

THE “V” IN CANADA’S RECOVERY

November 25, 2009

Michael Gregory, CFA

Senior Economist & Managing Director, BMO Capital Markets

BMO  Capital Markets™

1-800-613-0205 ■ www.bmocm.com/economics

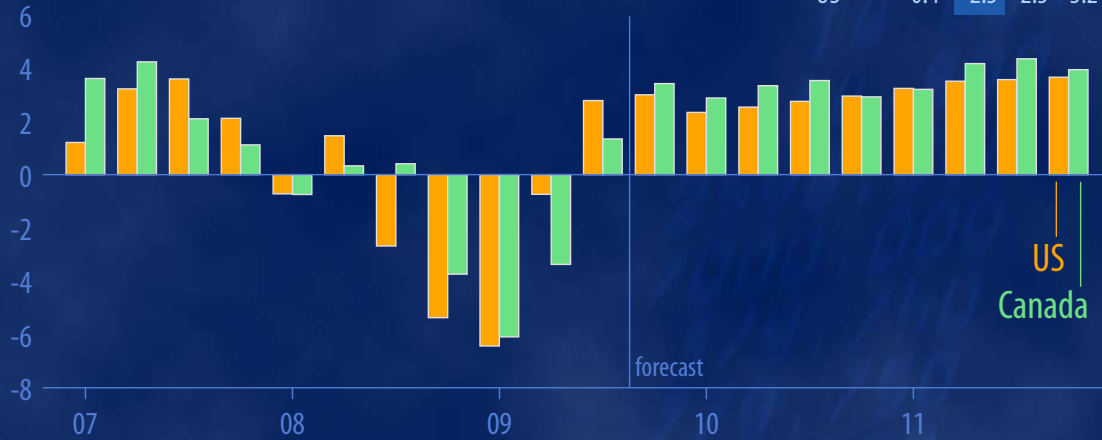
Your ambition achieved.™

Recovery Beginning

(q/q % chng : ar)

Real GDP

	08	09	10	11
Canada	0.4	-2.4	2.6	3.6
US	0.4	-2.5	2.5	3.2

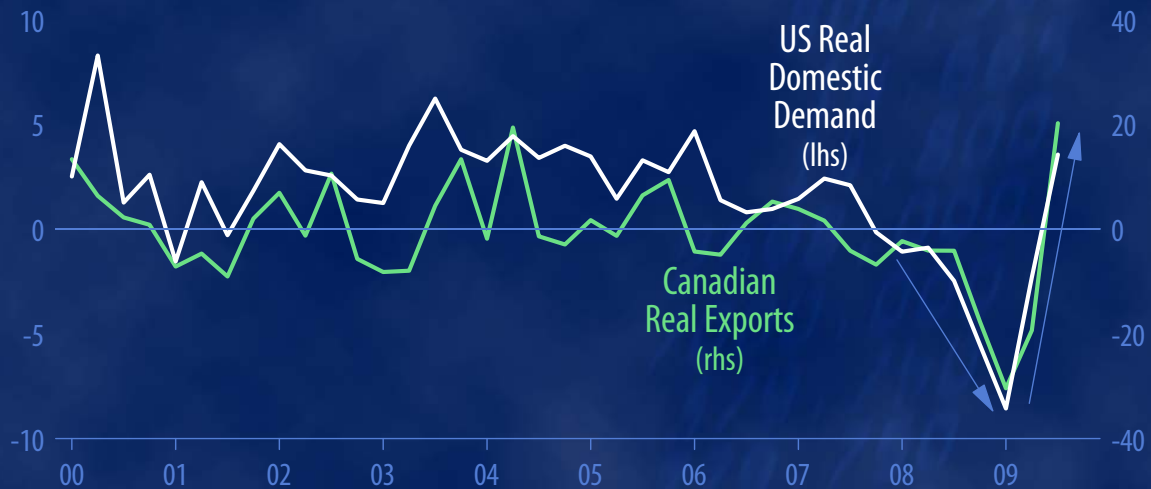


Canada Lags then Leads US, Tops G-7 in 2010

Canada 2009:Q3 = estimate

When the US Sneezes...

(q/q % chng : ar)



...Canadian Exports Catch a Cold

Canadian Real Exports: 2009:Q3 = estimate

Commodity Prices Rebounding: Income and Wealth Effects



Housing Resales Rebounding, Starts Stabilizing

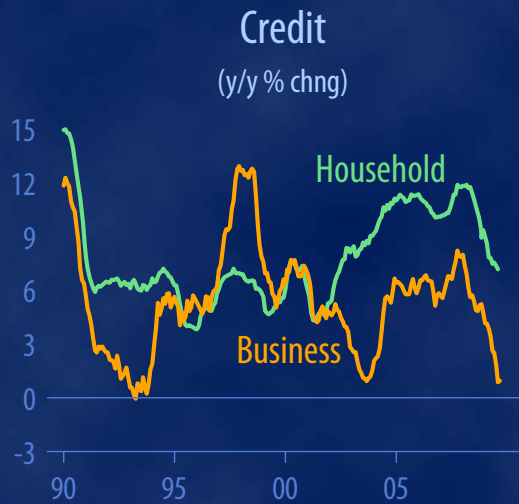


Canadian Resale Home Prices Surging, US Stabilizing

Housing Starts: Canada = (000s) US = (mlns)

Credit Slowing... But Still Growing

Canada

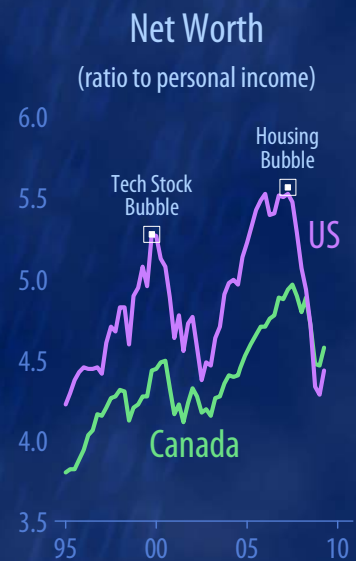
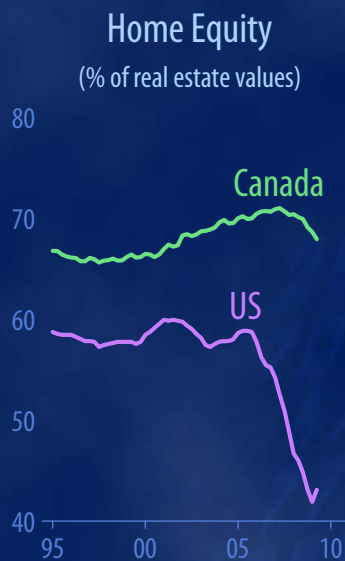
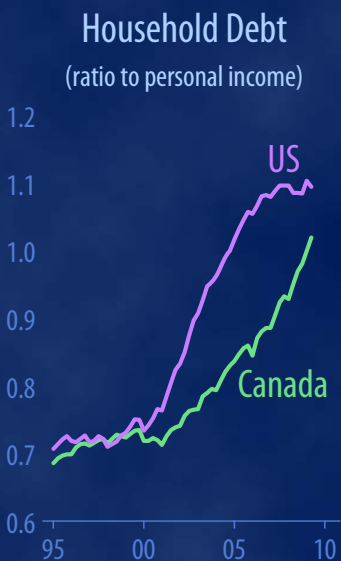


Global Credit Crisis Not as Severe in Canada

BOS = BoC Business Outlook Survey SLOS = BoC Senior Loan Officer Survey



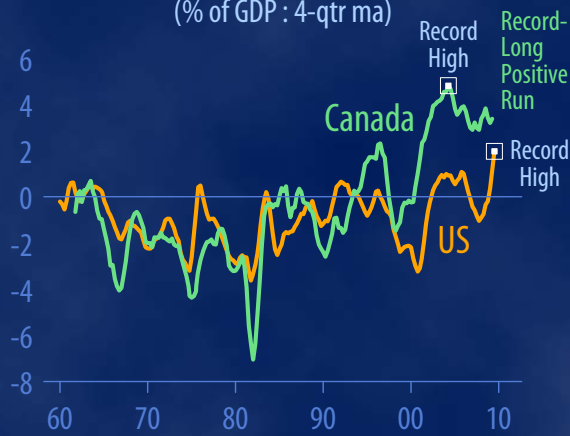
Canadian Household Sector in Better Shape



Canadian Businesses Boast Best Shape in Generations

Corporate Savings

(% of GDP : 4-qtr ma)



Corporate Debt

(ratio to net worth)



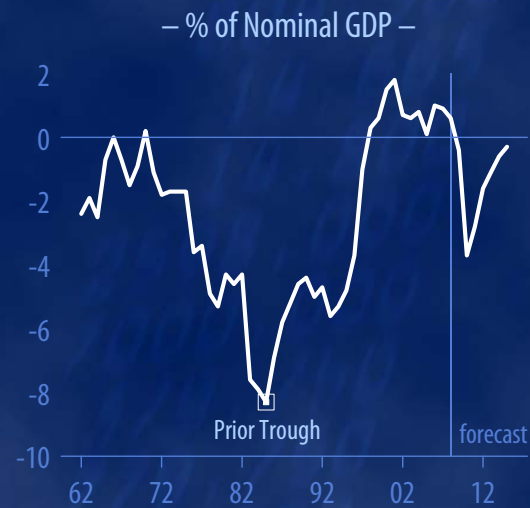
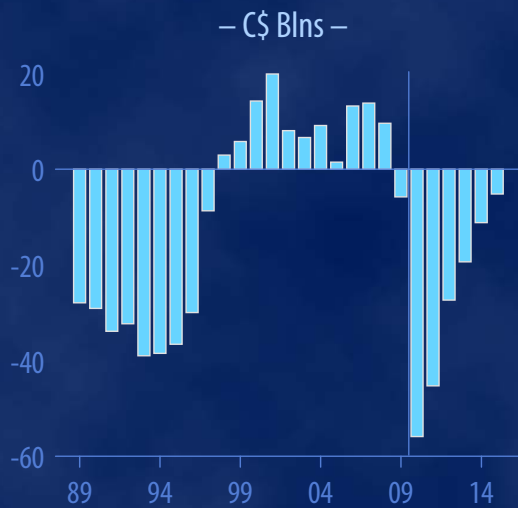
Business Bankruptcies Dropped During Recession

Corporate Savings = Corporate Profits + Non-cash Expenses – Non-residential Investment



Priming the Fiscal Pump in Canada

Budget Balance – Canada



Still Manageable

Source: Federal Budget Update



Bank of Canada Policy



Reluctant to Move to Quantitative Easing or Unsterilized Credit Easing

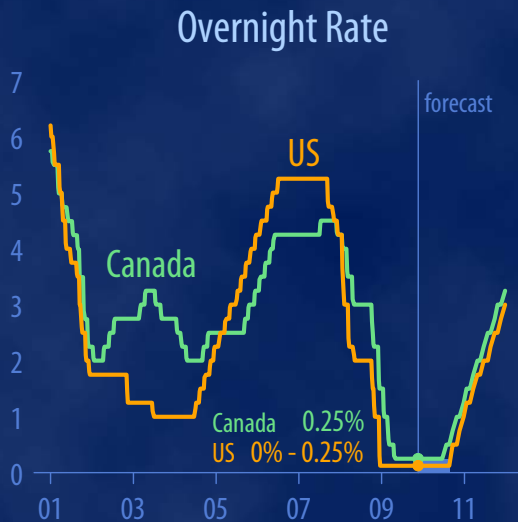
Conditional Commitment to Keep Policy Rate at 0.25% until June 2010

C\$ Concern

Asset Prices Might Now Be A More Significant Policy Input

Interest Rates: Lower for Longer

(% : as of November 24, 2009)

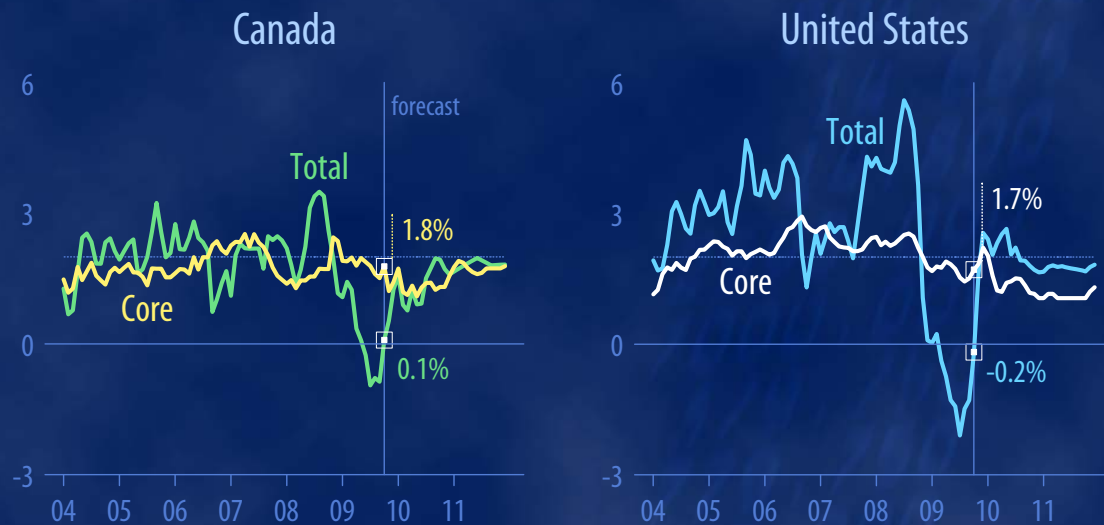


Low Rates for "Extended Period"

Fed Ends Buying

Headline Inflation in Negative Territory

Consumer Price Index (y/y % chng)



Sub-2% Core Inflation for Forseeable Future

Unemployment Rates to Drift a Bit Higher

(percent)

Unemployment Rate



Economic Slack to Keep Inflation on Its Back

Greenback Giving Back Gains

(as of November 24, 2009)



Global Risk Appetite,
"Risk On... Risk Off"

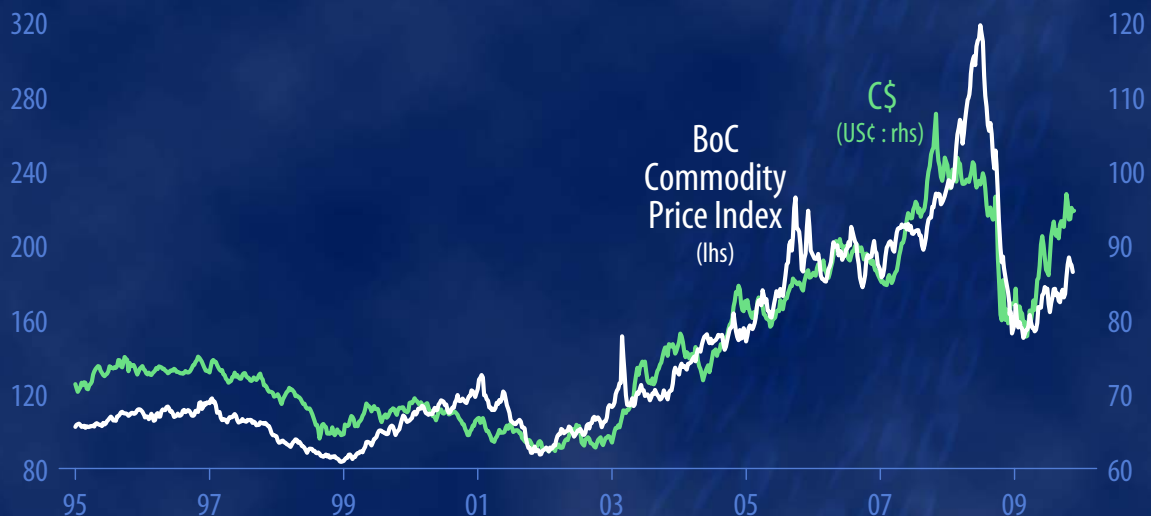
External Financing of US
Fiscal Deficit

Resumed Appreciation of
Chinese Yuan

Further Competition for Reserve
Currency Status (Euro, Gold)

Loonie & Commodities: Close-formation Flight

Canada (as of November 24, 2009)



Global Economic Recovery Supporting Commodity Prices

Loonie Tunes

(US¢ : as of November 24, 2009)

Canadian Dollar



Parity Revisited

