

PARTLY CLOUDY: CHANCE OF SHOWERS

November 16, 2010

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Global Recovery Cooled in Second-half 2010



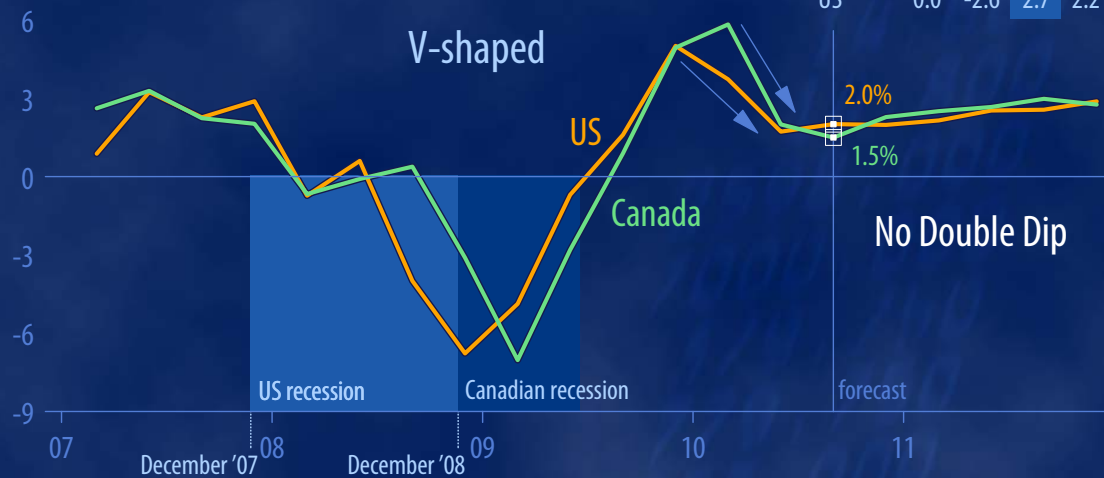
- Canada Outperforms
- US Jobs Crisis Eases A Bit
- Second-half Slowdown
- Emerging Countries Dominate Growth
- Currency Wars

Risk: Fiscal Restraint

So Far, Weak Recovery in North America

(q/q % chng : ar)

Real GDP



Canada: 2010:Q3 = BMO Capital Markets estimate

Momentum Slows

Provincial Recovery

Real GDP – Canada (y/y % chng)

	08	09	10	11
Canada	0.5	-2.5	3.0	2.4



Western Canada to Lead

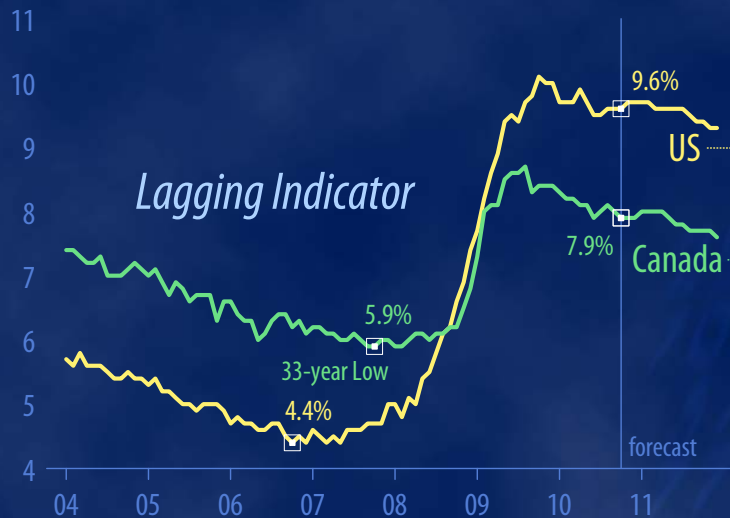
Source: [2010-11] BMO Capital Markets forecasts

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Jobless Rates Fall, But Gradually

Unemployment Rate (percent)



Spain	20.8
Ireland	14.1
Greece	12.2
Portugal	10.6
France	10.0
Belgium	8.7
Sweden	8.3
Finland	8.1
UK	7.7
Germany	6.7
Israel	6.3
Australia	5.4
Japan	5.0
Norway	3.4

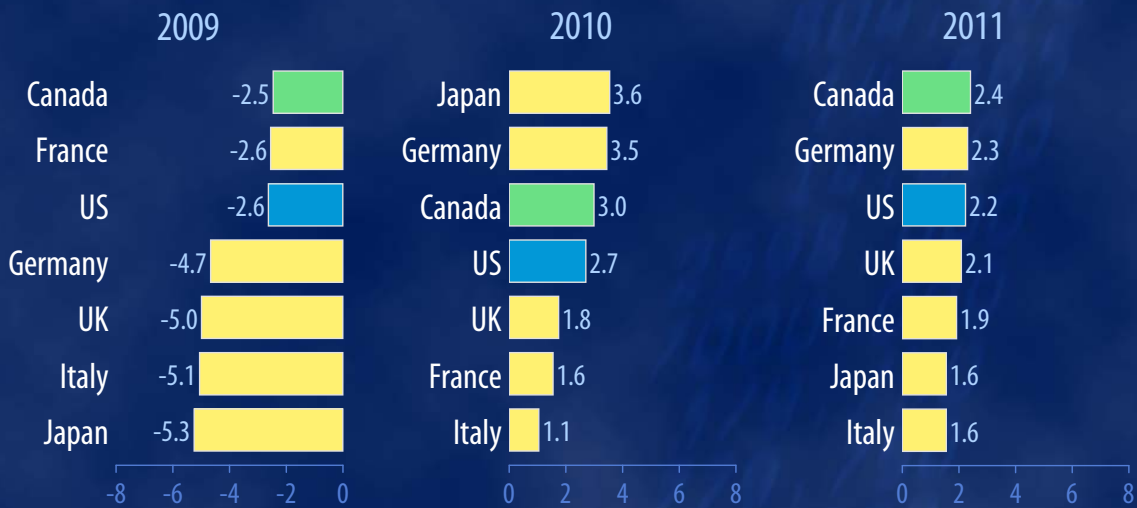
US Job Creation Slow

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G7 Recovers... Barely for Some

Real GDP – G7 (y/y % chng)



Europe to Suffer Big Fiscal Drag in 2011

Source: [2010-11] BMO Capital Markets forecasts

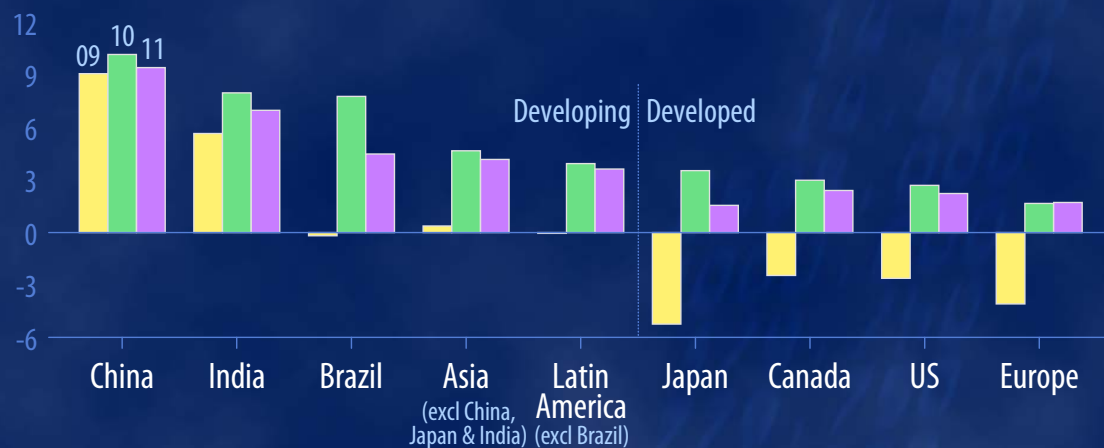
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Emerging Markets Lead

(ann % chng)

Real GDP



	08	09	10	11
World	2.8	-0.6	4.3	3.7

China's Inflation Rises, Monetary Policy Tightens

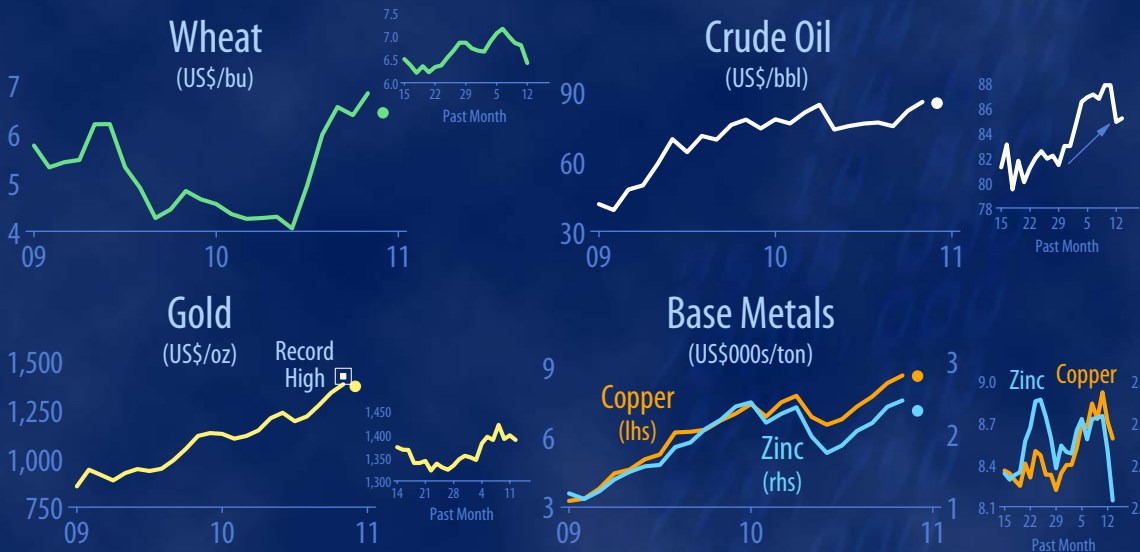
Ranked by 2010 Source: [2010-11] BMO Capital Markets forecasts

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Commodity Prices Rise

(as of November 15, 2010)



Weaker US Dollar Uncertainty

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Loonie Ahead Of Itself

Canada (as of November 15, 2010)



Forecast is monthly averages

Energy Dominates BoC Index

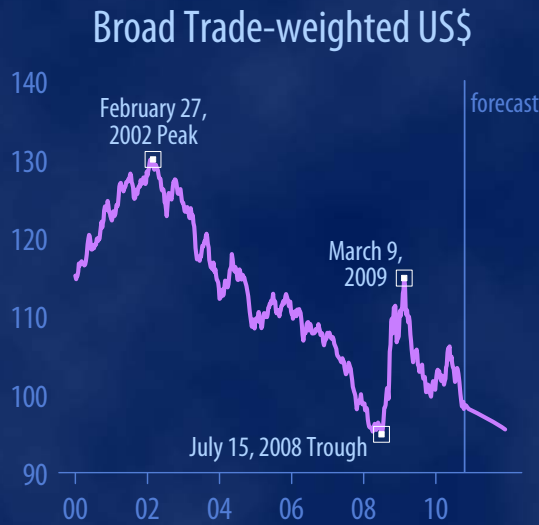
Energy	61%
Crude Oil	33%
Natural Gas	26%
Non-Energy	39%
Agriculture	9%
Metals & Minerals	16%
Forestry	14%
Fisheries	1%

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US Dollar Falls... QE2 Weighs

(as of November 15, 2010)



	Feb '02 Peak to Present	2010 Y-T-D
Japanese Yen	61.9	11.9
Australian \$	91.0	9.7
Mexican Peso	-25.9	6.5
Swiss Franc	73.5	5.1
Canadian \$	59.4	4.3
Chinese Yuan	24.6	2.8
UK Pound	13.3	-0.7
Trade-weighted US\$	-24.1	-2.7
Euro	57.2	-5.1

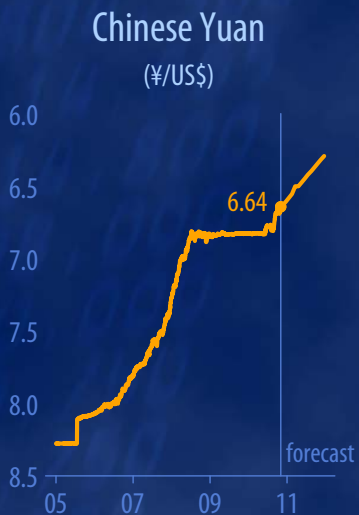
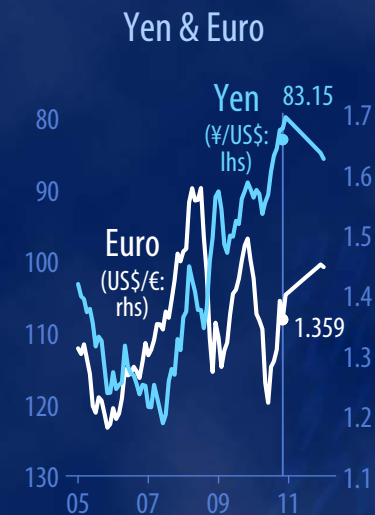
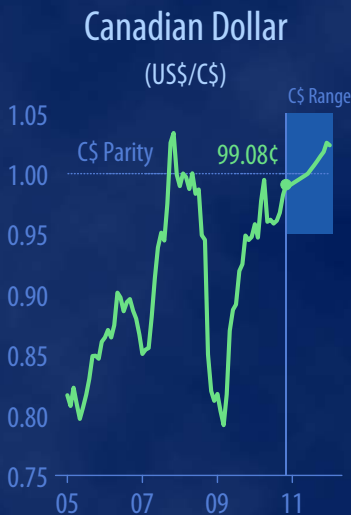
Mercantilism: Beggar Thy Neighbour

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Currency Strength Outside US

(as of November 15, 2010)



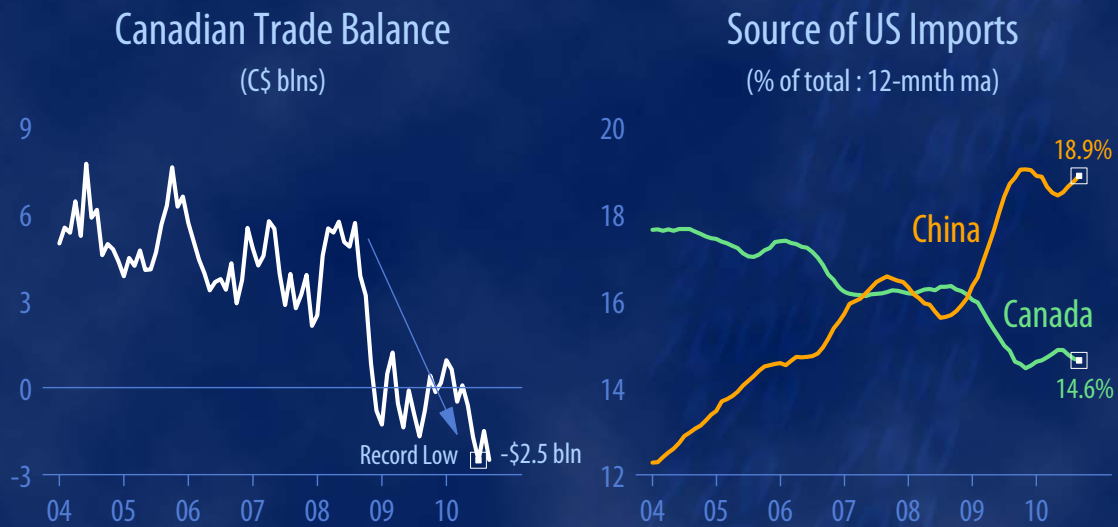
China Eases Currency Peg Too Little

Yen & Yuan = inverted scale

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China Now Biggest Supplier of Imports to US

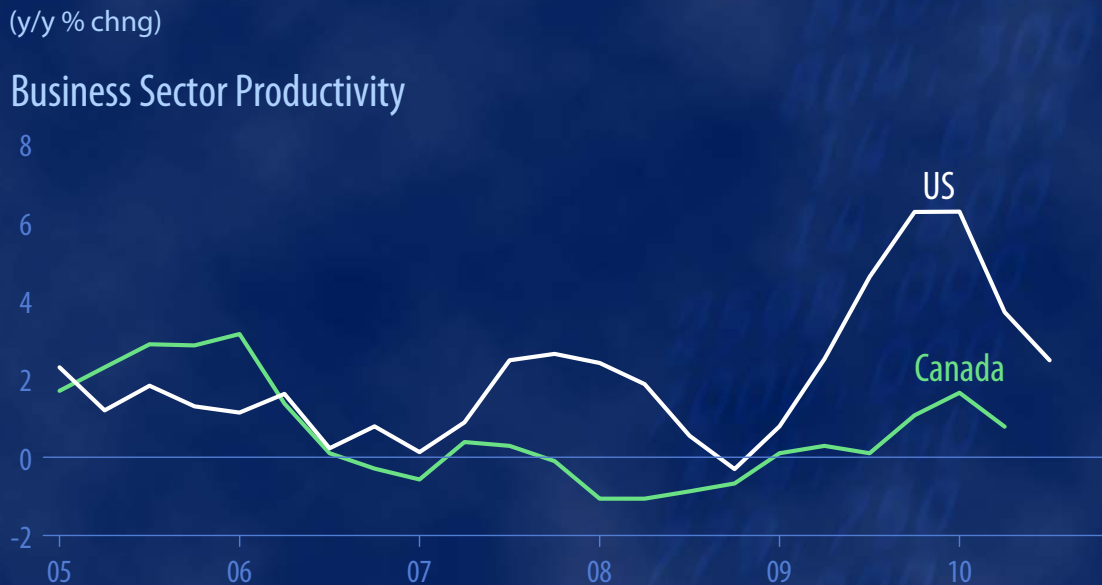


Canada Needs to Diversify Export Markets

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Productivity Lags in Canada



Must Rise to Be Competitive

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Consumers Wary



But News is Improving:

- Hiring Up in US
- Retail Sales Edging Higher
- Housing Slumps
- Confidence Down

Savings Up and Debt Down in US

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Consumer Confidence Up From Lows

Consumer Confidence Index – Conference Board

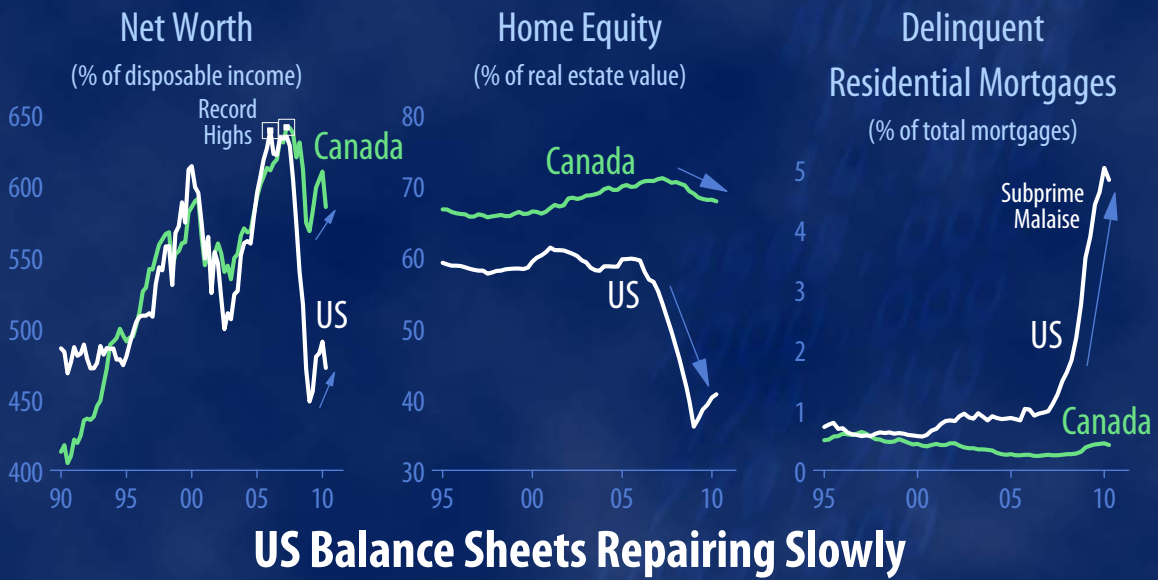


...But Very Wobbly

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Canadian Households in Better Shape



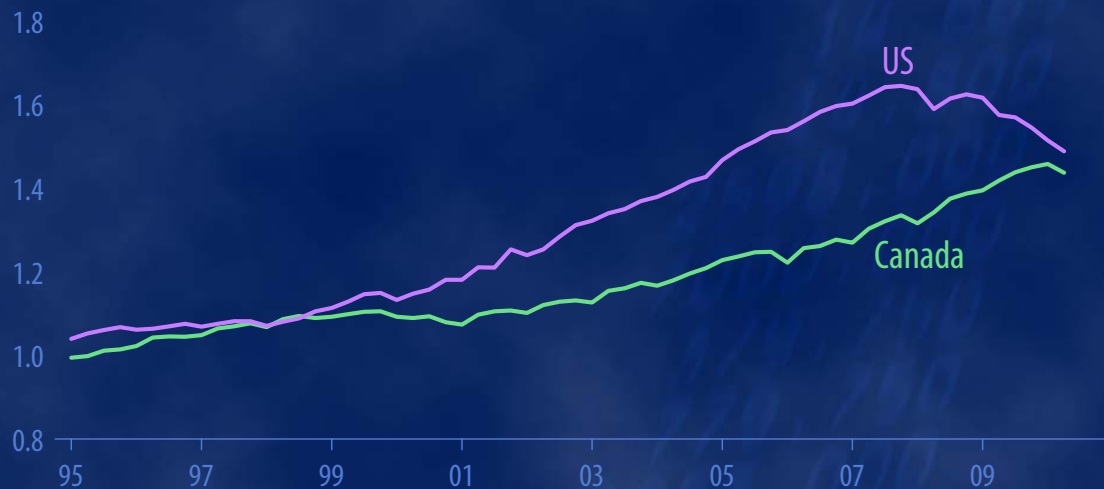
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Canadians Over-leveraged?

(ratio to personal disposable income)

Household Debt

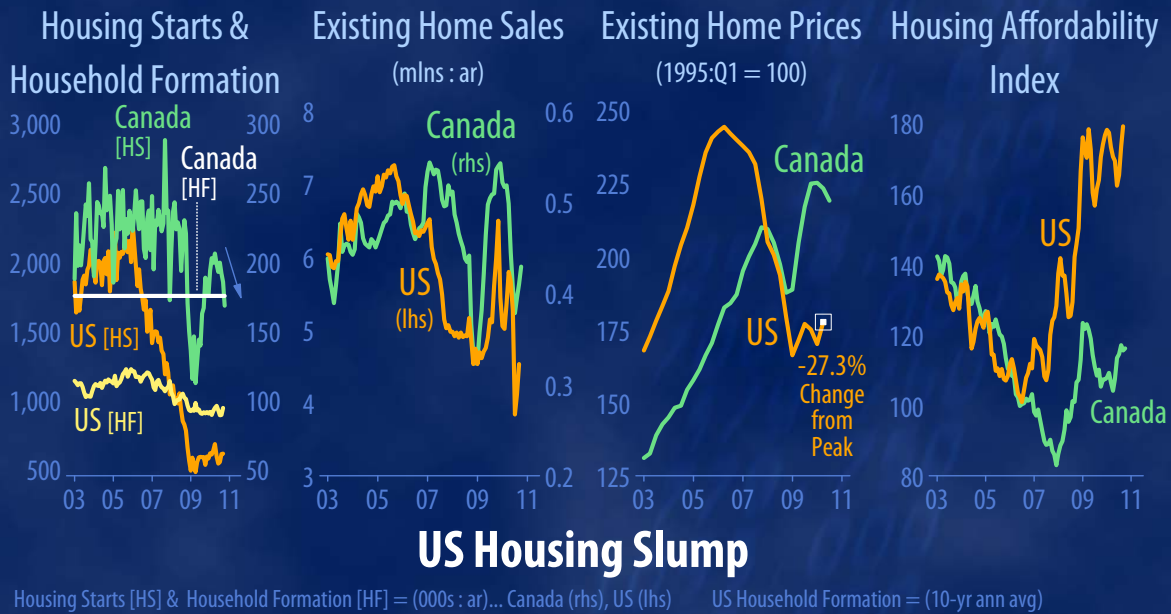


Household credit and mortgages plus unincorporated business mortgages

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Canadian Housing Slowing

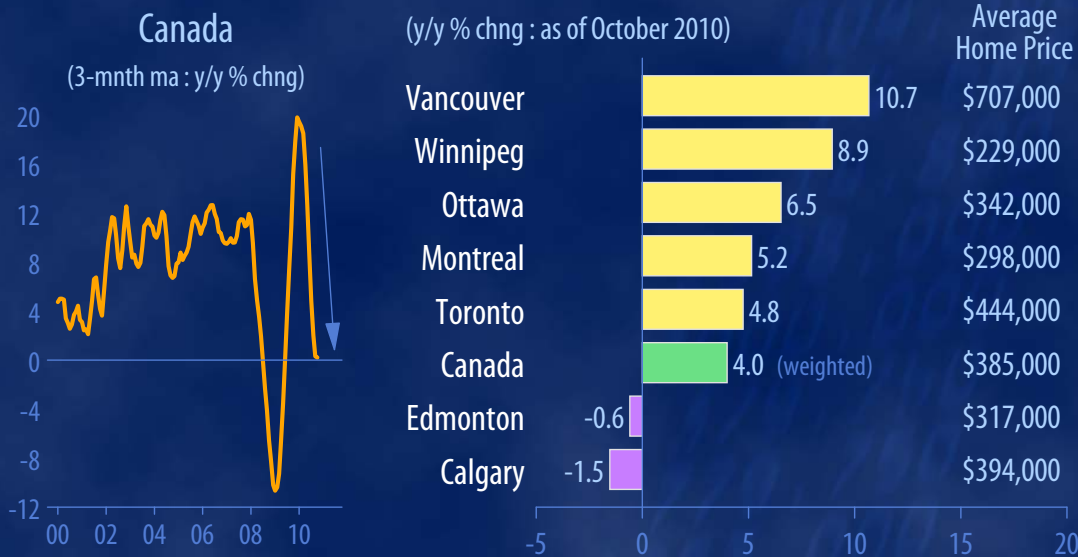


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Canadian House Price Inflation Down

Existing Home Prices – Canada



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Canadian Commercial Real Estate Deals



Rebounded in Early 2010

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Non-residential Construction Picked Up

Canada (y/y % chng)

Business Investment in Non-residential Structures



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Toronto: Commercial Real Estate Boom



Coming Soon:

Southcore Financial Centre
Bremner Tower (+ Delta Hotel)
18 York

Completed:

Telus House, RBC Centre,
Bay-Adelaide Centre... 4 mln sq ft

Others Renovate

Banks Take On More Space

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Toronto's Luxury Hotels Continue Construction



Opening Soon:

Ritz-Carlton ... (2010)
Trump Tower ... (2011)
Four Seasons ... (2012)
Shangri-La ... (2012)

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Business Regaining Strength

Earnings Rebound
 Capital Spending Growth
 But Still Uncertain About Recovery



Canadian Corporate Tax Rates Falling to Global Lows

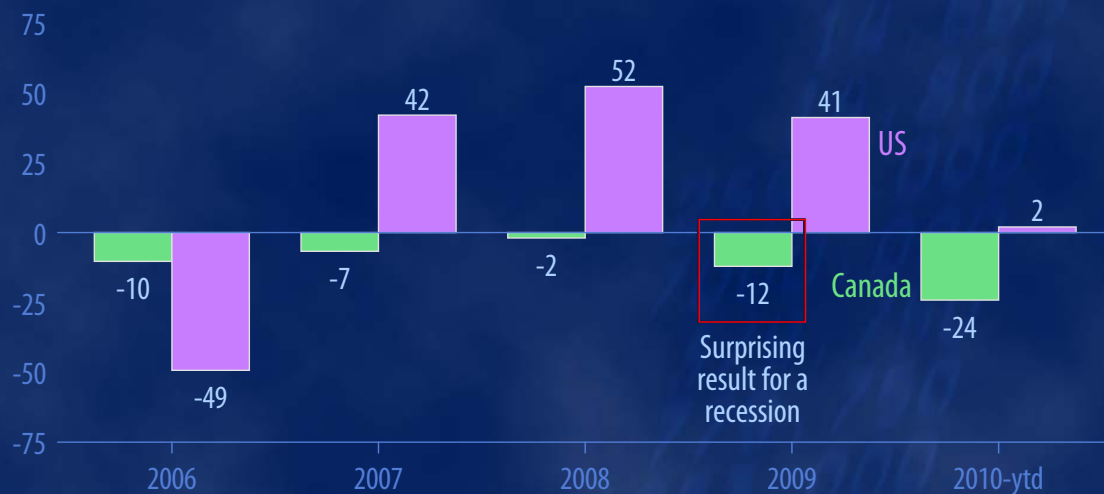
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Business Bankruptcies

(ann % chng)

Business Bankruptcies



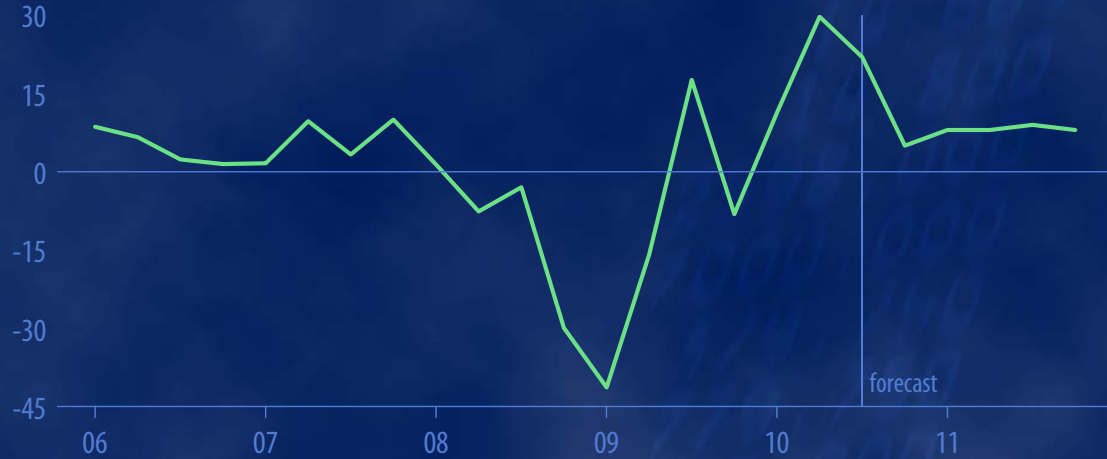
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Canadian Businesses Investing in the Future

Canada (q/q % chng : ar)

Machinery and Equipment Investment

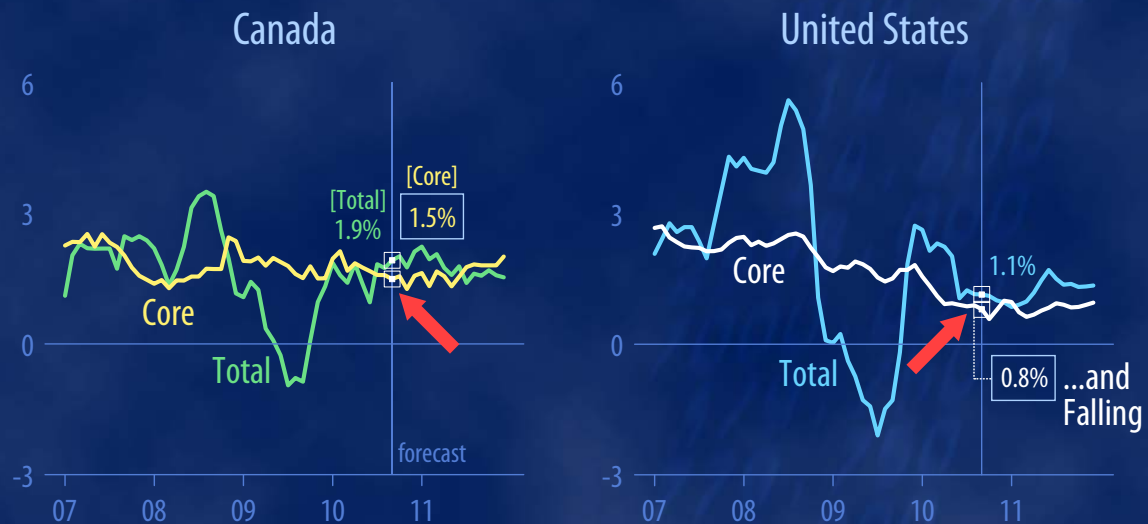


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Core Inflation Higher in Canada

Consumer Price Index (y/y % chng)



US Deflation Risk Despite Commodity Surge

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Fed Kicks Off QE2... BoC Pauses

(% : as of November 15, 2010)



Bond Yields Will Rise... Eventually

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US Gridlock?



Fiscal Stimulus

VS

Fiscal Restraint

**Republicans Will Control House,
Democrats Will Control Senate**

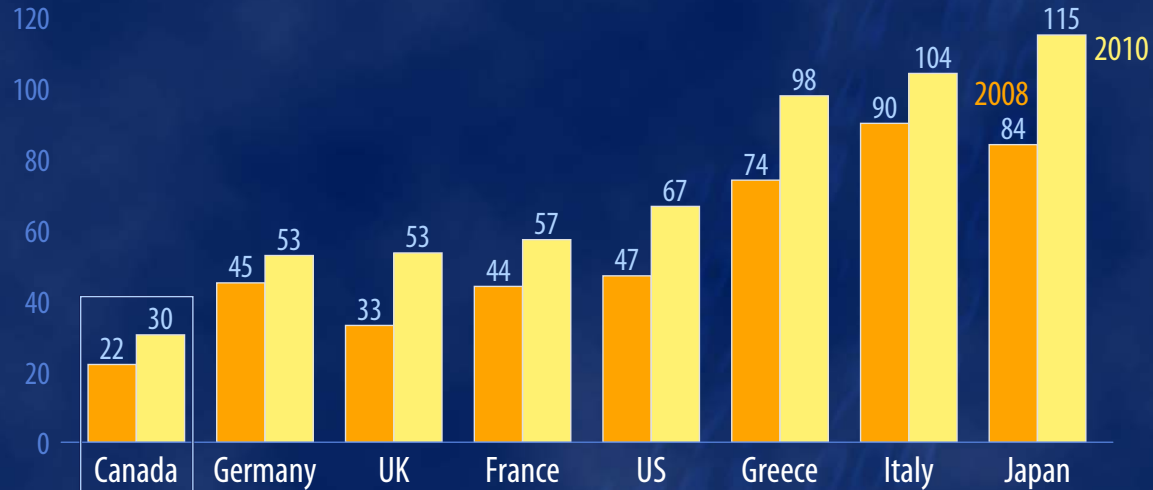
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Net Government Debt

(% of GDP)

Net Government Debt



Source: OECD, May 2010 Economic Outlook

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Stocks Rise on Improved Expectations

Financial Market Returns – Local Currency (% chng : as of November 15, 2010)

Dividend Yields
TSX
2.6%
S&P 500
1.9%

Returns Since
March 9, 2009
(local currency)

TSX
+68.3%
S&P 500
+77.0%

	2010 Y-T-D	Since Peak	2009	2008
Stocks				
Nasdaq	10.8%	-12%	44%	-41%
TSX	8.4%	-16%	31%	-35%
DJIA	7.4%	-21%	19%	-34%
S&P 500	7.4%	-23%	23%	-38%
Bonds				
GoCs	6.6%	-2%	-2%	13%
US Treasuries	9.5%	-3%	-5%	15%
Commodities				
CRB Index	8.0%	-35%	23%	-36%
Gold	23.9%	-4%	24%	6%
Oil	7.3%	-41%	78%	-54%

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A Long Way Back

(as of November 15, 2010)



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Challenges to Growth

- Fiscal Restraint
- Protectionism
- Private Deleveraging
- Confidence
- Jobless US
- Aging Population
- Low Productivity Growth in Canada



Strong Canadian Dollar

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Opportunities for Growth



Emerging Economy Demand
Strong Fiscal Position
Canadian Banks Strong
Foreign Investment Inflows
R&D and Technology

Innovation