



North American Home Prices: That Sinking Feeling

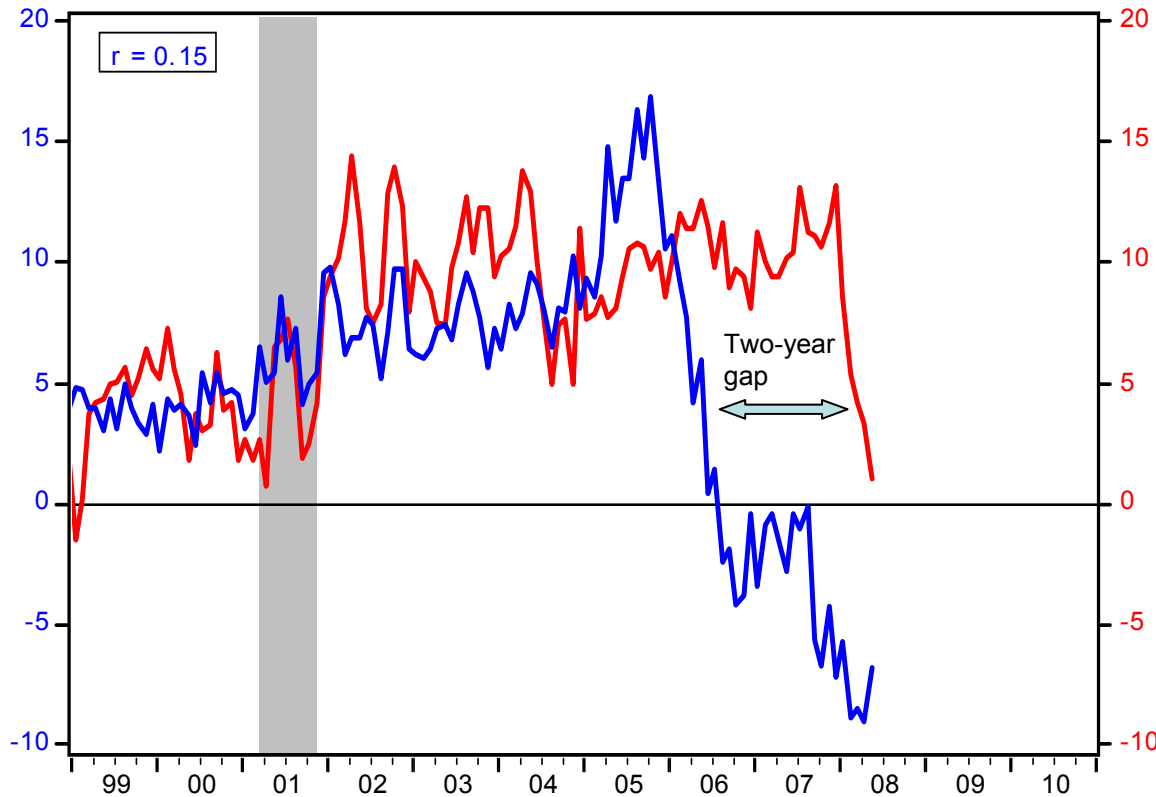
June 27, 2008
1-800-613-0205

Dr. Sherry Cooper
Chief Economist,
BMO Capital Markets

Is the Canadian housing market just two years behind its U.S. counterpart? The sudden braking in sales (down 13% y/y so far in 2008) and the rather marked slowdown in prices (up just 1.8% y/y) in Canada is hinting that way. Of course, that's a long way from the 8% price drop so far this year for existing U.S. homes, and the 20% drop in sales.

U.S. Median Sales Price: Existing 1-Family Homes
% Change - Year to Year

Canadian Average Home Price, Major Markets
% Change - Year to Year



Sources: National Association of Realtors, Haver Analytics

Still, when BoC Deputy Governor Kennedy said earlier this week that we shouldn't get complacent about the Canadian housing outlook, she could just as easily have been warning about potential downside risks as upside risks to inflation.

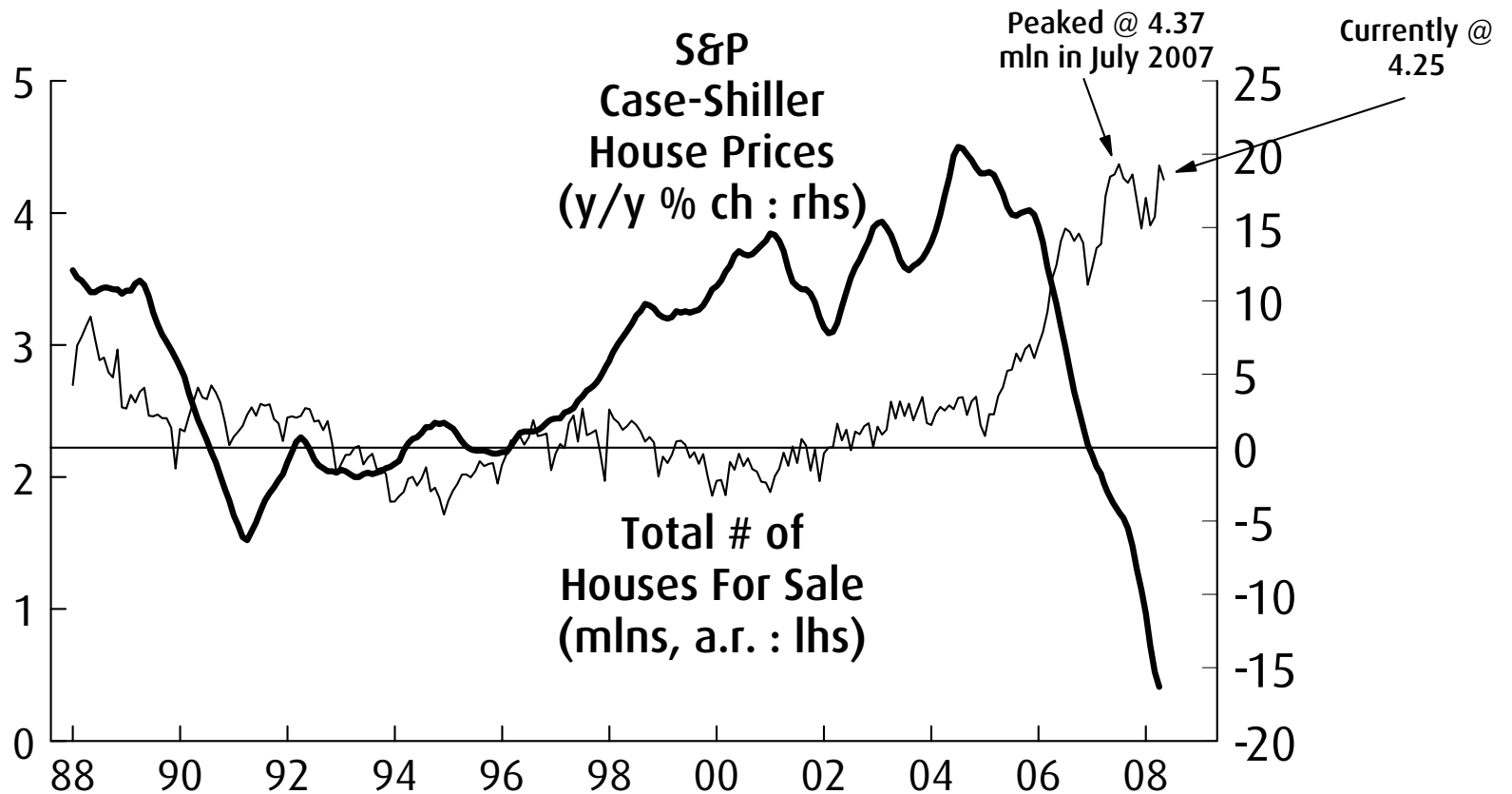
Douglas Porter, 416-359-4887



U.S. Home Prices Need To Fall, And Fall Further

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If you look really, really hard, you can just make out the dip in the inventory of single-family homes available for sale (for both new and existing) in May. Sure, that is good news but clearly, home prices need to fall much further to get rid of the glut of unsold homes.



Jennifer Lee, 416-359-4092



Love Lost for Loonie

June 27, 2008
1-800-613-0205

On a day when oil toyed with a record \$140 and gold had its biggest one-day advance in more than two decades, one would think the commodity-driven Canadian dollar would advance. One would be something other than correct. As has been the case throughout the past six months, the C\$ studiously refuses to benefit from raging commodity prices. Note that the currency has plunged almost 11% against the euro in the past six months (and 16% from the November peak).

Canadian Dollar versus the Euro

Euro/C\$



Source: Federal Reserve Bank of New York/Haver Analytics

Imagine what will happen to the loonie if/when commodity prices finally retreat.

Douglas Porter, 416-359-4887



Dow Industrials Break Down

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1-800-613-0205

Thursday's massive equity market selloff dragged the Dow Jones Industrial Average down to a new 52-week low, taking out even the panic intra-day low seen on Bear Monday. While financials continue to get battered for well-documented reasons, the formerly sturdy industrial and technology sectors have now come under pressure as earnings concerns begin to mount.

Dow Jones Industrial Average



I'm no technician, but this chart does not bode well for stocks.

Robert Kavcic, 416-359-8329

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