

**Highlights**

**Markets**

- Crude oil moves below US\$60/bbl as U.S. inventories build
- Stock prices move up, bond prices move down, US\$ stable

**Economy**

- Soft U.S. September payrolls, though investors concerned over upward revisions and wage trends
- U.S. manufacturing weakness on the heels of housing market correction
- Modest Canadian job gains in September highlight loss of employment momentum
- Canadian building permits point to continued gains in residential and non-residential construction
- Canadian and U.S. trade data to take centre stage next week

**International**

- Marching to a different drummer — ECB raises its key rate to 3.25%

**This Week's Releases**

- [Fiscal Pulse: Nova Scotia's 2005-06 Final Results \(October 6, 2006\)](#)
- [Auto News Flash \(October 3, 2006\)](#)
- [Foreign Exchange Outlook \(October 2006\)](#)
- [Global Auto Report \(October 2, 2006\)](#)

**Next Week's Releases**

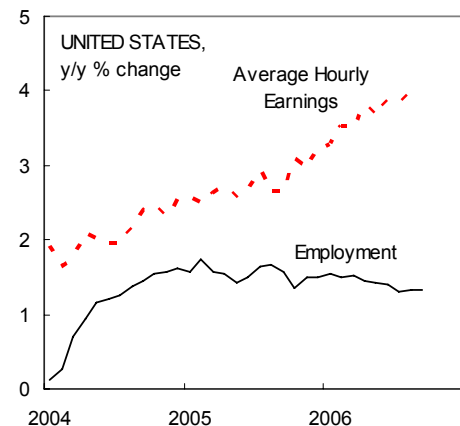
- Forecast Update
- Provincial Forecast Update

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**Chart of the Week**

**Jobs Lead, Wages Lag**



## Economic and Financial Forecasts

1990-04	2005	2006f	2007f	1990-04	2005	2006f	2007f
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## Economic Performance (annual % change unless otherwise indicated)

	Canada				United States			
Real GDP	2.6	2.9	2.9	2.6	2.9	3.2	3.5	2.6
Consumer Prices	2.3	2.2	2.3	2.0	2.8	3.4	3.5	2.2
Pre-tax Profits	7.3	10.6	6.0	4.0	6.9	12.5	19.0	6.0
Federal Budget Balance (\$bn)	-10.1	13.2	4.0	4.4	-128	-318	-265	-295
Current Account Balance (\$bn)	-1.7	31.8	18.5	5.5	-246	-792	-855	-870
Merchandise Trade Balance (\$bn)	36.4	64.9	53.0	42.0	-288	-783	-850	-865
Motor Vehicle Sales (000s)*	1,378	1,583	1,570	1,510	15.3	16.9	16.5	15.5
Motor Vehicle Production (000s)*	2,450	2,650	2,600	2,500	11.5	11.9	11.8	11.2
Housing Starts (000s)*	164	225	220	190	1.49	2.07	1.88	1.73
Employment	1.4	1.4	1.8	1.2	1.3	1.5	1.4	0.8
Jobs Created (000s, Q4/Q4)*	201	263	245	200	1.58	1.92	1.62	0.90
Unemployment Rate (%)	8.8	6.8	6.3	6.5	5.6	5.1	4.8	5.1
	Mexico				Euro zone			
Real GDP	3.4	3.0	4.0	4.0	2.1	1.4	2.5	1.8
Consumer Prices	16.2	3.3	3.7	3.5	2.3	2.2	2.1	1.9
	Latin America (Excl. Mexico)				Asia			
Real GDP	3.1	4.8	4.5	3.9	4.0	4.9	5.0	4.3
Consumer Prices	197	6.9	5.5	5.7	3.0	1.7	1.8	1.6

\*In the United States, millions.

1990-04	2005	2006f	2007f
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## Commodity Prices (US\$ annual average)

	1990-04	2005	2006f	2007f
Pulp (tonne)	601	646	725	725
Newsprint (tonne)	534	600	659	690
Lumber (mfbm)	306	348	297	285
Copper (lb)	0.96	1.67	3.05	2.50
Zinc (lb)	0.49	0.63	1.40	1.40
Nickel (lb)	3.44	6.68	9.75	7.50
WTI Oil (bbl)	23.44	56.56	67	64
Nymex Natural Gas (US\$/mmbtu)	2.93	9.00	6.39	6-7
Wheat (tonne)	176	198	212	200

2006Q1	06Q2	06Q3f	06Q4f	2007Q1f	07Q2f	07Q3f	07Q4f
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## Financial Markets (end of period, % unless otherwise indicated)

CANADA							
3-month T-bill	3.80	4.30	4.16	4.00	3.70	3.40	3.40
5-year Canada	4.16	4.47	3.90	3.90	3.70	3.60	3.60
10-year Canada	4.26	4.58	4.00	4.00	3.90	3.80	3.80
UNITED STATES							
3-month T-bill (Yield)	4.65	5.05	4.87	4.80	4.50	3.90	3.90
5-year Treasury	4.81	5.10	4.58	4.60	4.40	4.10	4.10
10-year Treasury	4.85	5.14	4.63	4.70	4.60	4.40	4.40
CANADIAN-US SPREADS							
3-month T-bill	-0.85	-0.75	-0.71	-0.80	-0.80	-0.50	-0.50
5-year	-0.65	-0.63	-0.68	-0.70	-0.70	-0.50	-0.50
10-year	-0.59	-0.56	-0.63	-0.70	-0.70	-0.60	-0.60
Canadian Dollar (C\$/US\$)	1.17	1.12	1.12	1.11	1.11	1.09	1.09
Canadian Dollar (US\$/C\$)	85.5	89.6	89.4	90.0	90.0	91.7	91.7
Yen (¥/US\$)	118	114	118	110	110	105	105
Euro (US\$/€)	1.21	1.28	1.27	1.30	1.32	1.33	1.33
Sterling (US\$/£)	1.74	1.85	1.87	1.92	1.92	1.91	1.91
Mexican Peso (Peso/US\$)	10.9	11.3	11.0	11.0	11.2	11.4	11.4

## Financial Markets

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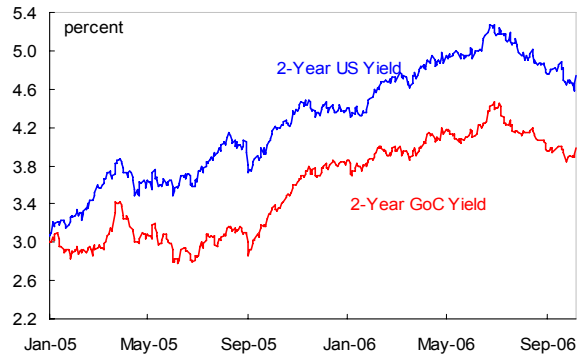
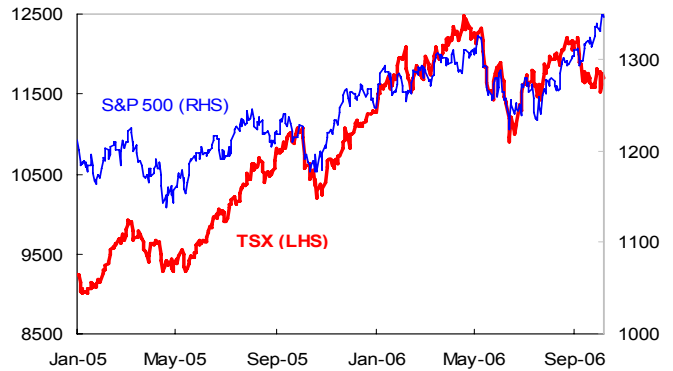
### Market Watch

Market attention was on the Dow once again, as the fourth quarter began. It set successive record high closes for three consecutive sessions this week, peaking at 11,869 (up 1.2%). Other indices joined in the rally, with the S&P up 0.8% and the Nasdaq firmer by 1.7%, although both are still substantially below their respective highs. Sentiment was buoyed by a plunge in crude oil prices (and commodities more broadly) early in the week, as well as broadly firmer consumer reports (vehicle sales above expectations, weekly mortgage applications soaring, and same store sales reported by major retailers, which were by and large firmer). As a result, the consumer discretionary and industrials sectors of the S&P were the strongest gainers, up about 2.5%. However, the increases were broadly based, with the clear exception of energy, which fell 2.3%. The same influences had the TSX down 0.7% for the week, dragged lower by a 3.4% drop in energy, though it had recovered from a near-10% drop mid-week.

For the treasury market, mixed messages from the Federal Reserve members were compounded late in the week with confusion over the payrolls report. A number of speeches this week showed the central bank is increasingly accepting the view that economic growth is decelerating, with a moderating housing market expected to reduce growth by 1% in the second half of the year. This slowing in both growth and inflation for the rest of the year is expected to give way to a firming in 2007, though not all shared that view. As a result, as the messages were being digested, treasury yields posted large swings through the week and overall backed up 5 bps across the curve. However, most of the move higher in yields happened today, after a fairly weak payrolls report was dismissed and markets focused on early estimates of massive benchmark revisions, some 810,000 when fully implemented next February. However, it is worth noting, this is a revision for 2005-06, and despite the magnitude, the recent trends remain clearly negative.

The currency markets have sent the U.S. dollar index steadily higher through the week, though today, post payrolls, the gain in the dollar nearly doubled the total gains over the past two weeks. Over the past week, though, the biggest decliners were commodity currencies. The Norwegian krone dropped 2½%, while the Australian and Canadian dollars as well as the South African rand registered declines of around 0.7%. The Canadian dollar traded firmer after the payrolls report posted its first improvement in four months, but drifted lower, caught up in the USD's downdraft.

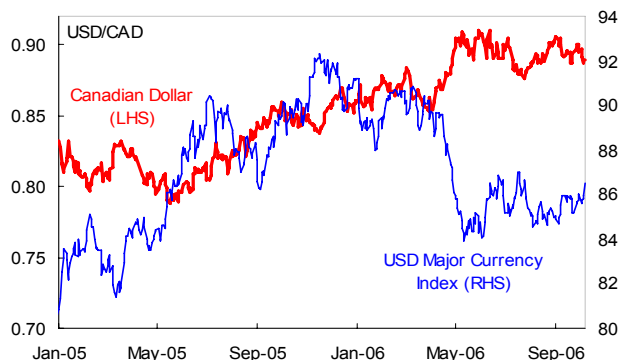
### Chart Watch



#### CANADA/U.S. SPREADS



Canada/U.S. Spread: (bps) 2-yr: -74 10-yr: -61



US\$/C\$: 0.8889 Week Range: 0.8844-0.8971

## Canada

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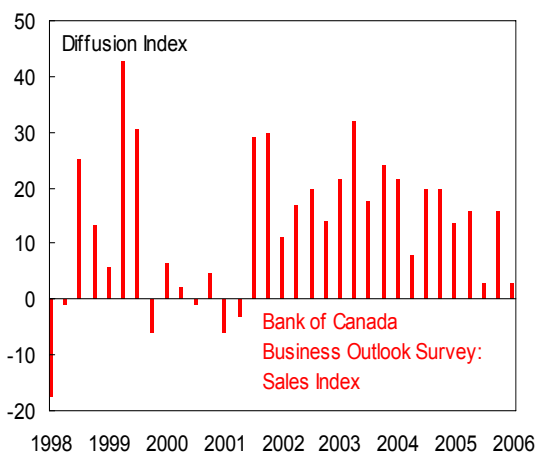
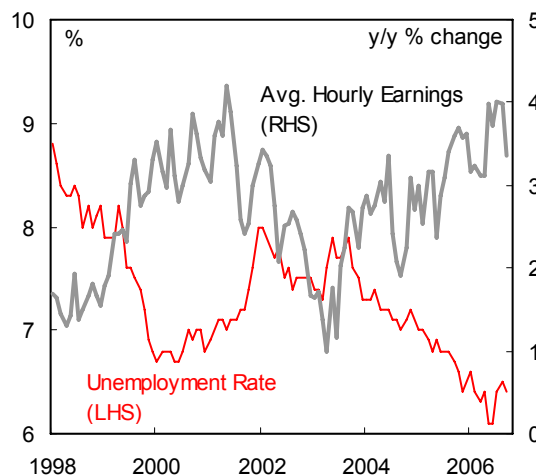
### Economy Watch

The Canadian economy generated 16,200 jobs in September, a headline which beat expectations on the surface, though proved fairly weak in the details. This marks the first net job gain in four months, and brings the unemployment rate down a notch to 6.4%. While year-to-date job creation remains respectable, running at 210,000, the entire net gain was accounted for in the first five months of the year, indicating we have shifted into a somewhat lower growth trajectory. This notion is highlighted in the measure of total hours worked, which fell 0.6% (annual rate) in Q3, placing further downside risk on the Bank of Canada's 3.0% GDP projection for the quarter.

Among the details, part-time employment accounted for the entire net gain in September, contributing to the weakness of the report. However, despite last month's moderate loss of 15,200 in the full-time component, job creation in this category is responsible for just over 90% of the total year-to-date increase. The industry breakout was equally surprising, with the goods sector adding 17,700 positions in September, led by manufacturing (19,300). Still, this is only the second notable increase in payrolls for the sector this year, and the total job loss so far in 2006 is running at 67,400. The service sector shed 1,500 positions in September, led by public administration and information, culture & recreation. However, last month's weakness does not support the overall trend in this category, as the service side of the economy is responsible for all net job gains so far this year.

The autumn edition of the BoC's Business Outlook Survey revealed slightly weaker optimism overall, with the balance of firms expecting sales growth over the next 12 months to be in line with the previous year's pace. Encouragingly, hiring intentions edged up from the previous survey, with the balance of opinion sitting above the average over the past four years. The key question in terms of capacity pressures is firms' ability to meet an unexpected increase in demand, a measure that has held at an elevated level over the past year, with pressure concentrated in Western Canada. However, the outlook for inflation over the next year has improved, driven by the decline in commodity prices. In all, this report is consistent with a moderation of growth and inflation pressures going forward. Thus, the policy environment in Canada continues to remain neutral, with no reason for the central bank to deviate from the status quo on the October 17th announcement date.

### Chart Watch



### Looking Back

	June	July	Aug	Sept
Building Permits, % m/m	-0.5	-1.0	8.3	
vey PMI, index	62.2	60.1	55.7	59.9
Employment, 000s m/m	-4.6	-5.5	-16.0	16.2
Unemployment Rate, %	6.1	6.4	6.5	6.4
<b>Business Outlook Survey</b>				

### Looking Ahead

	June	July	Aug	Sept
Housing Starts, 000s a.r. (Tue)	236	237	214	<u>222</u>
New Housing Price Index, % m/m (Wed)	1.4	1.1	<u>1.0</u>	
Merchandise Trade Balance, \$ bn (Thu)	4.1	3.9	<u>4.2</u>	

*Underlined figures denote Scotia Economics' estimates.*

## United States

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### Economy Watch

Even though the Treasury market reacted unfavourably to Friday's eagerly anticipated September employment report, we've little doubt that the U.S. economy continues to decelerate. Employers added a mere 51,000 workers to their payrolls last month, and although the August increase was revised up to a solid 188,000, trend job creation has clearly weakened since the spring.

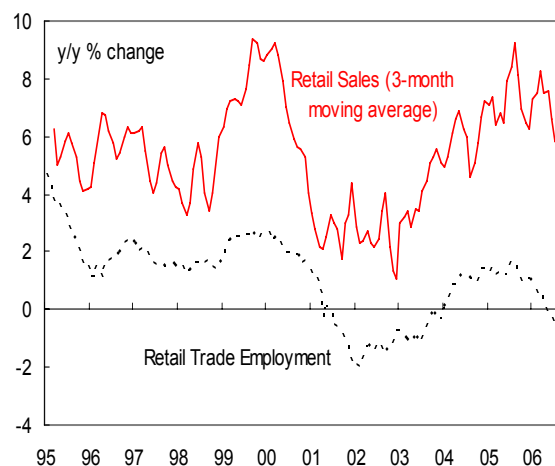
The report had some meat for the inflation hawks on the FOMC, such as the decline in the unemployment rate from 4.7% to 4.6% and elevated average hourly earnings growth (4% y/y). This suggests the Fed funds rate will remain unchanged through year end, as policymakers await further evidence that inflation is no longer a threat. However, we continue to expect that mounting evidence of a slowdown will have the Fed lowering rates early next year. At 0.9% in September, the 3-month annualized growth rate in aggregate hours worked — a proxy for broad economic growth — was the lowest in 2½ years.

Moreover, the September employment report hinted at further moderation in trend job growth in the months ahead. Temporary hiring continued to decline, while further gains in the residential building and motor vehicle manufacturing sectors suggested the sharp housing slowdown and flood of bad news from Detroit has yet to be fully reflected. Retailers shed a further 12,000 jobs in September, bringing losses in the sector so far this year to more than 100,000. Gas prices may have fallen 73¢/gallon in the past eight weeks, but we think the housing slowdown is more important for the consumer spending outlook.

Underscoring the softness evident in the September employment report were disappointing September surveys from the ISM. The ISM manufacturing index fell from 54.5 to 52.9 — the lowest level since May 2005. The headline index currently sits 5 points below its year-earlier level — traditionally a reliable indication that the overall pace of manufacturing production is set to slow. Meanwhile, the ISM services index fell more than 4 points to a 3½-year low of 52.9 — another indication of a deteriorating retail environment.

The news this week wasn't all bad, however. Non-residential construction has provided a valuable counterweight to faltering residential activity so far this year, and still appears to be carrying solid momentum. Non-residential construction jumped 2.3% in August, offsetting a decline of 1.4% in residential construction and allowing total construction activity to edge 0.3% higher. Meanwhile, "specialty trade contracting" positions in the non-residential construction sector have risen at close to a 9% annualized pace in the past two months — one of the fastest growing sectors in the entire economy.

### Chart Watch



### Looking Back

	June	July	Aug	Sept
Construction Spending, % m/m	0.0	-1.0	0.3	
ISM Manufacturing Index, level	53.8	54.7	54.5	52.9
Domestic Vehicle Sales, mn a.r.	12.5	13.2	12.4	
Total Vehicle Sales, mn a.r.	16.3	17.2		
ISM Non-Manufacturing Index, level	57.0	54.8	57.0	52.9
Factory Orders, % m/m	1.5	-1.0	0.0	
<b>Fed's Bernanke speaks to Economic Club of Washington</b>				
<b>Fed's Moskow gives Welcome Remarks at Chicago Conference</b>				
Employment Report, 000s m/m	134	123	188	51
Unemployment Rate, %	4.6	4.8	4.7	4.6
Average Hourly Earnings, % m/m	0.4	0.4	0.2	0.2

### Looking Ahead

	June	July	Aug	Sept
Treasury Budget, \$ bn (Tue)	20.5	-33.2	-64.6	<u>NA</u>
Wholesale Inventories, % m/m	0.8	0.8	<u>0.5</u>	
<b>Fed's Fisher speaks on policymaking at seminar in London (09:50)</b>				
<b>FOMC Minutes—Meeting of September 20 (14:00) (Wed)</b>				
<b>Fed's Bies speaks to British Bankers' Association in London (05:00)</b>				
<b>Fed's Lacker speaks at District of Columbia Chamber (13:30)</b>				
Trade Balance, \$ bn (Thu)	-64.8	-68.0	<u>-65.2</u>	
<b>Beige Book (14:00)</b>				
<b>Fed's Moskow gives keynote speech to Real Estate Dinner Gala (21:45)</b>				
Retail Sales, % m/m (Fri)	-0.5	1.4	0.2	<u>-0.2</u>
Retail Sales ex. Autos, % m/m	0.0	0.6	0.2	<u>-1.1</u>
Import Prices, % m/m	0.1	1.0	0.8	<u>-0.9</u>
Business Inventories, % m/m	0.9	0.6	<u>0.6</u>	

*Underlined figures denote Scotia Economics' estimates.*

## Industry & Commodity

### Oil & Gas Watch

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In a bid to shore up oil prices, the President of OPEC expects Cartel members to agree on a plan to reduce output by around one mb/d by Monday. The cuts will be led by Saudi Arabia (about 300,000 b/d), which is already cutting back, as is Nigeria and Venezuela (a total of 170,000 b/d). Kuwait, Algeria and Libya will also participate. Iraq will be excluded from the cuts (as always) as will Indonesia, which has become a net oil importer. WTI oil prices had slipped as low as US\$58.68 per barrel in early October (US\$19.72 below the NYMEX intra-day trading peak of US\$78.40 on July 14), but have recovered to the US\$59-60 mark on news of the OPEC cuts. U.S. inventories of crude & products (excluding the Strategic Petroleum Reserve) have climbed 7.5% y/y on benign U.S. weather this fall (the absence of hurricanes and very mild temperatures), slowing U.S. growth and an unwinding of the 'geopolitical risk premium', given a temporary easing of tensions over Iran's uranium enrichment. However, the global supply response (that is, new oil field development) to recent record oil prices has so far been limited.

### Auto Industry Watch

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Canadian vehicle sales softened to an estimated 1.60 million units in September, down from an annualized 1.75 million in August, but in-line with the average of 1.59 million year-to-date through July. Despite the moderation from a solid performance in recent months, purchases remained above a year ago, buoyed by a 15% jump among imported brands.

Toyota continued its string of monthly sales records by posting its ninth consecutive record in September. In fact, the company's sales surpassed both Ford and Chrysler last month to capture second place in the Canadian market behind General Motors (for the first time on record). Furthermore, Honda claimed third place in August, by also overtaking Ford and Chrysler.

The market share of the 'traditional' Big Three fell to a record low of 49.6% last month as consumers continue to shift away from large cars and gas-guzzling light trucks. Each North American automaker lost share last month. However, Ford accounted for much of the weakness, with its share slumping to a record low of only

11.3%. As recently as 1997, Ford normally garnered more than 22% of the Canadian market.

U.S. vehicle sales edged up to an annualized 16.6 million units in September from only 16 million in August. Purchases were buoyed by record volumes at Toyota, which reported a 25% y/y surge in sales. However, excluding Toyota, purchases remained weak and actually fell below a year ago — a time when the United States was facing the devastation of Hurricanes Katrina and Rita. In particular, sales at the 'traditional' Big Three were particularly soft, with both Chrysler and General Motors reporting lower volumes. Given last month's weak U.S. results, General Motors announced an additional 2% cutback in North American vehicle production for the final months of 2006. The company now plans to slash fourth-quarter output 13% below a year ago.

Even prior to GM's announcement this week of additional cuts in vehicle production, North American vehicle output has been steadily declining this year. Production fell to an annualized 15.8 million in the third quarter, down from an average of more than 17.0 during the first half. Output will move even lower in the fourth quarter, slumping to an annualized 15.2 million units — the lowest level since the economic downturn of the early nineties. Light truck production will lead the way, tumbling more than 13% y/y in the final months of 2006. This means that industry profitability will also deteriorate further in the final months of 2006. (As of June, 2006 the 'traditional' Big Three were already losing more than US\$330 per vehicle sold in North America.)

Production cuts, especially trucks, will continue in 2007, as sales of full-size SUVs, pickups and minivans are all experiencing double-digit declines. In particular, the weakness has now spread from gas-guzzling SUVs to full-size pickup trucks. U.S. sales of pickup trucks have slumped nearly 20% below a year earlier in the last three months, reducing year-to-date sales by 13%. Meanwhile, pickup truck inventories remain excessive at close to 100 days' supply, suggesting that pickups will be one of the main targets of the fourth-quarter production cuts. Output of these models is likely to plunge at least 30% below a year earlier. We estimate that lower vehicle production alone will trim more than half a percentage off U.S. economic growth in the second half of 2006.

In Canada, vehicle output is also set to post a double-digit decline in the final months of 2006. However, the impact will be cushioned by rising production of luxury CUVs at Toyota's facility in Cambridge. Nevertheless, we estimate that the auto industry is likely to trim an annualized 0.4 percentage points off Ontario's economic growth in the second half of this year.

## International

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### European Watch

**Euro zone** — Futures markets remain braced for another round of monetary policy tightening by the European Central Bank (ECB) by year-end, following its 25 basis point rate hike on October 5th. The benchmark interest rate is now 3.25%, a level last seen in late 2002, and markets are positioned for 3.50% in December, a view that was implicitly endorsed by ECB President Jean-Claude Trichet at the post-announcement press conference. The rate hike came despite further signs that the recent slide in energy prices is helping to alleviate inflationary pressures. Following last week's "flash estimate" of a 1.8% y/y rise in the headline consumer price index came a report that producer prices rose just 0.1% m/m in August, the smallest advance in nine months. However, in recent months, senior ECB officials have tended to give greater emphasis to concerns regarding the strength in credit demand and the pressures on home prices than to the CPI; just-released data showing that French housing costs rose 2.8% in the second quarter (12.6% y/y), will reinforce this concern. President Trichet's formal remarks following the rate announcement make it clear that another increase in November is highly unlikely, while leaving the door open to a rate hike at end-year. The call for "extreme vigilance", which has served as a precursor to tightening, was absent from the statement. However, Trichet twice affirmed that "if our assumptions and baseline scenario are confirmed, it will remain warranted to further withdraw monetary accommodation".

**United Kingdom** — The Monetary Policy Committee (MPC) opted to leave the Bank of England's (BoE) benchmark interest rate unchanged at 4.75% following its monthly meeting. The announcement was widely anticipated, as the MPC had been unanimous in its September decision to hold rates steady. However, the rebound in consumer inflation to 2.5% in August and recent data indicating renewed strength in housing prices suggest that there is still considerable risk of another round of monetary policy tightening in the months ahead. The monetary authorities' inclination to raise rates may also be reinforced by a recent modest quickening in manufacturing activity. Sectoral output rose for a fourth consecutive month in August; the 0.4% m/m gain pushed production up 1.5% y/y. Futures markets have priced in a 25 basis point increase in the repo rate by year-end. The BoE's next quarterly report on inflation will be released on November 15th; as such, the MPC's inflation expectations will be well-formed when it next meets on November 8th-9th.

### Asia/Oceania Watch

**Japan** — The third quarter Bank of Japan (BoJ) business conditions survey — the Tankan — appears to be neutral in terms of the country's monetary policy settings. It is unlikely to set off any inflation alarms in the BoJ, though policymakers favouring a speedier pace of interest rate normalization will be able to argue that the figures show there is sufficient economic momentum to withstand another cautious round of tightening. Indeed, subsequent comments by BoJ officials emphasized their willingness to maintain a gradualist approach to raising interest rates. Although the headline index for large manufacturers rose to an 8-quarter high of 24, more comprehensive data suggest a relatively restrained, though still positive, outlook. The all-inclusive results revealed that respondents were anticipating more subdued gains in sales in the current fiscal year than in FY2005 and a near-stalling out in profit growth. This, in turn, is contributing to a slight easing in the rate of increase in planned capital expenditures to 8.3% y/y, compared with 8.9% last year. The Tankan survey results — coupled with the subsequent release of the leading economic indicator for August, which was stuck well below the expansion/contraction threshold for a second consecutive month — reinforce our view that Japan is shifting onto a more moderate economic growth trajectory. The fact that respondents anticipate JPY appreciation of about 5% against the USD over the next six months may prompt the BoJ to maintain a less interventionist approach during the next round of JPY strengthening. The steady accumulation of foreign exchange reserves — now exceeding US\$880 billion — highlights the fact that the yen's current exchange rate is not a market-clearing price.

**Australia** — The Reserve Bank of Australia (RBA) will remain on high alert for signs of inflation — the next official quarterly consumer price report will be released on October 25th. In the meantime, the RBA opted to leave its benchmark interest rate unchanged at 6.0% following its monthly policy meeting. This week's decision was made easier by the most recent economic indicators. Retail sales rose a moderate 0.3% m/m in August, following a 0.5% gain the previous month. Moreover, housing approvals fell 12.6% m/m, offsetting cumulative gains over the previous three months. External imbalances are becoming less worrisome. The trade deficit (goods and services) narrowed for a third consecutive month in August to a modest A\$208 million; by comparison, monthly shortfalls through the first half of 2006 averaged A\$1.4 billion. Merchandise imports have stabilized in recent months, while exports remain on an upward trajectory despite some recent retrenchment in commodity prices.

## Latest Economic Statistics

(% change from a year earlier unless otherwise noted)

Canada	2005	06Q1	06Q2	Latest
Real GDP (annual rates)	2.9	3.6	2.0	
Current Acc. Bal. (C\$B, ar)	31.8	32.7	16.8	
Merch. Trade Bal. (C\$B, ar)	64.8	66.1	50.0	46.4 (Jul)
Industrial Production	1.0	1.9	0.4	0.7 (Jul)
Housing Starts (000s)	224	248	229	214 (Aug)
Employment	1.4	1.8	2.2	1.9 (Sep)
Unemployment Rate (%)	6.8	6.4	6.2	6.4 (Sep)
Retail Sales	6.3	6.0	6.6	5.7 (Jul)
Auto Sales (000s)	845	850	857	868 (Jul)
CPI	2.2	2.4	2.6	2.1 (Aug)
IPI	1.5	1.5	2.4	3.6 (Aug)
Pre-tax Corp. Profits	10.6	9.1	6.7	

United States	2005	06Q1	06Q2	Latest
Real GDP (annual rates)	3.2	5.6	2.6	
Current Acc. Bal. (US\$B, ar)	-792	-853	-874	
Merch. Trade Bal. (US\$B, ar)	-783	-832	-842	-881 (Jul)
Industrial Production	3.3	3.5	4.0	4.5 (Aug)
Housing Starts (millions)	2.07	2.12	1.87	1.67 (Aug)
Employment	1.5	1.5	1.4	1.3 (Sep)
Unemployment Rate (%)	5.1	4.7	4.6	4.6 (Sep)
Retail Sales	7.2	8.2	6.5	6.6 (Aug)
Auto Sales (millions)	7.7	7.8	7.8	7.6 (Sep)
CPI	3.4	3.6	4.0	3.8 (Aug)
PPI	4.9	4.4	4.5	3.7 (Aug)
Pre-tax Corp. Profits	32.7	16.6	20.1	

Mexico	2005	06Q1	06Q2	Latest
Real GDP	3.0	5.5	4.7	
Current Acc. Bal. (US\$B, ar)	-4.8	2.8	4.6	
Merch. Trade Bal. (US\$B, ar)	-7.6	2.9	-0.8	-9.4 (Aug)
Industrial Production	1.6	7.0	3.9	5.8 (Jul)
CPI	4.0	3.7	3.1	3.5 (Aug)

Brazil	2005	06Q1	06Q2	Latest
Real GDP	2.1	3.0	1.0	
Current Acc. Bal. (US\$B, ar)	14.2	7.1	5.2	
Merch. Trade Bal. (US\$B, ar)	44.8	37.2	40.7	53.1 (Sep)
Industrial Production	3.4	3.3	1.8	3.1 (Aug)
CPI	6.0	5.2	3.5	3.3 (Sep)

Argentina	2005	06Q1	06Q2	Latest
Real GDP	9.2	8.8	7.9	
Current Acc. Bal. (US\$B, ar)	5.7	4.9	10.0	
Merch. Trade Bal. (US\$B, ar)	11.4	9.5		11.4 (Aug)
Industrial Production	7.2	5.6	7.0	5.7 (Aug)
CPI	9.6	11.6	11.4	10.4 (Sep)

Italy	2005	06Q1	06Q2	Latest
Real GDP	0.1	1.5		
Current Acc. Bal. (US\$B, ar)	-0.03	-0.06	-0.04	0.03 (Jul)
Merch. Trade Bal. (US\$B, ar)	-12.6	-43.6	-26.5	2.8 (Jul)
Industrial Production	-0.9	2.8	1.7	0.8 (Jul)
CPI	1.9	2.1	2.1	2.2 (Aug)

Germany	2005	06Q1	06Q2	Latest
Real GDP	1.1	1.7	2.4	
Current Acc. Bal. (US\$B, ar)	115.6	127.2	108.5	111.9 (Jul)
Merch. Trade Bal. (US\$B, ar)	199.3	175.2	186.7	181.6 (Jul)
Industrial Production	2.8	4.6	4.9	4.7 (Jul)
Unemployment Rate (%)	11.7	11.3	11.0	10.6 (Sep)
CPI	2.0	2.0	2.0	1.0 (Sep)

France	2005	06Q1	06Q2	Latest
Real GDP	1.2	1.4	2.6	
Current Acc. Bal. (US\$B, ar)	-33.6	-24.5	-45.6	-45.1 (Jul)
Merch. Trade Bal. (US\$B, ar)	-27.9	-30.7	-31.1	-56.3 (Jul)
Industrial Production	0.0	0.4	1.7	1.3 (Jul)
Unemployment Rate (%)	9.9	9.6	9.1	9.0 (Aug)
CPI	1.7	1.8	1.9	1.9 (Aug)

Euro Zone	2005	06Q1	06Q2	Latest
Real GDP	1.5	2.1	2.6	
Current Acc. Bal. (US\$B, ar)	-28.7	-73.6	-60.3	21.3 (Jul)
Merch. Trade Bal. (US\$B, ar)	67.2	-21.6	29.6	79.1 (Jul)
Industrial Production	1.2	3.3	3.7	3.2 (Jul)
Unemployment Rate (%)	8.9	8.1	7.9	7.9 (Aug)
CPI	2.2	2.3	2.4	2.3 (Aug)

United Kingdom	2005	06Q1	06Q2	Latest
Real GDP	1.9	2.3	2.6	
Current Acc. Bal. (US\$B, ar)	-47.9	-64.0	-56.2	
Merch. Trade Bal. (US\$B, ar)	-124.7	-148.5	-145.1	-140.3 (Jul)
Industrial Production	-1.8	-1.0	-0.7	0.7 (Aug)
Unemployment Rate (%)	4.8	5.2	5.5	5.5 (Jun)
CPI	2.0	2.0	2.2	2.5 (Aug)

Japan	2005	06Q1	06Q2	Latest
Real GDP	2.6	3.4	2.5	
Current Acc. Bal. (US\$B, ar)	165.8	188.5	137.1	187.6 (Jul)
Merch. Trade Bal. (US\$B, ar)	77.8	65.0	65.6	71.0 (Aug)
Industrial Production	1.5	2.8	3.7	5.9 (Aug)
Unemployment Rate (%)	4.4	4.2	4.1	4.1 (Aug)
CPI	-0.3	-0.1	0.2	0.9 (Aug)

Australia	2005	06Q1	06Q2	Latest
Real GDP	2.7	2.9	1.9	
Current Acc. Bal. (US\$B, ar)	-42.0	-38.6	-35.4	
Merch. Trade Bal. (US\$B, ar)	-13.3	-11.7	-11.3	-3.6 (Aug)
Unemployment Rate (%)	5.1	5.2	5.0	4.9 (Aug)
CPI	2.7	3.0	4.0	

China	2005	06Q1	06Q2	Latest
Real GDP	9.3	10.3	11.3	
Current Acc. Bal. (US\$B, ar)	160.8			
Merch. Trade Bal. (US\$B, ar)	102.1	92.4	151.9	225.6 (Aug)
Industrial Production	16.5	17.8	16.7	15.7 (Jul)
CPI	1.6	0.8	1.5	1.3 (Aug)

South Korea	2005	06Q1	06Q2	Latest
Real GDP	4.0	6.1	5.3	
Current Acc. Bal. (US\$B, ar)	16.6	-4.5	2.8	-6.1 (Aug)
Merch. Trade Bal. (US\$B, ar)	23.2	6.5	20.4	24.4 (Sep)
Industrial Production	5.9	12.1	11.7	10.4 (Aug)
CPI	2.8	2.4	2.3	2.4 (Sep)

## Latest Financial Statistics

### Interest Rates (% , end of period)

Canada	06Q2	06Q3	Sep/29	Oct/06*	United States	06Q2	06Q3	Sep/29	Oct/06*
BoC Overnight Rate	4.25	4.25	4.25	4.25	Fed Funds Target Rate	5.25	5.25	5.25	5.25
3-mo. T-bill	3.88	4.17	4.17	4.16	3-mo. T-bill	4.98	4.87	4.87	4.93
10-yr Gov't Bond	4.58	4.00	4.00	4.07	10-yr Gov't Bond	5.14	4.63	4.63	4.67
30-yr Gov't Bond	4.61	4.09	4.09	4.14	30-yr Gov't Bond	5.19	4.76	4.76	4.82
Prime	6.00	6.00	6.00	6.00	Prime	8.25	8.25	8.25	8.25
FX Reserves (US\$B)	36.0	35.8	36.3 (Jul)		FX Reserves (US\$B)	54.3	56.9	56.5 (Jul)	

Germany	06Q2	06Q3	Sep/29	Oct/06*	France	06Q2	06Q3	Sep/29	Oct/06*
3-mo. Interbank	3.02	3.39	3.39	3.42	3-mo. T-bill	2.84	3.23	3.23	3.23
10-yr Gov't Bond	4.07	3.71	3.71	3.75	10-yr Gov't Bond	4.08	3.72	3.72	3.76
FX Reserves (US\$B)	43.6	43.1	43.7 (Jul)		FX Reserves (US\$B)	28.7	32.4	33.2 (Jul)	

Euro-Zone	06Q2	06Q3	Sep/29	Oct/06*	United Kingdom	06Q2	06Q3	Sep/29	Oct/06*
Refinancing Rate	2.75	3.00	3.00	3.25	Repo Rate	4.50	4.75	4.75	4.75
Overnight Rate	2.89	3.10	3.05	3.24	3-mo. T-bill	4.50	4.80	4.80	4.80
FX Reserves (US\$B)	178.2	184.1	187.2 (Jul)		10-yr Gov't Bond	4.71	4.52	4.52	4.57
					FX Reserves (US\$B)	37.3	38.1	38.4 (Jul)	

Japan	06Q2	06Q3	Sep/29	Oct/06*	Australia	06Q2	06Q3	Sep/29	Oct/06*
Discount Rate	0.10	0.40	0.40	0.40	Cash Rate	5.75	6.00	6.00	6.00
3-mo. Libor	0.01	0.36	0.36	0.36	10-yr Gov't Bond	5.78	5.51	5.50	5.50
10-yr Gov't Bond	1.93	1.68	1.68	1.71	FX Reserves (US\$B)	42.8	45.9	45.9 (Jun)	
FX Reserves (US\$B)	837.7	849.8	856.4 (Jul)						

### Exchange Rates (end of period)

	06Q2	06Q3	Sep/29	Oct/06*		06Q2	06Q3	Sep/29	Oct/06*
US\$/C\$	89.59	89.47	89.47	88.81	¥/US\$	114.42	118.18	118.18	118.90
C\$/US\$	1.12	1.12	1.12	1.13	US\$/Australian\$	74.23	74.60	74.60	74.30
US\$/£	1.848	1.872	1.872	1.871	Chinese Yuan/US\$	7.99	7.90	7.90	7.90
US\$/EUR	1.279	1.267	1.267	1.260	South Korean Won/US\$	949	947	947	949
¥/EUR	0.68	0.67	0.67	0.67	Mexican Peso/US\$	11.340	10.984	10.984	11.065
Swiss Franc/US\$	1.22	1.25	1.25	1.26	Brazilian Real/US\$	2.165	2.169	2.169	2.166

### Equity Markets (index, end of period)

	06Q2	06Q3	Sep/29	Oct/06*		06Q2	06Q3	Sep/29	Oct/06*
United States (DJIA)	11150	11679	11679	11843	U.K. (FT100)	5833	5961	5961	6006
United States (S&P500)	1270	1336	1336	1347	Germany (Dax)	5683	6004	6004	6084
Canada (S&P/TSX)	11613	11761	11761	11683	France (CAC40)	4966	5250	5250	5282
Mexico (Bolsa)	19147	21937	21937	22287	Japan (Nikkei)	15505	16128	16128	16436
Brazil (Bovespa)	36631	36449	36449	37533	Hong Kong (Hang Seng)	16268	17543	17531	17903
Italy (BCI)	1744	1845	1840	1861	South Korea (Composite)	1295	1371	1344	1352

### Commodity Prices (end of period)

	06Q2	06Q3	Sep/29	Oct/06*		06Q2	06Q3	Sep/29	Oct/06*
Pulp (US\$/tonne)	725	750	750	750	Copper (US\$/lb)	3.40	3.45	3.45	3.34
Newsprint (US\$/tonne)	660	663	663	663	Zinc (US\$/lb)	1.48	1.52	1.52	1.59
Lumber (US\$/mbfm)	294	266	246	223	Gold (US\$/oz)	613.5	599.3	599.25	560.8
WTI Oil (US\$/bbl)	73.93	62.91	62.91	59.19	Silver (US\$/oz)	10.7	11.6	11.55	11.0
Natural Gas (US\$/mmbtu)	6.10	5.62	5.62	6.23	CRB	313.6	305.6	305.58	298.4

\* Note: Latest observation taken at time of writing.

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