

THE CLOUDS ARE PARTING

November 12, 2009

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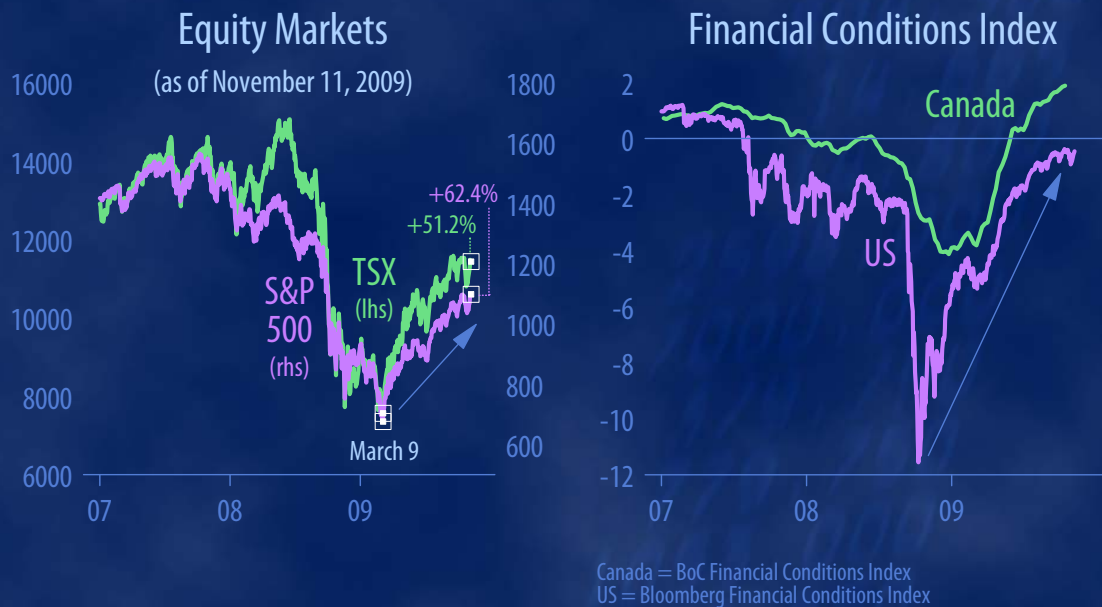
Synchronized Global Recovery



- Stocks Revive
- Credit Spreads Narrow
- Commodities Recover
- Recession Ends

But: Employment Still Weak in US

Financial Conditions Improve



Recession Ends

(q/q % chng : ar)

Real GDP



But Worries Remain

Provincial Outlook: Recovery

Real GDP – Canada (y/y % chng)



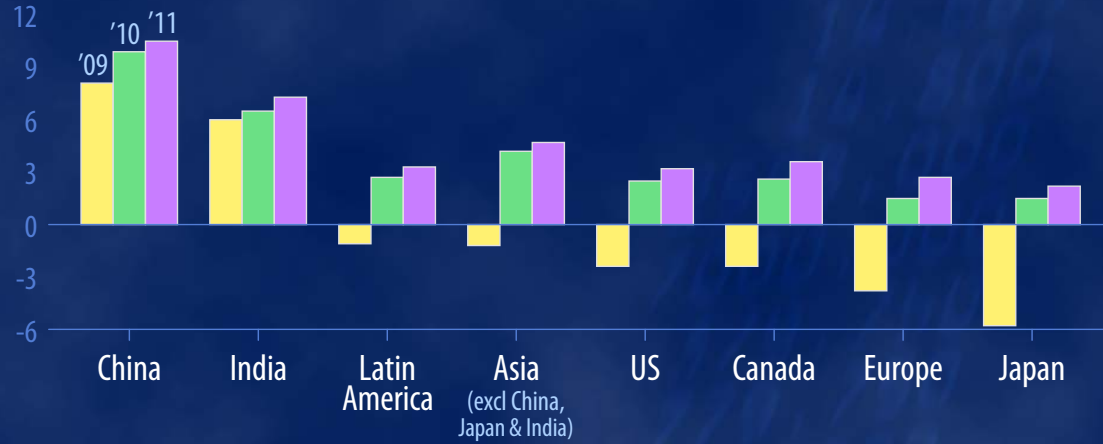
Source: BMO Capital Markets forecasts

Global Economy Improves

(ann % chng)

Real GDP

	08	09	10	11
World	3.1	-1.1	3.6	4.4



Led by China

Ranked by '09 Source: BMO Capital Markets forecasts

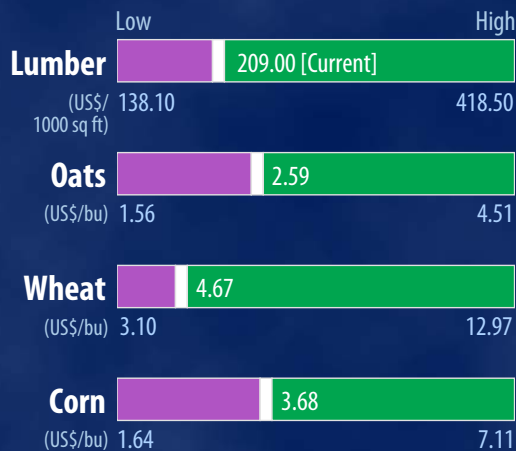


Commodity Revival

Commodity Price Range (5-yr range)

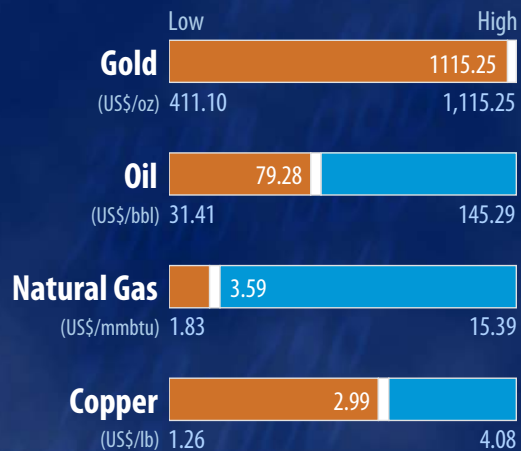
Materials & Foodstuffs

(as of November 10, 2009)



Metals & Energy

(as of November 11, 2009)



US Dollar Vulnerable

(as of November 11, 2009)



% Chng (vs US\$)	Feb '02 Peak to Present	2009 Y-T-D
Australian \$	80.5	32.4
Euro	73.1	7.2
Swiss Franc	69.2	6.0
Canadian \$	53.8	16.6
Japanese Yen	49.4	0.9
Chinese Yuan	21.3	0.0
UK Pound	16.8	13.5
Trade-weighted US\$	-21.7	-5.1
Mexican Peso	-30.9	3.9

Loonie Moves with Commodity Prices

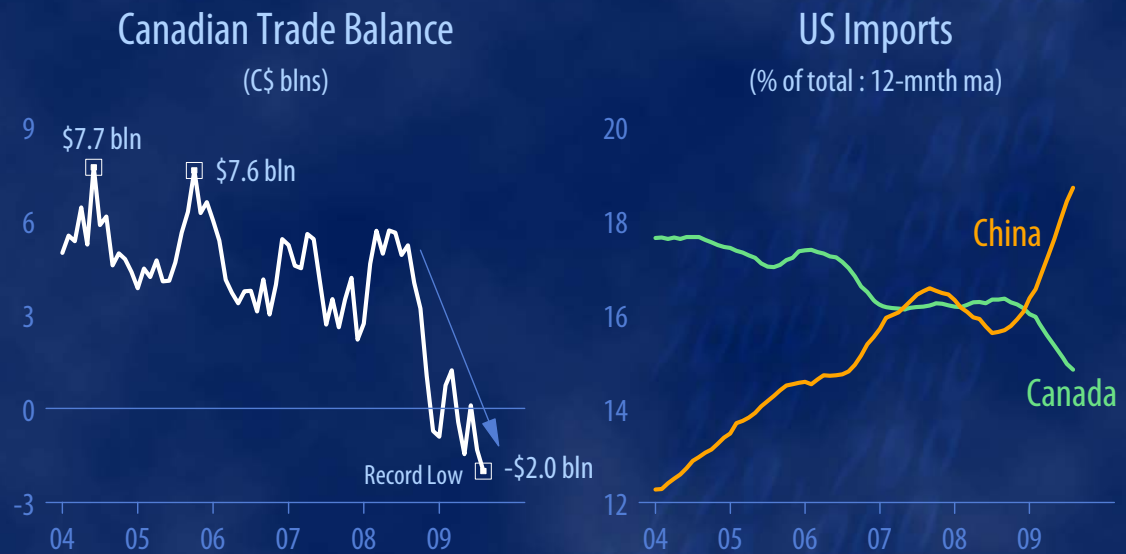
(US¢ : as of November 11, 2009)

Canadian Dollar

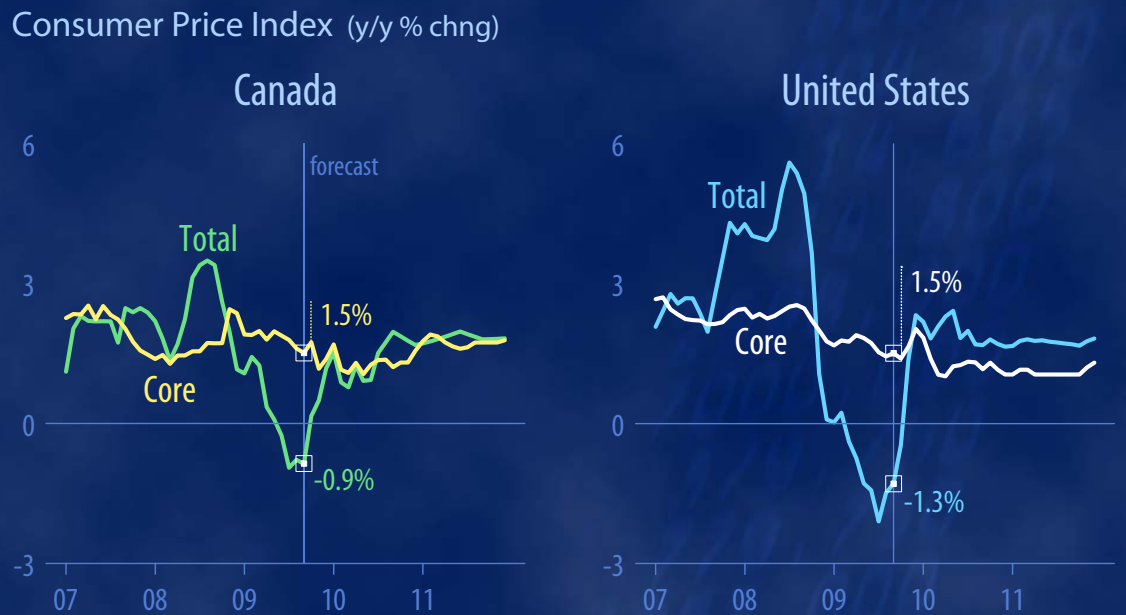


Canadian Dollar Strong

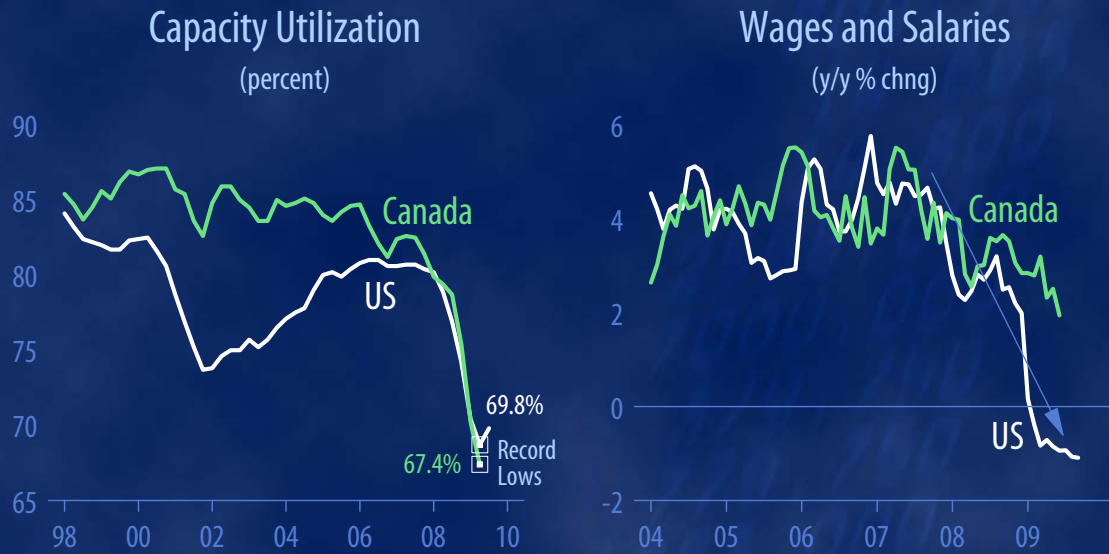
China Now Biggest Supplier of Imports to US



Core Inflation Remains Low



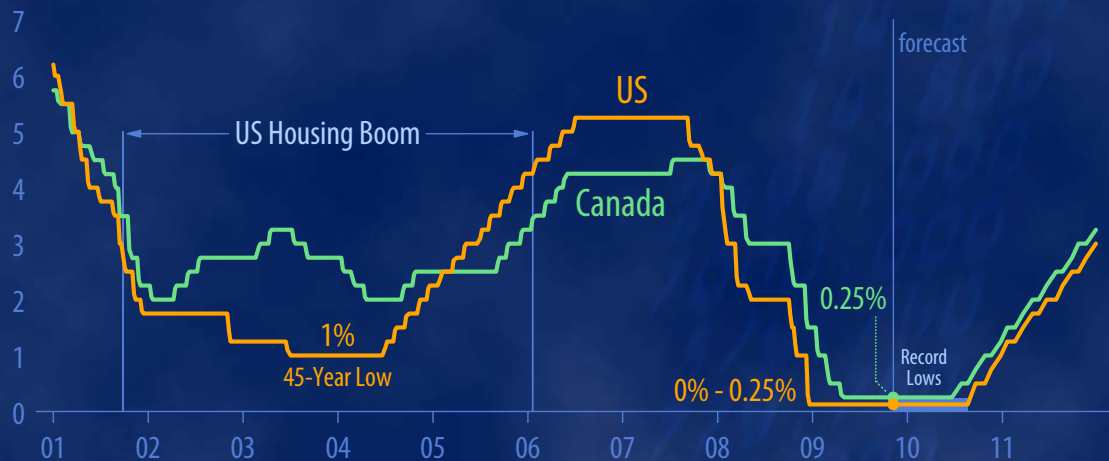
Lots of Excess Capacity



Zero Rates Persist Awhile

(% : as of November 11, 2009)

Overnight Rate

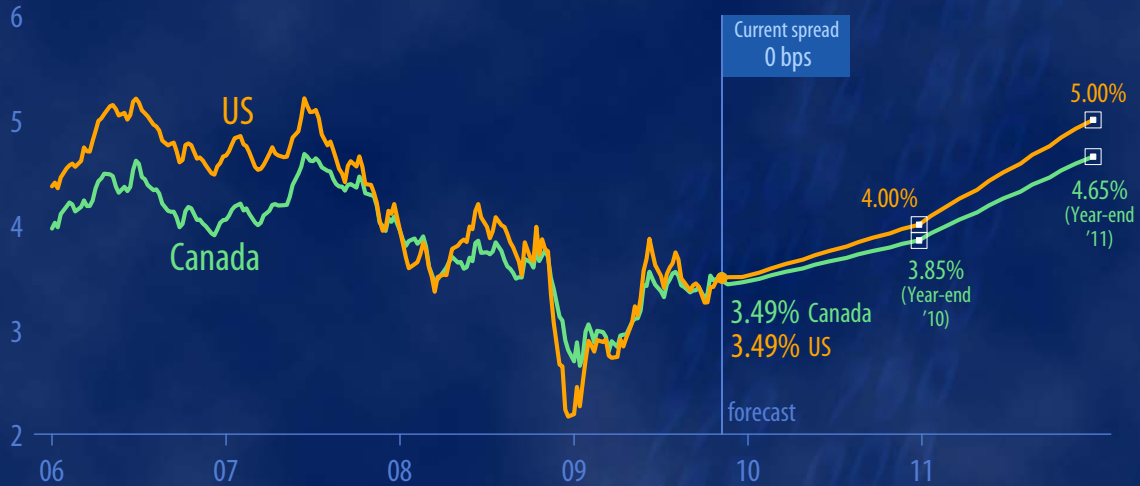


BoC Keeps Rates Low

US Treasury Yields Will Rise a Bit

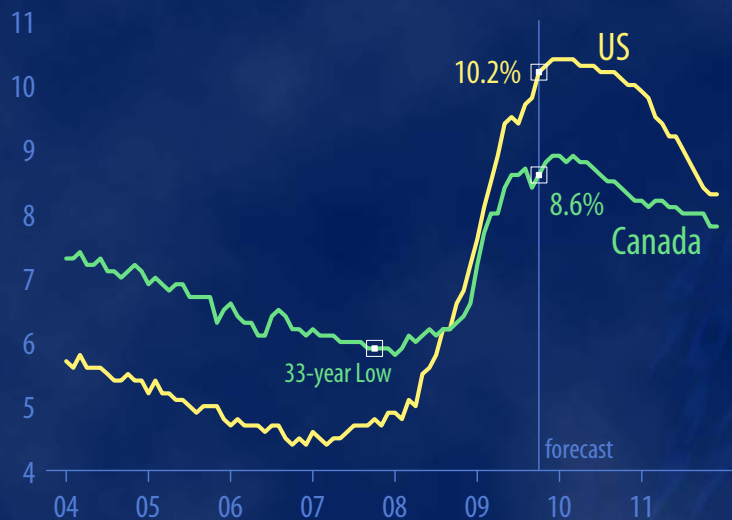
(% : as of November 11, 2009)

10-year Bonds



Jobless Rates Head Higher in US

Unemployment Rate (percent)

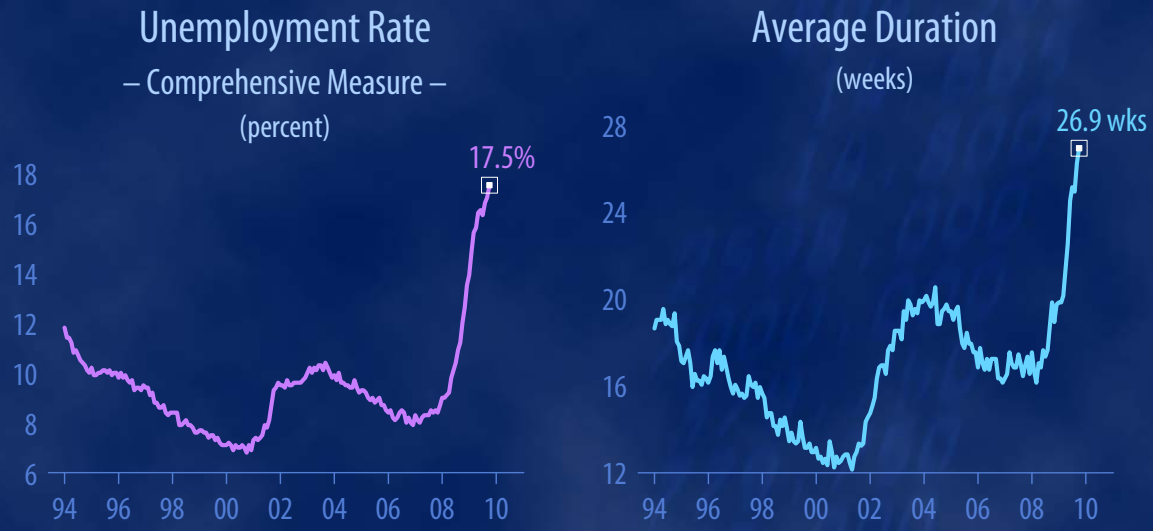


Spain	19.3
Ireland	13.0
France	10.0
Portugal	9.2
Greece	9.2
Sweden	9.0
Finland	8.4
Germany	8.1
Belgium	7.9
Austria	7.5
Australia	5.7
UK	5.1

Job Losses Top 7.3 mln in US... 400,000 in Canada

US Job Losses a Long-term Problem

Unemployment – United States (as of October, 2009)



Record Highs



US Structural Unemployment Problem

Long-duration Unemployment (percent : 3-mnth ma)



Similar to Canada in '80s and '90s

Long-duration Unemployment = Unemployed 27 weeks or more



Consumers Hit Much Harder in US



- Long-term Job Losses
- Asset Values Down
- Credit Tight
- Housing Gradually Improves

Increase Savings

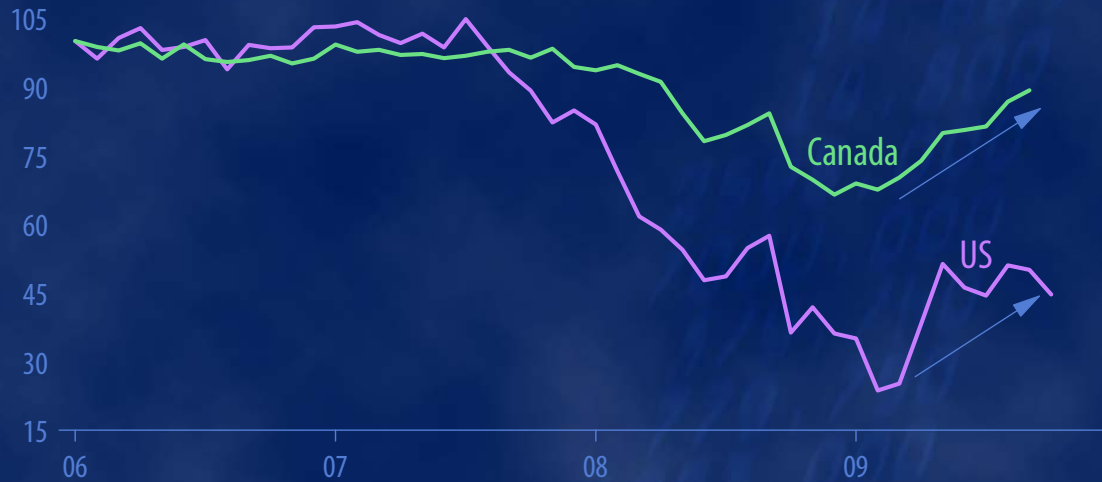
Canadian Housing Strong



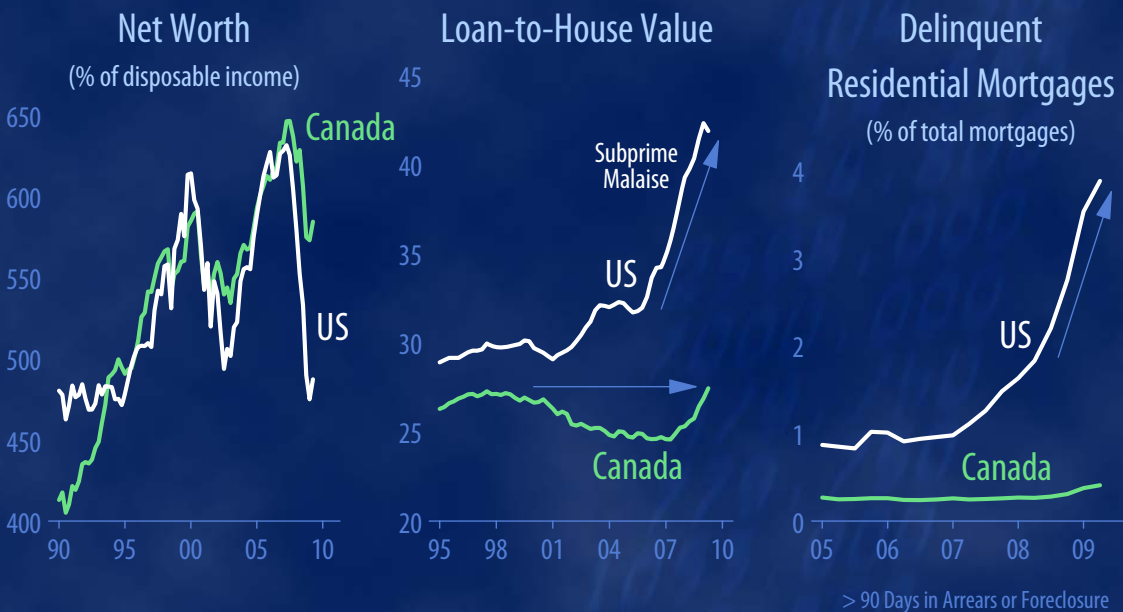
Consumer Confidence Picking Up

Conference Board (January 2006 = 100)

Consumer Confidence Index



Canadian Household Sector in Better Shape

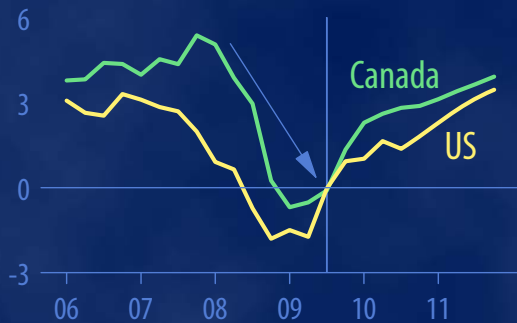


Consumers Retrench

	08	09	10	11
Canada	3.0	0.0	2.6	3.5
US	-0.2	-0.6	1.5	2.9

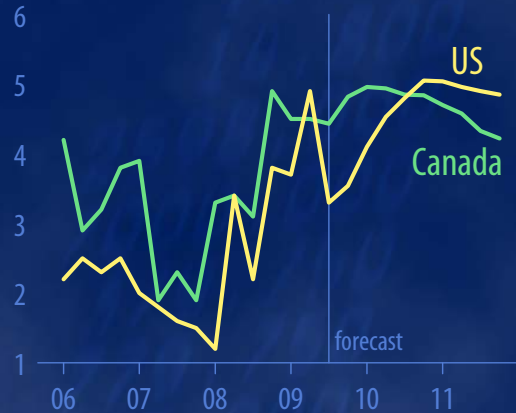
Real Consumer Spending

(y/y % chng)



Personal Savings Rate

(% of disposable income)



Savings Rates Rise... Need to Rebuild Wealth



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Financial Market Performance

Financial Market Returns – Local Currency (% chng : as of November 11, 2009)

Dividend Yields:

TSX

2.9%

S&P 500

2.1%

Returns since March 9:
(local currency)

TSX

+51.2%

S&P 500

+62.4%

	2009 Y-T-D	2008	2007	2006
	(local currency)	(US\$-terms)		
Stocks				
Nasdaq	37.4%	-41%	10%	10%
TSX	27.3%	48.4%	7%	15%
S&P 500	21.6%	-38%	4%	14%
DJIA	17.3%	-34%	6%	16%
Bonds				
GoCs	-1.9%	14.4%	13%	5%
US Treasuries	-3.6%	15%	10%	3%
Commodities				
CRB Index	19.1%	-36%	17%	-7%
Gold	26.8%	6%	31%	23%



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TSX Outperforms

(% chng since December 31, 2007 : as of November 11, 2009)

Equity Markets

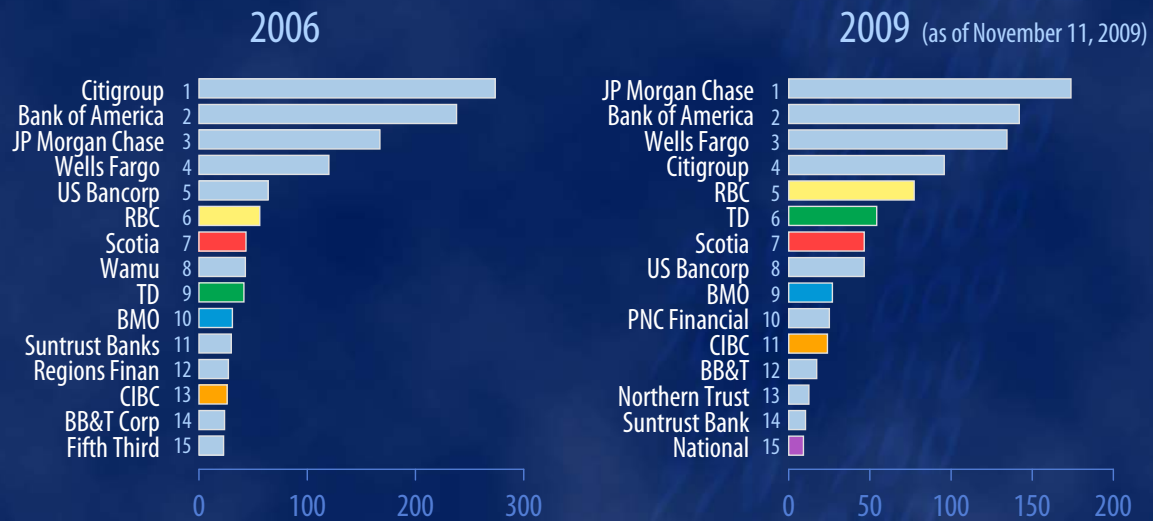


A Long Way Back



Canadian Banks Climb the Ranks

North America's Biggest Banks by Market Capitalization (US\$ blns)



Canadian Banks Take No Government Money



Economy Healing

- Massive Rate Cuts
- Colossal Fiscal Stimulus
- US Housing Bottoming
- US Deleveraging Continues



China's Importance Rising

Canada Outperforms, But Challenges Remain

