ECONOMIC RESEARCH

BMO Capital Markets

DR. SHERRY COOPER Chief Economist

OCTOBER 2, 2009

focus

A Weekly Financial Digest

FEATURE ARTICLE, PAGE 5

Can Stocks Earn Their Keep?

- U.S. Payrolls Disappoint, Jobless Rate Hits 26-Year High
- Canada's Economy Stalled in July
- U.S. Housing Gaining Traction
- U.S. Auto Sales Slump Post-Clunkers
- Global Equity Markets and Commodities Go Into Reverse

1-800-613-0205
www.bmonesbittburns.com/economics

Remaking the Retirement Plan, Post-Crisis

(Published in the October 2009 issue of the *US Banker* magazine)

SHERRY COOPER

Well before the financial crisis and recession, the traditional concept of retirement was outmoded—dashed by the rise in longevity and the enormous changes in social and cultural mores wrought by the generation born between 1946 and 1965. Boomers came of age rebelling against their parents' political and social views. Boomers were the generation that coined the concept of the generation gap. So why would we expect them to follow in their parents' retirement footsteps? *[Continued in the October 2009 issue of US Banker]*

Reprinted with Permission from *US Banker*

Read the complete article on the web, available on the *US Banker* web site at the following link: *http://www.americanbanker.com/usb_issues/119_10/remaking-the-retirement-plan-post-crisis-1002130-1.html*

Sherry

DOUGLAS PORTER

Just last week, we asserted in this very space that indications were that *"the market may now be much more sensitive to downside economic surprises, raising the stakes on the trifecta of key U.S. releases for September—auto sales, ISM and employment"*. Indeed. Even the slimmest of slippage in the ISM was enough to send stocks careening lower to start October, with the employment report piling on with a much more sinister deterioration last month. Quite frankly, the dip in the ISM means very little, as its recent strength was likely overstating the rebound in manufacturing in any event, and a reading of 52.6 is still consistent with quite solid overall growth. However, the deeper 263,000 drop in September payrolls is a less-trivial consideration, especially since the household survey showed a decline three times as large. We've had head-fakes before—June jobs took a big step back, and then the underlying improvement began again. Still, investors appear suddenly much less forgiving now on any sidesteps by the recovery, especially after the Dow just reeled off its best quarter of the decade (rising 15% in Q3).

The shockwaves from the string of soggy U.S. results for September rolled across all markets, with the TSX dropping below 11,000 for the first time in a month, the Canadian dollar backing off again, and oil retreating after pushing above $70. Meantime, bonds feasted on the series of sour news, with 10-year Treasury yields falling to their lowest level since mid-May at below 3.2%—many fathoms away from the 4% peak hit in early June. While some Fed officials have been pounding the hawkish war drums in recent days, warning that rates may need to rise sooner than expected, the latest batch of economic news points to precisely zero rush on the rate front.

SAL GUATIERI

U.S. equity markets may have racked up their finest third quarter in seven decades, but the low hanging fruit has almost certainly been picked, as the last few days can attest. Less-bad news no longer will sustain the rally, as the economy must now prove it can sustain a recovery. But the mish-mash of indicators released this week, showing the economy took two steps forward in the summer and a big step back in early fall, was less than inspiring. The good news is that the housing revival appears to rest on terra firma, though there is some concern about its staying power when (if) the first-time homebuyers tax credit is allowed to expire in late November. Pending home sales jumped 6.4% in August, a seventh straight monthly gain (totalling 29%). Firmer demand has put a floor under house prices, with the Case-Shiller index accelerating for the third straight month to July. Rising home sales may have spurred the surprisingly broad advance in August consumer spending, with real expenditures ex-new motor vehicle purchases up a solid 0.4%.

But the consumer sugar-high is wearing off. Although weekly chain-store sales have improved somewhat, unit auto sales more than reversed in September to pre-clunker levels, suggesting some demand was pulled forward and underlying demand remains stuck in neutral. The employment and income backdrop remains dire, with nonfarm payroll declines showing only gradual signs of slowing. The worst job losses of any recession in the postwar era, and three straight monthly declines in real disposable income, explain the latest setback in consumer confidence. Moreover, the recent 3% personal savings rate is simply unsustainable, and likely needs to double to restore household debt ratios to manageable levels. In all likelihood, consumer spending will retrench in Q4 following an estimated 3% annualized spurt in Q3. Thankfully, there should be enough support from other areas—exports, inventory rebuilding, government spending and perhaps residential construction—to keep the economy limping forward, dragging the consumer ball-and-chain.

BENJAMIN REITZES

Governor Carney's latest speech had a little something for both hawks and doves, but taken with the soft GDP data, this week's events lean towards the doves. On the hawkish side, Carney noted that the Bank's outlook for second-half growth in Canada and globally will likely be revised up in the October MPR, due to short-term positives such as inventory rebuilding. However, following the unexpectedly flat July GDP reading, the upgrade to Canada's growth forecast could be put on ice. The Bank's July MPR called for real GDP growth of 1.3% in Q3, versus recent consensus numbers of around 2.5%, though even their prior call looks to be in jeopardy following the July figures. Carney also raised many questions about the medium-term outlook. 1) Will foreign demand provide support? Tepid U.S. growth will limit demand for Canadian exports, which should push Canada towards emerging markets. *"However, the ability of emerging markets to sustain more vigorous growth in domestic demand remains an open question."* 2) How solid is the improvement in Canada's domestic economy? Beyond the near-term, the Governor was less than convinced…*"contribution from inventories will be temporary…Housing should provide some near-term strength, but the degree of pent-up demand appears limited."* The ability of households (which *"require improved labour market conditions"*) and business (dependent on the *"perception of external conditions"*) to take the growth baton from government was also questioned.

Carney's speech confirms that the Bank is in no hurry to tighten. Indeed, the output gap is the widest *"since the recession of the early 1980s…and will moderate inflationary pressures during the initial phase of recovery."* That should allow the Bank to keep its "conditional commitment" to hold rates steady until June 2010.

Jennifer Lee, Economist

CANADA

- BoC Governor Carney warns burden of growth will soon shift back to private sector
- IMF forecasts Canada to lead G-7 growth in 2010

UNITED STATES

- Nonfarm payrolls a setback to recovery hopes
- "*Cash-for-Clunkers hangover*"
- Fed Chairman Bernanke calls on "*all federal financial supervisors and regulators—not just the Federal Reserve*" to help protect against systemic risks

EUROPE

- € weakens after EU's Almunia said € appreciation to be discussed at weekend G-7 meeting in Istanbul
- BoE's Credit Conditions Survey indicates credit availability increased (Q3)

JAPAN

- Mixed messages from MoF on JPY's strength

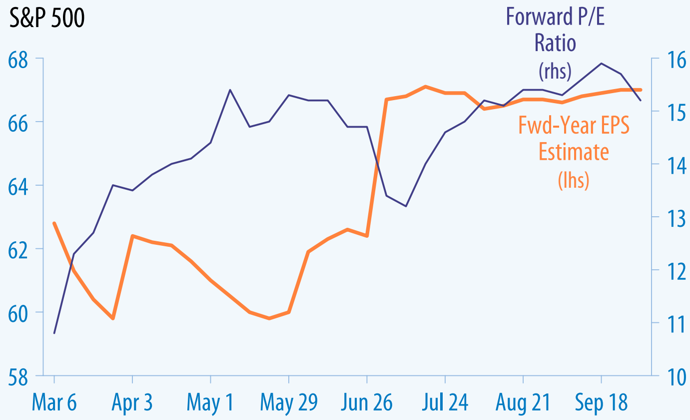
AUSTRALIA

- Likelihood of RBA rate hike before year end grows

	GOOD NEWS	BAD NEWS
CANADA	**Conference Board's Consumer Confidence Index** +2.5 pts to 90.9 (Sep.) **Industrial Product Prices** +0.5% (Aug.) **Average Weekly Earnings** +1.6% y/y (July)	**Real GDP at Basic Prices** unch (July) **Auto Sales** -3.5% y/y (Sep.) **Raw Material Prices** +3.7% (Aug.) **Ottawa's Budget Deficit** $5.8 bln (July)
U.S.	**S&P Case-Shiller House Prices** +1.2% s.a. (July) **Pending Home Sales** +6.4% (Aug.) **Construction Spending** +0.8% (Aug.) **Business Roundtable CEO Economic Outlook Survey** +26.4 pts to 44.9 (Q3)—one-year high **Redbook** +0.4% (Sep. 26 wk) **Real GDP** revised up to -0.7% a.r. (Q2 F) **Real Personal Spending** +0.9% (Aug.) **Average Hourly Earnings** +0.1% (Sep.)	**Nonfarm Payrolls** -263,000 (Sep.) **Jobless Rate** +0.1 ppts to 9.8% (Sep.) **Conference Board's Consumer Confidence Index** -1.4 pts to 53.1 (Sep.) **Auto Sales** plunge to 9.2 mln units a.r. (Sep.) **Manufacturing ISM** -0.3 pts to 52.6 (Sep.) **Chicago PMI** -3.9 pts to 46.1 (Sep.) **Initial Claims** +17,000 to 551,000 (Sep. 26 wk) **Factory Orders** -0.8% (Aug.)
EUROPE	**Eurozone—Economic Confidence** +2 pts to 82.8 (Sep.) **Eurozone—Manufacturing PMI** +0.3 pts to 49.3 (Sep. F) **Eurozone—Consumer Prices** -0.3% y/y (Sep. P) **Germany—Unemployment** -12,000 (Sep.) **U.K.—GfK Consumer Confidence** +9 pts to -16 (Sep.) **U.K.—Nationwide House Prices** +0.9% (Sep.)	**Eurozone—Jobless Rate** +0.1 ppts to 9.6% (Aug.) **Eurozone—Producer Prices** +0.4% (Aug.) **Germany—Retail Sales** -1.5% (Aug.) **U.K.—Manufacturing PMI** -0.2 pts to 49.5; **Construction PMI** -1 pt to 46.7 (Sep.)
JAPAN	**Tankan Survey** +15 pts to -33 (Q3) **Manufacturing PMI** +0.9 pts to 54.5 (Sep.) **Industrial Production** +1.8% (Aug. P) **Retail Sales** +1.0% (Aug.) **Jobless Rate** -0.2 ppts to 5.5% (Aug.) **Household Spending** +2.6% y/y (Aug.)	**Consumer Prices** -2.2% y/y (Aug.)
AUSTRALIA	**Retail Sales** +0.9% (Aug.) **Manufacturing PMI** +0.3 pts to 52.0 (Sep.)	**Building Approvals** -0.1% (Aug.)

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

CHART 1
DISSECTING THE RALLY
S&P 500



Fwd-Year EPS Estimate = (US$)

CHART 2
COST CUTS GONE WILD
United States (y/y % chng)

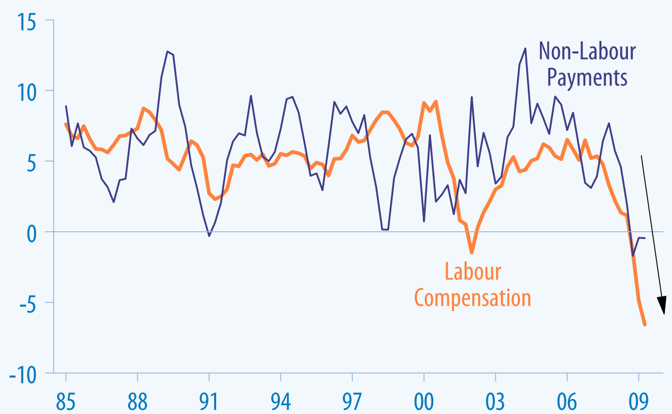
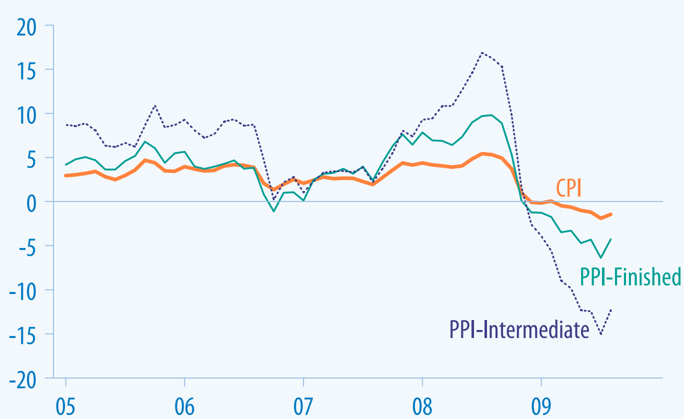


CHART 3
PRICING WEAK, COSTS WEAKER
United States (y/y % chng)



Can Stocks Earn Their Keep?

Robert Kavcic, Economist

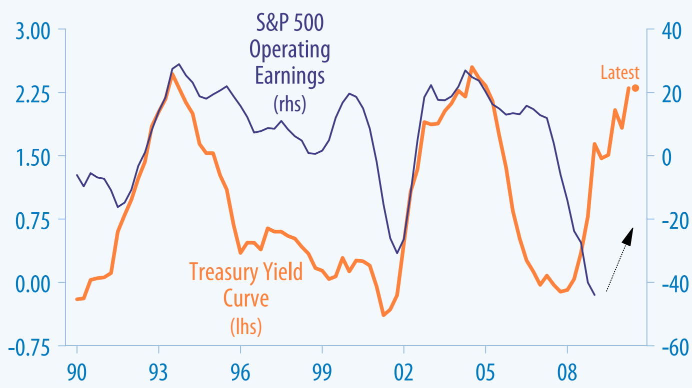
Following the blistering 7-month rally of nearly 60%, stocks now appear to require some solid earnings gains to keep up the momentum. Yet, the consensus view is that we're in for a tepid economic recovery, leaving the recent run-up in stocks with what many view as an unjustifiably high valuation. However, equity market valuations are hardly stretched, and as we head into the Q3 earnings season, the recovery in corporate profits has the potential to surprise to the upside.

Since the S&P 500 bottomed in March, both forward-year earnings expectations and the p/e multiple have expanded, with the multiple doing most of the work. Forward-year earnings expectations were $62.8 on March 6th, and have since risen about 7% to $67. Meantime, the p/e multiple on these earnings was 10.8 at the market bottom, and has since expanded to 15.2 today (*Chart 1*). However, almost all of the multiple expansion took place in the two months immediately following the market bottom, likely a re-normalizing of depression-risk valuations. Since that point, underlying earnings have taken over, with forward-year expectations rising about $7 while the p/e multiple has been little-changed. So, the equity market story in recent months isn't so much one of stretched valuations, but rather one of an expected earnings recovery—and there are a number of factors that suggest it could be solid.

Cost cuts: Cost cutting in the corporate sector has been rampant in recent quarters. Total labour compensation in the U.S. business sector was down 6.6% y/y in Q2, the steepest decline in the postwar era (*Chart 2*). However, payrolls aren't the only thing that have been slashed as non-labour payments have registered the steepest one-year decline since the early-1980s. This has helped to boost earnings in recent quarters, and sets the stage for a levered recovery once demand revives—this operating leverage will allow a bigger portion of revenues to flow directly to the bottom line. IBM might have said it best in their Q2 earnings report: *"When revenue growth becomes a tailwind, the operating leverage we've created will really come through".*

Pricing power: There is still plenty of slack in the global economy, and with U.S. consumers repairing their

CHART 4
JUICY YIELD CURVE



Operating Earnings = (4-qtr m.s. : y/y % chng)   Treasury Yield = 10 Year - 2 Year (ppts)

CHART 5
COMMODITY PRICES INCREASE CANADIAN PROFITS
Canada (q/q % chng : a.r.)

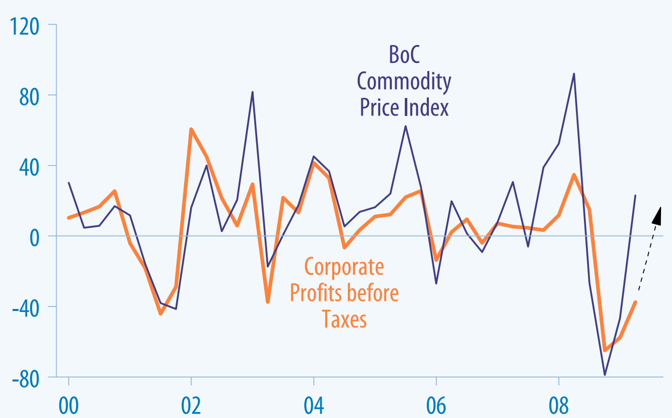
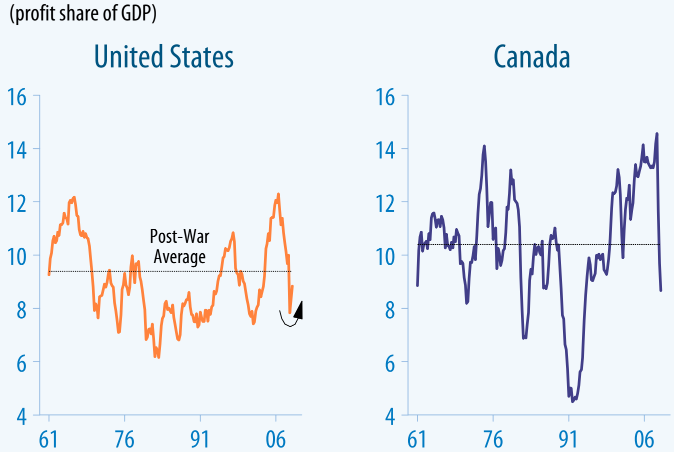


CHART 6
MARGINS EXPANDING AGAIN?
(profit share of GDP)



finances, corporations face the risk of deteriorating pricing power. However, while top-line consumer prices are down year-over-year for the first time since the 1950s, prices have fallen even faster along the production pipeline (*Chart 3*). At the same time, the weak U.S. dollar has improved the pricing power of U.S. companies operating abroad, particularly in the industrial and technology sectors, which the upcoming Q3 earnings reports are likely to highlight. All told, weak input cost pressure and the depreciating U.S. dollar should help to offset weak pricing power, and support U.S. profit margins.

Yield curve: The spread between 10- and 2-year Treasuries widened to as high as 2.7 ppts, marking the steepest yield curve since at least 1980. A steep curve not only hints at economic recovery, but also juices profits in the financial sector (banks can borrow at the short end and lend at the long end). Indeed, a steep yield curve was a precursor to the last two strong post-recession profit recoveries in 1991 and 2002 (*Chart 4*), and currently hints at a similar rebound.

Commodity prices: From a Canadian perspective, commodity prices are a key driver of corporate profits, particularly on the TSX where energy and materials make up nearly half the index. The sharp rebound in commodity prices from the lows earlier this year should help drive a profit recovery (*Chart 5*).

Profit margins: Combining these factors suggests that profit margins might have bottomed in the first half of this year. In both Canada and the U.S., the profit share of GDP has fallen below the post-war average, leaving room for margin expansion (*Chart 6*)—we already saw the first sign of improvement in the U.S. in the second quarter. Importantly, even if the recovery in GDP is weak-to-average, as most expect, an expanding profit share could make the recovery in corporate earnings average-to-strong.

The Bottom Line: The recent rally in equity markets has been built largely on expectations of a recovery in corporate profits. While the consensus view on the economy seemingly argues otherwise, there are mounting signs that the earnings recovery could be on the strong side.

CANADA	2009 I	II	III	IV	2010 I	II	III	IV	ANNUAL 2008	2009	2010
Real GDP (q/q % chng : a.r.)	-6.1	-3.4	1.3 ↓	3.4 ↑	2.9	3.3	3.5	2.9	0.4	-2.4 ↓	2.6
Consumer Price Index (y/y % chng)	1.2	0.1	-0.9	0.7	1.2	1.4	1.9	1.7	2.4	0.3	1.5
Unemployment Rate (%)	7.6	8.4	8.7	9.2	9.3	9.2	8.9	8.7	6.1	8.5	9.0
Housing Starts (000s : a.r.)	140	128	143 ↑	149 ↑	142	143	142	153	211	140 ↑	145
Current Account Balance ($blns : a.r.)	-30.9	-44.8	-41.5	-42.8	-43.1	-44.6	-46.0	-46.3	8.1	-40.0	-45.0
Interest Rates (average for the quarter : %)											
Overnight Rate	0.83	0.25	0.25	0.25	0.25	0.25	0.58	1.08	2.96	0.40	0.54
3-month Treasury Bill	0.64	0.25	0.22	0.22	0.22	0.30 ↓	0.78 ↓	1.25 ↓	2.33	0.33	0.64 ↓
10-year Bond	2.89	3.20	3.42	3.30 ↓	3.43 ↓	3.54 ↓	3.65	3.76 ↑	3.61	3.20 ↓	3.60
Canada/U.S. Interest Rate Spreads (average for the quarter : bps)											
90-day	43	8	6	12 ↑	12 ↑	20 ↓	55 ↓	53 ↓	94	17	35 ↓
10-year	15	-11	-10	0 ↑	-7 ↑	-11 ↑	-15 ↑	-19 ↑	-6	-2	-13 ↑
UNITED STATES											
Real GDP (q/q % chng : a.r.)	-6.4	-0.7	3.8	2.7 ↓	2.3	2.5	2.7	2.9	0.4	-2.4 ↑	2.5
Consumer Price Index (y/y % chng)	-0.2	-0.9	-1.6	1.0	2.0	2.3	2.0	2.0	3.8	-0.4	2.1
Unemployment Rate (%)	8.1	9.2	9.6	10.0	10.2 ↑	10.0	9.9	9.8 ↑	5.8	9.2	10.0 ↑
Housing Starts (mlns : a.r.)	0.53	0.54	0.60	0.62	0.68	0.74	0.78	0.82	0.90	0.57	0.75
Current Account Balance ($blns : a.r.)	-418	-395	-409	-379	-375	-373	-369	-361 ↑	-706	-400	-370
Interest Rates (average for the quarter : %)											
Fed Funds Target Rate	0.13	0.13	0.13	0.13	0.13	0.13	0.25	0.75	1.86	0.13	0.31
3-month Treasury Bill	0.21	0.17	0.16	0.10 ↓	0.10 ↓	0.10 ↓	0.23 ↓	0.73	1.39	0.16	0.29 ↓
10-year Note	2.74	3.31	3.52	3.31 ↓	3.50 ↓	3.65 ↓	3.80 ↓	3.95	3.67	3.22 ↓	3.73 ↓
EXCHANGE RATES (average for the quarter)											
US¢/C$	80.3	85.6	91.1	94.3	96.5	98.4	100.3	100.3	94.3	87.8	98.9
C$/US$	1.245	1.168	1.097	1.061	1.037	1.017	0.997	0.997	1.067	1.143	1.012
¥/US$	94	97	94	94	96	97	98	100	103	95	98
US$/Euro	1.30	1.36	1.43	1.47 ↑	1.49 ↑	1.51 ↑	1.53 ↑	1.54	1.47	1.39 ↑	1.52 ↑
US$/£	1.44	1.55	1.64	1.66 ↓	1.70 ↓	1.75 ↓	1.79 ↓	1.84 ↓	1.85	1.57 ↓	1.77 ↓

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

CANADA

Douglas Porter, CFA, Deputy Chief Economist

Housing Starts

Thursday, 8:15 am

Sep. (e)	**148,000 a.r.**
Consensus	*146,500 a.r.*
Aug.	150,500 a.r.

After a nice bounce in Canadian home-building activity from the April low, we look for a small pullback in September. Housing starts had been chopped in half in the space of six months, dropping to just 118,500 at the low in April, before snapping back to 150,500 in August. That rebound broadly mirrors the overall swift recovery in Canada's housing market, although starts may dip in September to 148,000. We'll also see building permits for August earlier in the week, which will give an early read on the starts figure, as well as home sales results from a number of the largest cities. Calgary is the one city to report so far, with a moderate sales gain and an uptick in prices.

Employment

Friday, 7:00 am

Sep. (e)	**+5,000 (+0.03%)**
Consensus	*+10,000 (+0.1%)*
Aug.	+27,100 (+0.2%)
	Unemployment Rate
Sep. (e)	**8.8%**
Consensus	*8.8%*
Aug.	8.7%
	Average Hourly Wages
Sep. (e)	**+2.8% y/y**
Aug.	+3.3% y/y

In what truly ranks as an interesting report, we will see if Canada's surprising August job gain can be repeated in September—a month that saw U.S. job losses deepen. Our core view is that the nature of Canada's recovery is much more employment-friendly than the shape of the U.S. recovery, since Canada's is much more reliant on the turnaround in job-rich services (paced by domestic spending). And, we also believe that July's deep job loss may have been overstated by seasonal factors related to the student's summer job market, which could be reversed in September (that same effect contributed to a monster rise in Canadian payrolls a year ago). Even so, employment is unlikely to post another big gain, as the underlying economy remains too soft to generate solid job gains just yet. On balance, we look for a modest gain in employment, but probably even more so than usual for this bouncy series, there is the potential for a big surprise (with the risk to the high side, despite the U.S. result). Despite the expected gain, we would look for a modest one-tick rise in the unemployment rate to 8.8%, keeping it exactly a percentage point below its U.S. counterpart.

Merchandise Trade

Friday, 8:30 am

Aug. (e)	**-$1.3 bln**
Consensus	*-$0.8 bln*
July	-$1.4 bln

After posting one of the biggest deficits on record in July, Canada's merchandise trade picture probably did not shift significantly in August. The U.S. auto sales burst due to cash-for-clunkers came mainly out of inventories, so probably had little impact on exports. Commodity prices did rise further in the month, even in C$-terms, which should provide a small bump for exports. However, imports are likely powering up at least as fast as exports as Canadian domestic spending revives, which will keep the trade gap wide. Overall, look for the trade deficit to narrow only fractionally to $1.3 billion in August.

BoC Business Outlook and Senior Loan Officer Surveys

Friday, 10:30 am

The Bank of Canada's Q3 Business Outlook Survey (BOS) and its Survey of Senior Loan Officers will be most closely tracked for signs of some easing in credit conditions. Both surveys reported a second straight quarter of reduced tightening in previously very tight conditions in Q2, with both dipping to the lowest readings since the credit crisis first erupted in 2007Q3. Senior Loan Officers even reported a substantial easing in pricing in Q2. In addition, the BOS will be watched for further improvement in sales, employment, and capital spending prospects—the first two made remarkable gains in Q2, likely giving the Bank confidence to all but declare the recession over shortly after the survey results were made public in July.

UNITED STATES

Sal Guatieri, Senior Economist

ISM Non-Manufacturing

Monday, 10:00 am

Sep. (e)	**50.0**
Consensus	*50.0*
Aug.	48.4

The ISM non-manufacturing index continues to grind higher after touching record lows in November, led by an upturn in housing markets. The composite index should climb moderately to 50.0 in September, finally retracing all of its post-Lehman losses, and suggesting the broader economy has stabilized. Last month, six of 18 industries expanded output (led by real estate). While this is up from just one industry earlier this year, the broadening trend has stalled recently, a reflection of the "two-steps forward-one-step back" recovery. Look for the new orders index to breach 50, signalling sustained growth ahead.

Trade Deficit

Friday, 8:30 am

Aug. (e)	**$31.0 bln**
Consensus	*$32.1 bln*
July	$32.0 bln

After hovering near nine-year lows, the U.S. trade deficit widened sharply in July, as imports revved higher as purchases of consumer and capital goods showed surprising strength. Imports likely extended their gain in August amid a final spurt in auto sales and an increase in oil prices. But exports aren't slouching either, and are expected to extend a 25% annualized three-month gain on the back of rising global demand, a weakening greenback and an updraft in Boeing aircraft shipments. While rising exports should narrow the trade deficit modestly to $31 billion in August, the July setback suggests trade could subtract from real GDP growth in Q3 following a massive boost in the first half of the year.

	OCT 2 *	SEP 25	CHANGE FROM: (BASIS POINTS) WEEK AGO	4 WEEKS AGO	DEC. 31/08
Canadian Money Market					
Call Money	0.25	0.25	0	0	-125
Prime Rate	2.25	2.25	0	0	-125
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	0.22	0.24	-2	1	-61
United States	0.10	0.10	0	-3	2
Japan	0.20	0.15	5	6	0
Eurozone	0.75	0.74	1	-5	-214
United Kingdom	0.54	0.55	-1	-12	-223
Australia	3.31	3.29	2	-3	-154
Bond Markets					
2-year Bond					
Canada	1.20	1.28	-8	-8	10
United States	0.88	0.99	-11	-6	11
10-year Bond					
Canada	3.25	3.37	-12	-12	57
United States	3.19	3.32	-13	-25	98
Japan	1.25	1.32	-7	-8	8
Germany	3.13	3.26	-13	-12	18
United Kingdom	3.44	3.61	-17	-18	42
Australia	5.10	5.23	-13	-33	111
Currencies				(% CHANGE)	
US¢/C$	92.37	91.66	0.8	0.7	12.6
C$/US$	1.083	1.091	—	—	—
¥/US$	88.96	89.64	-0.8	-4.4	-1.9
US$/Euro	1.4623	1.4689	-0.4	2.3	4.7
US$/£	1.590	1.595	-0.3	-3.0	9.0
US¢/A$	86.67	86.80	-0.1	1.9	23.4
Commodities					
CRB Futures Index	254.61	250.50	1.6	2.8	10.9
Oil (generic contract)	69.73	66.02	5.6	2.5	56.3
Natural Gas (generic contract)	4.63	4.95	-6.4	69.7	-17.6
Gold (spot price)	1005.35	991.00	1.4	1.1	14.0
Equities					
S&P/TSX Composite	10995	11212	-1.9	-0.2	22.3
S&P 500	1026	1044	-1.8	0.9	13.6
Nasdaq	2055	2091	-1.7	1.8	30.3
Dow Jones Industrial	9480	9665	-1.9	0.4	8.0
Nikkei	9732	10266	-5.2	-4.5	9.8
Frankfurt DAX	5470	5581	-2.0	1.6	13.7
London FT100	4998	5082	-1.6	3.0	12.7
France CAC40	3650	3739	-2.4	1.4	13.4
S&P ASX 200	4602	4713	-2.4	3.7	23.6

* as of 10:30 am

ECONOMIC RESEARCH

OCTOBER 5 – OCTOBER 9

Global Calendar

MONDAY OCTOBER 5

EUROZONE

EUROZONE

Services PMI

Sep. F (e)	**50.6**	
Aug.	49.9	

Retail Sales

Aug. (e)	**-0.5%**	**-2.4% y/y**
July	-0.2%	-1.8% y/y

U.K.

Services PMI

Sep. (e)	**54.5**	
Aug.	54.1	

TUESDAY OCTOBER 6

U.K.

Industrial Production

Aug. (e)	**+0.2%**	**-8.7% y/y**
July	+0.5%	-9.3% y/y

Manufacturing Production

Aug. (e)	**+0.3%**	**-9.3% y/y**
July	+0.9%	-10.1% y/y

OTHER

AUSTRALIA

Trade Deficit

Aug. (e)	**A$0.9 bln**	
July	A$1.6 bln	

Reserve Bank of Australia Monetary Policy Meeting

WEDNESDAY OCTOBER 7

JAPAN

Leading Index

Aug. P (e)	**83.3**	
July	82.5	

EUROZONE

EUROZONE

Real GDP

Q2 F (e)	**-0.1%**	**-4.7% y/y**
Q1	-2.5%	-4.9% y/y

GERMANY

Factory Orders

Aug. (e)	**+1.1%**	**-20.0% y/y**
July	+3.5%	-19.8% y/y

U.K.

Nationwide Consumer Confidence

Sep. (e)	**68**	
Aug.	63	

THURSDAY OCTOBER 8

JAPAN

Current Account Surplus

Aug. '09 (e)	**¥1.1 trln**	
Aug. '08	¥1.1 trln	

Trade Balance

Aug. '09 (e)	+¥0.3 trln	
Aug. '08	-¥0.1 trln	

Machine Tool Orders

Sep. P		
Aug.	-71.5% y/y	

EUROZONE

GERMANY

Industrial Production

Aug. (e)	**+1.8%**	**-17.0% y/y**
July	-0.9%	-17.0% y/y

FRANCE

Trade Deficit

Aug. (e)	**€2.5 bln**	
July	€1.3 bln	

ECB Monetary Policy Meeting

U.K.

Bank of England Monetary Policy Meeting (October 7-8)

OTHER

AUSTRALIA

Employment

Sep. (e)	**-10,000**	
Aug.	-27,100	

Jobless Rate

Sep. (e)	**6.0%**	
Aug.	5.8%	

MEXICO

	CPI	**Core CPI**
Sep. (e)	**+0.6%**	**+0.4%**
Aug.	+0.2%	+0.2%

FRIDAY OCTOBER 9

JAPAN

Machine Orders

Aug. (e)	**+2.2%**	**-25.4% y/y**
July	-9.3%	-34.8% y/y

EUROZONE

GERMANY

Trade Surplus

Aug. (e)	**€12.0 bln**	
July	€13.9 bln	

Consumer Price Index

Sep. F (e)	**-0.4%**	**-0.4% y/y**
Aug.	+0.3%	-0.1% y/y

FRANCE

Industrial Production

Aug. (e)	**+0.3%**	**-13.3% y/y**
July	+0.1%	-13.0% y/y

Manufacturing Production

Aug. (e)	**+0.6%**	**-13.9% y/y**
July	+0.6%	-13.8% y/y

ITALY

Industrial Production

Aug. (e)	**+1.5%**	**-17.7% y/y**
July	+1.0%	-18.2% y/y

U.K.

Producer Price Index—Input

Sep. (e)	**-0.8%**	**-6.8% y/y**
Aug.	+2.2%	-7.5% y/y

Producer Price Index—Output

Sep. (e)	**+0.1%**	**-0.1% y/y**
Aug.	+0.2%	-0.4% y/y

	Trade Deficit	**Non-EU**
Aug. (e)	**£6.3 bln**	**£3.6 bln**
July	£6.5 bln	£3.9 bln

OTHER

MEXICO

Trade Deficit

Aug. F (e)	**$835 mln**	
July	$1.3 bln	

ECONOMIC RESEARCH

OCTOBER 5 – OCTOBER 9

North American Calendar

CANADA

MONDAY OCTOBER 5

Finance Minister Flaherty speaks in Istanbul

TUESDAY OCTOBER 6

8:15 am **Foreign Reserves**
Sep. (e) **+$4.5 bln**
Aug. +$8.2 bln

8:30 am **Building Permits**
Aug. (e) **+15.0%**
July -11.4%

10:00 am **Ivey Purchasing Managers' Index**
Sep. (e) **59.0**
Aug. 55.7

WEDNESDAY OCTOBER 7

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

THURSDAY OCTOBER 8

8:15 am **Housing Starts**
Sep. (e) **148,000 a.r.**
Consensus *146,500 a.r.*
Aug. 150,500 a.r.

3:50 pm BoC Deputy Governor Jenkins speaks in Vancouver

30-year bond auction announcement

FRIDAY OCTOBER 9

7:00 am **Employment**
Sep. (e) **+5,000 (+0.03%)**
Consensus *+10,000 (+0.1%)*
Aug. +27,100 (+0.2%)

7:00 am **Unemployment Rate**
Sep. (e) **8.8%**
Consensus *8.8%*
Aug. 8.7%

7:00 am **Average Hourly Wages**
Sep. (e) **+2.8% y/y**
Aug. +3.3% y/y

8:30 am **Merchandise Trade Balance**
Aug. (e) **-$1.3 bln**
Consensus *-$0.8 bln*
July -$1.4 bln

10:30 am BoC Business Outlook and Senior Loan Officer Surveys (Q3)

UNITED STATES

MONDAY OCTOBER 5

10:00 am **ISM Comp Index (non-mfg)**
Sep. (e) **50.0**
Consensus *50.0*
Aug. 48.4

1:00 pm 3 & 6-month T-bill auction $60.0 bln
(No new cash)

TUESDAY OCTOBER 6

8:55 am **Redbook**
Oct. 3
Sep. 26 +0.4%

5:00 pm **ABC News/Washington Post Consumer Comfort Index**
Oct. 4
Sep. 27 -46

1:00 pm 3-year note auction $39.0 bln

WEDNESDAY OCTOBER 7

10:30 am **DoE's Petroleum Status Report (Oct. 2 week)**

3:00 pm **Consumer Credit**
Aug. (e) **-$10.0 bln**
Consensus *-$10.0 bln*
July -$21.6 bln

1:00 pm 10-year note auction $20.0 bln

THURSDAY OCTOBER 8

8:30 am **Initial Claims**
Oct. 3 (e) **535,000 (-16,000)**
Sep. 26 551,000 (+17,000)

10:00 am **Wholesale Inventories**
Aug. **-1.0%**
Consensus *-0.9%*
July -1.4%

10:30 am **DoE's Natural Gas Status Report (Oct. 2 week)**

Chain-Store Sales
Sep. (e) **-1.5% y/y**
Aug. -2.0% y/y

7:00 pm Fed Chairman Bernanke speaks in Washington

1:00 pm 30-year note auction $12.0 bln

FRIDAY OCTOBER 9

8:30 am **Goods & Services Trade Deficit**
Aug. (e) **$31.0 bln**
Consensus *$33.0 bln*
July $32.0 bln

Upcoming Policy Meetings | **Bank of Canada:** October 20, December 8, January 19 | **FOMC:** November 3-4, December 15-16, January 26-27