



Global financial pandemic

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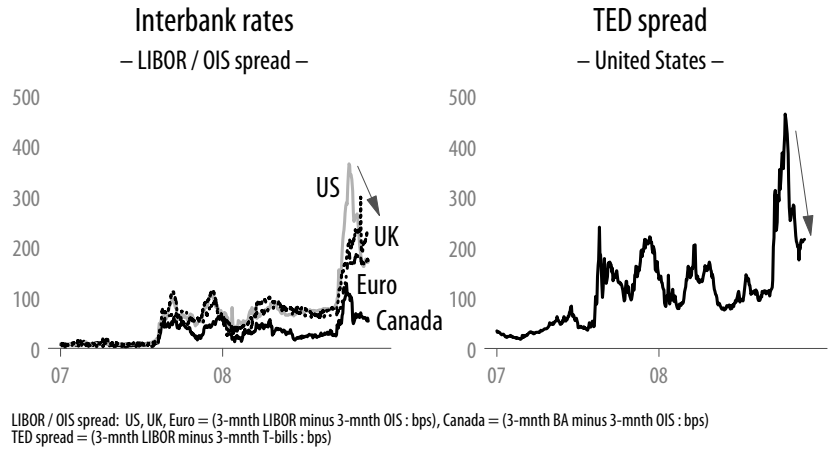
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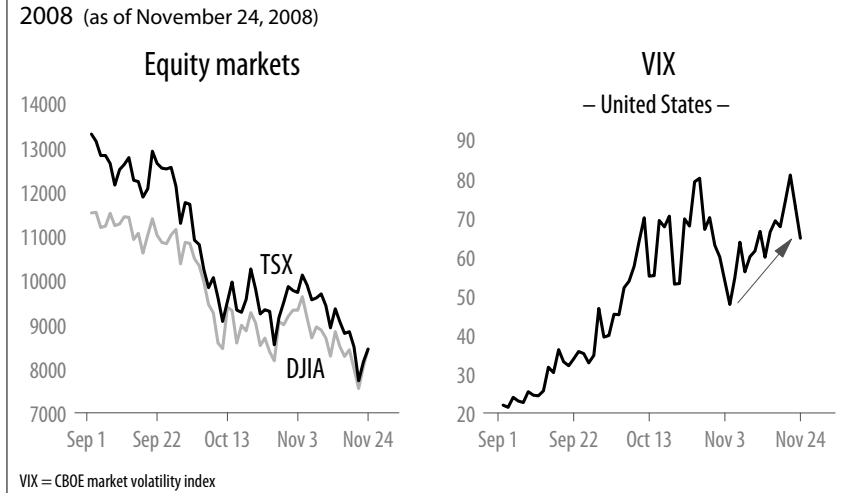
November 25, 2008

BMO  Capital Markets

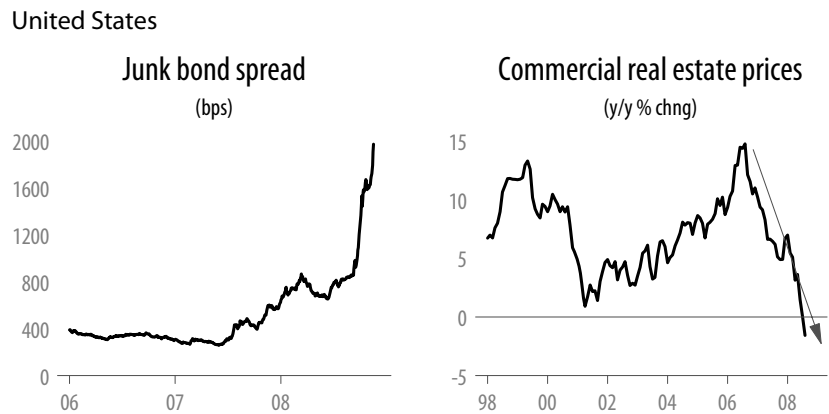
Financial crisis eases for interbank lending



Stocks highly volatile



Corporate credit spreads rise



Commercial real estate at risk

Junk bond spread = Merrill Lynch High Yield Corporates minus Treasuries Commercial real estate prices = S&P/GR Commercial Real Estate Index

Central banks take action



- Rate cuts
- Capital infusion
- Bail out banks
- On the way:**
 - Housing bail-out
 - Fiscal stimulus for households and businesses
 - Re-regulation

BoC provides liquidity for banks

The ultimate outcome

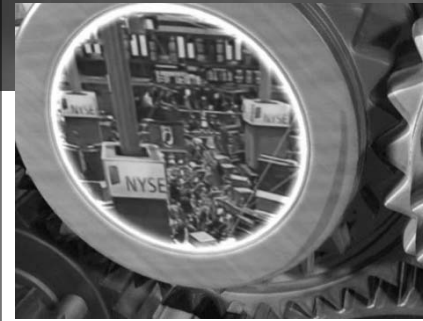
- Reduced leverage
- Smaller balance sheets
- Reduced growth potential



Lower rates of return

Economic outlook weak

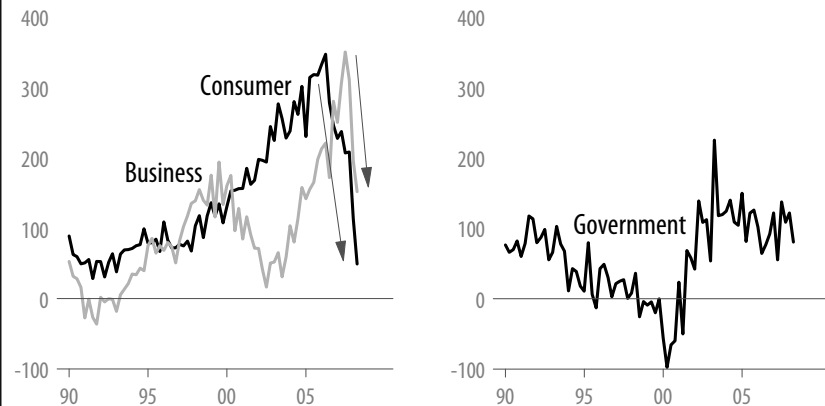
- US recession
- Canadian recession
- Credit crunch
- Future of Detroit-Three



Deleveraging

Unprecedented private-sector deleveraging underway

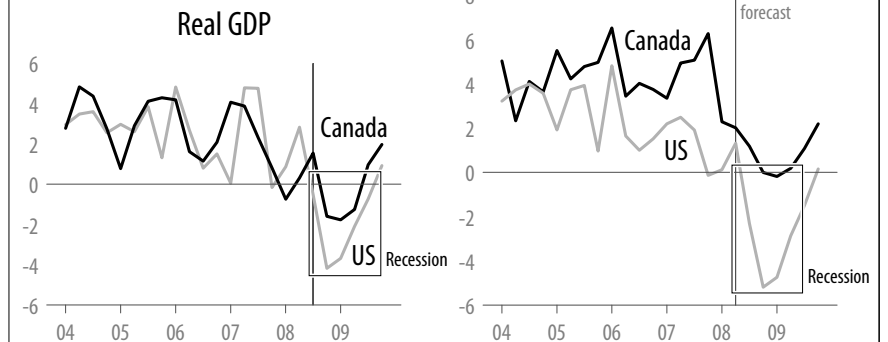
Debt outstanding – United States (\$ blns : q/q chng)



Growth brakes

(q/q % chng : ar)

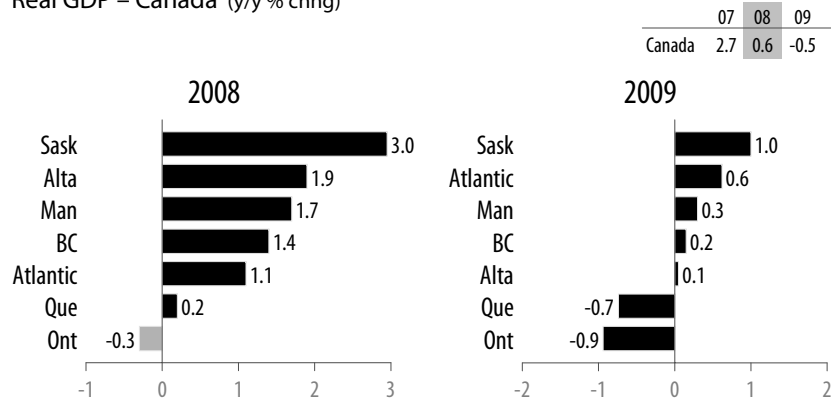
	07	08	09
Canada	2.7	0.6	-0.5
US	2.0	1.3	-2.0



Final domestic demand = Real GDP less net exports and inventories

Ontario recession risk

Real GDP – Canada (y/y % chng)



A "have not" province

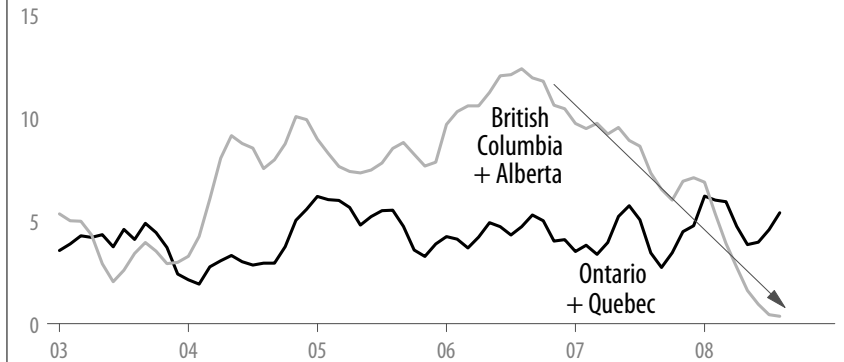
Source: BMO Capital Markets forecasts

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Regional divide takes on new meaning

Canada (3-mnth ma : y/y % chng : as of August 2008)

Retail sales



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US housing crisis

Falling prices
Rising foreclosures
Large glut of unsold homes

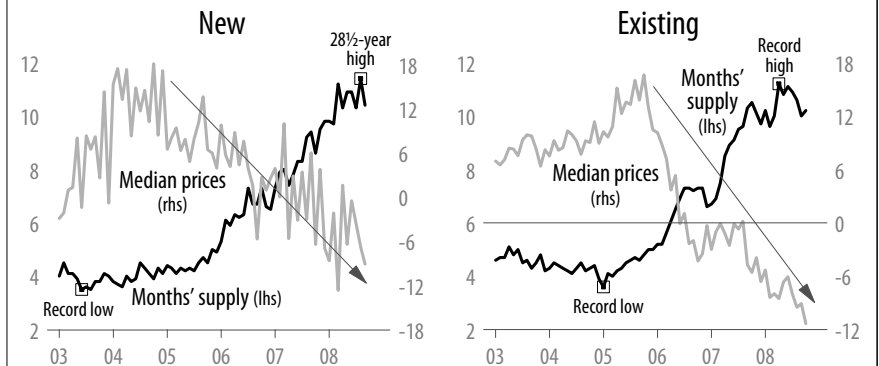


Creates financial crisis

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Still massive overhang of unsold homes

Home sales – United States

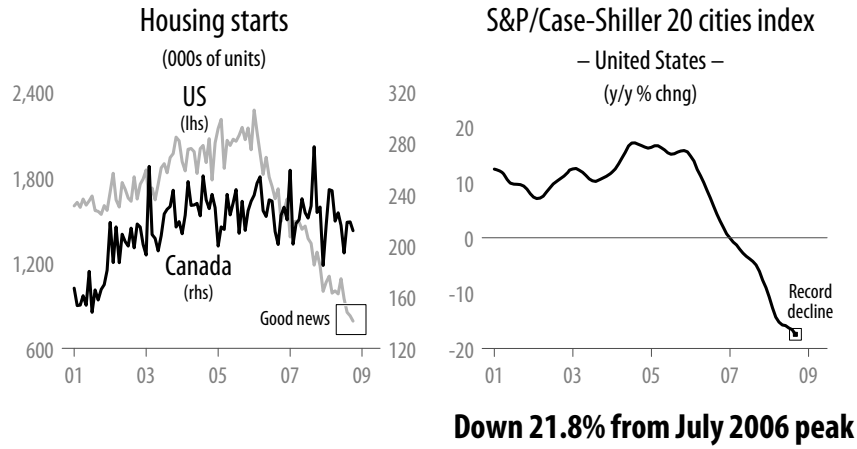


Negative equity ⇒ Walkaways

Months' supply = (ratio) Median prices = (y/y % chng)

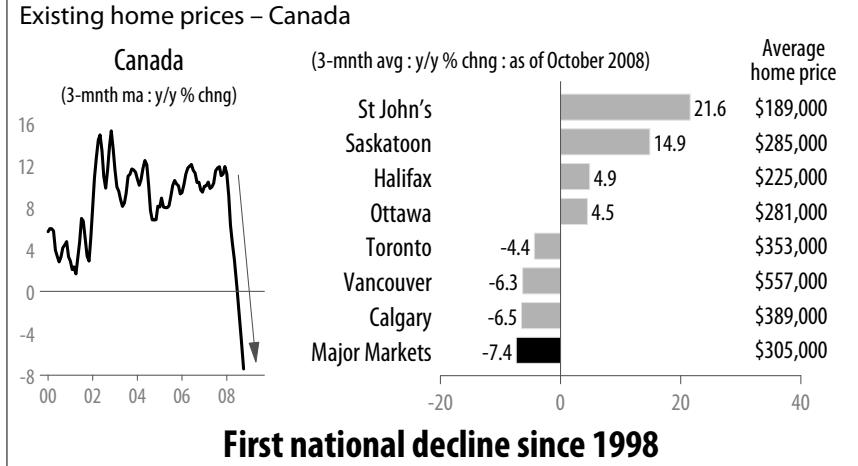
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US housing activity and prices plummet



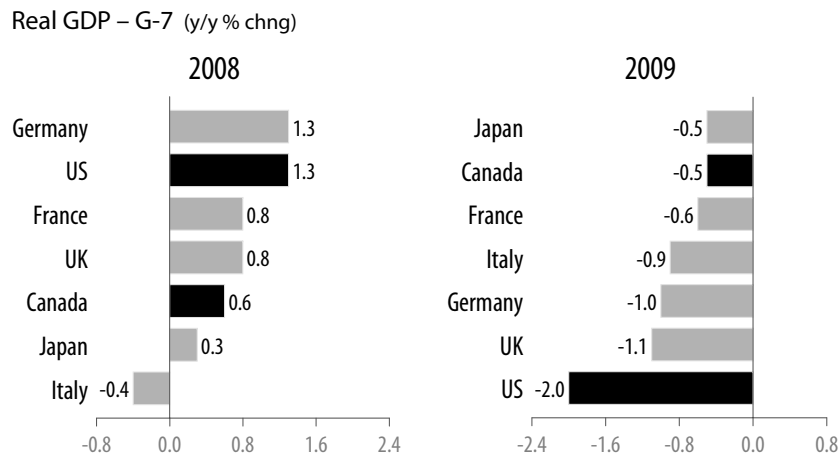
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Canadian house prices slow



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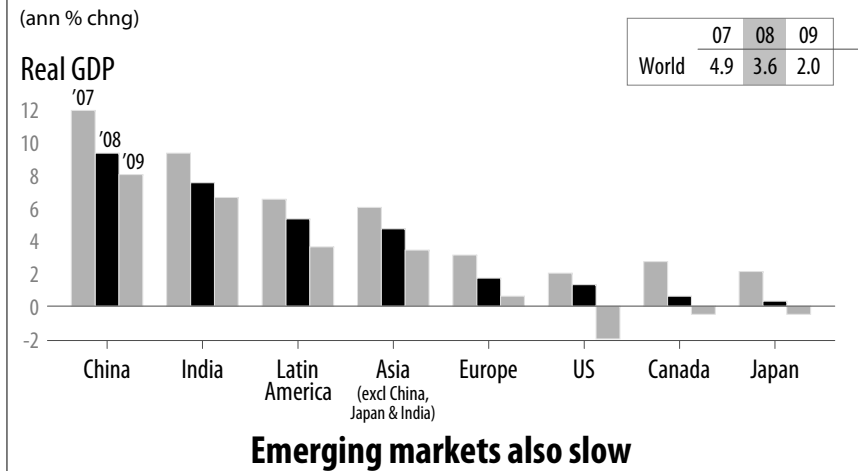
G-7 recession



Source: BMO Capital Markets forecasts

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Global growth chills



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Global recession?

(y/y % chng)

Global real GDP

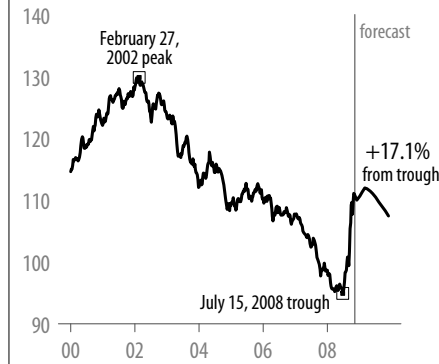


	07	08	09
World	4.9	3.6	2.0

US dollar off the bottom

(as of November 24, 2008)

Broad trade-weighted US\$

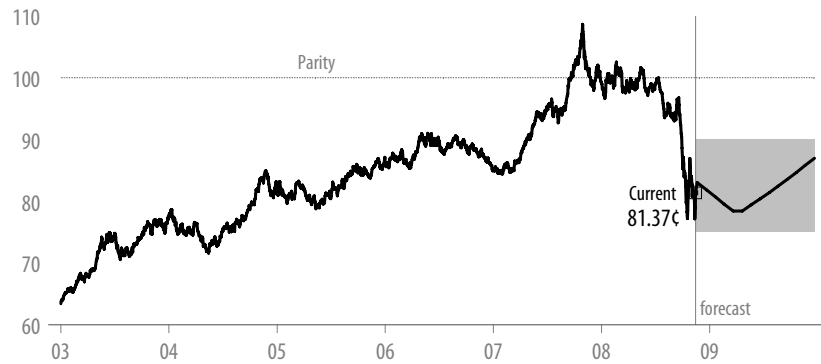


% Chng (vs US\$)	Feb '02 peak to present	2008 y-t-d
Euro	49.2	-11.7
Swiss franc	42.8	-5.3
Yen	39.2	15.5
Canadian \$	31.3	-19.3
Australian \$	26.0	-25.9
Chinese yuan	21.2	7.0
UK pound	7.1	-23.5
Trade-weighted US\$	-14.7	12.3
Mexican peso	-32.4	-18.9

Loonie weakens with economy and commodity prices

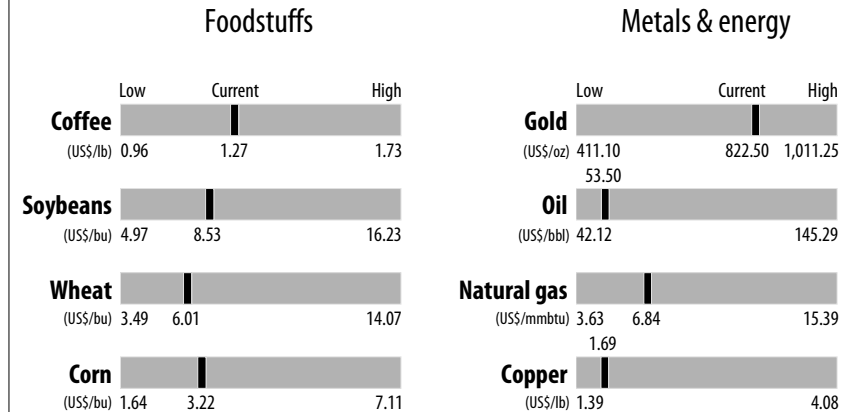
(US¢ : as of November 24, 2008)

Canadian dollar



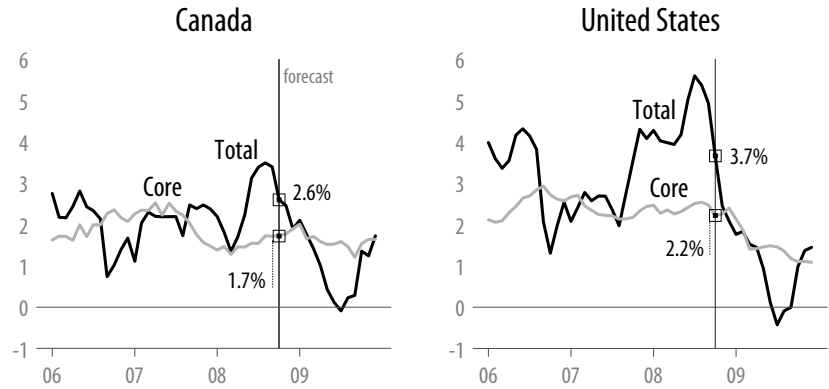
Commodity price pullback

Commodity price range (since January 2005 : as of November 24, 2008)



Headline inflation falling

Consumer price index (y/y % chng)

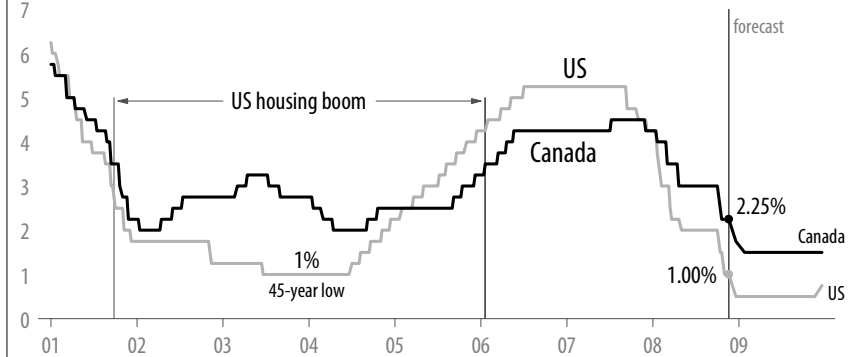


Deflation risk

BoC and Fed will step in again

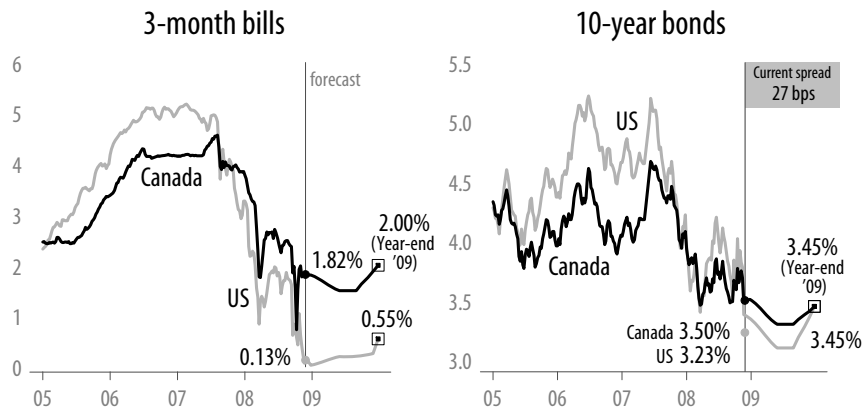
(% : as of November 24, 2008)

Overnight rates



Interest rates fall

(% : as of November 24, 2008)



US consumers worried

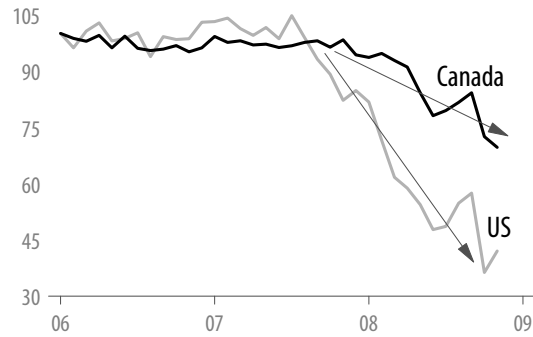


- Housing collapse
- Job uncertainty
- Stocks weak
- Credit tight

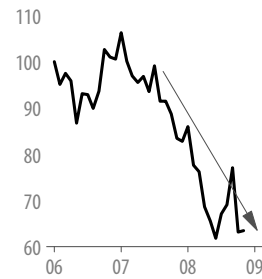
Consumer confidence buckling

Consumer confidence indices (January 2006 = 100)

Conference Board



University of Michigan
sentiment index
— United States —



Nose-dives in US... Lower gas prices help a bit

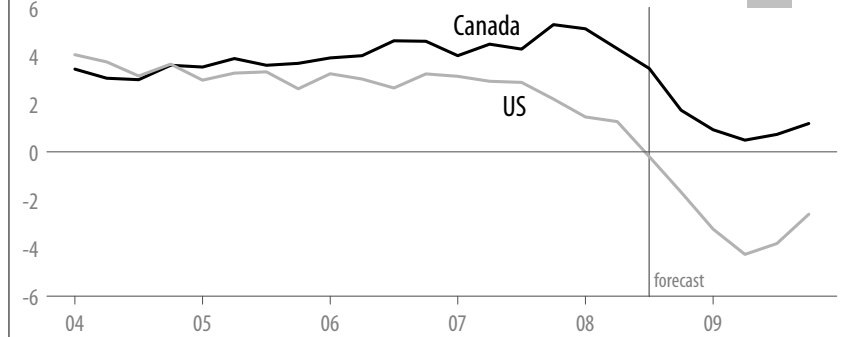
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American consumers retrench

(y/y % chng)

Real personal consumption expenditures



...Canadians follow suit

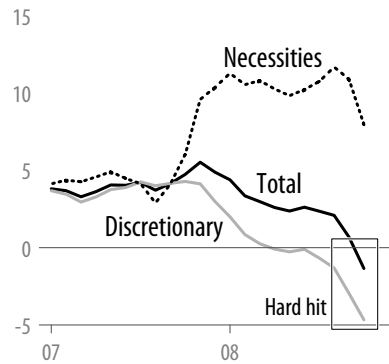
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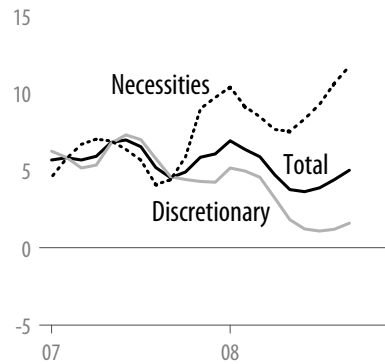
Discretionary spending crimped

Retail sales (3-mnth ma : y/y % chng)

United States



Canada



Necessities = food, health care, gas

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US business cautious

Confidence falls
Financial sector earnings collapse
Capital spending growth slows

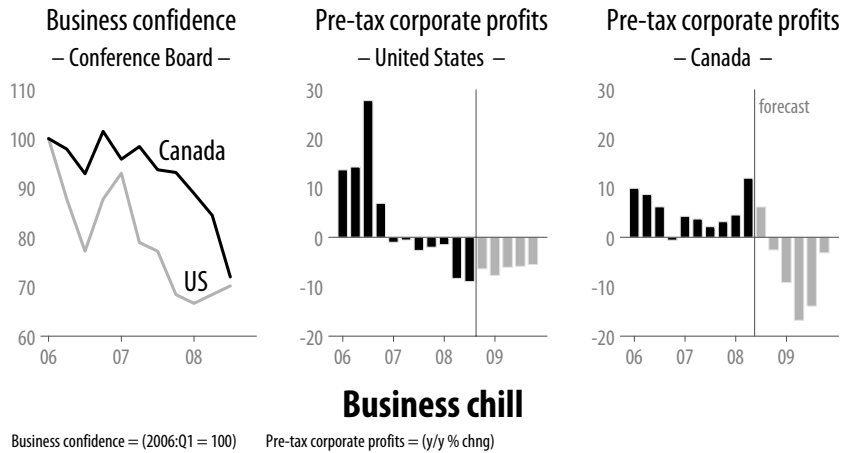


Canadian business hurt as well

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Commodity decline to hurt Canadian profits



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Financial market performance

Financial market returns – local currency (% chng : as of November 24, 2008)

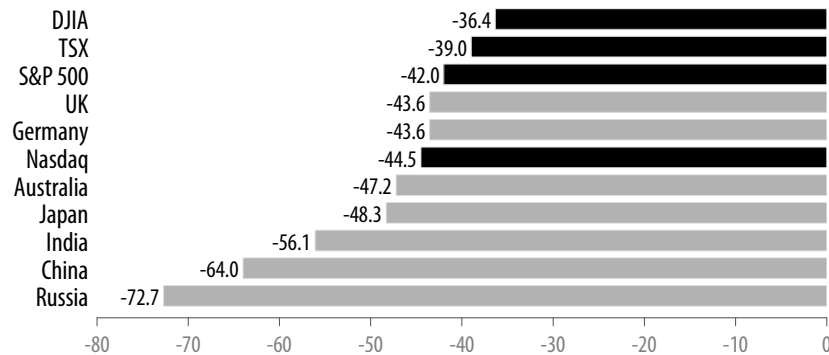
Dividend yields:	2008 y-t-d	2007	2006	2005
TSX 4.4%				
Stocks				
DJIA	-36%	6%	16%	-1%
TSX	-39%	7%	15%	22%
S&P 500	-42%	4%	14%	3%
Nasdaq	-44%	10%	10%	1%
Bonds				
GoCs	6%	5%	4%	7%
US Treasuries	9%	10%	3%	3%
Commodities				
CRB index	-32%	17%	-7%	17%

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Global bear market

(y-t-d % chng : as of November 24, 2008)

Equity markets



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Transformational leader



Big stimulus package soon after inauguration

Postpones tax hikes

Facing enormous challenges

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