



# Weekly Market Insight

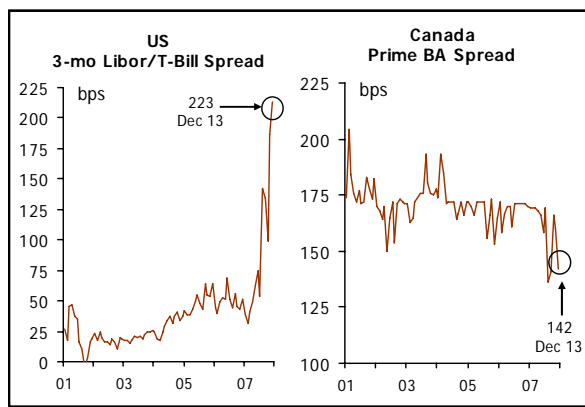
December 14, 2007

## NORTH AMERICAN & INTERNATIONAL ECONOMIC HIGHLIGHTS

The market was not too impressed with the central bankers' plan to address liquidity issues this week. The coordinated measures by central banks in the US, Canada, Switzerland, UK and the Euro region did not move the markets in any significant way. Note that the main reason for this intervention was to lower the gap between inter-bank lending rate (Libor) and treasury yields. And this gap is still extremely high (Chart).

Those who want to get a sense of how significant the credit crunch is simply have to glance at this spread. It is a good proxy for the angst banks have in lending to each other. Also note that most US adjustable rate mortgages are linked to the Libor rate, so cutting the fed funds rate is of limited use if it is unable to lower the Libor rate.

And the Libor rate is not falling because global financial system remains extraordinarily unsettled. While the new lending facilities introduced by central banks may help in improving confidence, they are limited in their abilities to deal with the key issue of banks' willingness to lend money to one another. The reality is that until the magnitude of the subprime losses is known with greater certainty, banks' reluctance to lend will continue to be a major impediment to any improvement in credit flows.



But the new effort by the Fed to supply liquidity to banks via "term auction facility," or TAF might help somewhat. The purpose of the TAF is to provide short-term cash to banks, without the stigma of discount borrowing given that some banks are still reluctant to use the discount borrowing window, fearing that it sends a negative signal about their financial stability.

Next week the Fed will make \$20 billion in funding available with a term of one month. It will be an auction, but given that the minimum bid will be set at the expected fed funds rate over the term period, the TAF rate will be lower than the discount rate. Right now, the plan is for four auctions, two in December and two in January. Other auctions are possible in the future. It will be interesting to see how many banks use this facility next week.

In Canada, the closely watched Prime-BA spread is now at around 140 basis points — still 15-20 basis points too low. Judging from the language of the Bank of Canada regarding the risk associated with the current global credit crunch, along with the likelihood that the economy will slow in the coming six months, it is likely that the Bank will cut rates again, probably by 25 basis points in early 2008.

## International Stock Indexes

Thursday, December 13, 2007

Region/Country	Index	DAILY					52 WEEK				3-yr % chg
		High	Low	Close	Chg	% Chg -   +	YTD % chg	High	Low	% Chg	
<b>World</b>											
World	<b>DJ World Index</b>	307.66	301.4	303.14	-4.36	-1.42	9.2	320.33	270.72	9.4	13.4
World	<b>DJ World ex U.S.</b>	280.08	272.44	272.81	-7.01	-2.51	12.2	291.11	236.95	13.1	18.2
World	<b>MSCI EAFE*</b>	n.a.	n.a.	2268.13	-62.97	-2.7	9.3	2388.74	2030	10.1	15.9
<b>Asia Pacific</b>											
Asia-Pacific	<b>DJ Asia-Pacific</b>	163.88	160.18	160.4	-3.35	-2.05	9.7	172.49	142.06	11.3	16.7
Australia	<b>All Ordinaries</b>	6704.4	6627.2	6661.1	-14.3	-0.21	18	6853.6	5484.5	20	19.3
Australia	<b>S &amp; P/ASX 200</b>	6645.4	6556.7	6597.6	-17.6	-0.27	16.4	6828.7	5502	18.4	19.1
China	<b>DJ CBN China 600</b>	39078.72	37620.57	37639.03	-1440.1	-3.69	141.4	44631.83	14244.98	164.2	52.7
China	<b>Dow Jones China 88</b>	456.26	438.86	439.24	-17.03	-3.73	133	530.54	167.49	162.2	56.6
China	<b>Shanghai Composite</b>	5095.15	1954.36	4958.04	-137.5	-2.7	85.3	6092.06	2249.11	120.4	n.a.
Hong Kong	<b>Hang Seng</b>	28604.17	27606.23	27744.45	-776.61	-2.72	39	31638.22	18664.88	46.6	26
India	<b>Bombay Sensex</b>	20498.11	20065.63	20104.39	-271.48	-1.33	45.8	20375.87	12415.04	49.1	47.5
Indonesia	<b>Jakarta Composite</b>	2800.86	2748.72	2755.73	-40.11	-1.43	52.6	2810.96	1678.04	55.9	43.3
Malaysia	<b>Kuala Lumpur Composite</b>	1426.42	1405.22	1410.56	-13.16	-0.92	28.7	1440.39	1060.36	31.2	16.3
New Zealand	<b>NZSX-50</b>	4015.48	3996.85	4001.39	1.84	0.05	-1.3	4333.24	3894.34	0.8	10.3
Pakistan	<b>KSE 100</b>	14647.45	14516.53	14534.01	-22.12	-0.15	44.8	14787.55	9893.99	37.1	36.2
Philippines	<b>Manila Composite</b>	3630.25	3605.7	3626.21	20.62	0.57	21.6	3873.5	2829.57	28	27.5
Singapore	<b>Straits Times</b>	3560.86	3470.83	3479.31	-69.94	-1.97	16.5	3875.77	2897.3	19.3	19.9
South Korea	<b>Kospi</b>	1937.5	1897.25	1915.9	-11.55	-0.6	33.6	2064.85	1555.79	35.1	31.4
Sri Lanka	<b>Colombo Stock Exchange</b>	2529.57	2512.98	2512.98	-11.56	-0.46	-7.7	3016.42	2354.98	-7	18.1
Taiwan	<b>Weighted</b>	8522.14	8187.95	8187.95	-302.89	-3.57	4.7	9809.88	7344.56	9.5	11.7
Thailand	<b>SET</b>	837.03	826.68	833.09	-1	-0.12	22.5	915.03	616.75	13.7	8.9
Japan	<b>Nikkei Stock Avg</b>	15833.1	15532.53	15536.52	-395.74	-2.48	-9.8	18261.98	14837.66	-7.7	12.9
Japan	<b>Nikkei 300</b>	313.99	307.39	307.56	-8.1	-2.57	-8.6	363.32	291.59	-6.6	13.5
<b>Europe</b>											
Europe	<b>DJ Stoxx 600</b>	373.08	365.61	365.61	-9.14	-2.44	0.1	400.31	349.18	0.4	13.5
Europe	<b>DJ Stoxx 50</b>	3781.51	3704.74	3704.74	-96.22	-2.53	0.2	3998.93	3504.87	-0.3	10.1
Euro zone	<b>DJ Euro Stoxx 50</b>	4444.51	4368.78	4370.76	-98.71	-2.21	6.1	4557.57	3906.15	6.1	14.3
Euro zone	<b>DJ Euro Stoxx</b>	420.78	413.2	413.36	-9.45	-2.24	4.5	442.87	382.23	5.1	16
Austria	<b>ATX</b>	4498.72	4387.31	4392.95	-104.8	-2.33	-1.6	4981.87	4171.9	0.4	22.9
Belgium	<b>Bel-20</b>	4101.52	4058.02	4065.16	-77.33	-1.87	-7.4	4756.82	3882.37	-6.1	11.6
Czech Republic	<b>PX 50</b>	1833	1801.9	1805.8	-36.8	-2	13.7	1936.9	1565.3	11.1	22
Denmark	<b>OMX Copenhagen</b>	463.49	454.25	454.77	-8.72	-1.88	7.2	492.84	417.95	8.2	21.3
Finland	<b>OMX Helsinki</b>	11918.57	11586.68	11608.33	-310.24	-2.6	20.6	12656.77	9327.57	21.9	23.2
France	<b>CAC 40</b>	5677.2	5582.11	5590.91	-152.41	-2.65	0.9	6168.15	5265.47	1.5	13.7
Germany	<b>DAX</b>	8034.32	7922.98	7928.31	-147.81	-1.83	20.2	8105.69	6447.7	21	23.4
Hungary	<b>BUX</b>	26755.89	26452.93	26549.07	-202.19	-0.76	6.9	30118.12	22522.37	11.3	22.9
Italy	<b>S &amp; P/MIB</b>	39221	38792	38818	-646	-1.64	-6.3	44364	37358	-5.6	8.6
Netherlands	<b>AEX</b>	511.98	507.1	507.9	-8.3	-1.61	2.5	561.9	473.38	2.8	13.7
Norway	<b>All-Shares</b>	566.5	556.46	558.24	-8.26	-1.46	11.1	605.05	482.34	14.7	32.9
Poland	<b>WIG</b>	58280.33	57430.52	57736.5	-893.36	-1.52	14.5	67568.51	49264.41	11	30.9
Portugal	<b>PSI 20</b>	13042.2	12835.53	12835.53	-226.2	-1.73	14.6	13702.03	10970.41	17	19.3
Russia	<b>DJ Russia Titans 10</b>	7919.29	7776.37	7776.61	-144.35	-1.82	16.6	7920.96	6035.72	22.3	62.1
Russia	<b>RTS Index</b>	2359.81	2318.67	2318.67	-41.18	-1.75	20.6	2359.85	1724.69	26	n.a.
Spain	<b>IBEX 35</b>	15757.1	15486.5	15499.2	-360.8	-2.27	9.6	15945.7	13602.4	8	20.4
Sweden	<b>SX All Share</b>	367.07	357.14	357.79	-9.28	-2.53	-4.5	427.24	338.99	-2.2	16.5
Switzerland	<b>Swiss Market</b>	8810.44	8652.47	8658.36	-193.97	-2.19	-1.4	9531.46	8125.42	-1.3	15.5
Turkey	<b>Istanbul National 100</b>	56766.22	55070.54	55239	-1527.22	-2.69	41.2	58231.9	36629.89	39.5	32.7
U.K.	<b>FTSE 100</b>	6559.8	6364.2	6364.2	-195.6	-2.98	2.3	6732.4	5858.9	2.2	10.4
U.K.	<b>FTSE 250</b>	10643	10334.7	10334.7	-308.3	-2.9	-7.5	12220.2	10212.9	-6.5	15.4
<b>Americas</b>											
Americas	<b>DJ Americas</b>	380.59	375.48	379.93	-0.65	-0.17	8	399.86	342.11	7.4	10.2
Argentina	<b>Merval</b>	2226.55	2179.45	2196.48	-29.64	-1.33	5.1	2351.44	1833.71	8	21.2
Brazil	<b>Sao Paulo Bovespa</b>	64735.3	62466.29	62860.99	-1880.7	-2.9	41.3	65790.8	41179.16	43.7	35.6
Canada	<b>S &amp; P/TSX Comp</b>	13809.38	13626.41	13747.25	-62.13	-0.45	6.5	14625.76	12457.55	5.6	15
Chile	<b>Santiago IPSA</b>	3090.76	2992.7	3009.55	-81.08	-2.62	11.7	3499.5	2644.05	13.8	18.9
Mexico	<b>IPC All-Share</b>	30303.51	29686.94	30088.04	-239.32	-0.79	13.8	32836.12	25394.69	16.3	34.8
Venezuela	<b>Caracas General</b>	37746.87	37079.98	37217.71	-506.35	-1.34	-28.7	62012.71	36220.71	-18.8	8.3
<b>Other Countries</b>											
Egypt	<b>CASE 30</b>	10090.18	9896.4	10087.18	190.78	1.93	44.7	10171.6	6545.14	49.5	n.a.
Israel	<b>Tel Aviv</b>	1228.37	1218.78	1225.92	-8.79	-0.71	32.3	1237.13	909.61	30.4	26.7
South Africa	<b>Johannesburg All Share</b>	30307.1	29388.65	29388.65	-918.45	-3.03	18	31531.05	23965.91	22.6	34.3

\* Europe, Australia, Far East; U.S.-dollar terms

Three year percent change is annualized.

Sources: Reuters; WSJ.com

MARKET INDICES	Dec 13	a month ago	a year ago
S&P/TSX Composite	13747.25	13705.14	12910.32
S&P 500	1488.41	1481.05	1413.21
Dow Jones Industrial Average	13517.96	13307.1	12317.5

INTEREST / FX RATES	Dec 14	a month ago
Prime Can (%)	6.00	6.25
Prime US (%)	7.25	7.50
30 Day BA Can (%)	4.59	4.65
3 month US T-Bill (%)	2.89	3.32
3 month Can T-Bill (%)	3.935	4.043
10yr US Bond (%)	4.222	4.136
10yr Can Bond (%)	4.16	4.11
10yr-2yr US Spread (bps)	93.10	84.60
10yr-2yr Spread Can (bps)	20.00	28.00
Cdn\$/US\$	1.0196	0.9774
US\$/Euro	1.4437	1.4634
Yen/US\$	113.3	110.5000

INTERNATIONAL INTEREST RATES	Dec 14		
	3 mo LIBOR (%)	Spread vs US (bps)	a wk ago (Spread—bps)
United States	4.97	NA	NA
Canada	4.98	1	-14
Euro-zone	4.95	-2	-25
Switzerland	2.79	-218	-237
Japan	1.03	-393	-411
Australia	7.31	234	212
	10 Year Bond (%)	Spread vs US (bps)	a wk ago (Spread—bps)
United States	4.22	NA	NA
Canada	4.16	-6.2	-3.0
Euro-zone	4.71	49.1	53.7
Switzerland	3.01	-121.1	-105.8
Japan	1.56	-266.7	-245.5
Australia	6.27	204.4	201.7

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