that commercial banks are starting to use some of the money that they have been parking at the Fed for other (more constructive) purposes such as lending. This is reflected in the fact that the Ted spread (spread between the libor and T-bills rate) narrowed by almost 10 basis points over the past few week, and it is now at its lowest rate since the beginning of the crisis.

While the unemployment rate in Canada is projected to peak over 9%, the main impact of the softening labour market will be on the confidence of Canadians that are still employed. In this sense we are already witnessing a rapid change in saving behavior, with the savings rate rising from less than 2% in late-2007 to 4.7% in Q4-2008, the fastest year-over-year ascent since the mid-1980s.

But that is not atypical for a recessionary period. In the 1980s' recession, the savings rate shot up to 20%, as declining consumer confidence and fear of layoffs had Canadians taking frugality to the extreme. We estimate that the current recession will see the savings rate rise above 6.5%, translating into a net withdrawal from the economy of about C\$26 bn over the next two years.

The rise in the savings rate will be relatively modest, primarily because Canadians are better equipped this time. With higher quality jobs, a high participation rate, and an extended EI program ensure that households continue to see larger inflows of income compared to prior recessions. Moreover, credit is more accessible now than in earlier recessions, and affordability has improved dramatically, thanks to interest rates at historic lows. Still, C\$26 bn of foregone consumption doesn't go unnoticed and will evidently weigh on GDP. But due to massive cash injections from all levels of government, that estimated increase in personal saving will be dwarfed by increases in government spending, with C\$40 bn of fiscal stimulus coming from the Federal government alone, while provinces will do their part through vast outlays over the same two-year period. These would push the combined Federal and Provincial budget deficit to about C\$53 bn and C\$47 bn in 2009/10 and 2010/11 respectively or roughly 3% of GDP, a significant boost to the economy by any measure.

Benjamin Tal
Senior Economist

Market Snapshot

US	Current*	yesterday*	a week ago*	a month ago*	a year ago
TED SPREAD (bps)	90	93	96	97	131
10Y / 2Y SPREAD (bps)	224	220	203	187	141
2Y SWAP SPREAD (bps)	57	57	61	57	79
3M T-Bill (%)	0.11	0.09	0.11	0.20	1.46
LIBOR 1 MONTH (%)	0.41	0.41	0.44	0.49	2.70
LIBOR 3 MONTH (%)	1.01	1.02	1.07	1.17	2.77
2-YR BOND (%)	0.92	0.94	0.95	0.84	2.45
5-YR BOND (%)	2.04	2.05	1.93	1.69	3.18
10-YR BOND (%)	3.16	3.14	2.98	2.70	3.86
A Rated / 10Y TREASURY (bps)	351	356	359	372	196
B Rated / 10Y TREASURY (bps)	1035	1036	1048	1170	595
BB Rated / 10Y TREASURY (bps)	792	801	814	885	469
CANADA					
PRIME / BA SPREAD (bps)	184	184	183	186	152
CDOR 3 MONTH (%)	0.85	0.85	0.91	1.00	3.41
CDOR 3 MONTH / 3M T-BILL SPREAD (bps)	65	63	68	61	76
10Y / 2Y SPREAD (bps)	212	214	204	170	83
2-YR BOND (%)	1.00	0.99	0.99	1.10	2.78
5-YR BOND (%)	2.05	2.05	1.95	1.77	3.10
10-YR BOND (%)	3.12	3.13	3.04	2.80	3.61
A Rated / 10Y TREASURY (bps)	278	277	290	308	142
BBB Rated / 10Y TREASURY (bps)	377	376	386	405	262
CAN Sovereign Agency / 10Y TREASURY (bps)	61	60	58	60	58
Provincial / 10Y TREASURY (bps)					
ALTA	132	131	138	155	73
BC	134	133	142	155	72
MAN	141	139	150	166	75
NB	138	138	151	167	78
PEI	166	163	169	175	76
NFLD	175	174	185	199	79
ONT	160	158	168	181	75
QUE	170	168	177	186	85
SASK	152	151	162	174	70
NS	155	153	162	165	77
COMMODITIES					
WTI CRUDE FUTURE (US\$ / bbl.)	52.3	50.8	51.2	52.1	116.3
NATURAL GAS (US\$ / MMBtu)	3.5	3.3	3.4	3.8	10.8
SILVER (US\$ / t oz.)	12.3	12.3	12.9	12.6	16.4
GOLD (US\$ / t oz.)	883.5	882.8	909.9	898.0	858.0
WHEAT (US\$ / bu.)	527.0	532.0	530.3	534.0	796.0
SOYBEANS (US\$ / bu.)	1069.5	1067.8	1035.8	973.3	1292.5
SUGAR (US\$ / lb.)	14.7	13.8	13.6	13.0	11.5
CORN (US\$ / bu.)	398.5	399.5	379.5	402.5	602.0
FX					
C\$ / US\$	1.193	1.188	1.214	1.246	1.020
US\$ / EURO	1.325	1.322	1.326	1.342	1.542
C\$ / EURO	1.581	1.571	1.610	1.672	1.572
YEN / US\$	99.145	98.290	97.190	99.375	105.400
US\$ / BRITISH POUND	1.487	1.480	1.472	1.471	1.972
SWISS FRANCS / US\$	1.138	1.141	1.139	1.135	1.057

* As of 11:00 a.m.

Note: Data is for reference only.

International Stock Indexes

Thursday, April 30, 2009

Region/Country	Index	DAILY					52 WEEK				3-yr % chg
		High	Low	Close	Chg	% Chg - +	YTD % chg	High	Low	% Chg	
World											
World	Global Dow	1529.98	1493.63	1512.43	17.13	1.15	-0.9	2774.34	1139.9	-43.6	-7.4
World	Global Dow Euro	1088.05	1061.2	1074.71	13.49	1.27	4	1683.79	849.42	-34.3	-9
World	DJ World Index	172.25	168.29	170.22	1.75	1.04	-1	297.12	130.29	-40.9	-12.9
World	DJ World ex U.S.	147.87	143.48	146.54	2.77	1.93	-0.1	270.51	111.8	-43.5	-13.4
World	MSCI EAFE*	n.a.	n.a.	1185.84	20.63	1.77	-4.2	2206.72	911.39	-44.2	-14.7
Asia Pacific											
Asia-Pacific	DJ Asia-Pacific	94.06	90.34	93.62	2.98	3.29	...	157.77	73.76	-38.4	-13.7
Australia	All Ordinaries	3760.8	3661.9	3744.7	82.8	2.26	2.3	6035	3111.7	-33.8	-10.4
Australia	S & P/ASX 200	3799.3	3713.4	3780.5	85.2	2.31	1.6	5949.4	3145.5	-32.3	-10.4
China	DJ CBN China 600	21606.62	21290.59	21479.87	174.29	0.82	45.5	32063.53	12886.57	-31.5	28.9
China	Dow Jones China 88	229.02	225.86	227.36	0.8	0.35	39	297.9	149.53	-35.5	27.4
China	Shanghai Composite	2491.07	2461.37	2477.57	9.38	0.38	36.1	3761.01	1706.7	-32.9	19.8
Hong Kong	Hang Seng	15587.29	15204.1	15520.99	564.04	3.77	7.9	26262.13	11015.84	-39.7	-2.3
India	Bombay Sensex	11403.25	11091.56	11403.25	...	Closed	18.2	17600.12	8160.4	-34	-1.3
Indonesia	Jakarta Composite	1728.07	1644.24	1722.77	78.58	4.78	27.1	2510.96	1111.39	-25.2	5.6
Malaysia	Kuala Lumpur Composite	995.06	973.43	990.74	23.28	2.41	13	1300.67	829.41	-22.6	1.4
New Zealand	NZSX-50	2764.9	2699.71	2740.59	40.87	1.51	0.9	3680.52	2417.95	-24.5	-10.3
Pakistan	KSE 100	7286.12	7119.04	7202.1	-69.2	-0.95	22.8	15122.47	4815.34	-52.4	-14.1
Philippines	Manila Composite	2106.85	2086.15	2103.5	42.45	2.06	12.3	2896.15	1704.41	-23.5	-2.5
Singapore	Straits Times	1920.28	1880.63	1920.28	70.71	3.82	9	3248.75	1456.95	-39	-9
South Korea	Kospi	1377.82	1350.46	1369.36	30.94	2.31	21.8	1888.88	938.75	-25	-1.2
Sri Lanka	Colombo Stock Exchange	1842.41	1816.55	1838.45	12.08	0.66	22.3	2648.23	1484.53	-30.2	-6.7
Taiwan	Weighted	5995.12	5932.03	5992.57	378.51	6.74	30.5	9295.2	4089.93	-32.8	-5.8
Thailand	SET	494.07	487.42	491.69	8.19	1.69	9.3	884.19	384.15	-40.9	-13.8
Japan	Nikkei Stock Avg	8844.77	8615.45	8828.26	334.49	3.94	-0.4	14489.44	7054.98	-35.9	-19.5
Japan	Nikkei 300	170.3	166.51	169.72	5.48	3.34	-3	290.48	140.76	-38	-20.1
Europe											
Europe	DJ Stoxx 600	202.08	197.63	200.23	2.95	1.5	1.7	332.87	157.97	-38	-15.9
Europe	DJ Stoxx 50	2050.55	2001.37	2026.97	29.47	1.48	-1.9	3305.37	1614.75	-37.4	-16.9
Euro zone	DJ Euro Stoxx 50	2400.69	2342.64	2375.34	40.75	1.75	-3.1	3882.28	1809.98	-37.9	-14.8
Euro zone	DJ Euro Stoxx	222.3	217.7	220.27	3.28	1.51	-1.1	375.21	169.38	-39.9	-15.3
Austria	ATX	1885.08	1815.91	1863.01	46.9	2.58	6.4	4532.1	1411.95	-56.3	-23.6
Belgium	Bel-20	1997.08	1948.54	1953.35	2.37	0.12	2.3	3946.34	1527.27	-50.2	-20.7
Czech Republic	PX 50	880.6	855.1	880.6	33	3.89	2.6	1710.8	628.5	-45.3	-16.2
Denmark	OMX Copenhagen	255.19	247.56	252.51	5.48	2.22	11.6	439.09	193.26	-38	-12.4
Finland	OMX Helsinki	5647.13	5486.31	5606.79	167.16	3.07	3.8	10091.77	4110.31	-42.4	-16
France	CAC 40	3194.25	3141.36	3159.85	42.91	1.38	-1.8	5142.1	2519.29	-36.8	-15.2
Germany	DAX	4837.22	4710.09	4769.45	64.89	1.38	-0.8	7225.94	3666.41	-31.4	-7.4
Hungary	BUX	13155.43	12798.74	12872.14	-6.47	-0.05	5.2	23507.86	9461.29	n.a.	-19.2
Italy	S & P/MIB	19375	19098	19177	273	1.44	-1.5	34547	12621	-43.5	-20.2
Netherlands	AEX	243.94	240.72	240.76	2.69	1.13	-2.1	496.12	199.25	-49.4	-20
Norway	All-Shares	301.03	295	298.24	3.24	1.1	10.4	603.98	322.29	-44.3	-14
Poland	WIG	29039.4	28640.25	29018.62	744.69	2.63	6.6	48321.35	21274.28	-37.9	-13
Portugal	PSI 20	6804.08	6707.14	6755.7	84.02	1.26	6.5	11294.07	5743.09	-38.1	-12.4
Russia	DJ Russia Titans 10	3997.51	3890.43	3890.8	-40.34	-1.03	44.1	7900.67	2216.22	-41.8	-12.9
Russia	RTS Index	846.55	814.94	832.87	18.09	2.22	31.8	2487.92	498.2	-60.8	-20.5
Spain	IBEX 35	9100.8	8957.3	9038	146.7	1.65	-1.7	14247.6	6817.4	-34.5	-8.7
Sweden	SX All Share	241.4	237.31	237.58	-0.83	-0.35	16.3	334.77	176.54	-25.3	-10.9
Switzerland	Swiss Market	5285.77	5208.39	5225.92	73.2	1.42	-5.6	7778.93	4307.67	-30.6	-13.4
Turkey	Istanbul National 100	31819.43	31212.04	31651.81	905.42	2.94	17.8	43457.86	21228.27	-25.8	-10.3
U.K.	FTSE 100	4293.6	4189.6	4243.71	54.12	1.29	-4.3	6376.5	3512.1	-30.3	-11
U.K.	FTSE 250	7585.19	7357.92	7528.95	170.97	2.32	18.4	10557.3	5491.46	-25.3	-8.7
Americas											
Americas	DJ Americas	229.79	224.42	225.44	-0.1	-0.04	-0.3	375.06	172.41	-38.3	-11.7
Argentina	Merval	1293.06	1260.32	1275.25	4.64	0.37	18.1	2248.63	828.99	-39.1	-12.6
Brazil	Sao Paulo Bovespa	48125.73	47235	47289.53	62.74	0.13	25.9	73516.8	29435.11	-30.3	5.4
Canada	S & P/TSX Comp	9568.32	9321.39	9324.83	-91.48	-0.97	3.8	15073.13	7566.94	-33.7	-8.6
Chile	Santiago IPSA	2736.76	2666.99	2670.78	-43.74	-1.61	12.4	3096.11	2101.1	-10.7	6.7
Mexico	IPC All-Share	22576.33	21895.09	21898.85	-180.49	-0.82	-2.2	31975.47	16868.66	-27.7	2
Venezuela	Caracas General	44617.53	44239.09	44239.09	-122.5	-0.28	26.7	44669.07	33894.41	17.4	12.4
Other Countries											
Egypt	CASE 30	5194.58	5164.83	5191.34	104.5	2.05	12.9	11935.67	3389.31	-56	n.a.
Israel	Tel Aviv	819.46	807.06	812.32	17.51	2.2	24	1133.97	592.07	-24.7	-2.1
South Africa	Johannesburg All Share	20985.44	20481.77	20647.03	165.26	0.81	-4	33232.89	17814.42	-32.8	-0.8

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

Conflicts of Interest: CIBC World Markets' analysts and economists are compensated from revenues generated by various CIBC World Markets businesses, including CIBC World Markets' Investment Banking Department. CIBC World Markets may have a long or short position or deal as principal in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should not rely solely on this report in evaluating whether or not to buy or sell the securities of the subject company.

Legal Matters: This report is issued and approved for distribution by (i) in Canada by CIBC World Markets Inc., a member of the IIROC and CIPF, (ii) in the UK, CIBC World Markets plc, which is regulated by the FSA, and (iii) in Australia, CIBC World Markets Australia Limited, a member of the Australian Stock Exchange and regulated by the ASIC (collectively, "CIBC World Markets"). This report is distributed in the United States by CIBC World Markets Inc. and has not been reviewed or approved by CIBC World Markets Corp., a member of the New York Stock Exchange ("NYSE"), NASD and SIPC. This report is intended for distribution in the United States only to Major Institutional Investors (as such term is defined in SEC 15a-6 and Section 15 of the Securities Exchange Act of 1934, as amended) and is not intended for the use of any person or entity that is not a major institutional investor. Major Institutional Investors receiving this report should effect transactions in securities discussed in the report through CIBC World Markets Corp. This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets in Canada, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. This document and any of the products and information contained herein are not intended for the use of private investors in the United Kingdom. Such investors will not be able to enter into agreements or purchase products mentioned herein from CIBC World Markets plc. The comments and views expressed in this document are meant for the general interests of clients of CIBC World Markets Australia Limited.

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC World Markets Inc. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC World Markets Inc. suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgements as of the date of this report and are subject to change without notice.

Although each company issuing this report is a wholly owned subsidiary of Canadian Imperial Bank of Commerce ("CIBC"), each is solely responsible for its contractual obligations and commitments, and any securities products offered or recommended to or purchased or sold in any client accounts (i) will not be insured by the Federal Deposit Insurance Corporation ("FDIC"), the Canada Deposit Insurance Corporation or other similar deposit insurance, (ii) will not be deposits or other obligations of CIBC, (iii) will not be endorsed or guaranteed by CIBC, and (iv) will be subject to investment risks, including possible loss of the principal invested. The CIBC trademark is used under license.

© 2009 CIBC World Markets Inc. All rights reserved. Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.