

**July 2008 REIN Presentation by  
CIBC World Markets Senior Economist  
Benjamin Tal**

# The “R” Word

**Benjamin Tal  
Senior Economist**



**CIBC  
World Markets**

**June 2008  
Economics & Strategy**

**"Since the *April Monetary Policy Report (MPR)*, economic developments have been broadly in line with expectations."**

*Source: BoC Rate Decision, June 10, 2008*

## **Summary of the Base-Case Projection**

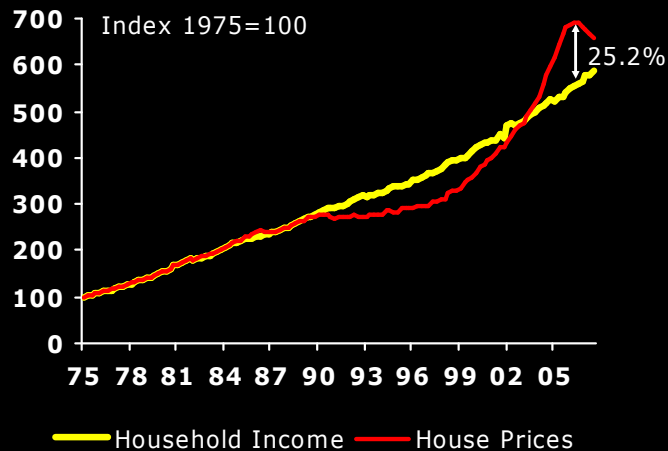
	2007	2008			2009		2010
	Q4	Q1	Q2	H2	H1	H2	
Real GDP	0.8	1.0	0.3	1.8	2.7	3.3	3.4

*Source: MPR, April 2008*

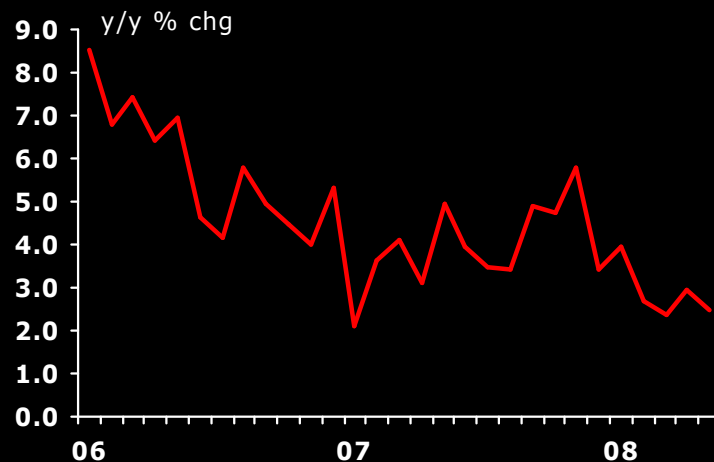
**"Actual GDP Growth for 1<sup>st</sup> Quarter 2008: -0.3%"**

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**House Prices Overshot Income Growth by a  
Wide Margin**



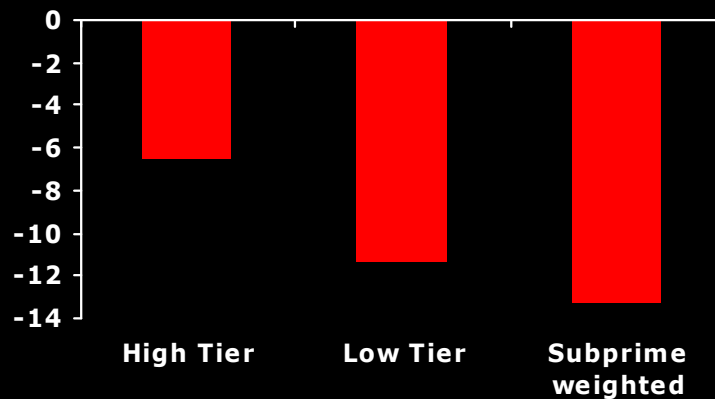
**Retail Sales**



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## Drop in House Prices

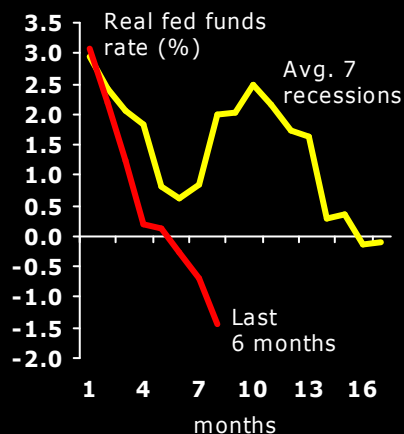
Nov 2006-2007



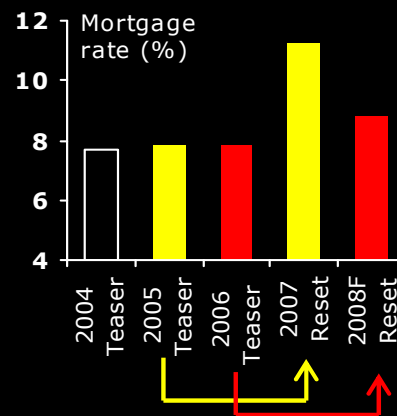
Source: Loan Performance, S&P/CSI, CIBCWM

## Reset Is No Longer The Issue

Unprecedented Fed Easing...

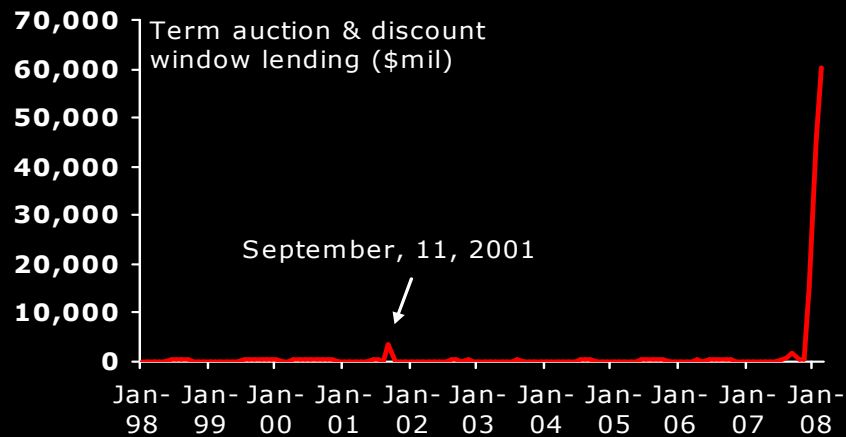


... Will Eliminate Reset Pain in 2008

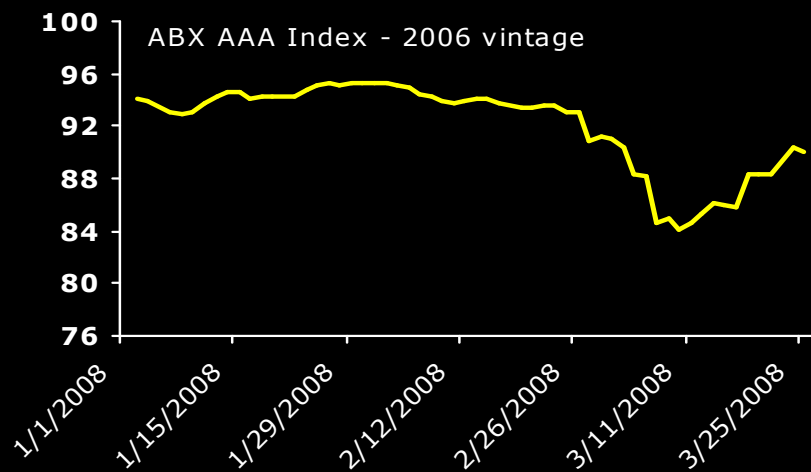


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**Emergency Lending Jumps Off the Chart**

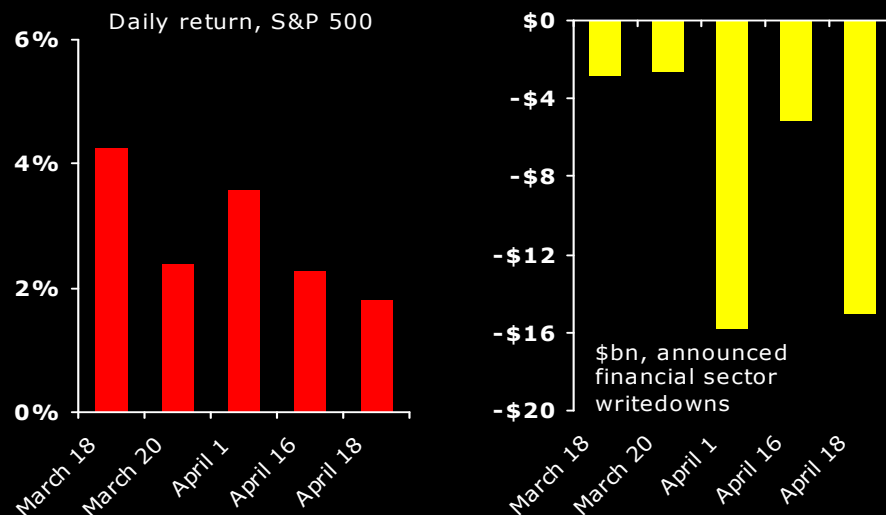


**ABX Index Rallies on Hopes of Bailout**

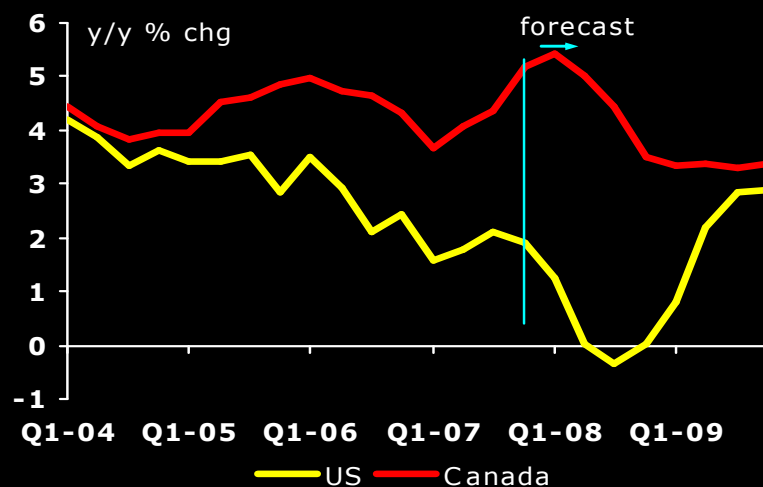


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**US Stocks Rose on Days  
with Big Writedowns**

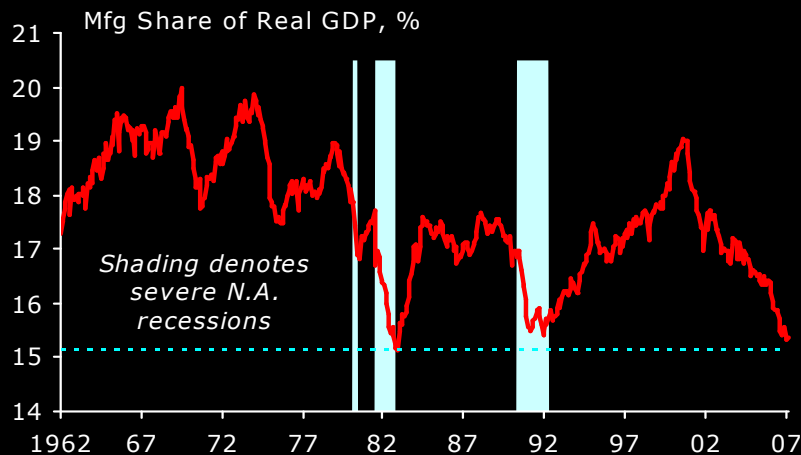


**Domestic Demand Growth:  
Canada vs US**



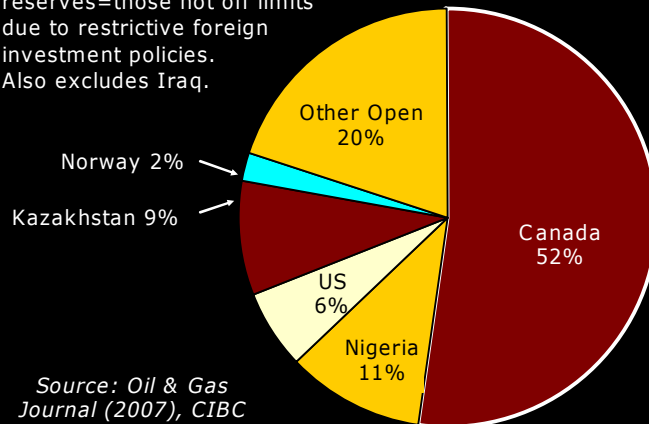
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**Factory Share of GDP  
Hitting Past Recession Lows**



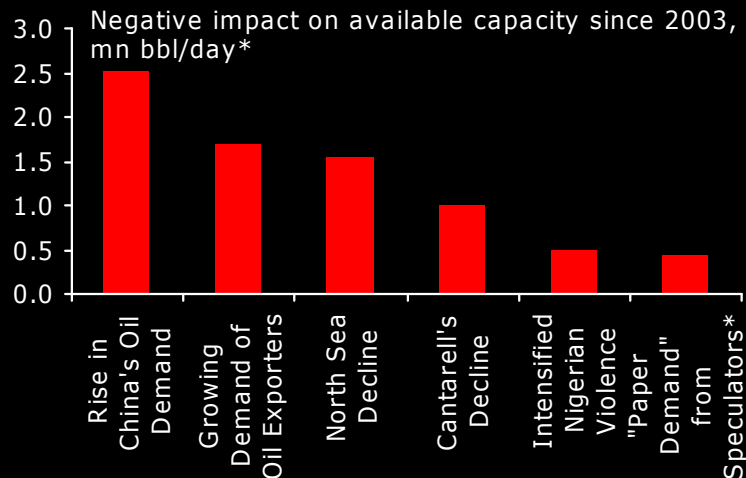
**Over 50% of Investable Reserves in Canada**

"Investable" oil reserves=those not off limits due to restrictive foreign investment policies. Also excludes Iraq.



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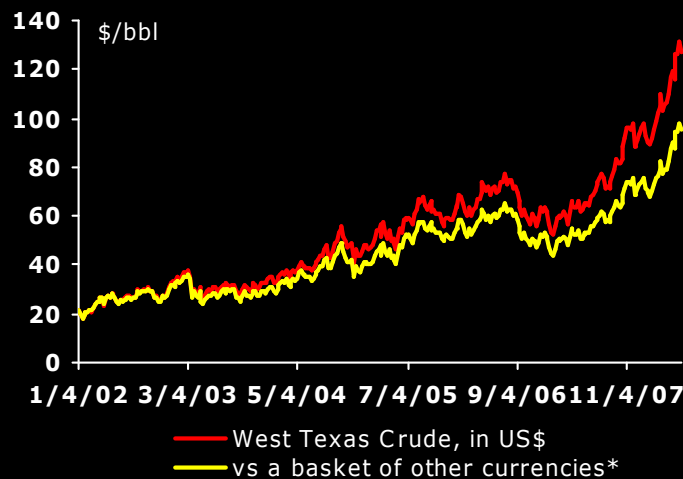
## Role of Speculation in Oil Market Modest



Source: CIBCWM, Masters Capital Management

\* 848 million bbl rise in speculator's long crude and oil product exposure since 2003, converted to daily terms

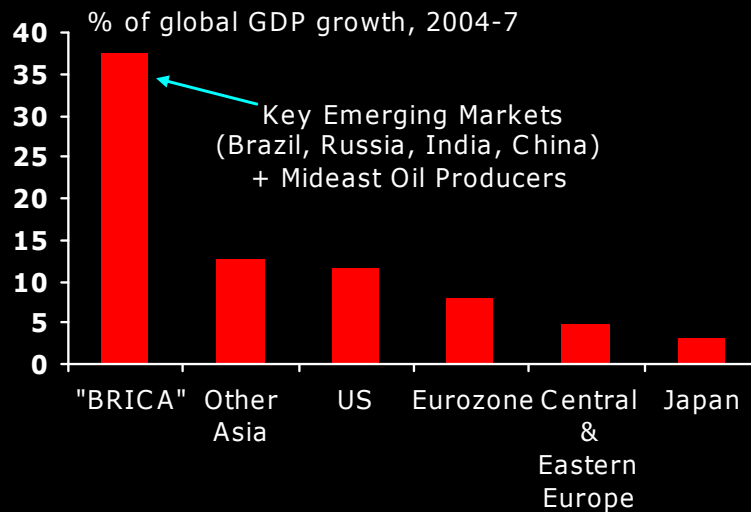
## US\$ Weakness Accounts for Less Than One-Fifth of Oil's Rise



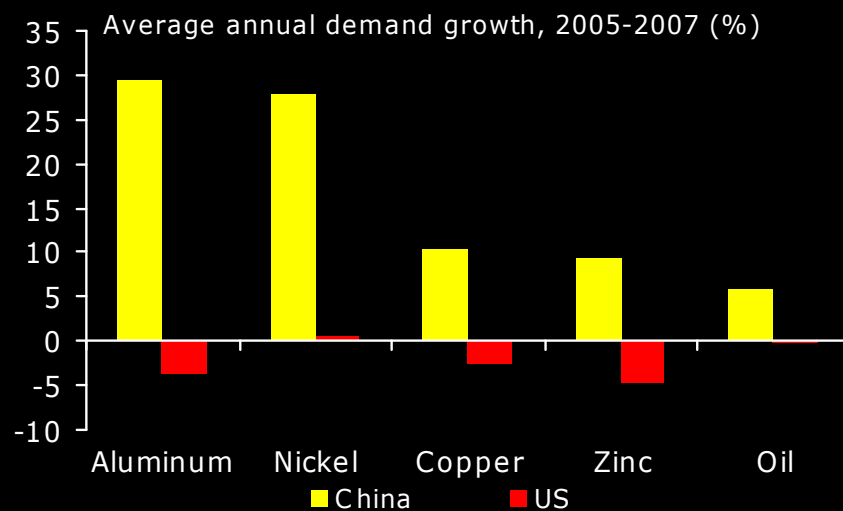
\* currencies and weights are the same as those used in the Fed's broad US\$ index

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**Who is Driving the Bus?**



**US Contribution to Resource Demand Growth**

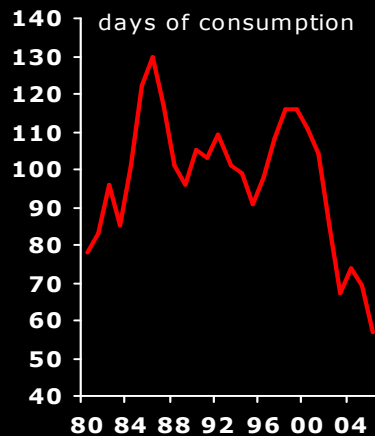




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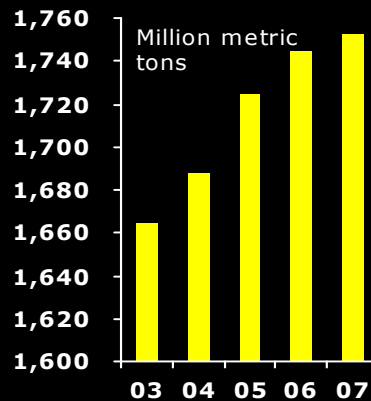
## Record Low Grain Stocks & Rising Consumption

**Global Grain Stocks**



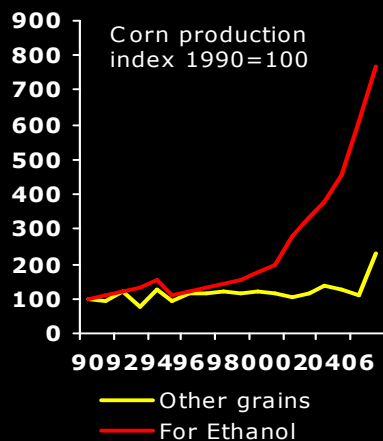
Source: USDA

**Global Grain Consumption**



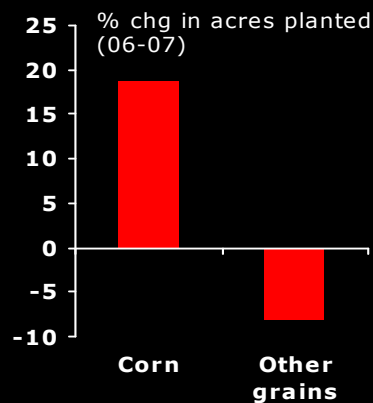
## Corn for Ethanol

**Rising Fast...**



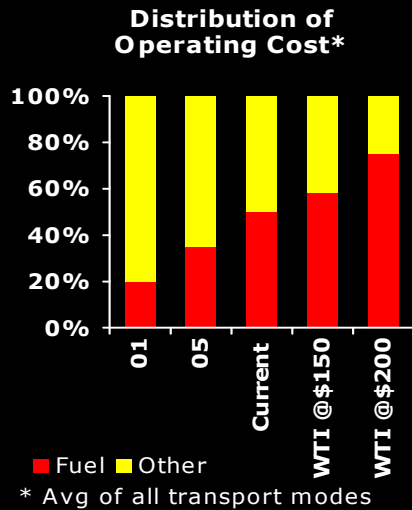
Source: USDA

**... And Crowding Out Other Crops**

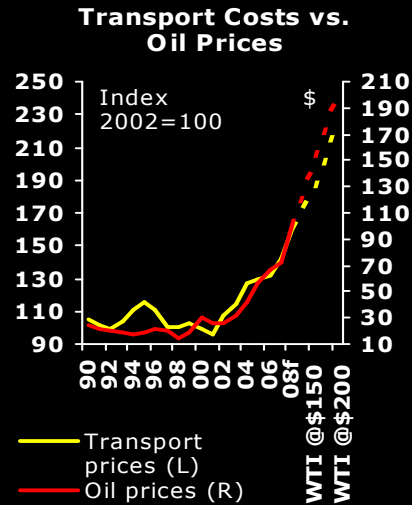


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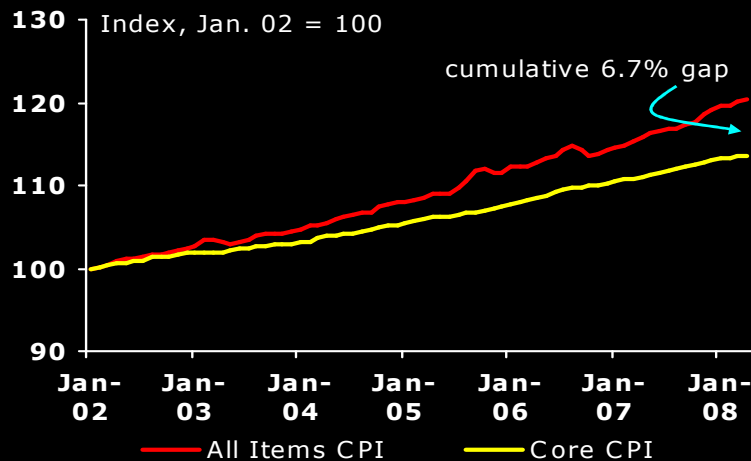
## Transport Costs Highly Sensitive to Oil Prices



Source: RMT, CIBCWM

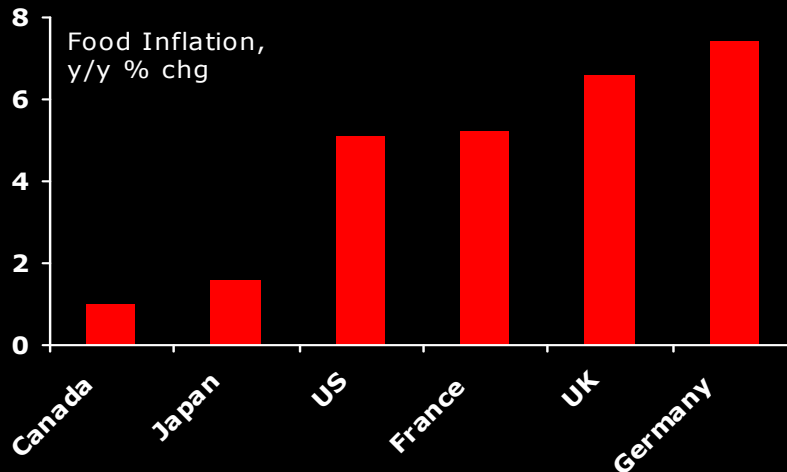


## "Core" Misses US Inflation Trend

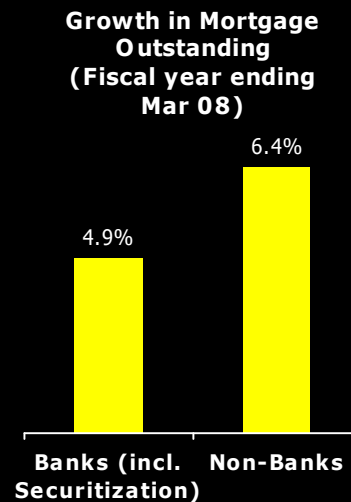
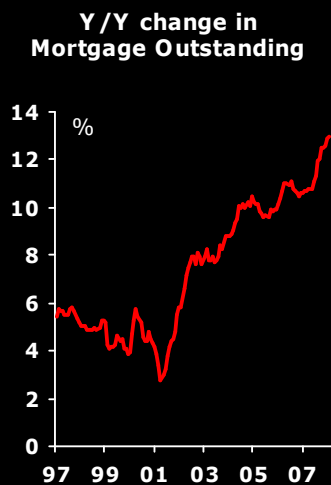


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**Canada's Food Prices  
an Unsustainable Exception**

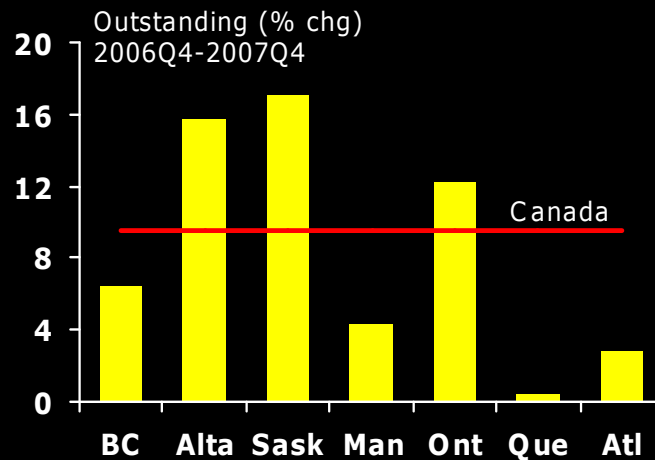


**The Mortgage Market**

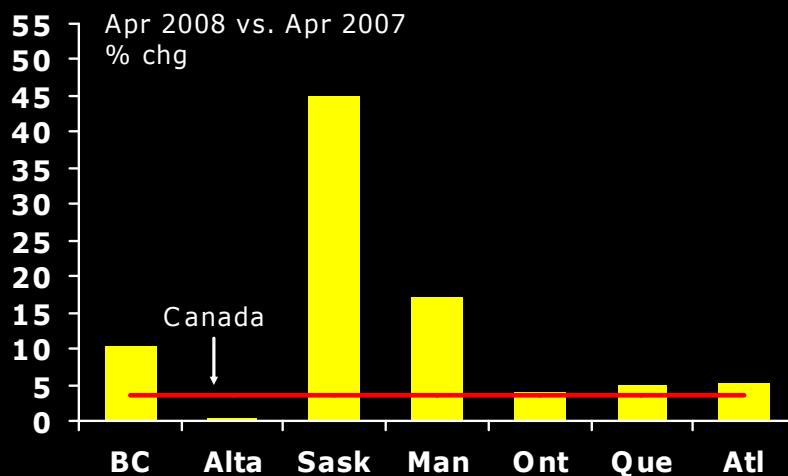


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**Residential Mortgages**

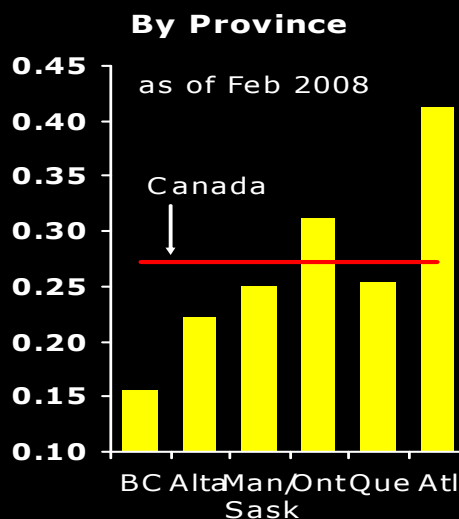
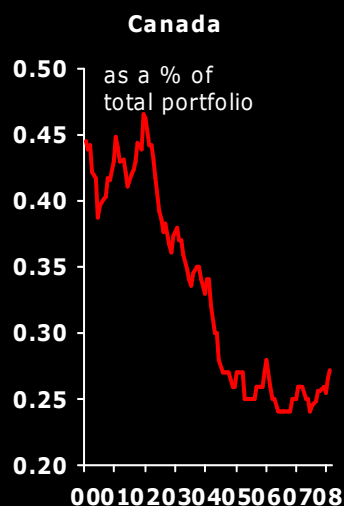


**Average House Price**

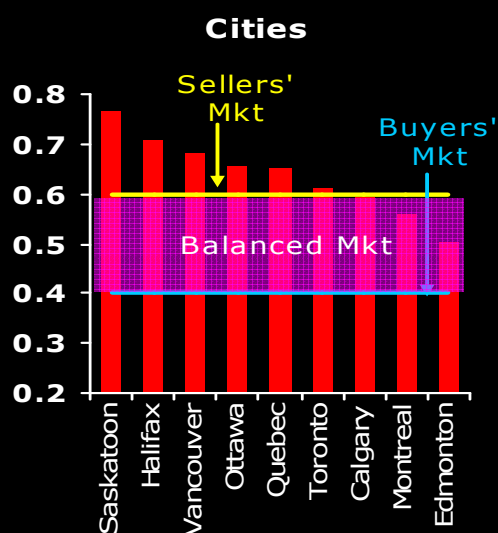
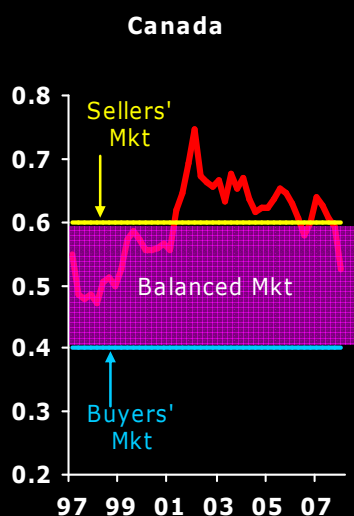


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## Mortgage Arrears



## Unit Sales as a Share of New Listings



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**Interest Rates**

