

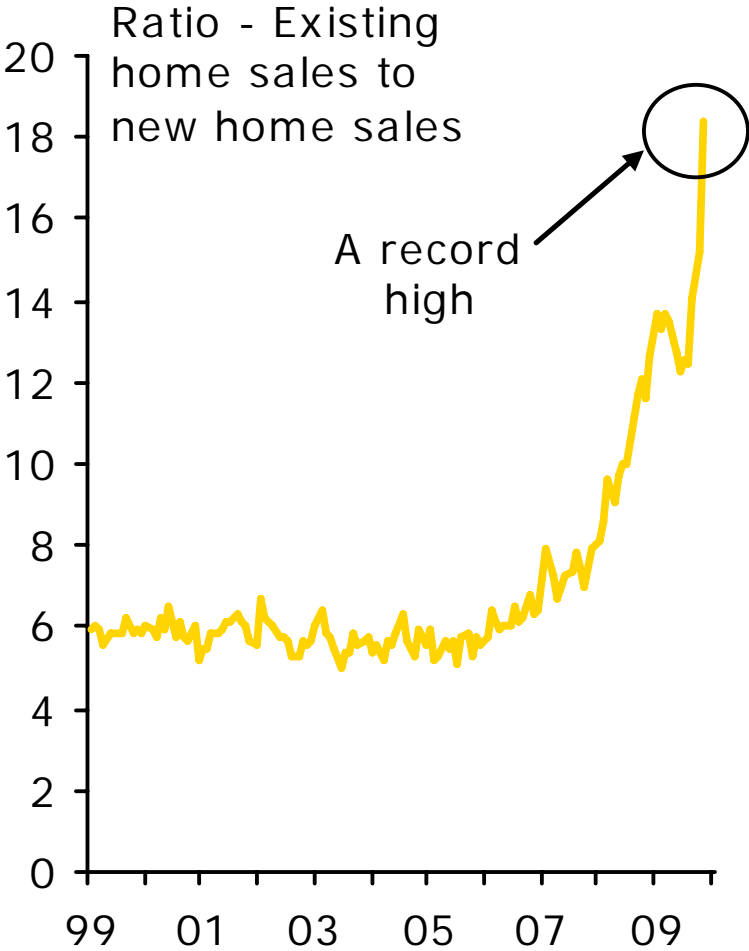
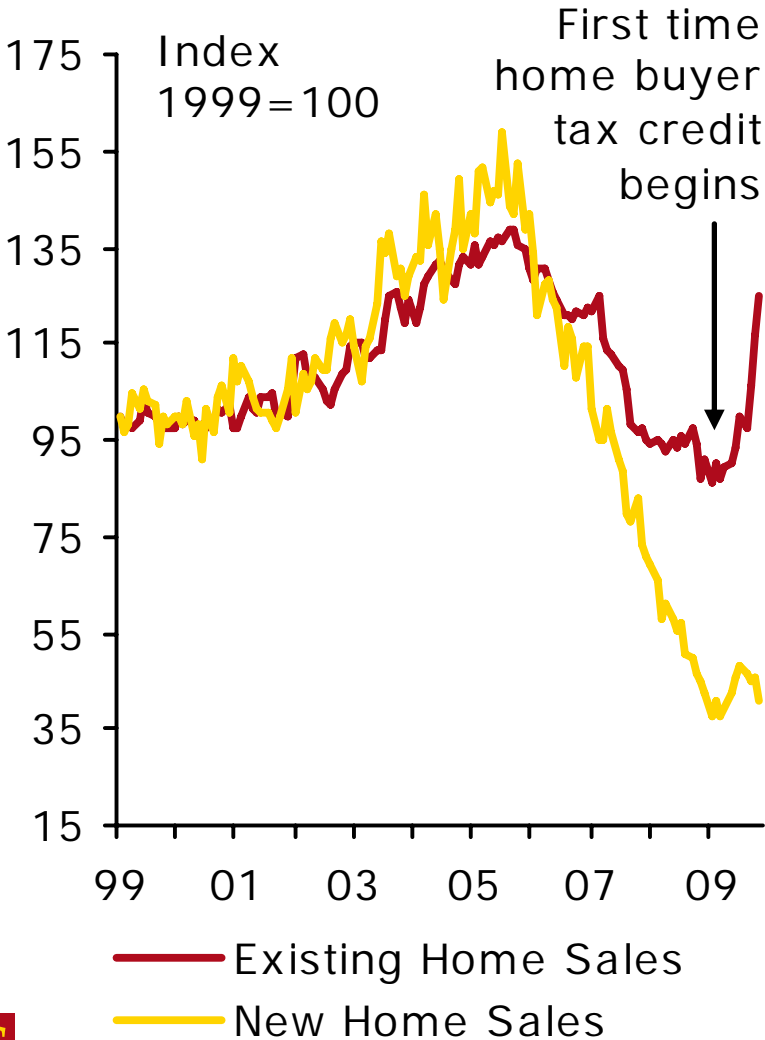
Bracing for Rate Hikes

Benjamin Tal, Senior Economist

April 2010

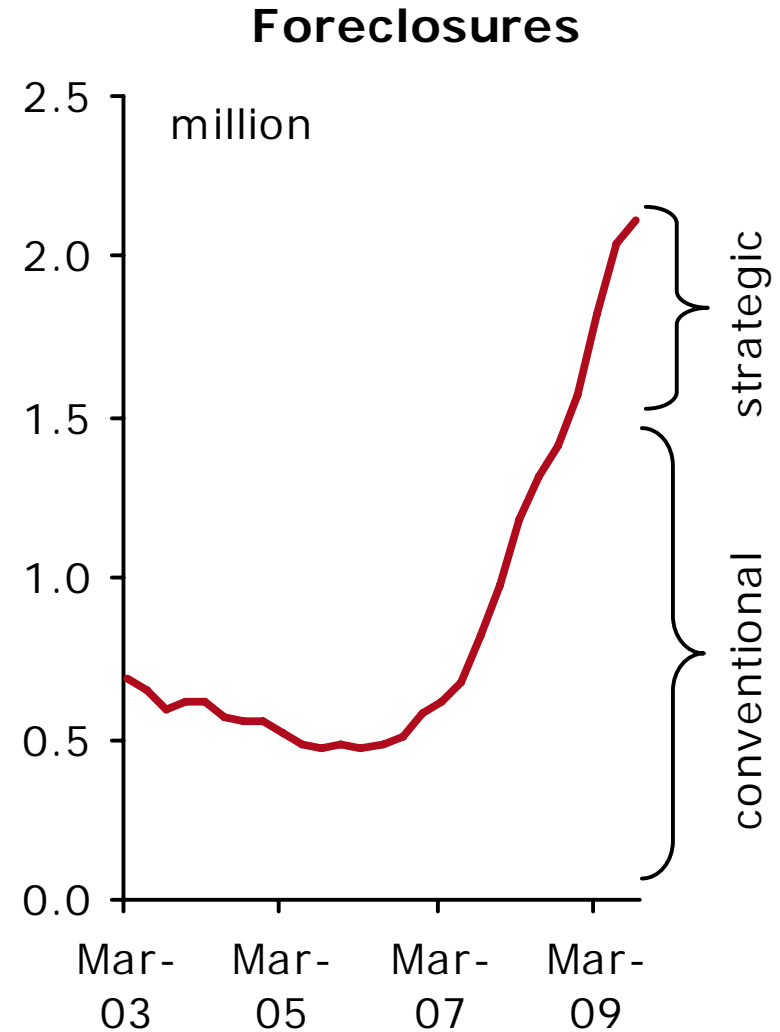
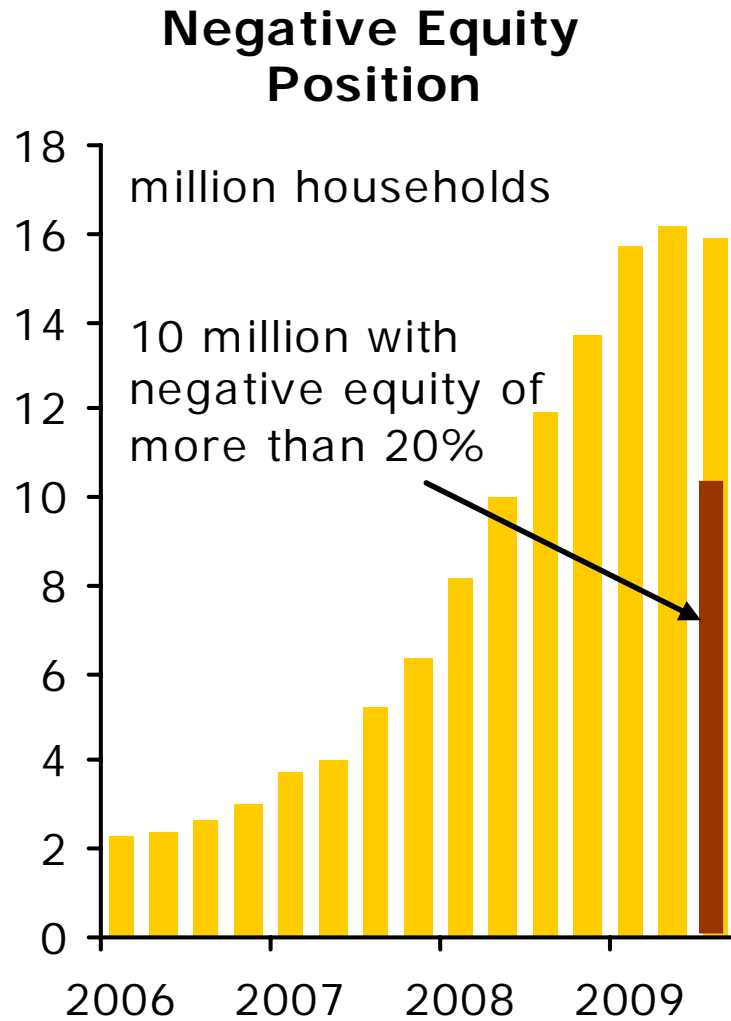


US Housing – Tax Credit Helped Existing Homes



Source: MBA, CIBC

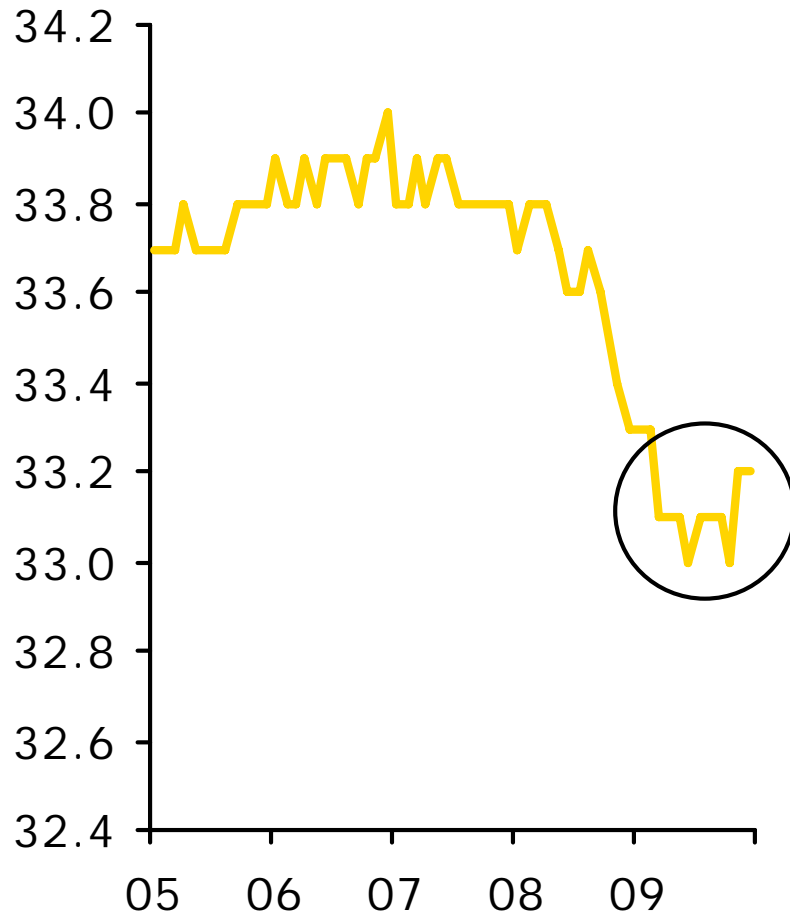
Strategic Defaults on the Rise



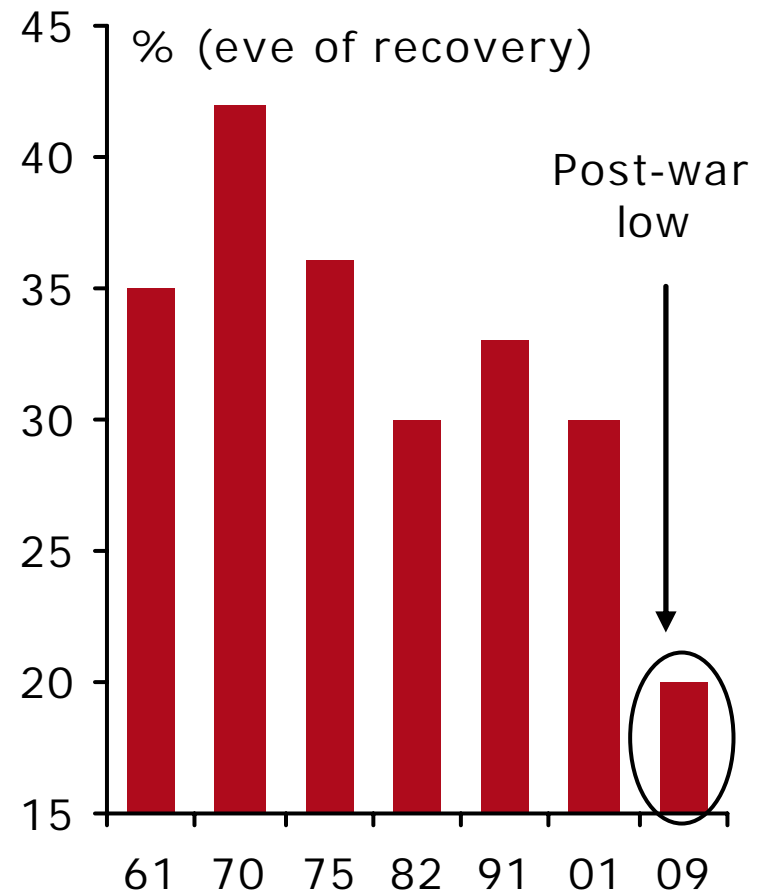
Source: Loan Performance, Equifax, CIBC

US Labour Market: Still Long Way to Full Employment

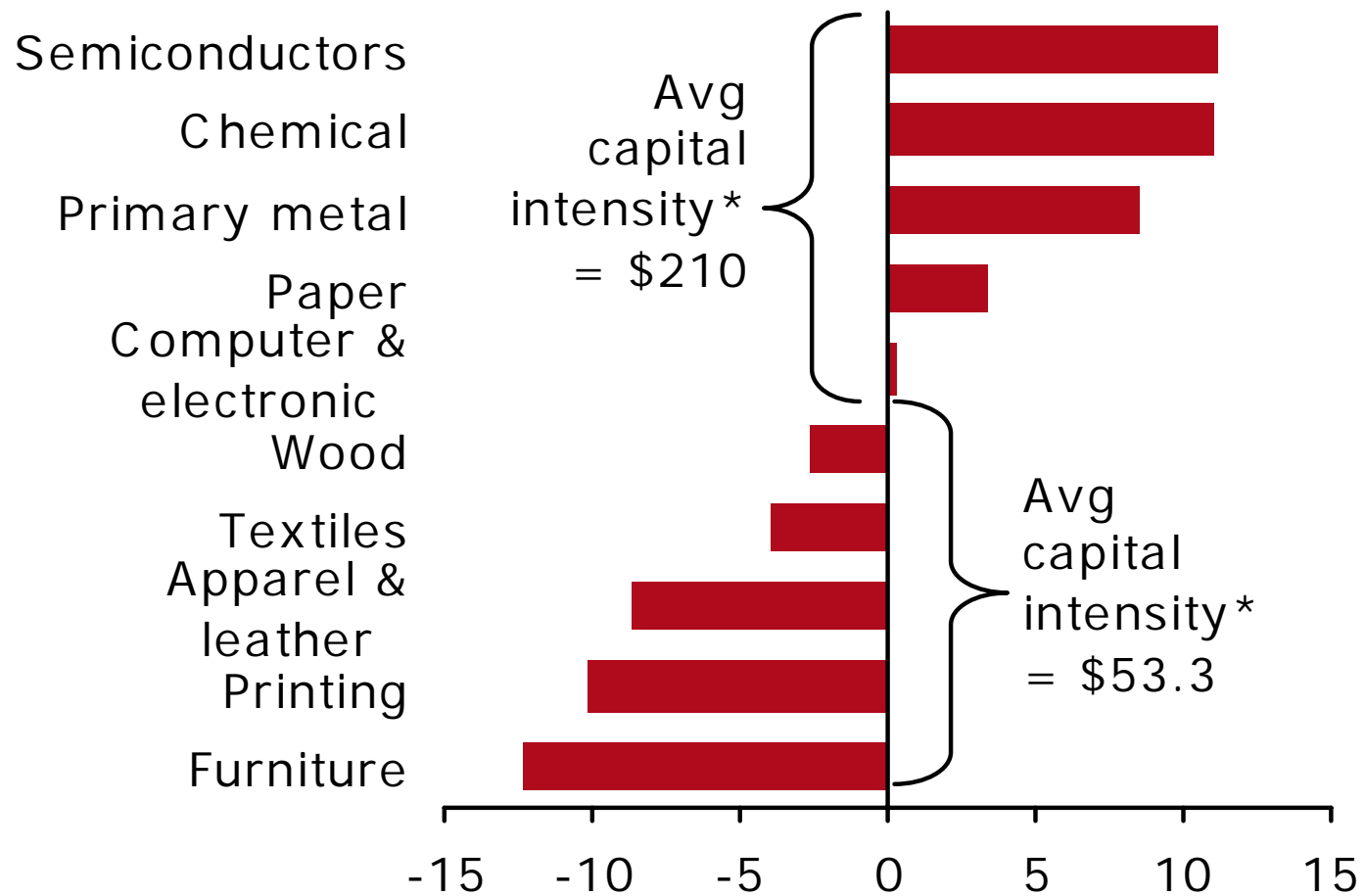
Average Weekly Hours



Probability of Exiting Unemployment in Given Month



Capital Intensive Industries Behind Manufacturing Rebound

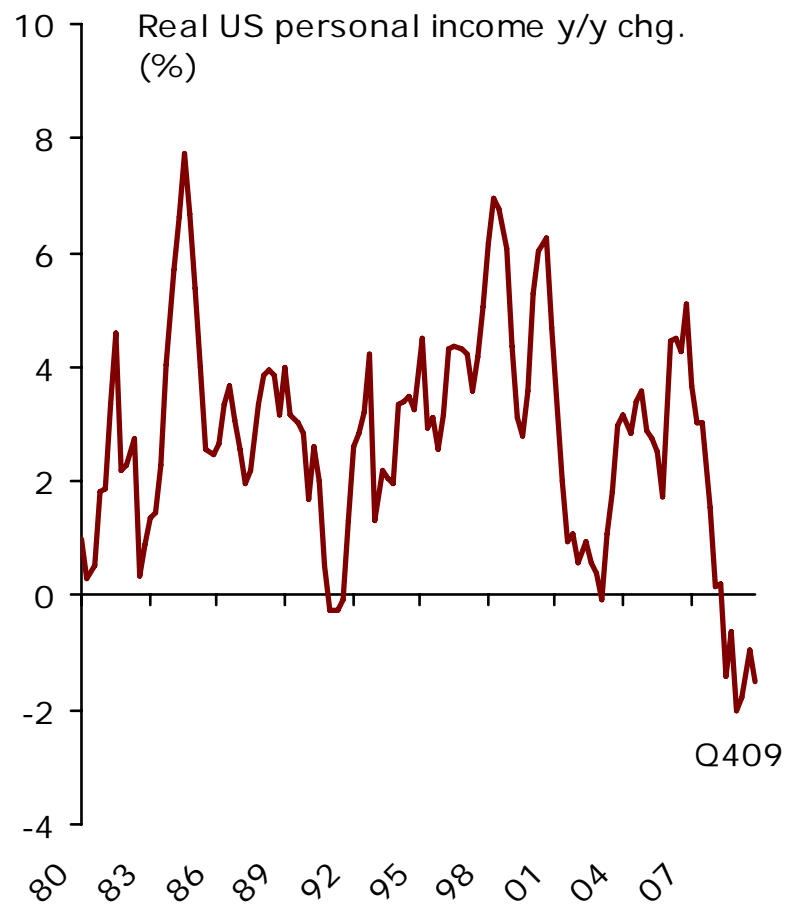
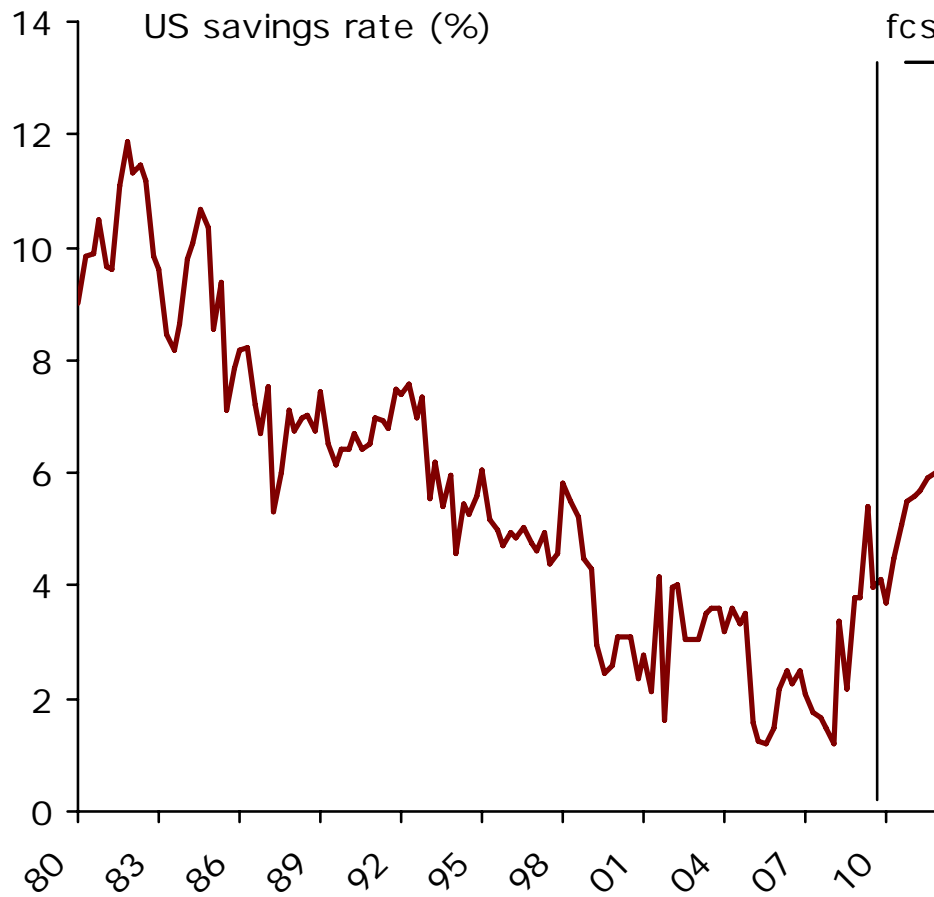


* Thousand US\$ per worker (2004)

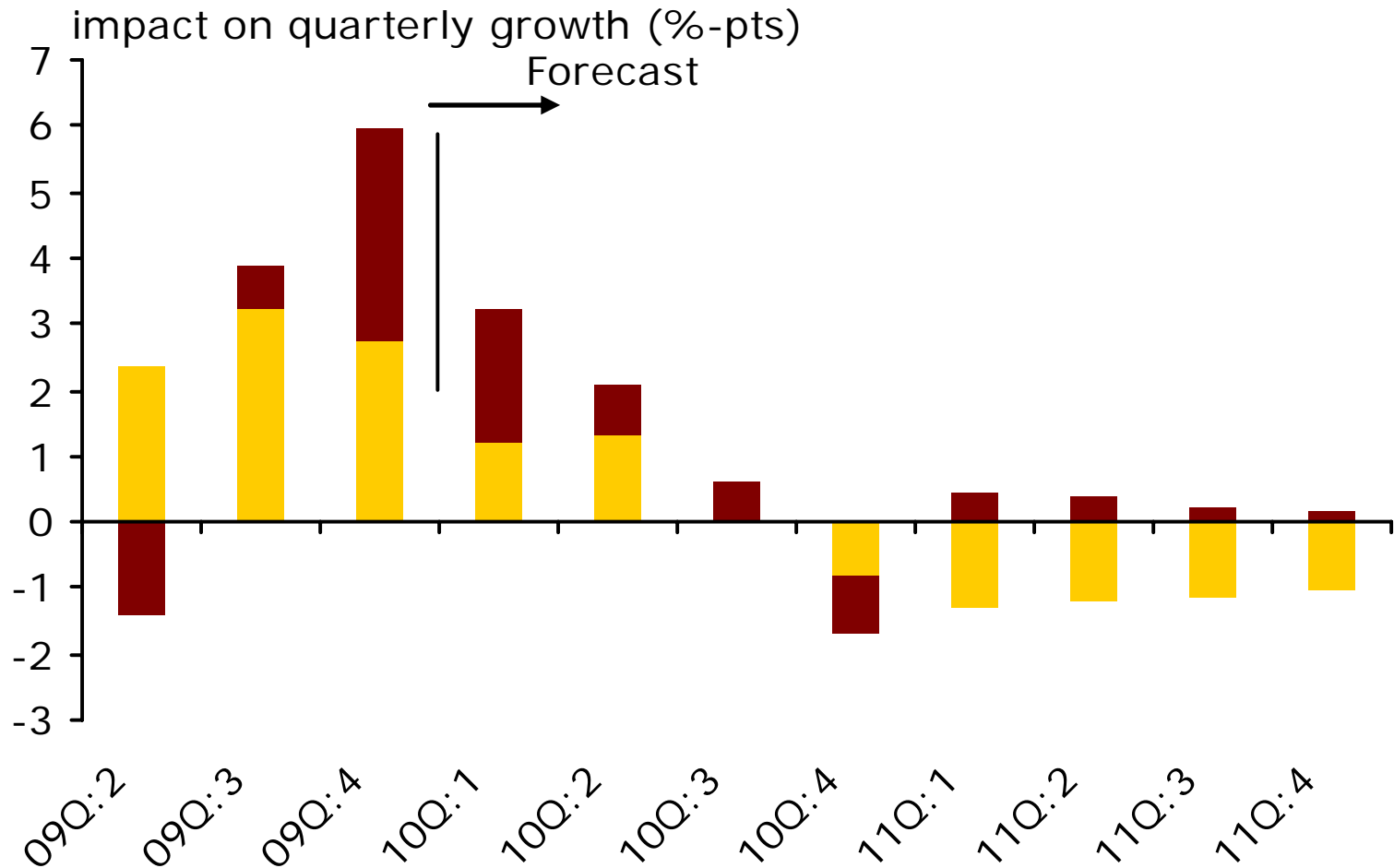


Source: US Bureau of Economic Analysis, CIBC

Can American Shoppers Change Their Spots?

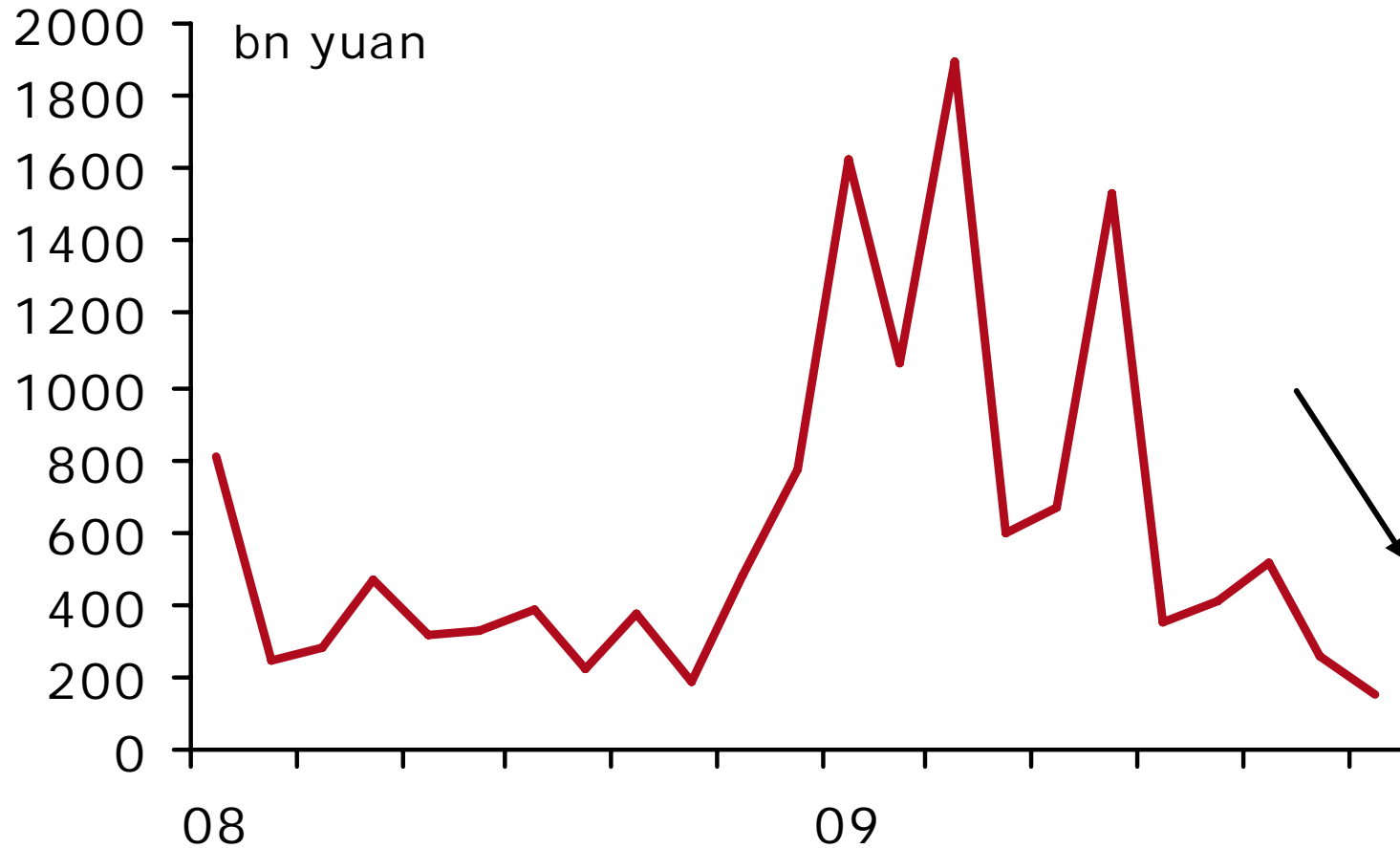


Impact of US Stimulus Package and Inventory Changes on US GDP Growth



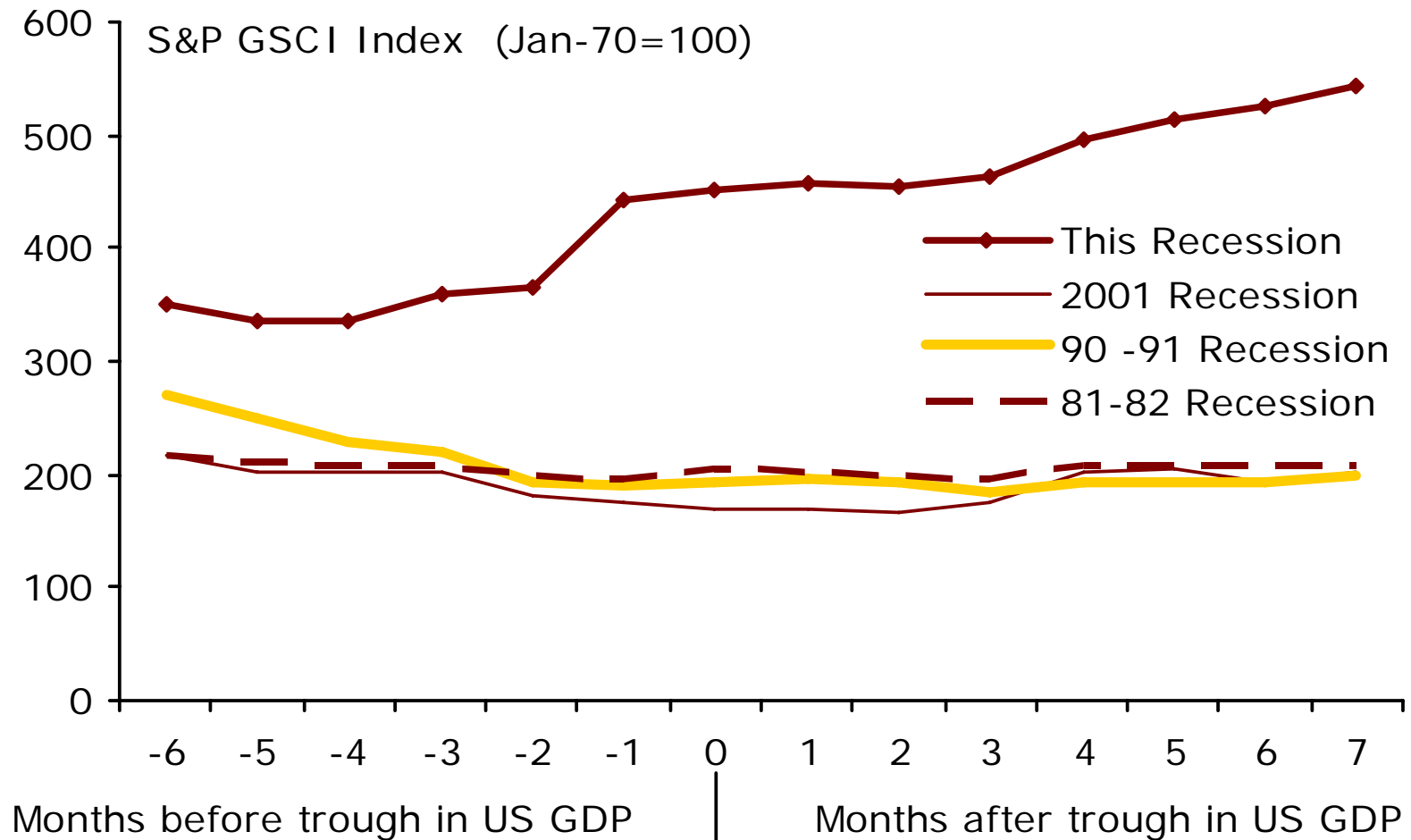
■ fiscal stimulus ■ inventories

Monthly New Yuan Loans by Chinese Banks

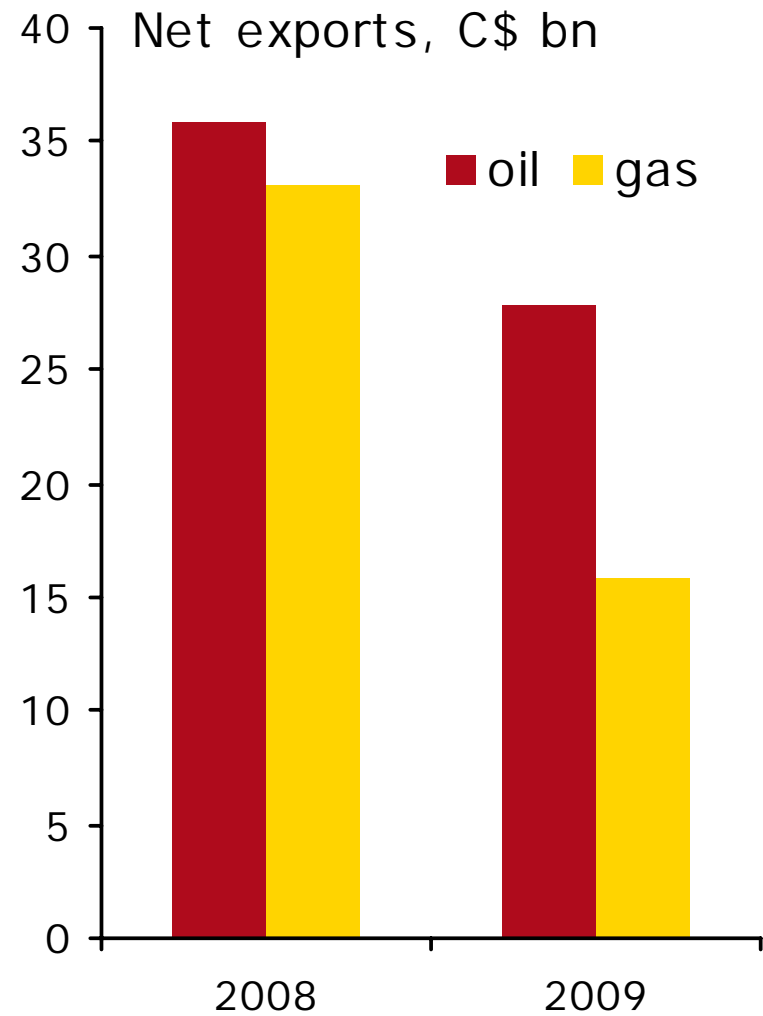
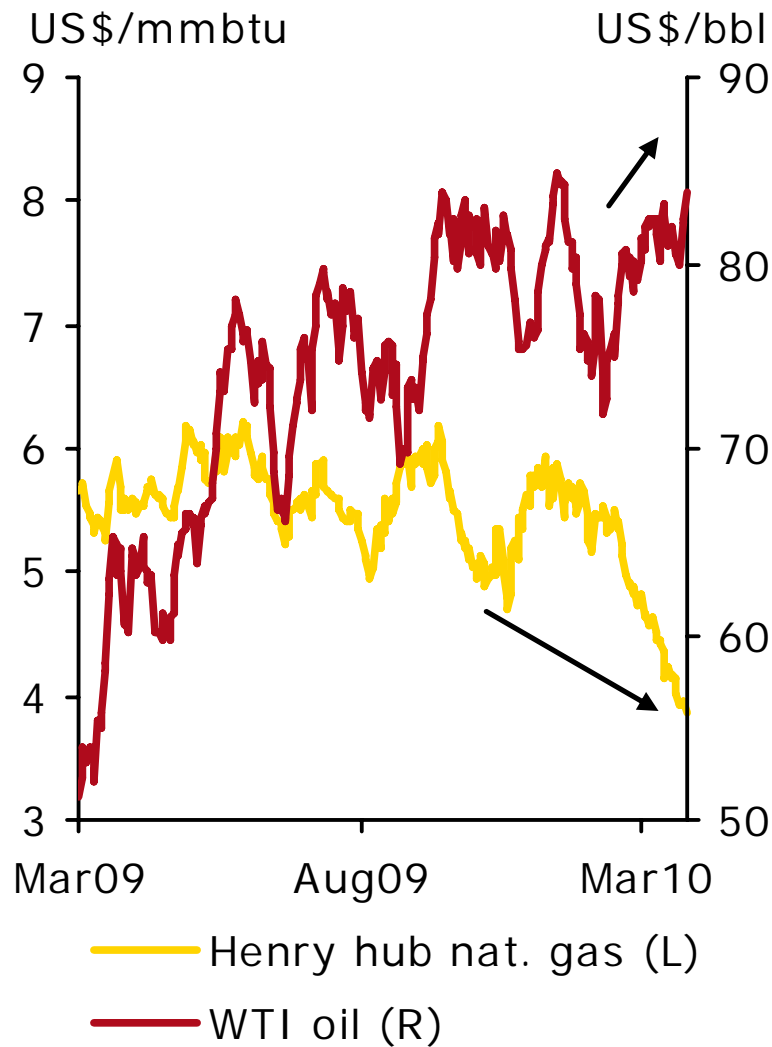


Source: The People's Bank of China

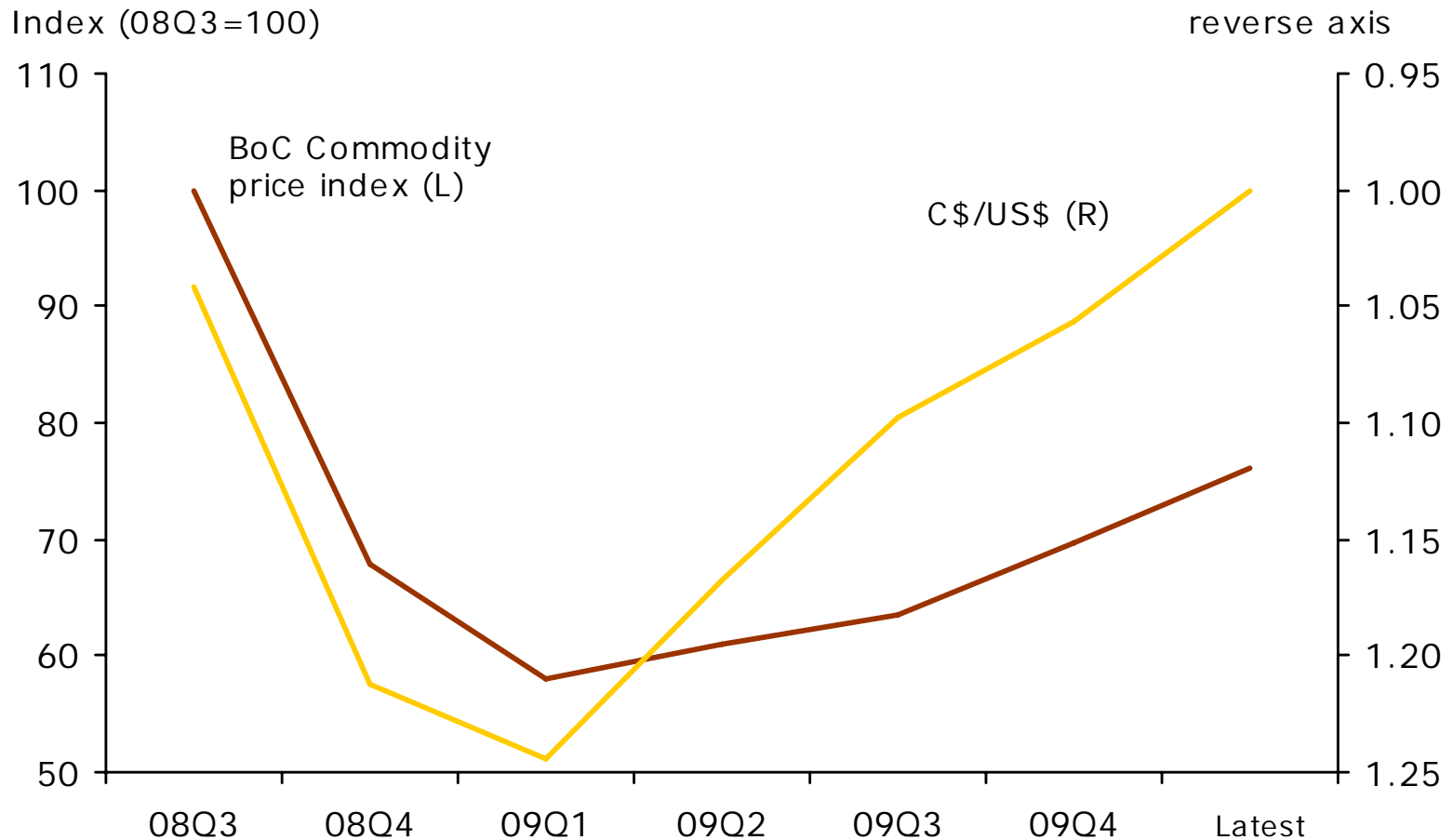
Commodities Have Rebounded Earlier and Steeper Than in Past Cycles



Oil and Gas Prices Diverge (L), Gas Now Relatively Less Important Than Oil (R)

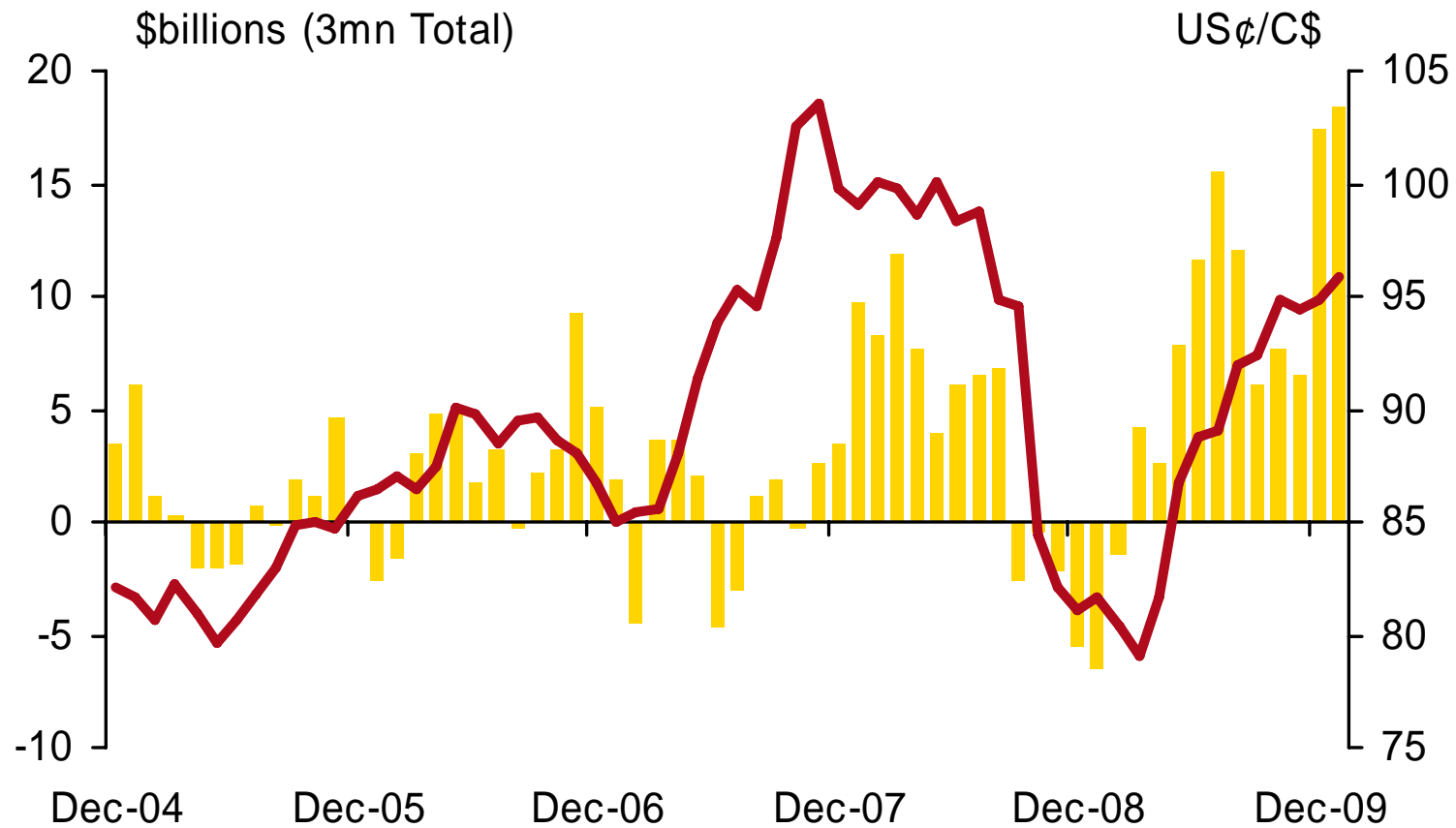


C\$ Overvalued Relative to Commodities



Source: Statistics Canada, CIBC

Fixed Income Inflows Driving C\$ Appreciation C\$ to Average Slightly Above Parity Thru' 2011

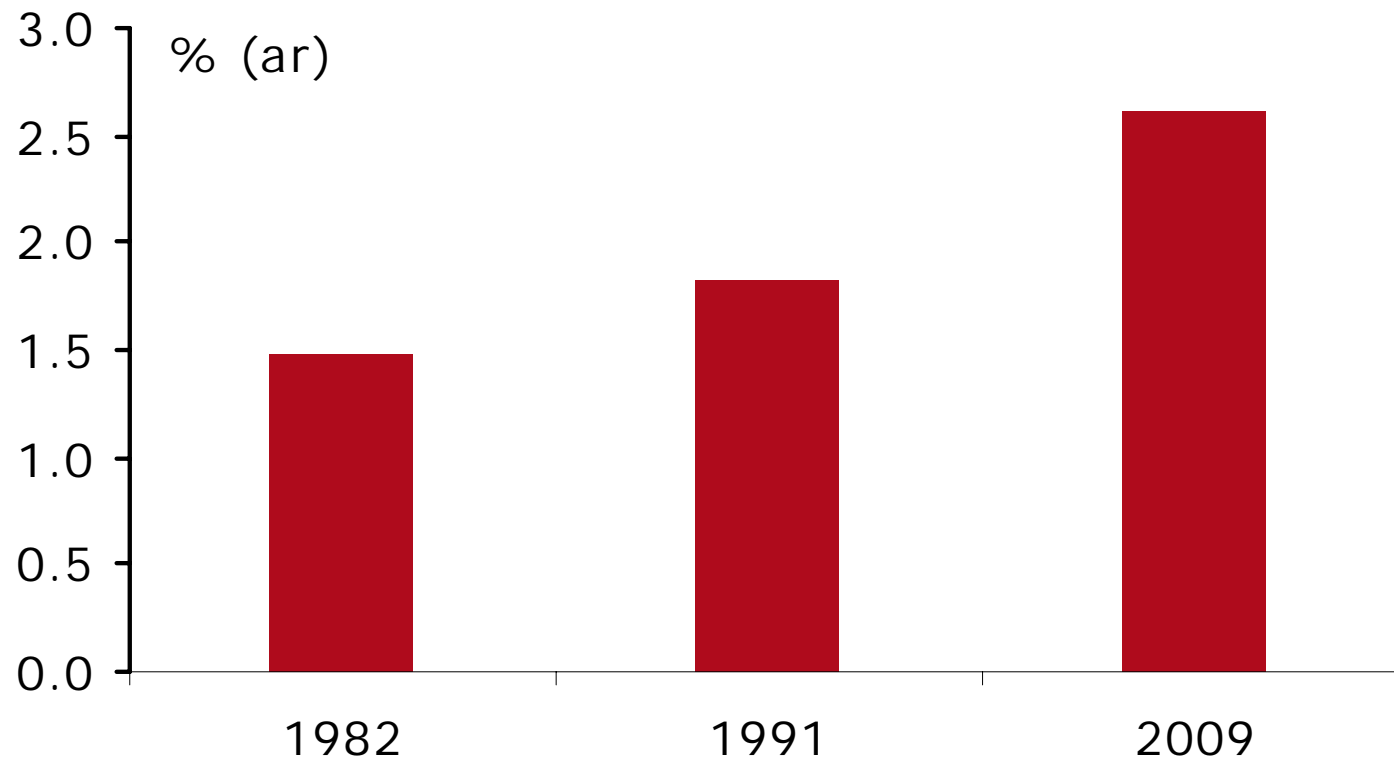


Net Purchases of C\$ Bonds (L)

Canadian Dollar (R)

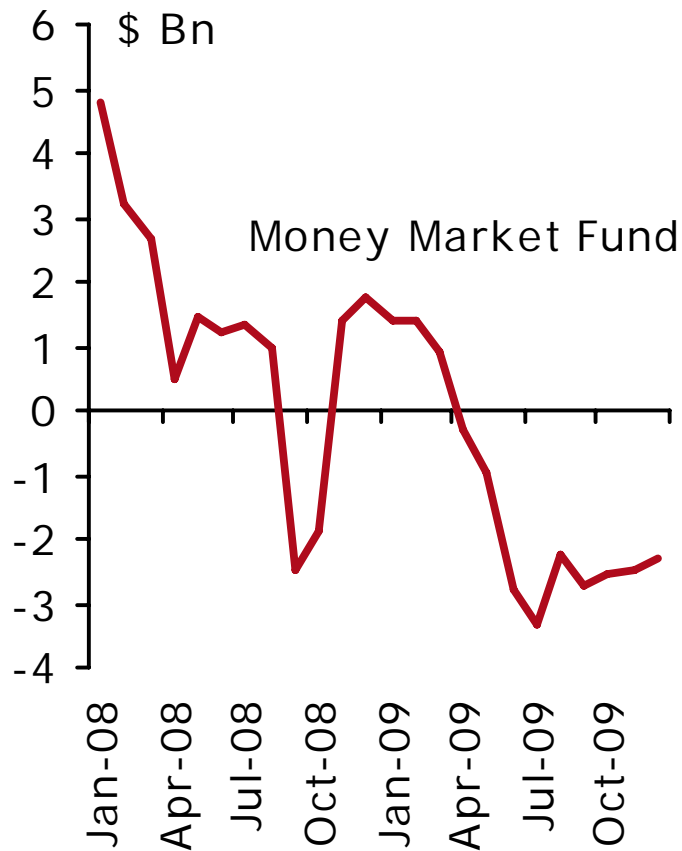
Strong Rebound in Domestic Demand

Average first 2 Qtrs of Recovery

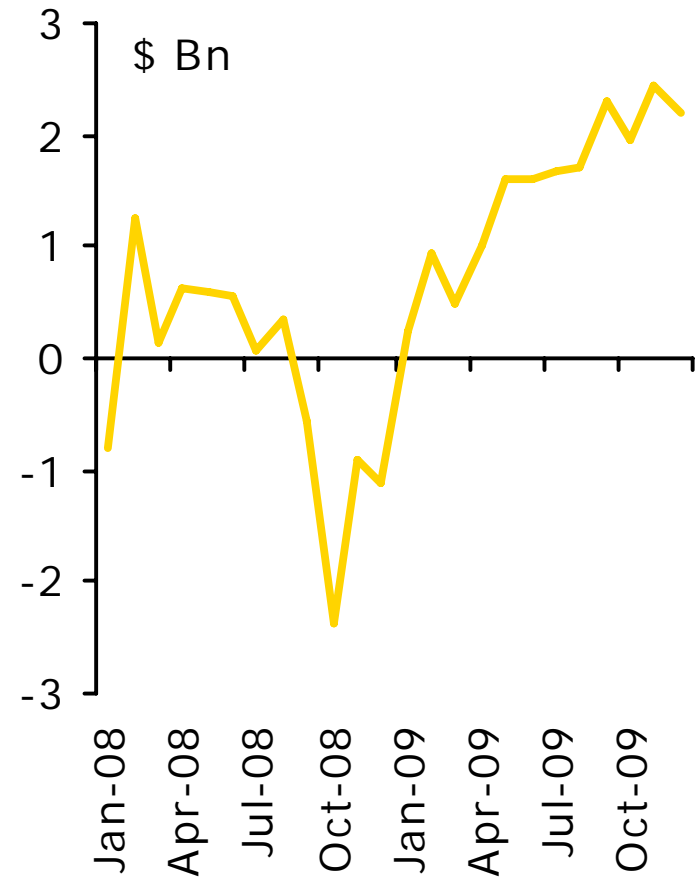


Redeploying Cash

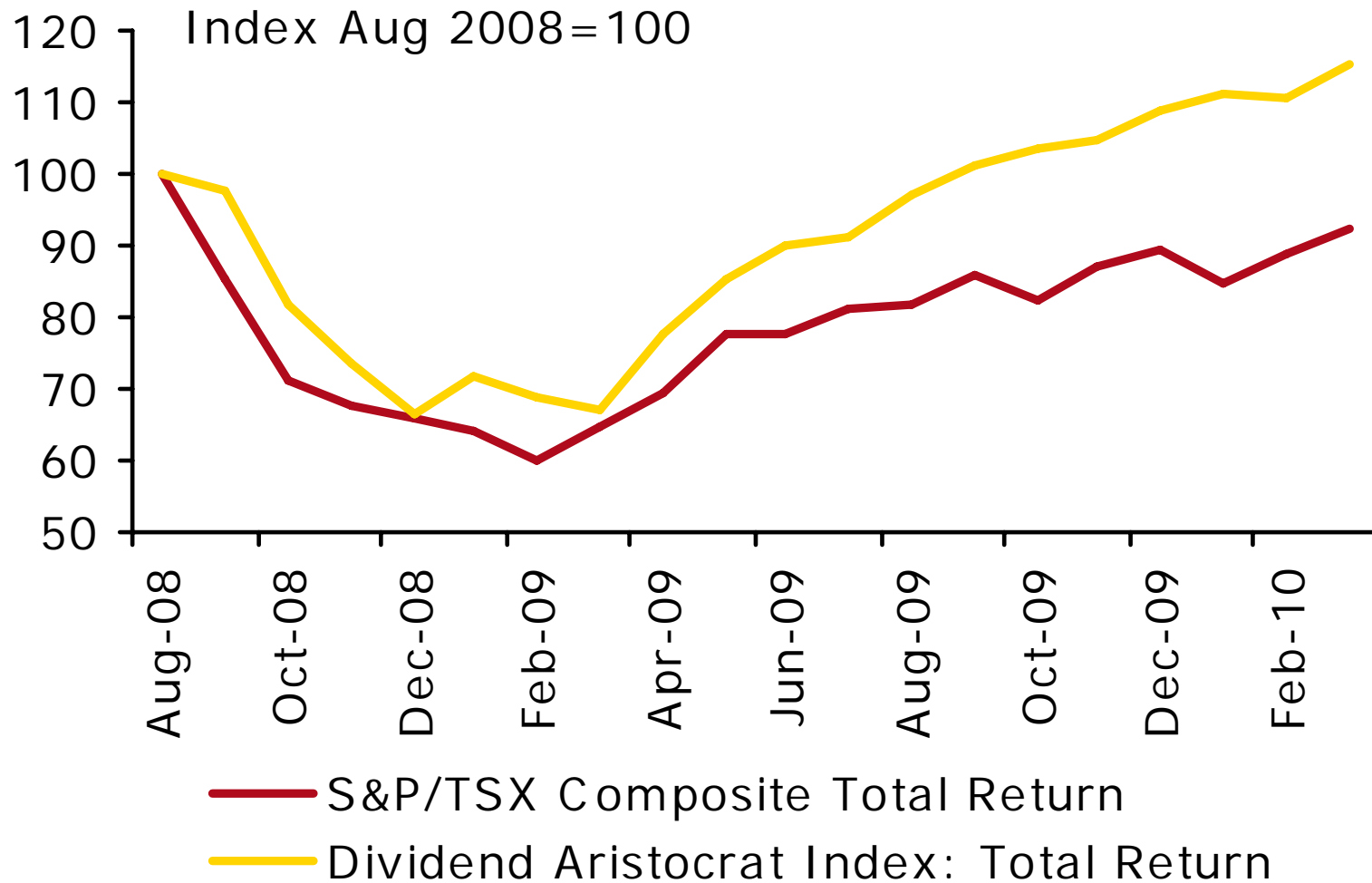
Out of Cash....



... into Bonds & Income



Dividend Stocks Outperform TSX



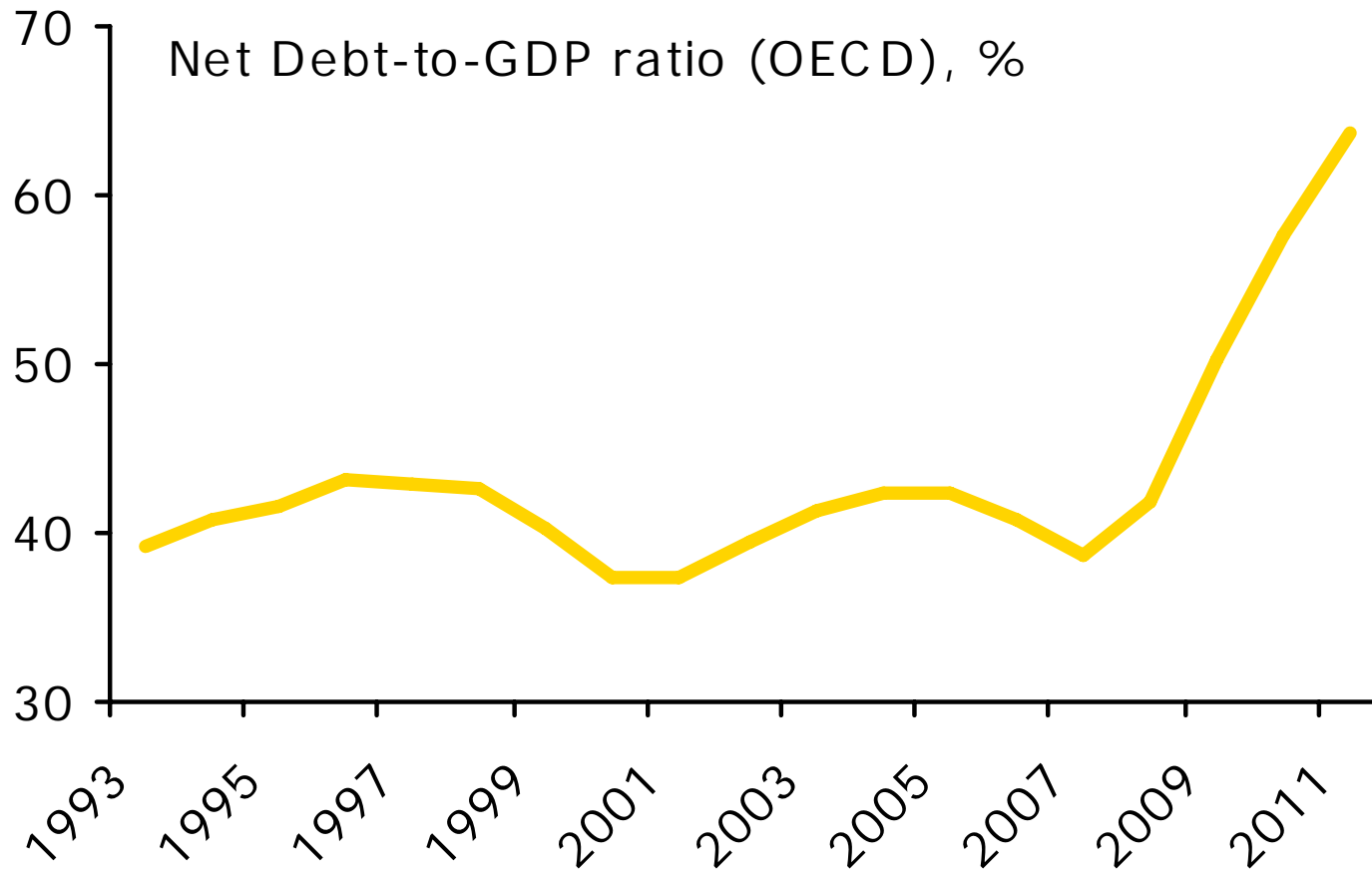
Eight Highest Yielding TSX Industry Groups

	Indicated Dividend Yield (%)
Telecommunication Services	5.5
Utilities	5.1
Real Estate	5.0
Media	4.7
Diversified Financials	4.2
Health Care Equipment & Services	4.0
Banks	4.0
Insurance	3.8



Source: Bloomberg, CIBC

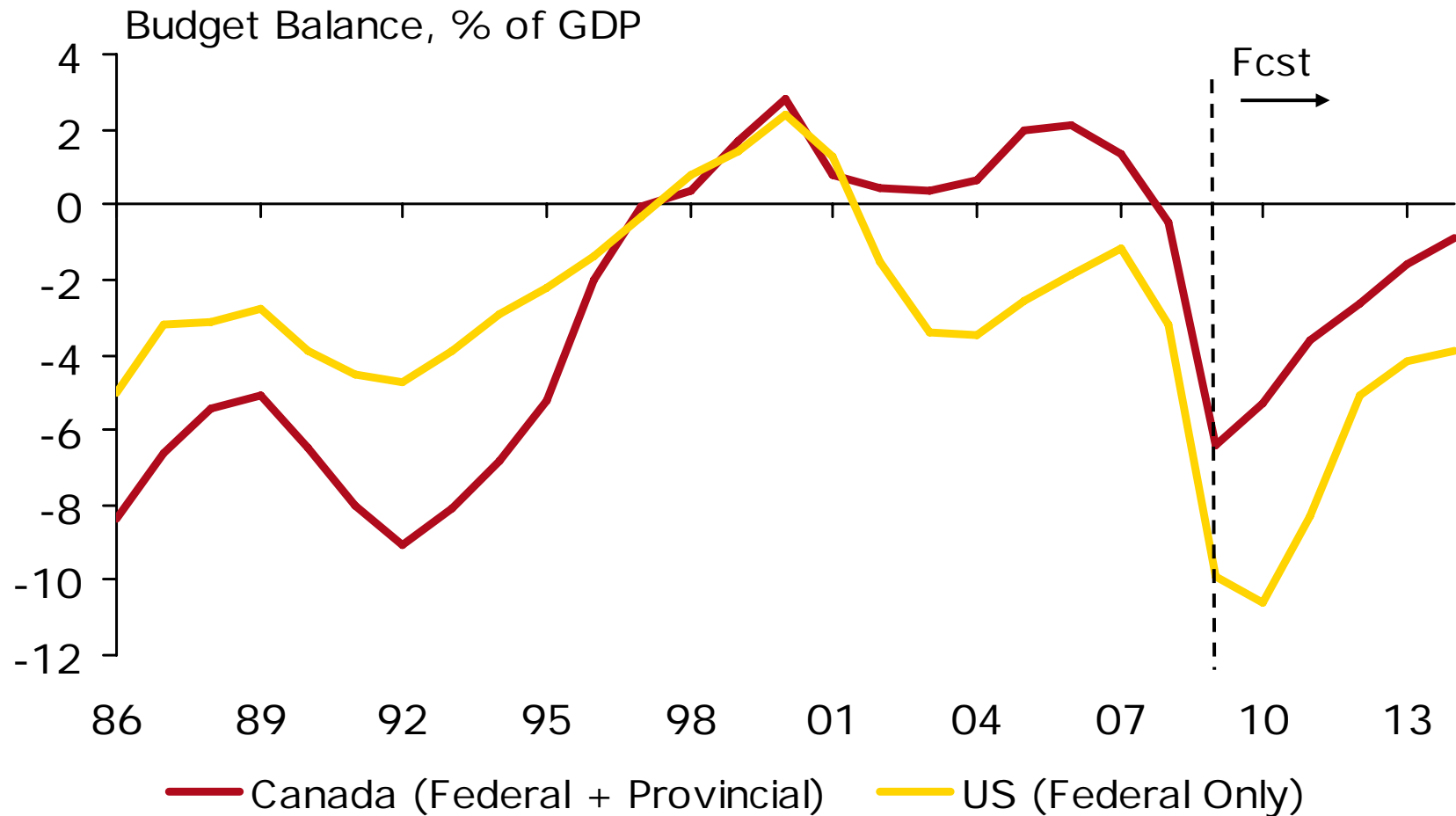
Government Net Debt Soars in OECD



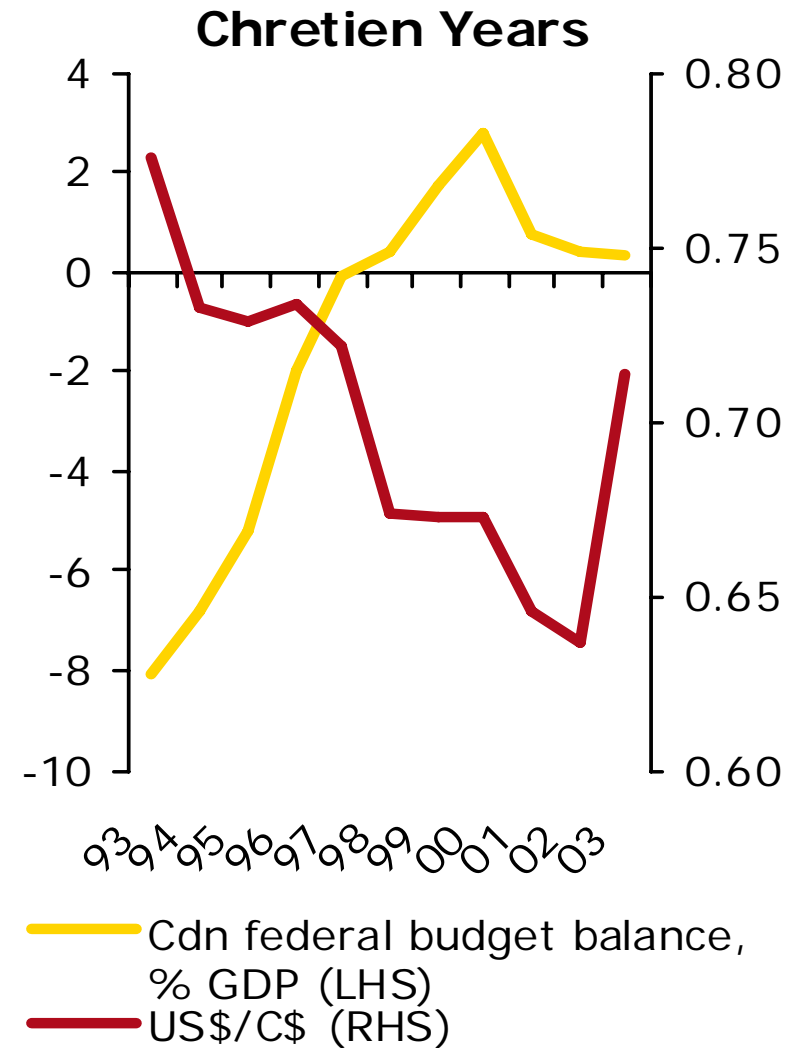
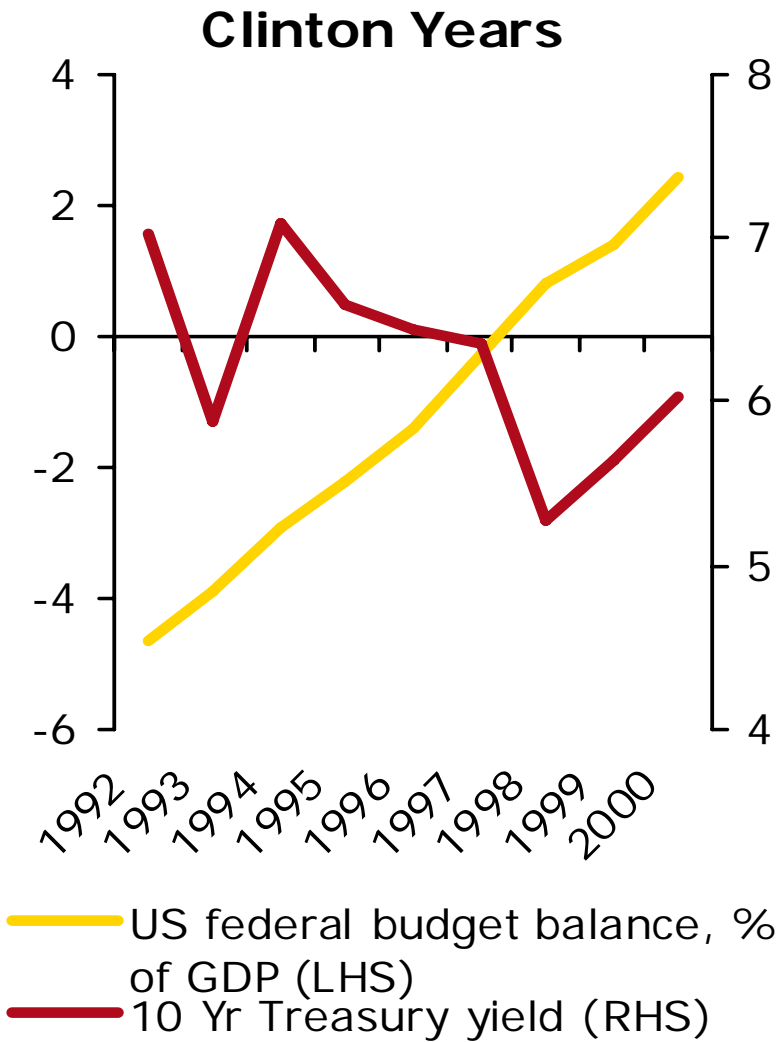
Source: OECD, CIBC



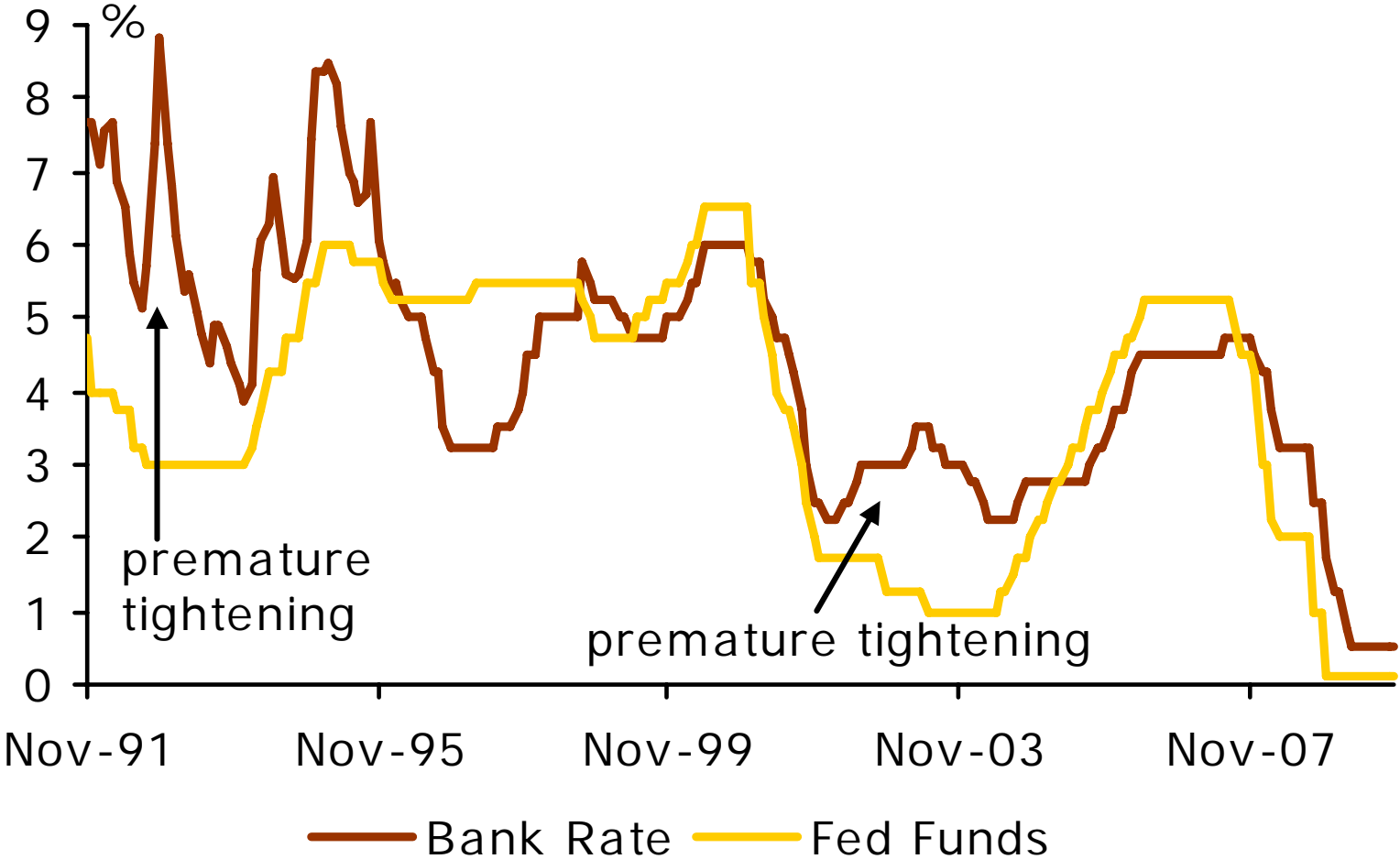
Canada's Deficits Not as Alarming But Restraint is Coming



Easy Monetary Conditions Eased Pain From Earlier Fiscal Restraint



Bank of Canada Has Hiked Prematurely in Past



TSX Total Return Around CDN Rate Trough, %

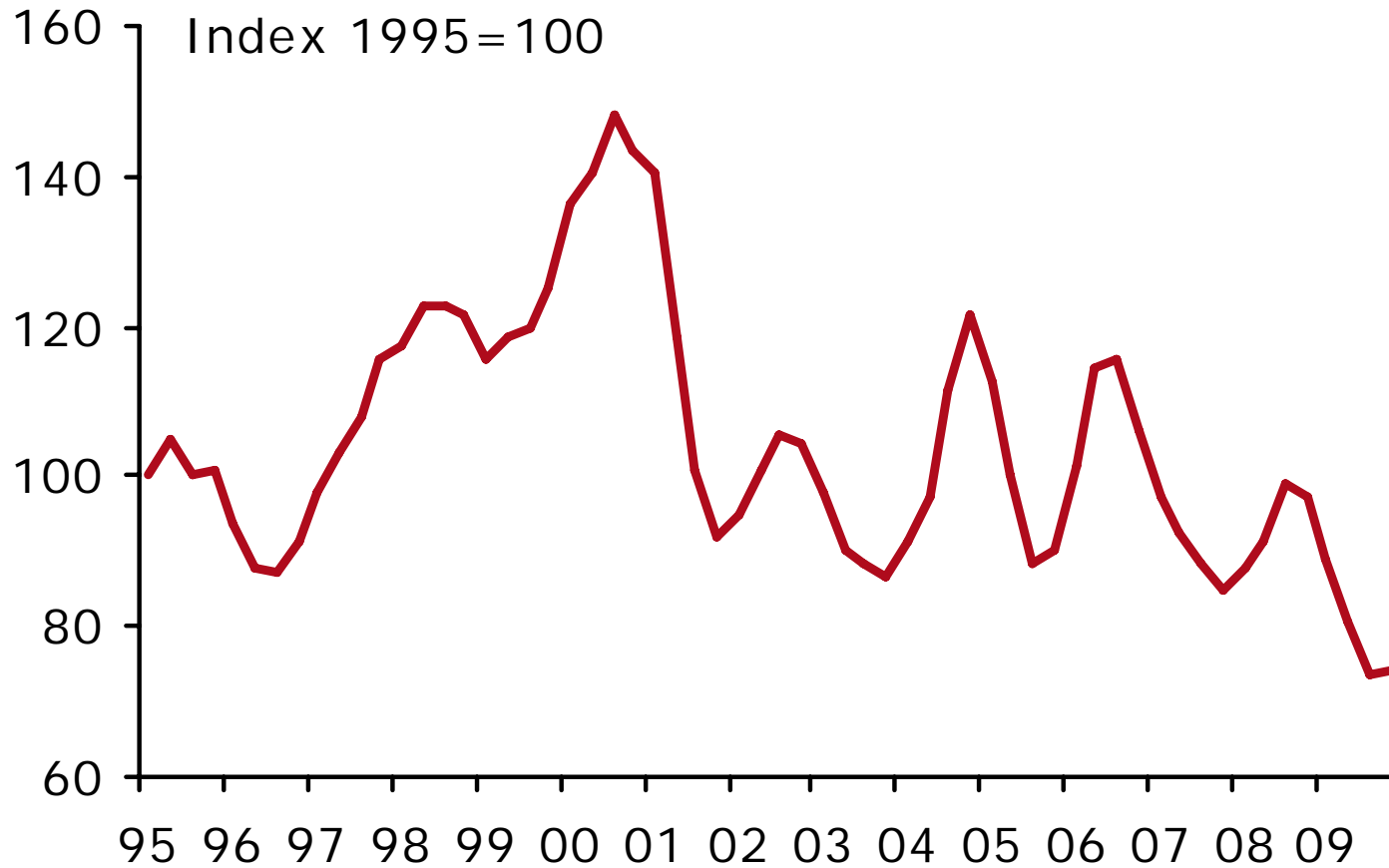
Rate Trough	<u>6-months before</u>		<u>6-months after</u>	
	TSX Comp.	Bonds*	TSX Comp.	Bond*
Jul-58	15.3	2.0	12.5	-0.8
Sep-60	-0.5	10.4	23.2	-0.6
Jul-63	1.1	1.8	11.8	1.9
Mar-73	7.6	7.2	2.4	0.5
Feb-78	2.7	1.5	25.4	5.8
Jul-80	10.7	3.4	3.2	2.4
May-83	34.3	12.4	7.1	4.5
Mar-87	27.3	8.3	5.7	-5.5
Aug-92	-3.4	10.7	3.0	2.7
Feb-94	8.2	3.8	-0.5	-4.3
Jun-97	9.6	3.4	4.9	6.1
Mar-02	15.7	1.0	-20.6	7.4
Aug-04	-3.8	0.9	16.4	2.1
Avg, % (simple)	10.3	3.9	4.1	2.7
Avg, % (ann.)	21.7	8.0	8.3	5.5



Scotia Capital Universe Bond Index, 1956-89, BIGAR Broad Composite, 1990-2004, DEX Universe Bond Index, 2004-present

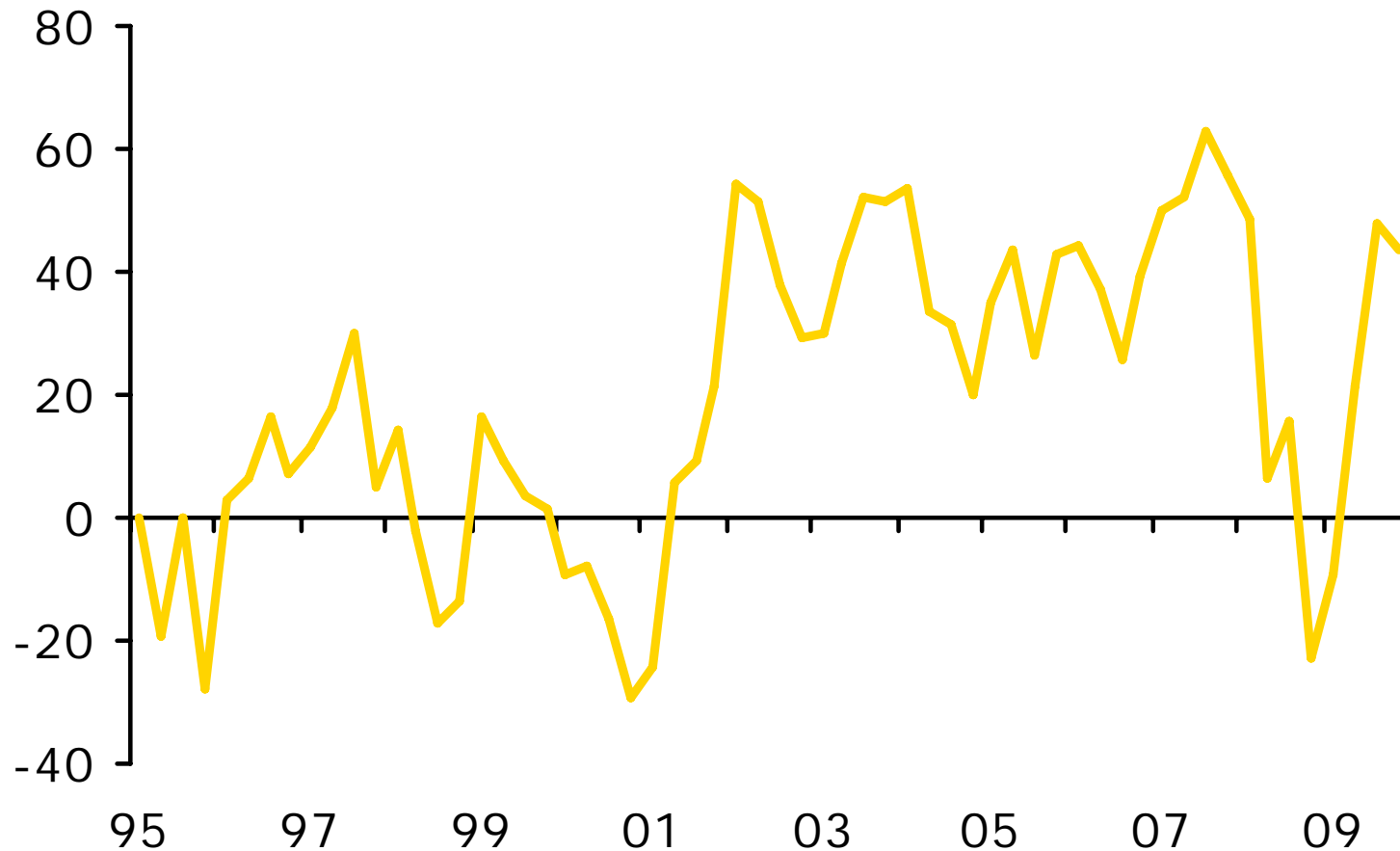
Note: geometric averages, data for individual time periods is unannualized.

Consumer Capability Index



Source: CIBC calculation

Gap Between Consumer Confidence and Consumer Capability



Source: Statistics Canada, CIBC