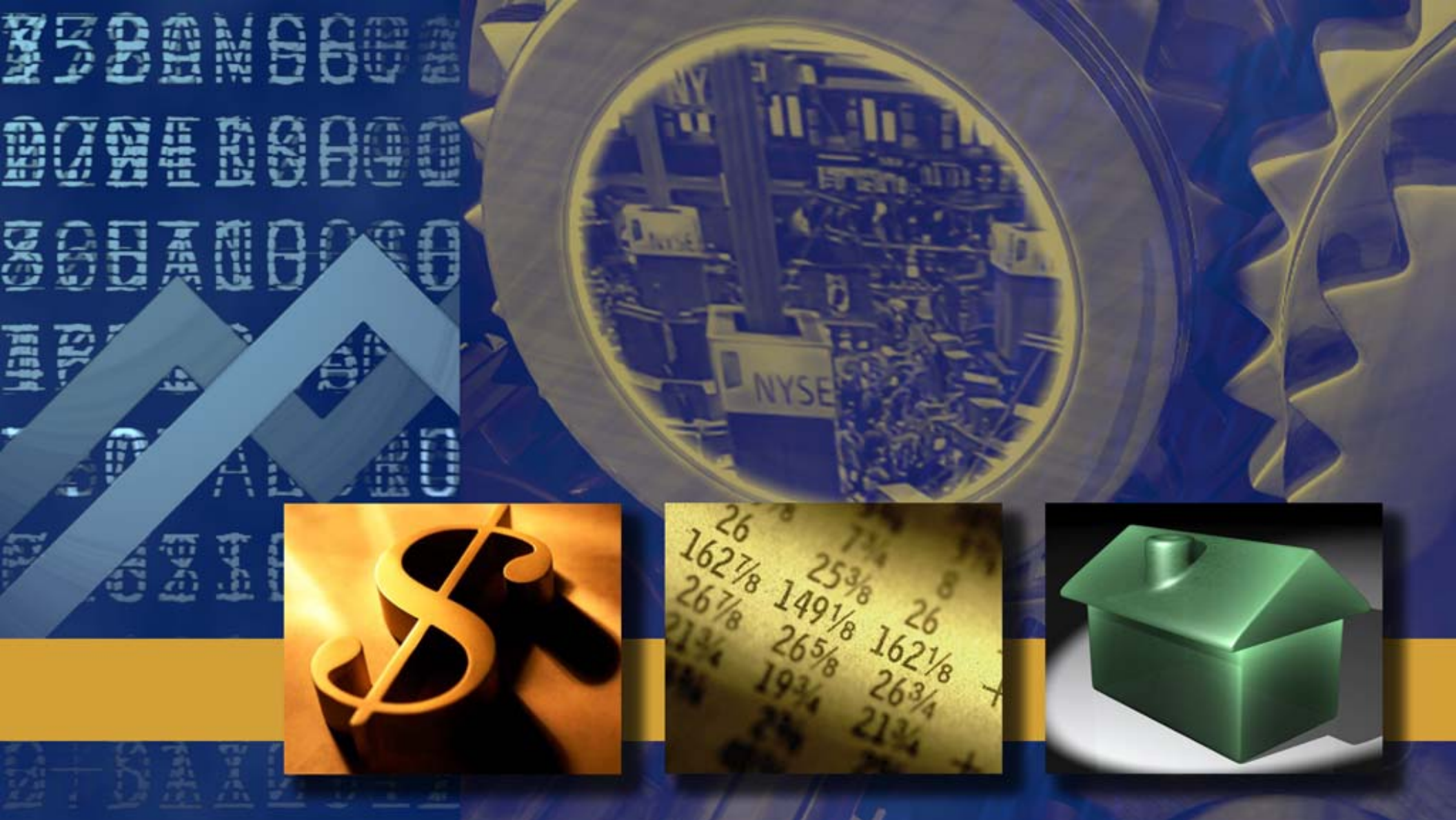


Canadian Recovery: European Vacation?

Douglas Porter, CFA Deputy Chief Economist & Managing Director, BMO Capital Markets



Financial Markets Shaken

(as of June 9, 2010)

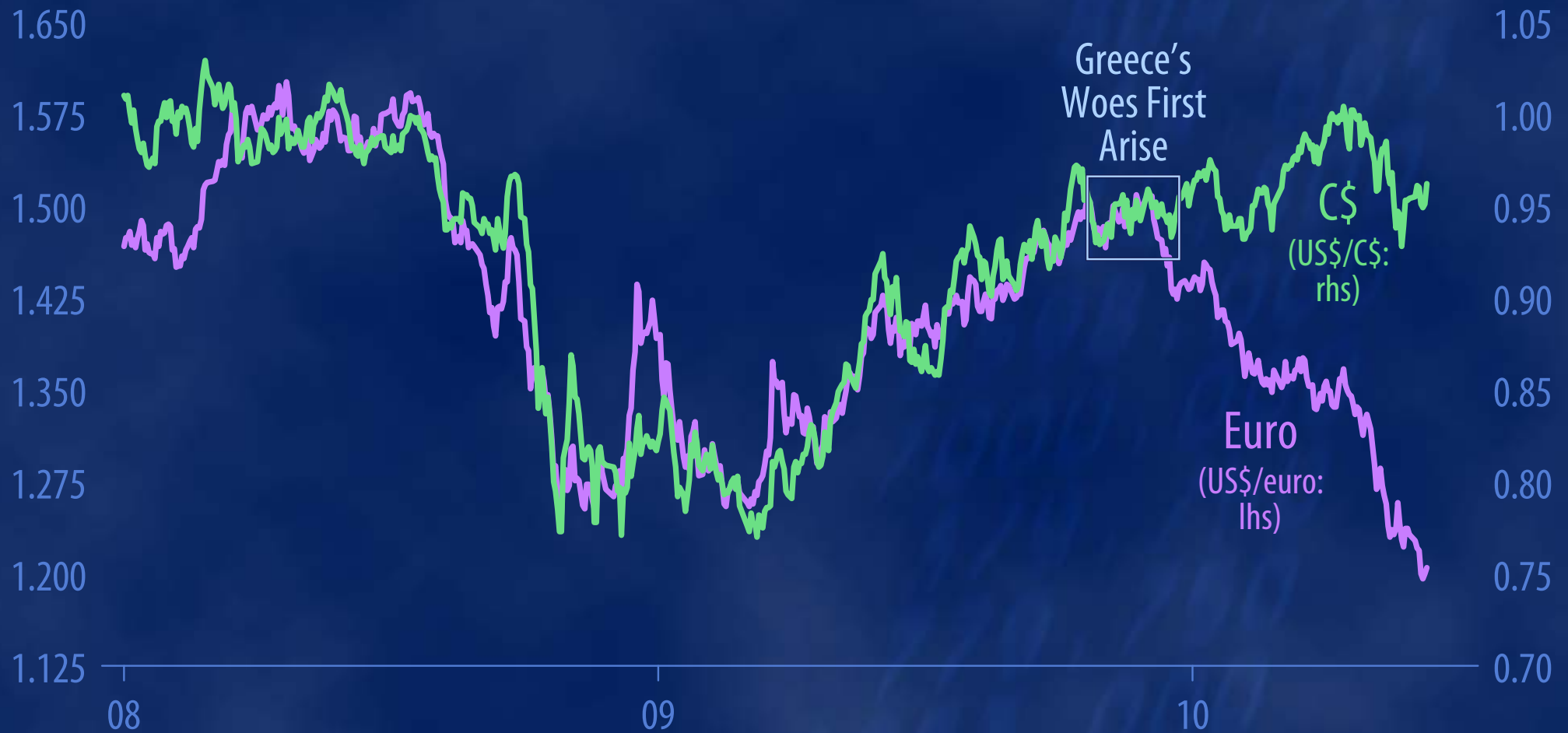


New Concerns: European Debt, China Tightening



Canada and Europe: Separate Ways

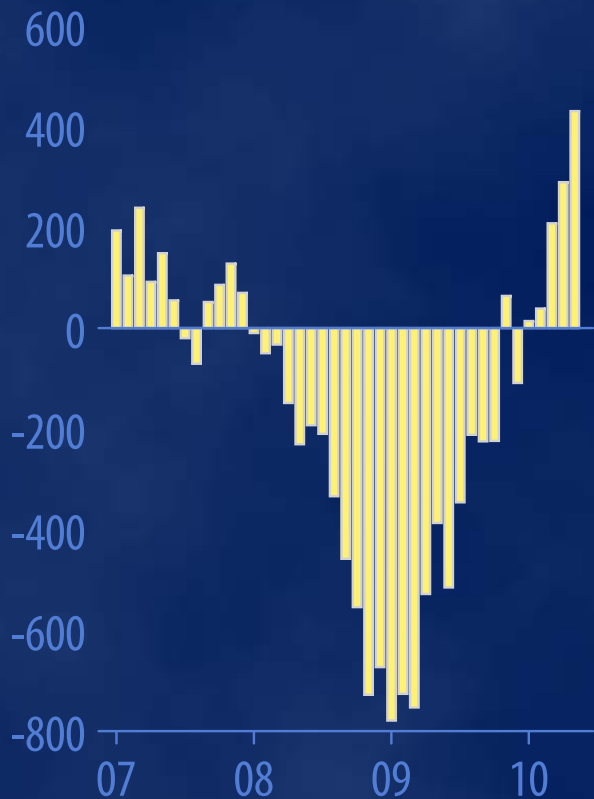
(as of June 9, 2010)



Major Indicators On the Mend

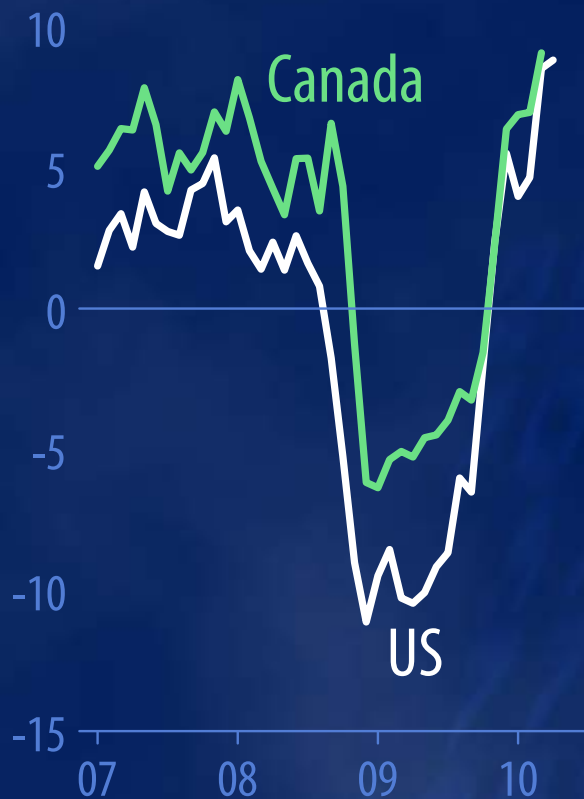
US Employment

(m/m chng : 000s)



Retail Sales

(y/y % chng)



China's Exports

(y/y % chng : 2-mnth ma)



Recession Ends

(q/q % chng : ar)

Real GDP

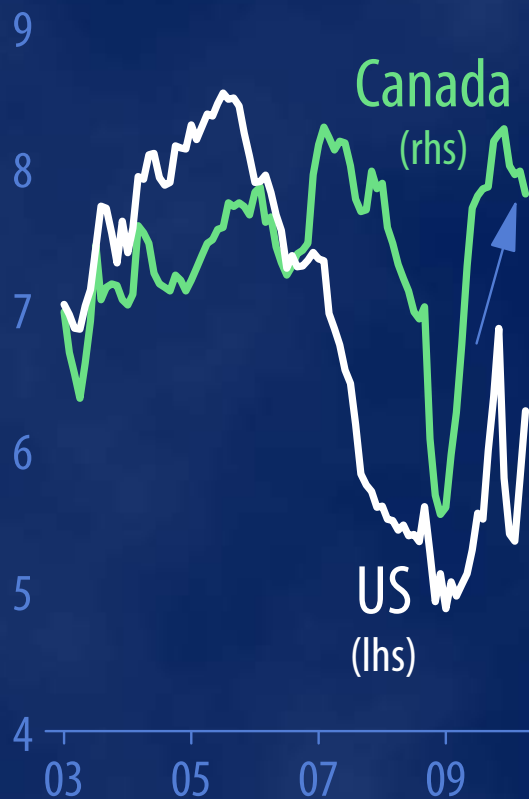


Expansion Will Be Moderate

Canadian Housing Markets Simmer Down

Home Sales

(mlns : ar)



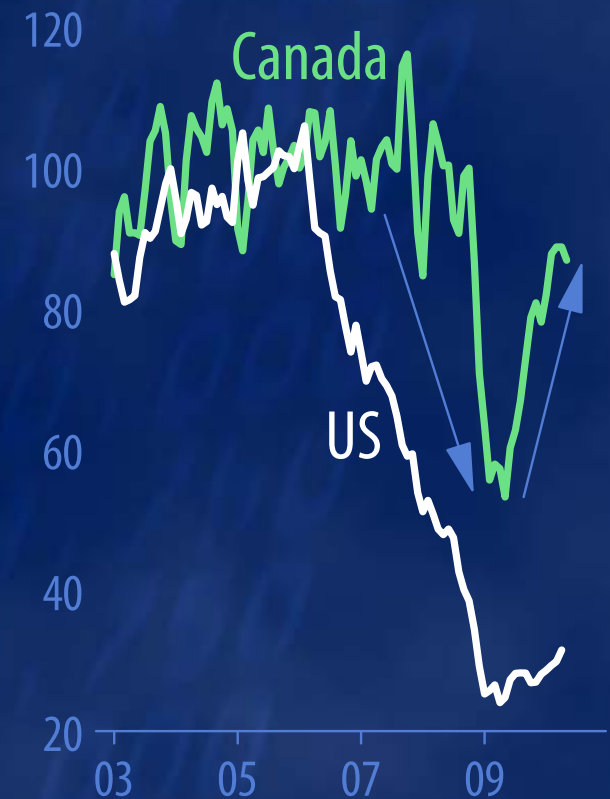
Existing Home Prices

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



Housing Starts

(2005 = 100 : 2-mnth ma)



Home Sales: US = Existing + New Canada = Existing

Canadian House Prices

Canada – Major Markets (y/y % chng : as of April 2010)

Existing Home Prices

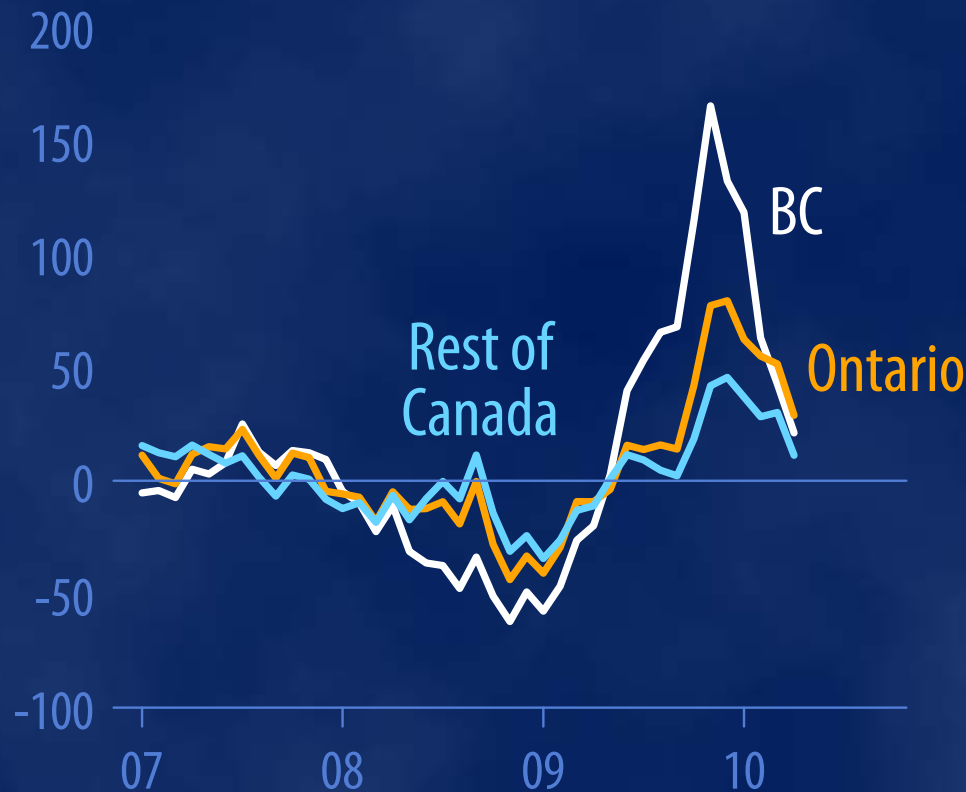


CREA Does Not Expect Price Gains in BC in 2011

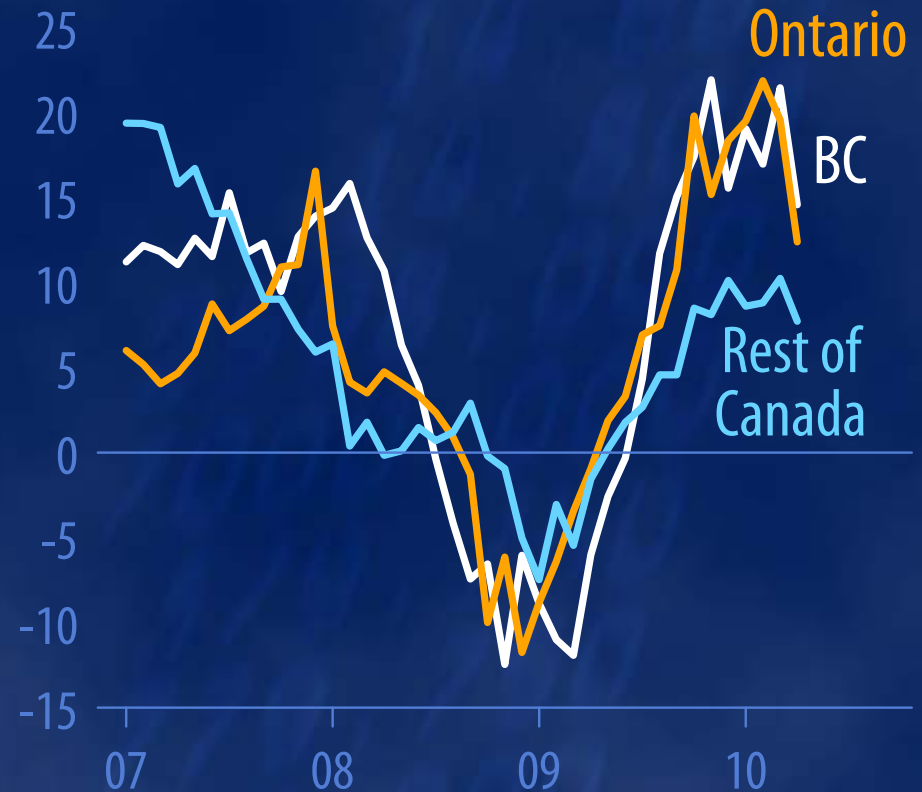
Beat the Tax

Existing Homes (y/y % chng)

Sales



Average Prices



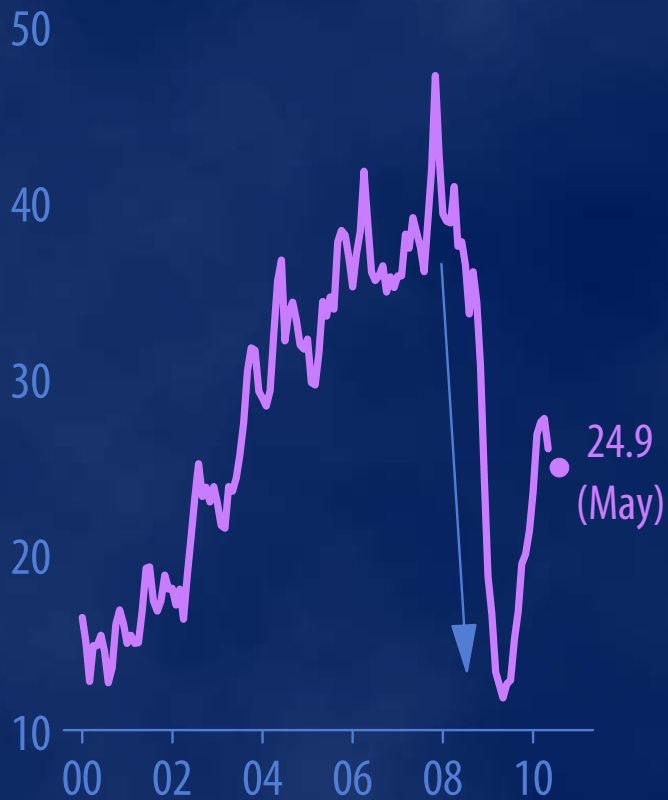
CMHC Mortgage Insurance Changes, Higher Mortgage Rates

BC Construction Turns

British Columbia

Housing Starts

(000s : 3-mnth ma)



Building Permits

(000s : 3-mnth ma)



Construction Employment

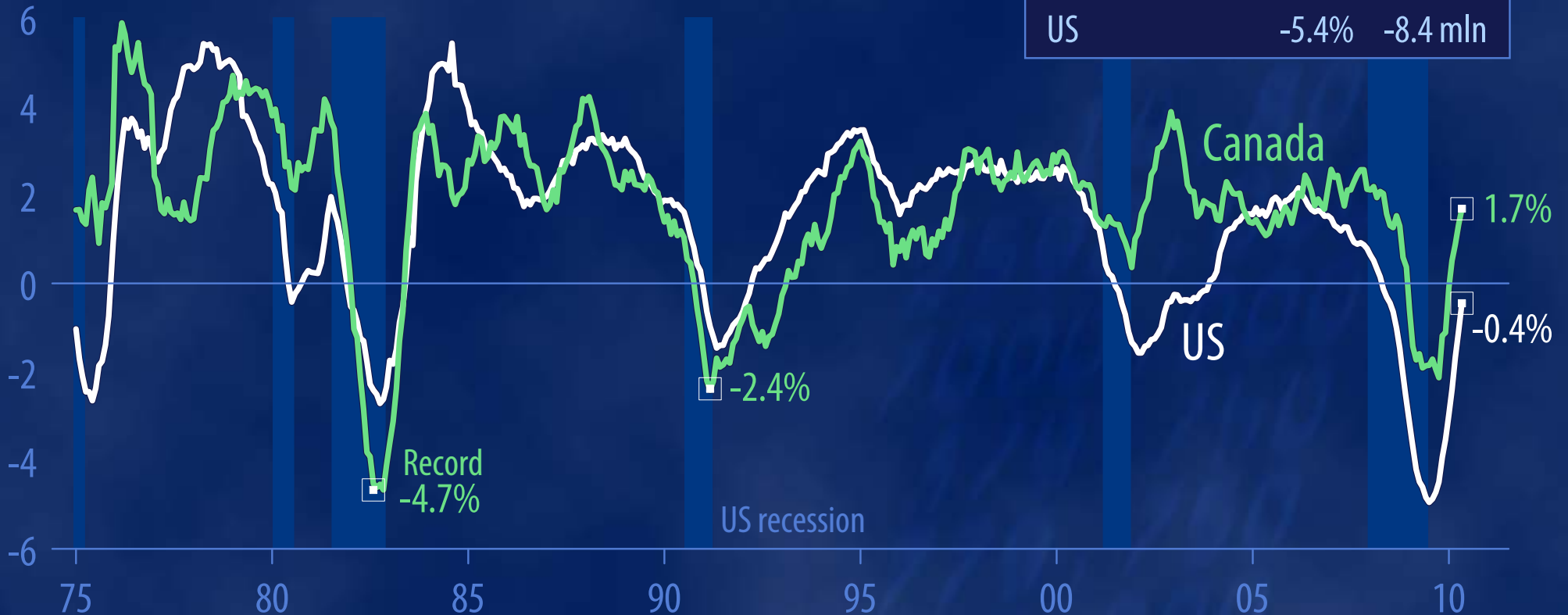
(% of total)



Job Losses in Perspective

(y/y % chng)

Employment

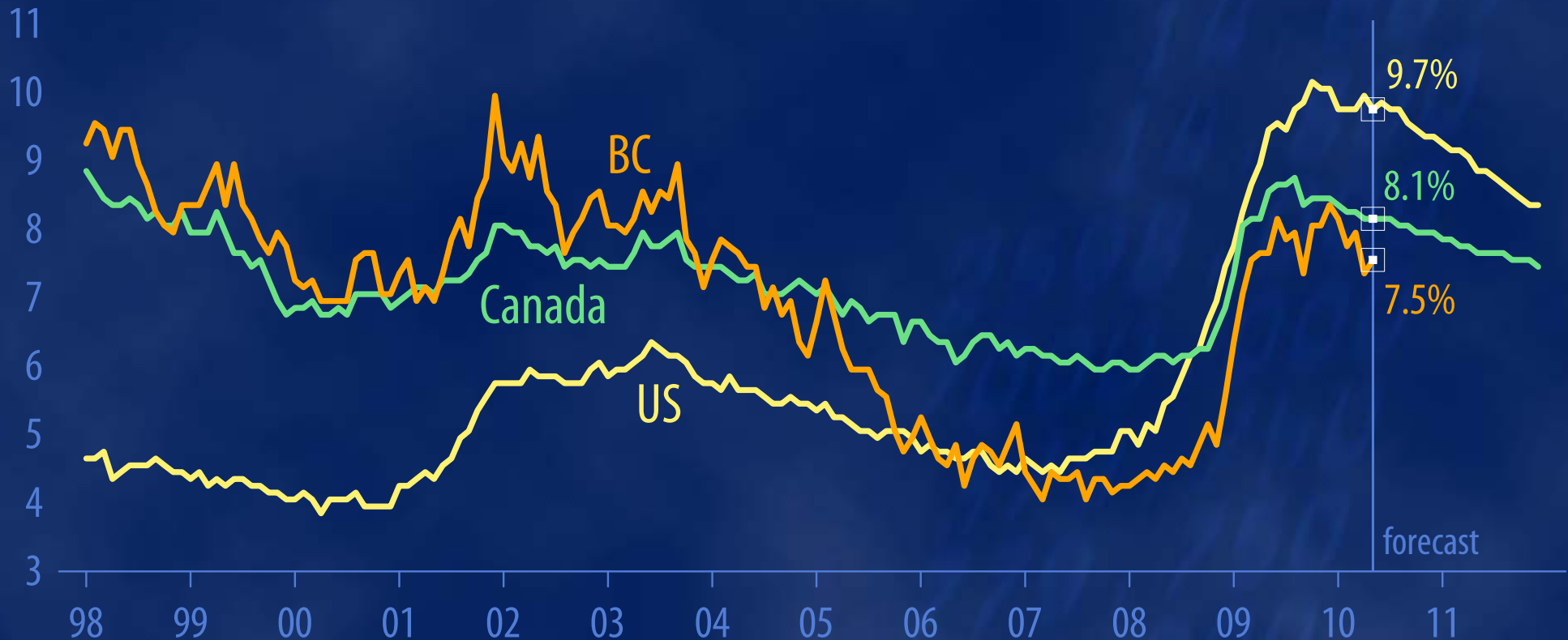


US Recession Much Worse

Unemployment to Remain High

(percent)

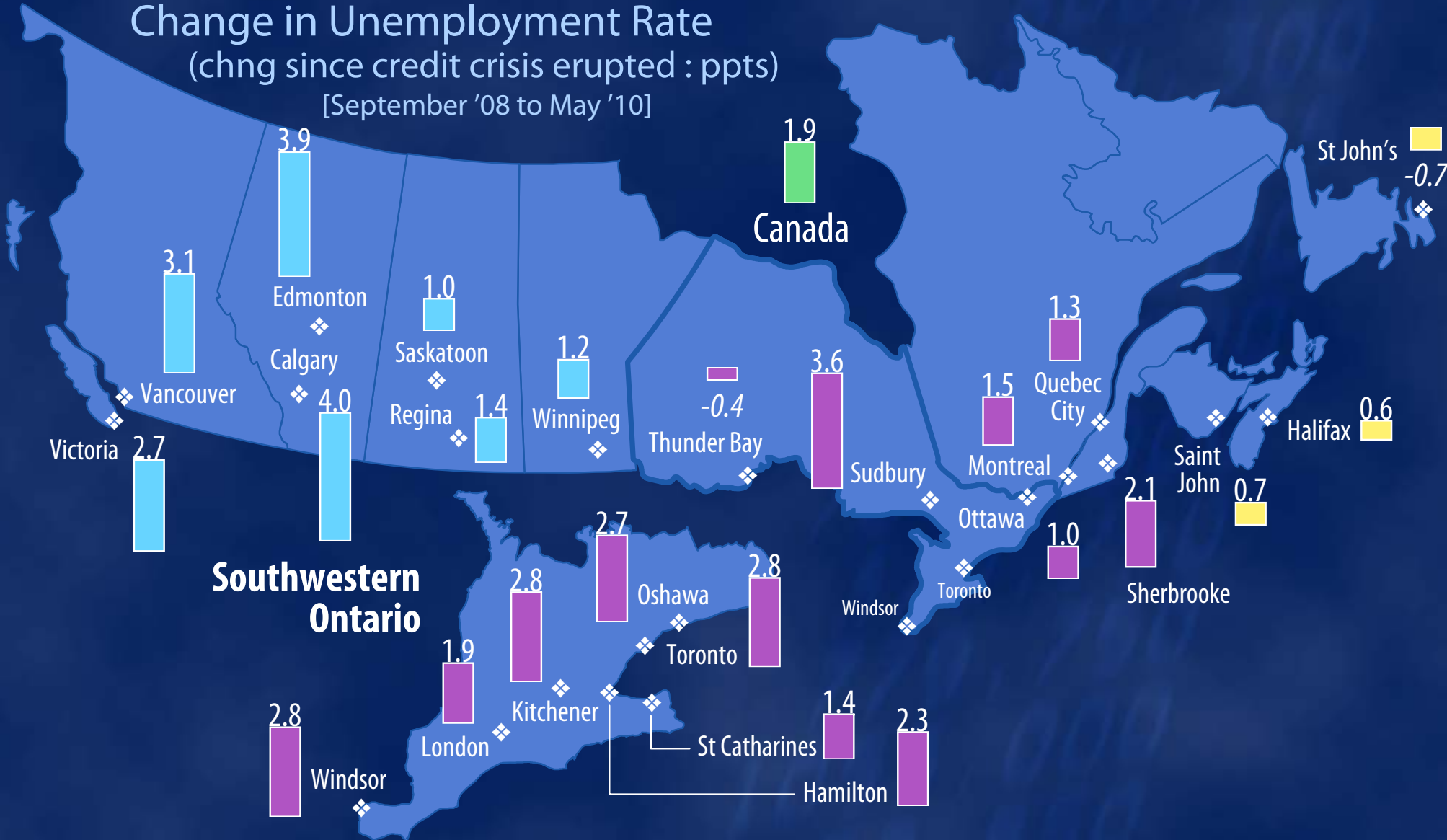
Unemployment Rate



Victoria 5.9%, Vancouver 7.5%... Off the Highs

Ontario, Alberta and BC Hit Hardest

Change in Unemployment Rate
(chng since credit crisis erupted : ppts)
[September '08 to May '10]

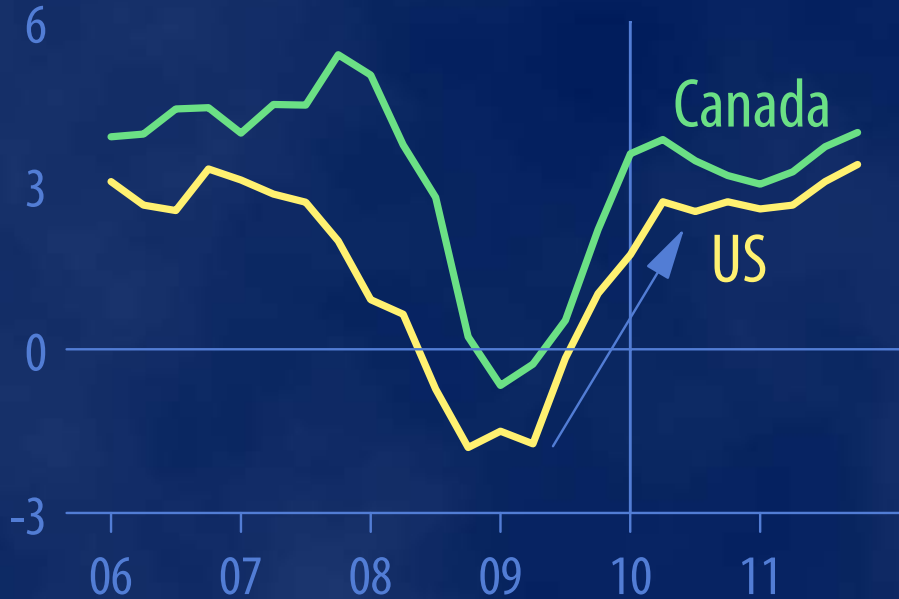


Tepid Consumer Recovery

	08	09	10	11
Canada	2.9	0.4	3.5	3.5
US	-0.2	-0.6	2.4	2.9

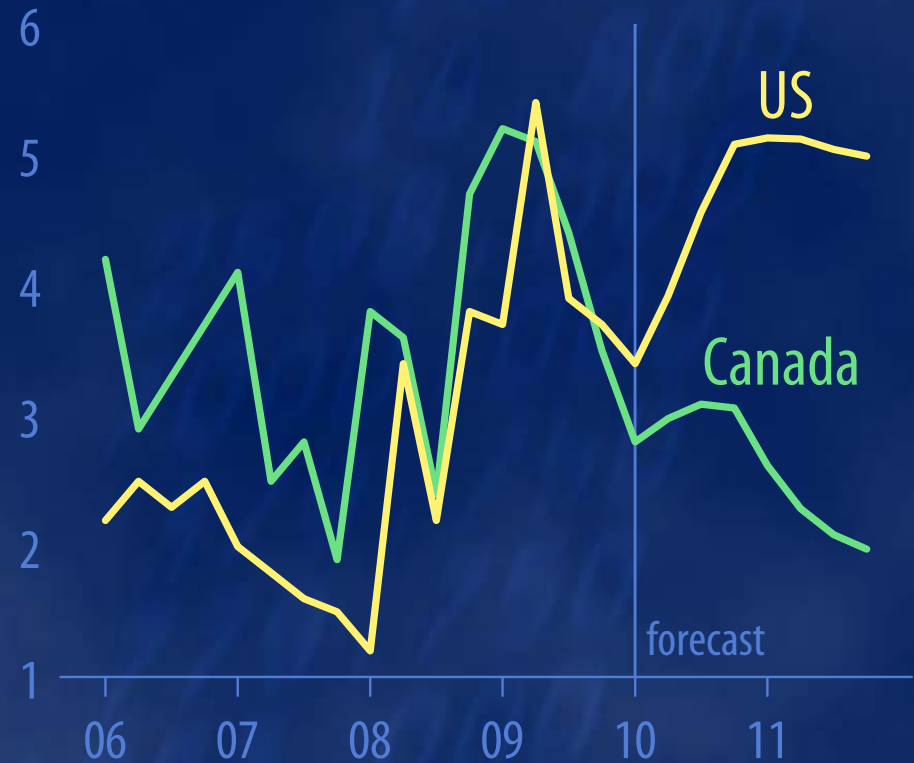
Real Consumer Spending

(y/y % chng)



Personal Savings Rate

(% of disposable income)



Canadian Consumers: Holding Up Better

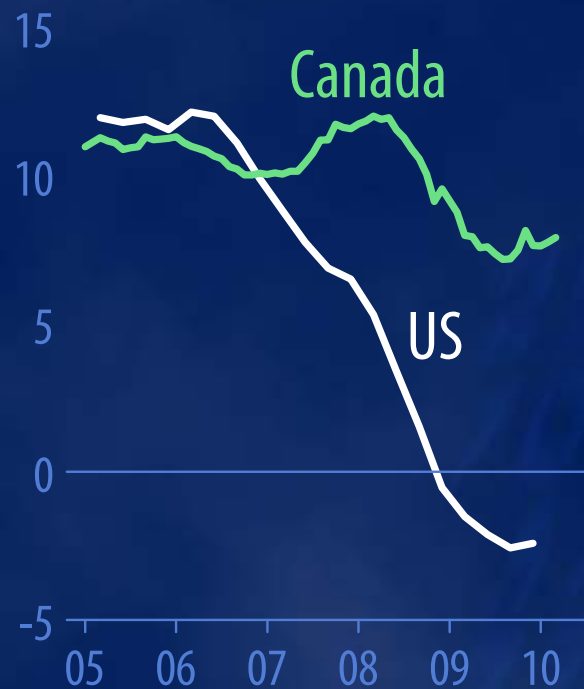
Consumer Confidence Index

(January 2007 = 100)



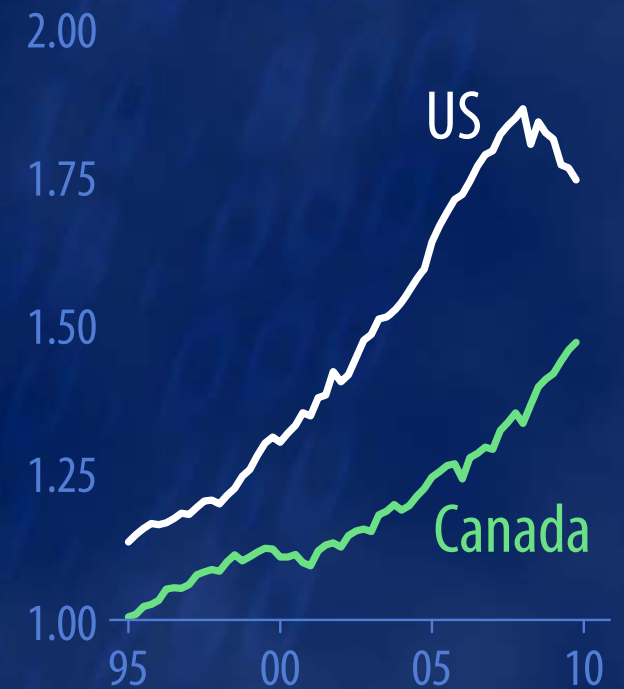
Household Credit

(y/y % chng)



Total Debt

(ratio to personal disposable income)



Confidence, Cash and Credit Are Key

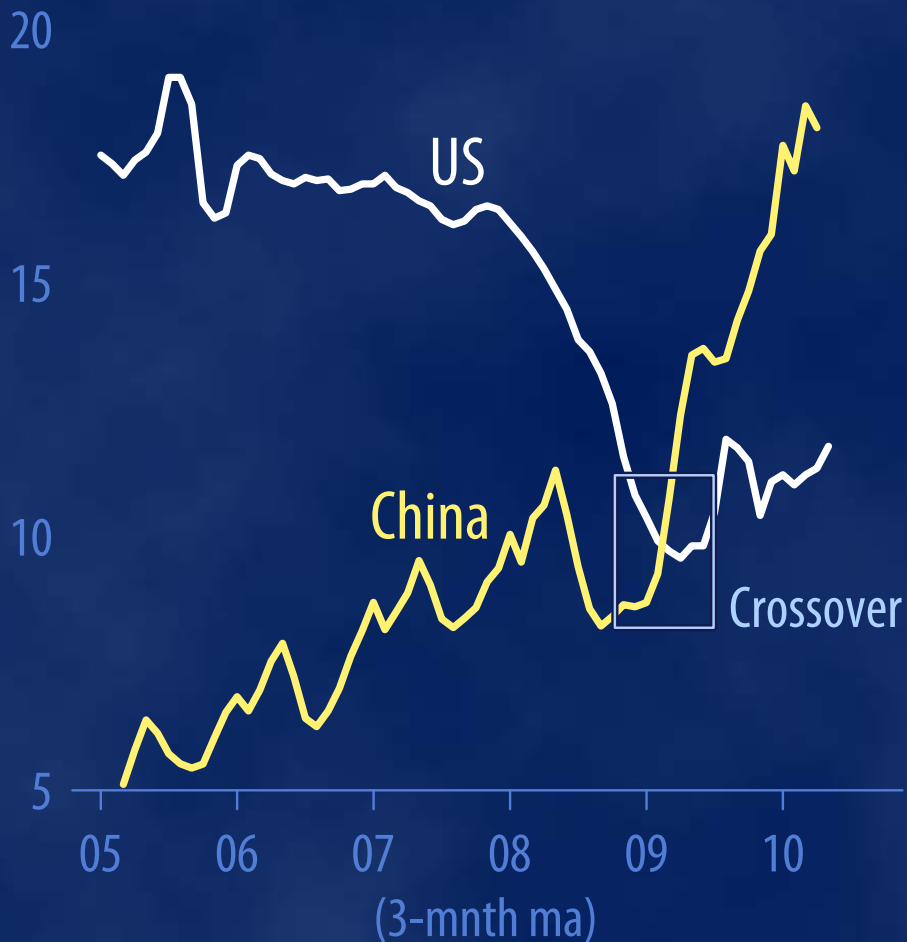
Household Credit = Consumer Credit and Residential Mortgages

Total Debt includes unincorporated businesses



Changing Gears

Vehicle Sales (mlns : ar)

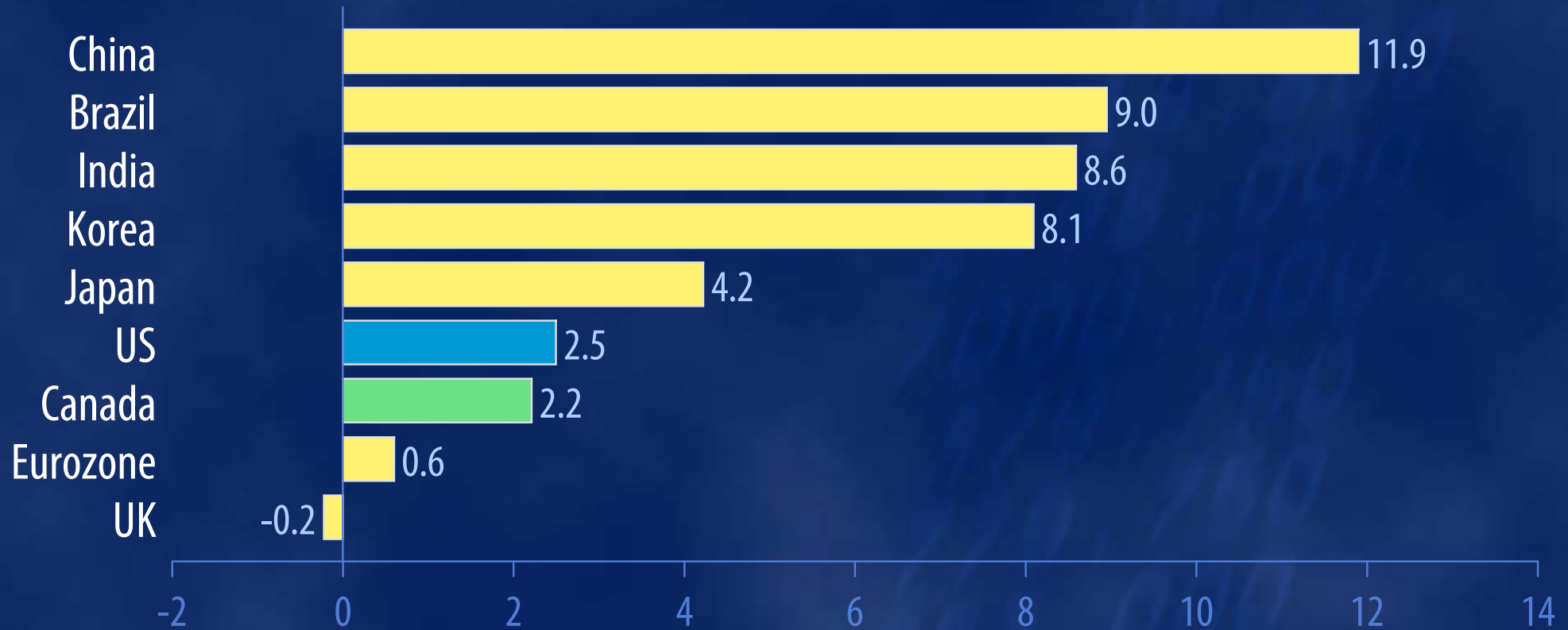


Global GDP: World of Difference

2010:Q1 (y/y % chng)

Real GDP

	08	09	10	11
World	3.0	-0.6	4.1	3.9
Eurozone	0.4	-4.1	0.9	1.3



Loonie & Commodities: The Ties that Bind

Canada (as of June 9, 2010)



US Dollar Stops Falling

(as of June 9, 2010)

Broad Trade-weighted US\$

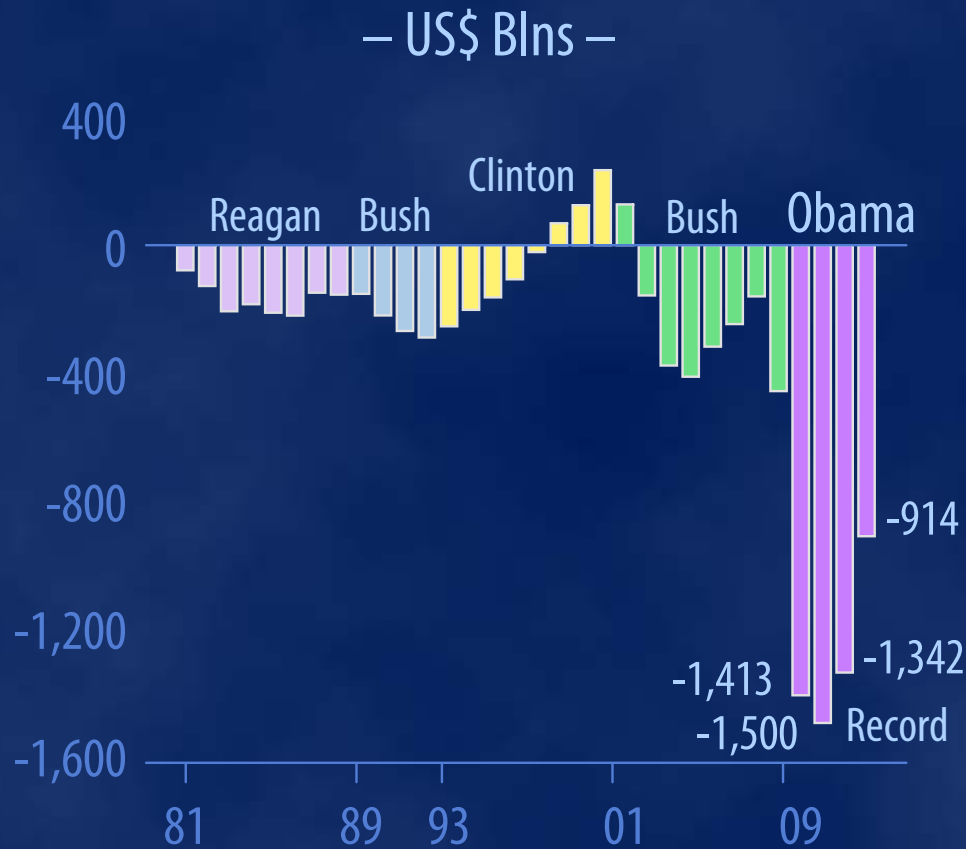


% Chng (vs US\$)	Feb '02 Peak to Present	2010 Y-T-D
Australian \$	60.5	-7.8
Canadian \$	54.1	0.9
Swiss Franc	48.8	-9.8
Japanese Yen	47.6	2.0
Euro	38.7	-16.3
Chinese Yuan	21.2	0.0
UK Pound	2.6	-10.1
Trade-weighted US\$	-18.3	3.8
Mexican Peso	-29.3	1.8

Benefits from Sovereign Risks

US Budget Deficit: Record Shortfall

Budget Balance – United States

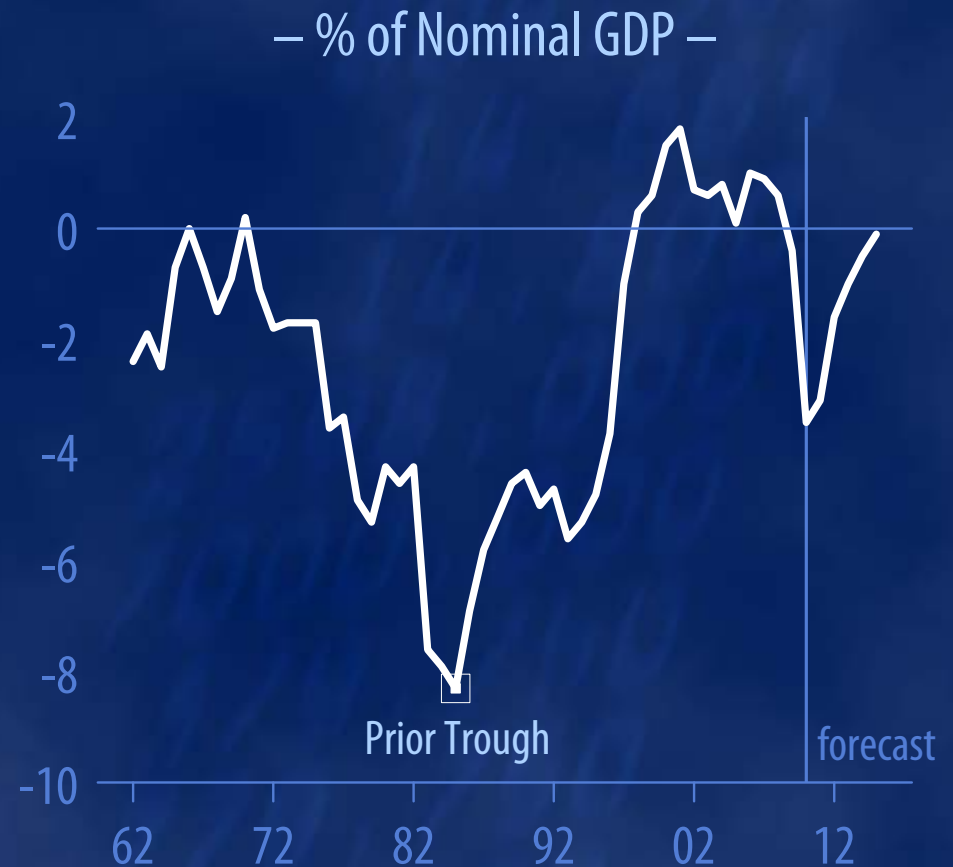
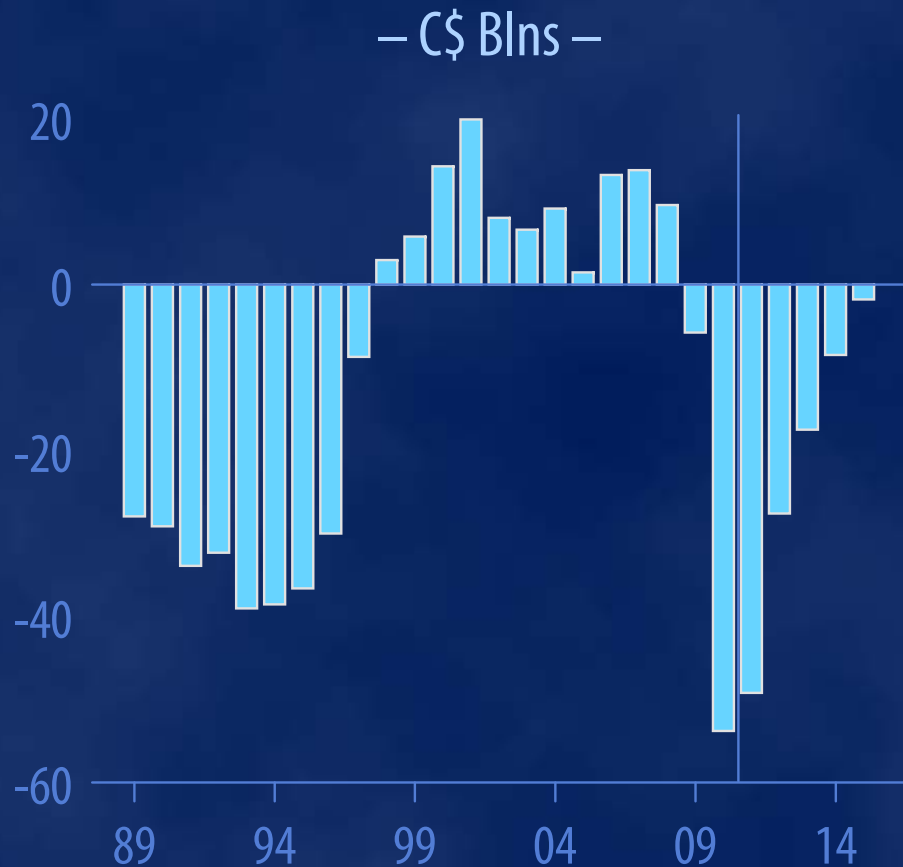


AAA Rating "At Risk"

Source: OMB 2010-12 = forecast

Priming the Fiscal Pump in Canada

Budget Balance – Canada



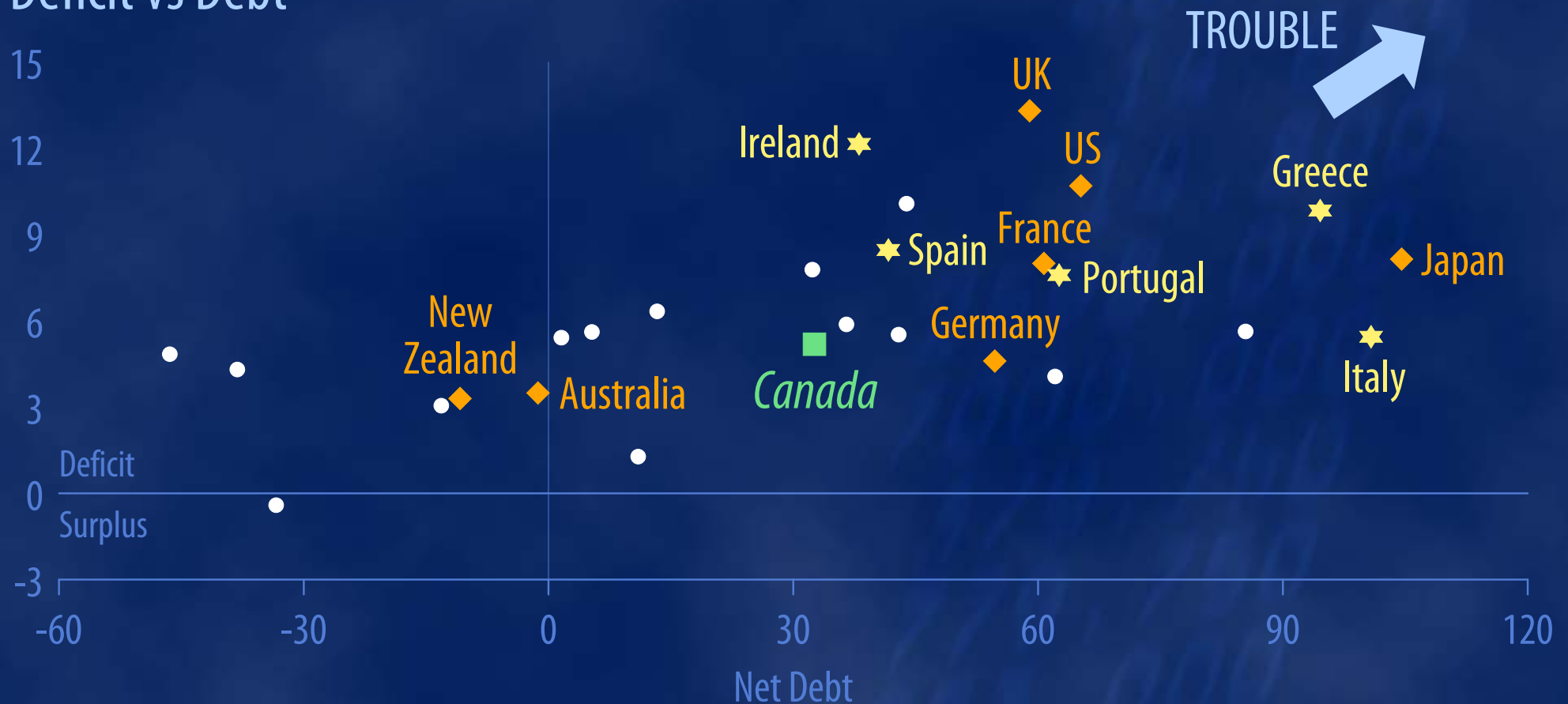
Attention Will Soon Turn to Restraint

Source: Federal Budget 2009/10 = estimate

OECD Fiscal Landscape

2010 (% of nominal GDP)

Deficit vs Debt

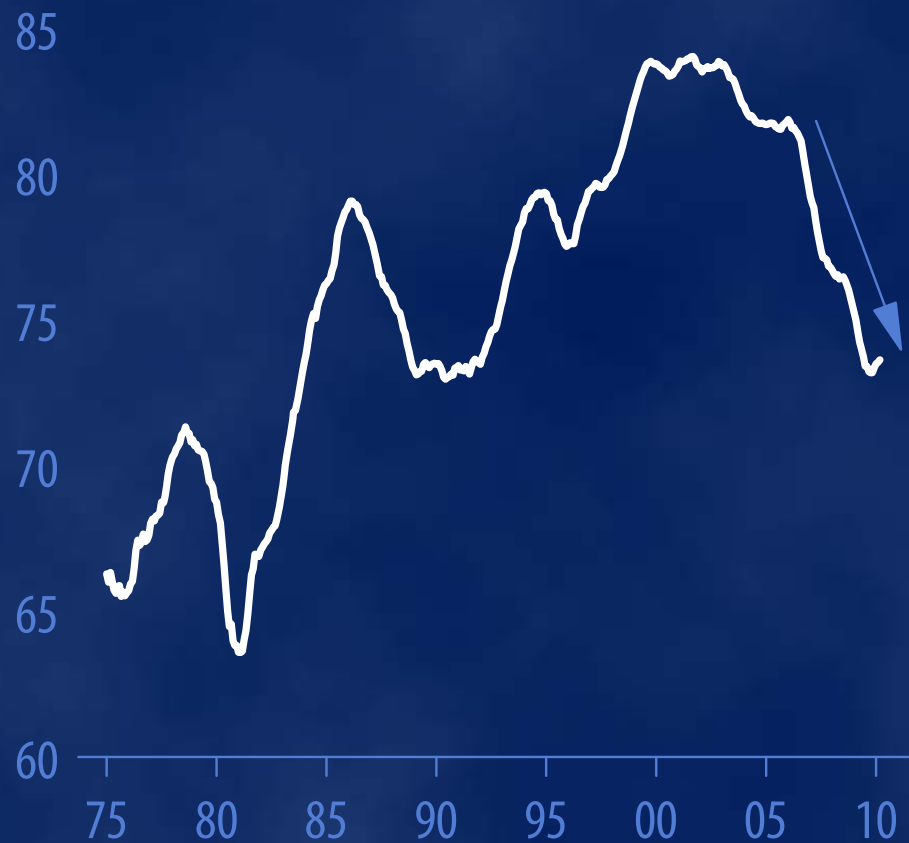


Dots represent countries in the OECD, except Norway, which has huge assets

Canadian Exports: Where Now?

Canadian Exports (% of total)

United States



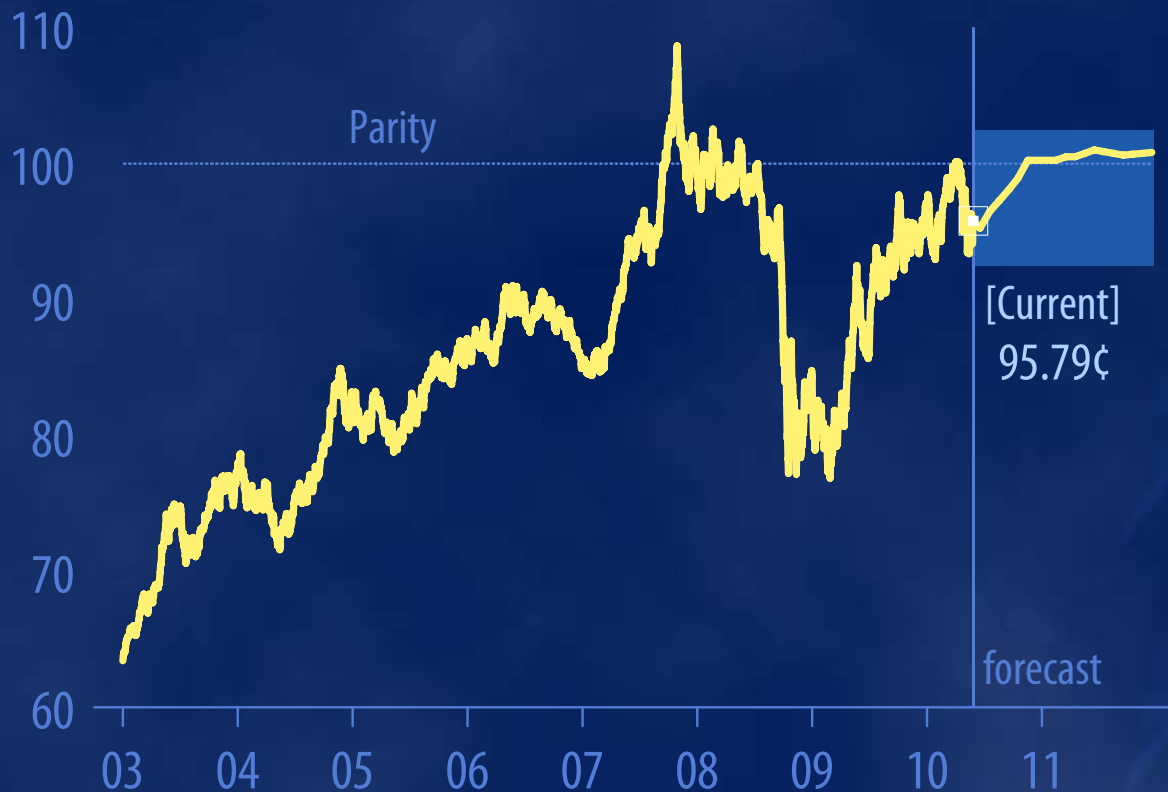
Europe & Emerging Markets



Canadian Dollar Outlook: Still Looking Up?

(US¢ : as of June 9, 2010)

Canadian Dollar



Positives:

Rate Hikes

Global Diversification

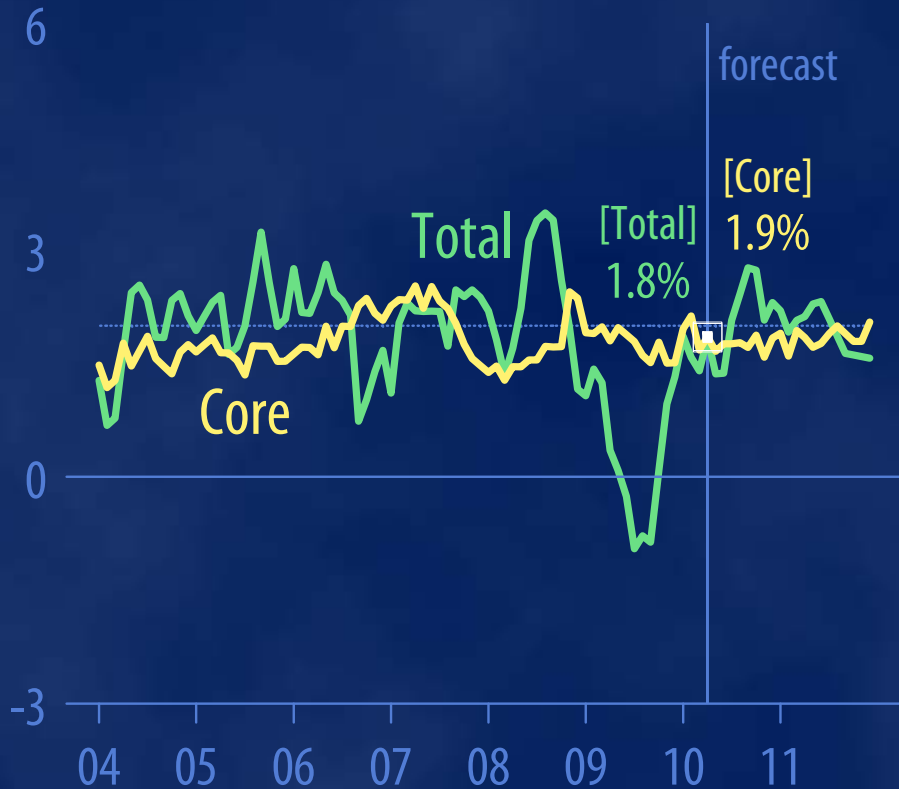
Sounder Finances

Downside Risk: Sovereign Debt Spillover

Headline Inflation Bounces Back

Consumer Price Index (y/y % chng)

Canada



United States

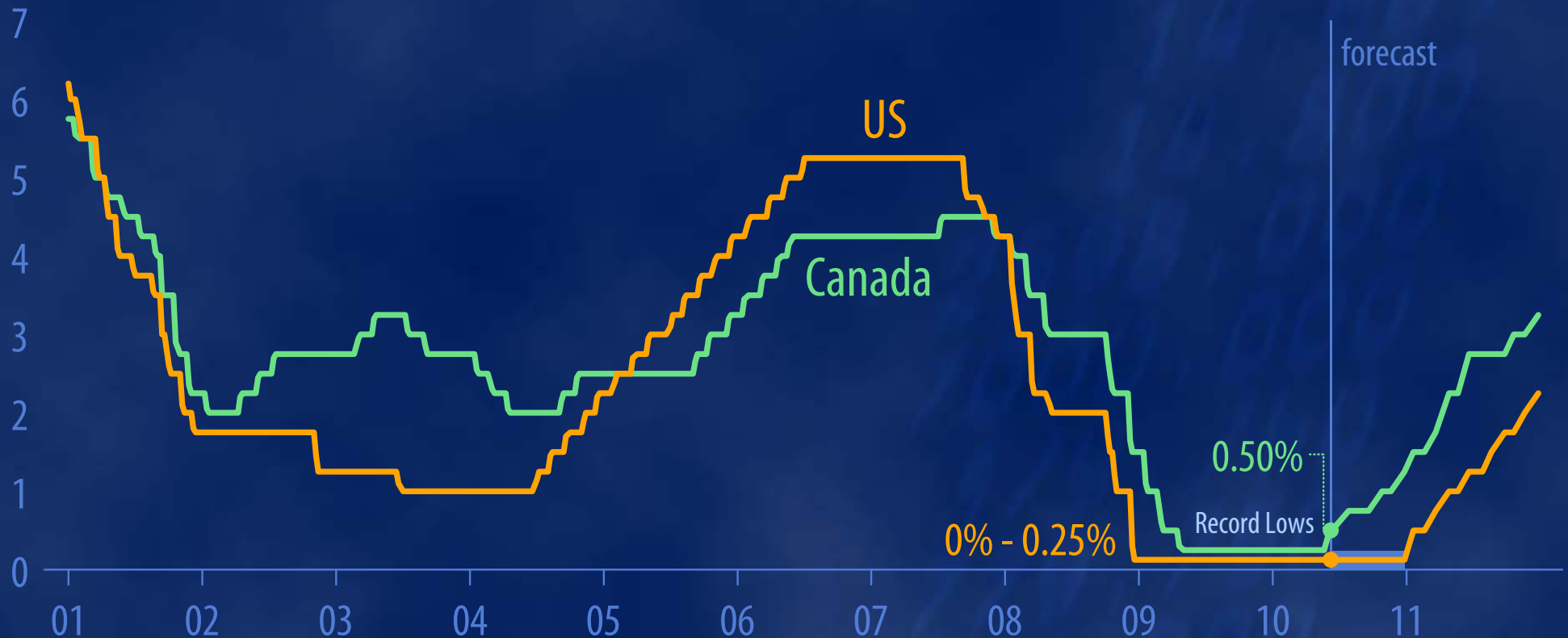


HST: Short-term Bump for Inflation

BoC Hikes Rates

(% : as of June 9, 2010)

Overnight Rate



First G-8 Nation to Tighten Since Credit Crisis Erupted

Long-term Yields Remain Very Low

(% : as of June 9, 2010)

10-year Bonds

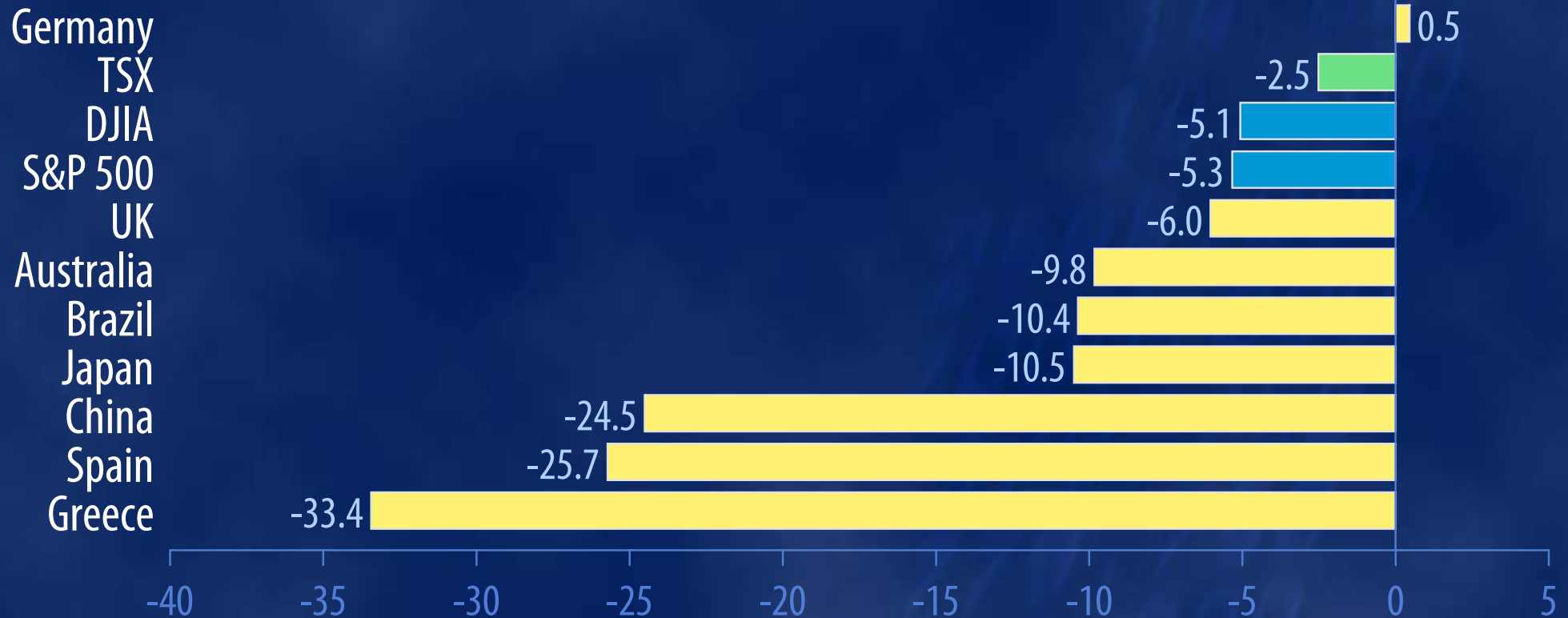


Fed Quantitative Easing Finished

Global Equities: New Challenges

(y-t-d % chng : as of June 9, 2010)

Equity Markets



S&P 500: Correction Mode

A Long Way Back

(as of June 9, 2010)

S&P 500



TSX



What Next?

Moderate Global Recovery
Monetary Tightening
Government Restraint

But...

Sovereign Risks
US Deleveraging Continues
Strong Canadian Dollar Threat



Canada Outperforms, But Challenges Remain

Canadian Recovery: European Vacation?

Douglas Porter, CFA Deputy Chief Economist & Managing Director, BMO Capital Markets

