

focus

A Weekly Financial Digest

FEATURE ARTICLE, P.5

The U.S. Dollar: Bottom in Sight?

- Fed Cuts Funds Rate 75 bps, Discount Rate 100 bps; Creates New Liquidity Facility
- JPMorgan Gobbles up Bear Stearns
- Against the Grain, Canadian CPI Sinks Below 2%
- C\$ Drops as Commodities Pummelled
- Wild Week for Equities and Bonds



DOUGLAS PORTER

The key rule of thumb since last summer is to expect wildly volatile markets and nasty surprises only on days ending in a “Y”. And, yes, that now seems to include Sunday, following last weekend’s rescue of Bear Stearns and that day’s Fed discount rate cut. After the market digested the Bear news and the FOMC decision to cut “only” 75 bps on Tuesday, commodities became the latest victim of the market turmoil. Until recently, commodities had sailed blithely through a sea of bad news. However, markets turned forcefully on the entire commodity complex this week, with the CRB taking a massive dive of almost 10% over the shortened four sessions. There was little hint of separation between various commodities—at one point it was 10% off oil, 10% off gold, 10% off cotton, 10% off nickel, 10% off gas—heavily suggesting a mass run for the exits by funds. Some stabilization in the U.S. dollar added to the woes for resource prices, which saw two-thirds of this year’s gains vanish in the haze of mounting bad news on the U.S. economy.

The two biggest casualties of the sudden commodity reversal were the relative outperformance of the TSX and the Canadian dollar. Prior to this week’s carnage, the TSX had held up much better than all other major equity markets, outpacing the Dow by 6 percentage points this year, and that was its closest competitor. But while U.S. markets managed to churn out small gains this week, partly thanks to the aggressive rescue measures from the Fed, the TSX was savaged with a 4% loss, leaving it in line with the Dow on a year-to-date basis. Ouch. Not surprisingly, the Canadian dollar was rocked with a 3.5% weekly drop, matching its second worst week on record (behind only its steep fall from \$1.10 in early November 2007). The currency not only fell well below parity to 97.5 cents, but also dropped below its 200-day moving average. Ironically, that’s back to around the level upon which the Bank of Canada’s projections are based (“*these guys are good!*”). While we still believe that Canada boasts many relative positives, slowing global growth and a cyclical retreat in commodity prices over the next year are likely to gradually weigh further on the Canadian dollar.




MICHAEL GREGORY

The FOMC’s announcement this week sent three important messages. **First**, the Fed is not throwing inflation caution to the wind. The Statement acknowledged that “*inflation has been elevated, and some indicators of inflation expectations have risen*” and that “*uncertainty about the inflation outlook has increased.*” Although the FOMC expects inflation to moderate (recessions tend to have that effect), they will “*act in a timely manner as needed to promote sustainable economic growth and price stability.*” At the January meeting, the timeliness of the Fed’s prospective actions was to be driven only by the downside risks to growth.

Second, interest rates are not the sole barometer of how the Fed gauges its policy stance. The FOMC noted that this week’s 75 bp rate cut “*combined with those taken earlier, including measures to foster market liquidity, should help to promote moderate growth over time and to mitigate the risks to economic activity.*” Since the January meeting, the Fed’s acronym-laced non-rate monetary policy manoeuvres

have been unprecedented (establishment of the PDCF and TSLF along with the beefing up of the TAF).

Third, Fed policy will not kowtow to market expectations. Although the odds of a 100 bp rate cut were being pared preceding the rate announcement, the 75 bp move was still generally considered to be less than expected. Taking these messages along with the fact that 2 of 10 FOMC voters dissented in favour of less aggressive rate cuts, you have the case for more gradual easing going forward. But, make no mistake, the Fed will ease again. With mortgage rate resets on the rise and housing demand's traditional post-Easter pick-up likely to prove absent, home price deflation is destined to deepen, hoisting the downside economic and financial market risks even higher. **Donti**



SAL GUATIERI

Low inflation remains a silver lining in Canada's economic cloud. The annual CPI rate has dipped below the central bank's 2% target, and is less than half the U.S. rate of 4%. Grocery store bills are shrinking for the first time in eight years, as fresh fruits and vegetables (items largely purchased from the U.S. at this time of year) plunge at double-digit rates. Though stuck in neutral stateside, Canadian auto prices are 7% cheaper than a year ago, the biggest drop in half a century. Six years ago, the cost of gasoline in Canada was nearly double that of the U.S., now it's just one-third more expensive (tax related). The good inflation news stems from the loonie's 60% lift-off against the greenback since 2002. Canadian import prices have plunged 7% in the past year, in sharp contrast with a record 14% spike in U.S. import costs. We can also thank consumers for forcing retailers to pass along lower import costs or risk watching their market-share seep across the border.

Barring a deeper collapse in the loonie or a rebound in the economy, Canadian inflation should moderate further as labour markets loosen up and the bloom comes off the housing market rose. The core rate, at 1.5%, could even slip below the 1% lower bound for the first time since the inflation-control targets were established in the early 1990s. This would boost real wages and give the Bank of Canada more leeway to ease policy. After spending the most in 22 years in 2007, most Canadian consumers are likely to retain a sunny disposition this year—while their American counterparts confront a perfect storm.



CANADA

- CAD pumelled by plunge in commodity prices ...
- ... loonie back below par
- Data suggest Canadian economy still resilient

UNITED STATES

- Financial markets still reeling from emergency weekend Fed meeting, which resulted in announcements of a 25 bp cut to the discount rate and JPMorgan Chase's purchase of Bear Stearns

EUROPE

- EUR hits record highs versus US\$ and £
- BoE's melancholy MPC leaning toward a cut, fights off rumours of U.K. bank problems

JAPAN

- BoJ Governor Fukui leaves his post, with no replacement
- JPY breaks through ¥100

GOOD NEWS

Consumer Prices +1.8% y/y (Feb.)—though **core** picks up to +1.5%

Wholesale Trade +2.6% (Jan.)

Manufacturing Sales +1.3% (Jan.)

Manufacturing New Orders +2.9% (Jan.)

New Motor Vehicle Sales +8.2% (Jan.)

Foreigners buy a net \$916 mln of Canadian securities (Jan.)

Saskatchewan estimates \$347 mln surplus (FY07/08)—15 years in the black

New Brunswick records \$18 mln surplus (FY07/08)—though down from \$237 mln in prior year

FOMC cuts fed funds rate 75 bps and discount rate 100 bps to 2.25% and 2.50%, respectively

Current Account Deficit narrowed to \$172.9 bln (Q4)

Redbook +1.6% (Mar. 15 wk)

Foreigners buy a net \$62.0 bln of U.S. long-term securities (Jan.)

Italy—Industrial Orders +2.6% (Jan.)

Italy—Jobless Rate flat at 6.0% (Q4)

U.K.—Unemployment -2,800 (Feb.)

U.K.—Retail Sales +1.0% (Feb.)—and January revised higher

Tertiary Index +0.7% (Jan.)

Nationwide Department Store Sales +0.9% y/y (Feb.)

BAD NEWS

Leading Index -0.3% (Feb.)

Initial Claims +22,000 to 378,000 (Mar. 15 wk)

Leading Index -0.3% (Feb.)

Industrial Production -0.5% (Feb.)

Empire State Manufacturing Survey -10.5 pts to -22.2 (Mar.)

Philly Fed Index +6.6 pts to -17.4 (Mar.)—still weak

NAHB Housing Index flat at 20 (Mar.)

Housing Starts -0.6% to 1.07 mln units a.r. (Feb.)

Building Permits -7.8% to 0.98 mln units a.r. (Feb.)

American Institute of Architects' Architectural Billings Index -8.9 pts to 41.8 (Feb.)

Core Producer Prices +0.5% (Feb.)

Eurozone—Manufacturing PMI -0.3 pts to 52.0, **Services PMI** -0.6 pts to 51.7 (Mar. A)

Eurozone—Trade Deficit widened to €2.0 bln (Jan.)

Germany—Producer Prices +3.8% y/y (Feb.)

U.K.—Consumer Prices +2.5% y/y (Feb.)—well above 2% target

All-Industry Activity Index unch (Jan.)

CANADA

U.S.

EUROPE

JAPAN

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

The U.S. Dollar: Bottom in Sight?

Michael Gregory and Douglas Porter

The U.S. dollar has so far played a secondary role to the fireworks in credit markets. Still, the dollar had dropped by more than 10% in trade-weighted terms since the crisis broke last summer, falling to all-time lows against the major currencies, before rebounding this week (*Chart 1*). This not-so-slow burn has been quietly putting sustained upward pressure on import prices, and, until recently, lit a fire under commodities. It has also prompted a variety of countries pegged to the dollar to actively reconsider their options. The threat now is that the combination of steep Fed rate cuts and the darkening U.S. economic and financial outlook could trigger an even deeper drop in the dollar, potentially destabilizing other financial markets. But while the near-term outlook for the dollar remains risky, we believe a compelling case could be made that it could begin stabilizing in the second half of the year. And, in many ways, the hefty dollar decline is exactly what the doctor would order for the ailing U.S. economy.

The sagging dollar has yet to ricochet back onto domestic financial markets and seriously dim foreign appetite for U.S. securities. For example, the steep drop in long-term Treasury yields—to nearly test their multi-decade lows hit in 2003—hardly suggests that the U.S. is having serious difficulty attracting foreign capital. After all, how much of a problem is the falling dollar when Washington can borrow for 30 years at little more than the current CPI inflation rate of 4%? A true warning signal for markets would be if Treasury yields began to back up significantly even amid a weak economic backdrop. Recall that the dollar rout in the lead-up to the 1987 crash was accompanied by a spike in long-term Treasury yields to above 10%, at a time when headline and core inflation were little more than 4%.

In addition, it is becoming increasingly apparent that the weak dollar is finally beginning to make a meaningful positive impact on the U.S. economy. Real net exports bottomed out around the start of 2006, and have improved rapidly since that point (*Chart 2*). Over the past year, real net exports have contributed 0.8 percentage points to U.S. GDP growth, very nearly offsetting the direct 1 percentage point hit from housing. While the trade turnaround may have taken a bit longer than normal this cycle, the correction may be especially forceful with U.S. domestic spending poised to take a big step back.

Of course, U.S. foreign capital requirements are driven by the nominal trade picture, not the volume of net exports. But even on that front, there are clear signs of improvement. The current account deficit was an annualized \$692

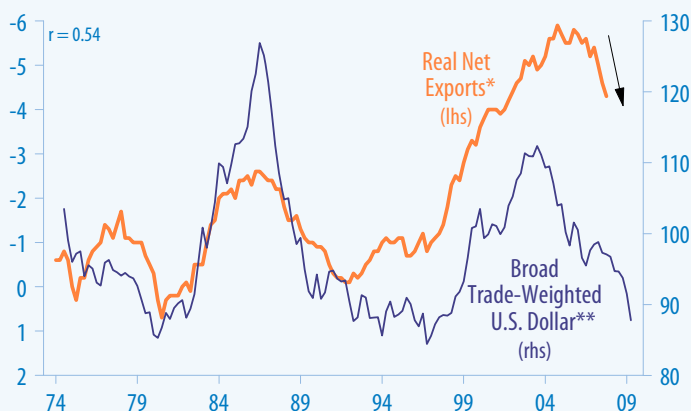
CHART 1
U.S. DOLLAR: THE BIG DIPPER
(as of March 20, 2008)

Trade-Weighted US\$ – vs. Majors



% Chng (vs. US\$)	Jan '02 Peak to Present	Since Jan. 1 '08
Euro	79.1	5.5
Australian \$	73.7	2.3
Swiss Franc	68.7	11.8
Canadian \$	57.3	-3.6
UK Pound	40.6	-0.2
Yen	35.0	13.0
Chinese Yuan	17.1	3.2
Mexican Peso	-14.6	1.8

CHART 2
U.S. TRADE DEFICIT: LOOK OUT BELOW?



* (as a % of Real GDP : inverted) ** (Mar. 1973 = 100 : advanced 5 quarters)

billion in 2007 Q4, compared to its \$869 billion peak just five quarters ago. As a share of U.S. GDP, a better indicator of external financing pressure, the shortfall stands at 4.9%, the lowest level in nearly four years (Chart 3). Importantly, this narrowing is despite the surge in oil prices. In January, the non-petroleum goods balance showed its smallest deficit since the autumn of 2002. In addition to the weakening greenback, slowing domestic demand growth (relative to America's trading partners) has accounted for the trade turnaround. And, to the extent that commodity markets finally respond to slowing global growth, U.S. trade might shake off its oil price shackle.

Waning U.S. external financial requirements bode better for the U.S. dollar over the long haul, at a time when global savings continue to be stoked by strong growth in the emerging economies, with their high savings rates. The other secular headwind often blamed for the greenback's woes is the diversification away from U.S. dollars among official international reserves and sovereign wealth funds. For countries that report the currency denomination of their official reserves (representing nearly two-thirds of the US\$6 trillion global total), about 64% are denominated in U.S. dollars. Although this is down from the

more than 72% peak during 2001 (the data commenced in 1999), most of this shift reflects valuation changes. Since reserves are reported in U.S. dollars, a weakening greenback raises the weighting of the other currencies by definition.

Furthermore, diversification efforts (particularly among SWFs) only intensified in the aftermath of 2003's record-low U.S. yields and are likely to be more of a problem for U.S. Treasuries than for the U.S. dollar. Official foreign purchases of U.S. long-term securities bear this out. While the trend in net purchases of Treasuries fell to near zero towards the end of last year, this was more than offset by rising net official purchases of agencies, equities and corporate bonds (Chart 4).

For now, cyclical factors will weigh on the U.S. dollar. However, once the Fed shifts into neutral and eventually moves to renormalize its policy rates, the greenback could regain some of the ground lost against the currencies that have had relatively more hawkish monetary policies. The greenback should also stabilize against the commodity-linked currencies (as commodity prices stop soaring) and the carry-trade currencies (as risk appetites stabilize). In contrast, the steady appreciation in the Chinese yuan should lift most other Asian currencies along with it. Importantly, while we look for the U.S. dollar to perhaps improve modestly on a trade-weighted basis, a major reversal of the greenback's recent downfall is not likely. The shift to a weaker U.S. dollar was part of the adjustment process needed to migrate global economic growth momentum from the shoulders of the U.S. consumer to the backs of domestic demand in the emerging economies, and this is just too powerful a tide to turn.

CHART 3
AS THE DEFICIT TURNS
United States (% of GDP)

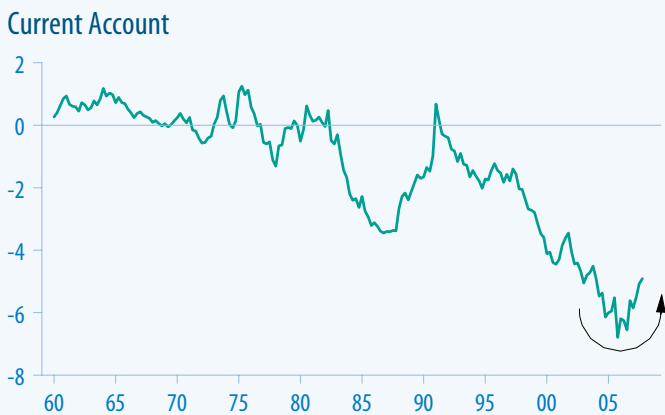
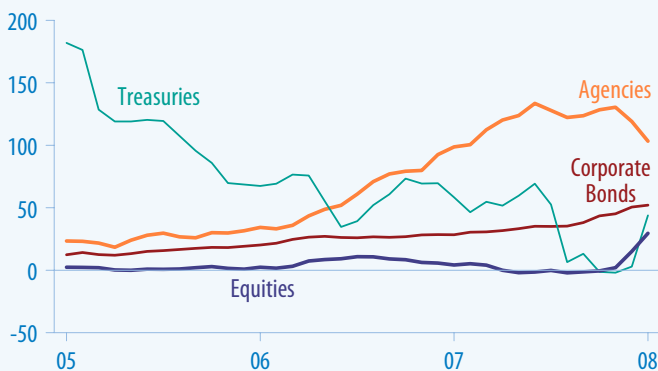


CHART 4
OFFICIAL SHIFT
United States (\$blns : 12-mth m.s.)
Official Foreign Purchases of U.S. Long-Term Securities



CANADA	2007				2008				ANNUAL		
	I	II	III	IV	I	II	III	IV	2007	2008	2009
Real GDP (q/q % chng : a.r.)	4.0	3.8	3.0	0.8	0.5	0.7	1.8	2.5	2.7	1.4	2.5
Consumer Price Index (y/y % chng)	1.8	2.2	2.1	2.4	1.9 ↓	1.7 ↓	2.1 ↓	2.2 ↓	2.1	2.0 ↓	1.9
Unemployment Rate (%)	6.1	6.1	6.0	5.9	5.8	6.1	6.2	6.3	6.0	6.1	6.2
Housing Starts (000s : a.r.)	226	228	243	214	230	200	197	196	228	206	190
Current Account Balance (\$blns : a.r.)	27.8	25.6	5.3	-2.0	-5.4	-10.4	-11.9	-12.5	14.2	-10.0	-18.0
Interest Rates											
(average for the quarter : %)											
Overnight Rate	4.25	4.25	4.50	4.42	3.83	3.17	2.75	2.75	4.35	3.13	3.17
3-month Treasury Bill	4.17	4.35	4.00	3.84	2.98	2.78	2.72	2.75	4.09	2.81	3.28
10-year Bond	4.05	4.61	4.36	4.02	3.61	3.50	3.50	3.60	4.26	3.55	3.85
Canada/U.S. Interest Rate Spreads											
(average for the quarter : bps)											
90-day	-95	-64	-19	43	113	141	141	143	-34	135	122
10-year	-58	-49	-27	-9	9	19	25	18	-36	18	-7
UNITED STATES											
Real GDP (q/q % chng : a.r.)	0.6	3.8	4.9	0.6	-0.1	-0.7	2.2	2.1	2.2	1.2	2.1
Consumer Price Index (y/y % chng)	2.4	2.6	2.4	4.0	4.2	3.6	3.4	2.6	2.9	3.4	2.1
Unemployment Rate (%)	4.5	4.5	4.7	4.8	4.9	5.3	5.6	5.7	4.6	5.4	5.9
Housing Starts (mlns : a.r.)	1.46	1.46	1.30	1.15	1.04	0.97	0.92	0.90 ↓	1.34	0.96	1.15
Current Account Balance (\$blns : a.r.)	-793	-760	-710	-692	-667 ↑	-653 ↑	-650 ↑	-649 ↑	-739	-655 ↑	-630 ↑
Interest Rates											
(average for the quarter : %)											
Fed Funds Target Rate	5.25	5.25	5.08	4.42	2.75 ↓	1.92	1.75	1.75	5.00	2.04	2.35
3-month Treasury Bill	5.12	4.87	4.42	3.47	2.13	1.44	1.31	1.31	4.47	1.55	1.97
10-year Note	4.68	4.85	4.73	4.26	3.67	3.35	3.25	3.38	4.63	3.41	3.88
EXCHANGE RATES											
(average for the quarter)											
US¢/C\$	85.3	91.0	95.7	101.9	99.7	100.0	99.0	97.5	93.5	99.0	95.9
C\$/US\$	1.172	1.098	1.045	0.982	1.003	1.000	1.010	1.026	1.074	1.010	1.043
¥/US\$	119	121	118	113	105 ↓	97 ↓	97 ↓	99 ↓	118	99 ↓	105
US\$/Euro	1.31	1.35	1.38	1.45	1.50 ↑	1.59 ↑	1.57 ↑	1.52 ↑	1.37	1.54 ↑	1.42 ↑
US\$/£	1.96	1.99	2.02	2.04	1.98 ↑	1.99 ↑	1.96	1.94	2.00	1.97 ↑	1.89

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

CANADA

Douglas Porter, CFA, Deputy Chief Economist

Retail Sales

Tuesday, 8:30 am

	Retail Sales	Ex. Autos
Jan. (e)	+1.5%	+0.7%
Consensus	+0.9%	+0.5%
Dec.	+0.6%	-0.4%

The Canadian consumer still stands tall, supported by tax cuts, price cuts, rate cuts, as well as persistent job gains and rising wages. Even amid the deep dive in almost all aspects of the economy in December, one component that held up well was retail sales, which churned out a gain of 0.6%. Most preliminary signs suggest that overall growth rebounded in January, and retail sales are expected to be solid yet again. Auto sales posted a whopping 8.2% m/m advance, spurred on by the GST cut and widespread price reductions thanks to the lofty loonie, and represented the strongest seasonally adjusted monthly total on record. Meanwhile, large-scale retailers recorded a 7.7% y/y rebound in sales, suggesting that ex-auto sales were strong as well. Finally, higher gas prices likely also added to the mix in the month. Overall, it looks like retail sales rose 1.5% m/m in January, leaving them almost 7% above year-ago levels. The monthly ex-auto gain will be slightly milder at around 0.7%, but that too would keep the yearly trend near 7%. With inflation running close to 2%, this implies real increases of around 5%.

Ontario Budget

Tuesday, 4 pm

The first budget of Premier Dalton McGuinty's second term is likely to be light on major new moves. Constrained by a softening provincial economy, and the risk of being dragged down by the U.S. recession, Finance Minister Dwight Duncan will have precious little room to manoeuvre. However, despite Ontario's economic challenges—their latest provincial GDP forecast for 2008 is 1.8% (ours is 0.8%)—job growth remains surprisingly upbeat (now at +2% y/y) and home sales have been strong, both helping support government revenues. The latest quarterly update estimated a balanced budget for FY07/08, with \$750 million set aside as a reserve, and also planned for a balanced budget in the coming fiscal year (starting in April), with a \$900 million reserve. The government is seeking to introduce legislation that would allow it to spend some of its year-end surpluses on infrastructure projects. Similar to Quebec, look for some modest measures to support the battered manufacturing sector.

UNITED STATES

Michael Gregory, CFA, Senior Economist

Existing Home Sales

Monday, 10:00 am

Feb. (e)	4.84 mln a.r. (-1.1%)
Consensus	4.85 mln a.r. (-0.8%)
Jan.	4.89 mln a.r. (-0.4%)

New Home Sales

Wednesday, 10:00 am

Feb. (e)	576,000 a.r. (-2.1%)
Jan.	588,000 a.r. (-2.8%)

Existing home sales should inch down 1.1% to 4.84 million units annualized in February, keeping inventories of unsold homes elevated and median prices deep in deflation (-4.6% y/y in January). Months' supply stood at 10.3 in January, just shy of October's 20-year high of 10.5. Bloated inventories are even more of a problem on the new home front, where months' supply started this year at 9.9, the highest level in more than 26 years with more than one million units still under construction. And although homebuilders reported a mild uptick in sales activity, new home sales still likely decreased 2.1% to 576,000 units annualized in February. Until the inventory overhang of new and existing homes corrects, home prices are unlikely to stabilize. And, until home prices stabilize, U.S. economic and financial market risks will remain virulent.

S&P Case-Shiller Home Price Index

Tuesday, 9:00 am

Jan. (e)	-10.5% y/y
Dec.	-9.1% y/y

The 20-city S&P Case-Shiller home price index is expected to show deepening deflation, from -9.1% y/y to -10.5%. Although this series dates back to only 2000, the U.S. is currently experiencing its worst bout of home price deflation since WWII and the Great Depression, applying a heavy weight on consumer confidence.

Conference Board Consumer Confidence Index

Tuesday, 10:00 am

Mar. (e)	74.0
Feb.	75.0

The University of Michigan index fell to a 16-year low in March, as the weekly ABC News/Washington Post metric continues to hover around its lowest level in more than 14 years. Not surprisingly, the Conference Board's index is expected to drop to 74.0 from 75.0 in January ("only" a five-year low), but is destined to decline further as falling home prices, tightening credit conditions, volatile equity markets, increasing food and energy prices, along with contracting jobs, all take their toll.

Durable Goods Orders

Wednesday, 8:30 am

	Durable Goods Orders	Ex. Transport
Feb. (e)	+0.3%	-0.8%
<i>Consensus</i>	+0.8%	-0.3%
Jan.	-5.1%	-1.5%

Despite a rebound in Boeing bookings during the month, durable goods orders will likely inch up only 0.3% in February, owing to a 0.8% drop ex-transportation. The ISM new orders index stood below 50 for the third consecutive month in February (and the 4th time in 5 months), despite a continuing lift to foreign orders from a weak greenback. Faced with dwindling domestic sales, U.S. businesses are loath to spend money to expand or improve.

Personal Income & Outlays

Friday, 8:30 am

	Personal Income	Personal Spending
Feb. (e)	+0.3%	+0.2%
Jan.	+0.3%	+0.4%
Core PCE Deflator		
Feb. (e)	+0.1%	+2.1% y/y
<i>Consensus</i>	+0.1%	+2.2% y/y
Jan.	+0.3%	+2.2% y/y
Savings Rate		
Feb. (e)	+0.1%	
Jan.	-0.1%	

Personal spending should rise 0.2% in February, a modest nominal gain that should translate to +0.1% after adjusting for inflation (following a pair of flat readings). Real consumer spending, while still not yet contracting, has essentially stalled, which is sufficient to tip the U.S. economy into recession given the downturn in housing. Income growth likely grew a slightly faster 0.3%, causing the personal savings rate to edge back into positive territory (+0.1%) after a four-month run of negatives. The core PCE price index likely increased 0.1%, allowing the core inflation rate to tick down to 2.1% y/y, but still stay stubbornly above the 2% top of the "comfort zone".

	CHANGE FROM: (BASIS POINTS)				
	MAR 20*	MAR 14	WEEK AGO	4 WEEKS AGO	DEC. 31/07
Canadian Money Market					
Call Money	3.50	3.50	0	-50	-75
Prime Rate	5.25	5.25	0	-50	-75
U.S. Money Market					
Fed Funds (effective)	2.25	3.00	-75	-75	-200
Prime Rate	5.25	6.00	-75	-75	-200
3-Month Rates					
Canada	1.90	2.25	-35	-133	-192
United States	0.55	1.16	-61	-164	-269
Japan	0.62	0.57	4	6	6
Eurozone	4.67	4.62	6	30	-1
United Kingdom	5.99	5.93	6	31	-1
Australia	7.64	7.73	-9	7	72
Bond Markets					
2-year Bond					
Canada	2.58	2.44	14	-57	-117
United States	1.55	1.48	7	-47	-150
10-year Bond					
Canada	3.47	3.48	-1	-41	-52
United States	3.37	3.47	-10	-44	-66
Japan	1.26	1.27	-1	-20	-25
Germany	3.78	3.73	4	-23	-53
United Kingdom	4.31	4.33	-2	-38	-20
Australia	5.98	6.02	-4	-39	-34
Currencies					
				(% CHANGE)	
US\$/C\$	97.44	101.08	-3.6	-1.3	-2.7
C\$/US\$	1.026	0.989	—	—	—
¥/US\$	99.28	99.10	0.2	-7.4	-11.1
US\$/Euro	1.5405	1.5674	-1.7	3.9	5.6
US\$/£	1.981	2.020	-1.9	0.7	-0.2
US\$/A\$	90.01	93.73	-4.0	-2.6	2.8
Commodities					
CRB Futures Index	378.34	416.40	-9.1	-5.1	5.5
Oil (generic contract)	99.18	108.74	-8.8	0.4	3.3
Natural Gas (generic contract)	8.80	9.87	-10.8	-3.7	17.7
Gold (spot price)	923.51	1002.95	-7.9	-2.3	10.7
Equities					
S&P/TSX Composite	12728	13253	-4.0	-6.3	-8.0
S&P 500	1311	1288	1.7	-3.1	-10.7
Nasdaq	2229	2212	0.8	-3.2	-15.9
Dow Jones Industrial	12224	11951	2.3	-1.3	-7.8
Nikkei	12260	12242	0.2	-9.2	-19.9
Frankfurt DAX	6327	6452	-1.9	-7.0	-21.6
London FT100	5498	5632	-2.4	-6.6	-14.9
France CAC40	4524	4592	-1.5	-6.2	-19.4
S&P ASX 200	5128	5207	-1.5	-7.8	-19.1

* as of 10:30 am

JAPAN

MONDAY MARCH 24
TUESDAY MARCH 25
WEDNESDAY MARCH 26
THURSDAY MARCH 27
FRIDAY MARCH 28

Merchandise Trade Surplus
Feb. '08 (e) ¥1.2 trln
 Feb. '07 ¥1.0 trln

Consumer Price Index	Core
Feb. (e) +0.9% y/y	+0.9% y/y
Jan. +0.7% y/y	+0.8% y/y

Retail Sales
Feb. (e) +3.0% y/y
 Jan. +1.3% y/y

Jobless Rate
Feb. (e) 3.8%
 Jan. 3.8%

Household Spending
Feb. (e) +2.5% y/y
 Jan. +3.6% y/y

EUROZONE

EUROZONE

Industrial New Orders
Jan.
 Dec. -3.6% +2.1% y/y

GERMANY

Ifo Survey
Mar. (e) 103.5
 Feb. 104.1

GERMANY

Consumer Price Index
Mar. P
 Feb. +0.5% +2.9% y/y

FRANCE

Real GDP
Q4 F (e) +0.3% +2.1% y/y
 Q3 +0.8% +2.2% y/y

U.K.

Nationwide House Prices
Mar. (e) -0.3% +2.0% y/y
 Feb. -0.5% +2.7% y/y

Real GDP
Q4 F (e) +0.6% +2.9% y/y
 Q3 +0.7% +3.3% y/y

OTHER

MEXICO

Retail Sales
Jan. (e) +1.7% y/y
 Dec. +1.1% y/y

MEXICO

Trade Deficit
Feb. P (e) \$800 mln
 Jan. \$2257 mln

**RBA Governor Stevens
speaks in Sydney**

CANADA

MONDAY MARCH 24
Ottawa's Budget Balance *
Jan. '08
 Jan. '07 +\$2.28 bln

TUESDAY MARCH 25
8:30 am Retail Sales Ex. Autos
Jan. (e) +1.5% +0.7%
Consensus +0.9% +0.5%
 Dec. +0.6% -0.4%

4:00 pm Ontario Budget
WEDNESDAY MARCH 26
8:30 am Durable Goods Ex. Transport
Feb. (e) +0.3% -0.8%
Consensus +0.8% -0.3%
 Jan. -5.1% -1.5%
10:00 am New Home Sales
Feb. (e) 576,000 a.r. (-2.1%)
 Jan. 588,000 a.r. (-2.8%)
10:30 am DoE's Petroleum Status Report (Mar. 21 week)
1:00 pm 2-year note auction
\$26.0 bln (e)
 (New cash \$6.0 bln)

THURSDAY MARCH 27
8:30 am Real GDP Deflator
Q4 F (e) +0.6% a.r. +2.7% a.r.
 Q4 P +0.6% a.r. +2.7% a.r.
 Q3 +4.9% a.r. +1.0% a.r.
8:30 am Pre-Tax Corporate Profits
Q4 (e) -7.5% y/y
 Q3 +1.8% y/y
8:30 am Initial Claims
Mar. 22 (e) 378,000 (unch)
 Mar. 15 378,000 (+22,000)
10:00 am Help-Wanted Index
Feb. (e) 20
 Jan. 21
10:30 am DoE's Natural Gas Status Report (Mar. 21 week)
1:00 pm 5-year note auction
\$16.0 bln (e)
 (New cash \$16.0 bln)

FRIDAY MARCH 28
8:30 am Personal Income Personal Spending
Feb. (e) +0.3% +0.2%
 Jan. +0.3% +0.4%
8:30 am Core PCE Deflator
Feb. (e) +0.1% +2.1% y/y
Consensus +0.1% +2.2% y/y
 Jan. +0.3% +2.2% y/y
8:30 am Savings Rate
Feb. (e) +0.1%
 Jan. -0.1%
10:00 am Univ. of Michigan Consumer Sentiment
Mar. F (e) 70.0
 Mar. P 70.5
 Feb. 70.8

UNITED STATES

10:00 am Existing Home Sales
Feb. (e) 4.84 mln a.r. (-1.1%)
Consensus 4.85 mln a.r. (-0.8%)
 Jan. 4.89 mln a.r. (-0.4%)

8:55 am Redbook
Mar. 22 +1.6%
9:00 am S&P Case-Shiller Home Price Index
Jan. (e) -10.5% y/y
 Dec. -9.1% y/y
10:00 am Conference Board Consumer Confidence Index
Mar. (e) 74.0
 Feb. 75.0
5:00 pm ABC News/Washington Post Consumer Comfort Index
Mar. 23
 Mar. 16 -31

2 & 5-year note auction announcement

1:00 pm 3 & 6-month T-bill auction \$46.0 bln
 (New cash \$13.0 bln)
TAF auction \$50.0 bln

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