

# RBC Dominion Securities Morning Market Commentaries

PORTFOLIO ADVISORY GROUP

Friday, October 30, 2009

## MORNING COMMENTS

### QUICK LINKS

MORNING COMMENTS .....	2
CANADIAN EQUITIES .....	2
US & INTERNATIONAL EQUITIES.....	7
FIXED INCOME, CURRENCIES AND COMMODITIES.....	9
CALENDAR OF EVENTS.....	10
NUMBER CRUNCHING .....	11
REQUIRED DISCLOSURES .....	16

## CANADIAN EQUITIES

### What Moved the Market Yesterday

The S&P/TSX Composite Index gained 269.89 points yesterday or 2.5% to close at 11,075.22. Nine of the ten sectors finished in positive territory, with the exception of the Utilities sector, led by the Materials, Energy and Financials sectors. The U.S. data showed a return to economic growth in the third quarter, pushing up oil prices higher and correspondingly the shares of energy producers. **Suncor (SU)**, one of the top heavyweight risers, was up 3.2 percent to C\$36.97, while **EnCana (ECA)** rose 3.5 percent to C\$61.83. Gold-mining stocks rose as gold prices rebounded from three-week lows as the U.S. dollar weakened. Shares of **Barrick (ABX)** ended up 7.1 percent at C\$39.66, while **Goldcorp (G)** rose 3.9 percent to C\$40.26. Gold miner **Agnico-Eagle Mines (AEM)** was the biggest heavyweight loser of the day. Its shares fell 7.4 percent to C\$61.19 after it reported a net loss late on Wednesday.

### Research Highlights

#### Telecommunication Services – CRTC Strikes Possible Deathblow to Globalive

The CRTC dropped an absolute bombshell on the wireless market Thursday night by denying Globalive's wireless application and effectively neutering the biggest and most disruptive of the potential new wireless entrants...for now. With only Videotron and two smaller new entrants launching, RBC CM believes incumbent stocks (**RCI.B, T, BCE**) are likely to see a big rally in celebration. The incumbents will still see intensifying wireless competition, but with Globalive out of the picture for now, things may well be more manageable. The CRTC is OK with Orascom's 65% ownership level, since similar thresholds have been approved in the past. Similarly, the CRTC recommended only minor changes elsewhere in the governance and shareholder structure. The CRTC noted that even if Globalive were to make the above changes, the heavy reliance on Orascom for debt financing (\$508MM, which is >80% of total firm capital including the 65% equity stake) and technical expertise and branding gives Orascom the ability to determine Globalive's strategic decision-making. The loans were definitely the bigger issue, but the CRTC offered no specific remedy for how much to offload – probably in an effort to avoid setting a precedent. Globalive has received Industry Canada approval for the licenses, so the company technically owns and controls the spectrum (and hence is probably not eligible for a refund), and yet the CRTC will not let it actually operate as a commercial carrier. Here are some initial thoughts on what Globalive could do next: (1) Orascom could offload the loans to a bank or neutral third-party, then reapply to the CRTC – but this depends on bank appetite and would likely take a couple of months; (2) there are probably grounds for a legal case since Industry Canada and the CRTC went two different ways – and maybe try for a change in CRTC opinion or seek a full refund on the spectrum; (3) go the political route to have foreign ownership removed (likely not a quick route); (4) merge with another new entrant; or (5) Globalive is stuck sitting on the spectrum and can only hold or sell it for a fraction of the cost.

**Rogers Communications Inc. (RCI.B) – \$30.98 – Wireless Looking Up Again – Upgrade to Outperform  
Outperform (prev. Sector Perform), Average Risk, Price Target: \$40.00 (prev. \$33.00)**

RBC CM expects a big rally in Rogers and other incumbent stocks (T and BCE). If Orascom decides to pull the plug after this then investors could be looking at a pivotal change to the wireless sector and improving investor sentiment. RBC CM is increasing its target from \$33 to \$40 and raising Rogers to outperform. With a big threat to wireless potentially removed, RBC CM believes investors will once again start to appreciate some of the positive merits of the wireless stocks like RCI: improved earnings outlook, a 3.8% dividend yield (with room to grow 10%/year), ample free cash flow to return to shareholders, including a \$1.5 billion share buyback that RCI should be able to sustain annually (roughly 8-10% of shares/year over the next 3-5 years) which essentially finances the dividend growth. Without as much price competition from Globalive, RBC CM believes Rogers may well show signs of better ARPU from roaming as the economy recovers.

**TELUS Corp. (T) – \$32.85 – Wireless Looking Up Again – Upgrade to Outperform  
Outperform (prev. Sector Perform), Average Risk, Price Target: \$44.00 (prev. \$36.00)**

RBC CM is raising its target for Telus from \$36 to \$44 and upgrading TELUS to Outperform. With a big threat to wireless potentially removed, RBC CM believes investors will once again start to appreciate some of the positive merits of the wireless stocks like TELUS: an improved earnings outlook, better chance of economic recovery in wireless next year and a high 5.8% dividend yield (with room to grow 5%/year). Without as much price competition from Globalive, RBC CM believes TELUS may well show signs of better ARPU from roaming as the economy recovers.

**BCE Inc. (BCE) – \$25.60 – Target to \$32 on Better Wireless Outlook  
Outperform, Average Risk, Price Target: \$32.00 (prev. \$27.00)**

RBC CM has raised its target for BCE from \$27 to \$32 and maintains Outperform ranking. With a big threat to wireless potentially removed, RBC CM believes investors will further appreciate some of the positive merits of the wireless stocks like BCE: an improved earnings outlook, better chance of economic recovery in wireless next year, a new wireless network that should help BCE gain share in wireless, a high 6.4% dividend yield (with room to grow 5%/year), and room for modest share repurchases. Without as much price competition from Globalive, RBC CM believes BCE may well show signs of better ARPU from roaming as the economy recovers, and from its new HSPA network.

**Manitoba Telecom (MBT) - \$32.06 – Will MTS Be Globalive's White Knight?  
Sector Perform, Average Risk, Price Target: \$35.00**

The CRTC handed Globalive a frightful Halloween surprise on Thursday night, denying Globalive's wireless application, and RBC CM sees no quick/easy solution for the company. The CRTC's concern was the \$508MM Orascom loans, which gives the foreigner undue control over the business and therefore violates the foreign ownership laws. On several occasions, MTS CEO Pierre Blouin has mused about getting into the national consumer wireless market. Indeed, MTS pulled out of the 2008 AWS auction after its financial partner dropped out at the last minute. Globalive's financial structure issues may be the opportunity that MTS has been looking for. Since MTS is a Canadian firm, its equity contributions to Globalive would help its foreign ownership woes. The extra Canadian buffer would allow Orascom to convert some/all of its loans to equity and thereby satisfy the CRTC's concerns (a \$300MM injection from MTS would let Orascom convert its \$508MM to equity and still keep <65% equity control). Support from Allstream's fibre backbone could help with transport and backhaul. MTS would have to find a way out of its business MVNO contract with Rogers, however. On a few occasions, MTS has hinted that its balance sheet is under-leveraged. A \$300MM equity investment into Globalive would bring net debt/EBITDA up from 1.3x to 1.8x, which is closer to peers (Bell, TELUS, RCI) at 1.9-2.0x. RBC CM believes this is still inside the investment grade universe, but probably a notch lower than currently (BBB/BBB+). Higher interest costs would put MTS in a slightly negative FCF position in 2010E as MTS faces higher capex costs that year, high pension contributions and economic weakness at Allstream. FCF would turn positive again in 2011E, which means a dividend cut is not mandatory, but if a cut comes it would be modest. Nevertheless, investors that own MTS for its high yield and stability may not appreciate the higher risk profile.

**Agnico-Eagle Mines Ltd. (AEM) – \$57.18 – Q3/09 Results – Shaky Start For New Gold Mines Continues  
Sector Perform, Average Risk, Price Target: \$65.00 (prev. \$68.00)**

Agnico reported a loss of \$17MM (\$0.11/sh) for Q3/09. Backing out non-cash and extraordinary items, operating EPS was \$0.08/sh, well below consensus of \$0.20/sh and RBC CM' \$0.22/sh estimate. CFPS of \$0.25/sh in Q3/09 was less than RBC CM' \$0.36/sh estimate and consensus at \$0.37/sh. Gold production of 116Koz in the quarter was materially lower than RBC CM' 139Koz estimate, with lower than expected gold output from the LaRonde, Goldex, and Kittila mines. Cash Costs of \$449/oz were higher than RBC CM' \$329/oz estimate, due to significantly higher costs at the two start up mines, Kittila (\$1,080/oz) and Lapa (\$804/oz), where throughput rates and recoveries remained below feasibility study forecasts. The company lowered 2009 guidance to 500Koz of gold from previous guidance of 550 to 575Koz. For 2010, mgt lowered guidance from 1.2MMoz to a range of 1.0-1.1 million ounces of gold. RBC CM agrees with mgt that current difficulties experienced with the ramp up of the

new mines is temporary, and likely to be resolved over the next 1-2 quarters. However, the moderate returns suggested from current levels, coupled with RBC CM' view that additional ramp up issues could arise with the other two mines slated for start up in Q4/09 and Q1/10, does not compel it to change its recommendation on Agnico shares at this time.

**Brookfield Properties Corp. (BPO) – \$10.47 – Q3/09 Results; Not Relying Upon A Crystal Ball  
Outperform, Average Risk, Price Target: \$12.75 (prev. \$12.00)**

Brookfield Properties Corporation ("BPO") has released its Q3/09 results. Q3/09 FFO/share of \$0.34 was -11% from Q3/08's \$0.38, and +\$0.02 ahead of RBC CM' \$0.32E. Important operating line-items were largely in-line with RBC CM' forecast, with the catch-all "Interest & Other Income"-line exceeding its estimate by \$8MM (~\$0.02/share). Thus, underlying Q3/09 results generally met expectations. In Q3/09, BPO issued \$1.3B of common and preferred equity. Notably the \$100MM Trizec term loan and \$105MM West 31 St. development loan were also extended. 2011's \$2.3B of debt due is the next financing hurdle. Near-term results (i.e., FFO/share) will be subject to notable dilution as this low-yielding liquidity remains "mis-matched" against long-term, fixed rate financing. RBC CM has increased its price target to \$12.75 from \$12 and reiterates its Outperform, Average Risk Rating.

**Canfor Corporation (CFP) – \$6.44 – Investors Be Patient; Canfor's Time Will Come  
Sector Perform, Above Average Risk, Price Target: \$6.00 (prev. \$4.75)**

Canfor reported a net loss of \$0.23 per share, below RBC CM' forecast for a loss of \$0.19 but slightly above the most recent consensus forecast of (\$0.25). Results were down from a loss of \$0.12 in the prior quarter and a loss of \$0.02 in Q309. After-tax one-time items in the quarter included a \$20MM foreign exchange gain on long term debt, a \$12.7MM gain on derivatives and a \$5.3MM charge for restructuring and severance. Including these items, earnings were (\$5.2MM) or (\$0.04) per share. RBC CM is raising its target to \$6 from \$4.75.

**Labrador Iron Ore Fund (LIF.UN) – \$41.30 – Q3/09 Results – LIF Remains A Compelling Investment  
Outperform, Above Average Risk, Price Target: \$47.00 (prev. \$46.00)**

Labrador reported Q3/09 adjusted cash flow per unit of \$0.59 versus \$0.39 in Q2/09 and \$3.25 in Q3/08. AFFO per unit of \$0.59 included \$0.26 from IOC dividends received during the quarter. For the nine months ended September 30, 2009, LIF generated AFFO of \$1.33/unit, slightly below the \$1.50/unit in distributions declared during that same time period. Despite the shortfall, RBC CM estimates that LIF had an additional \$0.08/unit available to distribute at the end of the quarter due to excess free cash flow that was carried forward from 2008. With estimated excess cash on hand of \$0.08/unit at the end of Q3/09 and RBC CM' expectation for higher sequential sales volumes in the final months of 2009, it remains confident that LIF will declare a \$0.50/unit distribution in Q4/09. RBC CM continues to believe that Labrador remains a compelling investment. In RBC CM' view, the recently announced dividend from IOC significantly reduces the risk of a distribution cut in the near term, and provides it with additional confidence in IOC's operating results for the remainder of 2009. With excess cash on its balance sheet and IOC operating at full capacity, RBC CM is confident that LIF will continue to generate and distribute significant amounts of cash to its unit holders. Longer-term, an expansion at IOC and potential M&A activity provide additional upside potential. RBC CM is forecasting Labrador to make cash distributions totaling \$2.00/unit in 2009 and \$2.85/unit in 2010.

**Consumers' Waterheater (CWI.UN) – \$4.19 – Attrition Risk Elevated; Distribution Contingent On Operating Improvements**

**Underperform, Average Risk, Price Target: \$4.00 (prev. \$4.50)**

CWI reported an in-line quarter. RBC CM is lowering its target to \$4.00 (from \$4.50). RBC CM continues to remain concerned over future cash-flows and attrition in the core waterheater business. Its forecasts have been adjusted down to reflect lower annual waterheater rental rate increases and a slower ramp-up of the sub-metering business. Based on current forecasts CWI can maintain its current distribution through 2011, but it limits its capacity to repay debt. For 2011E, RBC CM estimates CWI will be at the cusp of having sufficient cash flow to start paying modest amounts of debt. RBC CM views this distribution level as contingent on a material improvement in the competitive environment or Stratacon's prospects.

**Medical Facilities Corporation (DR.UN) – \$8.44 – Upgrading to Outprfm on "Reasonable" US Healthcare Reform Forecast**

**Outperform (prev. Sector Perform), Above Average Risk, Price Target: \$10.00 (prev. \$9.50)**

RBC CM is upgrading Medical Facilities as it believes the worst of potential US healthcare reform has been discounted into the unit price. As RBC CM believes the impact of reform on specialty hospitals appears reasonable at this stage, it now thinks the risk/reward position is such that an upgrade to Outperform is warranted. Preliminary reform appears to concern limitations on the formation of new specialty hospitals/expansions at existing hospitals and physician holdings in specialty hospitals. MFC should be in a position to easily meet the physician holdings criteria. However, other specialty hospitals may need to sell down physician ownership positions and MFC would be a natural buyer given its flexible structure, in RBC CM' view. Based on the

specialty hospital healthcare reform RBC CM has read to date, it believes that the impact on MFC will be manageable and could ultimately play into the company's strategy. While the potential limitations on the formation of new specialty hospitals or expansions at existing hospitals put a damper on the outlook to a degree, the recent 2009 capex should permit growth for several years and future acquisitions could be easier. In addition, RBC CM believes the ~13% distribution is safe (plus no trust tax impact) and will likely become a focus for the many investors looking for yield. RBC CM is increasing its target to \$10.00 from \$9.50.

**Fairfax Financial Holdings (FFH) – \$352.59 – Powerful Book Value Growth, Act 2  
Outperform, Average Risk**

Fairfax Financial reported 3Q09 operating EPS of \$2.43 per share vs. (\$4.93) last year, beating RBC CM' \$1.29 estimate, mainly as a result of a better than expected combined ratio. Net income totaled \$31.04 vs. \$25.40 last year reflecting significant realized investment gains. Investment income rose to \$184.7 million from \$135.6 million, essentially in-line with estimates. Earlier this year the company deployed cash and short-term investments into higher-yielding assets. While the outstanding investment results remain the feature performer, the underwriting results play a solid supporting role. With shares now trading below the increased book value, RBC CM believes there is room for additional upside. RBC CM will revisit its estimates following the company's conference call on Friday at 8:30 a.m. ET.

**IESI-BFC Ltd. (BIN) – \$12.58 – Better Than Expected Q3 Driven by Canadian Operations and F/X  
Outperform, Average Risk**

Q3/09 results slightly better than expected. Revenues of \$268MM came in above RBC CM' \$263MM and down 4.9% Y/Y. The variance was mainly due to the stronger \$CAD, which drove Canadian division revenues higher than expected. RBC CM remains concerned regarding the continued weakness in the U.S. northeast - however it is encouraged by signs that business has stabilized. EBITDA came in at \$78.9MM, which was better than RBC CM' \$77.5MM on the higher Canadian segment revenue. Margins of 29.4% were exactly in-line.

**Veritas** commented that Q3-09 results were largely in line with its expectations. Veritas has increased its intrinsic value estimate on the laurels of lower-than-expected debt service costs. Using Q3-09 interest paid as a run-rate level of prospective debt service costs, versus previous estimates, Veritas arrived at a C\$16.50 intrinsic value estimate.

**IGM Financial (IGM) - \$39.19 – Big and Beautiful; Q3 Ahead of Forecast  
Outperform, Above Average Risk**

Q3/09 normalized EPS of \$0.63 was slightly ahead of RBC CM's \$0.61 forecast and a penny ahead of consensus. The primary reason for the variance was significantly lower-than-forecast non-commission expense. IGM has done an excellent job at managing discretionary costs in this challenging environment. The beat was "high quality" in that the positive variance came from the Asset Management operations, the high valuation multiple part of the business (not the lower multiple non-mutual fund operations). RBC CM believes part of CI Financial's premium valuation reflects investors viewing CI Financial as a low-cost operator and proactive on managing expenses. Although we agree CI Financial manages its cost base very well, RBC CM believes investors are not giving the same credit to IGM for its efforts. IGM consistently generates higher margins than CIX, which reflects both IGM's strong cost containment discipline but also the benefits of economies of scale from its high AUM base, something IGM is able to derive greater benefit than CIX. However, IGM still trades at a significant discount to CIX (2.3x forward EBITDA), which RBC CM thinks is too wide given IGM generates higher margins and delivered almost identical growth and profitability as CIX in the past several years.

**Yellow Pages (YLO.UN) - \$5.42 – Tweaking Estimates Ahead of Q3/09 Results  
Outperform, Average Risk, Price Target: \$7.00**

RBC CM expects Q3/09 revenues and EBITDA of \$417MM and \$227MM, respectively, compared to \$426MM (-2.3% YoY) and \$238MM (-4.3% YoY) in Q3/08 (consensus is \$416MM and \$226MM). The forecast implies a decrease in EBITDA margins YoY from 55.7% to 54.5%. RBC CM expects a modest decline in AFFO/unit from \$0.37 in Q3/08 to \$0.36 in Q3/09 and a 56% payout ratio for the quarter. RBC CM expects the company to reiterate 2009 and 2010 revenue and EBITDA guidance (which was provided in August concurrent with Q2/09 results) and offer an update on the recent tracking for directory bookings and the vertical segment.

**Barrick Gold (ABX) - \$37.03 – Solid Q3 Results  
Outperform, Average Risk, Price Target: \$52.00**

Barrick reported strong Q3/09 results and made significant progress on its hedgebook wind-up strategy. ABX reported adjusted EPS of \$0.54, beating RBC CM's forecast of \$0.47. Adjusted earnings exclude the \$5.7 billion charge associated with the change in accounting treatment of the gold hedgebook. Adjusted CFPS before working capital of \$0.71 was in line with

expectations. Gold production of 1.9MM oz was in line with RBC CM's forecast as a result of strong performance from Cortez, Lagunas Norte and Veladero, slightly offset by lower q/q production from Goldstrike. Total cash costs of \$456/oz were better than RBC CM's forecast of \$465/oz. Barrick maintains its gold production guidance range of 7.2 to 7.6MM oz at total cash costs of \$450/oz to \$475/oz. RBC CM expects production to be at the high end of guidance, with a forecast of 7.6MM oz at total cash costs of \$465/oz (Exhibit 1). RBC CM forecasts production to increase by 3% y/y to 7.8MM oz, in line with the guidance range of 7.7 to 8.1MM oz, and RBC CM estimates a 4% y/y reduction in 2010 total cash costs to \$447/oz. As of October 28, 2009, the company has: (a) reduced the fixed price hedge contracts by 1.0MM oz to 1.9MM oz, with a current mark-to-market of negative \$1.3 bn; and (b) reduced the floating rate liability by \$2.2 bn to \$1.5 bn.

**Pembina Pipeline (PIF.UN) - \$15.80 – Maintaining ACFFO Estimates; Growth Remains on Track  
Sector Perform, Average Risk, Price Target: \$14.75**

RBC CM is maintaining its ACFFO/Unit estimates given Pembina's Q3/09 results were in line with expectations. ACFFO/Unit was \$0.42 in Q3/09 compared with RBC CM's estimate of \$0.43 and \$0.38 in Q3/08. Pembina is looking to grow its midstream business through additional contracted opportunities. On the conference call, management discussed the potential to acquire gas processing plants from producers who may be looking to sell energy infrastructure assets, in addition to the potential to deploy roughly \$100 million of capital into a deep cut expansion at its existing operations. Management continues to guide to a capital cost of \$440 million, although there appear to be potential cost savings with respect to materials and labour. The company expects to receive regulatory approval in Q4/09. Management expects to release its 2010 budget in early December, which is likely to include guidance for 2010. Management reiterated that the fund remains well positioned to maintain the current \$1.56/unit distribution through 2013 despite becoming a taxable entity in 2011. Pembina plans to convert to a corporation in late 2010 and expects to distribute \$1.56/unit annually to shareholders as a dividend after the new structure is in place. On the Q3/09 conference call, management said that it was likely that the dividend in 2011 would remain as a monthly payment.

**Canadian Oil Sands – Veritas Snapshot**

Canadian Oil Sands (COS) turned in a much improved quarter in Q3, with Syncrude having emerged from its debottlenecking efforts to produce 312,000 barrels per day (bpd) - 114,544 bpd net to the trust. The trust will pay a quarterly distribution of \$0.35 per unit with a record date of November 20, 2009, up from \$0.25 per unit last quarter. Distribution and capex fully funded in Q4: Management's target run rate for Syncrude is 350,000 bpd in Q4, which it expects will generate \$374 MM or \$0.77 per unit in Q4 cash flow on US\$72 oil/C\$5.31 gas. After \$147 MM in budgeted Q4 capex and distributions of \$170 MM, COS would have \$0.12 per unit remaining. 2010 guidance suggests some debt funding of distributions: guidance for 2010 assumes 115 million barrels at Syncrude (42.3 MM net to COS), US\$70 WTI oil, C\$6 AECO gas and a US\$0.95 Canadian dollar exchange rate. Under these parameters, COS expects to generate \$2 per unit in operating cash flow (CFO), less \$541 MM in budgeted capex, which only leaves \$0.88 per unit available for distributions - less than its annualized Q4 payout. Veritas estimates that at US\$80 WTI oil and US\$5.00 gas, the trust would have an additional \$1 per unit available for distributions.

**Imperial Oil – Veritas Snapshot**

After posting negative cash flows in Q1, Imperial's cash flows rose to \$0.31 per share in Q2 and \$0.82 per share this quarter. The quarter over quarter improvement resulted from a 12% bump in volumes, largely due to Syncrude adding an incremental 28,000 barrels per day (bpd) following its turnaround. Received pricing was mixed, with oil and liquids pricing stable and gas prices falling to below \$3 per mcf. Imperial remains on track to reach our 2009 CFPS estimate of \$2.80 before working capital. In part, cash flows in the first half of the year were negatively affected by payments towards 2008 tax balances (\$585 MM in the first half). These payments are expected to total \$1.5B this year, with only modest payments made in Q3.

**Consumers' Waterheater – Veritas Snapshot**

As outlined in Veritas' September report, Just Energy, which operates a waterheater division under the National Home Services (NHS) brand, is using cut throat door to door sales to convince customers to replace their waterheaters with new, efficient units, foisting removal costs back onto Consumers' Waterheater ('CWI' or 'the company'). NHS expects to add 1,000 to 1,500 customers per week targeting CWI's territories exclusively through the end of this year, after which NHS will split its focus to include other competitors. Whether attrition falls next year, however, remains to be seen. CWI outlined its efforts to counter the competitive threat. These include autodialers, mailers, technician visits and messages to inbound callers. The jury is still out on the success of these measures. Current woes for CWI date back to an agreement with the Competition Bureau in 2004 ('the Consent Order') to give up charging exit fees on customer terminations for waterheater removals up to 5 years, allowing CWI to raise rental rates at more than inflation. The company indicated it would lobby for relief from the Consent Order, but given that the order only runs through February 2012, Veritas does not see much regulatory appetite for this strategy. Given the current 30% discount to this valuation, Veritas rates Consumers' as a Buy.

## US & INTERNATIONAL EQUITIES

### What Moved the Market

---

#### *What happened yesterday...*

Equity markets in the U.S. staged a powerful rally with the S&P 500 finishing the day up 2.25% led by stronger than expected corporate earnings and the strong GDP number which was ahead of expectations. The powerful rally was broad based with financials leading the charge to the upside. The S&P Financial Sector closed higher by 4.3% helped by a huge rally in the life insurance space. Shares of **Lincoln National (LNC)** and **Prudential (PRU)** finished the day higher by 13.8% and 8% respectively. Large cap banks fared well on the day with shares of **JP Morgan (JPM)**, **Wells Fargo (WFC)** and **Bank of America (BAC)** all advancing approximately 4%. Consumer Staples companies benefitted from strong earnings from **Colgate Palmolive (CL)** and **Procter & Gamble (PG)** which finished the day higher by 1.6% and 4% respectively. Higher energy prices contributed to gains in the sector shares of **Apac Corp (APA)** and **Chevron (CVX)** gained 2.7% and 3.4%.

#### *What happened overnight...*

European markets are largely flat with the Dow Stoxx 600 up 0.1%, London's FTSE up 0.3%, the DAX lower by 0.4% and the CAC 40 lower by 0.2% in Paris. In Germany, retail sales declined for a second straight month in September which fell well short of forecasts. Shares of **AXA (AXA)** are lower by 1.2% in France. **WPP group (WPPGY)** rose 4.5% after the company posted a smaller-than-expected fall in third-quarter like-for-like revenue and said it would improve profitability in the second half. **Lloyds Banking Group (LYG)** rose 6.3%, benefiting from plans to raise capital as an alternative to a government-backed scheme to insure bad debts. **Royal Bank of Scotland (RBS)**, also thought to be looking at plans to reduce its exposure to the government's asset protection scheme, was up 3.4% while **Barclays (BCS)**, and **HSBC (HBC)** were up roughly 1%. **Rio Tinto (RTP)** added 3.1% after saying it planned to double its capital expenditure next year to at least \$5 billion and saw signs of economic recovery.

Asian markets moved higher boasted by the strong rally in the U.S. and healthy U.S. GDP reading which has help restore confidence with investors. Hong Kong's Hang Seng Index ended up 2.3% and Japan's Nikkei 225 Average climbed 1.5%, both rising for the first time in four sessions. **Industrial & Commercial Bank of China** gained 3.5% and **Bank of China** surged 5.8% after both banks reported strong third quarter results. In Shanghai the composite index rose 2.2%. In Japan materials stocks moved higher led by shares of JFE Holdings which gained 3.4%. The yen continues to exhibit strength after the Bank of Japan left its overnight interest rate unchanged at 0.1% and said it would eliminate the outright purchase of corporate bonds.

### News

---

**CIT Group (CIT)** is likely to file for bankruptcy in the coming days, the lender is trying to restructure its debt, and is offering investors two options. One path would be getting its unsecured debt holders, who hold a total of about \$30 billion, to voluntarily exchange their bonds for new securities and equity. The other and more likely option would be approving a reorganization plan before the company files for bankruptcy. *Reuters*

**Rio Tinto (RTP)** announced that it plans to spend at least \$5 billion in 2010, with the potential to rise to US\$6 billion, up from a previous estimate of around US\$2.5 billion in a clear sign that the mining giant anticipates a further improvement in demand for its products. *Dow Jones*

The clock will really start ticking on a deal to create the world's biggest confectioner once **Kraft Foods (KFT)** reports earnings next week. Kraft reports third-quarter earnings on Tuesday and people familiar with the matter have said not to expect new maneuvers beforehand. However, the company faces a November 9 deadline to put in a formal bid under a UK Takeover Panel ruling, leaving a narrow window of time to make an approach to **Cadbury (CBY)**. *Reuters*

Investor appetite for U.S. junk bond mutual funds hit fresh record highs this week as a recovering economy and easy monetary policy kept investors comfortable with risk. Investors poured a net \$207 million into junk bond funds in the week ended Wednesday, pushing year-to-date inflows to \$27.8 billion, the most ever, AMG Data Services reported on Thursday. *Reuters*

## Research Highlights

### **Colgate (CL) – \$78.94 – JP Morgan raises estimates**

#### **JP Morgan – Overweight (PT\$90), S&P – Strong Buy (PT\$90), RBC – Outperform (PT\$75)**

Colgate delivered a strong Q3, with double-digit earnings growth (+13%), strong organic top line, gross margin performance, and a sequential increase in re-investment into the business. JP Morgan expects the company's EPS to continue to grow at a double-digit pace as underlying business should remain solid and fx turns from a headwind into a tailwind. Also, starting next year, CL will cycle against easier comps on the top line. JP Morgan is also increasing 2009 and 2010 EPS estimates to \$4.31 and \$4.85, respectively, and introducing a CY11 forecast of \$5.34. JP Morgan rates Colgate Overweight as they like the company's top-line momentum and believe it has the best long-term fundamentals in our HPC group.

### **Emerson Electric Co (EMR) – \$32.00 – Cutting estimates for F10; St too high; stock remains expensive**

#### **Core List, JP Morgan – Underweight, S&P – Hold (PT\$42)**

JP Morgan expects initial guidance to reinforce our well-below-consensus view on FY10 as well as normalized earnings, on which valuation looks full despite material underperformance YTD – we reiterate UW. Management has already guided to FY1H organic declines of ~15%. The company typically provides baseline growth numbers for EPS and core growth, with little supporting detail. If past is prologue, the range will manage to contain consensus in some way. Unlike last year, there are mixed dynamics organically: Climate should be up, Appliance/Tools flattish, while Industrial Automation and Process should see pronounced declines. Network Power is a swing factor, but will start the year challenged. JP Morgan's trip to the Process Control Expo highlighted acute pricing pressure in recent industry bids, and earnings reports from SPX and ABB, both classic late-cycle businesses, hammer home the negative price dynamics coming into backlogs for 2010.

### **Newmont Mining (NEM) – \$43.00 – EPS beat driven by cost Reductions**

#### **Core List, RBC – Sector Perform (PT\$55), JP Morgan – Overweight, S&P – Buy (PT\$56)**

Newmont reported EPS of \$0.79, ahead of the RBC forecast of \$0.62 and consensus of \$0.55. CFPS (pre working cap) of \$1.20 was better than the RBC forecast of \$0.98 and consensus at \$0.95. Equity gold production met expectations at 1.3MM oz (RBC: 1.35MM oz) but with lower cash costs of \$404/oz (RBC: \$425/oz). Equity copper production from Batu Hijau was 64MM lbs at costs of \$0.50/lb, with the pit wall failure having a smaller impact than we expected.

### **Apache Corp (APA) – \$97.09 – Quarterly Earnings Review**

#### **Focus List, RBC – Sector Perform (PT \$114 up from \$105), S&P – Strong Buy (PT\$120)**

Apache reported 3Q09 cash flow per share of \$3.79, which was above consensus of \$3.77, but 4% lower than RBC's estimate of \$3.95. RBC attributes the miss to its forecast as a result of higher cash costs and higher taxes. 3Q09 production was 3607,100 BOE per day, higher than expectations and up 3.4% on a QoQ basis. Apache announced its first operated horizontal Granite Wash well which is producing at about 22 MMcf/d after 4 weeks. APA is ramping up quickly in the play and plans to have 4 rigs in the field to drill at least 20 horizontal Granite Wash wells in 2010. The company is projecting to ramp up production in its Horn River shale project of which the company is a joint partner with Encana. The plan is to bring 27 horizontal wells online beginning 2Q10. Finally the company's Australian oil projects remain on schedule and the company expects to see its first production from the Van Gogh oilfield in early 2010. RBC is increasing its NAV on Apache by 10% to \$123, to credit the company for its recently announced Wheatstone LNG project and upside to the Granite Wash. Shares of Apache currently trade at a 21% discount to NAV, which is in line with its peer group. RBC remains Sector Perform on the name and is increasing its price target from \$105 to \$114.

### **Procter & Gamble (PG) – \$59.54 – A good start to a turnaround year.**

#### **JP Morgan – Neutral (PT\$62), RBC- Sector Perform (PT \$62 from \$57) S&P – Buy (PT\$65)**

Yesterday Procter & Gamble reported its 1Q10 earnings, delivering EPS of \$1.06 above the high end of managements guidance and reflective of better than expected organic sales growth and gross margin expansion. RBC notes that it is positive to see management note that while improved sales growth is a positive, it is only the first step, and more work is needed going forward. Higher investment in brands, volume benefits from price cuts (which are done) and new and accelerated innovation pipeline are the next measures to ensure that organic sales continue. The new EPS guidance is somewhat conservative in RBC's view as management only raised the low end of their full year forecast. RBC believes that the high end of forecast is achievable given the ongoing gross margins expansion opportunities. RBC is looking for 2Q EPS at the high end of \$0.91-\$1.00. RBC has increased its full year 2010 guidance to \$4.14 and increasing its price target of Procter to \$62 from \$57. However the analyst remains Sector Perform on PG waiting to see further evidence of continued improvement before becoming more positive on the name relative to its peer group.

## FIXED INCOME, CURRENCIES AND COMMODITIES

### Market Commentary

---

#### Rates

North American bond yields rose yesterday as equities rebounded and economic data confirmed the improved tone in leading indicators seen over the past few months as U.S. Q3 GDP surprised to the upside at 3.5% compared to the 3.3% expected. Initial jobless claims continue to hover at elevated levels, printing 530K, 11K above expectations. U.S. Treasury yields rose 4-8bps across the curve as a disappointing 7-year auction compounded the bond-bearish sentiment prevailing after the GDP release. The 10-year benchmark closed at 3.5%.

Canadian bonds outperformed Treasuries on the trade down, with yields 2-5bps higher with the 10-year at 3.5%. The only data of note was producer prices and raw materials prices, both of which were lower than expected.

#### Currency

The Canadian dollar gained back most of its losses from Wednesday, closing at \$1.0670/USD. Stronger oil prices helped the CAD trade higher. Against a generally weaker USD, the EUR gained and the JPY weakened.

#### Commodities

**Crude oil** prices increased \$2.41/barrel to \$79.87/barrel after the US economy grew in the third quarter for the first time in more than a year, spurring optimism that fuel demand will increase. **Natural gas** prices increased \$0.773/mmbtu to \$5.062/mmbtu, rising on both mild weather and an improving economic outlook out of the US. **Gold** prices increased \$18.90/oz to \$1047.00/oz, rising the most in three weeks as a sliding dollar increased the metal's appeal as an alternative investment. **Silver** increased \$0.5400/oz to \$16.6850/oz. **Copper** prices increased \$224.40/tonne to \$6646.20/tonne, jumping the most in a week after US GDP expanded for the first time in a year, the world's biggest economy.

## CALENDAR OF EVENTS

### Economic Releases

Key Market Data for the Week (October 26 - October 30)							
Date			Time	Period	Actual	Survey	Prior
26-Oct	US	Chicago Fed Nat Activity Index	8:30	SEP	-0.81	-	-0.90
	US	Dallas Fed Manf. Activity	10:30	OCT	-3.30%	-0.50%	-6.40%
27-Oct	US	S&P/CaseShiller Home Price Ind	9:00	AUG	146.00%	--	144.23
	US	S&P/CS Composite-20 YoY	9:00	AUG	-11.32%	-11.80%	-13.30%
	US	Consumer Confidence	10:00	OCT	47.7	54	53.1
28-Oct	US	MBA Mortgage Applications	7:00	23-Oct	-12.3%	--	-13.7%
	US	Durable Goods Orders	8:30	SEP	1.00%	1.00%	-2.40%
	US	Durables Ex Transportation	8:30	SEP	0.90%	0.70%	0.00%
	US	New Home Sales	10:00	SEP	402K	440K	429K
	US	New Home Sales MoM	10:00	SEP	-3.60%	2.60%	0.70%
29-Oct	CA	Industrial Product Price MoM	8:30	SEP	-0.50%	0.10%	0.50%
	CA	Raw Materials Price Index MoM	8:30	SEP	-1.10%	1.00%	3.70%
	US	GDP QoQ (Annualized)	8:30	3Q A	3.50%	3.00%	-0.70%
	US	Personal Consumption	8:30	3Q A	3.40%	3.00%	-0.90%
	US	GDP Price Index	8:30	3Q A	0.80%	1.40%	0.00%
	US	Core PCE QoQ	8:30	3Q A	1.40%	1.50%	2.00%
	US	Initial Jobless Claims	8:30	24-Oct	530K	523K	531K
	US	Continuing Claims	8:30	17-Oct	5797K	--	5923K
	30-Oct	CA	Gross Domestic Product MoM	8:30	AUG		0.10%
US		Personal Income	8:30	SEP		0.10%	0.20%
US		Personal Spending	8:30	SEP		-0.50%	1.30%
US		PCE Deflator (YoY)	8:30	SEP		-0.50%	-0.50%
US		PCE Core (MoM)	8:30	SEP		0.20%	0.10%
US		PCE Core (YoY)	8:30	SEP		1.30%	1.30%
US		Chicago Purchasing Manager	9:45	OCT		48.1	46.1
US		U. of Michigan Confidence	10:00	OCT F		70	69.4

### Notable dates

Next Bank of Canada rate announcement – 8 December 2009

Next FOMC interest rate announcement – 4 November 2009

## NUMBER CRUNCHING

Equity Indices	Index Level	Previous Close	Change	Change (%)	MTD (%)	YTD*	2008	2007	2006
S&P/TSX Composite Index	11,075.22	11075.22	269.89	2.5%	-2.8%	23.2%	-35.0%	7.2%	14.5%
S&P/TSX Composite Index TR	28,382.58	28382.58	0.00	0.0%	-5.0%	23.6%	-33.0%	9.8%	17.3%
S&P/TSX Equity Index	11,523.52	11523.52	291.27	2.6%	-3.1%	23.2%	-33.9%	10.2%	20.2%
S&P/TSX Capped Income Trust Index	117.74	117.74	1.57	1.4%	1.2%	23.4%	-26.1%	6.6%	-2.9%
Dow Jones Industrial Average	9,962.58	9962.58	199.89	2.0%	2.6%	13.5%	-31.9%	8.9%	19.0%
S&P 500 Index	1,066.11	1066.11	23.48	2.3%	0.9%	18.0%	-37.0%	5.5%	15.8%
NASDAQ Composite Index	2,097.55	2097.55	37.94	1.8%	-1.2%	33.0%	-40.5%	9.8%	9.5%
MSCI World	1,108.97	1108.97	-22.47	-2.0%	-1.6%	20.5%	-42.1%	9.7%	20.7%
MSCI EAFE	1,532.75	1532.75	-28.68	-1.8%	-1.3%	23.9%	-45.1%	11.8%	27.0%
Dow Jones Euro Stoxx 50	2,463.54	2463.54	37.16	1.5%	0.4%	18.2%	-45.8%	-4.5%	14.3%
FTSE 100	5,137.72	5137.72	57.30	1.1%	0.1%	15.9%	-49.5%	7.8%	14.8%
CAC 40 Index	3,714.02	3714.02	50.24	1.4%	-2.1%	15.4%	-45.1%	4.2%	20.9%
DAX Index	5,587.45	5587.45	91.18	1.7%	-1.5%	16.2%	-42.9%	22.3%	22.0%
Nikkei 225	9,891.10	9891.10	-183.95	-1.8%	-2.4%	11.6%	-28.7%	-10.2%	7.9%
MSCI World TR	3,610.32	3,610.32	-72.80	-2.0%	-1.5%	23.65%	-	-	27.1%
Shanghai Stock Exchange Composite	2,960.47	2,960.47	-70.86	-2.3%	6.5%	62.59%	-63.0%	97.9%	136.1%

S&P/TSX Sector Performance	Index Level	Previous Close	Change	Change (%)	MTD (%)	YTD*	2008	2007	2006
S&P/TSX Financials	1,499.33	1499.33	34.68	2.4%	-6.1%	32.2%	-36.4%	-1.6%	19.2%
S&P/TSX Energy	2,740.49	2740.49	59.14	2.2%	0.4%	29.6%	-33.9%	8.2%	6.1%
S&P/TSX Materials	2,817.21	2817.21	127.81	4.8%	-1.1%	24.4%	-26.5%	30.3%	39.8%
S&P/TSX Industrials	1,007.70	1007.70	24.33	2.5%	-4.0%	9.9%	-25.1%	10.5%	14.7%
S&P/TSX Consumer Discretionary	831.65	831.65	10.24	1.2%	-2.7%	2.8%	-35.4%	4.2%	15.7%
S&P/TSX Telecom Services	672.61	672.61	6.17	0.9%	-1.8%	-6.7%	-24.8%	19.9%	20.1%
S&P/TSX Information Technology	239.83	239.83	1.59	0.7%	-7.3%	32.8%	-54.2%	48.2%	27.3%
S&P/TSX Consumer Staples	1,417.59	1417.59	14.57	1.0%	-1.2%	-2.7%	-6.1%	-5.3%	5.5%
S&P/TSX Utilities	1,505.66	1505.66	-17.45	-1.1%	-1.1%	-0.3%	-20.5%	11.9%	7.0%
S&P/TSX Healthcare	312.24	312.24	4.24	1.4%	-6.7%	23.7%	-30.2%	-24.2%	0.7%

Currencies (in Canadian Dollars)	Index Level	Previous Close	Change	Change (%)	MTD (%)	YTD*	2008	2007	2006
US Dollar	1.0674	1.07	-0.01	-1.3%	-0.2%	-14.2%	22.1%	-14.7%	0.3%
Euro	1.5834	1.58	-0.01	-0.4%	1.1%	-7.6%	16.9%	-4.4%	11.8%
British Pound	1.7675	1.77	0.00	-0.1%	3.3%	-0.8%	-10.2%	-13.6%	14.1%
Japanese Yen	1.1674	1.17	-0.02	-2.1%	-2.1%	-15.1%	50.5%	-7.7%	-0.7%

Energy Commodities (US\$)	Index Level	Previous Close	Change	Change (%)	MTD (%)	YTD*	2008	2007	2006
Crude Oil (WTI per barrel)	\$79.87	79.87	2.41	3.1%	13.1%	79.1%	-55.7%	57.2%	0.0%
Natural Gas (per million btu)	\$5.06	5.06	0.00	-0.1%	4.6%	-10.0%	-25.0%	18.8%	-43.9%
3-2-1 Crack Spread	\$5.88	5.88	-0.45	-7.1%	43.8%	10.4%	-47.0%	49.1%	-39.8%

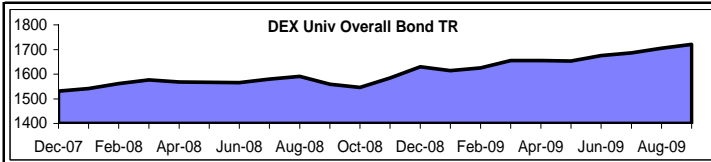
Metal Prices (US\$)	Index Level	Previous Close	Change	Change (%)	MTD (%)	YTD*	2008	2007	2006
Gold (per ounce)	\$1,045.58	1045.58	-1.42	-0.1%	3.8%	18.5%	5.6%	31.0%	23.2%
Silver (per ounce)	\$16.68	16.68	0.00	0.0%	0.2%	46.4%	-23.1%	14.7%	46.4%
Copper (per pound)	\$2.91	2.91	-0.07	-2.3%	4.2%	110.5%	-56.6%	5.3%	38.9%
Nickel (per pound)	\$8.04	8.04	-0.39	-4.6%	-0.5%	52.7%	-59.2%	-23.6%	154.5%
Aluminum (per pound)	\$0.85	0.85	-0.03	-3.7%	1.1%	24.5%	-38.1%	-16.7%	24.2%
Zinc (per pound)	\$0.99	0.99	-0.06	-5.3%	11.2%	81.3%	-51.5%	-45.1%	121.6%

Index	Index Level	Previous Close	Change	Change (%)	MTD (%)	YTD*	2008	2007	2006
DJIA in Cdn\$	10634.06	10411.91	80.00	0.8%	2.4%	-0.6%	-16.7%	-6.8%	16.6%
S&P 500 in Cdn\$	1137.97	1111.96	10.82	1.0%	0.7%	3.4%	-22.9%	-9.7%	13.9%
NASDAQ in Cdn\$	2238.92	2196.57	12.36	0.6%	-1.4%	16.5%	-27.2%	-6.0%	9.8%
MSCI World in Cdn\$	1183.71	-	-39.44	-3.2%	-1.8%	5.5%	-29.1%	-8.3%	18.2%
MSCI EAFE in Cdn\$	1636.06	-	-51.94	-3.1%	-1.5%	8.5%	-32.8%	-7.0%	23.8%

S&P 500 Performance	Index Level	Previous Close	Change	Change (%)	MTD (%)	YTD*	2008	2007	2006
Financials	198.47	198.47	8.24	4.33%	-1.35%	17.58%	-57.0%	-20.8%	16.2%
Health Care	330.98	330.98	3.19	0.97%	-0.83%	6.97%	-24.5%	5.4%	5.8%
Technology	342.49	342.49	6.47	1.93%	2.04%	47.75%	-43.7%	15.5%	7.7%
Industrials	227.92	227.92	4.44	1.99%	-1.72%	9.99%	-41.5%	9.8%	11.0%
Consumer Discretionary	216.96	216.96	5.75	2.72%	0.22%	28.07%	-34.7%	-14.3%	17.2%
Energy	437.49	437.49	10.34	2.42%	6.88%	13.24%	-35.9%	32.4%	22.2%
Consumer Staples	270.67	270.67	4.73	1.78%	2.84%	9.73%	-17.7%	11.6%	11.8%
Telecom	105.21	105.21	0.58	0.55%	-2.84%	-5.81%	-33.6%	8.5%	32.1%
Materials	183.98	183.98	5.68	3.19%	-1.57%	33.72%	-47.0%	20.0%	15.7%
Utilities	146.97	146.97	1.37	0.94%	-1.32%	-0.65%	-31.5%	15.8%	16.9%

\*Index total return data for 2005, 2006, 2007 & 2008 as per RBC CM Quantitative Research, with the exception of S&P/TSX Composite which is simple price return. YTD return data is simple price return. All North American indices in local currency unless otherwise noted, international indices in USD.

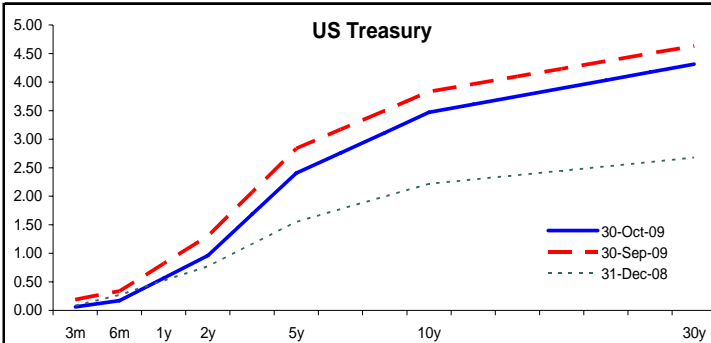
Bond Market



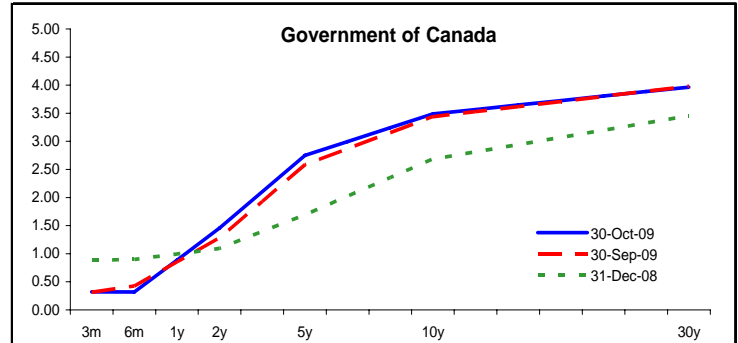
DEX Univ Bond Indices	Value	Month	Quarter	6 Month	YTD	Year
Composite	1359.29	1.13%	3.18%	3.07%	3.80%	8.86%
Short (1-5 Yrs)	1316.53	0.66%	2.70%	3.10%	3.99%	8.72%
Intermediate (5-10 Yrs)	1360.23	1.63%	2.88%	2.86%	3.94%	8.74%
Long (>10 Yrs)	1451.83	1.67%	5.94%	4.88%	4.98%	11.09%

Key Rates	Rate	Next Mtg
Overnight Rate CAN	0.25%	20-Oct
Bank Rate CAN	0.50%	
Prime Rate CAN	2.25%	
Fed Funds US	0-0.25%	4-Nov
Discount US	0.50%	
Prime Rate US	3.25%	

International Yields	O/N	1mo	10-Yr	Next Mtg
United Kingdom	0.50%	0.30%	3.65%	5-Nov
Eurozone	1.00%	0.20%	3.27%	5-Nov
Australia	3.00%	2.30%	5.56%	20-Oct
Japan	0.10%		1.42%	20-Nov



US Treasury Yields	Term	Yield	Chg from Open
TSY 1 30SEP11	2-yr	0.90%	-0.017
TSY 2.375 30SEP14	5-yr	2.37%	-0.037
TSY 3.625 15AUG19	10-yr	3.47%	-0.032
TSY 4.5 15AUG39	30-yr	4.31%	-0.029



Government of Canada Yields	Term	Yield	Chg from Open
CAN 1.25 1DEC11	2-yr	1.45%	-0.017
CAN 2 1DEC14	5-yr	2.74%	-0.025
CAN 3.75 1JUN19	10-yr	3.48%	-0.019
CAN 5 1JUN37	30-yr	3.96%	-0.016

Money Market\*

GICs	1-yr	2-yr	3-yr	4-yr	5-yr
High	1.55%	2.25%	2.65%	3.10%	3.37%
Average	0.86%	1.79%	2.33%	2.71%	3.05%

	1 mth	2mth	3mth	6mth	1 yr
CDOR	0.40%	0.41%	0.43%	0.64%	0.77%
LIBOR US	0.24%	0.26%	0.28%	0.56%	1.20%

CAD \$1,000,000	Term	1 mth	2mth	3mth	6mth	1 yr
T-Bills	0.12%	0.16%	0.18%	0.26%	0.56%	
BAs	0.24%	0.26%	0.27%			
CP	0.20%	0.23%	0.29%			
ABCP	0.50%	0.50%	0.50%			

CAD \$100,000	Term	1 mth	2mth	3mth	6mth	1 yr
T-Bills	-0.06%	-0.02%	0.00%	0.08%	0.38%	
BAs	0.00%	0.02%	0.03%			
CP	-0.04%	-0.01%	0.05%			

US \$1,000,000	Term	1 mth	2mth	3mth	6mth
T-Bills	0.01%	0.04%	0.05%	0.16%	
CTBUS	0.05%	0.05%	0.10%	0.26%	
GECC	0.16%	0.13%	0.19%	0.26%	
ABCP	0.45%	n/a	n/a		

US \$100,000	Term	1 mth	2mth	3mth	6mth
T-Bills	-0.17%	-0.14%	-0.13%	-0.02%	
CTB US	-0.13%	-0.13%	-0.08%	0.08%	
GECC	-0.08%	-0.11%	-0.05%	0.02%	

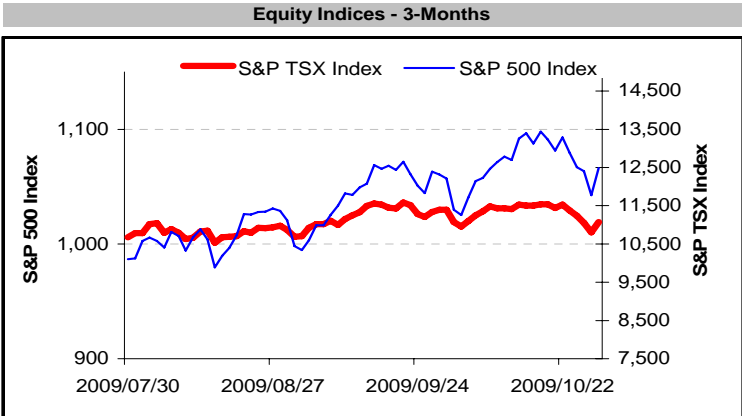
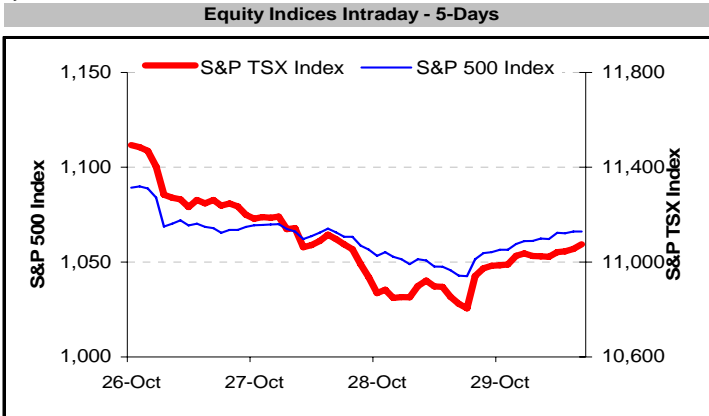
Economic Indicators\*\*

		Actual			Forecast				Actual	Forecast	
		Q209	Q309	Q409	Q110	Q210	Q310	Q410		2008	2009
	Overnight Rate	0.25	0.25	0.25	0.25	0.25	0.75	1.25	1.50	1.00	0.75
	10-Yr Yield	3.38	3.40	3.15	3.35	3.50	3.70	3.85	2.69	2.90	3.60
	Real GDP (est)	(3.20)	2.70	2.80	3.20	3.50	3.50	3.70	0.40	(2.40)	2.50
	Headline CPI (est)	(0.90)	(0.30)	1.20	2.00	1.60	1.70	1.50	2.10	0.40	1.70
	Core CPI (est)	1.80	1.50	1.50	1.10	1.30	1.40	1.40	2.10	1.40	1.30

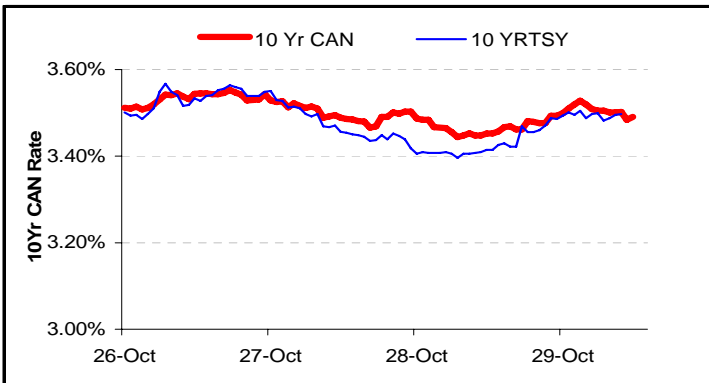
		Actual			Forecast				Actual	Forecast	
		Q209	Q309	Q409	Q110	Q210	Q310	Q410		2008	2009
	Fed Funds	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.25	0.0	0.50
	10-Yr Yield	3.48	3.30	3.00	3.25	3.50	3.75	3.95	2.22	4.50	3.65
	Real GDP (est)	(1.00)	1.80	2.60	2.60	2.70	2.80	3.10	0.40	(2.90)	2.10
	Headline CPI (est)	(2.10)	(0.80)	1.20	1.80	1.30	1.30	1.10	2.90	(0.60)	1.40
	Core CPI (est)	1.40	1.50	1.30	1.10	1.00	0.90	0.90	2.30	1.50	1.00

\*The prices and yields shown are taken from sources we believe to be reliable. They are provided on an indicative basis for information purposes only. Prices and yields are subject to change with availability and market conditions. RBC Dominion Securities does not warrant its completeness or accuracy. This is not an offer or solicitation for the purchase or sale of any securities or financial instruments. Securities or financial instruments mentioned herein may not be suitable for all investors. \*\* Source: RBC Economics

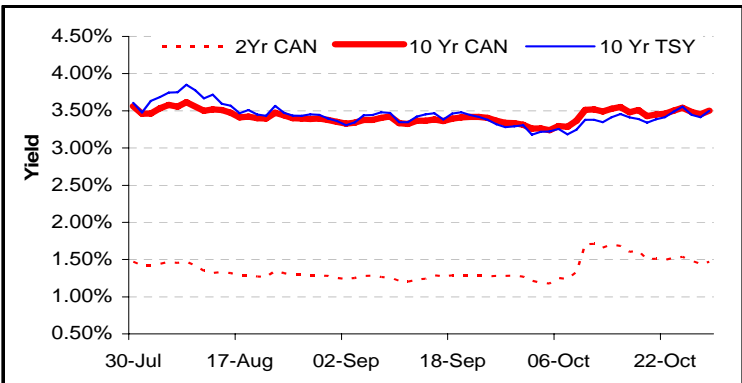
Equity Indices Intraday - 5-Days



10Yr Benchmark Intraday Yields - 5-Days

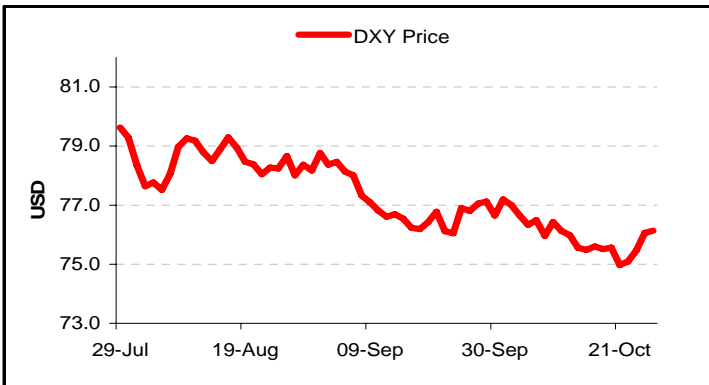


Benchmark Yields - 3-Months

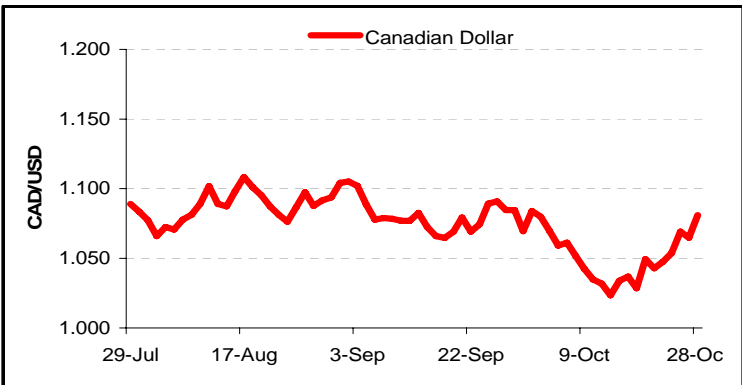


Currencies and Commodities

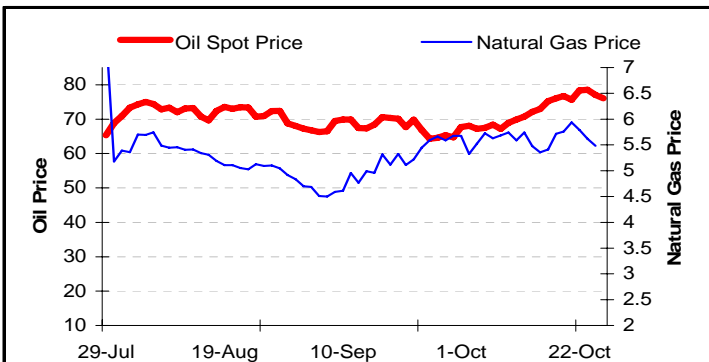
Trade weighted US dollar - 3 Months



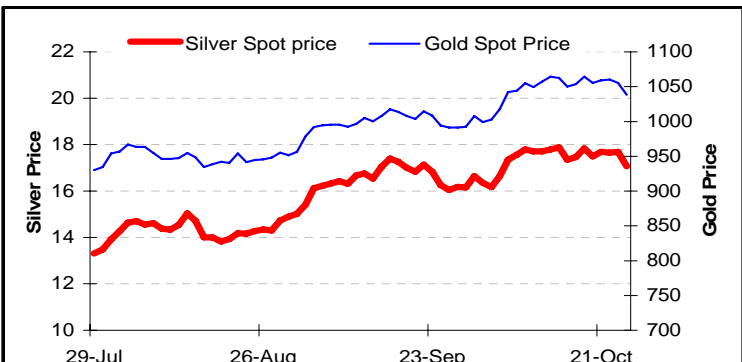
CAD Currency - 3-Months



Oil and Natural Gas Spot - 3 Months



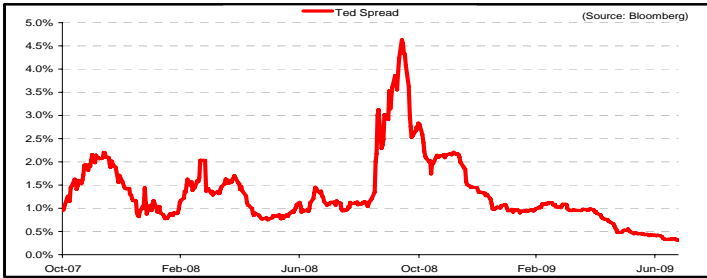
Silver and Gold Spot - 3-Months



Equity Indices Intraday - 5-Days

**Corporate Credit Spreads**

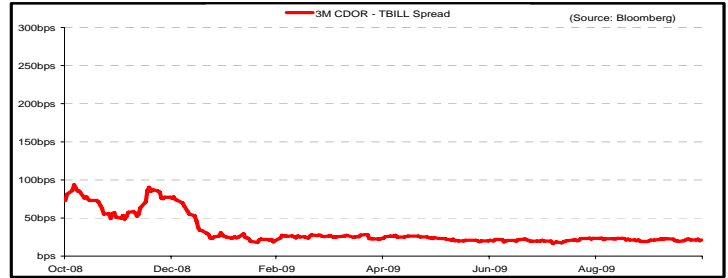
**TED Spread**



(Source: Bloomberg)

**Description:** The TED Spread is the difference between the 3-month LIBOR rate, which is a proxy for the rate investors earn on 3-month bank paper, and 3-month T-bills.

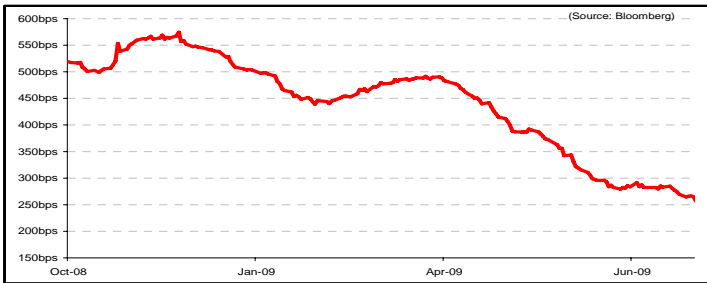
**3M CDOR - 3M CDN T-BILL**



(Source: Bloomberg)

**Description:** Similar to the TED spread, the spread between CDOR and Canadian T-bills is a gauge of liquidity and risk aversion. CDOR is the average of the dealer's Bankers' Acceptance rates and the spread is a proxy for short-term credit risk.

**BAA Corporate Bond Spread**



(Source: Bloomberg)

**Description:** The Moody's Baa bond spread is the average credit spread of a universe of 20+ year Baa corporates.

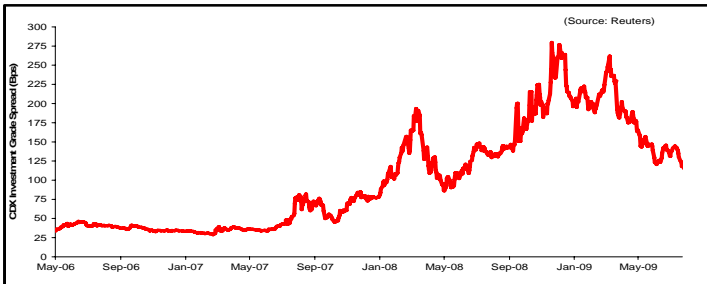
**CDX High Yield 5-Year Spread**



(Source: Reuters)

**Description:** The CDX High Yield index is an index of 100 5-year credit default swaps (CDS) of high yield issuers.

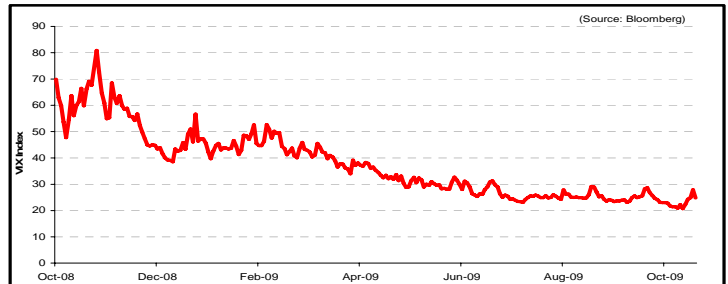
**CDX Investment Grade 5-Year Spread**



(Source: Reuters)

**Description:** The CDX Investment Grade index is an index of 125 5-year credit default swaps (CDS) of investment grade issuers.

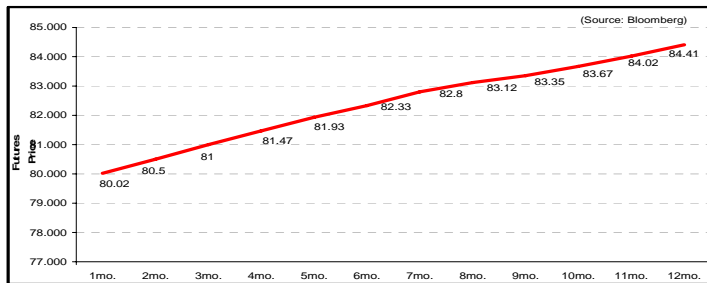
**CBOE SPX Volatility Index - "VIX"**



(Source: Bloomberg)

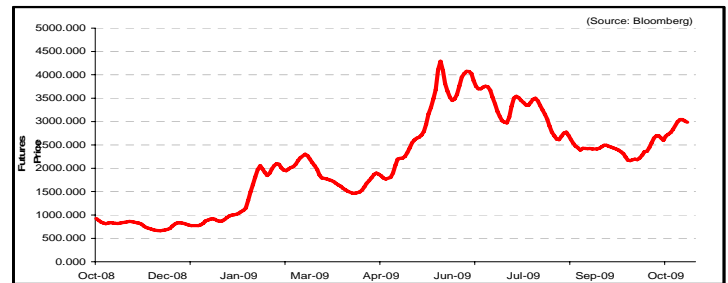
**Description:** The CBOE Volatility Index (VIX) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

**Crude Oil Futures Curve**



(Source: Bloomberg)

**Baltic Dry Index**



(Source: Bloomberg)

**Currency Forward Prices**

**CAD/USD Forward Prices**

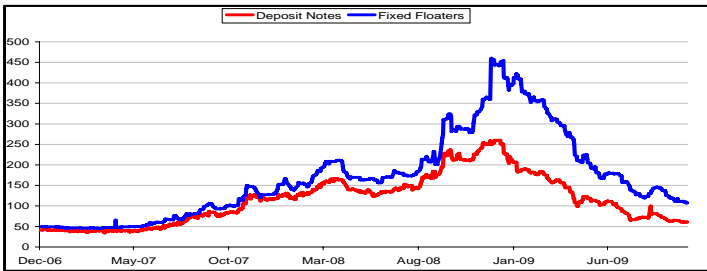
Contract	Forward Price
Spot	1.0673
1 Month	1.0674
2 Month	1.0674
3 Month	1.0674
6 Month	1.0674
12 Month	1.0674

**CAD/EUR Forward Prices**

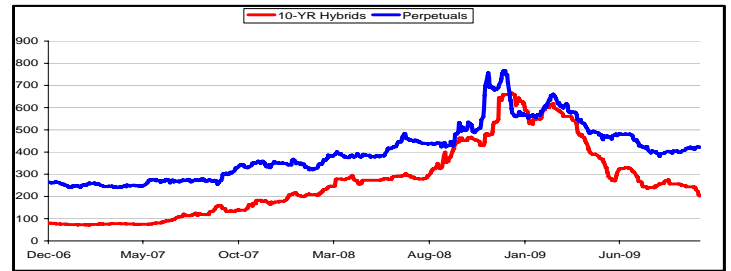
Contract	Forward Price
Spot	1.5830
1 Month	1.5831
2 Month	1.5831
3 Month	1.5831
6 Month	1.5831
12 Month	1.5831

**Bank Bond Spreads**

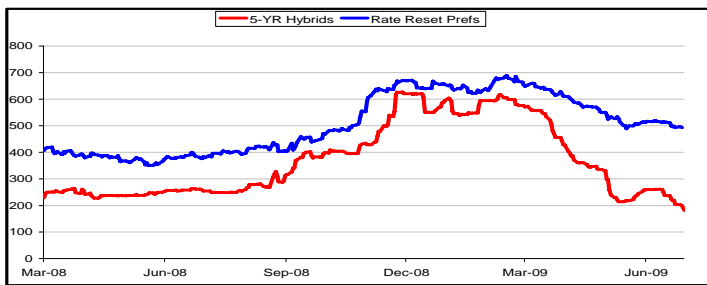
**Deposit Notes and Fixed Floaters**



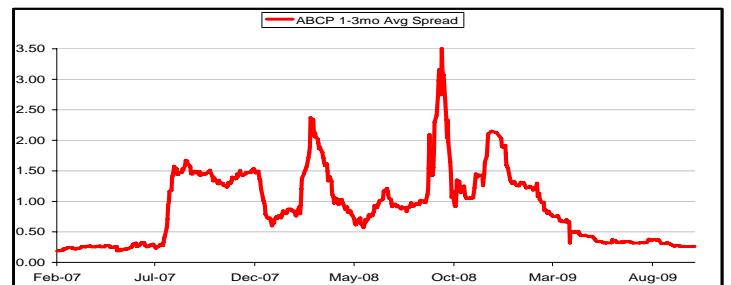
**Hybrids & Perpetuals**



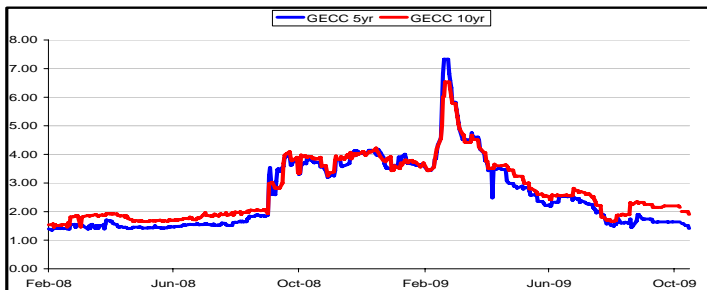
**5 Year Hybrids and Rate Reset Prefs**



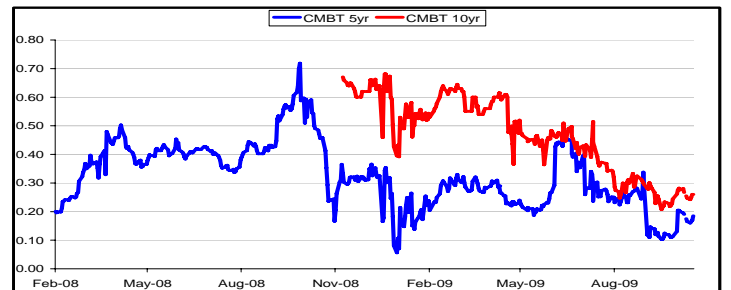
**Asset Backed Commercial Paper**



**GECC**

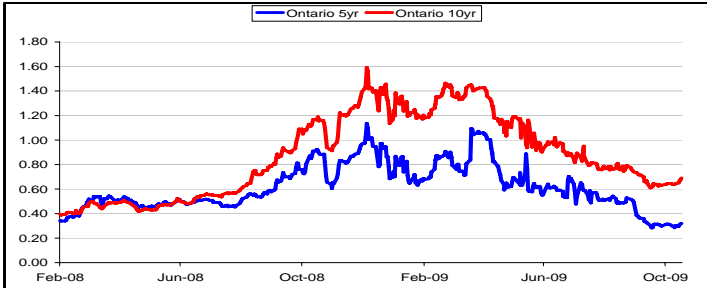


**Federal Government Agency Spreads**

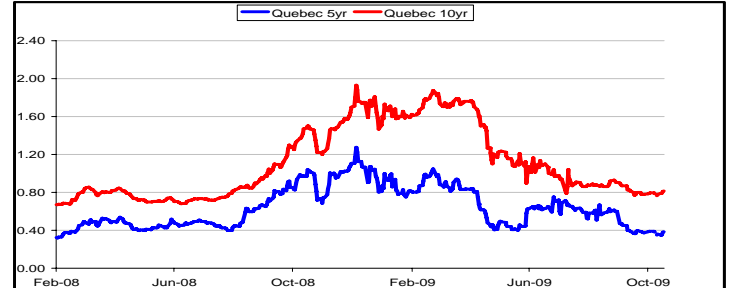


**Provincial Spreads**

**Ontario 5yr - Ontario 10yr**

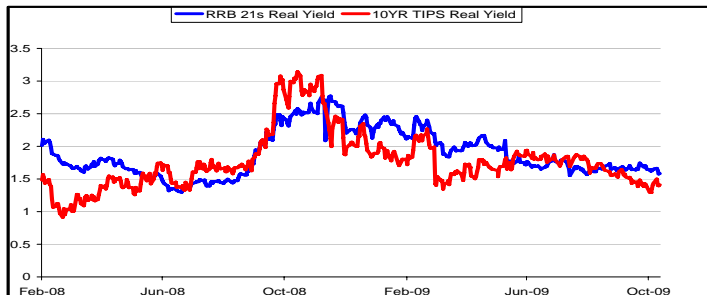


**Quebec 5yr - Quebec 10yr**

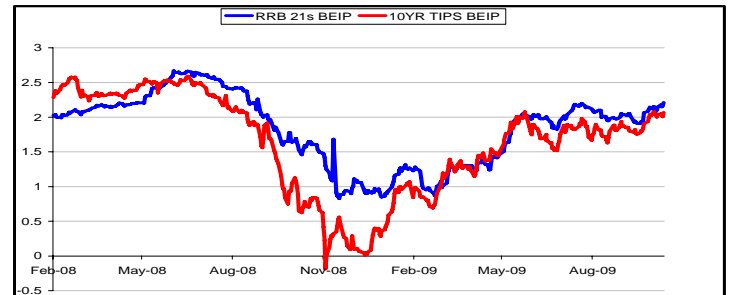


**Inflation Protected Government Bonds**

**RRB 21s Real Yield - 10YR TIPS Real Yield**



**RRB 21s BEIP - 10YR TIPS BEIP**



Real Return Bonds give the investor compensation for inflation. Since investors are compensated for inflation (an unknown value) nominal yields can not be quantified, therefore yields are given on a real basis.

The Break Even Inflation Point (BEIP) is the average rate of inflation over the remaining life of the RRB or TIPS that will result in the investor being indifferent between holding the RRB and the nominal bond equivalent of the same term on a before tax basis. If the average inflation is higher than the BEIP (when the investor bought it) the investor will realize a higher before tax return on the RRB than the nominal bond and vice versa.

## Required Disclosures

### Explanation of RBC Capital Markets Rating System

An analyst's "sector" is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector.

#### Ratings:

**Top Pick (TP):** Represents best in Outperform category; analyst's best ideas; expected to significantly outperform the sector over 12 months; provides best risk-reward ratio; approximately 10% of analyst's recommendations.

**Outperform (O):** Expected to materially outperform sector average over 12 months.

**Sector Perform (SP):** Returns expected to be in line with sector average over 12 months.

**Underperform (U):** Returns expected to be materially below sector average over 12 months.

#### Risk Qualifiers (any of the following criteria may be present):

**Average Risk (Avg):** Volatility and risk expected to be comparable to sector; average revenue and earnings predictability; no significant cash flow/financing concerns over coming 12-24 months; fairly liquid.

**Above Average Risk (AA):** Volatility and risk expected to be above sector; below average revenue and earnings predictability; may not be suitable for a significant class of individual equity investors; may have negative cash flow; low market cap or float.

**Speculative (Spec):** Risk consistent with venture capital; low public float; potential balance sheet concerns; risk of being delisted.

### Distribution of Ratings, Firmwide

For purposes of disclosing ratings distributions, regulatory rules require member firms to assign all rated stocks to one of three rating categories—Buy, Hold/Neutral, or Sell—regardless of a firm's own rating categories. Although RBC Capital Markets' stock ratings of Top Pick/Outperform, Sector Perform and Underperform most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis (as described above).

Rating	Distribution of Ratings			
	RBC Capital Markets		Investment Banking Serv./Past 12 Mos.	
	Count	Percent	Count	Percent
BUY [TP/O]	574	48.81	156	27.18
HOLD [SP]	519	44.13	106	20.42
SELL [U]	83	7.06	5	6.02

In the event that this is a compendium report (covers six or more subject companies), RBC Dominion Securities may choose to provide specific disclosures for the subject companies by reference. To access current disclosures, clients should send a request to RBC Dominion Securities, Attention: Manager, Portfolio Advisory Group, P.O. Box 7500, 77 King Street West, Toronto, Ontario M5W 1P9.

### Dissemination of Research

RBC Capital Markets endeavours to make all reasonable efforts to provide research simultaneously to all eligible clients. RBC Capital Markets' equity research is posted to our proprietary websites to ensure eligible clients receive coverage initiations and changes in rating, targets and opinions in a timely manner. Additional distribution may be done by the sales personnel via email, fax or regular mail. Clients may also receive our research via third party vendors. Please contact your investment advisor or institutional salesperson for more information regarding RBC Capital Markets research.

## Important Disclosures

The author(s) of this report are employed by RBC Dominion Securities Inc., a securities broker-dealer with principal offices located in Toronto, Canada.

As this is a compendium report (covers six or more subject companies), to access current disclosures, clients should send a request to RBC Dominion Securities, Attention: Manager, Portfolio Advisory Group, P.O. Box 7500, 77 King Street West, Toronto, Ontario M5W 1P9.

RBC Dominion Securities Inc.\* and Royal Bank of Canada are separate corporate entities which are affiliated. "Member CIPF. ©Registered trademark of Royal Bank of Canada. Used under licence. ©Copyright 2006. All rights reserved. The information contained in this report has been compiled by RBC Dominion Securities Inc. ("RBCDS-Canada") from sources believed by it to be reliable, but no representations or warranty, express or implied, is made by RBCDS-Canada or any other person as to its accuracy, completeness or correctness. All opinions and estimates contained in this report constitute RBCDS-Canada's judgment as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. This report is not an offer to sell or a solicitation of an offer to buy any securities. RBCDS-Canada and its affiliates may have an investment banking or other relationship with some of all of the issuers mentioned herein and may trade in any of the securities mentioned herein either for their own account or the accounts of their customers. RBCDS-Canada and its affiliates also may issue options on securities mentioned herein and may trade in options issued by others. Accordingly, RBC-DS Canada or its affiliates may at any time have a long or short position in any such security or option thereon. The securities discussed in this report may not be eligible for sale in some states or in some countries. Neither RBCDS-Canada or any of its affiliates, nor any other person, accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. Any U.S. recipient of this report that is not a registered broker-dealer or a bank acting in a broker or dealer capacity and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, should contact and place orders with RBC Capital Markets Corporation, a U. S. registered broker-dealer affiliate of RBC-DS Canada, at (212) 361-2619, which without in any way limiting the foregoing, accepts responsibility (within the meaning, and for the purposes, of Rule 15a-6, under the U. S. Securities Exchange Act of 1934), for this report and its dissemination in the United States. This report may not be reproduced, distributed or published by any recipient hereof for any purpose.