



CIBC
World Markets

Financial Markets Fall 2008 Economic Update

October 7, 2008

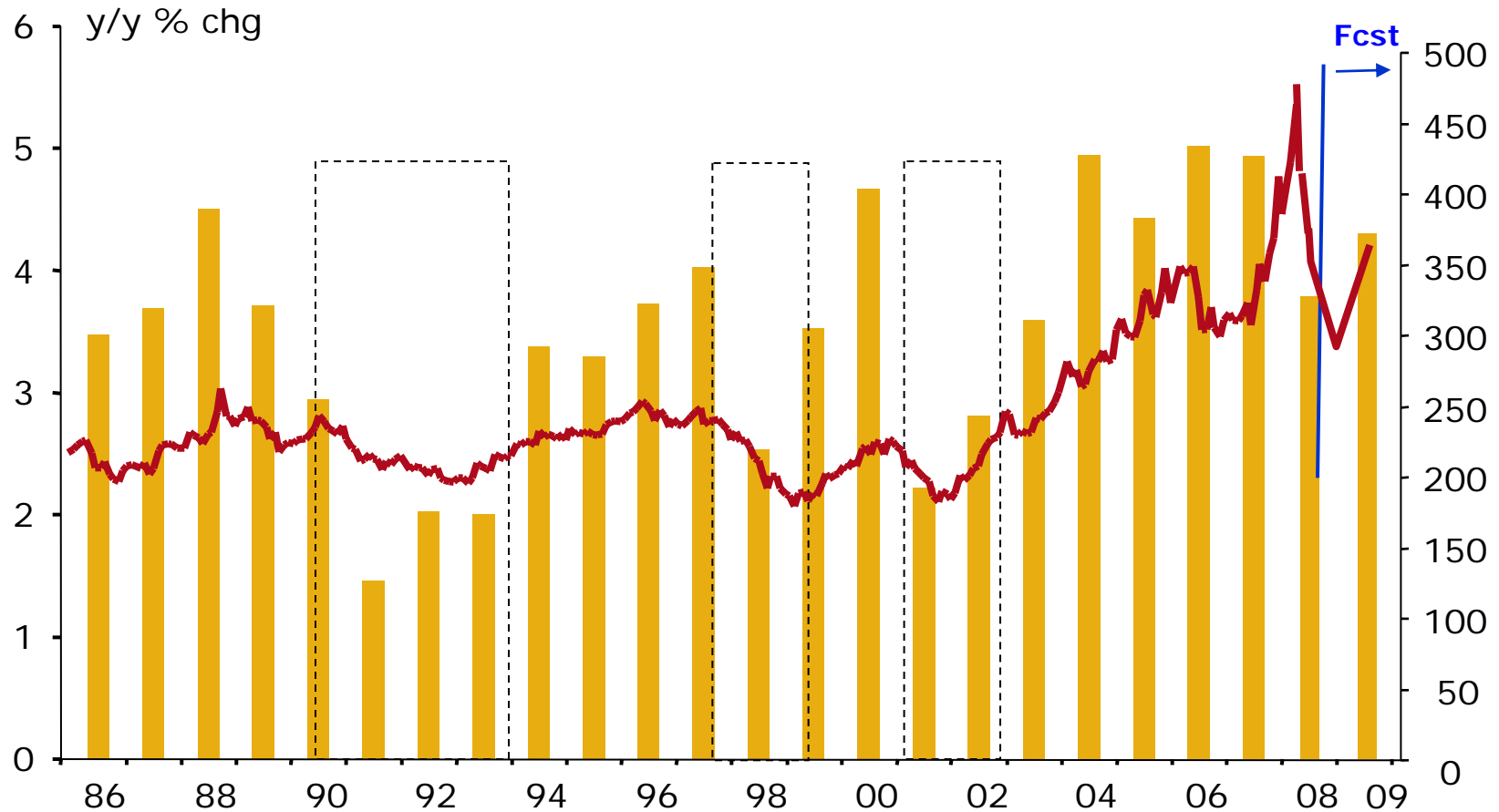
Jeff Rubin

Chief Economist, Chief Strategist

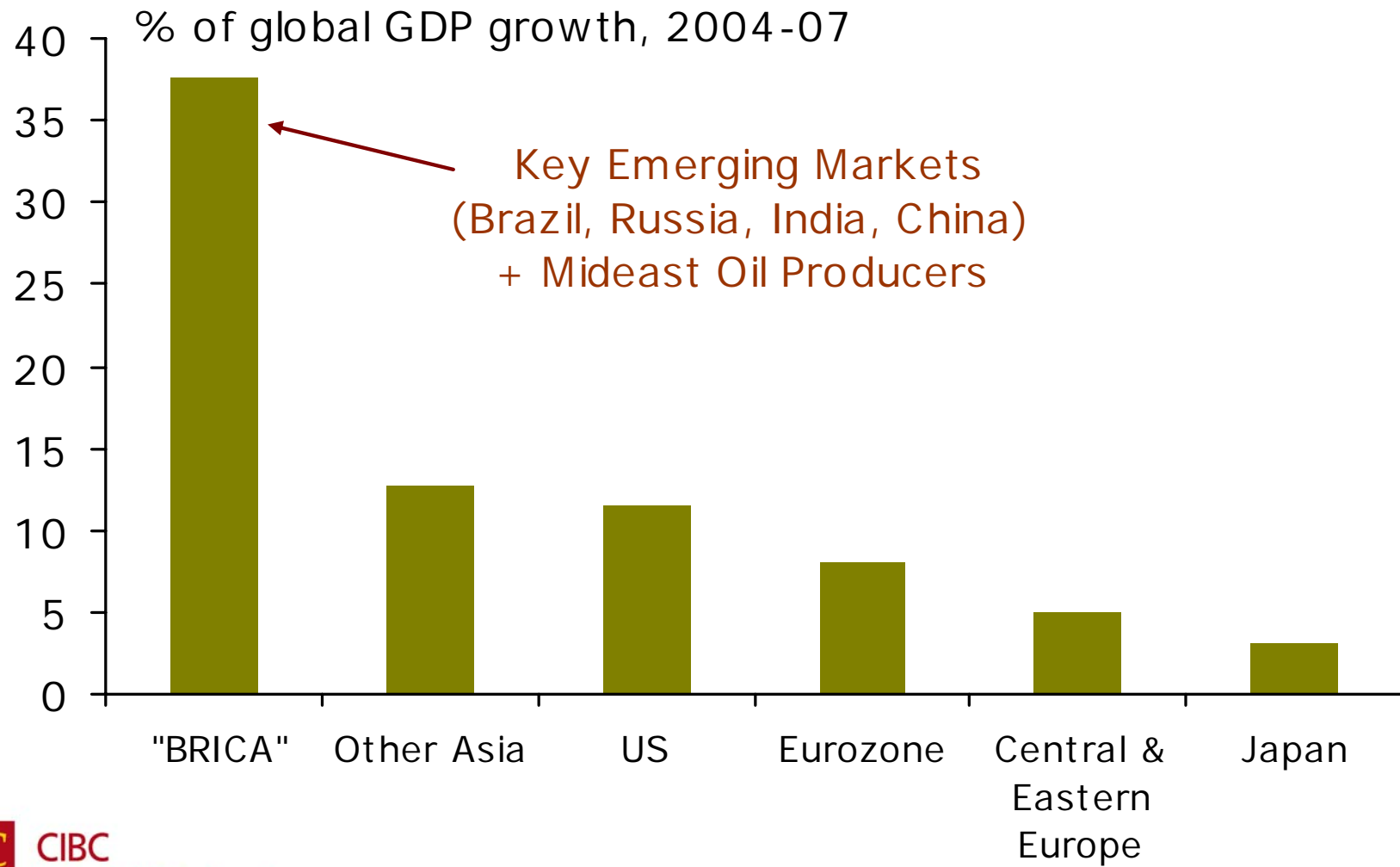
Avery Shenfeld

Managing Director, Senior Economist

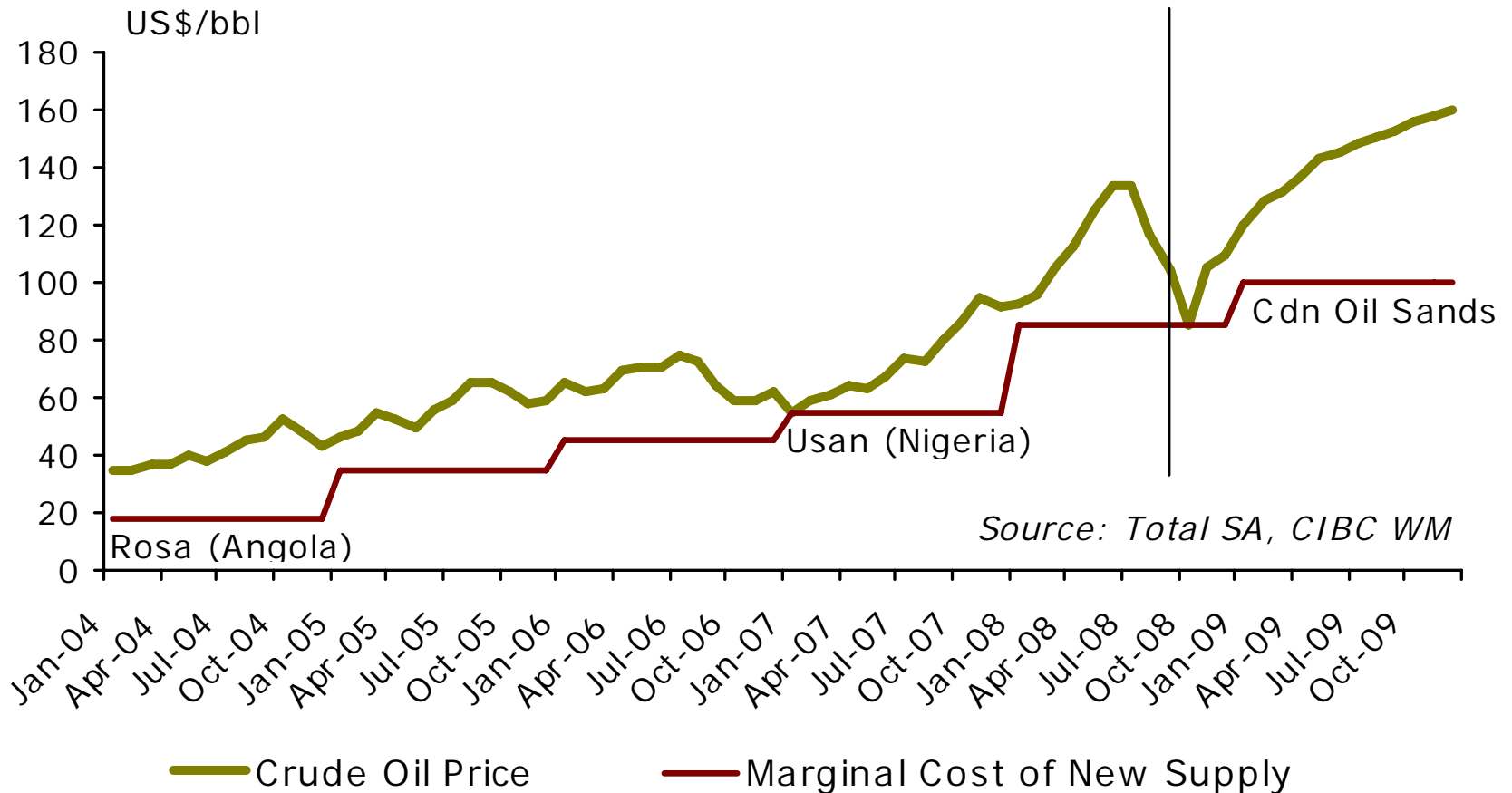
Crash in Commodity Prices Exaggerates Growth Slowdown



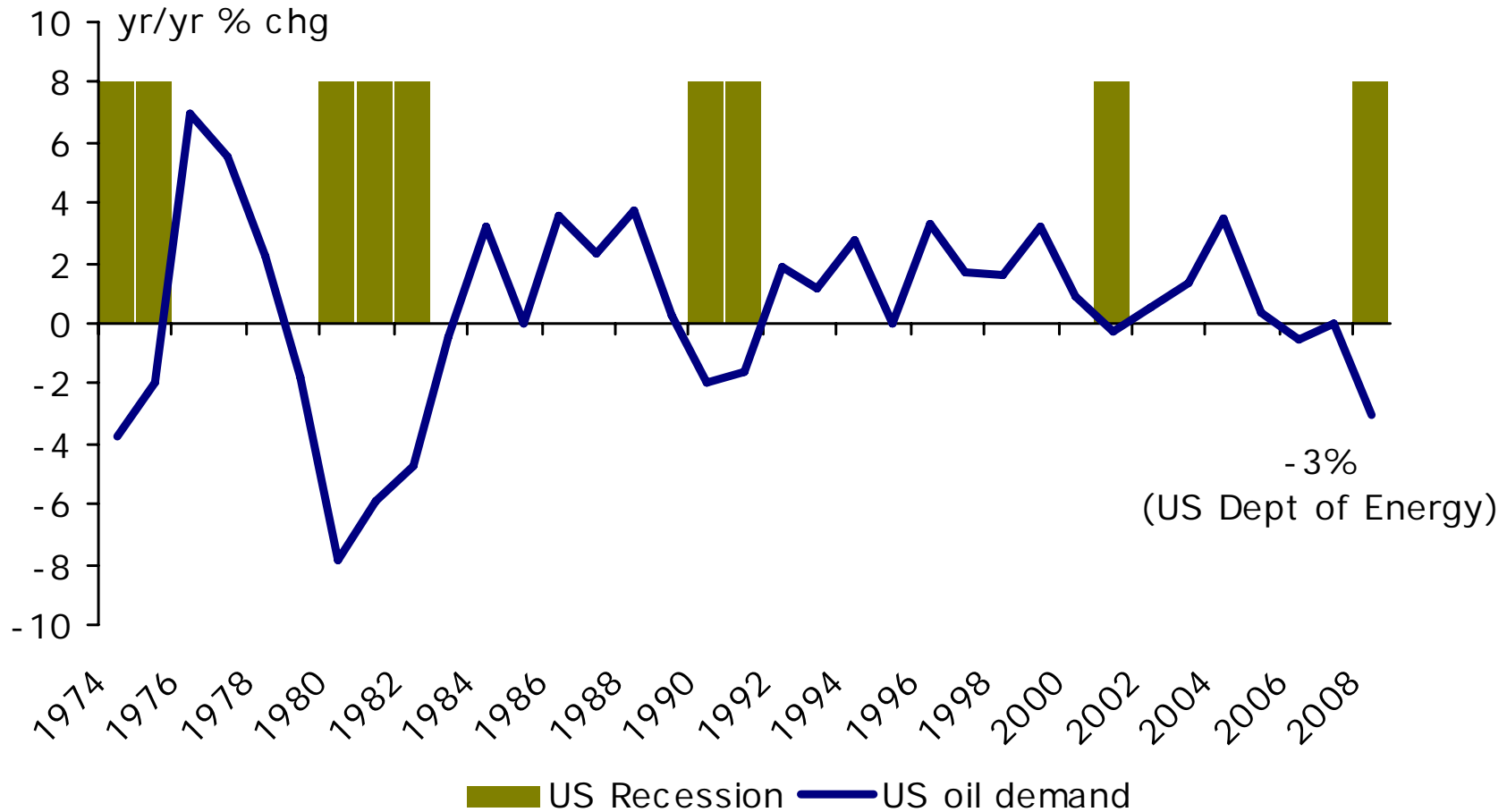
Neither US Nor Europe Driving Global Growth



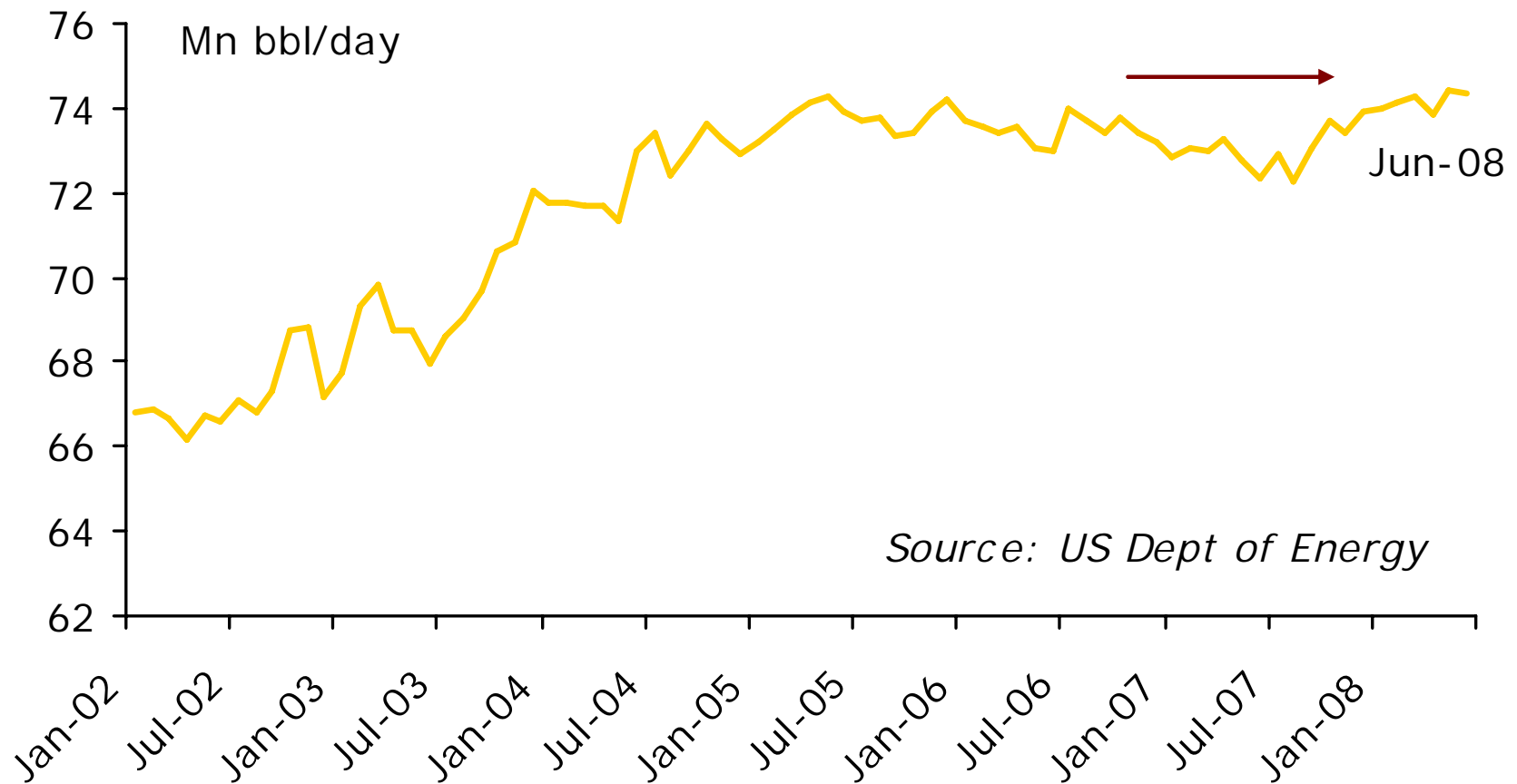
Marginal Cost of Oil Close to \$90/Bbl



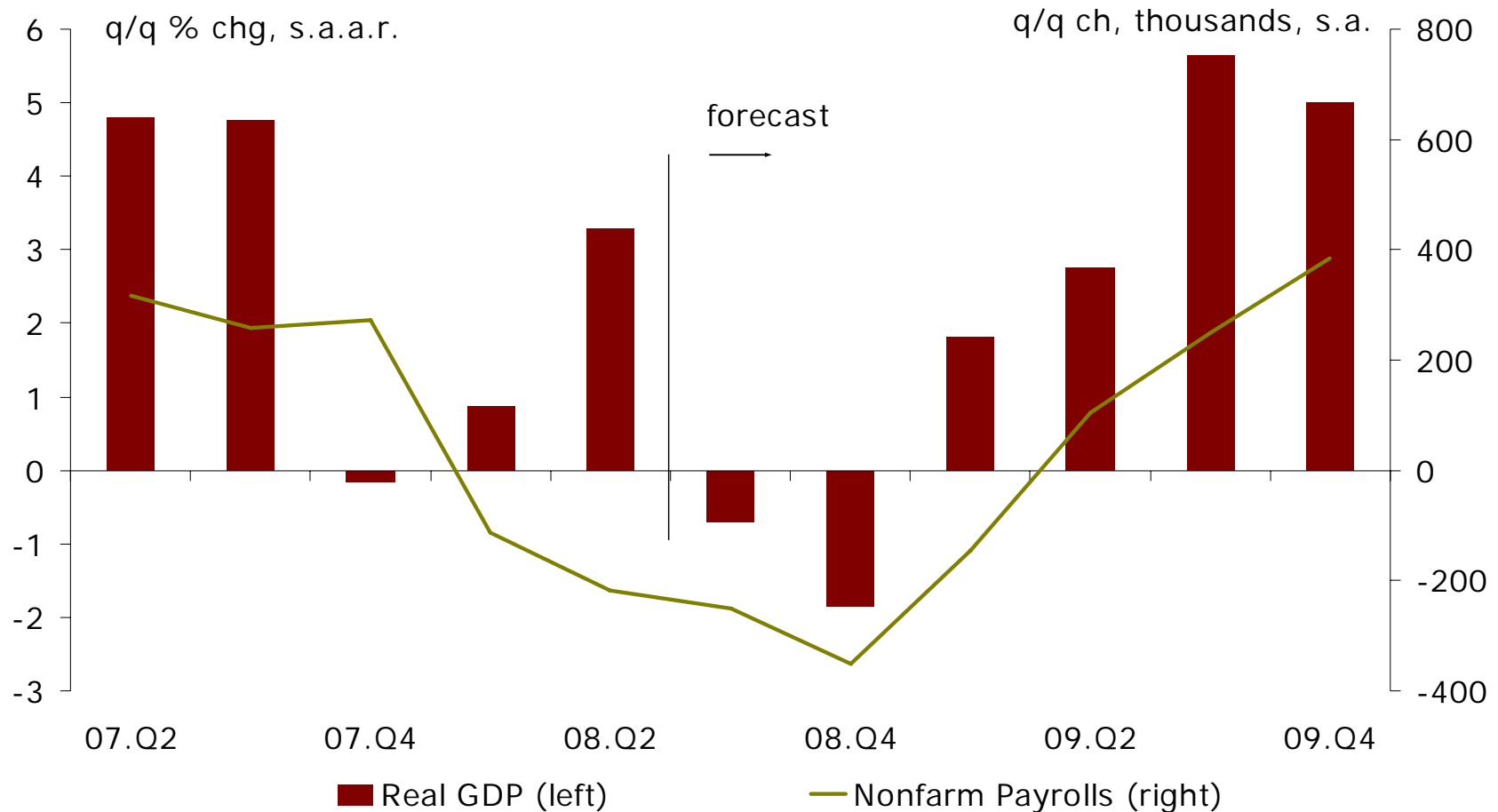
Oil Demand Destruction in US Moderate So Far



No Growth in World Oil Supply



US Economy in Recession

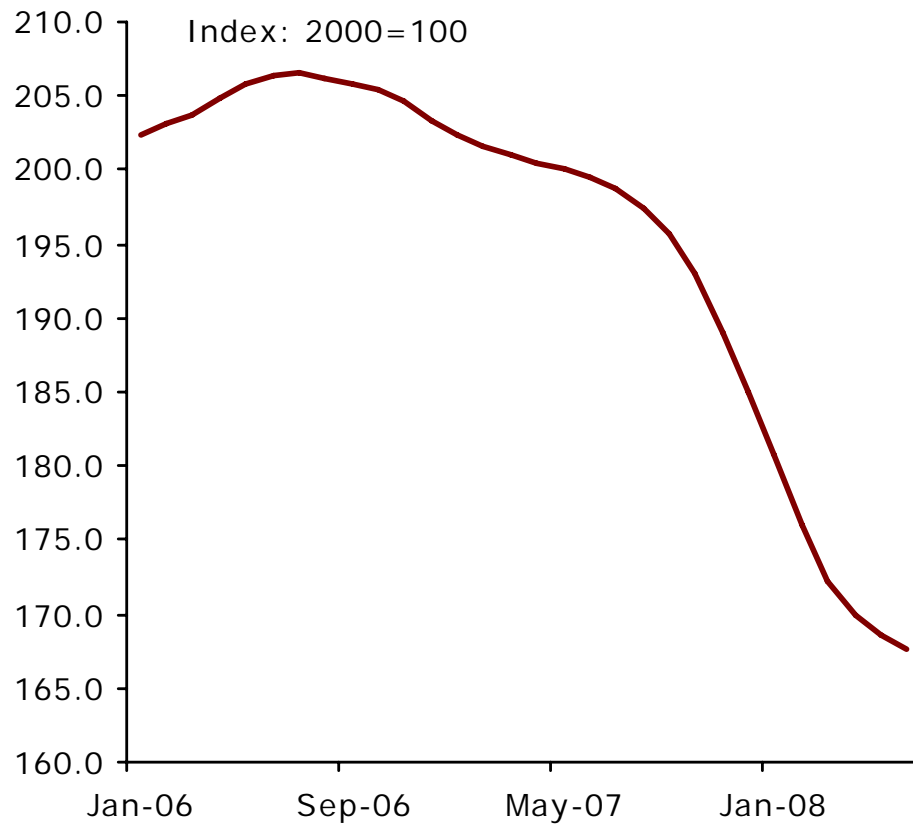


Soaring TED Spread Shows Money Market Collapse

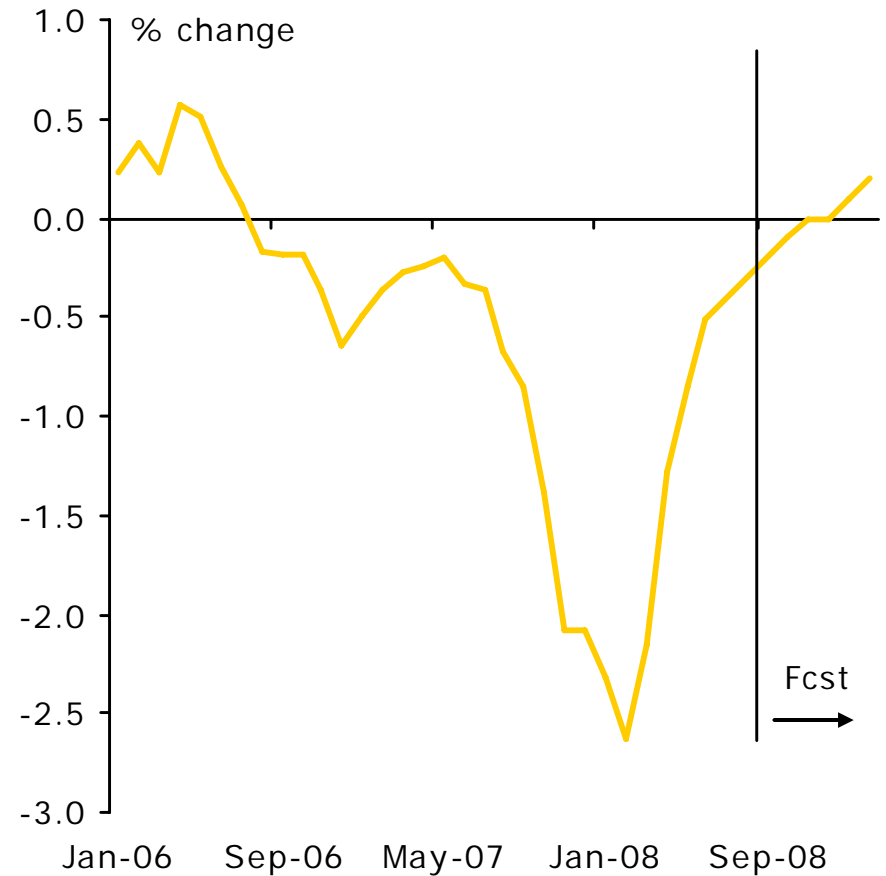


US House Deflation: The End is in Sight

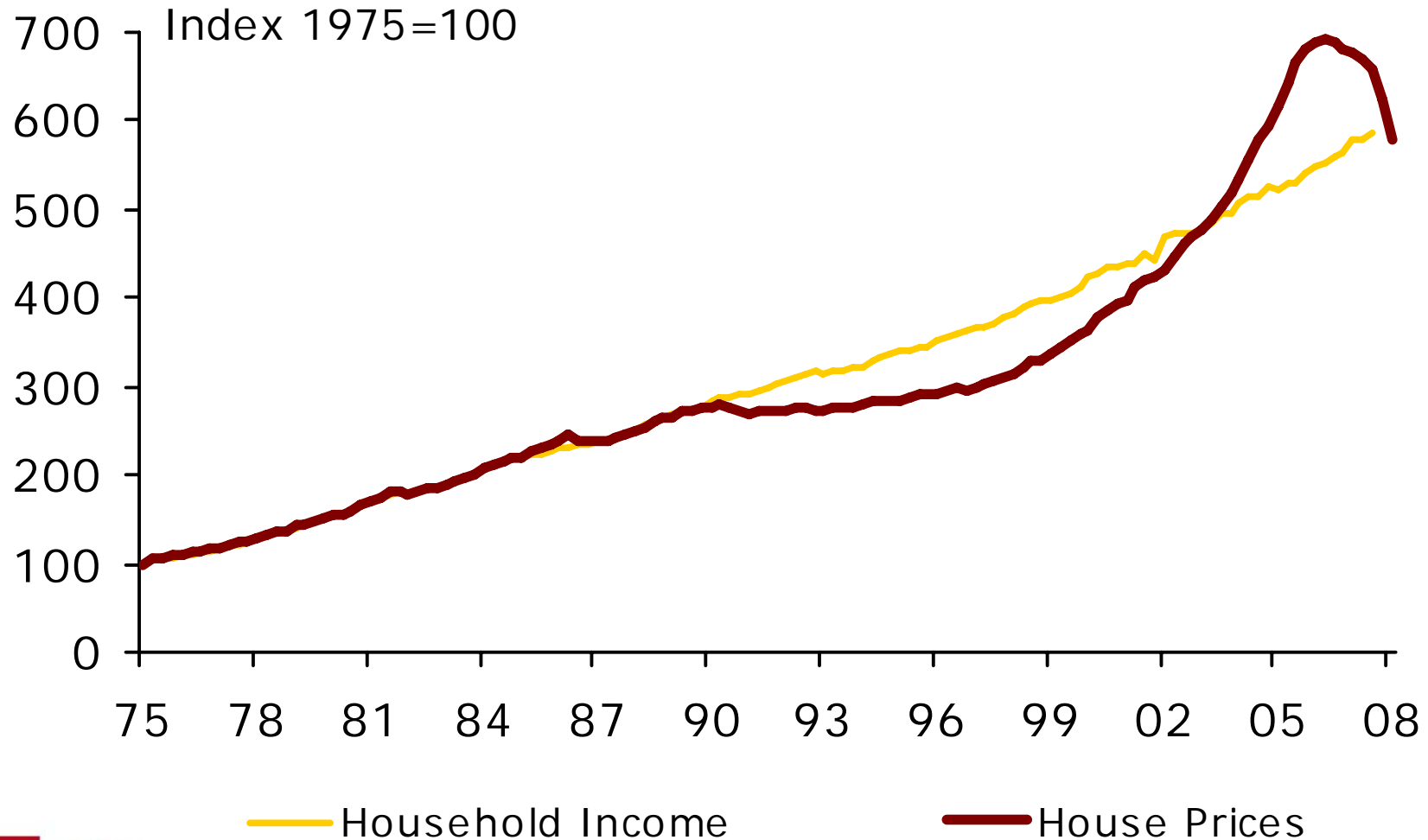
Falling



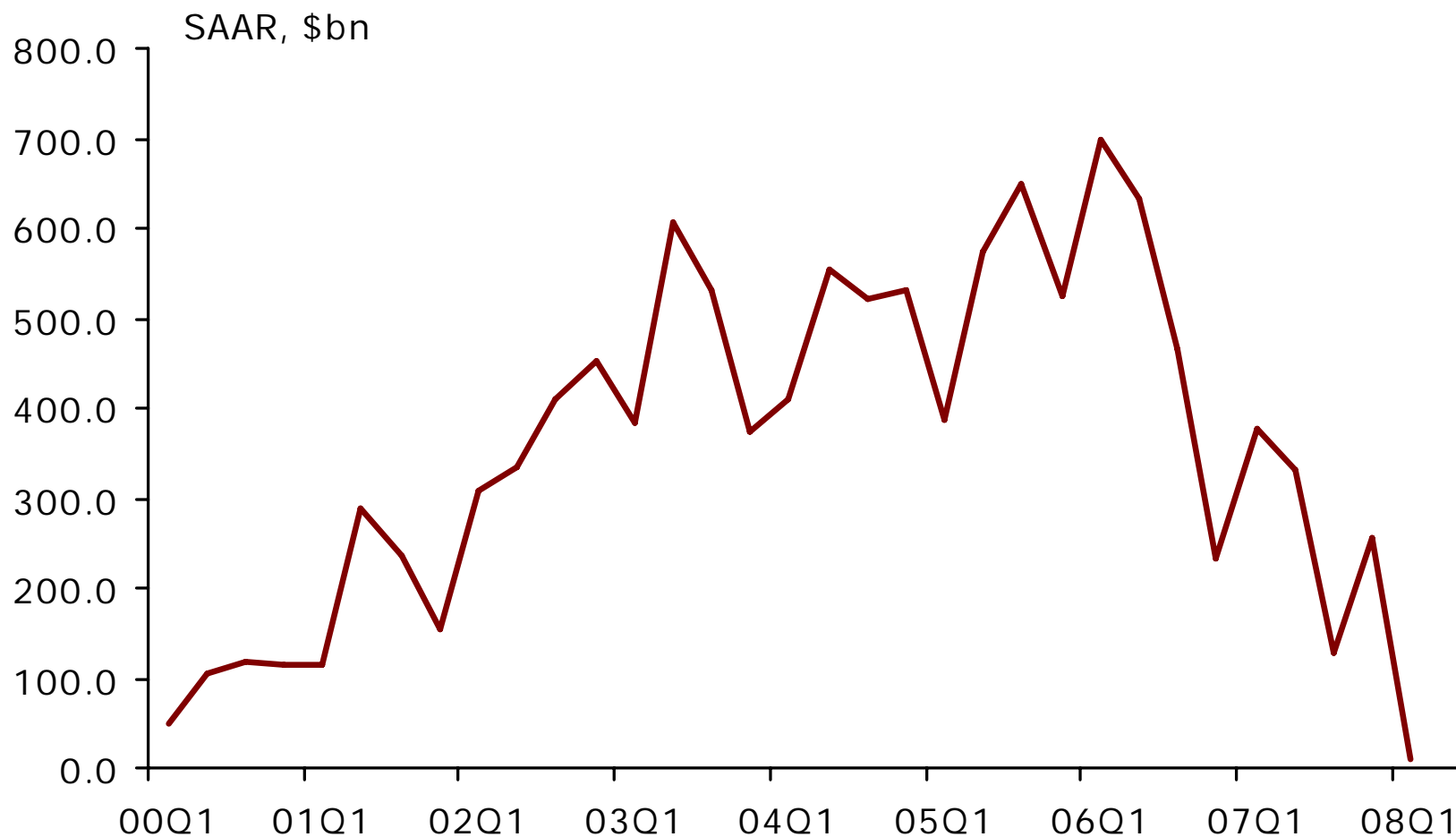
..... At a Slower Rate



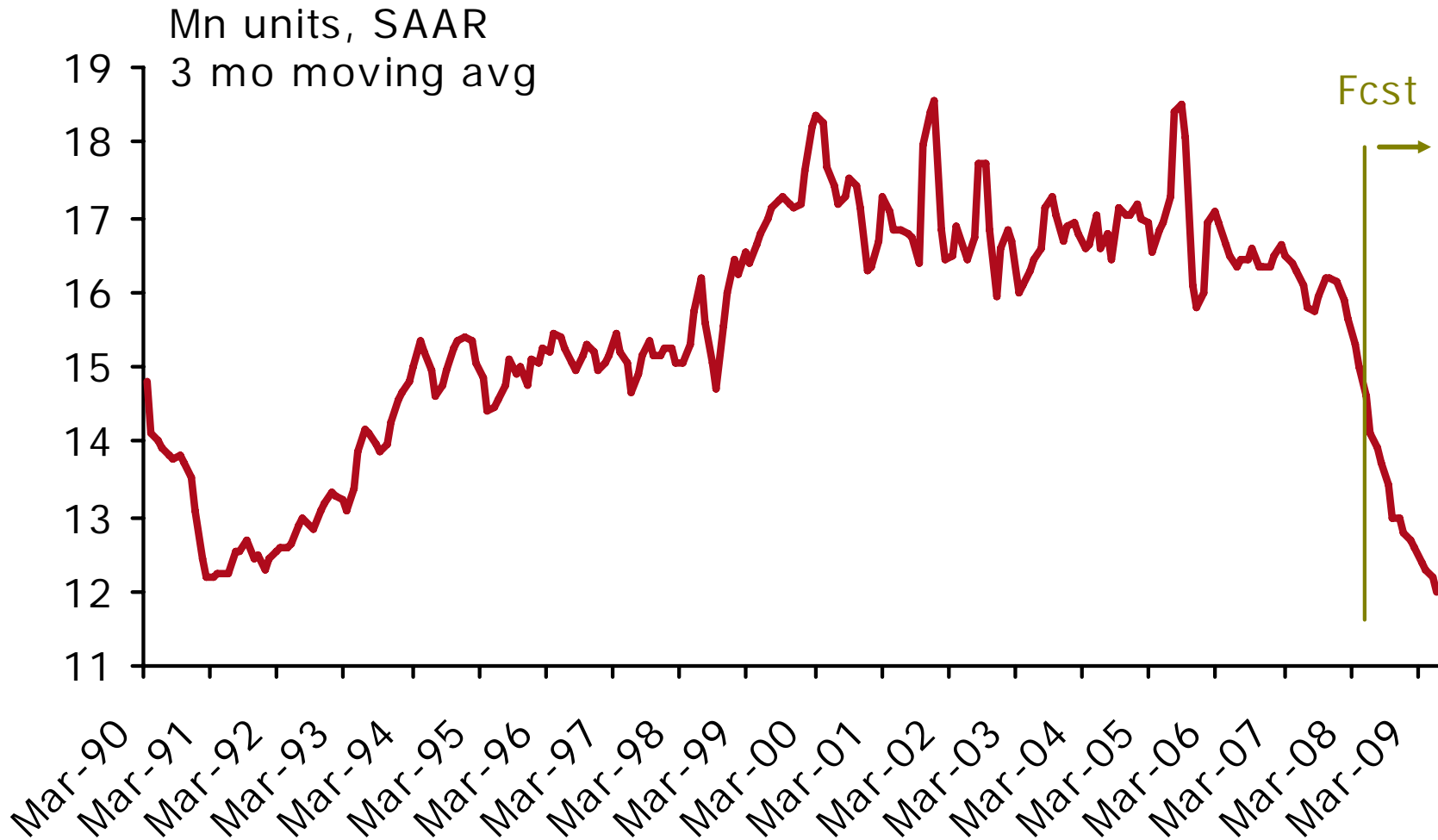
House Prices & Income Back in Balance



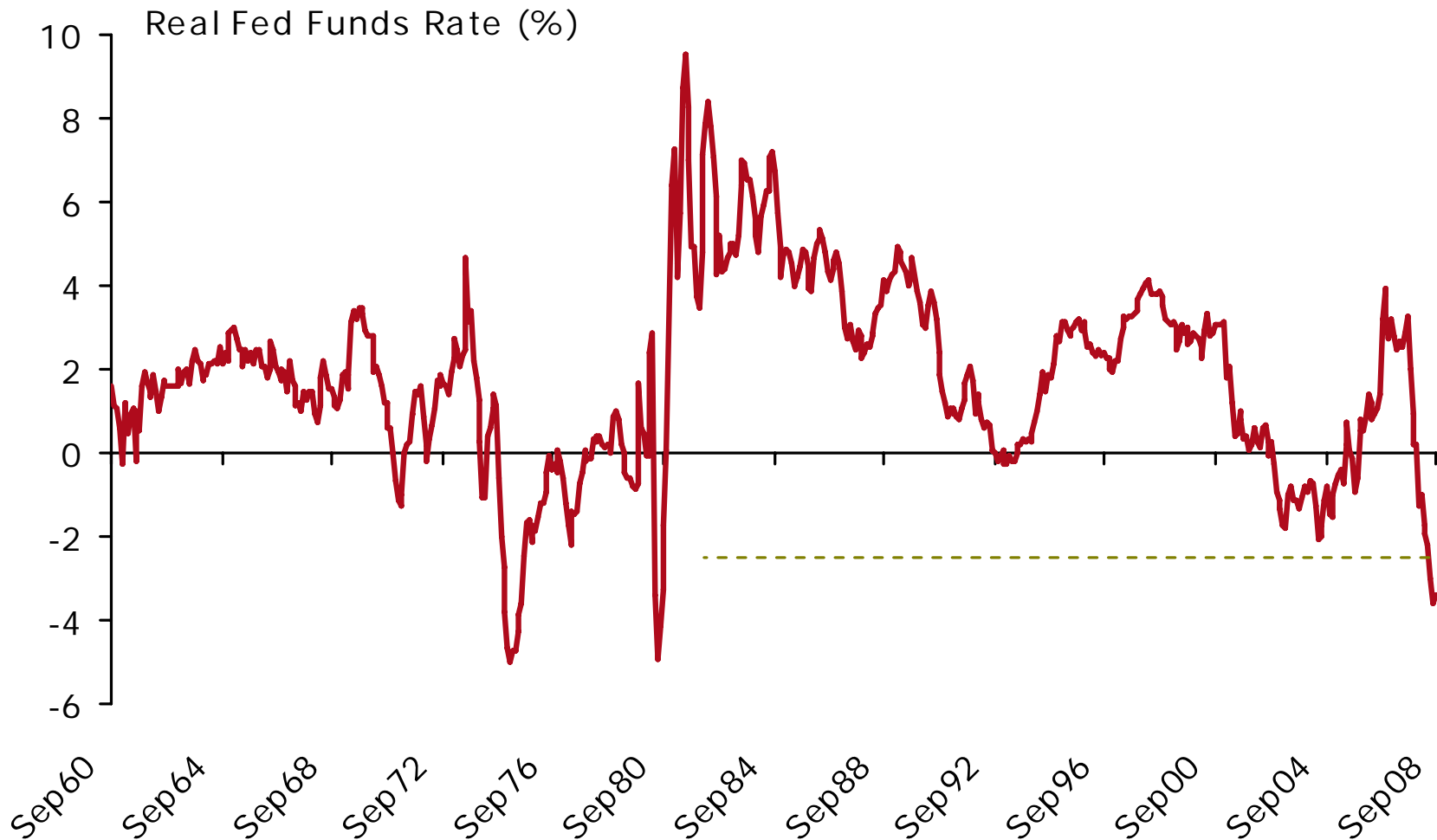
US Home Equity Withdrawals



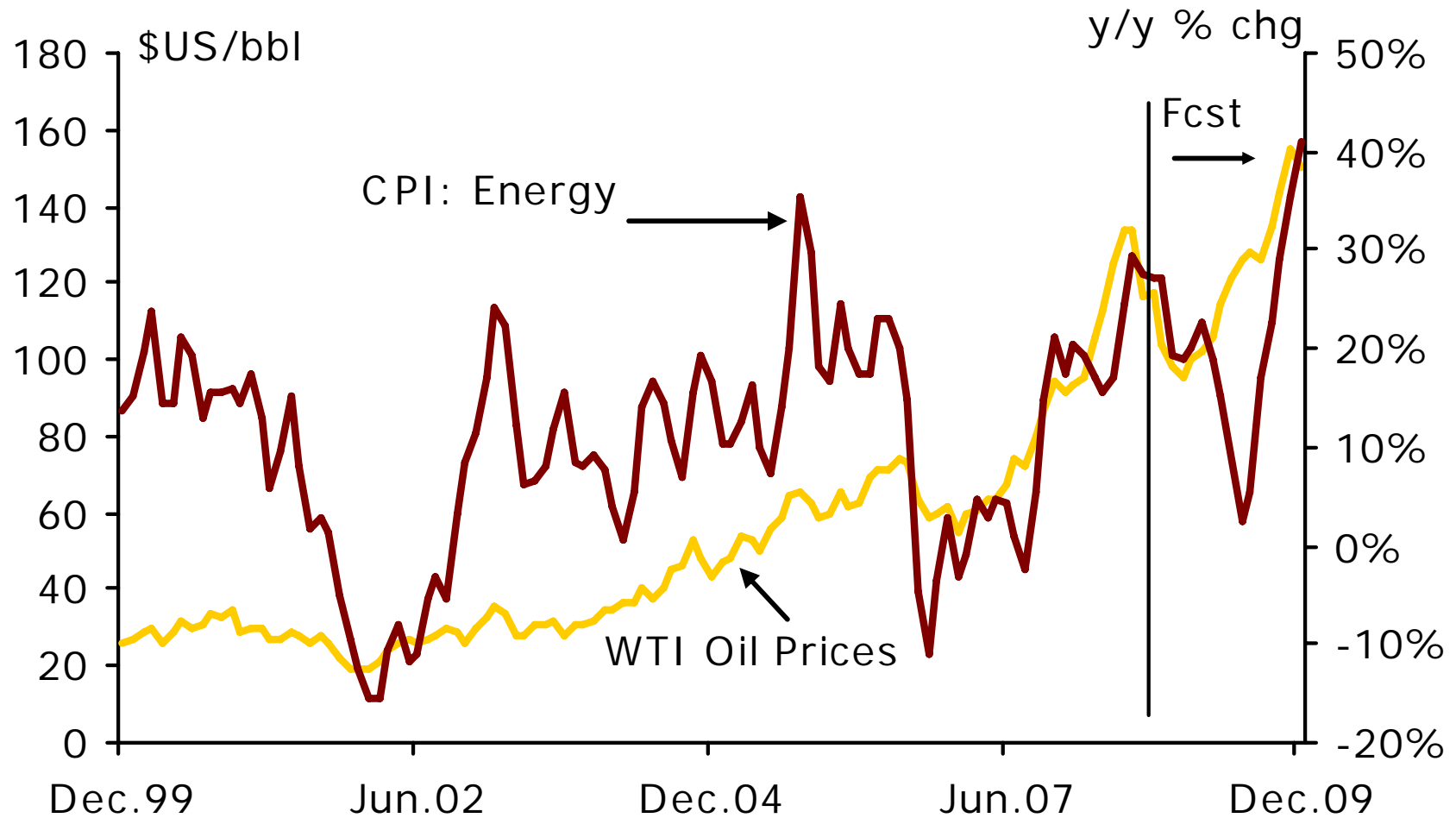
US Vehicle Sales to Crash to Decade Lows



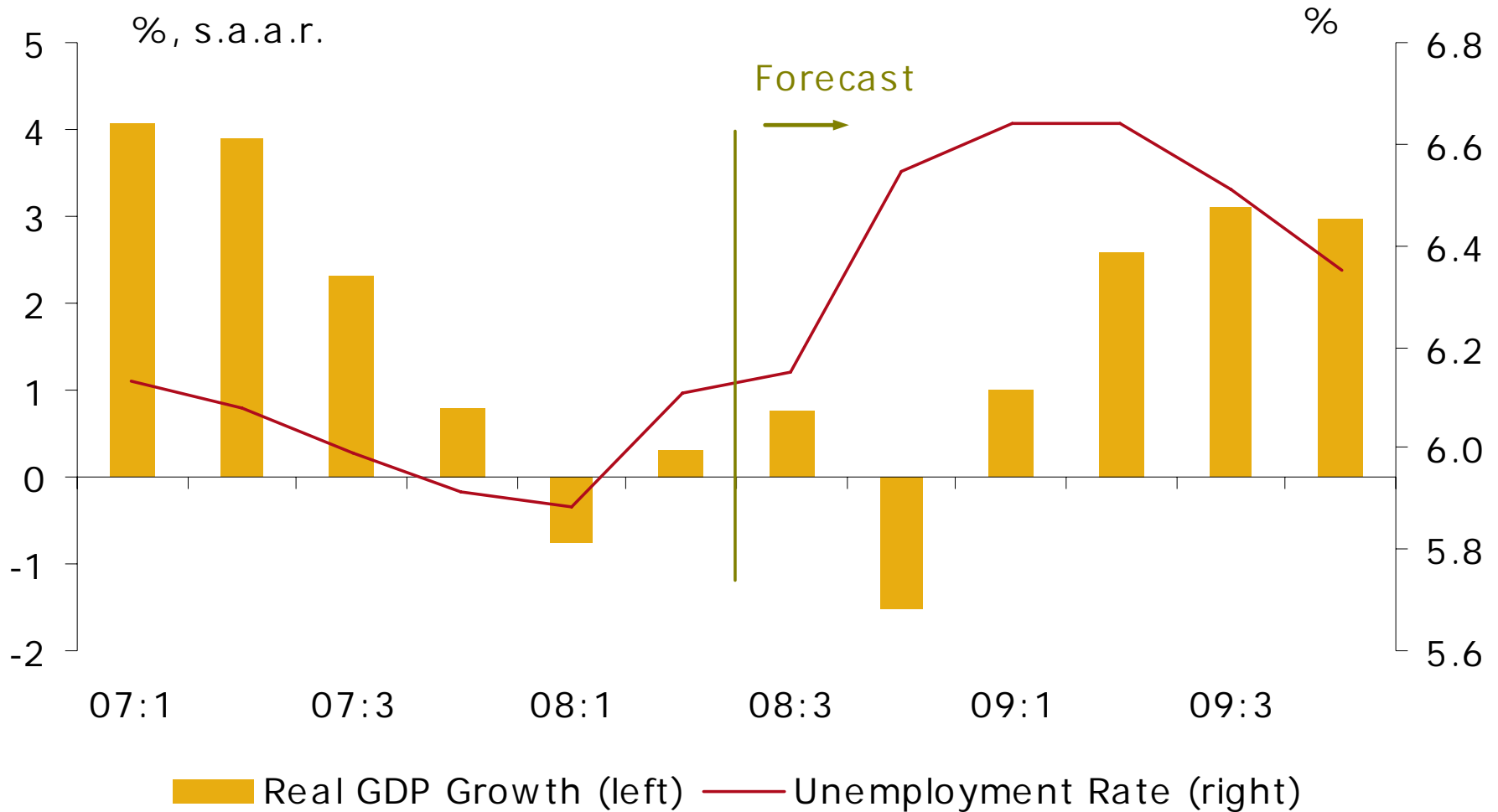
Real Fed Funds Rate



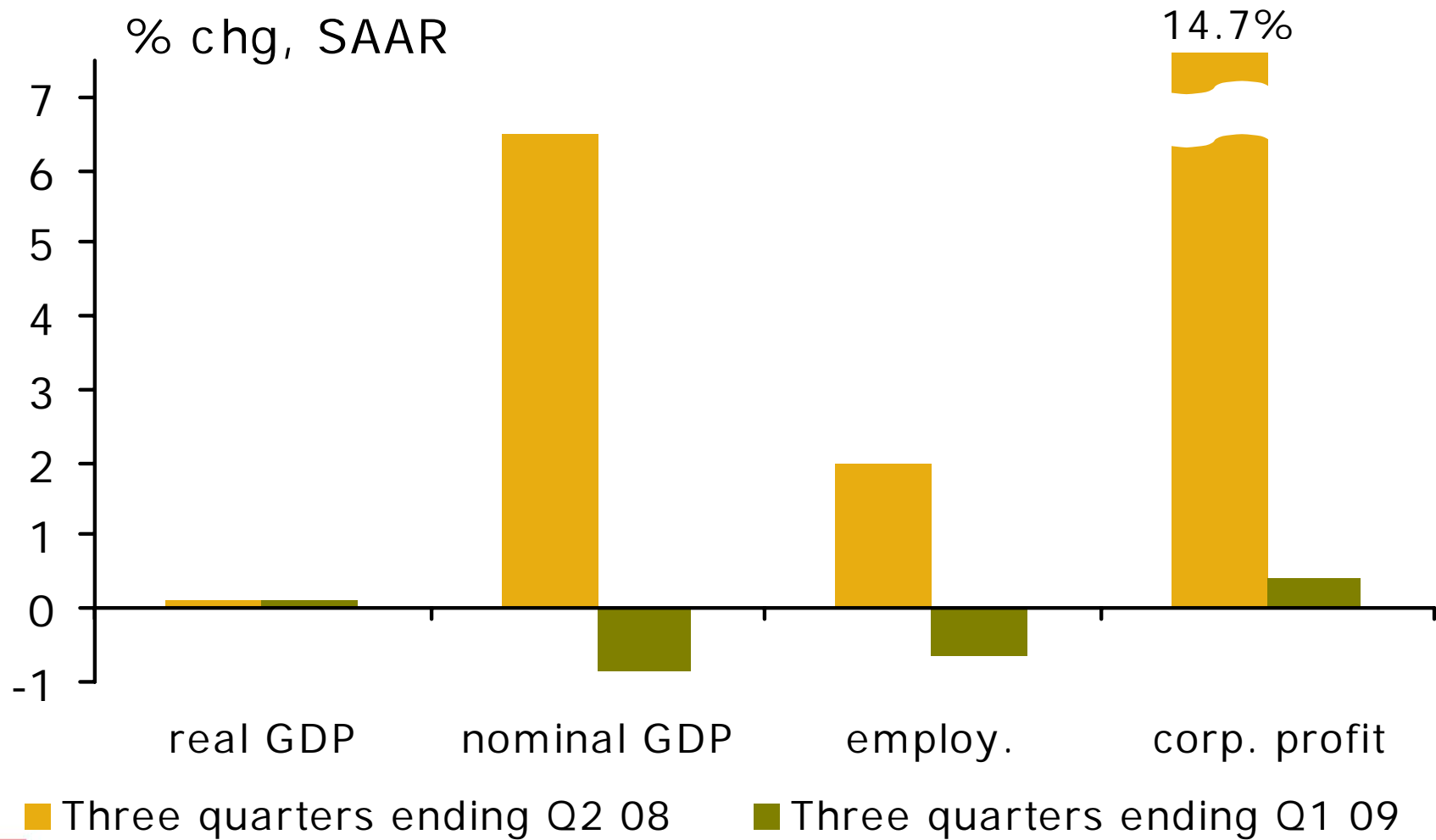
Energy Inflation Will Soar on Rebound in Oil Prices



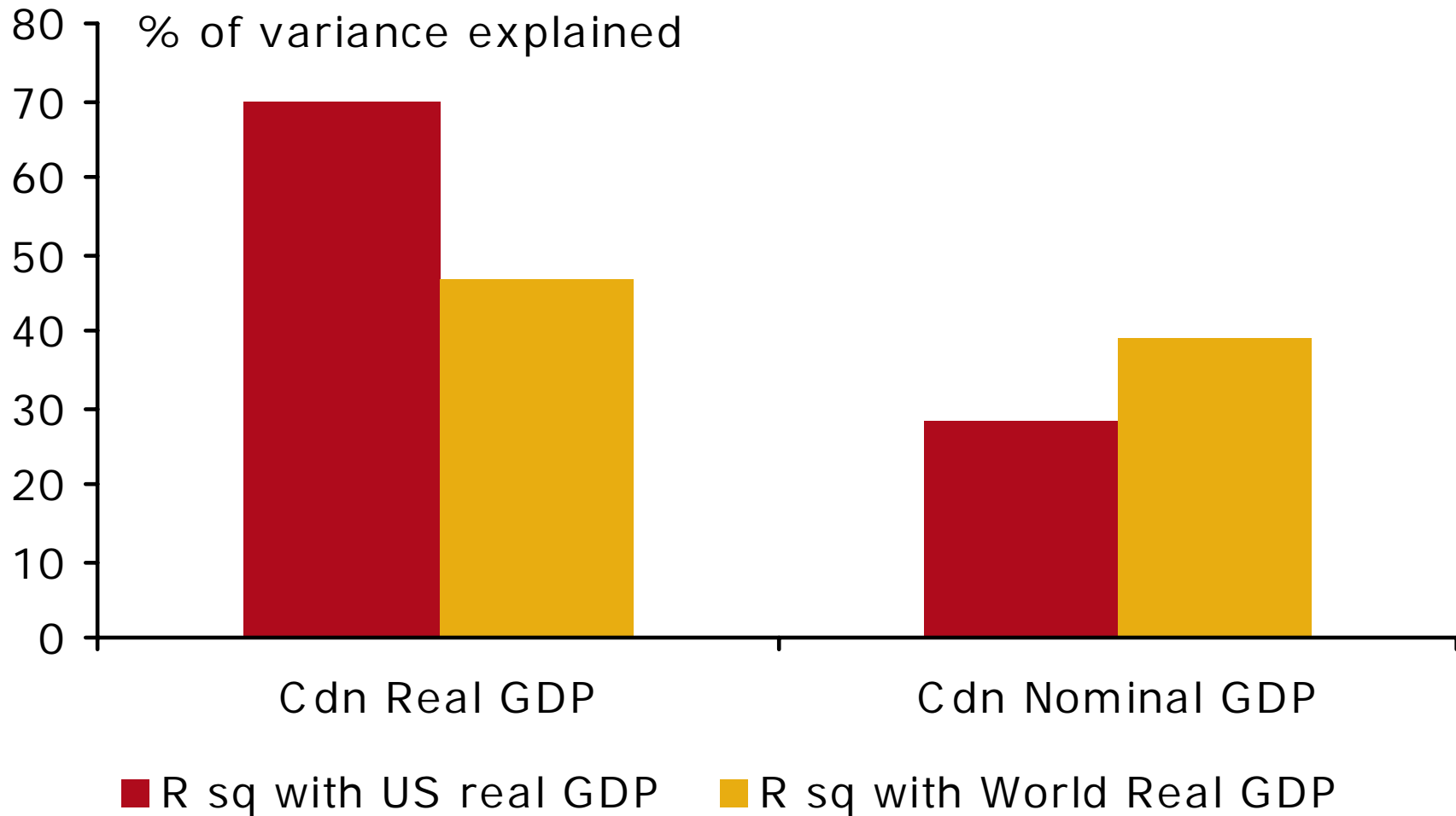
Canadian Growth Has Faltered; Rebound in '09



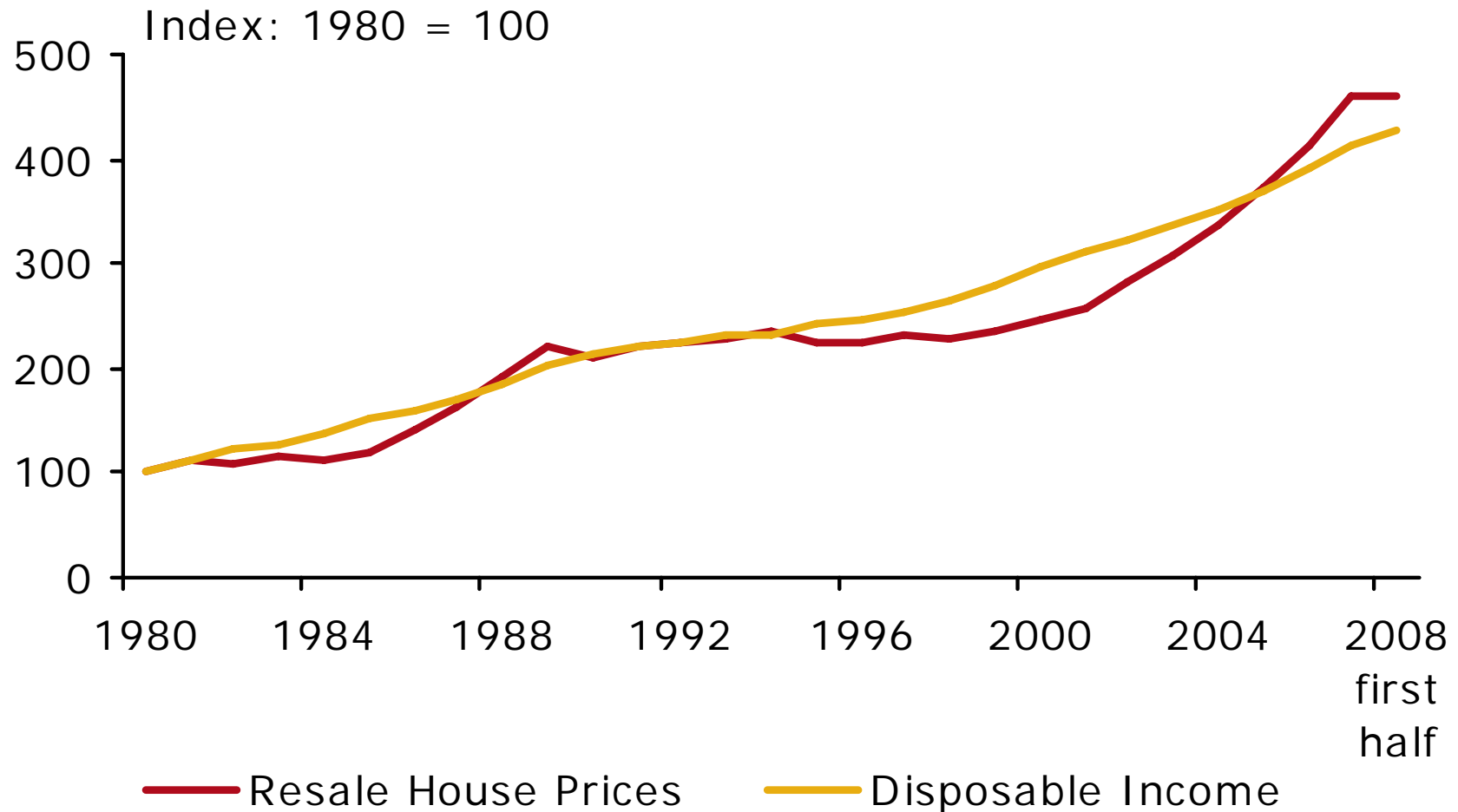
Similar Real GDP Growth, But Worse Impact



Nominal GDP More Linked to Global Growth



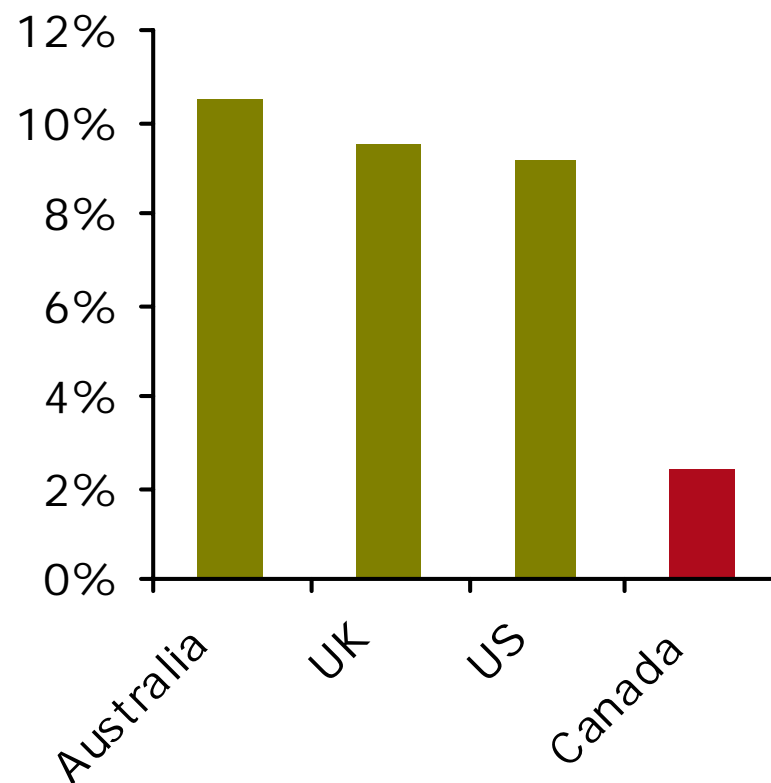
Canadian House Prices – Some Overshooting



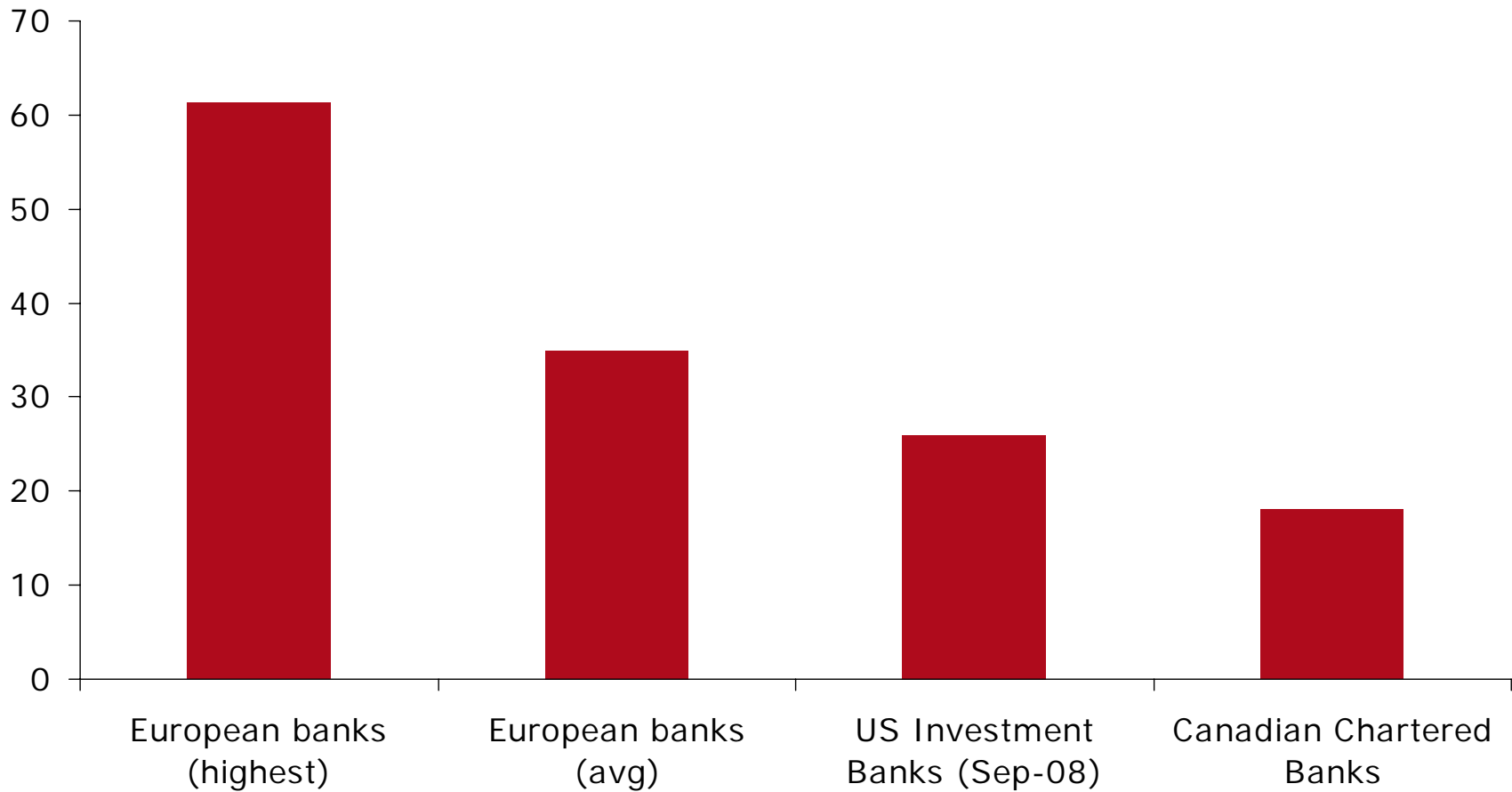
Canada vs US: Vive la Différence

	<u>CANADA</u>	<u>US</u>
debt per capita	\$35,000	\$62,000
mortgage debt as share of income	80%	120%
consumer debt as share of income	52%	66%
net worth as share of income	647%	557%
cash position as share of fin. assets	20%	17%

Share of Speculative Activity in Total Mortgage Outstanding



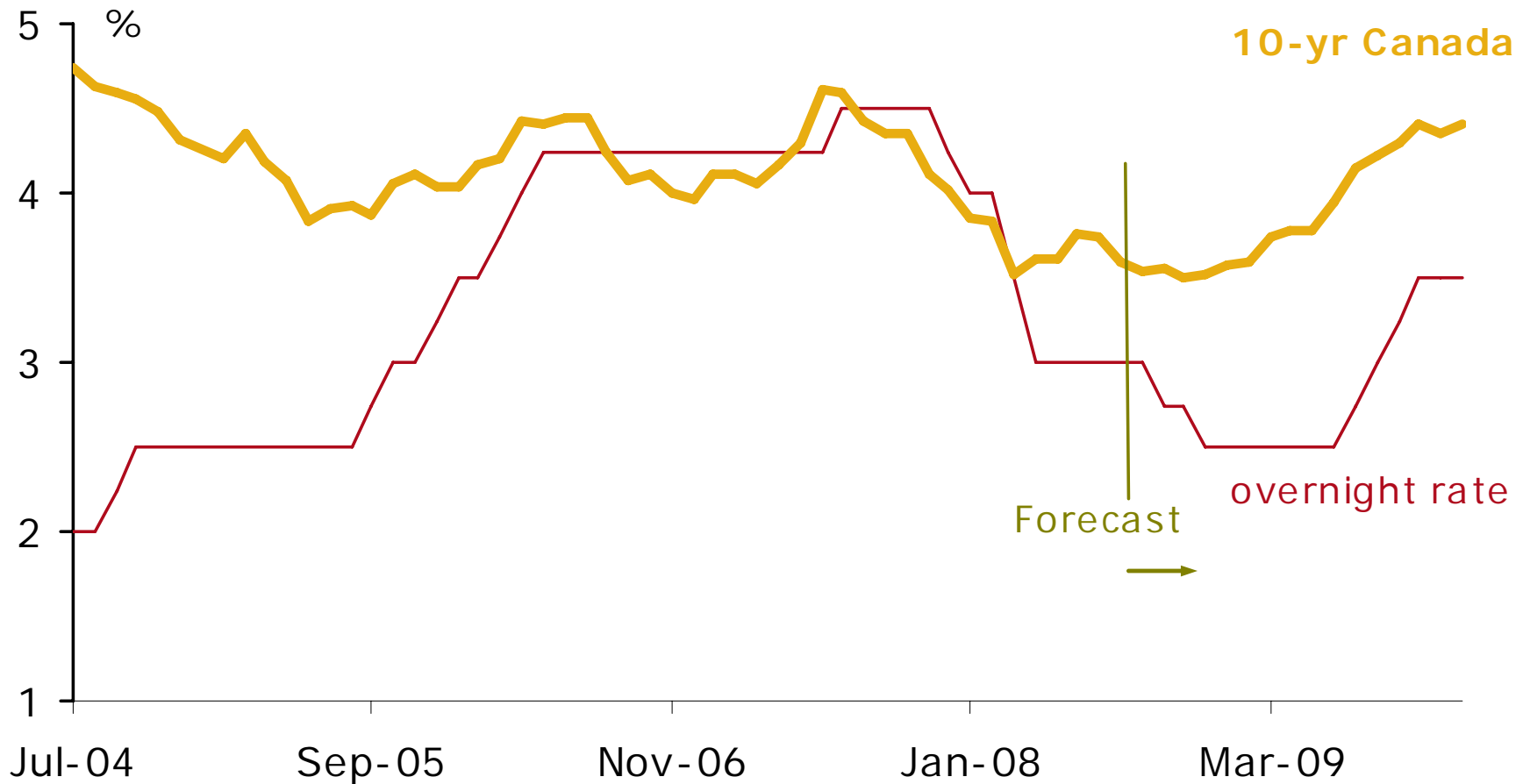
Canadian Banks' Asset-to-Capital Multiples Not Particularly High



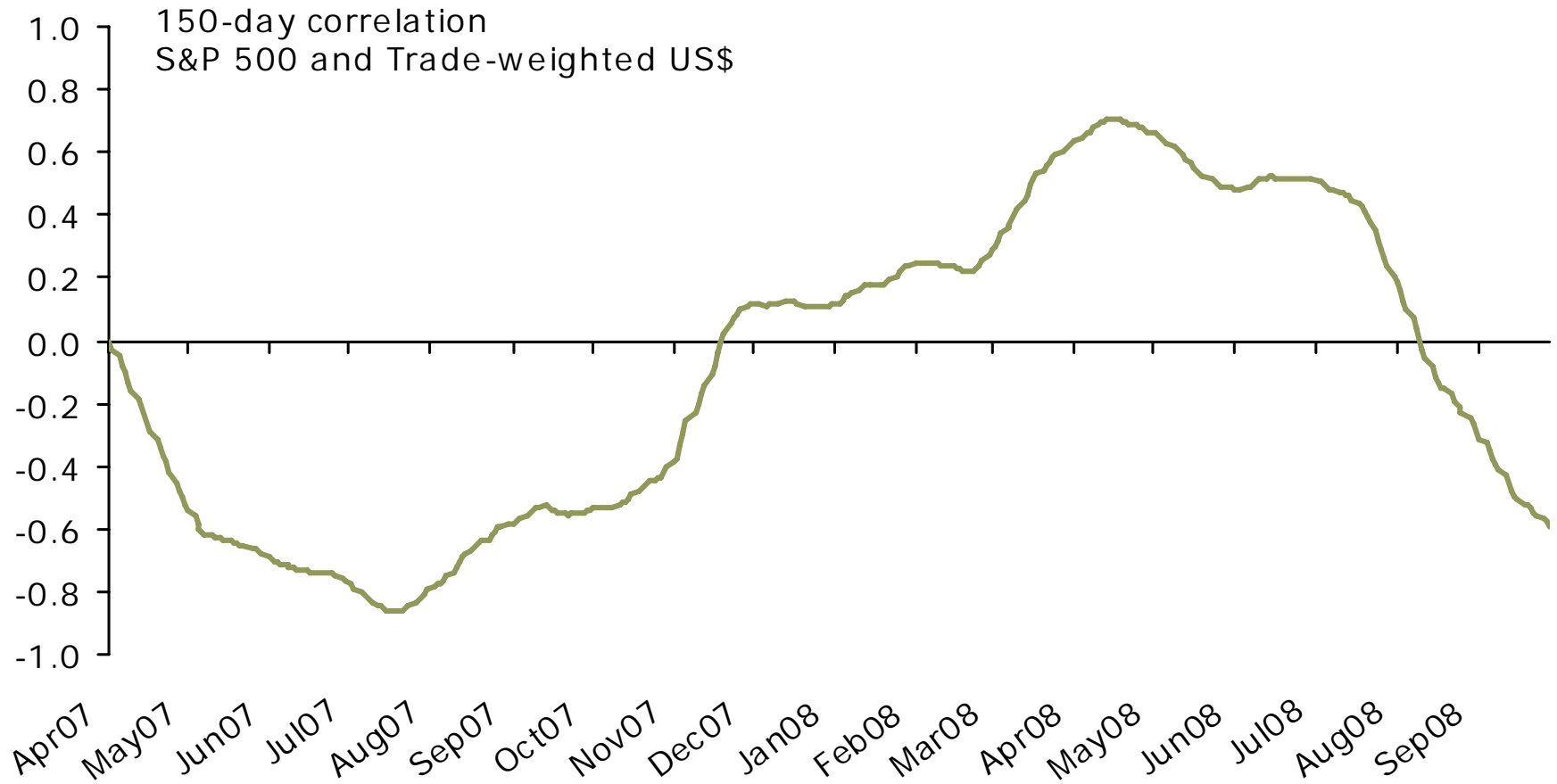
Canadian Bank Spreads Tarred with Global Brush



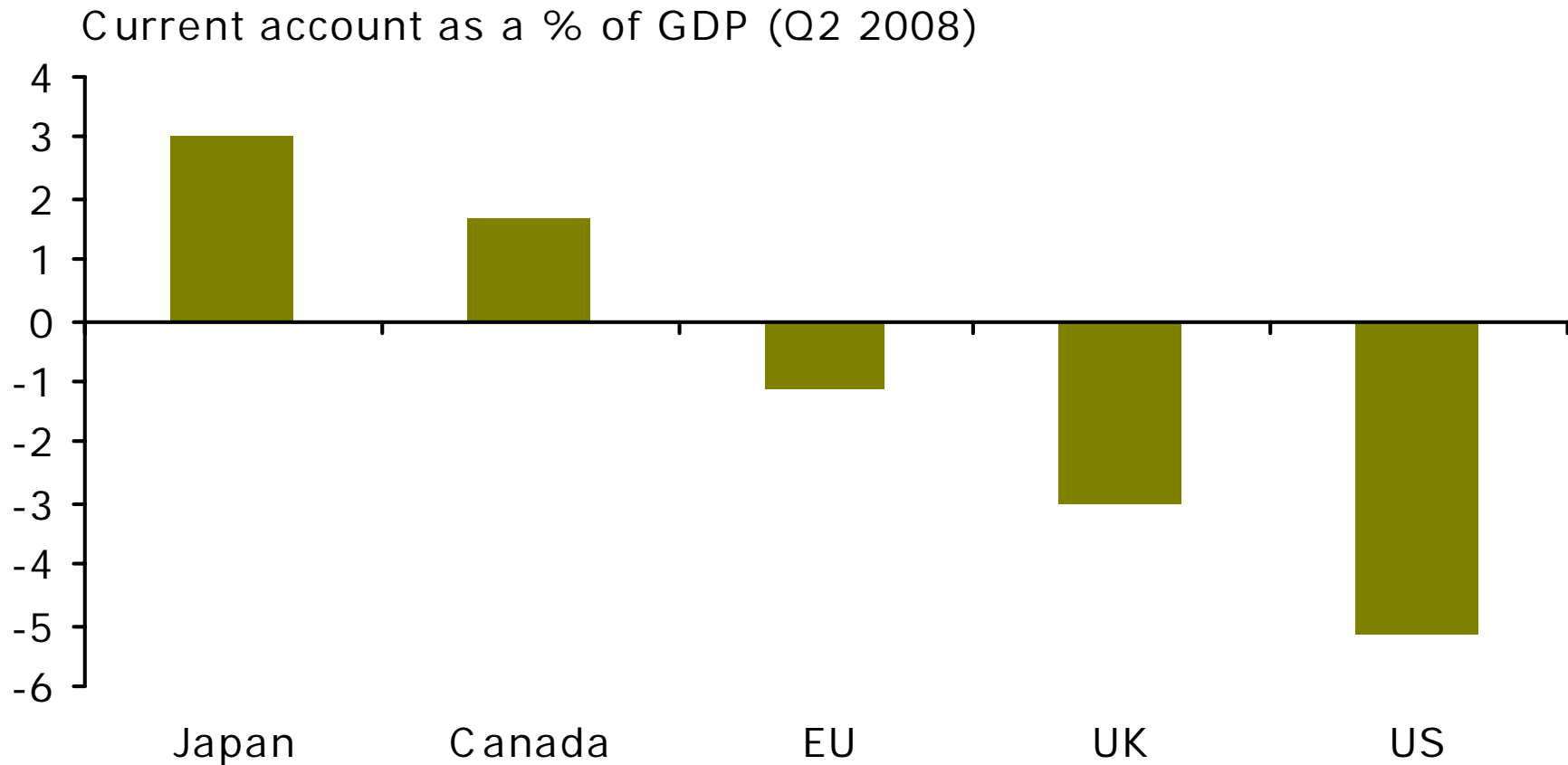
Rates Ease to Counter Wide Spreads



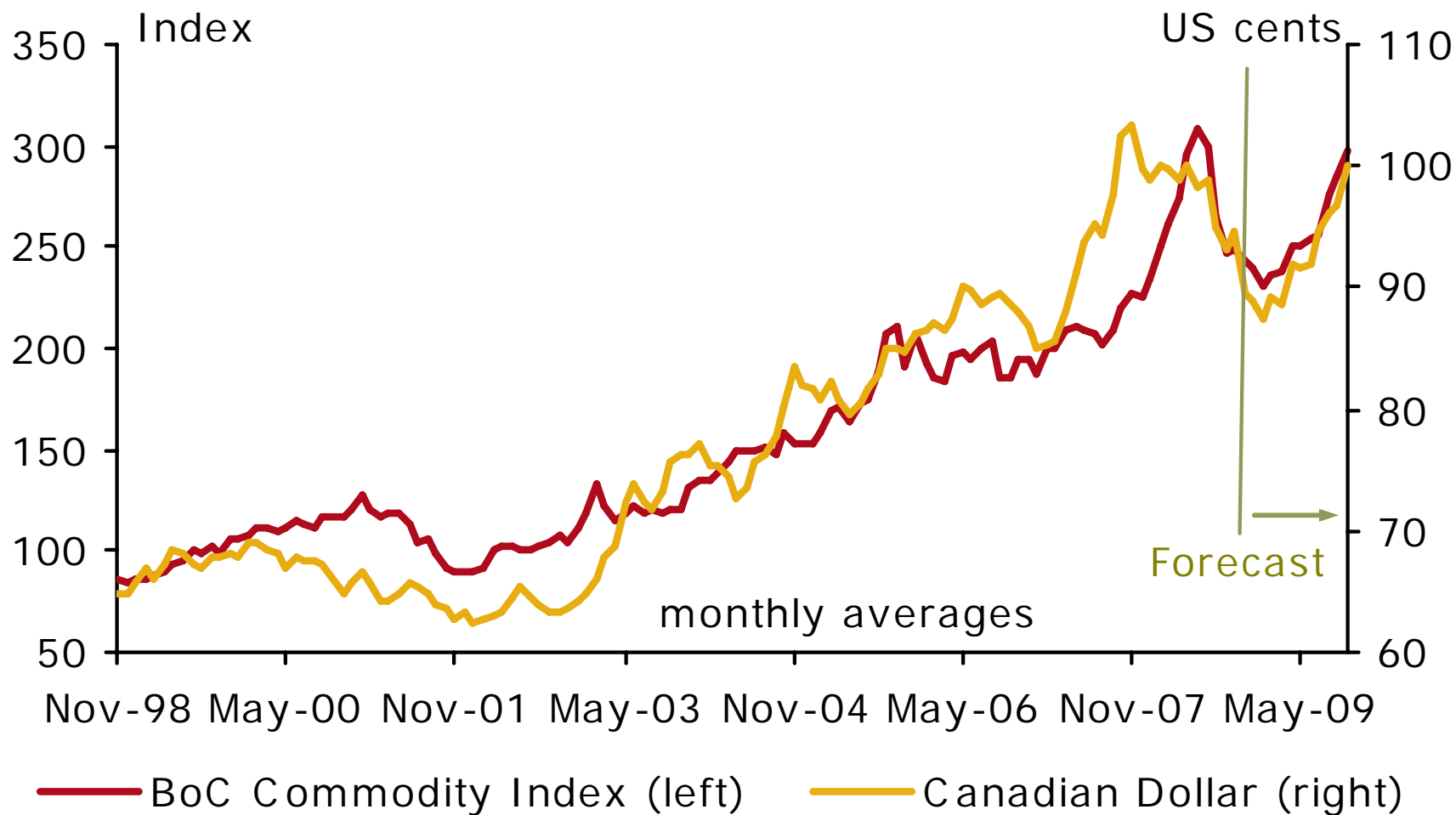
Crisis Has Seen Flight to US\$



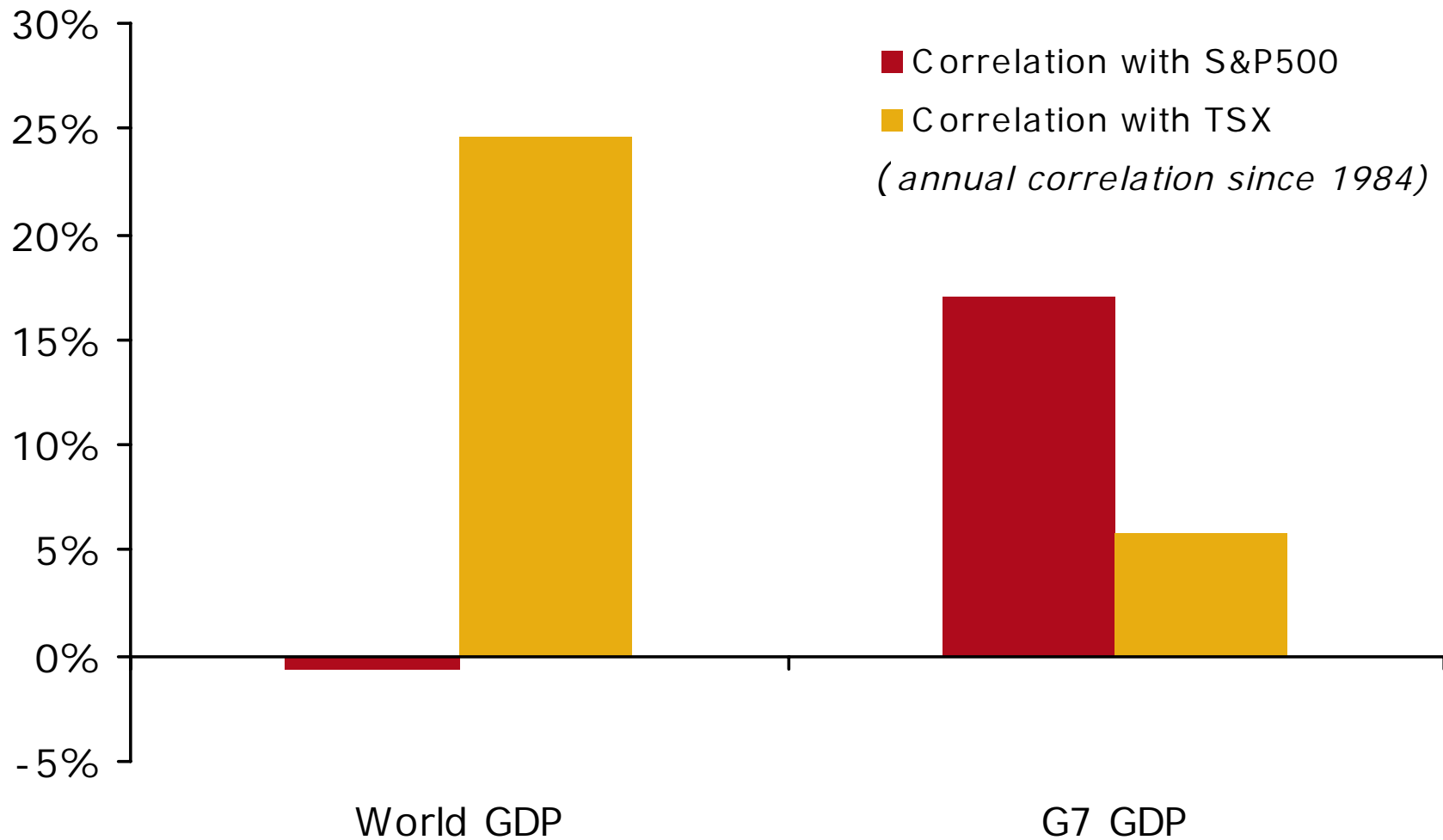
But Fundamentals Point to Weaker US\$ Once Flight to Safety Ends



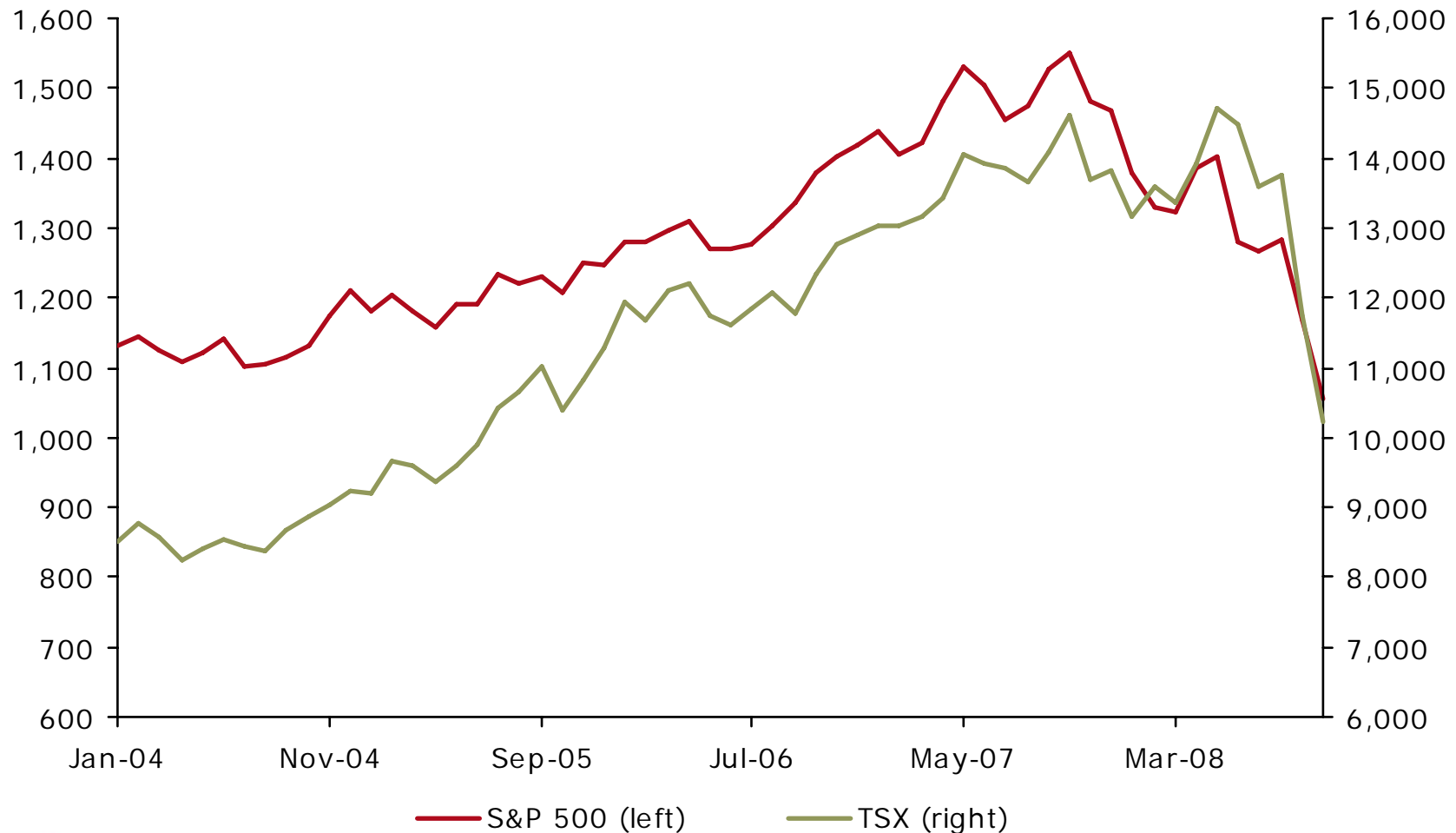
C\$ Hit by Global Growth Slump



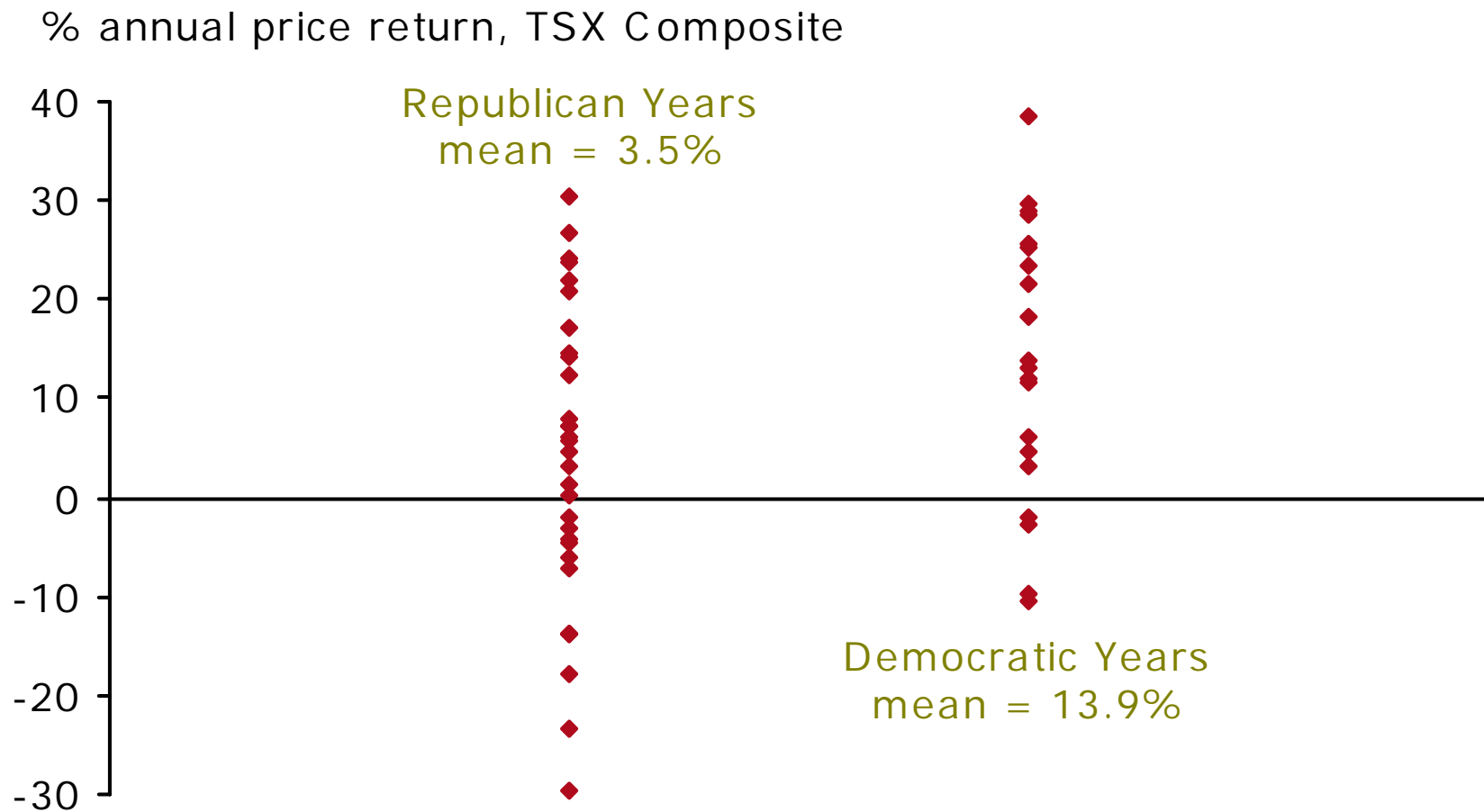
TSX Has Greater Global Link



TSX is the High Beta Play



Canadian Stocks Did Better Under Democrats



*Note: Data for 1956 to 2007.
Each dot represents 1 observed annual return.*