

focus

A Weekly Financial Digest

FEATURE ARTICLE, PAGE 6

Austerity Now?

- U.S. Employment Starts 2012 with a Super Result
- U.S. Auto Sales Bowl Over Estimates
- Canadian Data a Giant Disappointment; Job Growth Remains Weak, GDP Contracts
- European Economic Data Gain Some Ground; Greek Negotiations Fumble Along
- Nasdaq Pats 11-Year High



DOUGLAS PORTER

We would never stoop so low as to say “*we told you so*”. However, at the start of the year we may have mentioned that one of the big themes for 2012 would be that U.S. economic growth would begin to outpace Canada for the first time in seven years. It didn’t take long for convincing proof to arrive—the January jobs data offer a stark contrast between the two countries. The U.S. looks to be finally shaking off the rust, with a solid 257,000 private sector job gain, and an even stronger showing in the household survey (up 631,000 adjusted for population estimate changes). On the flip side, Canadian employment managed a meagre gain of 2,300, and full-time positions declined for the third time in four months. Over the past year, U.S. job growth of 1.5% is running at exactly twice the pace of Canada (+0.75% y/y), decisively reversing the trend of the prior five years.

The recent divergence in jobless rate trends is even more vivid: While the U.S. rate has tumbled 0.7 percentage points just since September to 8.3%, Canada has backed up 0.4 ppt to 7.6%. True, the rate in Canada is still lower, and some of the U.S. improvement reflects the fact that many are simply giving up on their job search, taking the participation rate to its lowest level in almost 30 years. Still, at this pace, the U.S. jobless rate will be back below Canada’s by the spring. As a sidebar, note that the U.S. unemployment rate stood at 8.3% in February 2009, Obama’s first full month in office.

The employment landscape is far from the only sign that the U.S. economy is finally finding a higher gear. Auto sales hit their best level since 2008 at the start of the year (although they were also quite strong in Canada last month), housing continues to show signs of bottoming, and the ISM reports were both solid for January. As a result, we have boosted our call on U.S. Q1 GDP growth by half a point to 2.5%, after last week’s 2.8% result for Q4. In contrast, we knocked down our estimate for Canadian Q4 GDP growth half a point to 1.4% (after a surprising dip in November output), and look for little improvement in Q1 to 1.7% growth. For all of this year, we now expect U.S. GDP growth to average 2.4%. While that still pales by past recovery standards, it is up from 1.7% for 2011, and would be well above our 2.0% call for Canada. If anything, the risks to our U.S. call appear to remain to the high side, especially if the buoyant mood in financial markets to start 2012 can be sustained.




SAL GUATIERI

Aside from a stalled domestic job market, just about everything is going the loonie’s way of late. Even the darker job cloud has a silver lining, as Canadian business productivity (and competitiveness) might finally be turning the corner after four years of stagnation. Moreover, Canada’s stalled jobs engine is mirrored by an acceleration south of the border (with 1 million nonfarm payrolls added in the past six months). More jobs mean more Americans will buy more Canadian-made products, and mean serious upside risk to the Bank of Canada’s soggy 2.0% outlook for U.S. growth this year. If the U.S. economy improves materially, the Bank will be inclined to raise interest rates well before the Fed, as the latter will continue to fret about elevated unemployment.

Meantime, after easing since the spring, commodity prices have turned higher, especially the key base metals mined in Canada. In addition, with the federal

government contemplating more aggressive spending cuts and the deficit already improving faster than anticipated, international investors can only be heartened by Canada's relatively better fiscal performance. The loonie's one serious headwind last year was the European credit crisis and safe-haven demand for greenbacks. But the crisis has shown at least tentative signs of ebbing. While Euro concerns are likely to linger and impede the loonie's flight path this year, the skies are starting to brighten. Although the loonie has flown in the middle of the pack of global currencies this year (with a 2½% YTD gain against the U.S. dollar), its outlook has improved.



BENJAMIN REITZES

There are three major central banks on tap next week, with further easing expected from two of the three. The Reserve Bank of Australia kicks things off on Tuesday with a third consecutive 25 bp rate cut likely. The Bank last met in December and conditions have improved in Europe since then, but Aussie economic data have been relatively weak. Employment fell a second straight month in December and was negative for all of 2011 for the first time in 19 years. In addition, the Australian dollar has taken off of late, surging to a five-month high, providing further impetus for RBA easing.

Elsewhere, the Bank of England starts its two-day meeting on Wednesday. U.K. Q4 real GDP contracted 0.8% annualized, suggesting Britain is already in recession. January's inflation data won't be out for a couple of more weeks, but a sharp deceleration is anticipated as last year's VAT falls out of the calculation. BoE policymakers will have a new Inflation Report in hand at the meeting which will likely call for recession and have inflation falling below the 2% target by the end of the two-year projection period. That will provide the Bank with sufficient reason to announce another £50-to-£75 bln in asset purchases (i.e. quantitative easing).

And, last but certainly not least, the ECB meets on Thursday. No policy changes are expected, but there's a non-trivial chance of a rate cut. While the debt crisis has eased of late, the repercussions will persist for years, dragging growth. Even so, recent European economic data have shown signs of stabilization, lessening the immediate need for further easing. Also, the second three-year refinancing operation is still to come (Feb 29), so the ECB may want to hold off until after the result before deciding to provide further stimulus.

Other central banks meeting include Poland, Iceland, South Korea and Indonesia, all of which are expected to make no policy changes.

Bottom Line: Despite recent signs of stabilization in Europe and better U.S. data, central banks will likely remain proactive and provide further stimulus as overall activity remains subdued.



In High Gear!


KENRICK JORDAN

Auto sales are off to a rip-roaring start this year. In Canada, January sales were 15% higher than a year ago, bettered only twice during the 2000s—in 2002 and 2008. In the U.S., sales vaulted 11% to their highest level since May 2008, exceeding even the inflated 'cash-for-clunkers' level in August 2009. On a seasonally-adjusted annualized basis, last month's sales

amounted to 1.8 million units in Canada and 14.2 million in the U.S. This extends the trend toward recovery from the sharp contraction during the Great Recession. However, while the Canadian market has largely regained its pre-recession levels, sales remain low by past standards in the United States, held back by high joblessness, feeble credit growth and weak consumer confidence.

For all of this year, we look for sales to total about 14.3 million units in the U.S., and 1.6 million in Canada. But, there is the potential for upward surprise. Last year, sales on both sides of the border were constrained by low auto inventories due to supply-chain problems in the wake of the disasters in Japan. With the availability of Japanese products back to more normal levels, we see Japanese automakers making every effort to regain market share, which should make pricing attractive. Moreover, there is plenty of pent-up demand in the U.S., where sales ran below-replacement rates for about three years and the average vehicle age is at a record high. Lastly, there's a host of fresh products in the market that may entice cautious consumers out of their cocoons. *KJ.*

Jennifer Lee, Senior Economist

CANADA

- Domestic growth drivers cooling markedly

UNITED STATES

- Jobs, auto and chain-store sales provide relief after recent round of weaker data
- But house price decline still concerning
- Fed Chairman Bernanke testifies to the House Budget Committee... warns fiscal policymakers to *"take care not to unnecessarily impede the current economic recovery"*

EUROPE

- EU Summit sees results... leaders agree on ESM and move closer to fiscal union (without the Czech Republic and the U.K.)
- Solid demand for this week's govt debt auctions (Germany, Portugal, Spain, France)

JAPAN

- FM Azumi warns on strong JPY... intervention coming?

AUSTRALIA

- RBA expected to ease next week

CHINA

- Premier Wen says China's gov't debt is *"safe and controllable"*

GOOD NEWS

Auto Sales +15.4% y/y (Jan.)
Conference Board's Business Confidence Index +6.6 pts to 99.3 (Q4)
Industrial Product Prices -0.7% (Dec.)
Raw Material Prices -2.4% (Dec.)

Nonfarm Payrolls +243,000 (Jan.)
Jobless Rate -0.2 ppts to 8.3% (Jan.)
Average Hourly Earnings +0.2% (Jan.)
Personal Income +0.5% (Dec.)
Initial Claims -12,000 to 367,000 (Jan. 28 wk)
Auto Sales +4.6% to 14.2 mln a.r. (Jan.)
Chain-Store Sales +4.8% y/y (Jan.)
Manufacturing ISM +1 pt to 54.1;
Nonmanufacturing ISM +3.8 pts to 56.8 (Jan.)
Construction Spending +1.5% (Dec.)
Factory Orders +1.1% (Dec.)

Eurozone—Economic Confidence +0.6 pts to 93.4 (Jan.)
Eurozone—Manufacturing PMI revised up to 48.8; but **Services PMI** slipped to 50.4 (Jan.)
Eurozone—Producer Prices -0.2% (Dec.)
Germany—Unemployment -34,000 (Jan.)
U.K.—GfK Consumer Confidence +4 pts to -29 (Jan.)
U.K.—Manufacturing PMI +2.4 pts to 52.1; **Services PMI** +2 pts to 56.0 (Jan.)

Industrial Production +4.0% (Dec. P)
Manufacturing PMI +0.5 pts to 50.7 (Jan.)
Household Spending +0.5% y/y (Dec.)

Trade Surplus widens to A\$1.7 bln (Dec.)
NAB Business Confidence +1 pt to 3 (Dec.)

Manufacturing PMI +0.2 pts to 50.5 (Jan.)

BAD NEWS

Employment +2,300 (Jan.)—disappointing
Jobless Rate +0.1 ppts to 7.6% (Jan.)
Real GDP at Basic Prices -0.1% (Nov.)
Manufacturing PMI -3.4 pts to 50.6 (Jan.)
Average Hourly Wages slowed to +2.0% y/y (Jan.)

S&P Case-Shiller House Prices -3.7% y/y (Nov.)
Conference Board's Consumer Confidence Index -3.7 pts to 61.1 (Jan.)
Real Personal Spending -0.1% (Dec.)
Redbook -1.8% (Jan. 28 wk)
Employment Cost Index +0.4% (Q4)
Nonfarm Productivity slowed to +0.7% a.r. (Q4 P)
Chicago PMI -2 pts to 60.2 (Jan.)

Eurozone—Consumer Prices steady at +2.7% y/y (Jan. E)—still above 2% target
Eurozone—Jobless Rate unch at 14-year high of 10.4% (Dec.)
Eurozone—Retail Sales -0.4% (Dec.)
Germany—Real Retail Sales -1.4% (Dec.)
France—Consumer Spending -0.7% (Dec.)
U.K.—Nationwide House Prices -0.2% (Jan.)
U.K.—Construction PMI -1.8 pts to 51.4 (Jan.)

Jobless Rate +0.1 ppts to 4.6% (Dec.)

House Price Index -1.0% (Q4)
Building Approvals -1.0% (Dec.)

Nonmanufacturing PMI -3.1 pts to 52.9 (Jan.)

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

Austerity Now?

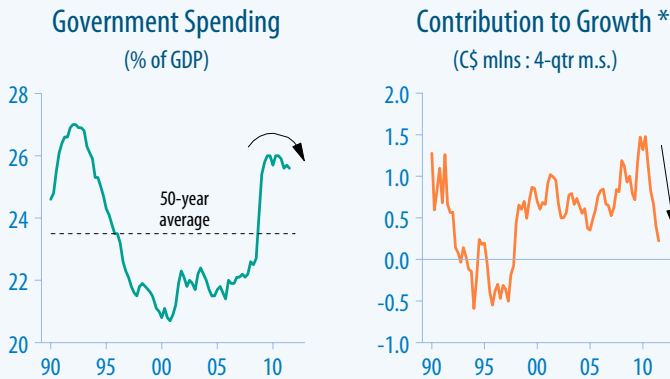
Douglas Porter, CFA, Deputy Chief Economist

With Canadian budget season almost upon us, headlines are rife with speculation that Ottawa and many provinces are preparing for a frontal assault on their deficits. Given the intense focus on sovereign debt, the still-large footprint of the public sector in the wake of the recession, and with last year's heavy election cycle out of the way, it's understandable that many policymakers are now keen to cut deficits down to size with haste. Understandable, but perhaps not entirely appropriate. Looking beyond the high-profile debate over changes to the Old Age Security, which is a longer term issue, the case for deeper near-term restraint is far from compelling. Growth is now struggling and has few obvious engines of support in 2012, markets are hardly braying for austerity from Canada (with long-term borrowing costs close to record lows), and Ottawa's finances are quietly improving faster than expected. However, the case for a somewhat tougher tack from select provinces is much stronger.

There is little doubt that one of the main legacies of the Great Recession—certainly not just in Canada, but in most of the OECD—is an expanded public sector relative to the rest of the economy, and the resulting hefty budget deficits. Canadian government spending as a share of GDP is more than 2 percentage points above its long-run average, and not far from the early-1990s peak (*Chart 1*). This is even with the wave of stimulus having long since crested, and now rolling over into outright restraint, as measured by the contribution to GDP growth. And while government payroll growth has begun to ease, the share of total Canadian employment in the broader public sector has risen almost all the way back to levels prevailing before the mid-1990s austerity drive (*Chart 2*).

Still, Ottawa's red ink is receding faster than expected. In the first eight months of the current fiscal year (ending March 31), the deficit dropped to \$17.3 billion from \$26.0 billion in the same period a year ago. Even with some deterioration in the final four months of FY11/12, it still looks like Ottawa will come in well below the latest \$31 billion deficit estimate for the full year, and could even challenge next year's target of \$26.4 billion, with the 12-month running tally right around

CHART 1
STIMULUS TAPS OFF
Canada



* Government consumption + government capital spending

CHART 2
GOVERNMENT HIRING: FULL CIRCLE
Canada (% of total employment)

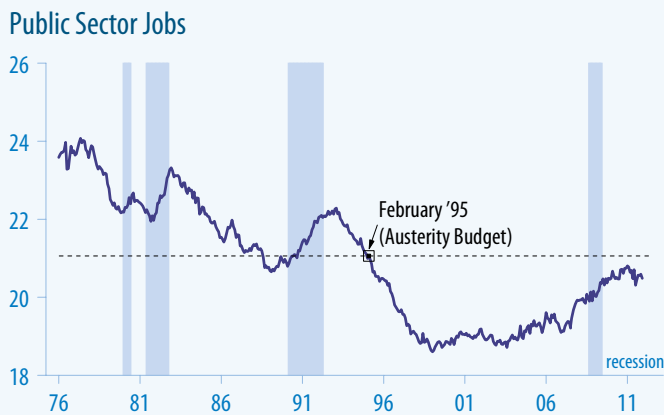
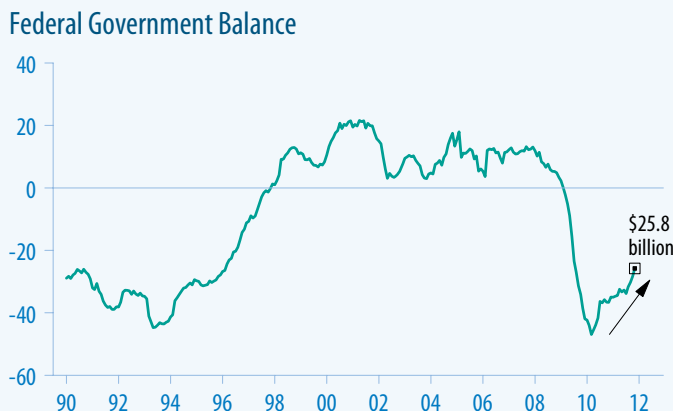


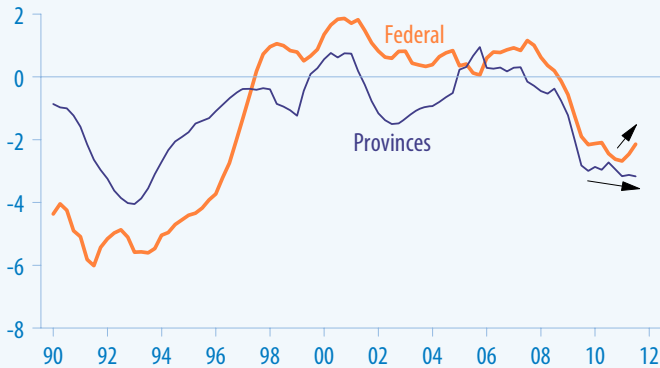
CHART 3
OTTAWA'S BALANCE: QUIETLY IMPROVING
Canada (C\$ blns : 12-mnth m.s.)



**CHART 4
FEDERAL/PROVINCIAL: SPLIT DECISION**

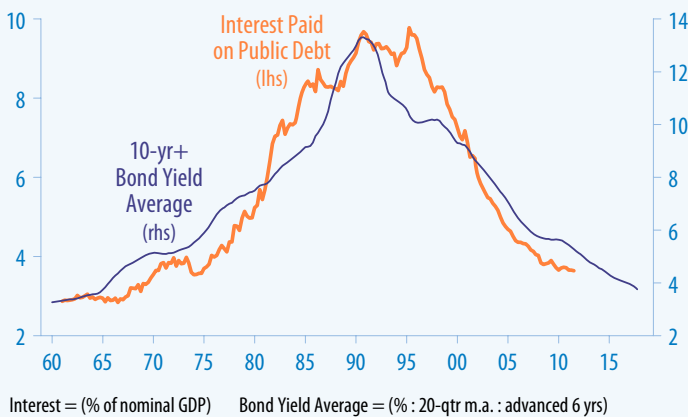
Canada (% of GDP : 4-qtr m.a.)

Government Net Lending



**CHART 5
THE BIGGEST WINNER FROM “LOW FOR LONG”**

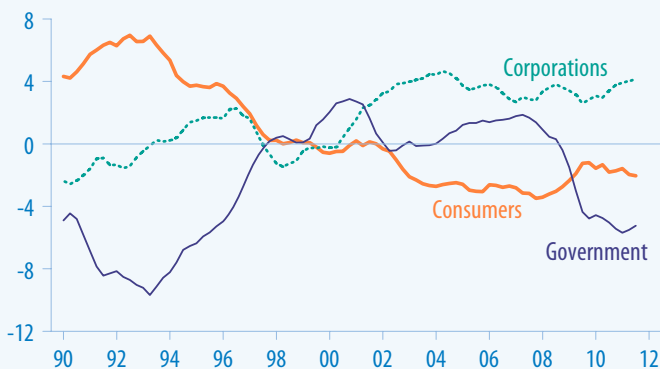
Canada



**CHART 6
WHO’S BORROWING / WHO’S LENDING?**

Canada (% of nominal GDP : 4-qtr m.s.)

Net Lending



that level now (Chart 3). That represents less than 1.7% of GDP, or a quarter of the latest estimate of this year’s deficit in Washington (7% of GDP, or US\$1.08 trillion).

Of course, Canada’s fiscal story does not end in Ottawa. While the federal deficit is receding largely on schedule, such is not the case at the provincial level (Chart 4). The combined reported budget deficit among the 10 provinces is headed for \$26.8 billion this year, the largest shortfall on record, even after more than two years of recovery. Perhaps more notably, the widely reported provincial deficits represent only a portion of their broader borrowing requirements. Indeed, net borrowing by the provinces is on track to exceed \$50 billion this fiscal year, after topping \$52 billion in FY10/11. The gap between reported deficits and net borrowing needs largely reflects capital spending requirements, which ran up significantly due to the stimulus spending of recent years. For example, over the past four years, the combined reported provincial deficits have been \$75 billion, while net provincial debt has climbed \$160 billion in that time (more than half in Ontario). So, while much of the focus has been on Ottawa’s deficit fight, the provinces in fact face a bigger challenge—a reality which is certainly not lost on the ratings agencies.

The good news is that Canada’s relatively healthy fiscal position has rewarded the public sector with incredibly favourable borrowing terms. Long-term interest rates are still probing historic lows, with long-term GOC yields averaging a post-war low in the past two months. While provincial spreads have widened since last summer, the absolute level of yields have nevertheless tumbled. This sustained decline has chopped the interest bill for all levels of government to less than 4% of GDP from a mid-1990s peak of nearly 10% (Chart 5). And, with higher cost debt steadily rolling over, the interest tab should go lower still in coming years, even with a heavier stock of debt.

Bottom Line: A gradual reversal of stimulus remains an appropriate policy stance for most levels of government in Canada, given that net borrowing requirements are now not that different from the bad old days of the early 1990s (Chart 6). However, the very favourable borrowing climate and the soggy economic outlook suggest that there is little urgency to crank up the pace of restraint, with the exception of the most pressed provinces.

CANADA	2011				2012				ANNUAL		
	I	II	III	IV	I	II	III	IV	2010	2011	2012
Real GDP (q/q % chng : a.r.)	3.5	-0.5	3.5	1.4 ↓	1.7	2.2	2.4	2.7	3.2	2.3	2.0
Consumer Price Index (y/y % chng)	2.6	3.4	3.0	2.7	2.3	2.2	2.4	2.1	1.8	2.9	2.3
Unemployment Rate (%)	7.7	7.5	7.2	7.4	7.6 ↑	7.5	7.5 ↑	7.4 ↑	8.0	7.5	7.5 ↑
Housing Starts (000s : a.r.)	177	192	205	199	186	181	181	182	191	193	182
Current Account Balance (\$blns : a.r.)	-41.3	-64.5	-48.5	-49.8	-52.1	-50.5	-50.5	-48.8	-50.9	-51.0	-50.5
Interest Rates (average for the quarter : %)											
Overnight Rate	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.60	1.00	1.00
3-month Treasury Bill	0.95	0.95	0.88	0.86	0.84 ↑	0.85 ↑	0.85 ↑	0.85 ↑	0.56	0.91	0.85 ↑
10-year Bond	3.31	3.16	2.53	2.13	1.96 ↓	1.91	2.03	2.23	3.24	2.78	2.03 ↓
Canada/U.S. Interest Rate Spreads (average for the quarter : bps)											
90-day	82	90	86	84	81 ↑	82 ↑	82 ↑	82 ↑	42	86	82 ↑
10-year	-15	-5	10	9	3	9	8	6	2	0	7
UNITED STATES											
Real GDP (q/q % chng : a.r.)	0.4	1.3	1.8	2.8	2.5 ↑	2.2 ↓	2.7 ↓	2.9	3.0	1.7	2.4 ↑
Consumer Price Index (y/y % chng)	2.2	3.3	3.8	3.3	2.5	2.2	2.0	2.2	1.6	3.1	2.2
Unemployment Rate (%)	9.0	9.1	9.1	8.7	8.4 ↓	8.3 ↓	8.2 ↓	8.0 ↓	9.6	8.9	8.2 ↓
Housing Starts (mlns : a.r.)	0.58	0.57	0.62	0.66	0.67	0.70	0.71	0.71	0.58	0.61	0.70
Current Account Balance (\$blns : a.r.)	-478	-499	-441	-461 ↑	-461 ↑	-464 ↑	-468 ↑	-468 ↑	-471	-470 ↑	-465 ↑
Interest Rates (average for the quarter : %)											
Fed Funds Target Rate	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
3-month Treasury Bill	0.13	0.05	0.03	0.01	0.03	0.03	0.03	0.03	0.14	0.05	0.03
10-year Note	3.46	3.21	2.43	2.05	1.93	1.82	1.95	2.18	3.21	2.79	1.97
EXCHANGE RATES (average for the quarter)											
US\$/C\$	101.4	103.4	102.1	97.8	98.0 ↑	95.2	96.8	99.2	97.1	101.2	97.3 ↑
C\$/US\$	0.986	0.967	0.979	1.023	1.020	1.050	1.033	1.008	1.030	0.989	1.028
¥/US\$	82	82	78	77	77	77	78	80	88	80	78
US\$/Euro	1.37	1.44	1.41	1.35	1.28	1.25	1.28	1.33	1.33	1.39	1.29
US\$/£	1.60	1.63	1.61	1.57	1.55	1.53	1.55	1.59	1.55	1.60	1.55

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

CANADA

Benjamin Reitzes, Senior Economist

Building Permits

Tuesday, 8:30 am

Dec. (e) +1.0%
Nov. -3.6%

Housing Starts

Wednesday, 8:15 am

Jan. (e) 190,000 a.r. (-5.0%)
Consensus 191,500 a.r. (-4.2%)
Dec. 199,900 a.r. (+7.7%)

New Housing Price Index

Thursday, 8:30 am

Dec. (e) +0.2% +2.6% y/y
Nov. +0.3% +2.5% y/y

Merchandise Trade Balance

Friday, 8:30 am

Dec. (e) +\$0.3 bln
Consensus +\$0.7 bln
Nov. +\$1.1 bln

This trio of housing releases is expected to be consistent with a cooling, not collapsing, Canadian housing market. Building permits are expected to rise about 1% in December, retracing part of the prior month's losses. A modest gain in the non-residential sector should offset a pullback on the residential side. Housing starts look to fall 5.0% to 190,000 units annualized in January, just a snick below last year's average. Multi-unit starts are expected to account for much of the decline, as singles look to be little changed, consistent with the trend over the past year. Lastly, new home prices likely saw another month of modest gains in December (+0.2%), which would lift the yearly increase a tick to 2.6%—a 15-month high, but nothing to get excited about.

Canada's merchandise trade balance has yo-yoed from deficit to surplus over the past four months. That trend looks to end in December with a \$300 mln trade surplus expected (narrowing from \$1.1 bln in the prior month), which would mark the first back-to-back monthly surplus in a year. With oil and gas extraction pulling back in November due to maintenance, leading to the disappointing GDP report, we're anticipating a modest decline in energy exports. Non-energy exports look to remain flat, with improvements in the auto sector offset by softness elsewhere and modestly lower prices. Imports are expected to hold steady amid softening Canadian consumer demand. Our call would leave the 2011 deficit at \$1.2 bln, a significant improvement from 2009 and 2010, but still a far cry from the huge surpluses over the prior two decades.

UNITED STATES

Sal Guatieri, Senior Economist

Goods & Services Trade Deficit

Friday, 8:30 am

Dec. (e) \$47.8 bln
Consensus \$48.1 bln
Nov. \$47.8 bln

The U.S. trade deficit is expected to remain steady at \$47.8 billion in December, slightly above the year-to-date mean. Improved competitiveness should help exports rebound after two straight declines, though weakness in the advanced economies and recession-bound Europe will weigh. While firmer oil prices will pump import values, a dip in consumer spending flags slower volume growth than in November. On a year-over-year basis, imports have outrun exports (13% vs. 10%), causing the trade deficit to widen (notably against China and the Euro area), though it looks to have stabilized recently. After shaving a fraction from Q4 GDP, trade is expected to support growth slightly this year. The U.S. current account deficit probably rose modestly in Q4 to 3.0% of GDP, though this is still consistent with a steady net external-debt ratio in the long term.

	FEB 3 *	JAN 27	CHANGE FROM: (BASIS POINTS)		
			WEEK AGO	4 WEEKS AGO	DEC. 31/11
Canadian Money Market					
Call Money	1.00	1.00	0	0	0
Prime Rate	3.00	3.00	0	0	0
U.S. Money Market					
Fed Funds (effective)	0.25	0.25	0	0	0
Prime Rate	3.25	3.25	0	0	0
3-Month Rates					
Canada	0.89	0.86	3	11	7
United States	0.08	0.05	3	7	7
Japan	0.20	0.10	10	10	10
Eurozone	1.10	1.14	-4	-19	-25
United Kingdom	1.08	1.08	-1	-1	0
Australia	4.59	4.59	0	0	0
Bond Markets					
2-year Bond					
Canada	1.03	0.99	3	10	7
United States	0.24	0.21	2	-2	-1
10-year Bond					
Canada	2.02	1.98	4	9	8
United States	1.94	1.89	5	-2	6
Japan	0.94	0.97	-2	-3	-4
Germany	1.93	1.86	8	8	11
United Kingdom	2.18	2.07	12	17	21
Australia	3.71	3.81	-10	-8	5
Risk Indicators					
VIX	16.9	18.5	-1.7 pts	-3.8 pts	-6.5 pts
TED Spread	45	50	-5	-13	-12
Inv. Grade CDS Spread **	99	100	-1	-21	-21
High Yield CDS Spread **	553	561	-7	-111	-126
Currencies					
				(% CHANGE)	
US\$/C\$	100.42	99.82	0.6	3.3	2.6
C\$/US\$	0.996	1.002	—	—	—
¥/US\$	76.61	76.70	-0.1	-0.5	-0.4
US\$/Euro	1.3110	1.3220	-0.8	3.1	1.2
US\$/£	1.578	1.573	0.3	2.3	1.5
US\$/A\$	107.62	106.58	1.0	5.2	5.4
Commodities					
CRB Futures Index	312.61	317.81	-1.6	1.0	2.4
Oil (generic contract)	97.10	99.56	-2.5	-4.4	-1.8
Natural Gas (generic contract)	2.49	2.76	-9.6	-18.6	-16.7
Gold (spot price)	1738.43	1739.07	0.0	7.4	11.2
Equities					
S&P/TSX Composite	12595	12467	1.0	3.3	5.4
S&P 500	1342	1316	1.9	5.0	6.7
Nasdaq	2898	2817	2.9	8.4	11.2
Dow Jones Industrial	12843	12660	1.4	3.9	5.1
Nikkei	8832	8841	-0.1	5.3	4.5
Frankfurt DAX	6758	6512	3.8	11.6	14.6
London FT100	5898	5733	2.9	4.4	5.8
France CAC40	3413	3319	2.8	8.8	8.0
S&P ASX 200	4251	4288	-0.9	3.5	4.8

* as of 10:30 am ** One day delay

JAPAN

EUROZONE

U.K.

OTHER

MONDAY FEBRUARY 6
Machine Tool Orders *

Jan. P	
Dec.	+17.4% y/y

GERMANY
Factory Orders

Dec. (e)	+1.0%	-0.4% y/y
Nov.	-4.8%	-4.3% y/y

Netherlands and France sell TBills

A U S T R A L I A
Retail Sales

Dec. (e)	+0.2%
Nov.	unch

TUESDAY FEBRUARY 7
Leading Index

Dec. P (e)	93.8
Nov.	93.2

GERMANY
Industrial Production

Dec. (e)	unch	+4.4% y/y
Nov.	-0.6%	+3.6% y/y

FRANCE
Trade Deficit

Dec. (e)	€5.4 bln
Nov.	€4.4 bln

Netherlands sells Bonds

Greece sells TBills

A U S T R A L I A

 Reserve Bank of Australia Monetary
Policy Meeting

WEDNESDAY FEBRUARY 8
Current Account Surplus

Dec. '11 (e)	¥340 bln
Dec. '10	¥1.2 trln

Trade Balance

Dec. '11 (e)	¥135 bln
Dec. '10	+¥764 bln

Bank Lending ex. Trusts

Jan.	
Dec.	+0.5% y/y

GERMANY
Trade Surplus

Dec. (e)	€13.7 bln
Nov.	€16.2 bln

Germany sells Bonds

Bank of England Monetary Policy Meeting (February 8-9)

A U S T R A L I A
Westpac Consumer Confidence

Feb.	
Jan.	+2.4%

THURSDAY FEBRUARY 9
Machine Orders

Dec. (e)	-5.0%	+8.5% y/y
Nov.	+14.8%	+12.5% y/y

Consumer Confidence

Jan. (e)	38.5
Dec.	38.9

ECB Monetary Policy Meeting

Industrial Production

Dec. (e)	+0.2%	-3.1% y/y
Nov.	-0.7%	-3.1% y/y

Manufacturing Production

Dec. (e)	+0.2%	+0.3% y/y
Nov.	-0.2%	-0.6% y/y

	Trade Deficit	Non-EU
Dec. (e)	£8.6 bln	£5.0 bln
Nov.	£8.6 bln	£5.0 bln

C H I N A
Consumer Price Index

Jan. (e)	+4.0% y/y
Dec.	+4.1% y/y

Producer Price Index

Jan. (e)	+0.7% y/y
Dec.	+1.7% y/y

FRIDAY FEBRUARY 10
Corporate Goods Price Index

Jan. (e)	+0.1%	+0.8% y/y
Dec.	+0.1%	+1.3% y/y

GERMANY
Consumer Price Index

Jan. F (e)	-0.5%	+2.3% y/y
Dec.	+0.7%	+2.3% y/y

FRANCE
Industrial Production

Dec. (e)	-0.8%	-0.6% y/y
Nov.	+1.1%	+0.9% y/y

Manufacturing Production

Dec. (e)	-1.0%	+0.9% y/y
Nov.	+1.3%	+2.2% y/y

I T A L Y
Industrial Production

Dec. (e)	-0.5%	+4.4% y/y
Nov.	+0.3%	-4.1% y/y

Belgium sells Bonds

Producer Price Index—Output

Jan. (e)	+0.1%	+3.7% y/y
Dec.	-0.2%	+4.8% y/y

C H I N A
Trade Surplus *

Jan. (e)	\$10.7 bln
Dec.	\$16.5 bln

New Yuan Loans *

Jan. (e)	1,000 bln
Dec.	641 bln

M2 Money Supply *

Jan. (e)	+13.6% y/y
Dec.	+13.6% y/y

A U S T R A L I A

 Reserve Bank of Australia Monetary
Policy Statement

CANADA

MONDAY FEBRUARY 6

10:00 am Ivey Purchasing Managers' Index (s.a.)
Jan. (e) 60.0
 Dec. 63.5

12:00 pm CREA unveils MLS Home Price Index (new)

UNITED STATES

11:00 am 4-week bill auction announcement

11:00 am **Fed buying \$1.50-2.00 bln bonds (Feb. 2036-Nov. 2041)**

11:30 am 13- & 26-week bill auction \$64.0 bln

TUESDAY FEBRUARY 7

7:50 am BoC Senior Deputy Governor Macklem speaks in Toronto

8:30 am Building Permits
Dec. (e) +1.0%
 Nov. -3.6%

7:45 am ICSC Same-Store Sales Feb. 4
 Jan. 28 (mtd) -3.3% m/m +2.9% y/y

8:55 am Redbook Same-Store Sales Feb. 4
 Jan. 28 (mtd) -1.8% m/m +2.7% y/y

10:00 am IBD/TIPP Economic Optimism Index
Feb. (e)
 Jan. 47.5

10:00 am Job Openings & Labor Turnover Survey (JOLTs) - Dec.

3:00 pm Consumer Credit
Dec. (e) +\$7.0 bln *
 Nov. +\$20.4 bln

11:00 am Fed selling \$1.00-1.50 bln TIPS (July 2012-Feb. 2015)

11:30 am 4-week bill auction

11:30 am 52-week bill auction \$26.0 bln

1:00 pm 3-year note auction \$32.0 bln

WEDNESDAY FEBRUARY 8

8:15 am Housing Starts
Jan. (e) 190,000 a.r. (-5.0%)
Consensus 191,500 a.r. (-4.2%)
 Dec. 199,900 a.r. (+7.7%)

12:05 pm 2-year bond auction \$3.5 bln
 (New cash \$3.5 bln)

7:00 am MBA Mortgage Apps Feb. 3
 Jan. 27 -2.9%

11:00 am **Fed buying \$1.50-2.00 bln bonds (Feb. 2036-Nov. 2041)**

1:00 pm 10-year note auction \$24.0 bln

2:00 pm **Fed selling \$8.00-8.75 bln notes (June 2013-Nov. 2013)**

THURSDAY FEBRUARY 9

8:30 am New Housing Price Index
Dec. (e) +0.2% +2.6% y/y
 Nov. +0.3% +2.5% y/y

Alberta Budget

5-year bond auction announcement

8:30 am Initial Claims Feb. 4 (e) 370k (+3k) *
 Jan. 28 367k (-12k)

8:30 am Continuing Claims Jan. 28 (e) 3,525k (+88k) *
 Jan. 21 3,437k (-130k)

9:45 am Bloomberg Consumer Comfort Index
Feb. 5
 Jan. 29 -44.8

10:00 am Wholesale Inventories
Dec. (e) +0.7%
Consensus +0.5%
 Nov. +0.1%

11:00 am 13- & 26-week bill auction announcement

11:00 am 30-year TIPS auction announcement

11:00 am **Fed buying \$4.25-5.00 bln notes (Feb. 2018-Nov. 2019)**

1:00 pm 30-year bond auction \$16.0 bln

FRIDAY FEBRUARY 10

8:30 am Merchandise Trade Balance
Dec. (e) +\$0.3 bln
Consensus +\$0.7 bln
 Nov. +\$1.1 bln

8:30 am Goods & Services Trade Deficit
Dec. (e) \$47.8 bln
Consensus \$48.1 bln
 Nov. \$47.8 bln

9:55 am Univ. of Michigan Consumer Sentiment

Feb. P (e) 73.0
Consensus 74.0
 Jan. 75.0

2:00 pm Budget Deficit
Jan. '12 (e) \$62.5 bln *
 Jan. '11 \$49.8 bln

11:00 am **Fed buying \$1.00-1.50 bln TIPS (July 2018-Feb. 2041)**

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