

Canadian Financial Markets

January 2012

Currency

- CAD is well above its long run average on a trade-weighted basis.
- The dollar is not systematically above or below its long term averages against the other major currencies.
- Relative to six months ago, the dollar is not systematically higher or lower against the other major currencies.

90 Day Rates

- The 90 day bank bill futures curve has moved lower in the past six months.
- The overnight rate is priced to remain close to the current 1.0% throughout the coming year.
- The yield curve has become unusually flat by historic standards.

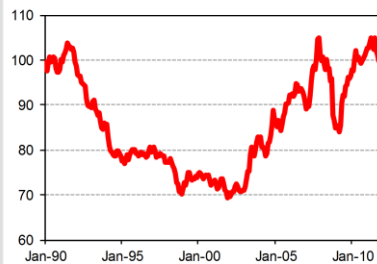
10 Year Yields

- Yields are 1.3% lower than six months ago and, at 2.0%, they are extremely low by historical standards.
- Canadian yields have declined in line with global yields so bond spreads have generally remained stable.
- Bond spreads are not systematically different from their historical norms against the other major countries.

Equities

- The equity market has declined in recent months and has provided a total loss of slightly more than -10% in the past year.
- Canadian returns have been in the middle tier globally over the past year.
- A cumulative loss of more than -5% over the past five years is in line with the losses in other major markets.

Trade-Weighted Index
(BoC index)

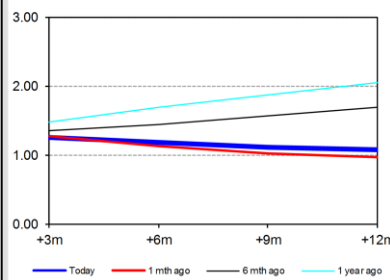


CAD: Now vs History

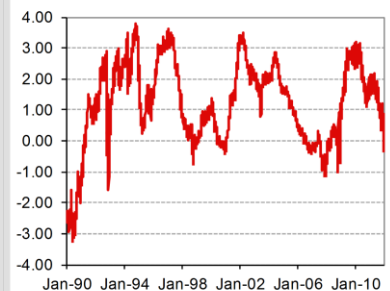
	Now	Average	Difference
USD	1.02	1.31	22%
EUR	1.30	1.54	16%
JPY	76	89	-18%
STG	1.57	2.17	27%
CHF	0.93	1.05	-12%
SEK	6.78	5.79	17%
NOK	5.89	5.30	11%
AUD	1.05	0.92	-14%
NZD	0.81	0.77	-4%
TWI	117	96	22%

(average refers to 1990-2010)

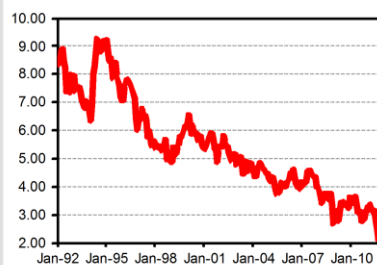
90 Day Future Strips
(%)



Yield Curve
(10 year – 90 day)



10 Year Bond Yields
(%)

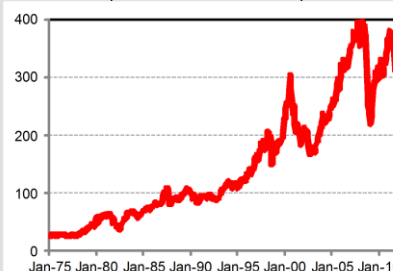


Bond Spreads: Now vs History

	Now	Average	Difference
USA	0.01	0.20	-20bp
Ger	0.10	0.54	-44bp
Japan	1.00	3.33	-233bp
UK	-0.10	-0.15	6bp
Swiss	1.29	2.07	-78bp
Swede	0.29	-0.01	29bp
Nor	-0.05	-0.20	14bp
Aus	-1.93	-1.07	-86bp
NZ	-1.88	-1.35	-53bp

(average refers to 1995-2010)

Canadian Equity Market
(Total return index)



Recent Equity Returns

	6m	1 year	5 years
US	-4%	2%	-1%
Euro	-18%	-17%	-34%
Japan	-13%	-17%	-52%
UK	-14%	-9%	5%
Swiss	-6%	-11%	-33%
Swede	-13%	-15%	-3%
Nor	-6%	-9%	-12%
Can	-10%	-11%	-7%
Aus	-6%	-9%	-5%
NZ	-4%	1%	-18%