ECONOMIC RESEARCH

BMO Capital Markets

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FEBRUARY 29, 2008

focus

A Weekly Financial Digest

FEATURE ARTICLE, P.5

Canadian Home Prices:
End of Boom But No Doom

- Fed Focused on Downside Growth Risks
- Canadian Federal Budget Light on Spending and Tax Cuts
- Canadian Current Account in the Red
- U.S. Data Pointing to Recession
- CRB Hits New Highs

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DOUGLAS PORTER

Finally responding to a renewed burst in commodity prices, the Canadian dollar powered ahead by more than 3% this week, one of its strongest 5-day gains on record. Just one short week after we noted the currency was struggling to find traction amid record resource prices and a sagging USD, it appears that the loonie picked up some snow tires. With oil prices breaking decisively above $100, gold homing in on $1000 and wheat close to $20, there are plenty of good reasons for the CAD's latest spike. Meantime, the USD remains in full retreat, dropping to a record low against the euro, and falling 2.5% in a week on a trade-weighted basis. The USD was undercut by mounting evidence that the U.S. economy has slipped into an outright recession—highlighted by rising jobless claims and softening consumer confidence and spending, as well as Bernanke's frankly downbeat comments.

The 15% run-up in the CRB just since the start of 2008 has helped the TSX move back to almost level for the year, rebounding sharply from the January lows and far outperforming most other major equity markets. It has also reinvigorated chatter about global decoupling, with the persistent strength in commodities flying directly in the face of deepening weakness in the U.S. economy. However, the slightly more troubling interpretation is that the strength in commodities represents either: 1) investors hedging furiously into hard assets against the risk of higher inflation, or 2) a lack of other decent investment alternatives for rapidly growing sovereign wealth funds to park their massive hoards.

MICHAEL GREGORY

The Home Price Heart of the Problem… There was a cacophony of U.S. house price metrics this week. In January, the median new home price plummeted 15.1% y/y, the most in its 45-year history, while the median existing single-family home price dropped 5.1% y/y, continuing the deepest and longest run in negative territory in its 40-year history. Among the more reliable "repeat sales" measures, the S&P/Case-Shiller national index declined 8.9% y/y in Q4, the most in its 21-year history, with the 20-city monthly version showing worsening deflation. The OFHEO index still managed a 0.8% y/y gain in Q4, but it's poised for the first negative print in its 33-year history. It was largely based on this latter metric that the marketers of subprime-tainted securities asserted that home prices have never fallen on a nationwide basis… and never would.

These four metrics, taken with figures compiled in Robert Shiller's *Irrational Exuberance* (2nd ed.), prove that the U.S. is experiencing its worst bout of home price deflation since WWII and the Great Depression, a confidence-shattering occurrence if there ever was one. Not surprisingly, this week's consumer confidence readings from ABC News/Washington Post, Conference Board and University of Michigan were all plumbing the depths of recent years (but "only" 15-year lows in the worst case).

Home price deflation has been a catalyst for stagnating consumer spending (which likely tipped the U.S. into recession), and the credit crunch (subprime-tainted securities, and banks that are loathe to lend to those with negative home equity or against assets with free-falling prices). As such, until home prices show signs of stability, there are dismal odds for a quick recovery from the current economic malaise. Ponti

SAL GUATIERI

There is little doubt that the Bank of Canada will ease on Tuesday, but there is a lot of head scratching over the size of the move. Weighing towards a 50-point chop is the fact that the two quarter-point moves to date seem puny in the face of a rapidly sagging U.S. economy, underscored by both the gloomy data this week and Bernanke's dour testimony. More substantial rate insurance (catch-up to the Fed?) seems appropriate to guard against a possible prolonged U.S. downturn sinking Canada's trade sector (the IMF says Canada's economic risks are on the downside). The cost of insurance is low, since core CPI is well below the 2% target and sliding fast with a tiny 0.4% annualized bump in the last three months. Renewed uncertainty about non-bank ABCP and further bank writedowns announced this week imply tighter financial conditions.

But the case for a status quo 25-point move is also compelling. Soaring commodity prices continue to pump Canada's terms of trade, and with it national income and domestic demand, pushing the economy against capacity limits—evidenced by the 33-year low jobless rate and near 5% wage growth. To ease the strains, firms intend to ramp-up investment in new equipment and non-residential structures by 6.8% this year, more than last year. Meantime, although the federal budget was thin on new stimulus, the tax measures announced in October should provide meaningful support to consumers. Monday's Q4 GDP report could prove the tie-breaker. A sub-1% print (versus the BoC's 1.5% estimate) would likely tilt the balance towards 50 points, while a higher tally could tip the scales towards 25 points—where we lean ever so slightly.

Sal

ROBERT KAVCIC

To save or contribute, that's the question financial planners have ten months to mull over before the new Tax Free Savings Account comes into play in 2009. The TFSA is a welcome savings mechanism that will add flexibility, and act as an effective compliment, to the RRSP. While the two accounts are great on their own, used together, they provide a way to stretch out tax savings over the life cycle.

The key variables in the TFSA/RRSP decision will ultimately be tax bracket and timing. If an investor's marginal tax rate is expected to be higher at the time of withdrawal, the TFSA will offer a better choice. For example, students and new entrants to the workforce who have not yet reached the top tax bracket, and are saving to buy a house, will likely be big users—their RRSP contribution room can instead be carried forward to future years when their tax rate is much higher. Meantime, the individual in his/her peak earning and taxation years will be better off taking the RRSP deduction, expecting to make withdrawals in retirement and at a lower tax rate. This flexibility, and its bare-bones simplicity, will make the TFSA a winner.

Since most of the country will spend the next year devising crafty ways to use their shiny new TFSA, here's one idea to get the ball rolling: Trading types can use it for their speculative positions that carry big potential payoffs, like options and small cap stocks. While capital losses can't be used to offset gains outside the TFSA, the profits from that 10-bagger will be yours to keep—all of them!

Rob K.

CANADA

- Q4 marks an end to twin surpluses
- Federal Budget calls for $10.2 bln surplus (FY08)

GOOD NEWS — CANADA

Average Weekly Earnings slowed to +3.1% y/y (Dec.)

Capital Spending Intentions +5.2% (2008)—robust

Ottawa's Budget Surplus $9.4 bln (Apr.-to-Dec.)—up from a year ago

BAD NEWS — CANADA

Current Account slips into the red at -$513 mln (Q4)

Industrial Product Prices +0.9% (Jan.)

Raw Material Prices +3.4% (Jan.)

UNITED STATES

- Treasuries surge on weak economic data and expectations of aggressive Fed cuts
- Bernanke's semi-annual testimony shows Fed's concern lies with growth, not inflation. . .
- . . .and warns of possible small bank failures

BAD NEWS — U.S.

Conference Board's Consumer Confidence Index -12.3 pts to 75.0 (Feb.)

ABC News/Washington Post Consumer Comfort Index unch at 14-year low of -37 (Feb. 24 wk)

Real Personal Spending unch (Jan.)

S&P Case-Shiller House Prices -9.1% y/y (Dec.)

OFHEO Purchase-Only House Prices -1.3% y/y (Q4)

Existing Home Sales -0.4% to 4.89 mln a.r. (Jan.)

New Home Sales -2.8% to 588,000 a.r. (Jan.)

Real GDP unrevised at +0.6% a.r. (Q4 P)—details mostly negative, except net exports

Durable Goods Orders -5.3% (Jan.)

Chicago PMI -7 pts to 44.5 (Feb.)

Producer Prices +1.0% (Jan.)—and **core** +0.4%

Core PCE Deflator +2.2% y/y (Jan.)

Redbook -1.2% (Feb. 23 wk)

Initial Claims +19,000 to 373,000 (Feb. 23 wk)

EUROPE

- German business confidence surprisingly sturdy . . .
- . . . as EUR hits record $1.52
- U.K. house prices continue to slide

GOOD NEWS — EUROPE

Eurozone—Jobless Rate unch at 7.1% (Jan.)

Eurozone—M3 (smoothed) +11.8% y/y (Jan.)

Germany—Ifo Survey +0.7 pts to 104.1 (Jan.)

Germany—Retail Sales +1.6% (Jan.)

Germany—Real GDP unrevised at +0.3% q/q (Q4)

Germany—Unemployment -75,000 (Feb.)—and **Jobless Rate** -0.1 ppts to 8.0%

BAD NEWS — EUROPE

Eurozone—Economic Confidence falls to 100.1 (Feb.)

Eurozone—Consumer Prices +3.2% y/y (Feb. F)

Germany—Consumer Prices +2.9% y/y (Feb. P)

France—Producer Prices +0.5% (Jan.)

Italy—Retail Sales -0.6% y/y (Dec.)

Italy—Consumer Prices +3.1% y/y (Feb. P)

U.K.—Real GDP unrevised at +0.6% q/q (Q4)—but details weak

U.K.—GfK Consumer Confidence -4 pts to -17 (Feb.)—lowest in 13 years

U.K.—Nationwide House Prices -0.5% (Feb.)

JAPAN

- JPY makes a break for ¥104 as carry trade unwinds

GOOD NEWS — JAPAN

Retail Sales +3.8% (Jan.)

Household Spending +3.6% y/y (Jan.)

Consumer Prices +0.7% y/y (Jan.)

Jobless Rate unch at 3.8% (Jan.)

BAD NEWS — JAPAN

Industrial Production -2.0% (Jan. P)

Manufacturing PMI -1.5 pts to 50.8 (Feb.)

Indications of stronger growth and a move toward price stability are good news for the economy.

Canadian Home Prices:
End of Boom But No Doom

Sal Guatieri, Senior Economist

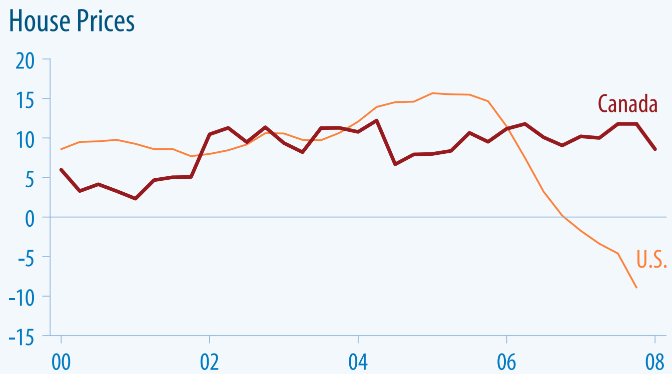
As the U.S. housing ship capsizes in the subprime swamp, Canadian home sales and prices continue to cruise through calm waters. But prices may be getting ahead of fundamentals. Resale prices shot up 78% in the past six years, not far behind the blistering 87% ascent in American prices during a similar six-year long boom *(Chart 1)*. And despite flagging economic growth, Canadian house prices actually sped up late last year, with the gains fanning out from once hot (but rapidly cooling) Alberta. As shown in *Table 1*, Canadian home values rose substantially faster than other "price benchmarks" such as income, inflation and rent in the past six years. Values grew more than twice as fast as per-capita income and nearly eight times faster than rents.

Due largely to escalating prices, housing affordability has dropped almost one-third below long-run norms, returning to the low levels of 1991—when the last housing boom fizzled *(Chart 2)*. Weak affordability might explain why Toronto's condo market has recently outrun the more expensive detached market, and why nationwide multiple-unit starts remain lofty while new detached units are at six-year lows.

While Canada's housing market may be overpriced, values do not necessarily need to fall to restore fair value. They could simply stagnate for a while, allowing income and rents to catch up. Moreover, to the extent that the sharp rise in house values was partly driven by the wealth effect of the resource boom, only minimal price adjustment may be required to return to fair value; provided, of course, that commodities don't collapse.

That said, the recent pace of housing appreciation is unlikely to persist, and growth should slow especially if the economy weakens as expected. Resale prices have already decelerated to 8.6% y/y at the start of this year from an average 11% in 2007. Indeed, house values in previously red-hot Alberta have ebbed from last summer's peak, as poor affordability spurred the first net loss of migrants to other provinces in a dozen years in Q3.

CHART 1
STILL INFLATING
(y/y % chng)



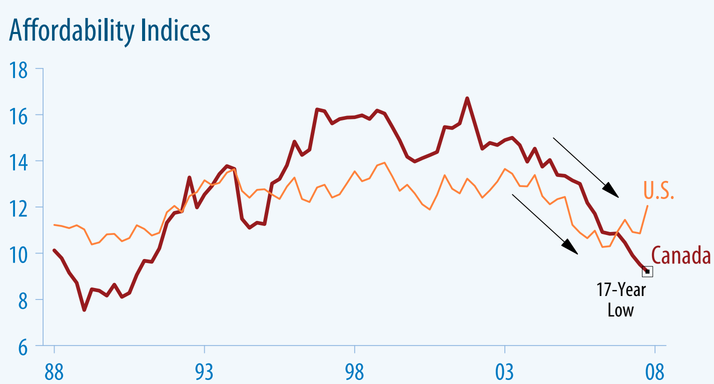
Canada = (Average sales price of existing house) U.S. = (Case-Shiller Home Price Index of 20 cities)

TABLE 1
CANADIAN HOUSE PRICE METRICS
Canada (avg. y/y % chng)

	1981-2001	2002-2007
House price *	5.0	10.1
CPI	3.9	2.2
CPI rent	3.4	1.3
PDI per capita	4.3	3.9

* Average sales price of existing house in major markets

CHART 2
UN-AFFORDABLE HOUSING
(quarterly averages)



Canada = (BMO Capital Markets Affordability Index : 1988 = 100) U.S. = (NAR Index)

CHART 3

CREDIT GROWTH FUELS HOUSING BOOM

(y/y % chng)

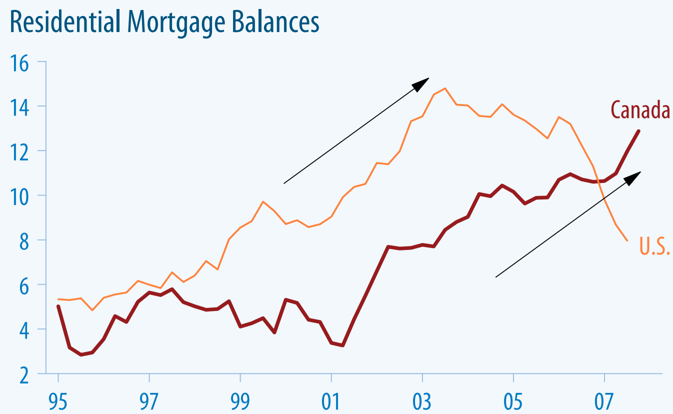


CHART 4

CONSTRUCTION ZONE

Canada (% of GDP)

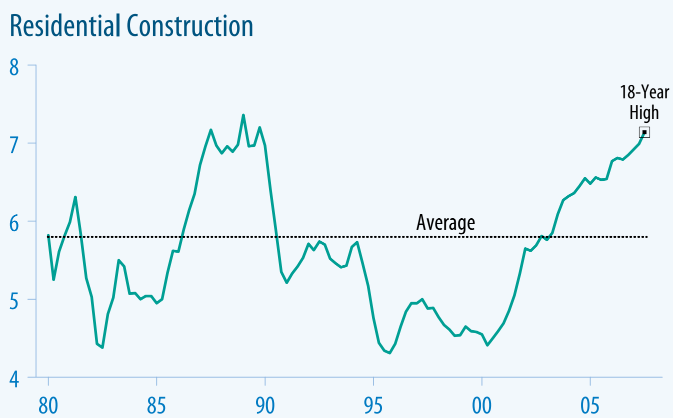
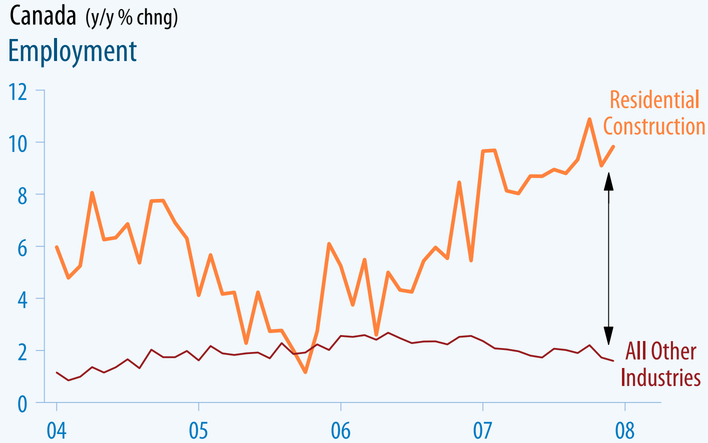


CHART 5

HELP WANTED

Canada (y/y % chng)



Reduced affordability and a lack of pent-up demand will cool house sales this year. While lower interest rates should help, the rapid growth in mortgages of recent years *(Chart 3)* is unlikely to be sustained in an environment of tighter credit and record household indebtedness. Shares of Canadian home improvement retailers, which have already reported disappointing earnings amid a slowdown in demand for building materials, could come under further pressure.

Softer demand will curb the still-heated pace of homebuilding. A six-year boom has driven the share of residential construction to 7.1% of GDP versus a long-run mean of 5.8% *(Chart 4)*. For this ratio to return to the norm, construction would need to fall 10% over the next two years, slicing GDP by 0.3% each year. Though meaningful, the impact would pale in comparison to the 29% landslide in U.S. residential construction over the past two years. Meantime, Canadian homebuilders will probably need to throttle back their hiring intentions, as employment in residential construction rose five times faster than in other sectors last year *(Chart 5)*.

Though possibly overvalued, the housing market is more likely to deflate slowly than bust. Compared with the U.S., Canada's housing market stands on firmer ground, with stricter lending standards, a smaller subprime/option ARM mortgage market, and less prevalent use of low introductory ("teaser") rates and high loan-to-value mortgages. Most homeowners are unlikely to face punitive increases in mortgage costs, and in fact should benefit from recent and prospective declines in interest rates as the Bank of Canada leans into the economic headwinds.

Bottom Line: Canada's housing market should cool this year, though not freeze up, as prospective first-time buyers are likely to shun high-priced homes and opt to rent for a while. A soggier market will weigh moderately on the struggling economy, damping core inflation and greasing the wheels for more BoC rate cuts.

	2007				2008				ANNUAL		
CANADA	I	II	III	IV	I	II	III	IV	2006	2007	2008
Real GDP (q/q % chng : a.r.)	3.5	3.8	2.9	1.2 ↓	1.0	0.0	1.8	2.5	2.8	2.5	1.5
Consumer Price Index (y/y % chng)	1.8	2.2	2.1	2.4	2.1	1.9	2.3	2.4	2.0	2.1	2.2
Unemployment Rate (%)	6.1	6.1	6.0	5.9	5.9	6.1	6.3	6.4	6.3	6.0	6.2
Housing Starts (000s : a.r.)	226	228	243	214	213	200	197	196	229	228	201
Current Account Balance ($blns : a.r.)	27.8	25.6	5.3	-2.0	-4.0	-10.5	-12.5	-13.1	23.6	14.2	-10.0
Interest Rates (average for the quarter : %)											
Overnight Rate	4.25	4.25	4.50	4.42	3.92	3.42	3.00	3.00	4.06	4.35	3.33
3-month Treasury Bill	4.17	4.35	4.00	3.84	3.30	3.10	3.04	3.07	4.01	4.09	3.13
10-year Bond	4.05	4.61	4.36	4.02	3.65	3.55 ↑	3.85 ↑	4.15	4.21	4.26	3.80 ↑
Canada/U.S. Interest Rate Spreads (average for the quarter : bps)											
90-day	-95	-64	-19	43	126	154	147	150	-84	-34	144
10-year	-58	-49	-27	-9	10 ↓	25	25	18	-58	-36	19 ↓
UNITED STATES											
Real GDP (q/q % chng : a.r.)	0.6	3.8	4.9	0.6	-0.1	-0.7	2.2	2.3	2.9	2.2	1.2
Consumer Price Index (y/y % chng)	2.4	2.6	2.4	4.0	4.3	3.9	3.7	2.8	3.2	2.9	3.7
Unemployment Rate (%)	4.5	4.5	4.7	4.8	5.0	5.4	5.6	5.7	4.6	4.6	5.5
Housing Starts (mlns : a.r.)	1.46	1.46	1.30	1.15	0.99	0.96	0.92	0.92	1.81	1.34	0.95
Current Account Balance ($blns : a.r.)	-788	-756	-714	-726 ↑	-719 ↑	-710 ↑	-716 ↑	-716 ↑	-811	-746 ↑	-715 ↑
Interest Rates (average for the quarter : %)											
Fed Funds Target Rate	5.25	5.25	5.08	4.42	2.83	2.17	2.00	2.00	5.02	5.00	2.25
3-month Treasury Bill	5.12	4.87	4.42	3.47	2.17	1.64	1.56	1.56	4.85	4.47	1.73
10-year Note	4.68	4.85	4.73	4.26	3.68 ↑	3.35 ↑	3.50 ↑	3.88	4.79	4.63	3.60 ↑
EXCHANGE RATES (average for the quarter)											
US¢/C$	85.3	91.0	95.7	101.9	99.2	98.8	97.1	95.5	88.2	93.5	97.7
C$/US$	1.172	1.098	1.045	0.982	1.008	1.012	1.029	1.047	1.134	1.074	1.024
¥/US$	119	121	118	113	107	104	102	101	116	118	103
US$/Euro	1.31	1.35	1.38	1.45	1.48	1.47	1.43	1.39	1.26	1.37	1.45
US$/£	1.96	1.99	2.02	2.04	1.97	1.96	1.94	1.91	1.84	2.00	1.94

Note: Blocked areas represent BMO Capital Markets forecasts
Up and down arrows indicate changes to the forecast ↑↓

CANADA

Douglas Porter, CFA, Deputy Chief Economist

Real GDP

Monday, 8:30 am

	Real GDP	Chain Prices
Q4 (e)	**+1.2% a.r.**	**+3.6% a.r.**
Consensus	*+1.0 % a.r.*	*n.a.*
Q3	+2.9% a.r.	-1.0% a.r.
	Real GDP at Basic Prices	
Dec. (e)	**-0.5%**	
Consensus	*-0.1%*	
Nov.	+0.1%	

A sharp sag in activity in the last month of the year is expected to weigh on Q4 GDP growth, ending what had been a surprisingly upbeat year for growth on a sour note. The big drag on GDP in the quarter is again expected to be net exports, which may have carved 4 percentage points from annualized growth. Harsh weather conditions may also have nicked housing activity. Meantime, each of consumer, government and business spending all look to have posted solid gains yet again. Overall growth is expected to clock in at just a bit more than a 1% annual rate in the quarter, or about half the average growth rate for all of last year.

There could be more focus than usual on the monthly GDP figure for December, which is released at the same time. The monthly results are tabulated from production data, while the quarterly results are built up from spending data. A steep pullback in auto production in the month, as well as worse-than-usual winter storms, may have dragged December GDP down by as much as 0.5%, which would be the worst month since the August 2003 blackout. And, it would also give Q1 a weak hand-off, pointing to another seriously sub-par quarterly growth rate at the start of 2008.

Bank of Canada Interest Rate Decision

Tuesday, 9:00 am

There seems to be little doubt that the Bank of Canada is poised to cut interest rates for the third consecutive meeting; the bigger debate is whether they continue with 25 basis point trims, or a 50 bp chop. While there are strong arguments on both sides, here's the case for the Bank choosing the milder 25 bp option: While the U.S. economic backdrop continues to darken, the simple fact is that Canada still has its lowest jobless rate in 33 years, wage pressures are clearly building, housing activity remains healthy, and capital spending plans for 2008 are surprisingly buoyant. On the financial front, while debt markets remain under pressure, equities have rebounded from their January lows—the TSX is up 12% in just over a month. The latest bounce in the Canadian dollar seems completely justified by the renewed run-up in commodity prices to new record highs. Finally, we can't help but wonder if freshly-minted Governor Mark Carney really wants to begin his tenure with the Big Bang of a 50 bp cut, which could be interpreted as a none-too-subtle jab at the moderate easing pace of his predecessor.

Employment

Friday, 7:00 am

	Employment	Unemployment Rate
Feb. (e)	**+12,000 (+0.1%)**	**5.9%**
Consensus	*+7,000 (+0.04%)*	*5.9%*
Jan.	+46,400 (+0.3%)	5.8%
	Average Hourly Wages	
Feb. (e)	**+5.0% y/y**	
Jan.	+4.9% y/y	

Following yet another blow-out report for January, we expect Canadian job creation to take a serious step back in February. Employment is expected to rise by a mild 12,000 after the staggering 46,400 gain in the prior month, and an average monthly increase of 28,000 over the past year. Construction, finance and technical payrolls are all likely to slow considerably after hefty gains in January, while manufacturing is expected to renew its descent after a surprising 17,500 rise last month. However, culture & recreation could rebound from a hefty 28,000 setback at the start of the year. Our call would nudge the jobless rate up a tick to 5.9%. Average hourly wages have been on a tear in recent months, and it's hard to bet against that trend; we look for wages to hit the 5% y/y mark in February, a new record high for this 11-year series, and well up from last year's average increase of 3.5%.

UNITED STATES

Sal Guatieri, Senior Economist

ISM Manufacturing

Monday, 10:00 am

	ISM	Prices-Paid
Feb. (e)	**48.0**	**72.0**
Consensus	*49.0*	*72.0*
Jan.	50.7	76.0

Manufacturing activity has virtually stalled in the face of stiff housing headwinds. Sharp declines in the regional PMI surveys (with several flashing recession) point to a sizeable drop in the national ISM index following January's unexpected advance. We look for the composite index to recede to a five-year low of 48.0 in February from 50.7 in January, indicating that the manufacturing sector is contracting moderately.

ISM Non-Manufacturing

Wednesday, 10:00 am

Feb. (e)	**46.0**
Consensus	*48.0*
Jan.	44.6

The new ISM composite index of non-manufacturing activity is expected to rebound only modestly to 46.0 in February after nose-diving 8½ points the prior month to the lowest level (44.6) in the series' ten-year history. The comments in that survey were downright gloomy, reflecting the pall cast over the broad services sector by the housing/credit market maelstrom. The employment sub-index, along with the ADP jobs and Challenger layoff figures released the same day, will provide a heads-up for Friday's nonfarm payrolls report.

Fed's Beige Book

Wednesday, 2:00 pm

Anecdotal information on the housing and commercial real estate markets, the availability of credit, and the broader economy will provide policymakers with a timely read on current conditions ahead of the March 18 policy confab. Look for the latest report to show continued economic weakness, a further tightening in credit standards, some buckling in the commercial construction pillar, and a housing market still in freefall. At the same time, it should affirm that only a few firms have the ability to pass rising food and energy costs along to consumers. The expected bleak assessment of economic conditions, together with more sanguine reports on underlying inflation, should set the stage for a 50-point rate cut in March.

Pending Home Sales

Friday, 8:30 am

Jan. (e)	**-1.0%**
Consensus	*-0.5%*
Dec.	-1.5%

The ongoing slide in new home sales in January suggests that, despite rapidly improving affordability, demand remains depressed by tightening credit standards and the fear of further price declines. We look for pending sales (which are based on signed contracts for the purchase of an existing home) to decrease for the third straight month in January, likely by 1.0%. This would extend a steep slide (-24% y/y) and point to another decline in existing home sales in February.

Nonfarm Payrolls

Friday, 8:30 am

	Nonfarm Payrolls
Feb. (e)	**+30,000**
Consensus	*+40,000*
Jan.	-17,000

	Unemployment Rate
Feb. (e)	**5.1 %**
Consensus	*5.0%*
Jan.	4.9%

	Average Hourly Earnings
Feb. (e)	**+0.2%**
Consensus	*+0.3%*
Jan.	+0.2%

An upward trend in jobless claims (with the four-week moving average hitting two-year highs) suggests labour markets are weakening. We look for nonfarm payrolls to rebound just modestly to 30,000 following the first decline (-17,000) in more than four years the prior month. Payroll growth has averaged just 42,000 in the past three months, less than half the pace of the prior three months. The expected sub-par gain should lift the jobless rate to 5.1%, the highest since September 2005 and up from a cyclical low of 4.4% last March. The latest survey on consumer attitudes from the Conference Board showed the bleakest job prospects in more than two years. Sustained weakness in employment could deal a knock-out blow to wobbly consumers.

	FEB 29*	FEB 22	CHANGE FROM: (BASIS POINTS) WEEK AGO	4 WEEKS AGO	DEC. 31/07
Canadian Money Market					
Call Money	4.00	4.00	0	0	-25
Prime Rate	5.75	5.75	0	0	-25
U.S. Money Market					
Fed Funds (effective)	3.00	3.00	0	0	-125
Prime Rate	6.00	6.00	0	0	-125
3-Month Rates					
Canada	3.18	3.23	-5	-16	-64
United States	1.88	2.19	-31	-20	-136
Japan	0.56	0.56	0	1	0
Eurozone	4.38	4.37	1	2	-30
United Kingdom	5.74	5.68	6	18	-26
Australia	7.74	7.57	17	51	82
Bond Markets					
2-year Bond					
Canada	2.82	3.15	-33	-33	-93
United States	1.69	2.02	-33	-38	-136
10-year Bond					
Canada	3.65	3.89	-24	-18	-34
United States	3.57	3.80	-24	-3	-46
Japan	1.35	1.46	-11	-8	-16
Germany	3.90	4.00	-11	-2	-41
United Kingdom	4.49	4.69	-20	1	-2
Australia	6.21	6.37	-16	9	-11
Currencies				(% CHANGE)	
US¢/C$	102.19	98.73	3.5	1.7	2.0
C$/US$	0.979	1.013	—	—	—
¥/US$	104.02	107.17	-2.9	-2.3	-6.9
US$/Euro	1.5172	1.4828	2.3	2.5	4.0
US$/£	1.986	1.967	1.0	1.1	0.1
US¢/A$	93.44	92.38	1.1	3.4	6.8
Commodities					
CRB Futures Index	413.02	398.67	3.6	13.4	15.1
Oil (generic contract)	101.86	98.81	3.1	14.5	6.1
Natural Gas (generic contract)	9.39	9.19	2.1	21.3	25.5
Gold (spot price)	968.86	945.20	2.5	7.0	16.2
Equities					
S&P/TSX Composite	13692	13586	0.8	2.8	-1.0
S&P 500	1345	1353	-0.6	-3.6	-8.4
Nasdaq	2290	2303	-0.6	-5.1	-13.6
Dow Jones Industrial	12380	12381	0.0	-2.8	-6.7
Nikkei	13603	13500	0.8	0.8	-11.1
Frankfurt DAX	6718	6806	-1.3	-3.6	-16.7
London FT100	5895	5889	0.1	-2.2	-8.7
France CAC40	4792	4825	-0.7	-3.7	-14.7
S&P ASX 200	5572	5560	0.2	-4.6	-12.1

* as of 10:30 am

ECONOMIC RESEARCH

MARCH 3 – 7 Global Calendar

JAPAN

MONDAY MARCH 3

Foreign Reserves*

Feb.	
Jan.	+$22.7 bln

TUESDAY MARCH 4

WEDNESDAY MARCH 5

Capital Spending

Q4 (e)	**-2.5% y/y**
Q3	-1.2% y/y

THURSDAY MARCH 6

Leading Index

Jan. P (e)	**30.0**
Dec.	45.5

Machine Tool Orders

Feb. P	
Jan.	unch

FRIDAY MARCH 7

Bank of Japan Monetary Policy Meeting (March 6-7)

BoJ Monthly Report

EUROZONE

MONDAY MARCH 3

EUROZONE

Consumer Price Index

Feb. P (e)	**+3.2% y/y**
Jan.	+3.2% y/y

Manufacturing PMI

Feb. F (e)	**52.3**
Jan.	52.8

ITALY

Producer Price Index

Jan. (e)	**+0.5%**	**+5.1% y/y**
Dec.	-0.1%	+4.6% y/y

TUESDAY MARCH 4

EUROZONE

Real GDP

Q4 P (e)	**+0.4%**	**+2.3% y/y**
Q3	+0.8%	+2.7% y/y

Producer Price Index

Jan. (e)	**+0.8%**	**+4.9% y/y**
Dec.	+0.1%	+4.3% y/y

WEDNESDAY MARCH 5

EUROZONE

Services PMI

Feb. F (e)	**52.3**
Jan.	50.6

Retail Sales

Jan. (e)	**+0.3%**	**+0.1% y/y**
Dec.	-0.1%	-2.0% y/y

THURSDAY MARCH 6

GERMANY

Factory Orders

Jan. (e)	**-0.4%**	**+9.9% y/y**
Dec.	-1.7%	+5.6% y/y

ECB Monetary Policy Meeting

FRIDAY MARCH 7

GERMANY

Industrial Production

Jan. (e)	**+0.3%**	**+4.6% y/y**
Dec.	+0.8%	+4.1% y/y

U.K.

MONDAY MARCH 3

Manufacturing PMI

Feb. (e)	**51.0**
Jan.	50.6

WEDNESDAY MARCH 5

Services PMI

Feb. (e)	**52.0**
Jan.	52.5

THURSDAY MARCH 6

Bank of England Monetary Policy Meeting (March 5-6)

OTHER

MONDAY MARCH 3

CHINA

Manufacturing PMI

Feb.	
Jan.	53.0

TUESDAY MARCH 4

AUSTRALIA

Retail Sales

Jan. (e)	**+0.5%**
Dec.	+0.5%

Reserve Bank of Australia Monetary Policy Meeting

WEDNESDAY MARCH 5

AUSTRALIA

Real GDP

Q4 (e)	**+0.8%**	**+3.8% y/y**
Q3	+1.0%	+4.3% y/y

THURSDAY MARCH 6

AUSTRALIA

Building Approvals

Jan. (e)	**+6.0%**
Dec.	-16.0%

Trade Deficit

Jan. (e)	**A$2.6 bln**
Dec.	A$1.9 bln

FRIDAY MARCH 7

MEXICO

Consumer Price Index

Feb. (e)	**+0.3%**
Jan.	+0.5%

Consumer Price Index—Core

Feb. (e)	**+0.4%**
Jan.	+0.4%

* date approximate

MARCH 3 – 7

North American Calendar

MONDAY MARCH 3

CANADA

8:30 am — **Real GDP** / **Chain Prices**

	Real GDP	Chain Prices
Q4 (e)	**+1.2% a.r.**	**+3.6% a.r.**
Consensus	*+1.0 % a.r.*	*n.a.*
Q3	+2.9% a.r.	-1.0% a.r.

8:30 am — **Real GDP at Basic Prices**

Dec. (e)	**-0.5%**
Consensus	*-0.1%*
Nov.	+0.1%

Auto Sales *

Feb.	
Jan.	+3.0% y/y

Alberta Election

UNITED STATES

10:00 am — **ISM** / **Prices-Paid**

	ISM	Prices-Paid
Feb. (e)	**48.0**	**72.0**
Consensus	*49.0*	*72.0*
Jan.	50.7	76.0

10:00 am — **Construction Spending**

Jan. (e)	**-0.7%**
Consensus	*-0.7%*
Dec.	-1.1%

Vehicle Sales * (mln a.r.)

	Total	Domestic
Feb. (e)	**15.0**	**11.5**
Consensus	*15.5*	*12.0*
Jan.	15.2	11.7

1:00 pm — **3 & 6-month T-bill auction $47.0 bln** (New cash $9.0 bln)

TUESDAY MARCH 4

CANADA

9:00 am — **BoC Policy Announcement**

10:35 am — **3, 6 & 12-month T-bill auction $10.0 bln** (New cash -$0.6 bln)

UNITED STATES

8:55 am — **Redbook**

Mar. 1	
Feb. 23	-1.2%

5:00 pm — **ABC News/Washington Post Consumer Comfort Index**

Mar. 2	
Feb. 24	-37

9:00 am — **Fed Chairman Bernanke speaks at a Community Bankers' conference in Florida**

Texas, Ohio, Rhode Island, Vermont Primaries

WEDNESDAY MARCH 5

CANADA

8:15 am — **Foreign Reserves**

Feb. (e)	**+$0.5 bln**
Jan.	+$1.2 bln

UNITED STATES

7:30 am — **Challenger Layoff Report**

Feb.	
Jan.	30,570

8:15 am — **ADP National Employment Report**

Feb. (e)	**+10,000**
Jan.	+126,000

8:30 am — **Productivity** / **Unit Labour Costs**

	Productivity	Unit Labour Costs
Q4 R (e)	**+1.8% a.r.**	**+2.1% a.r.**
Consensus	*+1.8% a.r.*	*+2.1% a.r.*
Q4 P	+1.8% a.r.	+2.1% a.r.
Q3	+6.0% a.r.	-1.9% a.r.

10:00 am — **Factory Orders**

Jan. (e)	**-2.0%**
Consensus	*-1.0%*
Dec.	+2.0%

10:00 am — **ISM Comp Index (non-mfg)**

Feb. (e)	**46.0**
Consensus	*48.0*
Jan.	44.6

10:30 am — **DoE's Petroleum Status Report (Feb. 29 week)**

2:00 pm — **Beige Book**

THURSDAY MARCH 6

CANADA

8:30 am — **Building Permits**

Jan. (e)	**+1.0%**
Dec.	+0.4%

10:00 am — **Ivey Purchasing Managers' Index**

Feb. (e)	59.0
Jan.	56.2

UNITED STATES

8:30 am — **Initial Claims**

Mar. 1 (e)	**375,000 (+2,000)**
Feb. 23	373,000 (+19,000)

10:00 am — **Pending Home Sales**

Jan. (e)	**-1.0%**
Consensus	*-0.5%*
Dec.	-1.5%

10:30 am — **DoE's Natural Gas Status Report (Feb. 29 week)**

12:00 pm — **Flow of Funds–Q4**

Chain-Store Sales

Feb. (e)	**+0.6% y/y**
Jan.	+0.5% y/y

FRIDAY MARCH 7

CANADA

7:00 am — **Employment**

Feb. (e)	**+12,000 (+0.1%)**
Consensus	*+7,000 (+0.04%)*
Jan.	+46,400 (+0.3%)

7:00 am — **Unemployment Rate**

Feb. (e)	**5.9%**
Consensus	*5.9%*
Jan.	5.8%

7:00 am — **Average Hourly Wages**

Feb. (e)	**+5.0% y/y**
Jan.	+4.9% y/y

UNITED STATES

8:30 am — **Nonfarm Payrolls**

Feb. (e)	**+30,000**
Consensus	*+40,000*
Jan.	-17,000

8:30 am — **Unemployment Rate**

Feb. (e)	**5.1%**
Consensus	*5.0%*
Jan.	4.9%

8:30 am — **Average Hourly Earnings**

Feb. (e)	**+0.2%**
Consensus	*+0.3%*
Jan.	+0.2%

3:00 pm — **Consumer Credit**

Jan. (e)	**+$6.0 bln**
Consensus	*+$7.6 bln*
Dec.	+$4.5 bln

6:45 pm — **Treasury Secretary Paulson speaks in California**

Wyoming Democrat Caucus (Mar. 8)

* date approximate

Upcoming Policy Meetings | **Bank of Canada:** April 22, June 10, July 15 | **FOMC:** March 18, April 29-30, June 24-25

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