

focus

A Weekly Financial Digest

FEATURE ARTICLE, PAGE 5

Gauging Provincial Economic Growth

- Concerns Arise over Durability of U.S. Growth
- Canadian Economy Hits a Speed Bump in August
- BoC Governor Carney Succeeds in Talking Down the CAD
- Tip-Toeing to the Exits... Norges Bank Hikes, RBI Sops Up Some Liquidity, BoJ Plans To Do So



SAL GUATIERI

Despite another choppy data week, the underlying message remains one of sustained recovery for the U.S. economy. Even the two disappointing releases this week—the first drop in new home sales in six months and a surprising sharp pullback in consumer confidence—came with sanguine caveats. Since 1997, new home sales never managed to pull off five straight gains (even during the housing boom). And, the September decline may actually tip policymakers towards not only extending the first-time home buyer tax credit deadline beyond November but possibly expanding it to all buyers of primary residences (Senators will vote on such a bill on Tuesday). Meantime, with house prices stabilizing (the Case-Shiller measure rose for the fourth straight month in August), consumer spirits are bound to perk up once job growth resumes, likely at the turn of the year. This will add some spark to consumer spending, which is already showing signs of life, up 3.4% a.r. in Q3. Excluding new automobiles (and the cash-for-clunkers boost), spending rose an estimated 1¼% annualized in the quarter—far from a shopping spree but not exactly nickel-and-diming it either. Sales of furniture (6%), household appliances (12%) and even recreational goods (14%) climbed sharply, and there were modest gains in nondurable goods (2.0%) and services (1.2%). Preliminary indicators point to some upturn in auto and general retail sales in October, suggesting another (albeit more mild) advance in personal spending in Q4 despite the post-clunkers' hangover. Businesses are starting to spend again too, lifting their purchases of new equipment modestly for the first time in 1½ years. Moreover, rising orders of core capital goods point to stronger growth in Q4 capex. Outside of non-residential construction (which continues to wrestle with high vacancy rates), the recovery should see further support from exports and government spending (at the federal level), suggesting overall growth of about 3% in Q4, a relatively modest slowing from the 3.5% rate in Q3. While we still don't expect a strong recovery next year—as households spend within their means, credit taps remain clogged, and resetting option-payment mortgages spur foreclosures—at least the possibility of back-sliding into the Great Recession is fading.




BENJAMIN REITZES

The Canadian dollar's recent slide makes the immediate prospect of intervention very unlikely, but with expectations of a renewed run at parity, the issue will remain front and centre. Testifying before the House of Commons and Senate this week, Bank of Canada Governor Carney noted that FX intervention is only effective in the long run if backed by corresponding policy moves. Therefore, in order to effectively weaken the loonie, the BoC would have to ease monetary policy further. There are two avenues the Bank could take to do so... 1) lengthening its commitment to hold rates steady beyond June 2010, and 2) quantitative easing. Either method would serve to lower interest rates throughout the economy, which would fuel domestic spending. Canada's domestic economy is already recovering nicely, with housing leading the way amid reasonably solid affordability sparked by extremely low mortgage rates. More domestic stimulus isn't really necessary, and would risk inflating credit growth and asset prices... specifically housing. With credit growth (which Carney mentioned

during the Senate Q&A that he's watching) and asset prices now a larger input on the policy front, further easing would be somewhat counterproductive. That means intervention would only be likely in an extreme case; for example if the currency risks pushing the economy into deflation. Considering the Bank's uncertainty with respect to the impact of quantitative easing (illustrated in the downside risks to their forecast), it is unlikely to be unleashed unless deflation is a real risk. Barring the extreme, it's more probable that Carney & Co. would limit their efforts to talking the loonie down through reinforcing their commitment to stay on hold to June 2010 (despite the improving global outlook) and highlighting the risk that the Bank could refrain from raising rates thereafter.

BR



DOUGLAS PORTER

Don't let your eyes glaze over at the mention of inflation targeting. The Bank of Canada views it as one of their two key planks in the monetary policy framework. It pursues its objective of promoting the economic and financial welfare of Canadians by *"keeping inflation low, stable, and predictable, thus providing a climate that is more favourable to sound, sustained economic growth and job creation. When inflation is low, consumers and businesses are better able to make long-range plans."* Yet, in nearly the same breath, the other key plank of the framework along with inflation targeting is a flexible exchange rate. Well, said exchange rate has seen swings of more than 40% in the past two years—from a high of \$1.10 in November/07 to a low of under 77 cents in March/09, and of course, more than halfway back again to over 97 cents just a couple of weeks ago. Quite simply, that is volatility the likes of which we have never seen before in FX markets.

Now let me ask, how precisely are businesses, and to some extent consumers, supposed to be *"better able to make plans"* when one of their key variables—the exchange rate—is swinging around by 25%-to-30% in the space of a year? Can either an exporter or an importer or a retailer really do proper planning in this environment? Sure, they know that what they sell in Canada can probably only go up 2% or so, but they have little clue what input costs will do, or what they'll get for selling to the U.S. market. Yes, the Bank has done a marvellous job of keeping inflation bang on 2% since they began targeting in 1991. But does that really help firms that are dealing with these kinds of exchange rate swings? Perhaps concentrating on stabilizing the loonie, through whatever means necessary, should be higher up the Bank's priority list.

PoPoPo

Jennifer Lee, Economist

CANADA

- CAD remains soft although speculation rises that the BoC will not intervene
- Economy stalls in August

UNITED STATES

- Economy grows for the first time in a year
- Home buyer tax credit looks to be extended and expanded

EUROPE

- ECB's Bank Lending Survey shows credit standards still tightening in Q3 but at a slower rate
- Germany looks to lead Euro region out of recession

JAPAN

- BoJ on hold but starts to dial back their non-traditional easing measures
- Finance Minister Fujii warns that competitive currency devaluations would ruin the world economy

AUSTRALIA

- More aggressive rate hike expectations pared on inflation data

GOOD NEWS

Average Weekly Earnings +2.0% y/y (Aug.)
Industrial Product Prices -0.5% (Sep.)
Raw Material Prices -1.1% (Sep.)

Real GDP +3.5% a.r. (Q3 A)
S&P Case-Shiller House Prices +1.0% (Aug.)
Durable Goods Orders +1.0% (Sep.)
Chicago PMI +8.1 pts to 54.2 (Oct.)
Redbook +1.8% (Oct. 24 wk)
Employment Cost Index +0.4% (Q3)—tame
Initial Claims -1,000 to 530,000 (Oct. 24 wk)

Eurozone—Economic Confidence +3.4 pts to 86.2 (Oct.)
Eurozone—Consumer Prices -0.1% y/y (Oct. P)
Germany—Unemployment -26,000 (Oct.)—and **jobless rate** dipped to 8.1%
France—Producer Prices -0.3% (Sep.)
Italy—Producer Prices -0.3% (Sep.)
U.K.—Nationwide House Prices +0.4% (Oct.)
U.K.—GfK Consumer Confidence +3 pts to -13 (Oct.)

Retail Sales +0.9% (Sep.)
Household Spending +1.0% y/y (Sep.)
Jobless Rate -0.2 ppts to 5.3% (Sep.)
Industrial Production +1.4% (Sep. P)

Producer Prices +0.1% (Q3)

BAD NEWS

Real GDP at Basic Prices -0.1% (Aug.)
Quebec calls for \$4.7 bln deficit (FY2009/10)—revised up from previous estimate

Conference Board's Consumer Confidence Index -5.7 pts to 47.7 (Oct.)
New Home Sales -3.6% to 402,000 a.r. (Sep.)
Real Personal Spending -0.6% (Sep.)

Eurozone—M3 slowed to +1.8% y/y (Sep.)
Eurozone—Private Sector Loans -0.3% y/y (Sep.)—first decline ever
Germany—GfK Consumer Confidence -0.2 pts to 4.0 (Nov.)—first decline in over a year
Germany—Retail Sales -0.5% (Sep.)

Manufacturing PMI -0.2 pts to 54.3 (Oct.)
Consumer Prices -2.2% y/y (Sep.)—deflation problem

Consumer Prices +1.0% (Q3)

CANADA

U.S.

EUROPE

JAPAN

AUSTRALIA

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

Gauging Provincial Economic Growth

Michael Gregory and Robert Kavcic

The provincial economies are mustering positive momentum, as Canada's overall recovery picks up. However, as was the case during the downturn, relative performance is poised to vary depending on each province's exposure to such things as natural resources and U.S.-bound exports. Unfortunately, Statistics Canada's data on provincial GDP are available only annually, and Ontario is the only province to publish its own quarterly data. Consequently, we are forced to sift through the assortment of higher frequency data for indications on provincial GDP growth. **We introduce BMO Capital Market's Provincial Economic Momentum Index (PEMI), designed to convert this myriad of metrics into one convenient indicator for each province.**

Our methodology (see Appendix I) is similar to that employed by the Federal Reserve Bank of Chicago for their National Activity Index. We include 35 different provincial time series, mostly covering three broad areas: (1) business sales (manufacturing, wholesale, retail and international trade); (2) labour markets, and (3) housing and construction. The complete list is displayed and discussed in Appendix II. From this comprehensive set of data, we extract a single figure, or index, which best captures the co-movements of all the data. **One can think of this index as the largest common factor in the growth rates of all 35 provincial economic indicators, and a barometer of provincial GDP growth.**

By construction, when each of the 35 variables is growing at its average or trend rate, the index will take on a value of exactly zero—which also means that provincial GDP is growing close to its trend rate. A positive index value suggests above-trend growth and a negative reading points to below-trend growth. Technically, **the value of the index is interpreted as the number of standard deviations the province's economic activity is above or below trend.**

To prove that PEMI is a good proxy for GDP growth, we construct an index for Canada (using the same methodology) and compare it to Statistics Canada's monthly GDP data (*Chart 1*). Since 1990, there has been a very strong 0.93 correlation between the two series. By construction, PEMI is an indicator of year-on-year growth, not month-to-month or quarter-over-quarter. As such, it is not a concurrent indicator of recession or recovery. However, since recessions invariably eventually involve GDP slipping below year-ago levels, a PEMI reading of

CHART 1
PEMI VS. GDP, ROUND 1
Canada

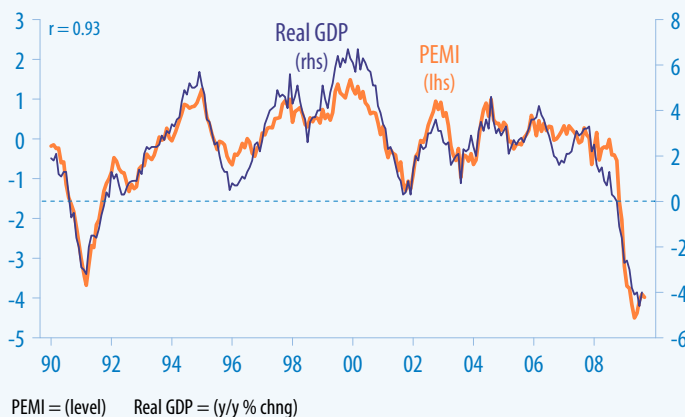
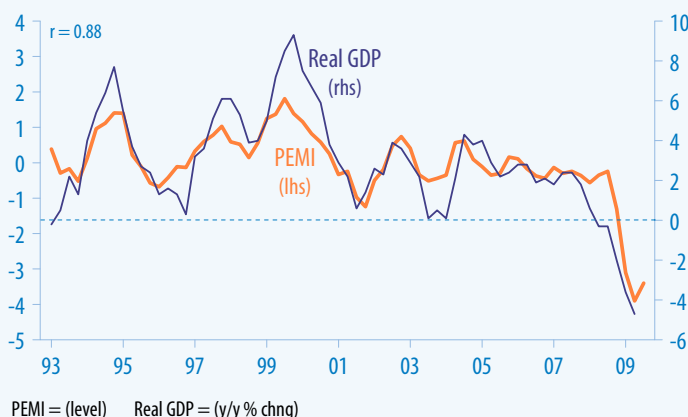
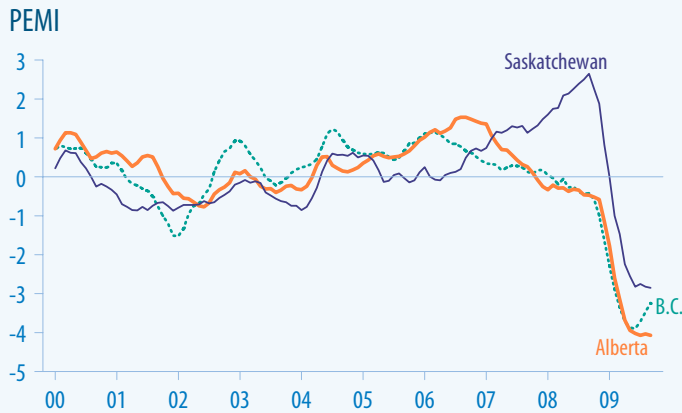
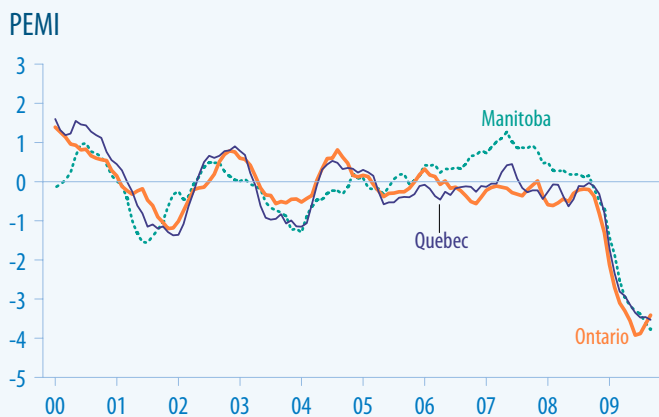
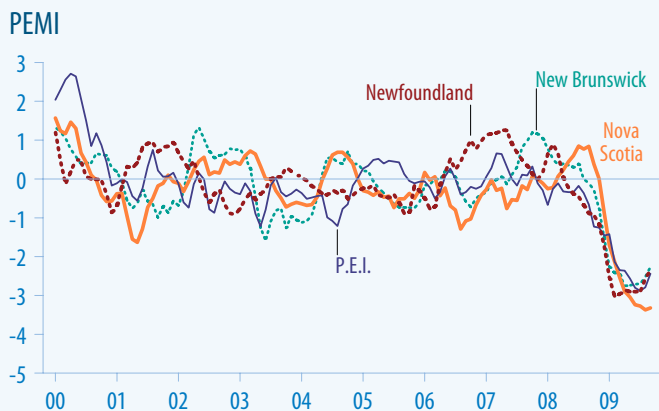


CHART 2
PEMI VS. GDP, ROUND 2
Ontario



**CHART 3
WESTERN CANADA**
(level : 3-mnth m.a.)

**CHART 4
CENTRAL CANADA**
(level : 3-mnth m.a.)

**CHART 5
ATLANTIC CANADA**
(level : 3-mnth m.a.)


around -1.5 appears to be a (lagging) indicator of recession. To further show that the index is a reliable proxy for provincial GDP growth, we compare Ontario's PEMI to the province's quarterly GDP data (*Chart 2*). Here, we find another strong 0.88 correlation between the two series.

The PEMIs for each of the 10 provinces are shown in Charts 3 to 5. Comparing index levels shows the degree to which one province deviates from trend growth more than another province. However, **index levels do not translate directly into relative rankings of GDP growth because trend growth rates differ across the regions** (*Chart 6*). For example, since 1992, real GDP has grown at a 4% annualized rate in Alberta, while Nova Scotia has seen growth of just 2.2% per year. Therefore, if both provinces register PEMI levels of zero, it implies that both are growing at their trend rate—that is, Alberta is still growing faster than Nova Scotia.

Importantly, because the units of measurement are the same, **the ranking of changes in index levels does translate directly into a relative ranking of GDP growth changes, or economic momentum** (*Chart 7*). Currently, 5 of 10 provinces boast improving economic activity. Among the provinces with the largest PEMI improvements through September, British Columbia (where a remarkable housing market rebound has taken hold) is followed by Newfoundland & Labrador (which has seen a bounce-back in employment) and Ontario (which has been helped by rekindled auto production).

The PEMIs will be published once complete data are available, typically around 60 days after the end of the reference month. However, because partial data will also be available for the next reference month, a preliminary PEMI will be published for this month. As such, PEMIs are subject to revisions as data for the incomplete month are acquired and the underpinning provincial time series are revised.

The Bottom Line: Given the varying economic make-up of Canada's provinces, growth trends often differ substantially across the country. The Provincial Economic Momentum Index converts a myriad of economic data into one simple indicator, allowing us to assess these differing trends in one quick glance.

CHART 6
TRENDS AMONG FRIENDS
(annualized % chng, 1992-2008)

Real GDP Growth

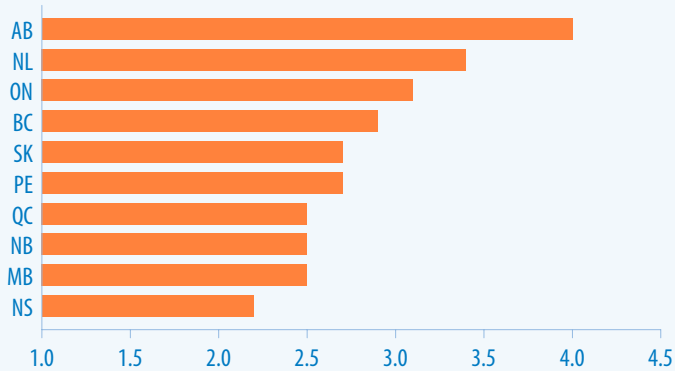
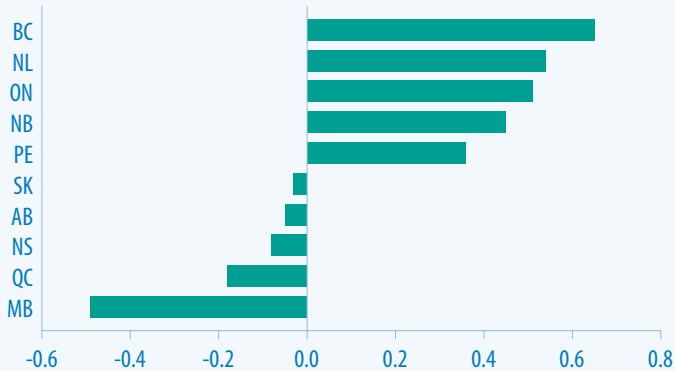


CHART 7
SHOWING MOMENTUM
September 2009 (3-mnth average)

PEMI Change



Appendix I – Construction of the PEMI

The PEMIs are constructed using a statistical method called principal components analysis. The same method is employed by the Federal Reserve Bank of Chicago in constructing their National Activity Index (CFNAI), and both are based on original research conducted by James Stock (of Harvard) and Mark Watson (of Princeton) at the end of the 1990s.¹

In less-technical terms, we begin with a data set containing 35 monthly provincial time series. The data are transformed to be stationary, to remove the common trending feature in most economic time series. Normally, as in the CFNAI, this would involve taking the month-to-month percent changes or differences, but the move to sub-national data involves more volatile series, as does the use of data from increasingly smaller provincial economies. Furthermore, many published provincial time series are not seasonally adjusted. As such, we take year-over-year percent changes or differences to make the data stationary. The stationary data are then normalized to have a mean of zero and a standard deviation of one.

The first principal component of the normalized data is extracted. This is a technical procedure that produces a weighted average for each period, with the time-invariant weights derived to explain as much of the combined variation in the data as possible. The first principal component is re-normalized to have a mean of zero and a standard deviation of one—this is the raw index. The raw index, which is still quite volatile, is then smoothed out by taking a three-month moving average.

1. Details of the CFNAI are available at:
http://www.chicagofed.org/economic_research_and_data/cfnaifm

Appendix II – Data Selection

The PEI draws on 35 different provincial time series, dating back to 1992, mostly covering three broad areas: (1) business sales, (2) labour markets, and (3) housing and construction. We ensure that the number of series in each area is comparable to avoid having one area over-influence the index. Sub-components of some of the time series are included when we judge that disaggregation can inform on relative provincial economic performance (one can go crazy with sub-components, but striving for balance limits their inclusion). Data choice is also constrained by availability.

List of Data

Business Sales

Manufacturing sales, all industries	Manufacturing sales, nondurable goods
Manufacturing sales, durable goods	Wholesale sales, total
Exports, all sectors	Exports, commodity sectors
Exports, non-commodity sectors	Imports, all sectors
Imports, commodity sectors	Imports, non-commodity sectors
Retail sales, all trade groups	Retail sales, food and drinking places
New motor vehicle sales	

Labour Market

Employment, total	Employment, private sector
Employment, full time	Employment rate
Unemployment, total	Unemployment rate
Average weekly hours worked	Average hourly wages
Average weekly earnings	Employment insurance beneficiaries, regular
Initial employment insurance claims	

Housing and Construction

Value of building permits, total	Value of building permits, non-residential
Value of building permits, residential	Housing starts, total
Housing starts, single family	Housing starts, multi-family
Average MLS home price	Existing MLS home sales
New house price index	

Other Indicators

Consumer bankruptcies, total	Population, total
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CANADA	2009				2010				ANNUAL		
	I	II	III	IV	I	II	III	IV	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	0.6	1.1	1.4	2.0	1.7	2.4	0.3	1.5
Unemployment Rate (%)	7.6	8.4	8.6	8.8	8.9	8.7	8.5	8.3	6.1	8.3	8.6
Housing Starts (000s : a.r.)	140	128	148	149	147	148	150	155	211	141	150
Current Account Balance (\$blns : a.r.)	-30.9	-44.8	-54.1	-50.2	-50.4	-51.7	-52.9	-53.1	8.1	-45.0	-52.0
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	3.46	3.56	3.65	3.73	3.82	3.61	3.24	3.69
Canada/U.S. Interest Rate Spreads (average for the quarter : bps)											
90-day	43	8	6	16	16	24	60	57	94	18	39
10-year	15	-11	-10	2	-3	-6	-10	-14	-6	-1	-8
UNITED STATES											
Real GDP (q/q % chng : a.r.)	-6.4	-0.7	3.5	3.0	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	1.1	2.0	2.2	1.8	1.7	3.8	-0.4	1.9
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	0.59	0.61	0.68	0.74	0.78	0.82	0.90	0.57	0.75
Current Account Balance (\$blns : a.r.)	-418	-395	-432 ↓	-415 ↓	-411 ↓	-405 ↓	-406 ↓	-398 ↓	-706	-415 ↓	-405 ↓
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	0.06	0.06	0.06	0.19	0.69	1.39	0.15	0.25
10-year Note	2.74	3.31	3.52	3.44	3.58	3.71	3.83	3.96	3.67	3.25	3.77
EXCHANGE RATES (average for the quarter)											
US\$/C\$	80.3	85.6	91.1	96.6	98.7	99.7	100.7	100.3	94.3	88.4	99.8
C\$/US\$	1.245	1.168	1.097	1.035	1.013	1.003	0.993	0.997	1.067	1.136	1.002
¥/US\$	94	97	94	91	93	95	97	99	103	94	96
US\$/Euro	1.30	1.36	1.43	1.49	1.51	1.52	1.53	1.55	1.47	1.40	1.53
US\$/£	1.44	1.55	1.64	1.60	1.62	1.66	1.70	1.74	1.85	1.56	1.68

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

CANADA

Benjamin Reitzes, Economist

Auto Sales

Monday (expected)

Oct. (e) **unch y/y**
 Sep. -3.5% y/y

Rising employment and slowly improving credit conditions point to a further recovery in auto sales. October sales will likely be unchanged from a year ago, which would be the best reading in a year. Next month should bring the first annual increase in sales in a year, thanks in large part to November 2008's precipitous 10.8% slide (as the recession really began to bite) which falls out of the calculation.

Employment

Friday, 7:00 am

Oct. (e) **+10,000 (+0.1%)**
Consensus +10,000 (+0.1%)
 Sep. +30,600 (+0.2%)

Unemployment Rate

Oct. (e) **8.5%**
Consensus 8.5%
 Sep. 8.4%

Average Hourly Wages

Oct. (e) **+2.7% y/y**
 Sep. +2.5% y/y

Canada's employment performance over the past couple of months has highlighted its economic outperformance relative to the U.S. The dichotomy between goods producers and services producers, so evident in the monthly GDP figures, will be on display in this report as well. The service sector is likely to contribute most of the gains in October, following the recent trend, and reversing the prior month's surprise outperformance of good-producing sectors. September's unexpected gain in manufacturing is likely unsustainable. However, a continued rebound in housing points to job gains in the construction industry, which should provide some offset. The small increase in overall employment won't be enough to keep the jobless rate from rising 0.1 ppts to 8.5%, after the unexpected decline a month ago.

UNITED STATES

Sal Guatieri, Senior Economist

ISM Manufacturing

Monday, 10:00 am

		Prices-Paid
Oct. (e)	53.0	64.0
<i>Consensus</i>	53.1	64.0
Sep.	52.6	63.5

Manufacturing is gaining traction in response to the resumption of export growth and the need to rebuild inventories. Regional surveys point to a modest increase in the national ISM index to 53.0 in October, indicating that factories raised output for the third straight month and at the fastest rate in more than three years. Last month, 13 out of 18 industries reported growth, a marked improvement from earlier this year, suggesting the recovery is broadening beyond the auto industry. The new orders sub-index is hovering near four-year highs, providing a foundation for factories to build on in coming months.

ISM Non-Manufacturing

Wednesday, 10:00 am

Oct. (e) **51.5**
Consensus 52.0
 Sep. 50.9

The ISM non-manufacturing index is also expected to increase slightly further to 51.5 in October, suggesting the broader economy is expanding slowly, led by a pickup in the resource sector and residential construction. In September, slightly fewer industries (five out of 18) reported growth compared with the previous month (six), though we should see a healthy reversal in October. The new orders sub-index rose sharply last month to 54.2, flagging an expansion in production ahead. The employment sub-index will help to hone estimates of October nonfarm payrolls.

Fed Policy Meeting

Wednesday, 2:15 pm (announcement)

We're not expecting anything new at this meeting, though the members will likely discuss the wording of future statements to prepare the market for eventual policy tightening. The press statement should acknowledge the modest pickup in economic activity and stabilization in consumer spending. However, with the still-shaky recovery and massive output gap keeping inflation "subdued for some time", the members should vote unanimously to continue to hold rates exceptionally low "for an extended period". To appease a few hawks, there is some risk that the "extended period" reference (which has been used since March) will be replaced with the more vague "some time" that was first

used in December. However, we still don't expect an initial rate hike until next September. The Fed ended its \$300 billion Treasury purchase program in late October, and is almost two-thirds (62%) of the way through its \$1.25 billion mortgage-purchase program (slated to end in March). It is unlikely to expand these programs. The Fed's official economic forecasts probably won't change much from the previous quarter.

Nonfarm Productivity and Labour Costs

Thursday, 8:30 am

	Productivity	Unit Labour Costs
Q3 P (e)	+6.0% a.r.	-4.0% a.r.
<i>Consensus</i>	+5.5% a.r.	-2.6% a.r.
Q2	+6.6% a.r.	-5.9% a.r.

After posting the best quarterly gain (6.6% annualized) in nearly six years, labour productivity likely continued to rip along at a 6% clip in Q3, with aggregate work hours slashed about 3% and output raised a similar amount. This should lift yearly productivity growth to a five-year high above 3%—one reason corporate profits have been topping expectations. The stellar productivity gains, combined with moderate compensation payouts (expected 2%, reflecting the July minimum wage hike), should reduce unit labour costs (-4%) for the third straight quarter. The decline would slash the yearly rate of per-labour costs to -3.3%, the biggest drop since 1950, meaning core inflation can only move in one direction—downwards. Coupled with the weakening greenback, the slide in unit labour costs implies a substantial lift in U.S. trade competitiveness.

Nonfarm Payrolls

Friday, 8:30 am

Oct. (e)	-170,000
<i>Consensus</i>	-175,000
Sep.	-263,000
Unemployment Rate	
Oct. (e)	10.0%
<i>Consensus</i>	9.9%
Sep.	9.8%
Average Hourly Earnings	
Oct. (e)	+0.1%
<i>Consensus</i>	+0.1%
Sep.	+0.1%

Nonfarm payrolls are expected to contract 170,000 (0.13%) in October, the smallest decline since July 2008 and an improvement from -263,000 in September. The record-low work week probably stopped shrinking, while temporary help services (a good leading indicator of labour market trends) may have increased for the first time in nearly two years. This would flag a resumption of job growth, possibly in December (just in time for the holiday shopping season), ending the worst string of job losses in the postwar period (5.2% to date, and 5.8% if one includes likely forthcoming BLS revisions). The unemployment rate is expected to ratchet up two more notches to a new 26-year high of 10.0%, although it is not expected to breach the postwar high of 10.8% set in late 1982. Once the economy starts creating about 125,000 jobs per month (likely early next year), the unemployment rate should stop rising.

	OCT 30 *	OCT 23	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	0.23	0.22	1	2	-60
United States	0.04	0.05	-1	-4	-3
Japan	0.20	0.15	5	6	0
Eurozone	0.72	0.73	-1	-3	-217
United Kingdom	0.59	0.60	0	5	-218
Australia	3.76	3.77	-1	46	-109
Bond Markets					
2-year Bond					
Canada	1.43	1.52	-9	24	33
United States	0.94	1.00	-6	7	17
10-year Bond					
Canada	3.45	3.50	-5	19	77
United States	3.44	3.49	-6	21	122
Japan	1.41	1.37	4	15	23
Germany	3.26	3.35	-9	14	31
United Kingdom	3.63	3.68	-4	19	61
Australia	5.54	5.70	-16	44	155
Currencies					
				(% CHANGE)	
US\$/C\$	92.56	94.89	-2.5	-0.1	12.8
C\$/US\$	1.080	1.054	—	—	—
¥/US\$	91.13	92.06	-1.0	1.5	0.5
US\$/Euro	1.4763	1.5008	-1.6	1.3	5.7
US\$/£	1.650	1.631	1.2	3.5	13.1
US\$/A\$	90.81	92.24	-1.6	5.0	29.2
Commodities					
CRB Futures Index	274.58	280.34	-2.1	8.6	19.6
Oil (generic contract)	78.56	80.50	-2.4	12.3	76.1
Natural Gas (generic contract)	5.21	5.48	-5.0	10.4	-7.3
Gold (spot price)	1041.60	1055.40	-1.3	3.9	18.1
Equities					
S&P/TSX Composite	10976	11382	-3.6	0.2	22.1
S&P 500	1058	1080	-2.0	3.2	17.1
Nasdaq	2087	2154	-3.1	1.9	32.4
Dow Jones Industrial	9885	9972	-0.9	4.2	12.6
Nikkei	10035	10283	-2.4	3.1	13.3
Frankfurt DAX	5543	5740	-3.4	1.4	15.2
London FT100	5132	5243	-2.1	2.9	15.7
France CAC40	3689	3808	-3.1	1.1	14.6
S&P ASX 200	4643	4859	-4.4	0.9	24.7

* as of 10:30 am

JAPAN

MONDAY NOVEMBER 2
TUESDAY NOVEMBER 3
WEDNESDAY NOVEMBER 4
THURSDAY NOVEMBER 5
FRIDAY NOVEMBER 6

EUROZONE

EUROZONE
Manufacturing PMI

Oct. F (e)	50.7
Sep.	49.3

Manufacturing PMI

Oct. (e)	50.0
Sep.	49.5

OTHER

AUSTRALIA
House Price Index

Q3 (e)	+3.0%	+4.3% y/y
Q2	+4.2%	-1.4% y/y

Reserve Bank of Australia Monetary
Policy Meeting

EUROZONE
Services PMI

Oct. F (e)	52.3
Sep.	50.9

Producer Price Index

Sep. (e)	-0.4%	-7.7% y/y
Aug.	+0.4%	-7.5% y/y

Services PMI

Oct. (e)	55.5
Sep.	55.3

Nationwide Consumer Confidence

Oct. (e)	73
Sep.	71

Bank of England Monetary Policy Meeting (November 4-5)

AUSTRALIA
Retail Sales

Sep. (e)	+0.5%
Aug.	+0.9%

Building Approvals

Sep. (e)	+2.3%	+8.2% y/y
Aug.	-0.1%	unch y/y

EUROZONE
Retail Sales

Sep. (e)	+0.1%	-2.4% y/y
Aug.	-0.2%	-2.6% y/y

ECB Monetary Policy Meeting

Industrial Production

Sep. (e)	+1.2%	-10.3% y/y
Aug.	-2.5%	-11.2% y/y

Manufacturing Production

Sep. (e)	+1.0%	-9.7% y/y
Aug.	-1.9%	-11.3% y/y

AUSTRALIA
Trade Deficit

Sep. (e)	A\$2.2 bln
Aug.	A\$1.5 bln

RBA Governor Stevens Speaks in
Melbourne

Leading Index

Sep. P (e)	86.2
Aug.	83.2

GERMANY
Factory Orders

Sep. (e)	+1.0%	-13.5% y/y
Aug.	+1.4%	-20.4% y/y

FRANCE
Trade Deficit

Sep. (e)	€3.0 bln
Aug.	€3.4 bln

Producer Price Index—Input

Oct. (e)	+1.5%	-1.3% y/y
Sep.	-0.5%	-6.5% y/y

Producer Price Index—Output

Oct. (e)	+0.3%	+1.9% y/y
Sep.	+0.5%	+0.4% y/y

Reserve Bank of Australia Monetary
Policy Statement

CANADA

MONDAY NOVEMBER 2

Oct. (e) **Auto Sales***
unch y/y
Sep. -3.5% y/y

10:00 am ISM Prices-Paid
Oct. (e) **53.0 64.0**
Consensus 53.1 64.0
Sep. 52.6 63.5

10:00 am Construction Spending
Sep. (e) **-0.1%**
Consensus -0.4%
Aug. +0.8%

10:00 am Pending Home Sales
Sep. (e) **unch**
Consensus +0.4%
Aug. +6.4%

Oct. (e) **Total Vehicle Sales***
10.1 mln a.r.
Consensus 9.8 mln a.r.
Sep. 9.2 mln a.r.

1:00 pm 3 & 6-month T-bill
auction \$59.0 bln
(No new cash)

TUESDAY NOVEMBER 3

8:55 am Redbook
Oct. 31
Oct. 24 +1.8%

10:00 am Factory Orders
Sep. (e) **+1.0%**
Consensus +1.1%
Aug. -0.8%

5:00 pm ABC News/Washington Post
Consumer Comfort Index

Nov. 1
Oct. 25 -51

FOMC Meeting Begins

WEDNESDAY NOVEMBER 4

8:15 am Foreign Reserves
Oct. (e) **-\$2.1 bln**
Sep. +\$4.6 bln

7:30 am Challenger Layoff Report
Oct.
Sep. -30.2% y/y

8:15 am ADP National
Employment Report
Oct. (e) **-190,000**
Consensus -187,000
Sep. -254,000

10:00 am Nonmfg ISM
Oct. (e) **51.5**
Consensus 52.0
Sep. 50.9

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

2:15 pm FOMC Announcement

3, 10 & 30-year note auction announcement

THURSDAY NOVEMBER 5

8:30 am Building Permits
Sep. (e) **+6.0%**
Aug. +7.2%

10:00 am Ivey Purchasing Managers'
Index
Oct. (e) **61.0**
Sep. 61.7

2-year bond auction announcement

12:05 pm 10-year bond auction
\$3.5 bln
(New cash \$3.5 bln)

8:30 am Initial Claims
Oct. 31 (e) **515,000 (-15,000)**
Oct. 24 530,000 (-1,000)

8:30 am Productivity Unit Labour
Costs
Q3 P (e) **+6.0% a.r. -4.0% a.r.**
Consensus +5.5% a.r. -2.6% a.r.
Q2 +6.6% a.r. -5.9% a.r.

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

Chain-Store Sales
Oct. (e) **+2.2% y/y**
Sep. +0.1% y/y

FRIDAY NOVEMBER 6

7:00 am Employment
Oct. (e) **+10,000 (+0.1%)**
Consensus +10,000 (+0.1%)
Sep. +30,600 (+0.2%)

7:00 am Unemployment Rate
Oct. (e) **8.5%**
Consensus 8.5%
Sep. 8.4%

7:00 am Average Hourly Wages
Oct. (e) **+2.7% y/y**
Sep. +2.5% y/y

8:30 am Nonfarm Payrolls
Oct. (e) **-170,000**
Consensus -175,000
Sep. -263,000

8:30 am Unemployment Rate
Oct. (e) **10.0%**
Consensus 9.9%
Sep. 9.8%

8:30 am Average Hourly Earnings
Oct. (e) **+0.1%**
Consensus +0.1%
Sep. +0.1%

10:00 am Wholesale Inventories
Sep. (e) **-1.0%**
Consensus -1.0%
Aug. -1.3%

3:00 pm Consumer Credit
Sep. (e) **-\$14.0 bln**
Consensus -\$10.0 bln
Aug. -\$12.0 bln

UNITED STATES

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