



Monthly Indicators

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Jeffrey Rubin
(416) 594-7357

Avery Shenfeld
(416) 594-7356

Benjamin Tal
(416) 956-3698

Peter Buchanan
(416) 594-7354

Warren Lovely
(416) 594-7359

Leslie Preston
(416) 956-3219

The Time of Sands

Despite a doubling in crude prices over the last two years, non-OPEC supply failed to grow in 2005, resulting in a meager 900,000 barrels per day net increase in global production. Energy markets should brace themselves for another year of tight supply, as the rebound in production growth once again falls short of expectations.

Over 60% of the 3.6 million barrels of new oil production that will come on stream in 2006 will not support demand growth but simply offset the loss from depletion of existing fields such as the North Sea or the giant Burgan field in Kuwait (see pages 6-9). Net of depletion, conventional oil supply will continue to decline this year, just as it did last year. 2004, in hindsight, will prove to be a Hubbert curve peak, at least insofar as low-cost conventional crude is concerned. In any event, all of the increase in net global crude supply this year, as well as for the rest of the decade, will come from non-conventional sources like deep-water and oil sands.

We live not only in a world of rapidly depleting conventional oil supplies, but also in a world in which those that remain are increasingly beyond the private sector's reach. Virtually all of OPEC's massive production remains in the hands of state-run oil companies. What little is in private hands is being quickly converted back under state control as recent events in Venezuela attest. And even outside of OPEC, the picture isn't much different. From Mexico to Norway, there is a widespread consensus that energy assets should be owned and exploited by the state, often under the aegis of a state-

owned national oil company like Pemex or Statoil. Investors shouldn't be surprised to see a similar model emerge in Russia, where the government is in the process of de facto re-nationalizing its oil and gas industry through state companies like Gazprom, as Moscow increasingly leverages off Western Europe's energy dependence. Add it all up and some 80% of the world's conventional oil reserves remain effectively off limits to private investment. The combination of depleting reserves and sweeping state ownership has left each of the world's six largest publicly traded oil firms looking at declining production over the next two years. That sets the stage for a mad scramble for whatever proven reserves the market still has access to.

And there are no greater reserves accessible to private investment than the Canadian oil sands. Deep-water wells may be the primary source of non-conventional production now, but by the end of the decade, slated production increases will make oil sands the single biggest contributor to incremental global supply. Planned capacity expansions in Canada's oil sands even exceed planned increases in Saudi Arabia over the next decade.

As oil prices continue to rise to over \$70 per barrel this year and to as much as \$100 per barrel by the end of 2007, more and more of the world's oil firms will seek a foothold in these huge, but costly reserves. If the 2-year decline in conventional production holds, this once marginal energy source may not only become one of the world's most valuable, but one of the few remaining still open to investors.

MARKET CALL

- The market consensus has moved increasingly closer to our dovish view on the Fed, helped by the change in tone from the FOMC. The flatness of the curve, including the on-again, off-again inversion from 2s to 10s, implies that the market sees growing odds that the Fed will be cutting rates by 2007. With inflation so low, it will take only a modest growth disappointment, rather than a recession, to induce that fine-tuning (see pages 4-5).
- As the market sensed the end of Fed hiking, we saw a big move in the direction of our targets for a weaker US dollar. While the C\$ has been volatile, it should ride that dollar weakness and strong oil prices in a brief foray towards 1.10 C\$/US\$, particularly when a Bank of Canada rate hike in March is not matched by the Fed later that month.
- But like the US, hints of an end and subsequent reversal of Bank of Canada rate hikes are already in the wind. Governor Dodge has cited "global imbalances" and their impact in triggering US\$ weakness and slower American import demand as a key risk for 2007. As these risks pan out even earlier, the Canadian yield curve will invert in anticipation of 2007 rate cuts.

INTEREST & FOREIGN EXCHANGE RATES

END OF PERIOD:	2006					2007	
	9-Jan	Mar.	June	Sep.	Dec.	June	Dec.
CDA Call loan (mid-point of range)	3.25	3.75	3.75	3.75	3.75	3.25	3.25
98-Day Treasury Bills	3.39	3.75	3.70	3.65	3.50	3.10	3.15
Chartered Bank Prime	5.00	5.50	5.50	5.50	5.50	5.00	5.00
2-Year Gov't Bond (2.75% 12/07)	3.75	4.00	3.95	3.90	3.80	3.55	3.40
10-Year Gov't Bond (4.5% 06/15)	3.99	4.00	4.05	3.85	3.70	3.65	3.45
30-Year Gov't Bond (5.75% 06/33)	4.12	4.05	3.90	3.90	3.75	3.65	3.50
U.S. Federal Funds Target	4.25	4.50	4.50	4.50	4.50	4.25	4.25
91-Day Treasury Bills	4.12	4.10	4.10	4.05	4.00	3.80	3.85
2-Year Gov't Note (4.375% 12/07)	4.35	4.45	4.40	4.30	4.30	4.15	4.00
10-Year Gov't Note (4.5% 11/15)	4.37	4.45	4.45	4.40	4.40	4.40	4.25
30-Year Gov't Bond (5.375% 02/31)	4.56	4.65	4.65	4.60	4.55	4.50	4.40
Canada - US T-Bill Spread	-0.73	-0.35	-0.40	-0.40	-0.50	-0.70	-0.70
Canada - US 10-Year Bond Spread	-0.38	-0.45	-0.40	-0.55	-0.70	-0.75	-0.80
Canada Yield Curve (30-Year — 2-Year)	0.37	0.05	-0.05	0.00	-0.05	0.10	0.10
US Yield Curve (30-Year — 2-Year)	0.20	0.20	0.25	0.30	0.25	0.35	0.40
EXCHANGE RATES — (US¢/C\$)	85.6	90.9	89.7	88.5	87.0	84.7	83.3
— (C\$/US\$)	1.168	1.100	1.115	1.130	1.150	1.180	1.200
— (Yen/US\$)	114	113	105	103	97	97	100
— (US\$/euro)	1.21	1.23	1.30	1.31	1.30	1.32	1.33
— (US\$/pound)	1.76	1.77	1.84	1.85	1.84	1.86	1.87
— (US¢/A\$)	75.4	73.0	72.0	71.5	70.0	71.5	70.0

STRATEGY AND EARNINGS OUTLOOK

- We have hiked our year-end target for the TSX to 13,200 from 12,000 in light of continued strength in oil and gas and more recently gold stocks. The 19% total return implied by our revised target warrants an overweight in equities at the expense of cash and to a lesser extent bonds. Returns will remain heavily biased towards the energy sector, which should notch up a further near-40% rise versus a modest 7% gain for the rest of the market.
- Prospects of US\$575-600 per ounce gold by year-end and a still robust global economy have prompted us to add the materials group to energy and the dividend-rich utilities sectors as a third recommended overweight this month. Offsetting those positions, we remain underweight the two consumer sectors (discretionary and staples), industrial and info tech stocks. American consumers already spend a record percentage of their incomes on debt-servicing and energy costs and Canadian consumers aren't far behind. Notwithstanding 2005's 16% retreat, tech valuations remain the most expensive in the market, even as revenue growth forecasts for many firms are being cut.
- With the legislative threat from Ottawa now behind it and a positive outlook for long-term interest rates, we remain double-weighted the trust sector. 2005 was the fourth consecutive year that trusts led all asset classes and our rate and earnings expectations point to at least a 20% return from the sector in 2006.

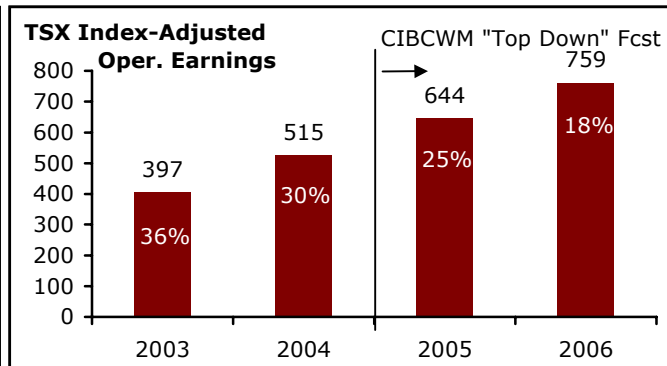
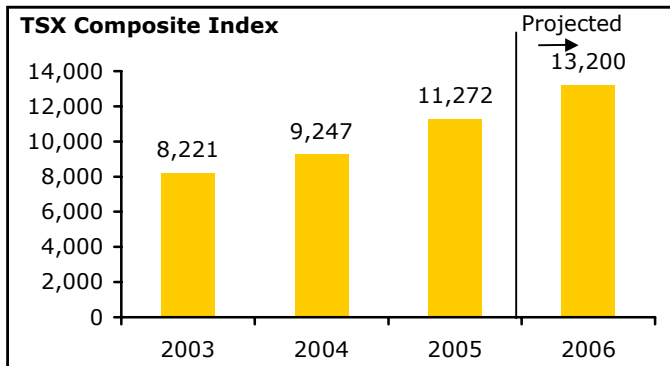
Table 1

ASSET MIX (%)	Benchmark	Strategy Recommendation
Stocks	50	54
Income Trusts	5	10
Bonds	37	35
Cash	8	1
GICS SECTOR EQUITIES (%)		
Consumer Discretionary	5.2	2.2
Consumer Staples	3.2	1.2
Energy	27.4	35.4
Financials	31.6	31.6
Healthcare	1.1	1.1
Industrials	5.5	3.0
Info Tech	4.2	1.2
Materials	15.1	16.6
Telecom	5.2	5.2
Utilities	1.5	2.5

Table 2

TSX - Earnings Outlook & Forward PE				
	Operating Earnings (% chg)		4-qtr Fwd PE	
	2005	2006	Latest	Last 10 yrs.
Energy	45.9	58.5	12.4	13.0
Materials	27.8	6.7	20.9	27.5
Industrial	20.2	-14.8	19.6	15.6
Consumer Discretionary	14.5	-22.4	21.5	18.6
Consumer Staples	5.8	-7.8	19.7	17.0
Health Care	-14.7	-0.1	23.7	49.7
Financials	15.3	8.0	14.8	10.9
Info Tech	137.2	-19.8	27.6	32.3
Telecommunications	14.8	13.5	17.4	34.7
Utilities	0.1	13.9	18.9	13.9
TSX Composite	25.1	18.0	15.8	17.9

Note: Bold indicates recommended overweight.



Inverted Logic: The Yield Curve and Recession

Avery Shenfeld and Leslie Preston

“This time will be different;” those are dangerous words for an investor, but every so often, ones that are on the mark. And that seems to be the best bet in the recent inversion in part of the US Treasuries yield curve. Such inversions, defined appropriately, have had an enviable track record of foretelling recession a few quarters hence. But not this time, at least not quite.

Sustained trading of 10-year Treasuries below 3-month rates—something we have yet to see—has foreshadowed six recessions since 1960, with only one false signal four decades ago (Chart 1). The shorter available history for the 2s to 10s spread, which did go negative in December, shows an additional false alarm in 1998 in the wake of the Asian crisis.

Anticipated rate cuts down the road make it reasonable to buy longer-dated bonds at lower yields than short-term notes. Generally, such rates cuts come as the central bank responds to the onset of recession. In the UK, an inversion that started miles ahead of any reasonable expectations for Bank of England rate cuts reflected requirements for pensions to bid for a limited stock of long dated gilts, and the inversion was much further out the yield curve than the cases we are discussing here. For the most part, though, in the 3-month to 10-year segment, **an inverted curve is the market’s way of saying that short rates are getting unsustainably high.**

But low inflation, both actual and expected, opens up opportunities for cutting in the absence of a recession. The US Fed eased rates in the wake of the 1998 Asian crisis, a step foreshadowed by a 2-10 year curve inversion. But that easing was an insurance move, one that the Fed could afford to deliver given that inflation was relatively tame, rather than a response to recession signals. The Fed cut rates in a similar mid-cycle slowdown with inflation low in 1995.

At this point, the 3-month to 10-year spread, typically the best fit with subsequent growth, has yet to signal recession. A 1995 study by Estrella and Mishkin used data to the mid-1990s to estimate the implied probability of a recession within four quarters, and current 3-month to 10-year spreads would be consistent with only 20% odds of an outright downturn (Chart 2). If, as we expect, the Fed stops hiking soon, a modest further rally in 10-years won’t be enough to reach the inversion typical of pre-recession days.

Moreover, in both the US and in Canada, real short term rates are much lower, and therefore the drag on the economy less onerous, than was the case ahead of past three US recessions (Chart 3). A bit more worrisome is that we did see a recession on only modest real yields after the 1973 and 1979 oil shocks.

Chart 1
US Curve Inversions Led Recessions

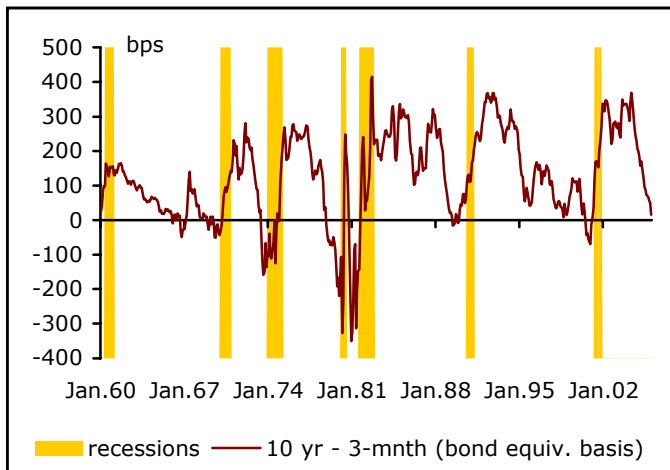
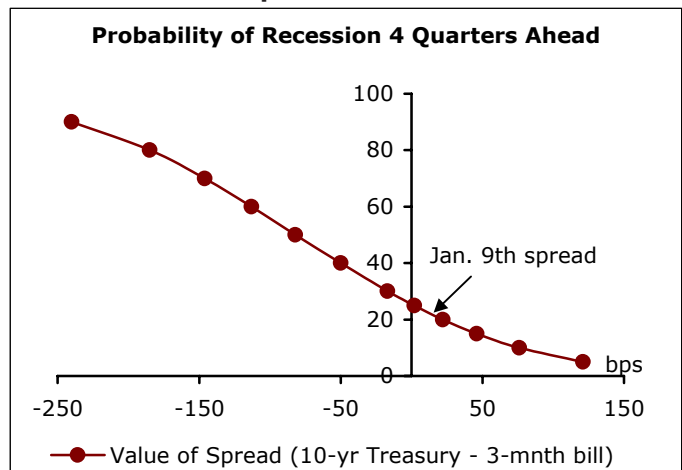
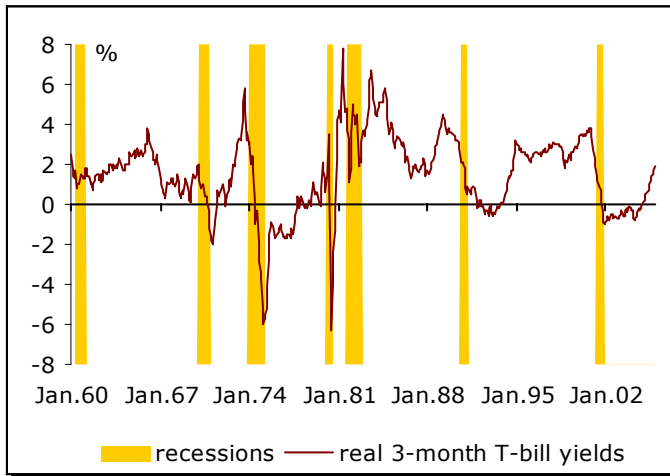


Chart 2
3-Month/10-Yr Spread & US Recession Odds



**Chart 3
Real US Bill Yields and Recessions**

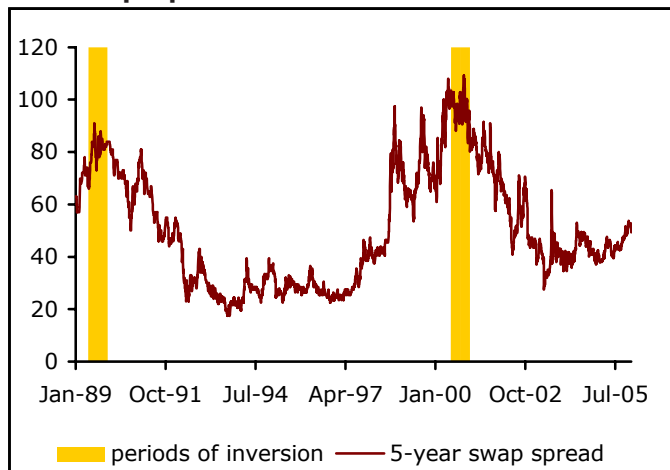


Still, even with oil headed higher, we don't see the makings of recession in a likely pull-back of US consumer spending as borrowing against home equity dries up. But **with core PCE inflation a scant 1.8%, it will take only a modest output disappointment and a slowing to 2½% growth to give the Fed reason to ease in 2007 and thereby validate today's low 10-year yields.**

Indeed, another slice of the fixed income market appears to be counting on the Fed to ride to the rescue with rate cuts to keep the economy in reasonable shape. The spread on five year swaps, an indicator of credit risk concerns, hasn't reached the levels or seen the scale of widening that was evident in the lead-up to past curve inversions (Chart 4).

Canadian curve inversions have also been good predictors of recession (Table 1), although it takes a

**Chart 4
US Swap Spreads and Past Inversions**



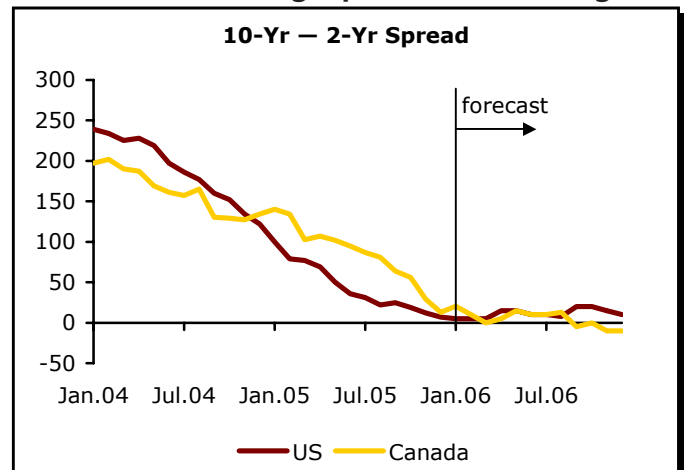
**Table 1
Canadian 3-Month/10-Year Inversions**

Date of inversion	Recession within 6 qtrs		BoC rate cut within 6 quarters
	Canada	US	
Q2:62	no	no	yes
Q1:68	no	no	yes
Q3:69	yes	yes	yes
Q3:78	yes	yes	no
Q4:80	yes	yes	yes
Q1:82	yes	yes	yes
Q1:86	no	no	yes
Q3:88	no	no	yes
Q4:00	no	yes	yes

six quarter horizon to get as good a fit. But their track record is even better as a predictor of Bank of Canada interest rate cuts, with only one miss in the last four decades. Some inversions have been generated on temporary hikes to defend the C\$, which were subsequently unwound. In 2000, Canada's inversion signaled only a US recession (Canada escaped an outright downturn) but rightly foresaw easing by the Canadian central bank.

At this point, the Canadian yield curve still has some slope, but it's been playing catch-up to the US flattening (Chart 5). **With 50 bps of rate hikes coming from Dodge, two-year yields will be forced up to 4% territory, and should break above 10s.** And as the combination of higher rates and a firm C\$ proves to be overkill in a world of sub-2% core inflation, the bond market's implied bet that rate cuts are coming in 2007 will be a winner.

**Chart 5
Cdn Curve Catching Up to US Flattening**



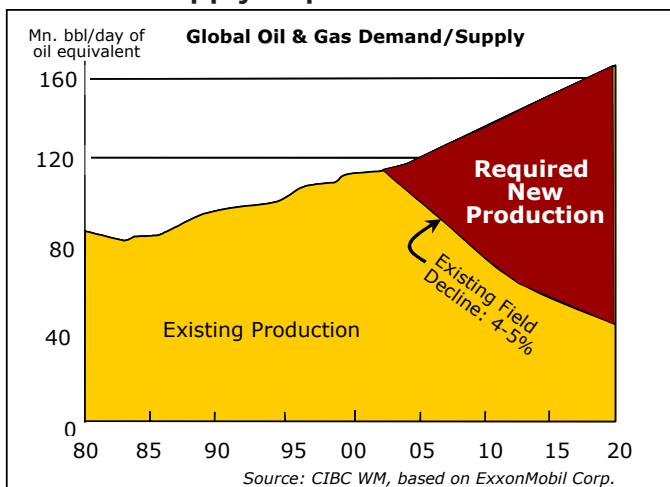
The Global Crude Supply Outlook: Tighter Markets Ahead

Jeff Rubin and Peter Buchanan

The failure of the 50% increase in crude prices over the last year to cool demand has seen West Texas Intermediate jump back over US\$60/bbl and slowly inch its way back to the US\$70/bbl peak hit last summer. While the rise has seen oil companies rapidly ramping up exploration and development budgets, the supply picture for at least the rest of the decade is already in place, painted by lead times of five years or more between discovery and production. The 164 pending oil field and oil sands projects already at some stage of their development pretty well defines the upper limit of global production over the balance of the decade. Our analysis of the supply pipeline, suggests that not only will net supply increases to the global market be extremely limited over the next several years, but that on a net basis, all of the new supply will come from non-conventional sources such as deep-water and Canadian oil sands—a development that can only buttress fears of growing depletion of conventional resources.

That concern is now being echoed by some of the world's largest oil companies, firms that have historically scoffed at the very notion of depleting oil supplies. Today they are increasingly speaking of an unprecedented gap between supply and demand growth. For example, Exxon has recently concluded that more than half of the world's hydrocarbon needs over the next 15 years has yet to be found (Chart 1).

Chart 1
Mind the Supply Gap



Discovery is only one element of the supply equation. Crude markets are poised to become even tighter in the future due to declining productivity in some of the world's most prolific oil fields, as they pass their prime producing years. Failure to account for depletion from existing fields is a common error repeatedly made by supply optimists who focus only on gross additions to production. Not only is depletion significant, but it is also accelerating, forcing more and more reliance on non-conventional sources of supply such as Canada's vast but largely undeveloped oil sands. While the resource has proven reserves that rival those of Saudi Arabia, they can only be extracted at three to four times the cost of conventional oil.

According to the International Energy Agency, the world produced about 84 million barrels of oil per day in 2005. Sixty or so major new oil capacity projects are slated to come on line in the next two years according to our tabulations, compared to just over forty in 2005. Among the most noteworthy in the coming year are Phase 1 of the UAE's Upper Zakum project, rated at over 600 thousand barrels daily, and ACG Phase 2 in the ex-Soviet bloc (see Table 1, page 9).

Non-Conventional Crude Exceeds New Conventional Supply

On a global basis, new field developments will add about 3.6 million barrels of oil production capacity in 2006, 3.7 million in 2007 and some 3.1 million barrels of capacity in 2008. That captures both the first flow of oil from newly minted fields (such as the Gulf of Mexico's Thunderhorse) and the ramping up to capacity in fields that have started producing in the last two years such as Nigeria's Bonga field and the Sakhalin project. Much more costly non-conventional oil will account for 60% of the increase in global production over the next three years. The amount from just one component of this alone—deep-water oil—exceeds projected new conventional crude capacity (Chart 2).

Chart 2
Non-Conventional Oil Drives
Expected Capacity Growth, 2006-2008

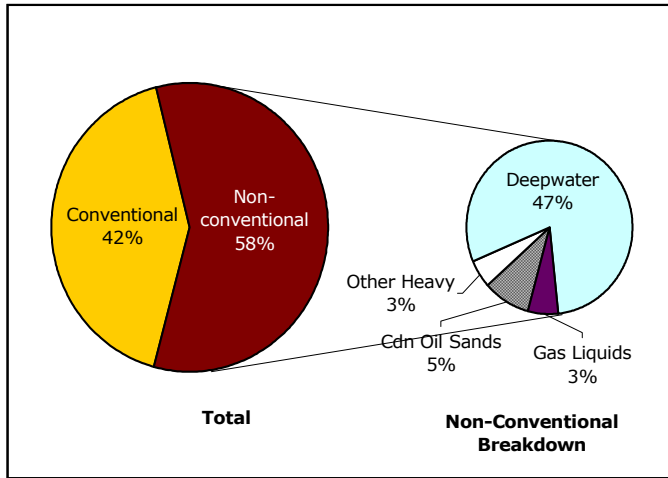
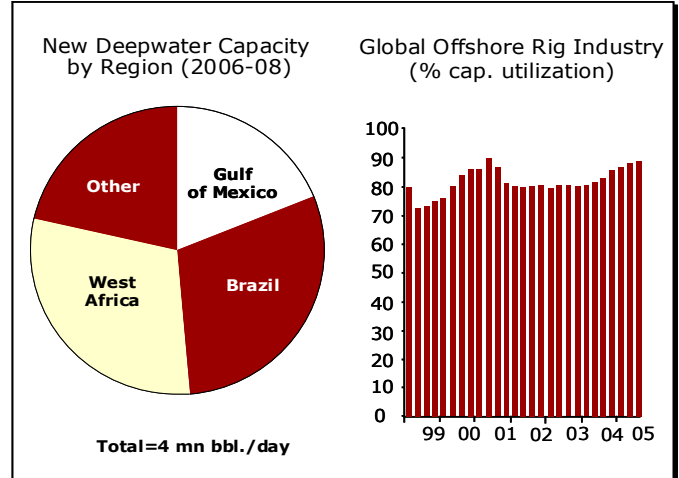


Chart 3
Key Areas of Deep-Water Activity (L),
Little Slack on Offshore Drilling Industry (R)



Deep-Water Oil a Bridge to an Oil Sands Future

Added deep-water production in the Gulf of Mexico represents virtually all of planned new field capacity in the US through decade's end. As the past fall's one-two storm punch from hurricanes Katrina and Rita clearly showed, that lack of diversification entails appreciable risks. We think as much as half of the planned 750,000 barrels per day of new Gulf of Mexico capacity over the next three years could be delayed, as the industry grapples with recovery from extensive hurricane damage to fields and industry infrastructure in the Gulf region.

And if this year's weather patterns are repeated in the Gulf of Mexico over the balance of the decade, it is debatable whether deep-water production in the Gulf can even be sustained at today's level, let alone increased significantly as planned. The growing shortage of offshore rigs poses another constraint on the pace of deep-water development, particularly in fields off Brazil and the west coast of Africa. Each account for about a third of the increase in global deep-water capacity over the rest of the decade. The offshore drilling industry is already operating at near-record capacity on a global basis (Chart 3).

Production from the oil sands will ramp up at a slower pace than deep-water wells, due to even larger capital spending requirements and other constraints, but should replace deep sea and conventional oil as the key factor driving production capacity growth by decade's end. With 30 new oil sands developments

on tap (see Table 2 on page 9), representing close to 3 million added barrels of daily production, Alberta has more new capacity on the drawing boards than even oil super-heavyweight Saudi Arabia (Chart 4). Announced new oil sands projects will lift estimated daily Canadian oil and gas liquids production to 3.5 million bbl by 2008 and 4 million barrels by 2010, solidifying Canada's role as a key player in energy markets (Chart 5).

Depletion: The Elephant in the Room

Depletion, the other key determinant of effective supply, along with new field development, has received added attention with the news that Kuwait's giant Burgan field, the second largest in the world, has started to run dry. Rising depletion levels mean

Chart 4
Alberta Tops Next Decade's New Production

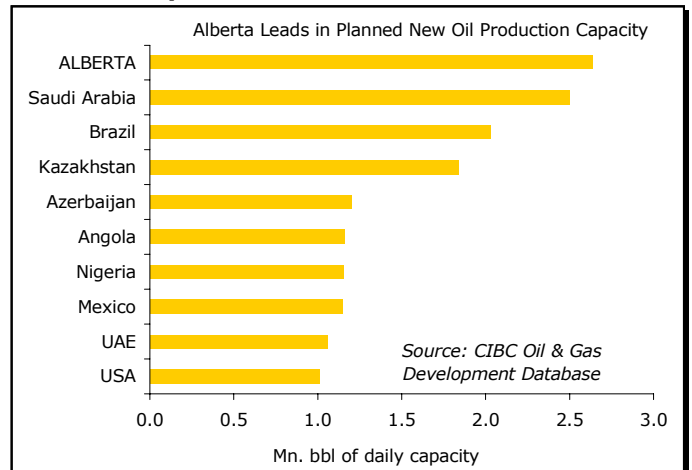
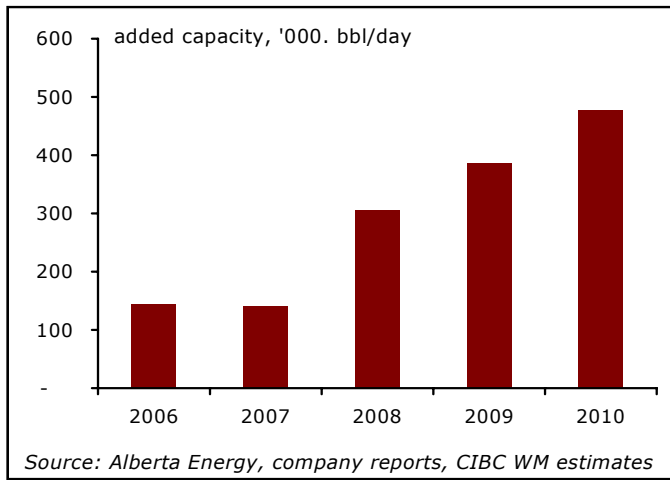


Chart 5
Canadian Oil Sands Capacity Set to Soar



in effect that oil firms these days must run faster just to stand still. Facing the loss of more than 2 million barrels per day of production every year, some two-thirds of projected capacity growth over the next three years will go not for incremental consumption, but will simply replace falling output at tired, aging fields like Mexico's Cantarell complex, the North Sea and now Burgan (Chart 6).

Depletion rates vary—depending on geology, production history and other factors—being higher as a rule for offshore than onshore formations. In our work, we've assumed an average rate of 1.6% for the Middle Eastern countries and that the varying levels for the rest of the world average out to 3.4% (Chart 7). Those figures are consistent with estimates of depletion from such experts as the noted petroleum geologist Colin Campbell.

Chart 6
Depletion Eats Up 60-70% of Projected Capacity Growth

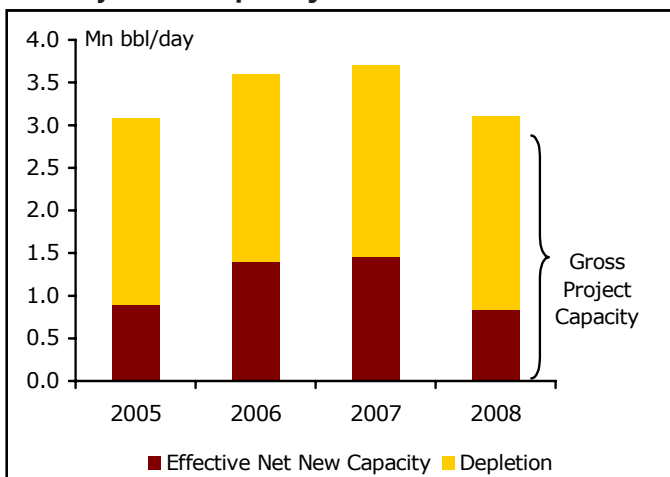
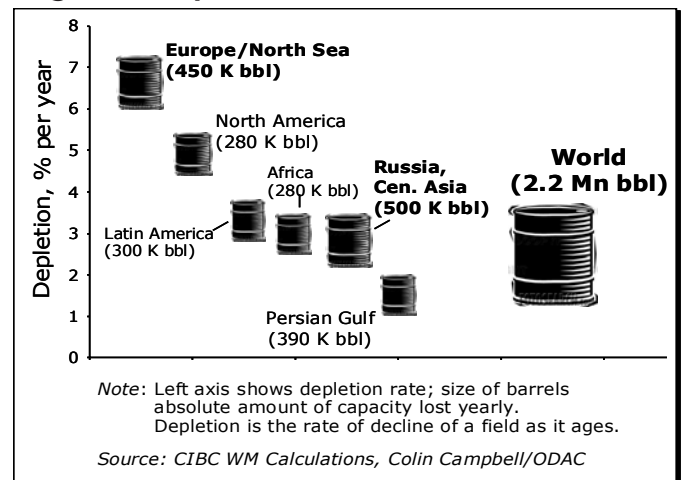


Chart 7
Regional Depletion Rates and Total Loss



Subtracting depletion of around 2.2 million barrels annually from our estimates of new field production capacity leaves about 3½ million barrels of daily production available to support consumption growth over the next three years. As noted previously, all of the net increase in global production will come from non-conventional sources such as deep-water and oil sands production (Chart 8). Assuming that consumption continues to increase at near a 2.5% trend rate, spurred by rapidly rising energy demand in countries like China and India, oil consumption will soon exceed projected global supply growth, requiring further price rationing to bring demand growth back in line with the very modest supply growth we see lying ahead.

Chart 8
Deep Sea, Oil Sands Drive New Supply Growth

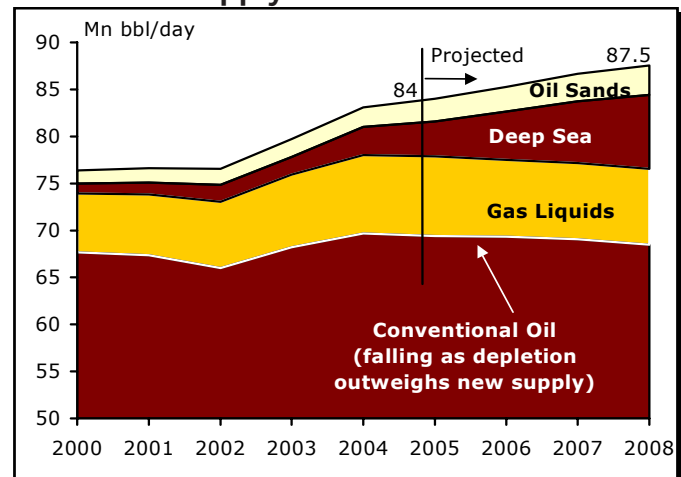


Table 1
New Capacity Coming Onstream in 2006

Projects Starting Production in 2006	Country	---'000 bbl/day---		Type	Peak Capacity Expected by:
		Peak Capacity	Est. Avg. 2006 Production		
Upper Zakum Phase I	UAE	650	81	Conventional	2010
ACG Phase II	Azerbaijan	500	125	Conventional	2008
Tengiz 2	Kazakhstan	470	39	Conventional	2012
Shaybah	Saudi Arabia	300	75	Conventional	2008
Ghawar Haradh Ph III	Saudi Arabia	300	125	Conventional	2006
Thunder Horse	USA	250	63	Deepwater	2008
Dalia	Angola	240	120	Deepwater	2006
Buzzard	United Kingdom	190	10	Conventional	2007
Albacora Leste	Brazil	180	10	Deepwater	2006
Roncador Ph II P52	Brazil	150	38	Deepwater	2008
Erha	Nigeria	150	75	Deepwater	2006
Darkhovin Phase II	Iran	110	55	Conventional	2006
Surmont	Canada	100	12	Cdn Oil Sands	2012
Banyu Urip	Indonesia	100	50	Deepwater	2006
Golfinho Module I	Brazil	100	50	Deepwater	2006
Enfield	Australia	100	50	Deepwater	2006
Golfinho Module II	Brazil	100	50	Deepwater	2007
Syncrude Stage 3	Canada	100	50	Cdn Oil Sands	2006
Frade	Brazil	90	10	Deepwater	2010
Chinguetti	Mauritania	75	38	Conventional	2006
Staer and Svale	Norway	70	35	Conventional	2006
Coroco	Venezuela	55	28	Other Heavy	2006
Tempa Rossa	Italy	50	25	Other Heavy	2007
Dorud	Iran	50	25	Conventional	2006
Saqqara	Egypt	40	20	Conventional	2006
Constitution	USA	40	20	Deepwater	2007
Primrose/Wolf Lake North Ph I	Canada	30	15	Cdn Oil Sands	2006
Espadarte	Brazil	30	15	Deepwater	2006
Egret	Brunei	30	15	Conventional	2006
Joslyn Phase II	Canada	10	8	Cdn Oil Sands	2007
Krishna Godavari G1,GS15	India	10	5	Conventional	2006
Sub-total		4670	1335		
Ramping up of production at ACG I, Sakhalin I, Bonga, other fields started in earlier years			2267		
Total New Supply in 2006			3602		

Source: CIBC WM Petroleum Projects Database

Table 2
Largest New Canadian Oil Sands Projects

Project Name	Type	New Capacity ('000 bbl/day)	Est. Production Startup
Voyageur	in situ	250	2010-2012
Christina Lake	in situ	250	2009-2015
Horizon Project	mining	240	2008-2012
Jackpine Mine Phase I	mining	200	2008-2010
Kearl Oil Sands Phases II & III	mining	200	2012-2018
Sunrise Thermal Project Phase II	in situ	200	2008-2010
Muskeg River	mining	140	2009-2010
Syncrude Stage 3	mining	110	2004-2006
Surmont	in situ	100	2006-2012
Northern Lights	mining	100	2010-2012
Kearl Oil Sands Phase I	mining	100	2010-2011
Borealis	in situ	100	2013-2015
Joslyn Project Mine Phases I & II	mining	100	2008-2014
Jackpine Mine Phase II	mining	100	2012-2015
Foster Creek	in situ	115	2006-2015
Long Lake Phase I	in situ	70	2007-2008
Subtotal		2375	
Other Projects		260	
Total, All Years		2635	

ECONOMIC UPDATE

	05Q3A	05Q4F	06Q1F	06Q2F	06Q3F	2005F	2006F	2007F
CANADA								
Real GDP Growth (AR)	3.6	3.0	2.8	2.5	2.8	2.9	2.9	2.4
Real Final Domestic Demand (AR)	3.9	3.7	4.4	3.3	3.4	4.3	3.8	3.2
All Items CPI Inflation (Y/Y)	2.6	2.3	2.6	2.5	2.2	2.3	2.4	2.4
Core CPI Inflation (Y/Y)	1.6	1.6	1.6	1.7	1.8	1.6	1.7	1.7
Unemployment Rate (%)	6.8	6.5	6.5	6.5	6.6	6.7	6.6	6.8
Merchandise Trade Balance (C\$ Bn)	74.6	79.3	77.4	76.6	76.2	65.0	76.4	75.7
U.S.								
Real GDP Growth (AR)	4.1	3.2	3.0	2.7	3.3	3.6	3.2	2.5
Real Final Sales (AR)	4.6	1.4	3.3	2.7	3.0	3.9	3.1	2.4
All Items CPI Inflation (Y/Y)	3.8	3.8	3.8	3.3	2.7	3.4	3.1	2.8
Core CPI Inflation (Y/Y)	2.1	2.1	2.1	2.2	2.3	2.2	2.2	2.2
Unemployment Rate (%)	5.0	4.9	5.0	5.1	5.1	5.1	5.2	5.2

CANADA

The New Year may be under way, but data wise, we're still picking through the bones of late 2005. On that score, a lukewarm October GDP gain (+0.2%) gave way to a rare employment stumble in December (2,000 jobs lost). The former captured some negative one-time effects, while the latter was likely more statistical noise after an earlier hiring binge than evidence of a material weakening in demand. On balance, Q4 growth still looks poised for a roughly 3% tally, with a deceleration expected thereafter. Core inflation remains well contained, but given a string of tame readings in the first half of 2005 (seasonally adjusted CPI-X rose at an average monthly pace of just 0.1%), core prices will need to stick to a very benign track to keep the closely watched year-over-year rate below the Bank's 2% target.

UNITED STATES

The US looks to be tracking roughly 3% growth, both for the final quarter of 2005 and the first few months of 2006. Consumer spending had better momentum at year-end than earlier in Q3, and will likely post a better, if unspectacular, quarterly pace to start 2006. But the new quarter will lose the post-storm inventory and industrial rebound that benefited the quarter just ended. There are also tentative signs of housing coming off the boil. Core inflation is going nowhere, with labour costs contained, business reaping high margins that can absorb material costs, and consumers lacking the buying power to cover broad price hikes.

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CANADA RELEASE AND EVENT DATES

January 2006



MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
2 NEW YEAR'S DAY OBSERVED (HOLIDAY) MARKETS CLOSED	3 INDUSTRIAL PRICES 8:30 AM M (NSA) Y SEP 0.7 0.9 OCT 0.1 1.5 NOV -0.6 2.9	4 INTERNATIONAL RESERVES 8:15 AM M \$BN CHANGE LEVEL OCT 0.615 34.2 NOV -0.015 34.2 DEC -1.181 33.0 IVEY PURCHASING MANAGERS' INDEX 10:00 AM	5 LABOUR FORCE SURVEY 7:00 AM EMPLOY UNEMP AVG (HOUSE) RATE HRLY EARN M Y % Y OCT 0.4 1.4 6.6 3.8 NOV 0.2 1.6 6.4 3.5 DEC 0.0 1.4 6.5 3.6	
9 HOUSING STARTS 8:15 AM TOTAL 000's (AR) SINGLES OCT 206.8 89 NOV 220.4 91 BUILDING PERMITS 8:30 AM (RES) (NON-RES) SEP 3.7 -16.4 OCT 2.4 -0.9 NOV	10 MERCHANDISE TRADE 8:30 AM \$MN 12 MO. M BALANCE SEP 7,164 59,657 OCT 7,174 61,824 NOV	11 CAR & TRUCK SALES 8:30 AM 000's (AR) TOTAL DOM.BUILT CAR SALES SEP 1,527 578 OCT 1,577 582 NOV	12 WAGE SETTLEMENTS 10:00 AM (%) PVT. PUB. TOT. SEP 2.6 3.0 2.9 OCT 2.3 0.8 1.3 NOV Bank of Canada Business Outlook Survey	13 CONSUMER PRICE INDEX 7:00 AM M (NSA) Y OCT -0.5 2.6 NOV -0.2 2.0 DEC SURVEY OF MANUFACTURING SHIPMENTS 8:30 AM M Y SEP -0.3 1.5 OCT 0.9 3.4 NOV
16 LEADING INDICATOR 8:30 AM	17 INT'L TRANSACTIONS IN SECURITIES C\$BN 8:30 AM NET NET NET NET BONDS MONEY STOCKS TOTAL MARKET SEP 1.8 -0.2 3.2 4.8 OCT 2.0 0.2 1.6 3.8 NOV	18 WHOLESALE TRADE 8:30 AM	19 RETAIL TRADE 8:30 AM (Current\$) M Y SEP -1.0 5.5 OCT 0.6 4.5 NOV Canadian Federal Election	20 Bank of Canada Monetary Policy Report Update
23 Bank of Canada Interest Rate Announcement	24 BUSINESS CONDITIONS SURVEY 8:30 AM MONEY SUPPLY M-2 M Y OCT 0.5 4.8 NOV -0.1 5.1 DEC	25 INDUSTRIAL PRICES 8:30 AM M (NSA) Y OCT 0.1 1.5 NOV -0.6 2.9 DEC	26 GDP AT BASIC PRICES 8:30 AM (1997\$) INDUST. PROD. M M SEP 0.0 -0.6 OCT 0.2 0.4 NOV	27 INTERNATIONAL RESERVES 8:15 AM M \$BN CHANGE LEVEL NOV -0.015 34.2 DEC -1.181 33.0 JAN
30 INDUSTRIAL PRICES 8:30 AM M (NSA) Y OCT 0.1 1.5 NOV -0.6 2.9 DEC	31 INTERNATIONAL RESERVES 8:15 AM M \$BN CHANGE LEVEL NOV -0.015 34.2 DEC -1.181 33.0 JAN	1 INDUSTRIAL PRICES 8:30 AM M (NSA) Y OCT 0.1 1.5 NOV -0.6 2.9 DEC	2 GDP AT BASIC PRICES 8:30 AM (1997\$) INDUST. PROD. M M SEP 0.0 -0.6 OCT 0.2 0.4 NOV	3 INTERNATIONAL RESERVES 8:15 AM M \$BN CHANGE LEVEL NOV -0.015 34.2 DEC -1.181 33.0 JAN

All data seasonally adjusted except where noted "NSA". M: per cent change from previous month. Q: per cent change from previous quarter at annual rates. Y: per cent change from year earlier. AR: Annual Rate. YTD: Year to date. Release dates are provided by sources outside CIBC World Markets. Dates are subject to change. Sources for historical data: U.S. Department of Commerce, U.S. Department of Labour, and U.S. Federal Reserve Board.

U.S. RELEASE AND EVENT DATES January 2006



MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
2 NEW YEAR'S DAY OBSERVED (HOLIDAY) MARKETS CLOSED	3 ISM MANUFACTURING SURVEY (Formerly NAPM) 10:00 AM COMP. PRICES INDEX INDEX OCT 59.1 84.0 NOV 58.1 74.0 DEC 54.2 63.0 FOMC Minutes	4 FACTORY ORDERS 10:00 AM M Y SEP -1.4 7.4 OCT 1.7 8.4 NOV 2.5 8.7 DOMESTIC AUTO SALES	5 ISM NON-MFG SURVEY 10:00 AM	6 EMPLOYMENT SITUATION 8:30 AM NON-FARM CIV AVG FARM UNEMP HRLY PAYROLL RATE EARN (000s) M % Y OCT 25 4.9 3.0 NOV 305 5.0 3.0 DEC 108 4.9 3.1
9 CONSUMER CREDIT 3:00PM	10 WHOLESALE TRADE 10:00 AM	11	12 GOODS & SERVICES BALANCE (BOP) 8:30 AM GDS SERV TOT SEP -71.3 5.3 -66.0 OCT -73.9 5.0 -68.9 NOV TREASURY BUDGET 2:00 PM MONEY SUPPLY M-2 4:30 PM M Y OCT 0.6 4.0 NOV 0.4 3.8 DEC	13 RETAIL SALES 8:30 AM M Y OCT 0.3 6.0 NOV 0.3 6.3 DEC PRODUCER PRICE INDEX 8:30 AM M (SA) Y (NSA) OCT 0.7 5.9 NOV -0.7 4.4 DEC BUSINESS INVENTORIES 10:00 AM
16 MARTIN LUTHER KING, JR. DAY (HOLIDAY) (MARKETS CLOSED)	17 CAPACITY UTIL./IND. PROD. 9:15 AM LEV M Y OCT 79.8 1.3 2.3 NOV 80.2 0.7 2.8 DEC	18 CONSUMER PRICE INDEX 8:30 AM M (SA) Y (NSA) OCT 0.2 4.3 NOV -0.6 3.5 DEC NET CAPITAL INFLOWS TICS 9:00 AM Beige Book	19 HOUSING STARTS 8:30 AM MIL (AR) M OCT 2.017 -6.6 NOV 2.123 5.3 DEC PHILADELPHIA FED INDEX 12:00 PM	20 MICHIGAN SENTIMENT (P) 9:45 AM
23 LEADING INDICATOR 10:00 AM	24	25 EXISTING HOME SALES 10:00 AM	26 DURABLE GOODS ORDERS 8:30 AM M Y SEP -2.0 6.2 OCT 3.1 11.1 NOV 4.4 12.1	27 GDP (AR) 8:30 AM REAL IMPLICIT GDP DEFULATOR 05:Q2(F) 3.3 2.6 05:Q3(R) 4.1 3.3 NEW HOME SALES 10:00 AM
30 PERS. INCOME & OUTLAYS 8:30 AM SAVING INCOME CONS RATE OCT 0.5 0.2 -0.2 NOV 0.3 0.3 -0.2 DEC	31 EMPLOYMENT COST INDEX 8:30 AM WAGES & TOTAL SALARY BEN. 05:Q2 0.7 0.6 0.8 05:Q3 0.8 0.6 1.3 05:Q4 CHICAGO PMI 10:00 AM CONSUMER CONFIDENCE 10:00 AM FOMC Meeting	1 ISM MANUFACTURING SURVEY (Formerly NAPM) 10:00 AM COMP. PRICES INDEX INDEX NOV 58.1 74.0 DEC 54.2 63.0 JAN DOMESTIC AUTO SALES	2 NON-FARM PRODUCTIVITY 8:30 AM Q/Q (AR) Y/Y 05:Q2 (R) 2.1 2.3 05:Q3 (R) 4.7 3.1 05:Q4 (P)	3 EMPLOYMENT SITUATION 8:30 AM NON-FARM CIV AVG FARM UNEMP HRLY PAYROLL RATE EARN (000s) M % Y NOV 305 5.0 3.0 DEC 108 4.9 3.1 JAN MICHIGAN SENTIMENT (F) 9:45 AM ISM NON-MFG SURVEY 10:00 AM FACTORY ORDERS 10:00 AM M Y OCT 1.7 8.4 NOV 2.5 8.7 DEC

All data seasonally adjusted except where noted "NSA". M: per cent change from previous month. Q: per cent change from previous quarter at annual rates. Y: per cent change from year earlier. AR: Annual Rate. YTD: Year to date. Release dates are provided by sources outside CIBC World Markets. Dates are subject to change. Sources for historical data: U.S. Department of Commerce, U.S. Department of Labour, and U.S. Federal Reserve Board.