

focus

A Weekly Financial Digest

FEATURE ARTICLE, PAGE 6

India – Economic Update

- Canadian, U.S. Employment Disappoint...
Jobless Rates Jump
- Fed On Hold, No Change in Tone
- Canadian, U.S. Auto Sales Improve
- Bank of England Ups Quantitative Easing
- RBA Hikes 25 bps;
ECB Looking to Exit Emergency Stimulus



SAL GUATIERI

Investors continue to worry that the U.S. economy will slip back into recession when the special government stimulus programs end. However, consumer spending and home sales look to be trending at least modestly higher even without fiscal prodding, largely because of record-low interest rates.

Assuming that all of the increase in new vehicle sales in Q3 was attributed to the cash-for-clunkers program, an estimated two-thirds (or 2.1 ppts) of the 3.4% increase in real consumer spending likely stemmed from the program. That is, spending would have grown 1.3% without the clunkers' incentive plan, supported by modest increases in services and non-durables and strong gains in a few durable goods such as appliances and furniture. While underlying spending grew only modestly in Q3, that was at least a meaningful improvement after declines in three of the past four quarters (and just a tepid tax-cut inspired gain in Q1).

The boost to home sales from the first-time home buyer tax credit is harder to assess since some buyers would have purchased in any event. However, a New York Times article claims that "about 350,000 to 400,000" claimants may have bought their homes as a result of the credit. The upper end of this estimate would explain two-thirds of the 605,000 increase in total home sales between February-September (on an eight-month annualized basis). So, while it appears that the tax credit was largely responsible for the sales recovery, the other one-third of the gain likely reflected good affordability.

Despite ongoing job losses, Americans are cautiously opening their wallets again to buy things, including houses, even without government prodding, suggesting the recovery is sustainable. Firmer evidence was provided by news that unit auto sales jumped 13% in October to 10.5 million annualized units, still well below the 16 million norm, but above the pre-clunkers' level of 9.7 million. And, while chain-store retail sales rose only modestly in October (2.1% y/y), this was the largest increase since July 2008. Reflecting the upturn in equities (and Wall Street bonuses), many luxury department stores have even reported an improvement in sales following double-digit declines earlier this year. As well, Microsoft reported strong consumer demand for its new Windows 7 operating system. The extension of the home buyer tax credit for first-time buyers to April, and the expansion of the credit to other buyers, should keep the housing recovery alive. All in, heading into the holiday-shopping season, while Santa Claus' bag won't exactly be brimming with gifts this year, at least it won't be empty like last year.




MICHAEL GREGORY

The Federal Reserve ripped out a page from the Bank of Canada's playbook this week, and was unusually direct about what factors weigh on monetary policy. The week before last, market speculation was mounting that the BoC's commitment to keep policy rates unchanged until June 2010 could end early. The speculation reflected the escalation in equity and home prices, despite the CAD's appreciation—a similar background against which the Reserve Bank of Australia hiked rates early last month and again this week. The Bank of Canada's policy announcement signalled that the

lofty loonie made it more likely that the commitment would be kept—if not extended—despite some heated asset prices (the Bank’s GDP and CPI projections were both downgraded due to the C\$). In the subsequent Monetary Policy Report press conference, Governor Carney mused that the market had lost focus of what drives Canadian monetary policy—these background factors, as they always have been, are viewed *“through the prism of achieving our inflation target”* in case you forgot, Mr. Market!

Ahead of this week’s FOMC meeting, market speculation was mounting that the Fed could signal its inevitable less-accommodative shift, with a view to preventing possible asset price bubbles inflated by ultra-low interest rates. While asset prices are important policy inputs (and perhaps increasingly important for some Fed officials), they are still not among the major policy drivers (and the speculation suggested that the market has lost sight of this). So the Fed felt compelled to school Mr. Market also, since, if left unchecked, the speculation could tighten financial conditions too much at a time when the U.S. economy could ill afford it. In re-committing to *“exceptionally low levels of the federal funds rate for an extended period”*, the Fed clarified the economic conditions that warranted this stance—a troika driven by *“low rates of resource utilization, subdued inflation trends, and stable inflation expectations”*. Going forward, markets on both sides of the border will probably be paying much more attention to the Bank’s prism and the Fed’s troika... lesson learned. **Ponti**


BENJAMIN REITZES

Canada is emerging from recession, but growth has remained sluggish thus far. Monthly GDP was flat in July and down in August after June’s growth which followed 10 straight months of contraction. Unless we see significant strength in September GDP (which is possible), the Bank of Canada’s call for 2% annualized growth in Q3 will be very tough to achieve. Monthly and quarterly GDP are measured differently, but they should at least move in the same direction.

October’s employment report brings the jobs picture more in-line with what GDP has been saying... sluggish recovery. Up until Friday morning, the sizeable employment gains in August and September had led to some speculation that the Canadian economy had more underlying strength than the GDP numbers implied. That talk will no doubt fall to a whisper now. Indeed, though Friday’s jobs number is only the first indicator for Q4, it introduces some downside risk to the Bank of Canada’s call for 3.3% annualized real GDP growth in the quarter as well. While the Canadian economy is highly exposed to commodities, similar to Australia whose central bank has already started tightening monetary policy, both the jobs and GDP figures highlight Canada’s exposure to trade, and the headwinds from soft U.S. demand and a strong loonie. The earlier Canuck-Aussie comparisons were clearly premature, as Canada’s largest trading partners aren’t as buoyant as Australia’s, limiting the recovery’s momentum.

The downside risks to the BoC’s Q3 and Q4 GDP growth forecast point to the output gap potentially narrowing slower than expected, which likely means similar risks to their inflation forecast. In October’s MPR, the Bank already pushed back to

2011Q3 their expectations of when inflation would return to target. A further delay in inflation's move back to 2% heightens the risk that the Bank of Canada could stay on hold beyond June 2010.

BR



ROBERT KAVCIC

It's no surprise that the U.S. corporate sector hunkered down during the financial crisis and ensuing recession, closing the wallets from which they were so freely shelling out cash until late 2007. Indeed, since 2007Q4, M&A activity has dried up, dividend payments by S&P 500 companies have plunged 30%, and aggressive share buybacks have been replaced by net new equity issuance—this all adds up to less cash returned to shareholders. Still, corporations went into the recession with very flush balance sheets, and have since come out of it in good shape, due in part to the measures noted above.

However, we've seen some signs of life in the corporate sector in recent weeks, hinting that the coffers might be cracking open. Indeed, one of the biggest war chests out there (Berkshire Hathaway) was opened this week to shell out an additional \$26.3 bln in cash and stock to buy Burlington Northern, while other smaller deals (like Stanley Works' buyout of Black & Decker) have been lingering in the background. Meantime, the Q3 earnings season has seen a sudden absence of dividend cuts, while buyback announcements have picked up. RIM and Cisco both announced increased buyback programs this week, to the tune of \$1.2 bln and \$10 bln, respectively. Lastly, and perhaps most important for the prospects of economic recovery, the signs in the technology sector clearly point to a pickup in business spending. Cisco said this week that they've likely seen the bottom, and that there is a good chance that *"the recovery [will start] aggressively in Q1 of fiscal 2010"*—this sentiment is echoed by Microsoft, Intel, Dell and more. While we're still light years away from the free-wheeling days of 2007, the corporate coffers might be opening a little bit, which would help shareholders and the economic recovery.

Rob K.

Jennifer Lee, Economist

CANADA

- Employment losses very disappointing

UNITED STATES

- Employment losses still deep... double-digit jobless rate unfortunately here
- Consumers still spending, with chain-store sales results decent
- FOMC stays on hold, committing to *"exceptionally low levels of the federal funds rate for an extended period"*

EUROPE

- ECB on hold but will start withdrawing its emergency measures in coming months
- BoE leaves rates unchanged but lifts its asset purchases target to £200 bln

JAPAN

- Message from BoJ's October meeting... ending emergency programs does not mean tightening

AUSTRALIA

- RBA raises rates 25 bps to 3.50%; upgrades GDP forecast

GOOD NEWS

Building Permits +1.6% (Sep.)
Average Hourly Wages +3.3% y/y (Oct.)

Manufacturing ISM +3.1 pts to 55.7 (Oct.)
Construction Spending +0.8% (Sep.)
Pending Home Sales +6.1% (Sep.)
Factory Orders +0.9% (Sep.)
Auto Sales rise to 10.5 mln a.r. (Oct.)
Chain-Store Sales +2.1% y/y (Oct.)
Redbook +1.9% (Oct. 31 wk)
Wholesale Sales +0.7% (Sep.)
Initial Claims -20,000 to 512,000 (Oct. 31 wk)
Nonfarm Productivity +9.5% a.r. (Q3 P)
Unit Labour Costs -5.2% a.r. (Q3 P)

Eurozone—Manufacturing PMI +1.4 pts to 50.7;
Services PMI +1.7 pts to 52.6 (Oct. F)
Eurozone—Producer Prices -0.4% (Sep.)
Germany—Factory Orders +0.9% (Sep.)
France—Trade Deficit narrowed to €1.8 bln (Sep.)
U.K.—Manufacturing PMI +3.8 pts to 53.7; **Services PMI** +1.6 pts to 56.9 (Oct.)
U.K.—Industrial Production +1.6% (Sep.)
U.K.—Nationwide Consumer Confidence unch at 72 (Oct.)
U.K.—Producer Prices +0.2% (Oct.)—tame

Leading Index +3.2 pts to 86.4 (Sep. P)

House Price Index +4.2% q/q (Q3)
Building Approvals +2.7% (Sep.)

BAD NEWS

Employment -43,200 (Oct.)
Jobless Rate +0.2 ppts to 8.6% (Oct.)
Auto Sales -1% y/y (Oct.)
Ivey PMI -0.5 pts to 61.2 (Oct.)

Nonfarm Payrolls -190,000 (Oct.)
Jobless Rate +0.4 ppts to 10.2% (Oct.)
Nonmanufacturing ISM -0.3 pts to 50.6 (Oct.)

Eurozone—Retail Sales -0.7% (Sep.)
U.K.—Construction PMI -0.5 pts to 46.2 (Oct.)

Retail Sales -0.2% (Sep.)
Trade Deficit widened to \$1.8 bln (Sep.)—but not nearly as wide as expected

CANADA

U.S.

EUROPE

JAPAN

AUSTRALIA

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

India – Economic Update

Barney Bonekamp, Senior Economist

CHART 1
GDP GROWTH HAS EASED...

India (y/y % chng)

Real GDP

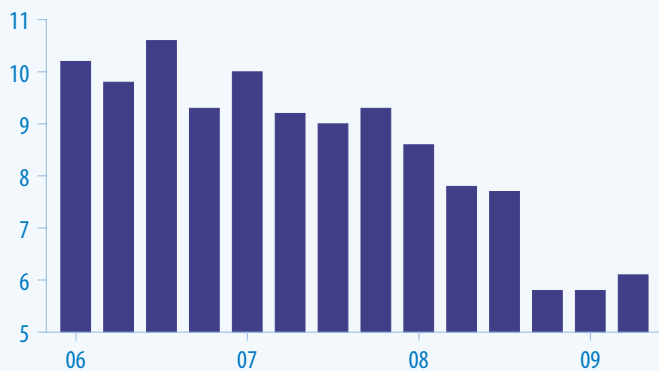


CHART 2
...BUT INDUSTRIAL PRODUCTION REBOUNDING

India (y/y % chng)

Industrial Production

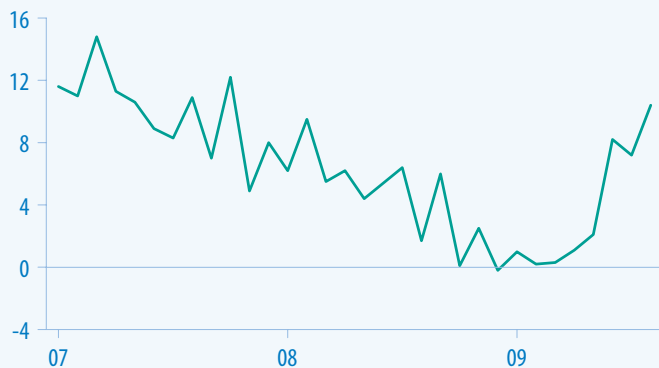
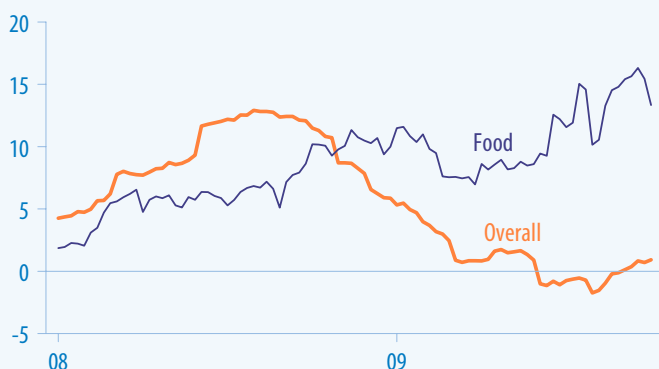


CHART 3
WHOLESALE PRICE INFLATION RISING

India (y/y % chng)

Wholesale Price Index



India entered the global credit crisis as one of the world's high-flyers with growth averaging nearly 9% in the five fiscal years ending March 2008 (*Chart 1*). Unlike much of the rest of Asia, domestic demand was the main driver, with net exports acting as a drag on growth. But the economy did not prove immune to the global economic crisis as growth slowed to 6.7% in FY2009 from 9% in the prior year. Manufacturing was hard hit and, on the expenditure side, consumer spending growth was slashed to less than 3% from 8.5%. Investment spending skidded to 8.3%. Hefty fiscal stimulus propelled government spending 20% on the year, providing some offset. Growth has since improved modestly, with GDP up 6.1% y/y in the April-June quarter, reflecting a revival in manufacturing. But personal spending remained weak, investment growth eased again, and government spending slowed. Net exports boosted growth, but only because the plunge in imports doubled the fall in exports.

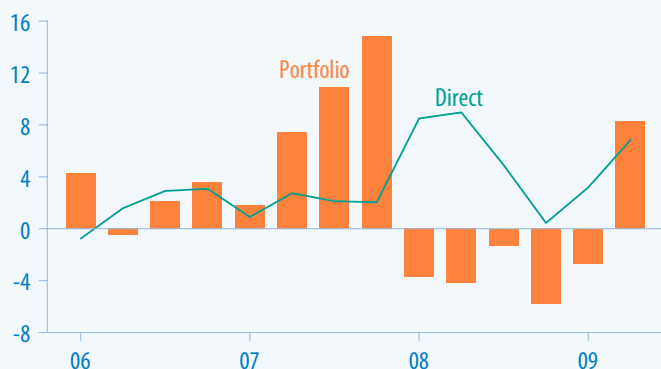
Key indicators suggest the economy has turned the corner. Most notably, industrial production has surged over 10% y/y as of August (*Chart 2*). However, overall growth will be constrained after grain production was slashed due to drought-like conditions in many regions (60% of agricultural land is rain-fed). The June-September monsoon, which provides about 80% of the country's rainfall, was 23% below the long run average, the worst since 1972. This also hit rural demand, as agriculture accounts for 55% of the labour force.

The drought also raised food costs about 15% y/y in August, stoking inflation fears, although grain stocks from recent bumper crops and commodity imports will have a moderating impact. Nevertheless, food prices will put pressure on wholesale prices (*Chart 3*). With last year's high oil prices dropping out of the year-ago calculation, wholesale inflation may rise from 0.9% now to 7.5% by March 2010.

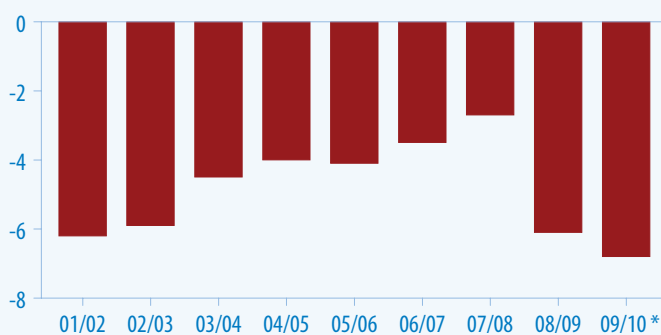
India is benefiting from a narrowing current account gap and rebounding capital inflows due to stronger risk appetite and May's election results which saw a surprisingly solid showing for the reform-oriented Congress Party. Improved prospects for renewed economic reforms bolstered net foreign direct and portfolio investment, both of which

**CHART 4
CAPITAL INFLOWS REBOUNING**

India (US\$ billions)

Net Foreign Direct and Portfolio Investment

**CHART 5
FISCAL BALANCES DETERIORATING**

India (% of GDP)

Central Government Balance


* Budget estimate

**TABLE 1
INDIA ECONOMIC INDICATORS**

Fiscal Years Beginning April	07/08	08/09	09/10f	10/11f
GDP Growth (%)	9.0	6.7	5.8	7.5
Wholesale Inflation (% avg)	4.7	8.4	2.3	6.5
Wholesale Inflation (% eop)	7.7	0.8	7.5	5.0
Central Government Balance (% of GDP)	-2.7	-6.1	-7.0	-6.2
Central Government Debt (% of GDP)	62.1	61.5	62.0	64.0
Trade Balance (US\$ billions)	-91.6	-119.4	-106.0	-119.1
Current Account (US\$ billions)	-17.0	-29.8	-11.7	-18.3
% of GDP	-1.7	-2.7	-1.0	-1.3
FX Reserves (US\$ billions)	299.7	242.3	280.0	300.0

exceeded the current account deficit (Chart 4). The strong inflows seem to have continued, lifting foreign reserves to \$270 bln, recently. And India is diversifying its reserves, with its 200 tonne gold purchase in November the first big step.

Nonetheless, the government faces challenges tackling the rapidly worsening fiscal accounts. The fiscal deficit soared to over 6% of GDP in FY08/09 as surging government spending bolstered growth (Chart 5). This year, continued stimulus and the poor monsoons may widen the deficit further. Political resolve will be critical to implement fiscal restraint and contain the urge for populist measures such as the recent rural employment guarantees, debt relief for poor farmers and last year's 21% increase in civil servant wages. A strengthened government should help.

The Reserve Bank of India eased aggressively during the economic downturn, slashing the repo rate 425 basis points from October 2008 to 4.75% currently. Reserve requirements were also lowered to free up liquidity. Rates have been on hold since April; but, at October's monetary policy meeting, the RBI raised its inflation forecast and withdrew special liquidity measures and raised statutory liquidity ratios. India is likely to be a relatively early rate hiker, with the first moves expected before the end of the fiscal year.

Monsoon-induced headwinds will likely restrain growth in July-December and keep FY09/10 growth below 6%. However, substantial fiscal and monetary stimulus should still be feeding growth through year end and, combined with an improving external environment and assumed normal rains, spur a substantial growth boost to 7.5% in 2010/11 (Table 1). Inflation is expected to moderate next year despite stronger growth as a normal harvest helps contain food prices. On the external side, lower oil prices and improving exports should reduce the current account deficit this year to around 1% of GDP before an improving domestic economy and a commodity price revival leads to a modestly wider deficit in 2010/11.

A return to the 9% pre-crisis economic growth may prove challenging given India's poor infrastructure and lingering structural impediments. A reform push under the newly strengthened Congress-led government would be useful, particularly in areas such as labour reforms, privatizations and opening up India to foreign investment.

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	8.8	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	3.44 ↓	3.52 ↓	3.62 ↓	3.72	3.82	3.61	3.24	3.67 ↓
Canada/U.S. Interest Rate Spreads (average for the quarter : bps)											
90-day	43	8	6	15 ↓	15 ↓	22 ↓	57 ↓	54	94	18	37 ↓
10-year	15	-11	-10	-2 ↓	-7 ↓	-9 ↓	-12 ↓	-14	-6	-2 ↓	-10 ↓
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	10.3 ↑	10.4 ↑	10.3 ↑	10.2 ↑	10.0 ↑	5.8	9.3 ↑	10.2 ↑
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	0.07	0.07	0.08	0.21 ↑	0.72 ↑	1.39	0.15	0.27 ↑
10-year Note	2.74	3.31	3.52	3.46 ↑	3.58	3.71	3.83	3.96	3.67	3.26	3.77
EXCHANGE RATES (average for the quarter)											
US¢/C\$	80.3	85.6	91.1	96.0 ↓	97.9 ↓	99.2 ↓	100.6 ↓	100.3	94.3	88.3 ↓	99.5 ↓
C\$/US\$	1.245	1.168	1.097	1.042	1.021	1.008	0.994	0.997	1.067	1.138	1.005
¥/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	1.61	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

Housing Starts

Monday, 8:15 am

Oct. (e) 155,000 a.r. (+3.8%)

Consensus 155,000 a.r. (+3.8%)

Sep. 149,300 a.r. (-3.9%)

New Home Prices

Thursday, 8:30 am

Sep. (e) +0.2% -3.0% y/y

Aug. +0.1% -3.1% y/y

Merchandise Trade Deficit

Friday, 8:30 am

Sep. (e) \$1.9 bln

Consensus \$1.6 bln

Aug. \$2.0 bln

Housing starts are expected to rise in October, as suggested by decent gains in residential building permits. Multiples are likely to rebound from the prior month's 20% plunge and single-family units are expected to maintain recent gains. With existing home sales persisting at strong levels, starts should continue to trend higher. Meantime, new home prices likely rose for the third straight month in September as the housing market recovery continues. The decline in prices should slow to -3% y/y, but deflation is likely to persist into 2010.

Canada's September merchandise trade deficit likely narrowed to \$1.9 bln, a small improvement from the prior month's record level. Exports will take a hit from lower energy and other material prices (in C\$ terms). Continued strength in the Canadian dollar will also weigh on U.S.-directed exports. Some rebound in manufacturing shipments (not out until next week) due to a bounce back in transportation will provide some support, but won't be enough to offset higher imports, as domestic demand growth continues to firm.

UNITED STATES

Sal Guatieri, Senior Economist

Trade Deficit

Friday, 8:30 am

Sep. (e) \$32.0 bln

Consensus \$31.9 bln

Aug. \$30.7 bln

The U.S. trade deficit is expected to widen modestly to \$32 billion in September (in line with the BEA's assumption for Q3 GDP), with higher crude oil prices inflating imports. However, exports should see a good bounce from an updraft in Boeing aircraft sales and firmer global demand. After touching nine-year lows in May, the trade deficit has increased somewhat but remains just one-half of last year's shortfall. Due to strong auto imports stemming from the cash-for-clunkers program, trade subtracted from GDP in Q3, but will likely resume adding to growth in Q4, with exports once again outrunning imports. Meantime, the Q3 current account deficit should expand to around \$430 billion, or 3% of GDP, though this ratio is down two percentage points from a year ago.

University of Michigan Consumer Sentiment

Friday, 10:00 am

Nov. P (e) 71.0

Consensus 71.0

Oct. 70.6

Renewed volatility in equity markets and ongoing job losses should weigh on consumer sentiment in November, though steadier home prices and an improving economy will offer some solace. We look for little change in the index from the prior month's 70.6, suggesting that confidence remains depressed though well off the depression-like prints of last fall, consistent with very modest growth in spending.

	NOV 6*	OCT 30	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	0.22	0	1	-61
United States	0.04	0.04	-1	-3	-4
Japan	0.20	0.16	5	6	0
Eurozone	0.72	0.72	0	-3	-218
United Kingdom	0.61	0.59	2	5	-216
Australia	3.79	3.77	1	27	-106
Bond Markets					
2-year Bond					
Canada	1.40	1.39	1	-30	31
United States	0.84	0.89	-5	-12	8
10-year Bond					
Canada	3.53	3.42	10	1	84
United States	3.51	3.39	13	13	130
Japan	1.44	1.42	3	15	27
Germany	3.35	3.23	11	14	39
United Kingdom	3.87	3.62	25	41	85
Australia	5.62	5.54	7	39	162
Currencies					
				(% CHANGE)	
US\$/C\$	93.43	92.18	1.4	-2.6	13.9
C\$/US\$	1.070	1.085	—	—	—
¥/US\$	89.67	90.09	-0.5	-0.1	-1.1
US\$/Euro	1.4867	1.4719	1.0	0.9	6.4
US\$/£	1.656	1.645	0.7	4.5	13.5
US\$/A\$	91.74	89.97	2.0	1.5	30.6
Commodities					
CRB Futures Index	271.22	270.38	0.3	3.3	18.2
Oil (generic contract)	77.50	77.00	0.6	8.0	73.8
Natural Gas (generic contract)	4.65	5.05	-7.8	-2.4	-17.2
Gold (spot price)	1093.70	1045.40	4.6	4.2	24.0
Equities					
S&P/TSX Composite	11183	10911	2.5	-2.2	24.4
S&P 500	1063	1036	2.6	-0.8	17.7
Nasdaq	2101	2045	2.8	-1.8	33.3
Dow Jones Industrial	9970	9713	2.6	1.1	13.6
Nikkei	9789	10035	-2.4	-2.3	10.5
Frankfurt DAX	5497	5415	1.5	-3.8	14.3
London FT100	5140	5045	1.9	-0.4	15.9
France CAC40	3711	3608	2.9	-2.3	15.3
S&P ASX 200	4594	4643	-1.1	-3.3	23.4

* as of 10:30 am

JAPAN

EUROZONE

 U.K.
OTHER

MONDAY NOVEMBER 9

JAPAN		
Current Account Surplus		
Sep. '09 (e)	¥1.5 trln	
Sep. '08	¥1.6 trln	
Trade Surplus		
Sep. '09 (e)	¥0.6 trln	
Sep. '08	¥0.3 trln	
Bank Lending		
Oct.		
Sep.	+1.7% y/y	

GERMANY

Industrial Production		
Sep. (e)	+1.0%	-14.4% y/y
Aug.	+1.7%	-16.8% y/y
Trade Surplus		
Sep. (e)	€11.3 bln	
Aug.	€8.1 bln	

EUROZONE		
Trade Surplus		
Sep. (e)	€11.3 bln	
Aug.	€8.1 bln	
FRANCE		
Industrial Production		
Sep. (e)	+0.5%	-9.2% y/y
Aug.	+1.8%	-10.8% y/y
Manufacturing Production		
Sep. (e)	+1.2%	-10.5% y/y
Aug.	+1.9%	-11.5% y/y
ITALY		
Industrial Production		
Sep. (e)	-4.0%	-15.8% y/y
Aug.	+7.0%	-18.3% y/y

MEXICO		
CPI		
Oct. (e)	+0.4%	+0.3%
Sep.	+0.5%	+0.4%
CORE CPI		
Oct. (e)	+0.4%	+0.3%
Sep.	+0.5%	+0.4%

CHINA		
New Yuan Loans *		
Oct. (e)	360.0 bln	
Sep.	516.7 bln	
M2 Money Supply *		
Oct. (e)	+29.5% y/y	
Sep.	+29.3% y/y	

TUESDAY NOVEMBER 10

GERMANY		
Current Account Surplus		
Sep. '09 (e)	¥1.5 trln	
Sep. '08	¥1.6 trln	
Trade Surplus		
Sep. '09 (e)	¥0.6 trln	
Sep. '08	¥0.3 trln	
Bank Lending		
Oct.		
Sep.	+1.7% y/y	
Machine Tool Orders		
Oct. P		
Sep.	-62.1% y/y	

GERMANY

ZEW Survey		
Nov. (e)	55.0	
Oct.	56.0	
Consumer Price Index		
Oct. F (e)	+0.2%	unch y/y
Sep.	-0.5%	-0.5% y/y

FRANCE		
Industrial Production		
Sep. (e)	+0.5%	-9.2% y/y
Aug.	+1.8%	-10.8% y/y
Manufacturing Production		
Sep. (e)	+1.2%	-10.5% y/y
Aug.	+1.9%	-11.5% y/y

ITALY		
Industrial Production		
Sep. (e)	-4.0%	-15.8% y/y
Aug.	+7.0%	-18.3% y/y

RICS House Price Balance		
Oct. (e)	28.0	
Sep.	22.0	
Trade Deficit Non-EU		
Sep. (e)	£6.1 bln	£3.0 bln
Aug.	£6.2 bln	£3.0 bln

AUSTRALIA		
NAB Business Confidence		
Oct.		
Sep.	14	

MEXICO		
Trade Deficit		
Sep. F (e)	\$1.1 bln	
Aug.	\$0.8 bln	

WEDNESDAY NOVEMBER 11

Machine Orders		
Sep. (e)	+4.1%	-26.3% y/y
Aug.	+0.5%	-26.5% y/y

Unemployment		
Oct. (e)	+20,000	5.1%
Sep.	+20,800	5.0%
Jobless Rate		
Oct. (e)	+1.8% y/y	
Aug.	+1.9% y/y	

**Bank of England
Quarterly Inflation Report**

CHINA		
Industrial Production		
Oct. (e)	+15.5% y/y	
Sep.	+13.9% y/y	
Retail Sales		
Oct. (e)	+15.8% y/y	
Sep.	+15.5% y/y	
Fixed Asset Investment (ytd)		
Oct. (e)	+33.5% y/y	
Sep.	+33.3% y/y	
CPI		
Oct. (e)	-0.4% y/y	-5.2% y/y
Sep.	-0.8% y/y	-7.0% y/y
PPI		
Oct. (e)	-0.4% y/y	-5.2% y/y
Sep.	-0.8% y/y	-7.0% y/y

Trade Surplus *		
Oct. (e)	US\$19.1 bln	
Sep.	US\$12.9 bln	
AUSTRALIA		
Westpac Consumer Confidence		
Nov.		
Oct.	+1.7%	

MEXICO		
Industrial Production		
Sep. (e)	-6.2% y/y	
Aug.	-7.3% y/y	

THURSDAY NOVEMBER 12

Corporate Goods Price Index		
Oct. (e)	-0.1%	-6.0% y/y
Sep.	+0.1%	-7.9% y/y

EUROZONE

Industrial Production		
Sep. (e)	+0.5%	-14.1% y/y
Aug.	+0.9%	-15.4% y/y

ECB Monthly Report

AUSTRALIA		
Employment		
Oct. (e)	-10,000	
Sep.	+40,600	
Jobless Rate		
Oct. (e)	5.8%	
Sep.	5.7%	

FRIDAY NOVEMBER 13

Industrial Production		
Sep. F (e)	+1.4%	-18.9% y/y
Aug.	+1.6%	-19.0% y/y

Consumer Confidence		
Oct. (e)	40.5	
Sep.	40.7	

EUROZONE

Real GDP		
Q3 A (e)	+0.5%	-3.9% y/y
Q2	-0.2%	-4.8% y/y

GERMANY		
Real GDP		
Q3 P (e)	+0.8%	-4.8% y/y
Q2	+0.3%	-5.9% y/y

FRANCE		
Real GDP		
Q3 P (e)	+0.6%	-1.9% y/y
Q2	+0.3%	-2.8% y/y

Consumer Price Index		
Oct. (e)	+0.1%	-0.2% y/y
Sep.	-0.2%	-0.4% y/y

ITALY		
Real GDP		
Q3 P (e)	+0.8%	-4.5% y/y
Q2	-0.5%	-6.0% y/y

CHINA		
Foreign Direct Investment (ytd) *		
Oct. (e)	-11.0% y/y	
Sep.	-14.2% y/y	

CANADA

MONDAY NOVEMBER 9

8:15 am Housing Starts
Oct. (e) 155,000 a.r. (+3.8%)
Consensus 155,000 a.r. (+3.8%)
 Sep. 149,300 a.r. (-3.9%)

TUESDAY NOVEMBER 10

10:35 am 3, 6 & 12-month T-bill auction \$16.0 bln
 (New cash -\$1.1 bln)

8:55 am Redbook
Nov. 7
 Oct. 31 +1.9%

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

Nov. 8
 Nov. 1 -49

WEDNESDAY NOVEMBER 11

Remembrance Day
 (stock markets open,
 bond markets closed)

THURSDAY NOVEMBER 12

8:30 am New Housing Price Index
Sep. (e) +0.2% -3.0% y/y
 Aug. +0.1% -3.1% y/y

5-year bond auction announcement

12:05 pm 2-year bond auction \$3.0 bln
 (New cash \$3.0 bln)

8:30 am Initial Claims
Nov. 7 (e) 495,000 (-17,000)
 Oct. 31 512,000 (-20,000)

11:00 am DoE's Petroleum Status Report (Nov. 6 week)

2:00 pm Budget Deficit
Oct. '09 (e) \$150.0 bln
Consensus \$150.0 bln
 Oct. '08 \$155.5 bln

Veterans Day
 (stock markets open,
 bond markets closed)

FRIDAY NOVEMBER 13

8:30 am Merchandise Trade Deficit
Sep. (e) \$1.9 bln
Consensus \$1.6 bln
 Aug. \$2.0 bln

8:30 am New Motor Vehicle Sales
Sep. (e) unch
 Aug. -0.3%

8:30 am Goods & Services Trade Deficit
Sep. (e) \$32.0 bln
Consensus \$31.9 bln
 Aug. \$30.7 bln

8:30 am Import Prices
Oct. (e) +0.8%
Consensus +1.0%
 Sep. +0.1%

10:00 am Univ. of Michigan Consumer Sentiment
Nov. P (e) 71.0
Consensus 71.0
 Oct. 70.6

10:30 am DoE's Natural Gas Status Report (Nov. 6 week)

UNITED STATES

11:30 am 3 & 6-month T-bill auction \$61.0 bln
 (New cash -\$1.0 bln)

1:00 pm 3-year note auction \$40.0 bln
 (No new cash)

1:00 pm 10-year note auction \$25.0 bln
 (New cash -\$13.5 bln)

1:00 pm 30-year bond auction \$16.0 bln
 (No new cash)

The information, opinions, estimates, projections and other materials contained herein are provided as of the date hereof and are subject to change without notice. Some of the information, opinions, estimates, projections and other materials contained herein have been obtained from numerous sources and Bank of Montreal ("BMO") and its affiliates make every effort to ensure that the contents thereof have been compiled or derived from sources believed to be reliable and to contain information and opinions which are accurate and complete. However, neither BMO nor its affiliates have independently verified or make any representation or warranty, express or implied, in respect thereof, take no responsibility for any errors and omissions which may be contained herein or accept any liability whatsoever for any loss arising from any use of or reliance on the information, opinions, estimates, projections and other materials contained herein whether relied upon by the recipient or user or any other third party (including, without limitation, any customer of the recipient or user). Information may be available to BMO and/or its affiliates that is not reflected herein. The information, opinions, estimates, projections and other materials contained herein are not to be construed as an offer to sell, a solicitation for or an offer to buy, any products or services referenced herein (including, without limitation, any commodities, securities or other financial instruments), nor shall such information, opinions, estimates, projections and other materials be considered as investment advice or as a recommendation to enter into any transaction. Additional information is available by contacting BMO or its relevant affiliate directly. BMO and/or its affiliates may make a market or deal as principal in the products (including, without limitation, any commodities, securities or other financial instruments) referenced herein. BMO, its affiliates, and/or their respective shareholders, directors, officers and/or employees may from time to time have long or short positions in any such products (including, without limitation, commodities, securities or other financial instruments). BMO Nesbitt Burns Inc. and/or BMO Capital Markets Corp., subsidiaries of BMO, may act as financial advisor and/or underwriter for certain of the corporations mentioned herein and may receive remuneration for same. "BMO Capital Markets" is a trade name used by the Bank of Montreal Investment Banking Group, which includes the wholesale/institutional arms of Bank of Montreal, BMO Nesbitt Burns Inc., BMO Nesbitt Burns Ltée/Ltd., BMO Capital Markets Corp. and Harris N.A., and BMO Capital Markets Limited.

TO U.S. RESIDENTS: BMO Capital Markets Corp. and/or BMO Nesbitt Burns Securities Ltd., affiliates of BMO NB, furnish this report to U.S. residents and accept responsibility for the contents herein, except to the extent that it refers to securities of Bank of Montreal. Any U.S. person wishing to effect transactions in any security discussed herein should do so through BMO Capital Markets Corp. and/or BMO Nesbitt Burns Securities Ltd.

TO U.K. RESIDENTS: The contents hereof are not directed at investors located in the U.K., other than persons described in Part VI of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001.

™ - "BMO (M-bar roundel symbol) Capital Markets" is a trade-mark of Bank of Montreal, used under licence. © Copyright Bank of Montreal.