



Benchmark Bonds & Rates

	Chg*	Yld*	Dec-07E	2005A
CA 10YR	\$0.22	4.12%	3.50%	3.96%
CA 30YR	\$0.50	4.16%	3.65%	4.03%
US 10YR	\$0.25	4.70%	4.30%	4.37%
US 30YR	\$0.41	4.81%	4.65%	4.52%

	Rate*	Dec-07E	2005A
CA Prime	6.00%	N/A	5.00%
CA Call Loan	4.25%	3.25%	3.25%
Fed Funds Tgt	5.25%	4.50%	4.25%

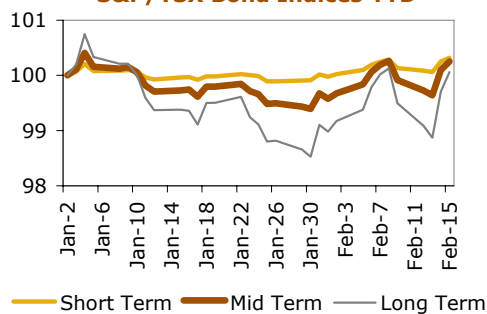
*Prior trading day close; E - Estimate; A - Actual

Provincial & Corporate Spreads (bps)

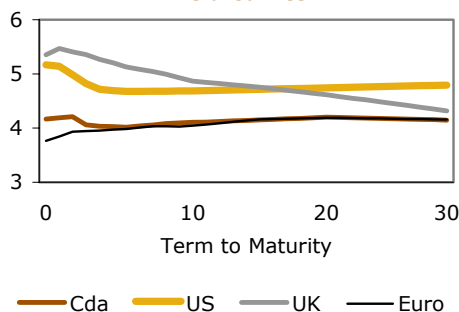
Issuer	5YR	10YR	Long
Ontario	15.8	24.5	40.8
BC	15.5	17.0	32.0
Manitoba	14.4	24.5	39.5
Quebec	20.8	36.3	52.5
Banks	37.0	54.0	90.0
Telecom	39.0	88.0	146.0
Utilities	35.0	57.0	147.0

*Prior day close

S&P/TSX Bond Indices YTD



Yield Curves



Economics & Fixed Income

- U.S. housing starts drop 14.3% in January.** Housing starts in January plummeted 14.3% to a seasonally adjusted annual rate of 1.408 million, the lowest level in almost 10 years. January's result was much weaker than expected and comes after a revised reading of 1.643 million a month earlier. At the same time, building permits also fell more than expected, dropping 2.8% to an annual rate of 1.568 million.
- University of Michigan Confidence Index falls more than expected.** The University of Michigan preliminary survey of consumer confidence fell to 93.3 this month, from 96.9 in January. The reading was lower than analysts' expectations for a 96.5 reading. A slight rise in energy prices and instability in the housing market were cited as possible reasons for the drop. The current conditions reading dropped to 108.3 from 111.3 and the expectations index pulled back to 83.7 from 87.6.
- U.S. PPI fell 0.6% in January.** The Producer Price Index (PPI) matched analysts' expectations, falling 0.6% in January after a 0.9% increase a month earlier. The core PPI, which excludes food and energy prices, also matched expectations, rising 0.2%. While the drop in PPI should provide investors with some comfort that inflationary pressures are easing, the slight rise in the core reading supports the Federal Reserve's view that inflation risk remains.
- Fed suggests unemployment rate could go lower without sparking inflation.** A Wall Street Journal article, citing Federal Reserve Chairman Ben Bernanke's monetary-policy report, suggests Fed officials believe unemployment could go lower than previously believed without generating inflation. The potential shift in sentiment has some economists believing that interest rate hikes are less likely this year.
- North American bond markets are higher.** Both Canadian and U.S. bond markets traded higher after U.S. housing starts and inflation dropped in January. The ten-year Canada benchmark is currently \$0.08 higher to yield 4.10% and the ten-year U.S. Treasury note is 4/32nd higher to yield 4.69%. Since the start of the week the yield on the ten-year Canada has dropped nine basis points (bps), while the yield on the U.S. ten-year has dropped 11 bps. With the U.S. bond market closing at 1 p.m. E.S.T. today and closed all day Monday for Presidents Day, market activity will likely be somewhat muted.
- Average resale home price in Canada rises 11.2%.** According to MLS data from the Canadian Real Estate Association, the average resale home price in January rose 11.2% from the same period a year earlier. The average selling price in Canada's major markets was \$299,318 in January, up more than \$30,000 from January 2006. Year-over-year resale home prices in Edmonton were up a whopping 52.6% to \$303,820, while the average selling price in Calgary rose 29.6% to \$375,646. Vancouver continued to lead the country with the most expensive average resale home price of \$530,695, up 16% over the same period last year.



Market Indicators

Index	Level*	Change	YTD
S&P/TSX	13,288.16	0.63%	2.9%
S&P 500	1,456.81	0.10%	2.7%
NASDAQ	2,497.10	0.18%	3.4%
Dow Jones	12,765.01	0.35%	2.4%
MSCI EAFE	2,166.43	0.50%	4.4%
Nikkei 225	17,897.23	0.81%	3.9%
London FTSE	6,433.30	0.19%	3.4%

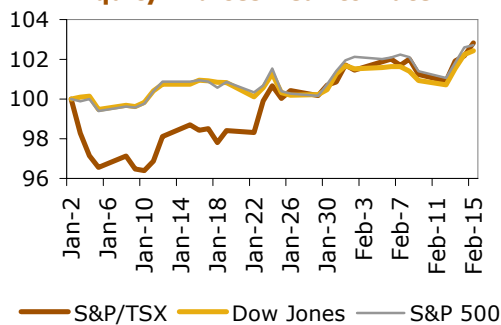
*Prior trading day close

Widely Held

	Close*	Change	% Change
BCE	\$31.66	\$0.46	1.5%
NT	\$36.14	\$0.66	1.8%
RY	\$54.93	\$0.13	0.2%
BNS	\$51.53	\$0.10	0.2%
BMO	\$71.50	-\$0.01	0.0%
TD	\$69.75	\$0.16	0.2%
CM	\$102.74	\$1.09	1.1%
MSFT	\$29.46	\$0.06	0.2%
GE	\$36.14	-\$0.33	-0.9%

*Prior trading day close

Equity Indices Year to Date



Upcoming Earnings Friday

Boardwalk REIT	Est	N/A
Campbell Soup	Est	US\$0.627
Emera	Est	\$0.314
KCP Income	Est	\$0.240
Labopharm	Est	-\$0.086
Sirus Satellite	Est	-US\$0.190
Telus	Est	\$0.669

Source: Bloomberg

Equity Markets

Canadian

- Telus profit triples on wireless growth.** Profit at the telecommunications company soared to \$236.2 million or \$0.69 per share in Q4/2006, from \$78.5 million, or \$0.22 per share in the year-earlier period. Revenue climbed 8% to \$2.25 billion, led by a 16% increase in wireless revenue. Telus gained an additional 181,600 wireless subscribers in the quarter. Telus customers also spent \$2 more each month on average, which management said was the 16th straight quarterly increase.
- Bell Aliant makes offer for Amtelcom.** Bell Aliant Regional Communications Income Fund today announced intentions to buy rival Amtelcom Income Fund for about \$119-million including debt. Bell Aliant is offering \$13 per unit, a 15.6% premium to Amtelcom's closing price of \$11.25 yesterday. The offer is conditional on at least two-thirds of the units being deposited and regulatory approvals. Amtelcom units rose 18% to \$13.29 in early morning trading.
- The Mills Corp turns down Brookfield offer.** The Globe and Mail reports that U.S. mall owner The Mills Corp. has turned down a deal with Toronto-based Brookfield Asset Management Inc. in favour of a rival bidder. The Mills Corp. has agreed to sell its shares to Simon Property Group Inc., the largest retail landlord in the U.S., and San Francisco-based hedge fund Farallon Capital Management LLC for US\$25.25 per common share. Brookfield Asset Management had offered US\$21.0 per share.

U.S.

- Microsoft opens lower on tempered Vista outlook remarks.** Shares of Microsoft Corp. fell after CEO Steve Ballmer signalled sales of the new Windows Vista programs are unlikely to meet some analysts' highest estimates. According to Bloomberg, Mr. Ballmer yesterday told analysts, "Some of the Windows revenue forecasts I've seen are overly aggressive. You shouldn't think of a huge surge in fiscal year 2008 relative to 2007. There's a few that think we are going to do so much better than PC growth." Microsoft shares fell 2.4% in early trading.
- Plant strike widens Goodyear quarterly loss.** Goodyear Tire & Rubber Co. reported a Q4 loss of US\$358 million, or US\$2.02 per share, due to a costly strike at 16 plants that dragged down sales. Last year in the same period, the company posted a US\$51 million loss, or US\$0.29 per share. Goodyear said the strike cost the company US\$367 million, or US\$2.07 per share. Analysts in a Thomson Financial survey, on average, had expected a Q4 loss of US\$0.40 per share.
- Visteon reports US\$39 million loss, but tops estimates.** Visteon Corp., the auto-parts maker spun off from Ford Motor Co., posted a fourth-quarter loss as customers trimmed purchases and reduced production. The net loss was US\$0.30 per share, down from a profit of US\$1.34 billion, or US\$10.25 per share, a year earlier. (The year-ago profit included one-time gains of US\$1.8



Upgrades/Downgrades

- **Agnico-Eagle** (AEM): Upgraded to outperform from market perform at Raymond James.
- **ING Canada** (IIC): Upgraded to buy from neutral at UBS.
- **Westjet** (WJA.A): Upgraded to buy2 from neutral 2 at UBS.
- **Alcan** (AL): Downgraded to buy from strong buy at Davenport & Co.
- **ATS Automation** (ATA): Downgraded to hold from buy at Blackmont.
- **ATS Automation** (ATA): Downgraded to neutral from outperform at Credit Suisse.
- **Expedia** (EXPE): Downgraded to sector performer from sector outperformer at CIBC.
- **Fording Canadian Coal** (FDG.UN): Downgraded to underperform from sector perform at NBF.
- **George Weston** (WN): Downgraded to sector underperform from sector perform at Scotia.

Source: Bloomberg

Currencies & Commodities

	Close*	Change	Yr Ago
C\$/US\$	1.163	-0.003	1.157
US\$/£	1.951	-0.012	1.739
US\$/€	1.314	0.001	1.191
¥/US\$	119.270	-1.540	117.585
Gold	\$669.75	\$0.63	\$548.15
Silver	\$13.98	-\$0.05	\$9.43
Oil	\$57.99	-\$0.01	\$58.46
Natural Gas	\$7.29	\$0.05	\$7.13

*Prior trading day close; All commodity prices in US.

This Week In Economics

Thursday

- Manufacturing Ship' (CA) Act. 1.7%
- Import Price Index (US) Act. -1.2%
- Empire Manufacturing (US) Act. 24.4
- Total Net TIC Flows (US) Act. -\$11.0B
- Industrial Production (US) Act. -0.5%
- Capacity Utilization (US) Act. 81.2%
- Philadelphia Fed (US) Est. 4.1

Friday

- Producer Price Index (US) Act. -0.6%
- PPI ex-Food & Energy (US) Act. 0.2%
- Housing Starts (US) Act. 1408K
- Building Permits (US) Act. 1568K
- U.of Michigan Conf (US) Act. 93.3

Source: Bloomberg

billion related to transferring operations back to Ford). Analysts surveyed by Thomson Financial had been expecting a Q4 loss of US\$0.81 per share.

International

- **Banco Bilbo acquires Compass Bancshares for US\$9.6 billion.** Spain's second-biggest bank agreed to buy Compass to increase its presence in the U.S. Shareholders of Alabama-based Compass will be offered US\$71.82 in cash or 2.8 new BBVA shares for each of their Compass shares. Bloomberg notes that the cash bid is 8.2% more than Compass's closing price yesterday. Compass Bancshares operates branches in Alabama, Arizona, Colorado, Florida, New Mexico and Texas. Profit for 2006 rose 15% to a record US\$460.4 million.
- **Sapporo considering anti-takeover measures to battle takeover bid.** Japan's Sapporo Holdings announced that it will try to block yesterday's proposals by U.S. investor Warren Lichtenstein by asking shareholders whether the brewery should continue its anti-takeover measures. Bloomberg notes that last month the company introduced measures that allowed it to dilute its stock in order to fight a hostile bid seeking more than 20% of voting rights. Lichtenstein is seeking 66.6% of the brewer's voting rights and already has a 17.52% stake.
- **Sony says sales of image-sensor chips will rise 20% this year.** The chips are used in digital cameras and mobile phones and are expected to improve profitability in the unit. Bloomberg notes that Sony Corp. had revenue of approximately 200 billion yen (US\$1.7 billion) from image-sensor chips in the year ended March 31, 2006. Sales of the chips are expected to reach 350 billion yen in the year ending March 2010, the company told analysts today. Sony announced that it would cut spending on chips to help the business turn profitable and that it might contract outside companies to make its Cell chip, a fast processor used in its PlayStation 3 console.

Commodities & Foreign Exchange

- **Tin continues to rally on global supply concerns.** Tin rose in London on expectations that a curb on illegal mining in Indonesia will cut supply from the world's second biggest producer of the metal, Bloomberg reports. "Tin concentrate and semi-finished tin metal production from Indonesia could come down by 35,000 tons, representing some 10% of global production," Ahmad Solihin, an analyst at PT Mandiri Sekuritas said in a recent report. Tin for delivery in three months on the London Metal Exchange (LME) advanced US\$100, or 0.8%, to US\$13,200 a ton as of 12:20 p.m. local time. Earlier it traded as much as 1.5% higher at US\$13,300.
- **Nickel falls in London.** Nickel fell from a record high in London after stockpiles of the metal gained. Inventories monitored by the LME rose 4.1% to 4,152 metric tons, the exchange said today. Bloomberg notes that stockpiles of the metal have gained 39% in 10 days. Nickel for delivery in three months on the LME fell US\$399, or 1%, to US\$39,101 a ton as of 10:56 a.m. local time.



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