

# Recovery: European Vacation?

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# Financial Markets Shaken

(as of May 10, 2010)



## New Concerns: European Debt, China Tightening



# Europe: Sovereign Risk

10-year Spreads vs Germany (as of May 10, 2010)



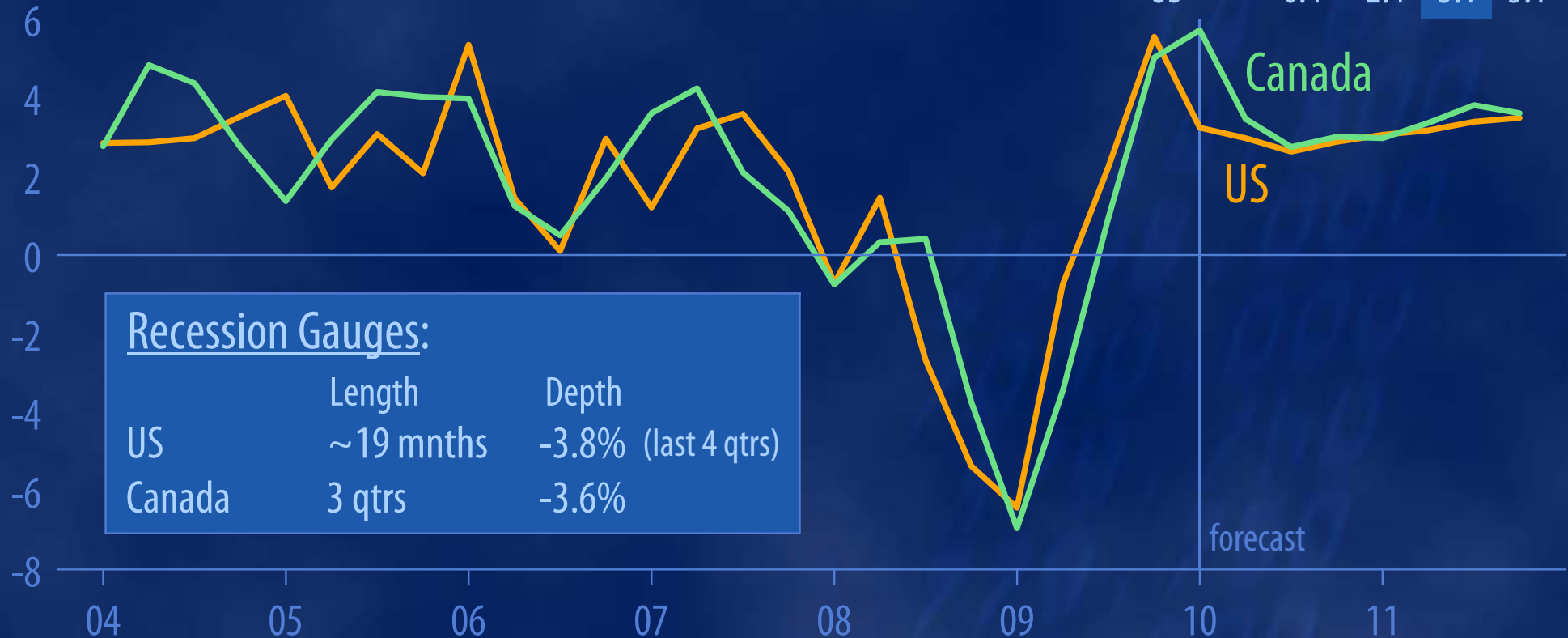
**Massive EU/IMF Support Package**



# Recession Ends

(q/q % chng : ar)

## Real GDP

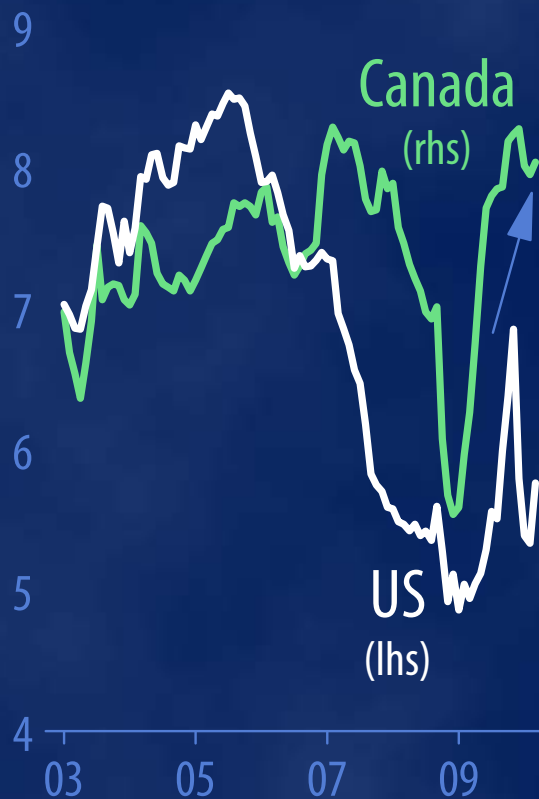


## Expansion Will Be Moderate

# Canadian Housing Markets Rebound

## Home Sales

(mlns : ar)



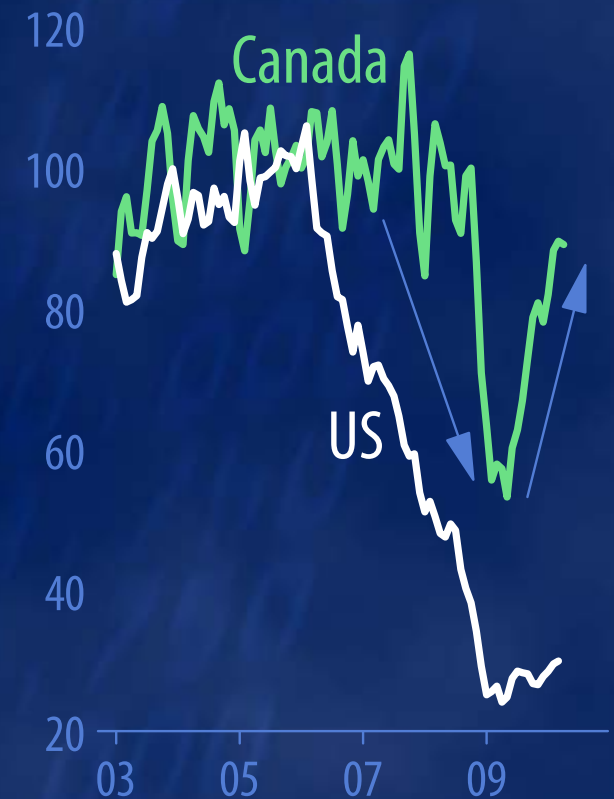
## Existing Home Prices

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



## Housing Starts

(2005 = 100 : 2-mnth ma)

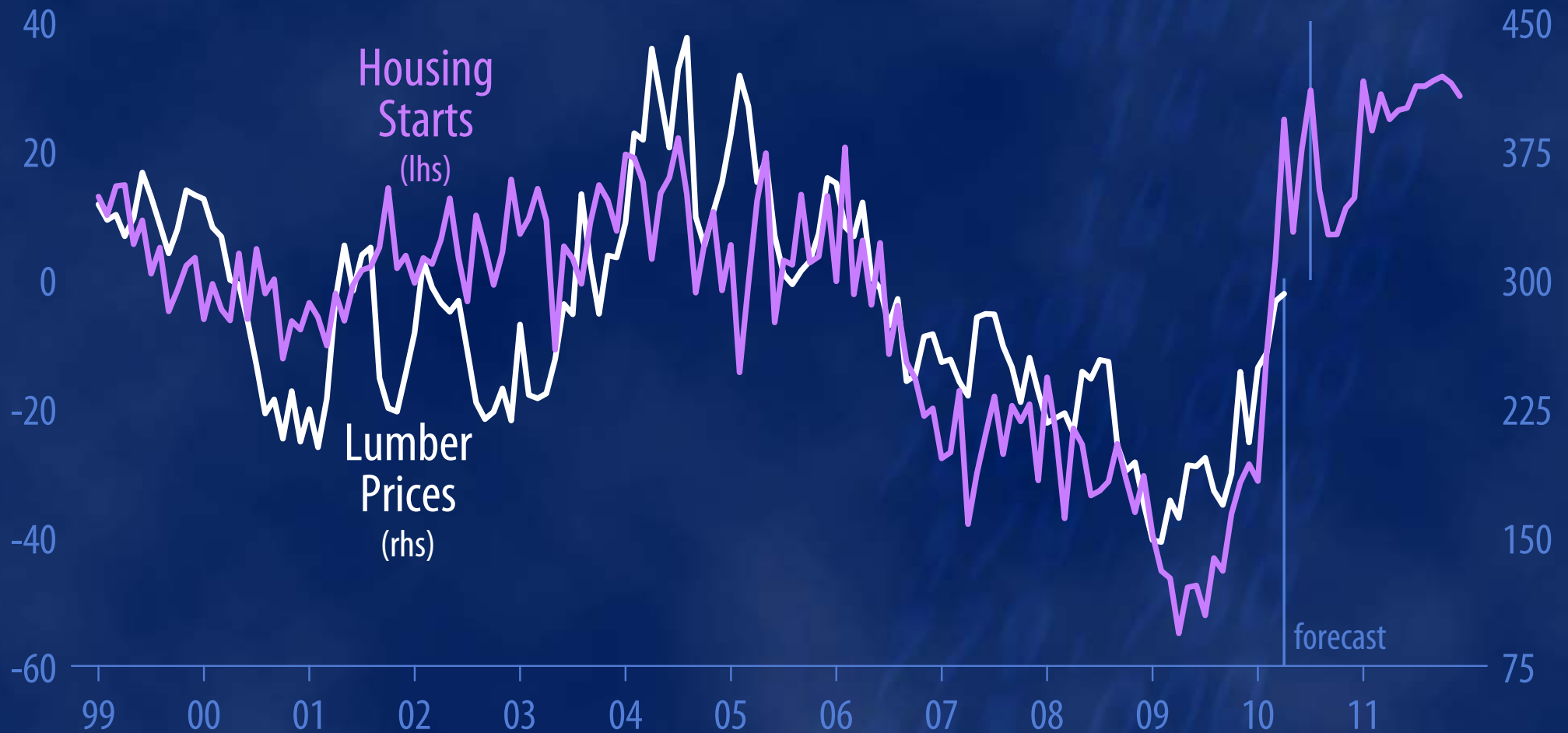


US: Home Sales = Existing + New    Canada: Home Sales = Existing; Existing Home Prices [April] = estimate



# Housing Bottoms... But Still Unstable

United States



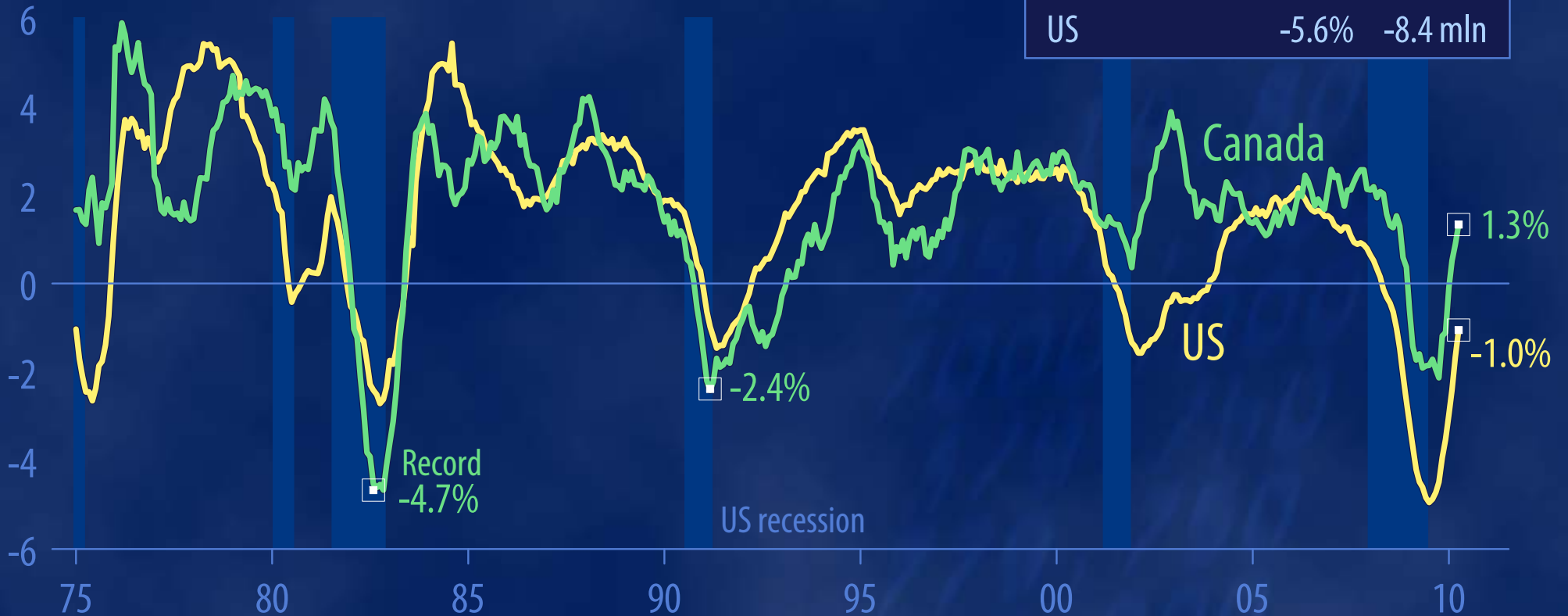
Housing Starts = (12-mnth % chng : advanced 3 mnths); forecast = (4-mnth ma) Lumber Prices = (US\$ per 1000 brd ft)



# Job Losses in Perspective

(y/y % chng)

## Employment



Cumulative Chng in Recession	%	Level
Canada	-2.4%	-417,000
US	-5.6%	-8.4 mln

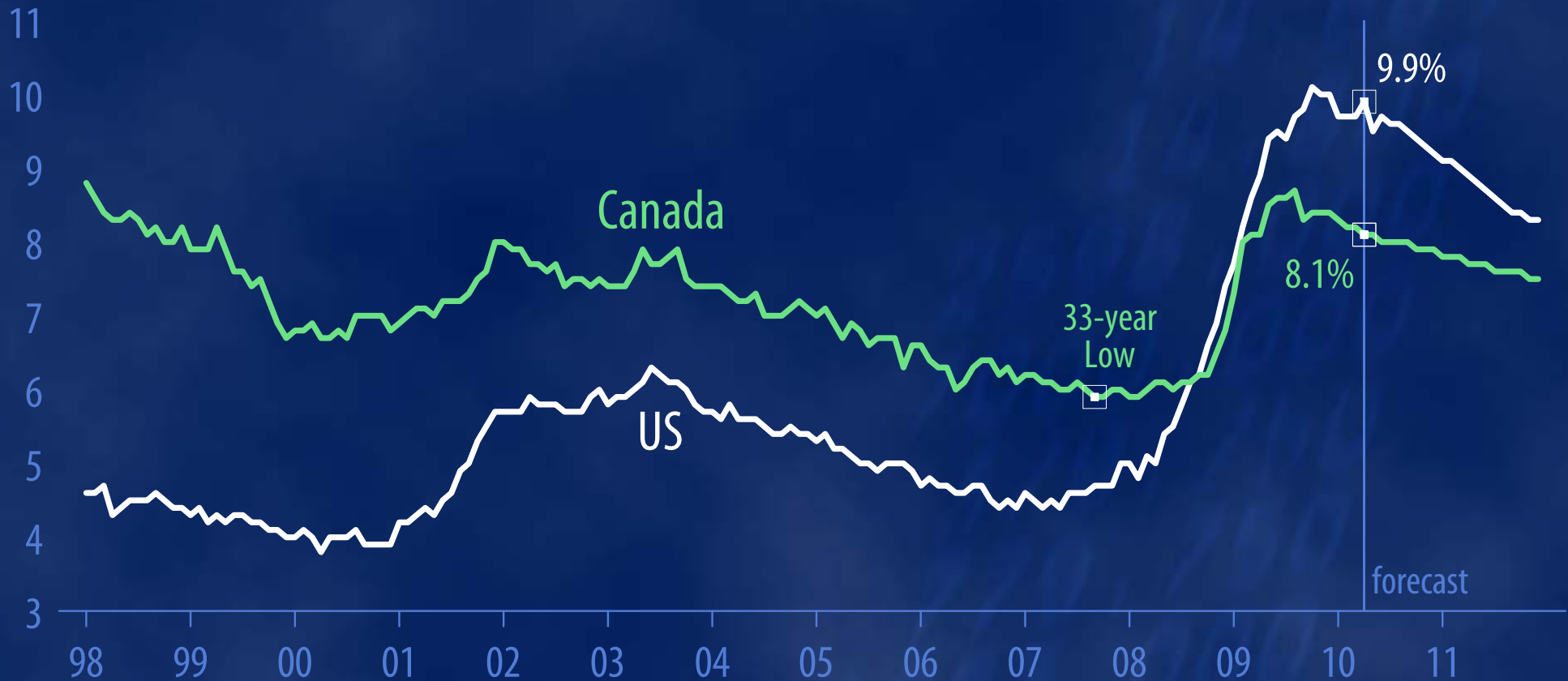
**US Recession Much Worse**



# Unemployment to Remain High

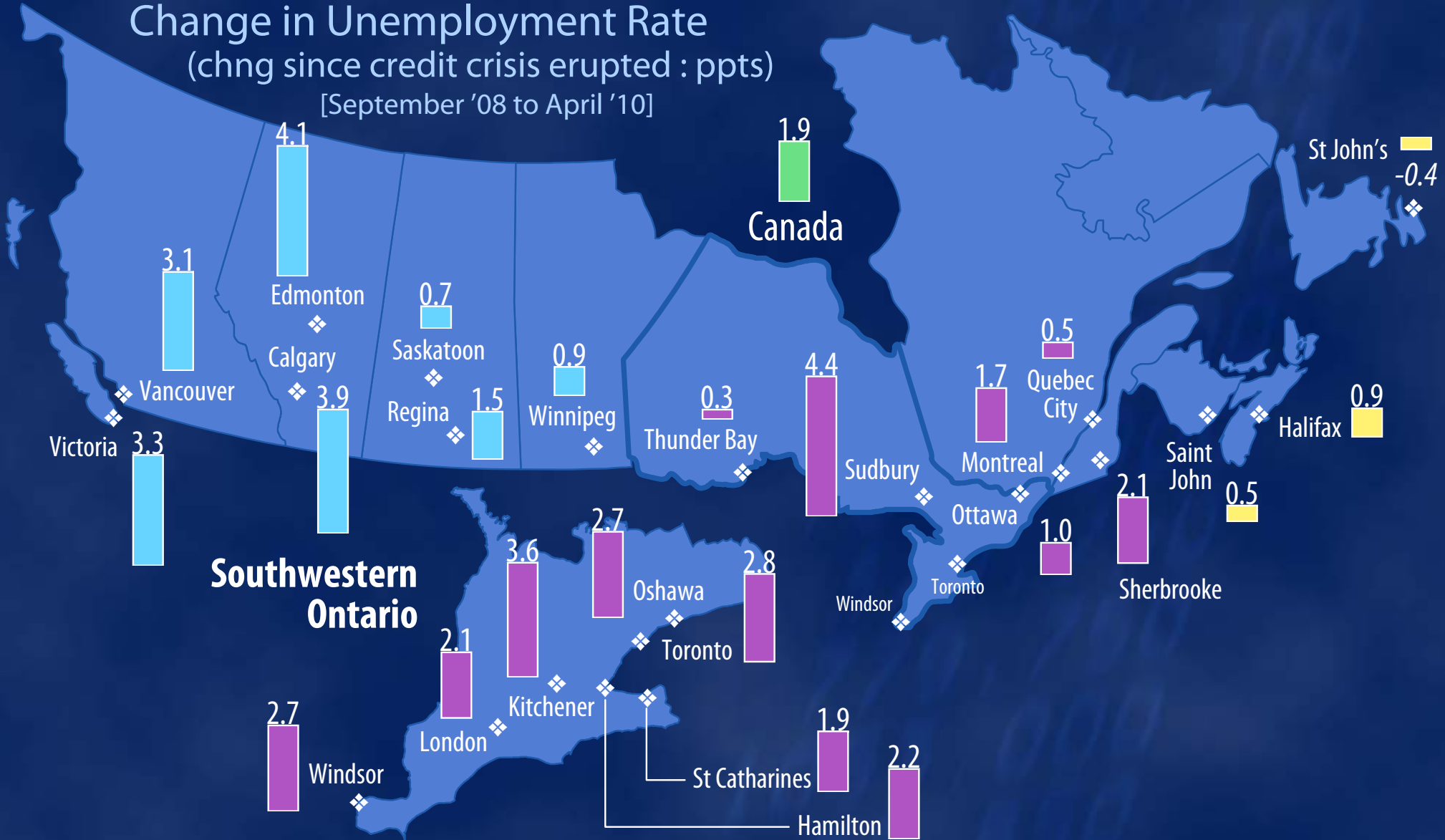
(percent)

## Unemployment Rate



# Ontario, Alberta and BC Hit Hardest

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

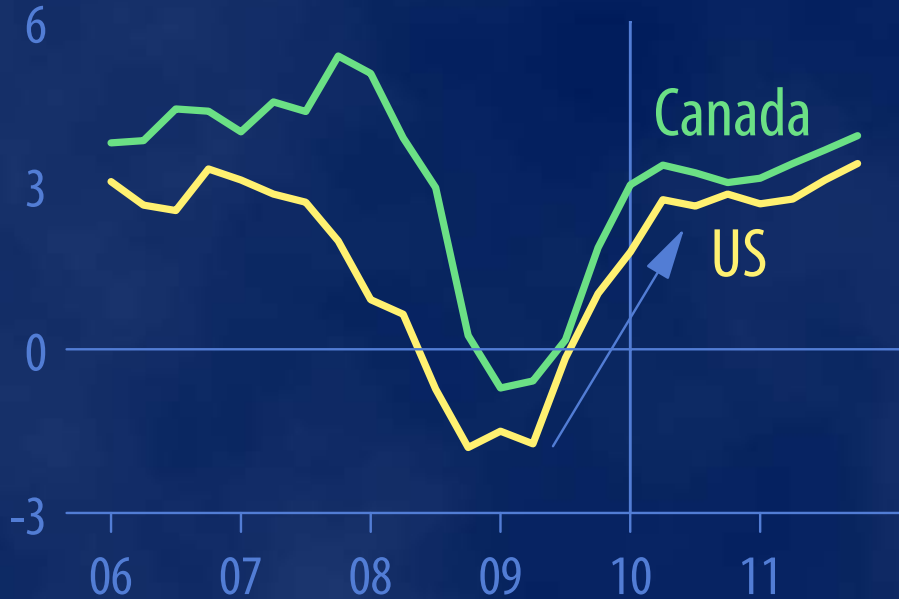


# Tepid Consumer Recovery

	08	09	10	11
Canada	3.0	0.2	3.2	3.5
US	-0.2	-0.6	2.5	3.0

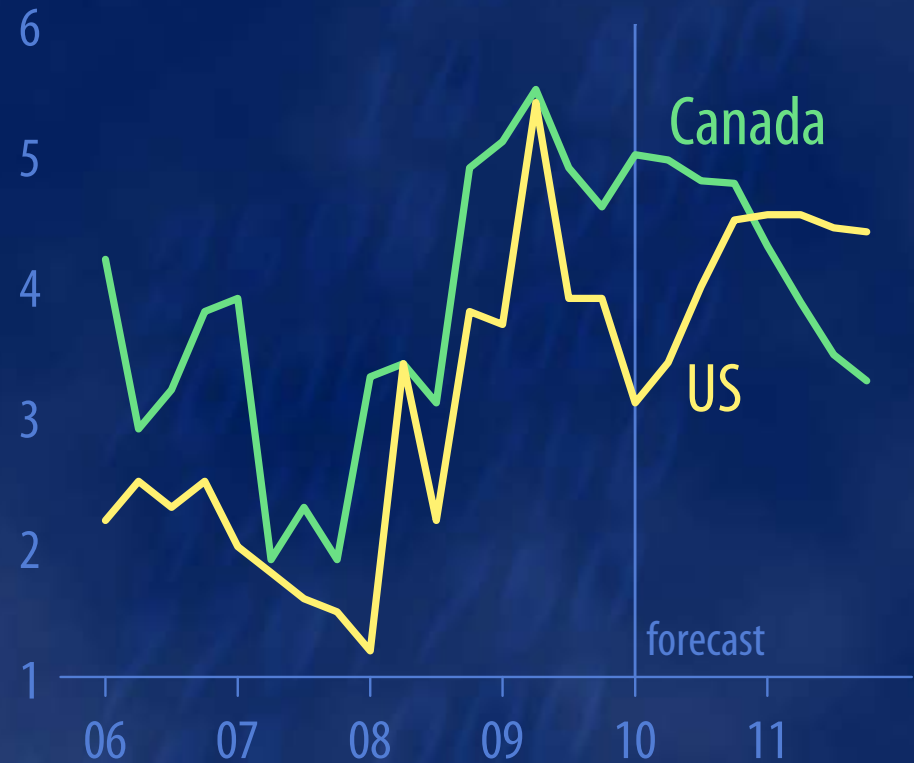
## Real Consumer Spending

(y/y % chng)



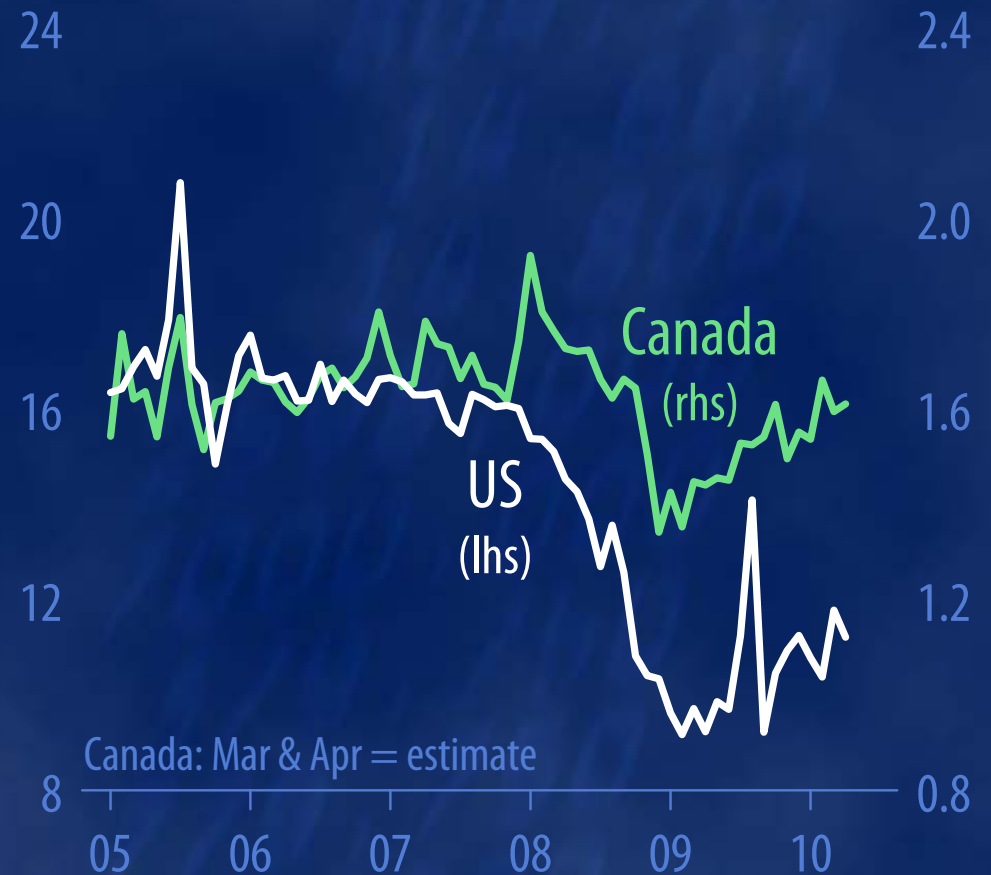
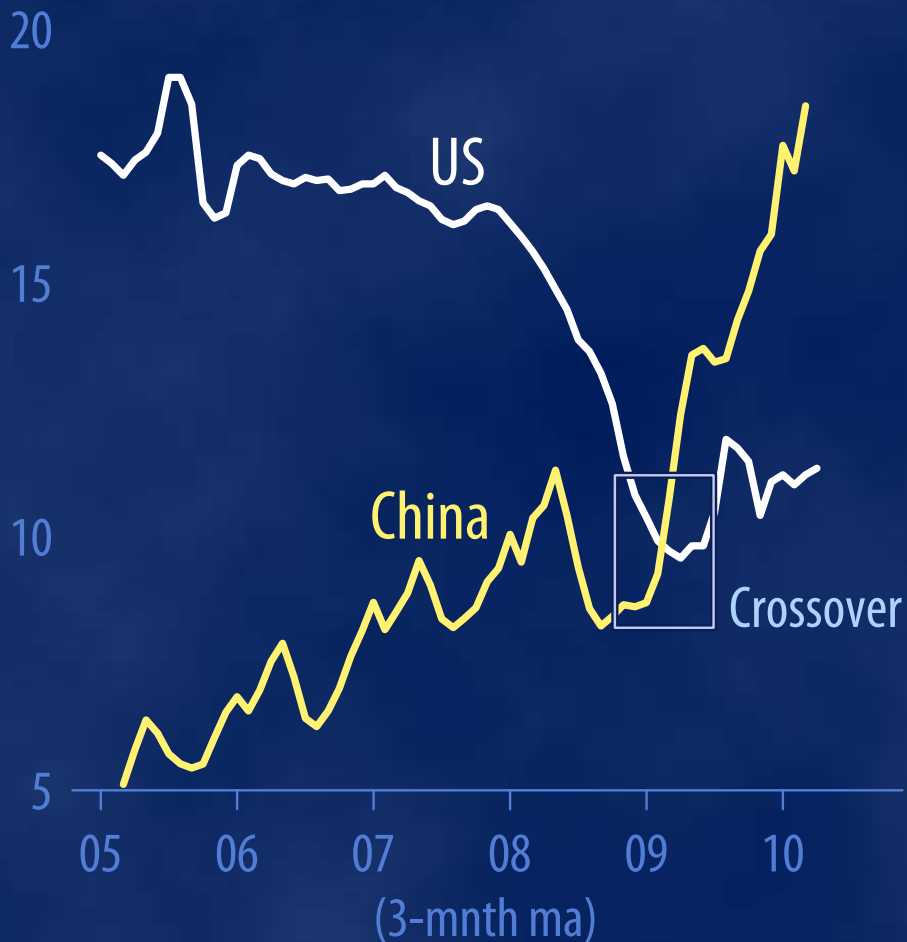
## Personal Savings Rate

(% of disposable income)



# Changing Gears

Vehicle Sales (mlns : ar)



# Global GDP: World of Difference

2009:Q4 (y/y % chng)

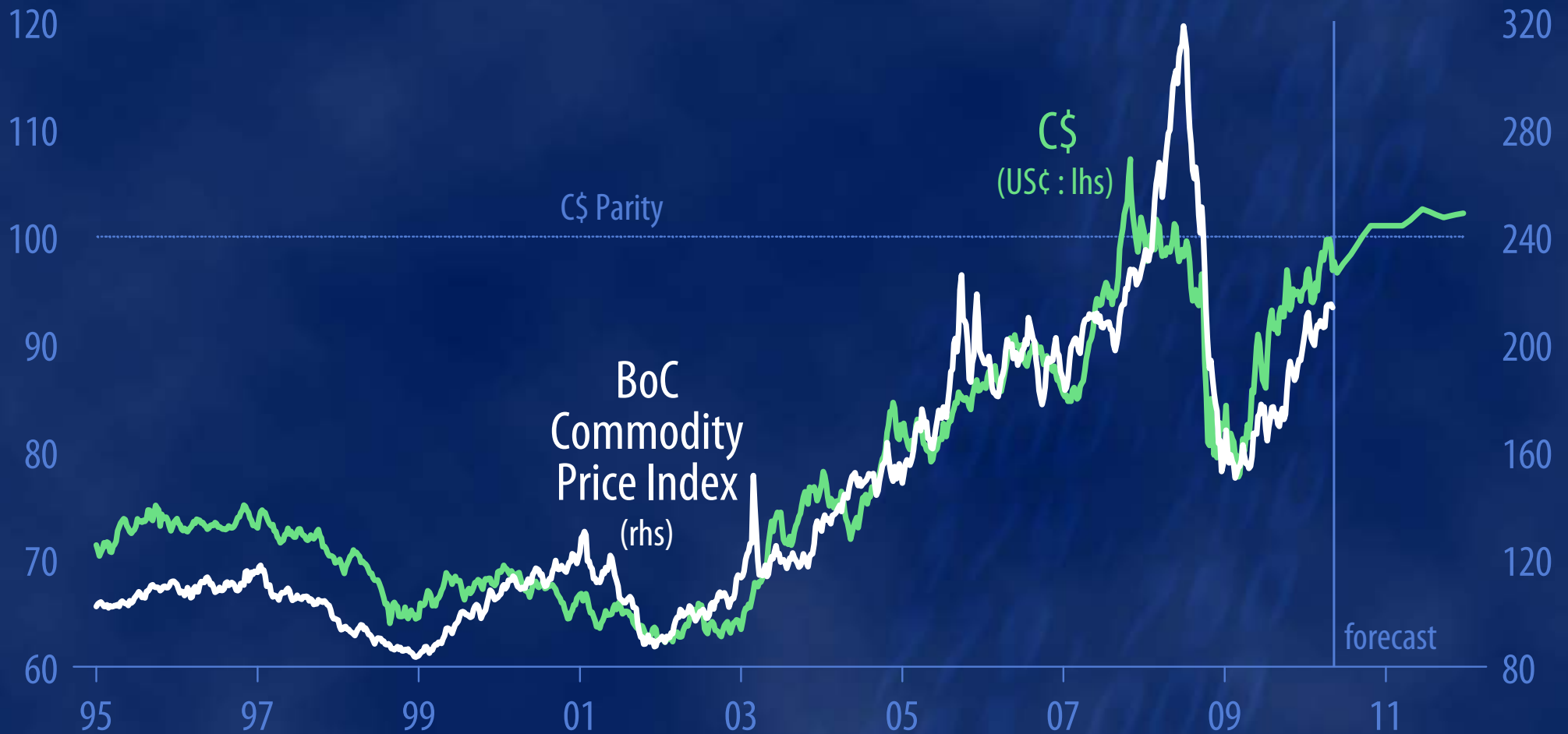
Real GDP

	08	09	10	11
World	3.1	-0.8	4.1	4.2



# Loonie & Commodities: The Ties that Bind

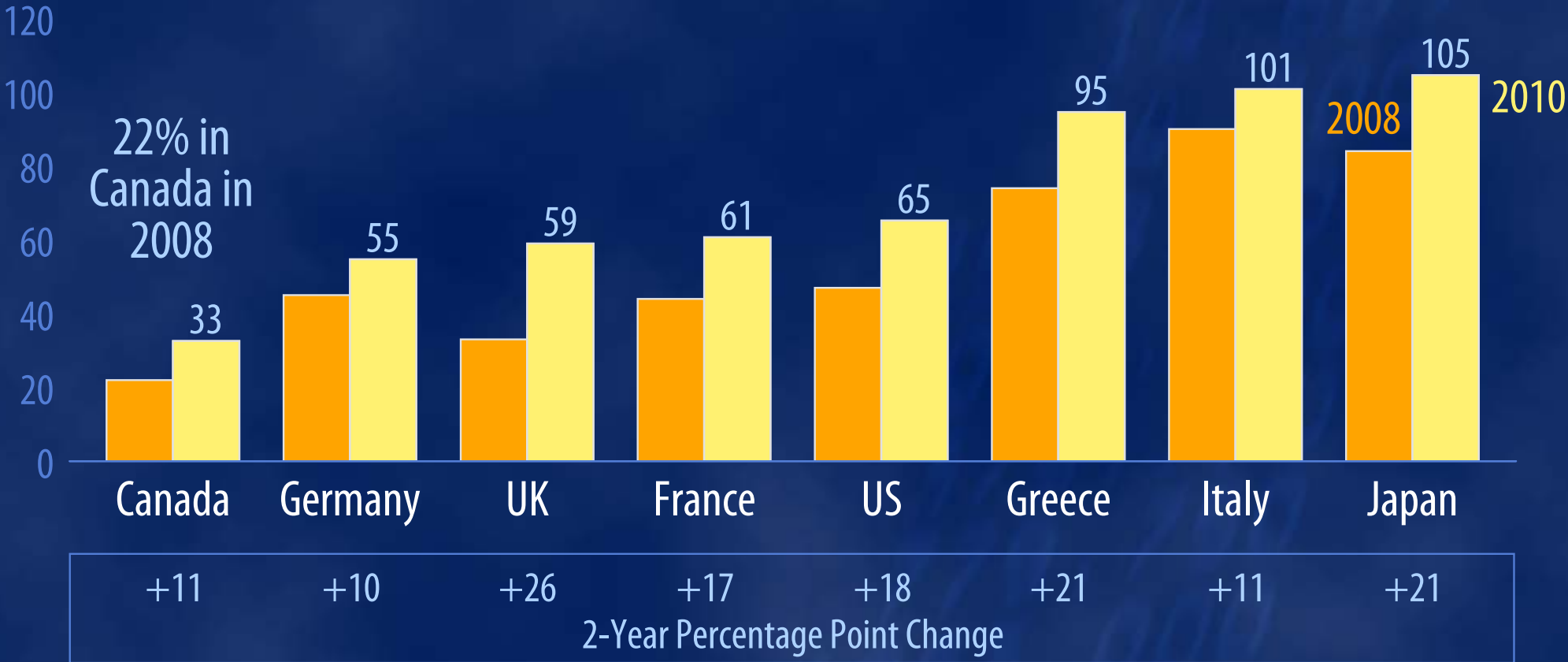
Canada (as of May 10, 2010)



# Net Government Debt: Canada's Fiscal Fitness

(% of GDP)

## Net Government Debt



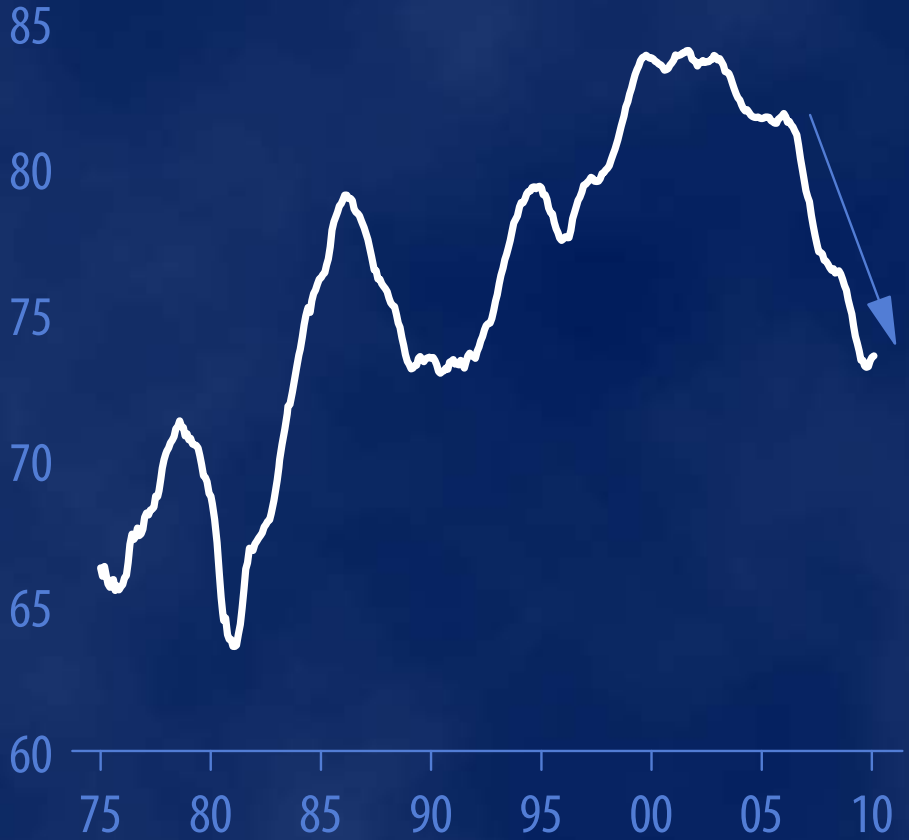
Source: OECD, December 2009 Economic Outlook



# Canadian Exports: Where Now?

Canadian Exports (% of total)

### United States



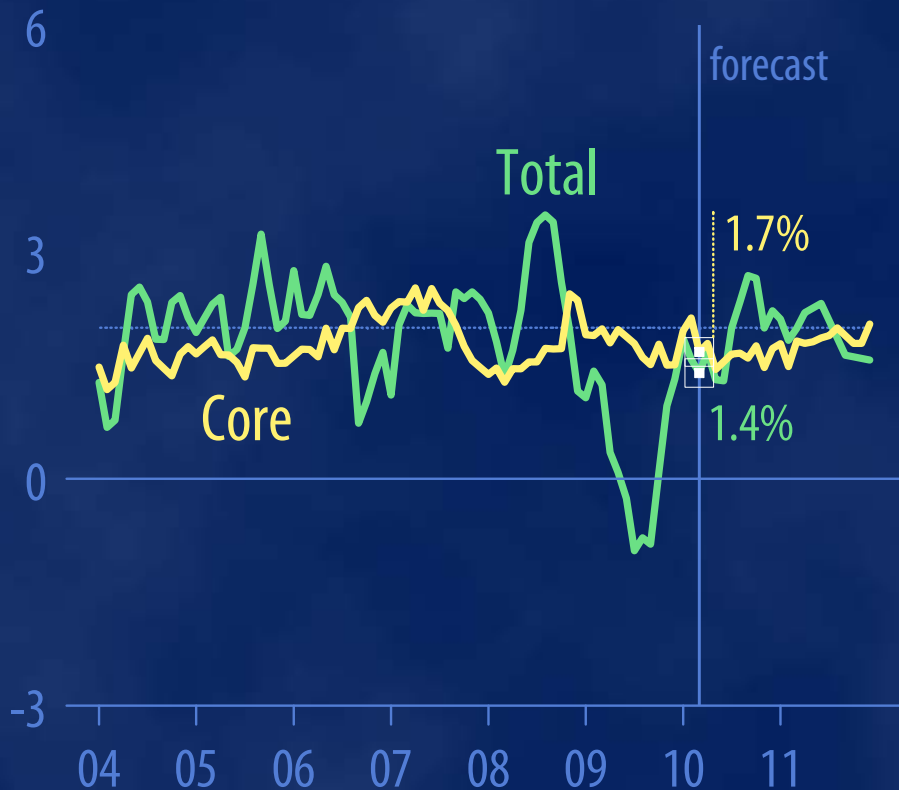
### Europe & Emerging Markets



# Headline Inflation Bounces Back

Consumer Price Index (y/y % chng)

## Canada



## United States

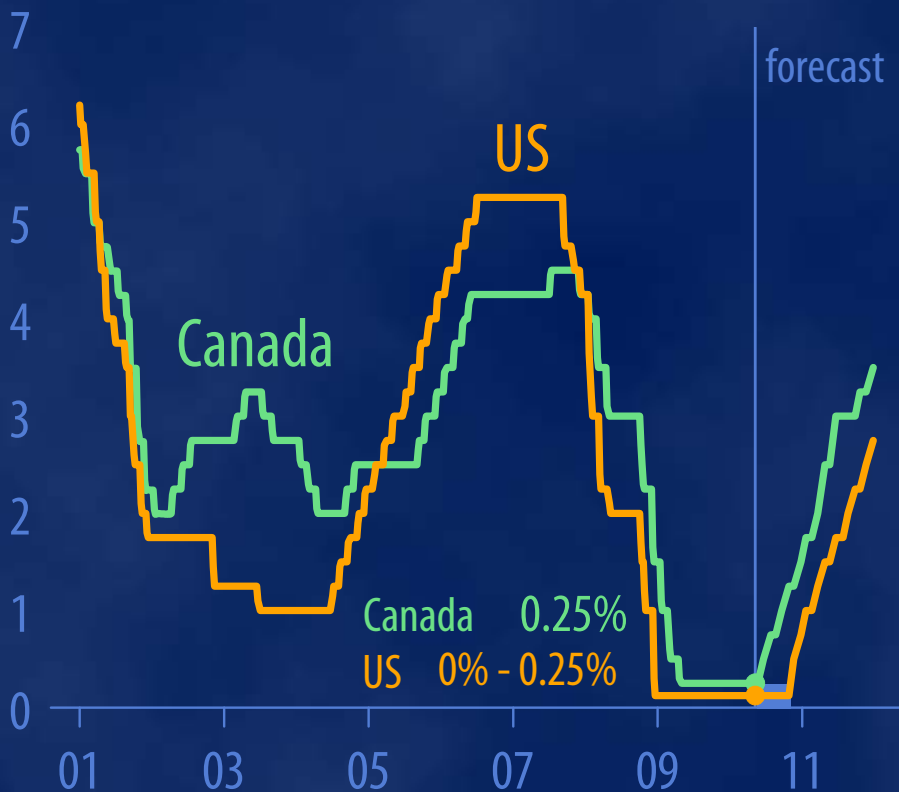


## HST: Short-term Bump for Inflation

# Canadian Rate Hikes Coming... Long-term Yields Will Rise a Bit

(% : as of May 10, 2010)

## Overnight Rate



## 10-year Bonds



**Can Canada Go It Alone?**

**Fed Quantitative Easing Finished**

# A Long Way Back

(as of May 10, 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

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