THE Goods

A MONTHLY COMMODITY WATCH

ECONOMIC RESEARCH

BMO Capital Markets

New Commodity Index Tells Familiar Story—Bull Still Running

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This month, BMO Capital Markets is introducing an updated version of its **Commodity Price Index** that reflects the recent composition of Canadian commodity exports. The Index now sports a much increased weight for its Oil & Gas component and a significantly reduced one for Forest Products, in line with trade trends since the original Index was constructed in the mid 1990s.

Two new commodities—cattle and hogs—are now included in the Agricultural Products component, replacing corn and soybeans. In the Metals & Minerals component, uranium now replaces lead.

To complete this fresh new look, the base year of the Index and its sub indexes has been moved to 2003 from 1993.

While there have been several technical changes in the calculation of the new Index, its performance over time has been almost identical to that of its older sibling (both series are more than 99% correlated). This provides continuity in our price monitoring exercise and reinforces the bullish story that has emerged in the last four years.

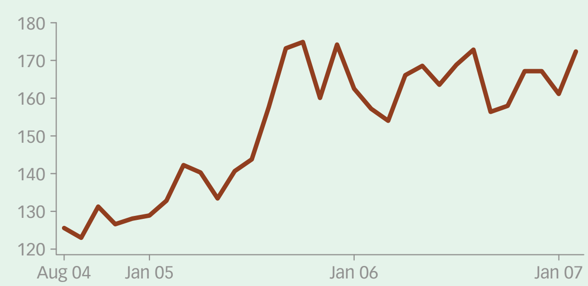
The latest data point for February shows an overall gain in the Index of 7%, with contribution from three of four commodity groups. Oil & Gas rebounded sharply, while Metals & Minerals and Agricultural Products showed less-heated yet, nevertheless, brisk gains in the month. Forest Products remained flat in February.

The onset of very cold weather in late January, lasting through much of the rest of winter, provided a tonic for energy prices in February. The **Oil & Gas Index** surged almost 13% in the month, with sharp advances for crude oil and natural gas. Although inventories for both are still relatively high, they were drawn down significantly in February and during the first half of March. Moving into the low-demand, shoulder season, near-term bearish forces will be struggling against medium-term positive fundamentals for prices. As markets attempt to disentangle the two, we could see a pick-up in volatility.

The **Metals & Minerals Index** unwound the previous month's weakness with broad-based gains in February. Precious metals strengthened as the US dollar weakened against major currencies, while the focus in base metals markets remained on meagre stockpiles, supply concerns, and strong demand. Over the past year, all metals in the Index enjoyed large gains. Metals prices are set to move higher over the next few months, partly due to seasonal considerations, before edging lower. For

BMO Capital Markets Commodity Price Index

All Commodities Index (2003=100)



	Feb. Level (2003=100)	% Change from Mth. Ago	Yr. Ago
All Commodities	172.4	7.0	9.7
Oil & Gas	167.1	12.9	-1.5
Metals & Minerals	275.1	3.8	45.8
Forest Products	108.7	0.0	-9.8
Agriculture	122.8	3.5	13.8

the entire year, average prices should remain relatively high, propped up by low inventories and continued healthy demand.

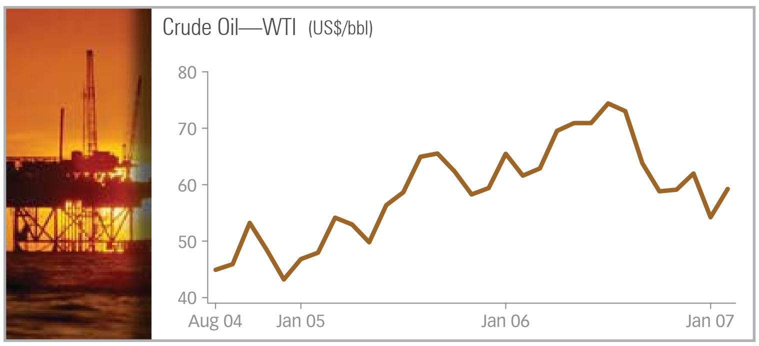
The **Forest Products Index** was unchanged in February, continuing a five-month trend of almost perfectly offsetting movements among its components. Moderate gains for lumber and OSB counterbalanced a second consecutive decline in newsprint prices. Tough market conditions are generally expected to persist in 2007, keeping downward pressure on prices for almost all segments of the forest products industry.

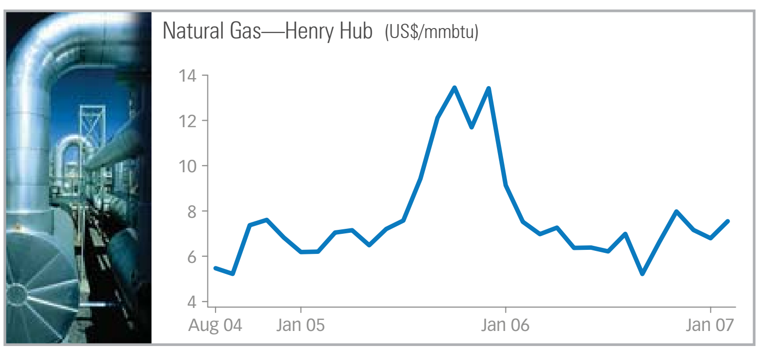
Led higher by wheat and hog prices, the **Agricultural Index** advanced 3.5% in February to a level almost 14% above that of a year earlier. The gain during the month was aided by the strength in corn, stemming from ethanol-related demand and relatively tight global grain and oilseed supplies. Over the past year, agricultural prices have recorded double-digit gains, buoyed by solid demand and lower production in some key regions. With global stocks of major grains projected to remain low and demand boosted by growing interest in bio-fuels, agricultural prices should be well supported through 2007.

Oil and Gas

Crude Oil

The average price of US benchmark West Texas Intermediate (WTI) jumped by 8.3% in February to US$59.60/barrel. However, with the late-winter deep freeze finally thawing, oil prices weakened during the first half of March, with WTI slipping a little under $57 on the first day of spring. Prices also relaxed on OPEC's seeming satisfaction with the current price regime and its recent decision to not make further cuts to quotas. With second-quarter global production of crude remaining steady in the face of the usual seasonal decline in consumption, prices could remain soft through the middle of the year. By the second half, however, sustained strong economic growth in Asia and other developing regions and continued expansion in the West should boost demand sufficiently to eat through any inventory surpluses, setting the stage for higher prices. Further, while OPEC's supply cushion is being gradually rebuilt, it is still very tight. While the market has recently reduced its laser focus on supply risks, they are still substantial and are likely to come to the fore again over the next year. Thus, rising risk premiums, in addition to tightening fundamentals, could fuel prices later in the year. Overall, we expect WTI to increase from an average of $58 during the first half to $66 during the second half.





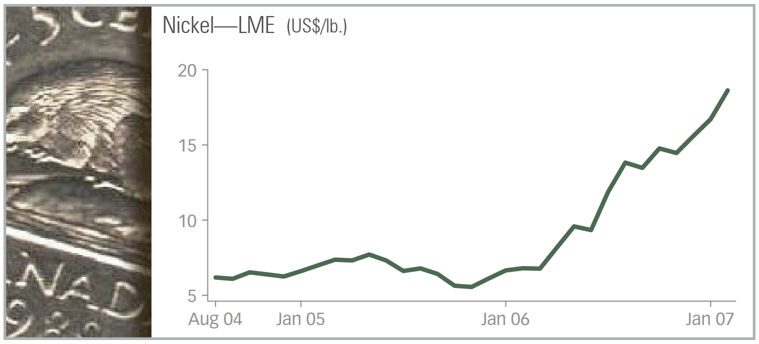
Natural Gas

Natural Gas Markets also felt winter's blast in February. After melting to an average of US$6.60 per million British thermal units (mmbtu, about the same as the energy in a thousand cubic feet of gas) in both December and January, US benchmark Henry Hub leaped 19.3% to $7.90 in February. Natural gas at Alberta Empress followed suit, climbing 10.8% to US$7.47/mmbtu. Over the course of the past year, the spread of Henry Hub over Empress has narrowed sharply. During January-July 2006, it averaged US$1.00/mmbtu. Since then, it has averaged just US$0.30. This primarily reflects tighter local market conditions in Alberta, where more of Western Canada natural gas production is being diverted to oil sands operations, resulting in generally stronger netbacks to producers. With US winter-ending underground storage likely to exceed 1.4 trillion cubic feet, near-term fundamentals look soft, as reflected in the recent break below the $7 mark for Henry Hub. However, longer-term fundamentals look bullish. With coal and nuclear facilities fully booked and environmental concerns grabbing the attention of policymakers, the rising demand for power will have to be met from natural gas. Further, industrial demand is rising, in part reflecting the strong demand for fertilizers as high grain prices lead to increased acreage being planted. On the supply side, domestic production is struggling with sharply declining well productivity and imports from Canada are falling significantly. We anticipate that any inventory overhang will be eliminated by the second half, leading to a jump in average Henry Hub to about US$8/mmbtu from US$6.75 during the first half. Further gains are likely in store for 2008.

Metals and Minerals

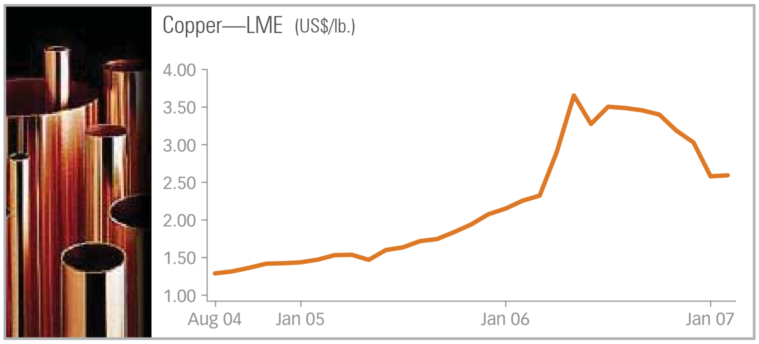
Nickel

In February, nickel jumped close to 13% to average US$18.89/lb. as prices were propelled by tight market conditions, robust demand from stainless steel producers, and supply concerns. At the end of February, LME inventories had fallen more than 90% from a year earlier. The sharp decline in exchange stocks helped to catapult prices roughly 180% higher over the same period. Nickel continued its stellar run during March, hitting a record high of US$23.08/lb. on March 16th and averaging US$21.00/lb. for the month so far. Although rising supplies should help nudge prices down from current levels, continued strong demand and extremely low stockpiles are expected to keep them well above historical levels. Due to recent gains, we have revised our nickel price forecast to $16.00/lb for this year.



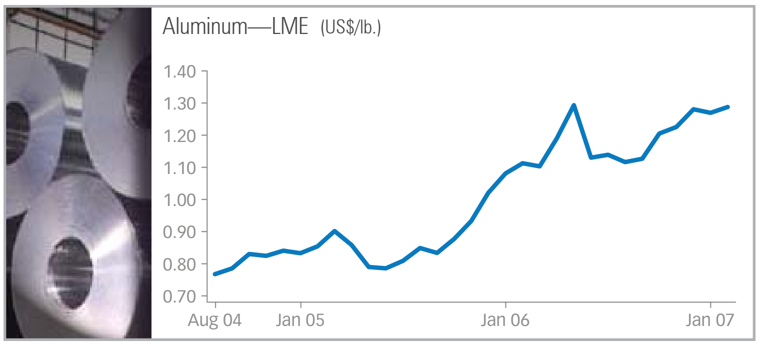
Copper

After falling for six straight months, copper has firmed on increased Chinese demand and a moderate decline in exchange stocks. During February, average prices advanced by just over 1% to US$2.60/lb. Robust industrial production, along with the need to rebuild inventories, has fueled imports of copper into China. In January, Chinese copper imports were reported to be 86% higher than a year ago. Copper has strengthened further in March (averaging US$2.83 for the month to date) and this firming pattern is expected to hold through the second quarter amid a seasonal pick-up in demand. In the latter part of the year, copper prices are seen to ease as supplies increase. Still, with stocks expected to remain low and demand healthy, average prices for the year should remain elevated at $2.70/lb.



Aluminum

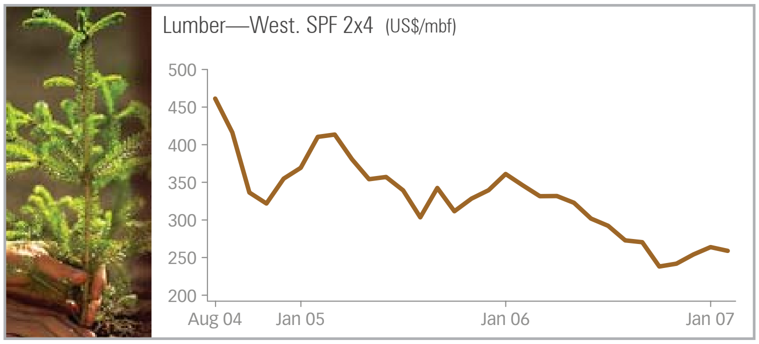
Despite a notable increase in inventories on the London Metal Exchange, aluminum prices edged forward (+0.9%) in February to average US$1.28/lb. During the month, prices were supported by restrictive Chinese export policies and solid global demand. A general strike in Guinea (a major exporter of bauxite, from which aluminum is made) and continued high energy prices were also constructive. Over the past year, average aluminum prices gained 15%. Aluminum prices have weakened somewhat during March—averaging some US$1.25/lb. to date—amid rising exchange inventories. Though softer alumina prices should promote further easing, solid industrial production should keep inventories comparatively low and prices well above historical norms. For the year as a whole, we see prices averaging $1.20/lb.



Forest Products

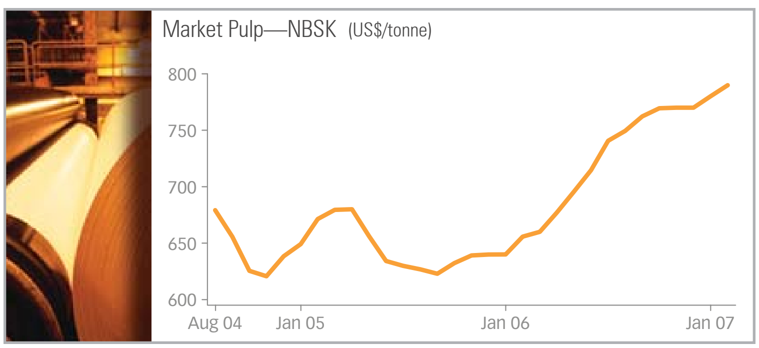
Lumber

With developments in the US housing market bringing a constant flow of bad news, the rut in which lumber markets have been stuck has grown bigger over the past several weeks. After posting modest gains in January-February, lumber prices have resumed their testing of floor levels in the first half of March. The Western SPF 2x4 benchmark fell to US$238/mbf mid March, down from an average of US$255/mbf in February. Slumping housing starts in North America amid plentiful lumber availability will keep lumber prices depressed through 2007. The Western SPF 2x4 benchmark is forecast to average only US$245/mbf, the lowest annual level since 1991. Downside risk is limited at such a level since it falls within the range of producers' variable production costs, which will exert intense pressure on mills to take capacity out (temporarily or permanently), especially in high-cost areas such as Central Canada.



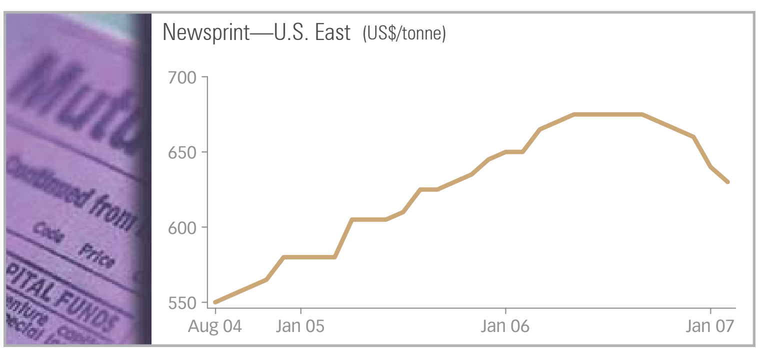
Market Pulp

The NBSK benchmark was flat at US$790/tonne—a 10-year high—in February, still supported by tight supply availability worldwide, low inventories, strong demand from China, rising prices for market pulp offshore and for end-products in North America, and concerns about wood chip shortages in parts of Canada. Producers are pushing for a further price increase (US$20/tonne) in April, which we believe will be the last one in this cycle. Market conditions are expected to soften later in 2007 when significant new hardwood capacity comes on-stream in South America and Asia. This will disrupt the tight balance between demand and supply that prevailed during 2006 and early 2007. On average in 2007, NBSK is forecast to climb to US$780/tonne from US$722/tonne.



Newsprint

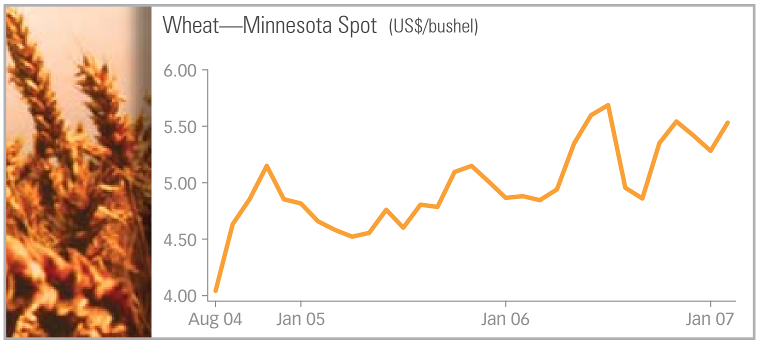
Pricing has deteriorated steadily since reaching a cyclical peak last summer. US East Coast fell again by US$10/tonne in February and US$5/tonne in March to US$625/tonne, as producers have lost their grip on pricing. Before last summer, aggressive capacity reductions by North American newsprint producers had been more than sufficient to keep up with the secular decline in newsprint consumption, resulting in a four-year run-up in prices. However, the easy pickings for mill shutdowns have run out. North American producers' control of supply is further threatened by Chinese newsprint beginning to enter key US markets. With such challenges on the supply side and the US consumption decline showing signs of accelerating, newsprint prices are forecast to soften to US$610/tonne this year, down from US$667/tonne in 2006.



Agricultural Products

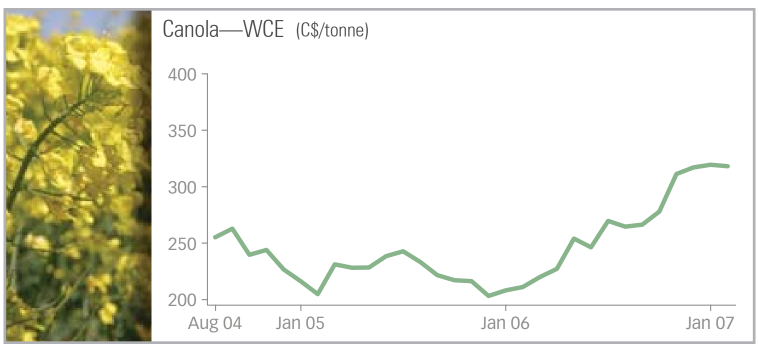
Wheat

The monthly average price of wheat rose 4.7% in February to US$5.53/bu., amid increased import demand in Asia, shipping delays in Canada, and generalized support from ethanol-related demand. Deteriorating crop fortunes in major growing areas caused global stocks to dwindle over the past year. Partly as a result, wheat prices have gained 13.4% over the last year. A return to more normal growing conditions in some areas has bolstered crop prospects. Still, global inventories are projected to sit at their lowest levels, relative to consumption, in more than thirty years. Tight market conditions are expected to support prices at relatively high levels, with wheat likely to fetch $5.40/bu., on average, in 2007.



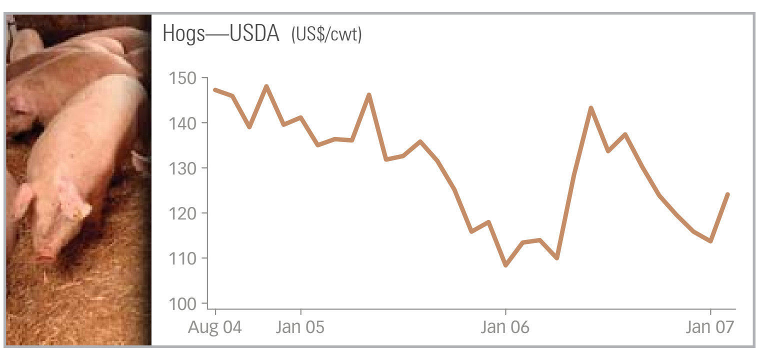
Canola

Prices stalled in February as the monthly average slipped 0.6% to C$373/tonne. A firmer tone to the Canadian dollar helped to limit export demand and contributed to the weakness. Some evidence of softening bio-diesel demand in Germany following recent changes to the fuel tax regime also likely contributed. In March, canola has drifted downward but remains at relatively high levels, with prices averaging C$370/tonne for the month to date. Taking a longer-term perspective, canola has gained 54% over the past year. Prices are expected to remain well supported by tight supplies and strong demand. Specifically, oilseed prices are seen benefiting from rising interest in bio-fuels and growing food-service demand for trans-fat-free oil. For the year as a whole, canola prices are forecast to average around C$350/tonne in 2007.



Hogs

After slipping 1.8% the previous month, hog prices increased 9.1% in February for an average of US$46.60/cwt. Relatively high broiler prices due to lower production are supporting US domestic pork demand and contributing to strong hog prices. A brisk pace of exports has also been constructive. Over the past year, hog prices have advanced by just over 9%. Prices are expected to remain firm during the second quarter before easing through the latter part of the year as pork production picks up seasonally and broiler production expands. Over the entire year, we anticipate that hog prices will average around US$46.00/cwt., the same as in 2006 but down 8% from 2005.



Energy and Materials

		Crude Oil (WTI)	Natural Gas (NYMEX near mo.)	Natural Gas (Alta. Empress spot)	Lumber	Pulp**	Newsprint
		US$/bbl	US$/mmbtu	US$/mmbtu	US$/mbf	US$/tonne	US$/tonne
	1994	17.19	1.94	1.54	341	568	469
	1995	18.43	1.69	0.91	251	884	668
	1996	22.15	2.50	1.16	353	578	645
	1997	20.60	2.48	1.41	354	567	555
	1998	14.39	2.16	1.53	288	517	596
	1999	21.19	2.32	2.04	343	521	509
	2000	30.37	4.32	3.81	259	681	564
	2001	25.96	4.04	3.48	251	515	585
	2002	26.17	3.37	2.63	238	490	465
	2003	31.06	5.49	4.82	270	551	503
	2004	41.51	6.18	5.25	395	638	550
	2005	56.59	9.01	7.51	353	647	610
	2006	66.09	6.98	5.92	296	717	667
	Year-to-date: 2007	**57.40**	**7.15**	**7.15**	**257**	**786**	**632**
2006	March	62.89	6.98	5.80	332	660	665
	April	69.54	7.26	5.95	332	677	670
	May	70.93	6.37	5.29	323	696	675
	June	70.93	6.39	5.33	302	715	675
	July	74.40	6.22	5.21	292	741	675
	August	73.04	6.99	5.92	273	749	675
	September	63.82	5.22	4.41	271	762	675
	October	58.85	6.63	5.21	238	770	670
	November	59.13	7.98	6.99	242	770	665
	December	62.00	7.16	6.68	254	770	660
2007	January	54.24	6.80	6.74	264	780	640
	February	59.25	7.55	7.47	259	790	630
	March *	**59.28**	**7.11**	**7.38**	**246**	**790**	**625**
	3-Month Forward Price Trend	↔	↔	↔	↔	↓	↓
Forecast	2007 Avg.	**62.00**	**7.40**	**6.80**	**245**	**780**	**610**
	2008 Avg.	**64.00**	**8.50**	**7.90**	**275**	**720**	**625**

* month-to-date

** 1996 and prior from Pulp & Paper Week, 1997 onward from FOEX PIX NBSK Index

Commodity price forecasts are by BMO Capital Markets Economics and are independent of those used by BMO Capital Markets Equity Research.

Base and Precious Metals

		Copper	Lead	Aluminum	Zinc	Nickel	Gold	Silver
				US$/lb.			US$/oz.	
	1994	1.05	0.25	0.67	0.45	2.88	384.29	5.28
	1995	1.33	0.29	0.82	0.47	3.73	384.35	5.18
	1996	1.04	0.35	0.68	0.47	3.41	387.81	5.19
	1997	1.03	0.28	0.73	0.60	3.15	331.64	4.89
	1998	0.75	0.24	0.62	0.47	2.10	294.01	5.53
	1999	0.74	0.23	0.64	0.49	2.94	275.91	5.19
	2000	0.82	0.21	0.70	0.51	3.92	279.10	4.95
	2001	0.72	0.22	0.66	0.40	2.71	271.04	4.37
	2002	0.71	0.21	0.61	0.35	3.08	309.68	4.60
	2003	0.81	0.23	0.65	0.38	4.37	363.32	4.88
	2004	1.30	0.40	0.78	0.48	6.28	409.17	6.66
	2005	1.67	0.44	0.86	0.63	6.70	444.45	7.31
	2006	3.06	0.58	1.17	1.48	10.96	603.77	11.55
	Year-to-date: 2007	**2.66**	**0.80**	**1.27**	**1.58**	**18.51**	**648.29**	**13.29**
2006	March	2.32	0.54	1.10	1.10	6.77	557.09	10.38
	April	2.91	0.53	1.19	1.39	8.18	610.65	12.61
	May	3.66	0.53	1.29	1.61	9.59	675.39	13.45
	June	3.28	0.44	1.13	1.45	9.34	596.15	10.80
	July	3.50	0.48	1.14	1.51	11.88	633.71	11.23
	August	3.49	0.53	1.12	1.51	13.82	632.59	12.18
	September	3.46	0.61	1.13	1.54	13.47	598.19	11.68
	October	3.40	0.69	1.21	1.74	14.76	585.78	11.56
	November	3.19	0.74	1.23	1.99	14.47	627.83	12.93
	December	3.03	0.78	1.28	1.99	15.60	629.79	13.36
2007	January	2.58	0.75	1.27	1.72	16.70	631.17	12.84
	February	2.59	0.81	1.29	1.51	18.63	664.75	13.91
	March*	**2.86**	**0.86**	**1.25**	**1.49**	**21.02**	**651.47**	**13.11**
	3-Month Forward Price Trend	↑	↔	↔	↑	↓	↑	↑
Forecast	2007 Avg.	**2.70**	**0.55**	**1.20**	**1.80**	**16.00**	**700.00**	**14.00**
	2008 Avg.	**2.30**	**0.45**	**1.10**	**1.60**	**14.00**	**750.00**	**14.50**

* month-to-date

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Agriculture

2003 = 100		Wheat	Canola	Cattle	Hogs
	1994	108.3	115.1	83.2	105.2
	1995	115.6	118.7	77.8	111.2
	1996	132.1	121.1	74.2	141.9
	1997	105.2	109.2	79.2	138.6
	1998	94.4	101.5	74.7	86.6
	1999	86.7	78.4	79.1	86.1
	2000	85.1	66.9	85.5	114.2
	2001	86.5	77.5	89.0	117.4
	2002	97.2	92.7	83.3	88.6
	2003	100.0	100.0	100.0	100.0
	2004	108.7	104.3	107.0	136.4
	2005	112.3	86.0	112.0	132.1
	2006	122.0	98.5	108.9	123.2
	Year-to-date: 2007	**127.1**	**122.6**	**106.4**	**118.9**
2006	March	113.9	84.6	109.9	114.0
	April	116.1	87.4	106.0	110.0
	May	125.6	97.7	102.8	128.4
	June	131.6	94.7	105.0	143.3
	July	133.7	103.7	107.3	133.7
	August	116.5	101.8	109.0	137.4
	September	114.2	102.5	112.5	130.2
	October	125.7	106.9	110.3	123.8
	November	130.3	119.7	105.5	119.6
	December	127.3	121.9	103.9	115.8
2007	January	124.1	122.9	105.4	113.7
	February	130.0	122.3	107.3	124.1
	3-Month Forward Price Trend	↓	↓	↔	↔
Forecast	2007 Avg.	**126.8**	**115.5**	**107.1**	**123.6**
	2008 Avg.	**112.9**	**107.8**	**105.6**	**116.7**

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Commodity Indices and Forecasts

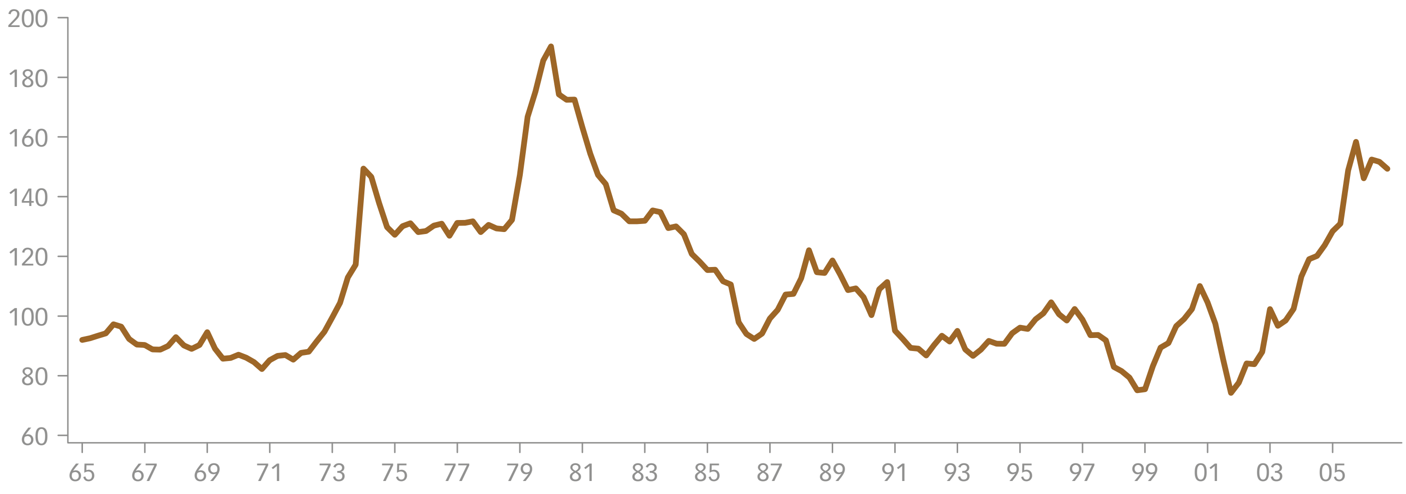
US$-terms : 2003 = 100		All Commodities	Oil & Gas	Metals & Minerals	Forest Products	Agricultural Products	All Commodities
							C$-terms
Annual							
	1998	72.3	41.9	87.7	109.0	90.7	76.5
	1999	78.0	51.4	89.5	114.3	83.3	82.7
	2000	95.9	87.9	99.4	109.6	84.3	101.8
	2001	87.0	77.3	89.2	101.9	88.2	96.0
	2002	81.7	72.3	88.9	90.0	92.4	91.6
	2003	100.0	100.0	100.0	100.0	100.0	100.0
	2004	122.5	120.1	128.3	124.7	110.1	113.7
	2005	150.2	171.6	150.2	121.7	108.8	129.7
	2006	163.5	166.5	229.1	115.6	114.4	132.4
Forecast	2007	**171.6**	**166.3**	**276.4**	**106.7**	**119.8**	**209.4**
	2008	**176.3**	**179.6**	**267.1**	**110.9**	**110.6**	**211.9**
Quarterly							
	2005 Q3	158.2	192.0	149.0	117.5	108.0	135.8
	Q4	169.7	209.5	162.6	118.8	110.7	142.3
	2006 Q1	157.9	171.9	186.9	120.7	107.6	130.2
	Q2	166.1	171.7	226.1	118.7	114.0	133.1
	Q3	166.0	166.7	241.9	114.0	116.2	133.0
	Q4	164.1	155.8	261.4	108.9	119.9	133.4
Forecast	2007 Q1	**167.2**	**156.1**	**275.9**	**108.0**	**120.3**	**204.5**
	Q2	**167.6**	**150.4**	**289.1**	**108.6**	**122.3**	**206.2**
	Q3	**171.3**	**167.5**	**273.0**	**106.2**	**120.3**	**208.9**
	Q4	**180.2**	**191.0**	**267.5**	**104.2**	**116.3**	**218.2**
Monthly							
	2006 Feb	157.2	169.6	188.7	120.6	108.0	129.0
	Mar	154.0	162.7	190.4	119.3	107.1	127.1
	Apr	166.1	176.1	216.0	120.7	107.5	135.6
	May	168.6	169.7	241.9	118.6	115.1	133.7
	Jun	163.6	169.3	220.4	116.8	119.3	129.9
	Jul	168.9	173.0	237.8	115.8	121.7	136.1
	Aug	172.9	181.0	244.2	113.3	113.8	138.5
	Sep	156.4	146.1	243.6	112.8	113.0	124.5
	Oct	158.0	146.0	254.8	108.7	118.3	127.3
	Nov	167.2	162.3	261.1	108.9	121.6	135.5
	Dec	167.2	159.1	268.5	109.0	119.9	137.3
	2007 Jan	161.2	148.0	265.0	108.7	118.7	135.2
	Feb	172.4	167.1	275.1	108.7	122.8	144.4

Commodity price indices and forecasts are by BMO Capital Markets Economics.
Forecasts are independent of those used by BMO Capital Markets Equity Research.

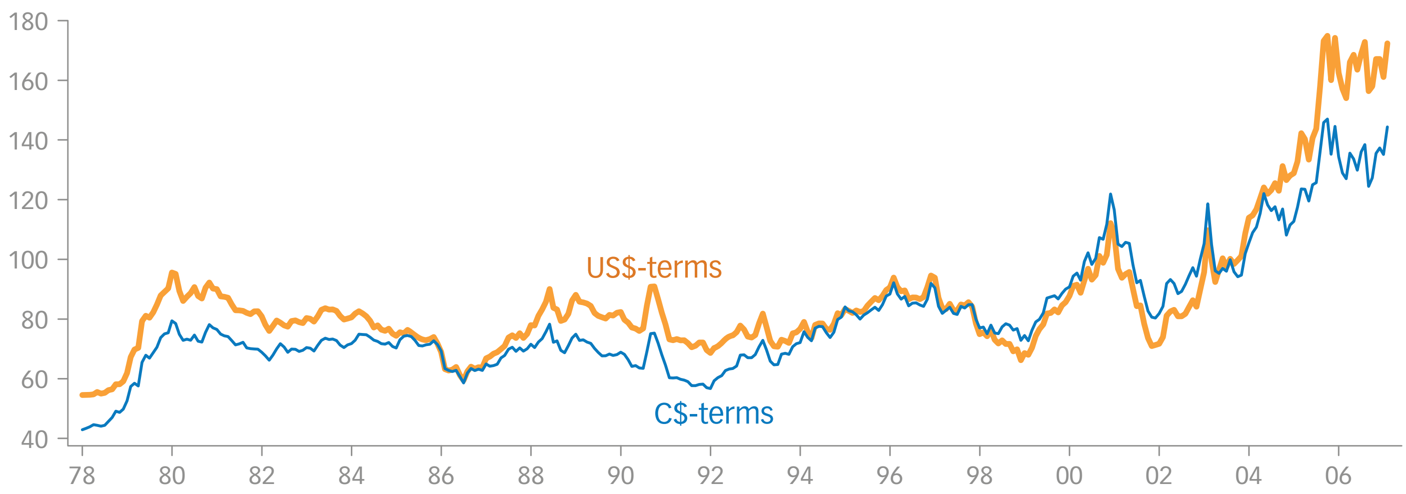
Historical Charts: All-Commodity Index

Nominal US$-Terms (2003=100)

Real US$-Terms (2003=100)



Nominal (2003=100)



Technical Note

The BMO Capital Markets Commodity Price Index is a fixed-weight, export-based index that encompasses the price movement of 19 commodities key to Canadian exports. Weights are each commodity's average share of export values during the period 2002-06. Similarly, weights of sub-index components reflect the relative importance of commodities within their respective product group.

The all-commodities index and sub-indices consist of the following:

Percent	Weight in All-Commodities Index	Weight in Sub-Index		Weight in All-Commodities Index	Weight in Sub-Index
Metals & Minerals	**21.5**	**100.0**	**Forest Products**	**26.3**	**100.0**
Gold	3.1	14.5	Newsprint	5.0	18.8
Silver	0.4	1.9	Market Pulp	5.9	22.6
Aluminum	0.4	38.7	Supercalendered Paper	3.4	13.1
Copper	2.3	10.4	Lumber	9.3	35.3
Nickel	3.3	15.2	OSB	2.7	10.3
Zinc	1.0	4.4			
Uranium	1.1	5.0	**Agricultural Products**	**5.9**	**100.0**
Potash	2.1	9.8	Wheat	2.8	47.8
			Canola	1.2	20.3
Oil and Gas	**46.3**	**100.0**	Hogs	0.6	9.7
Crude Oil	22.7	49.1	Beef Cattle	1.3	22.3
Canadian Natural Gas	23.6	50.9			
			All Commodities	**100.0**	

Unless otherwise specified, all indices reported in this publication correspond to prices in US dollars.