

# HERE COMES THE SUN

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BMO  Capital Markets™

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# Here Comes the Sun

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BMO  Capital Markets

## Global Recovery



### Canada Outperforms:

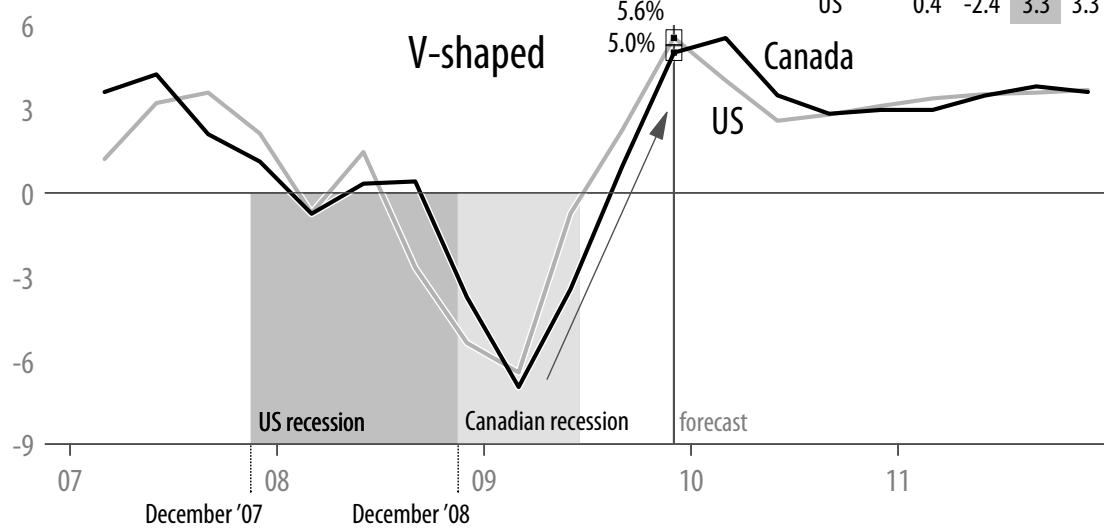
- Currency
- Terms of Trade
- Jobs
- Fiscal Strength
- Banking

## Canada a Poster Child for Fiscal Fitness

# Canadian Recession Shorter and Milder

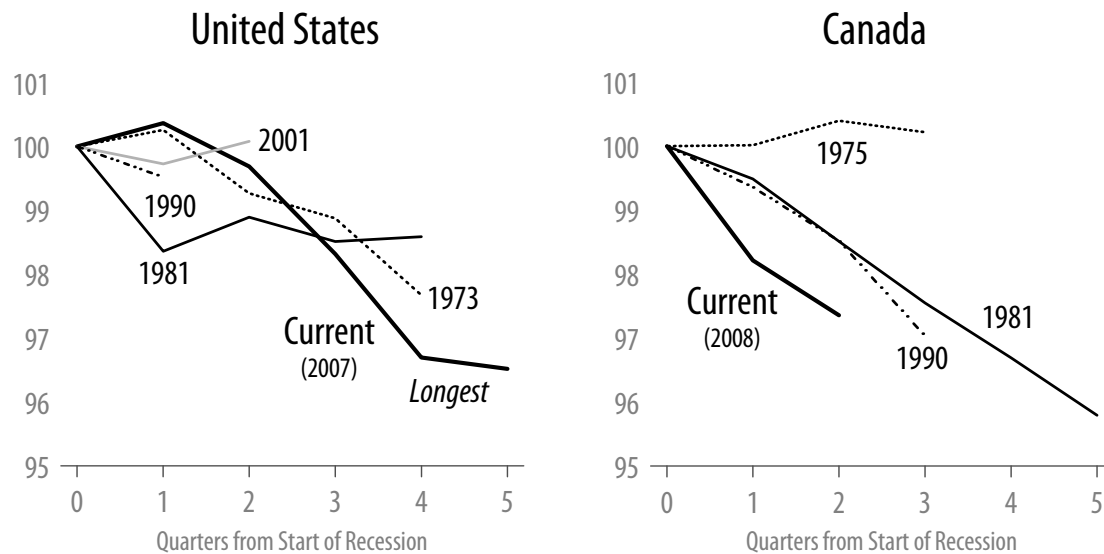
(q/q % chng : ar)

## Real GDP



# US Recession Worst Since Depression

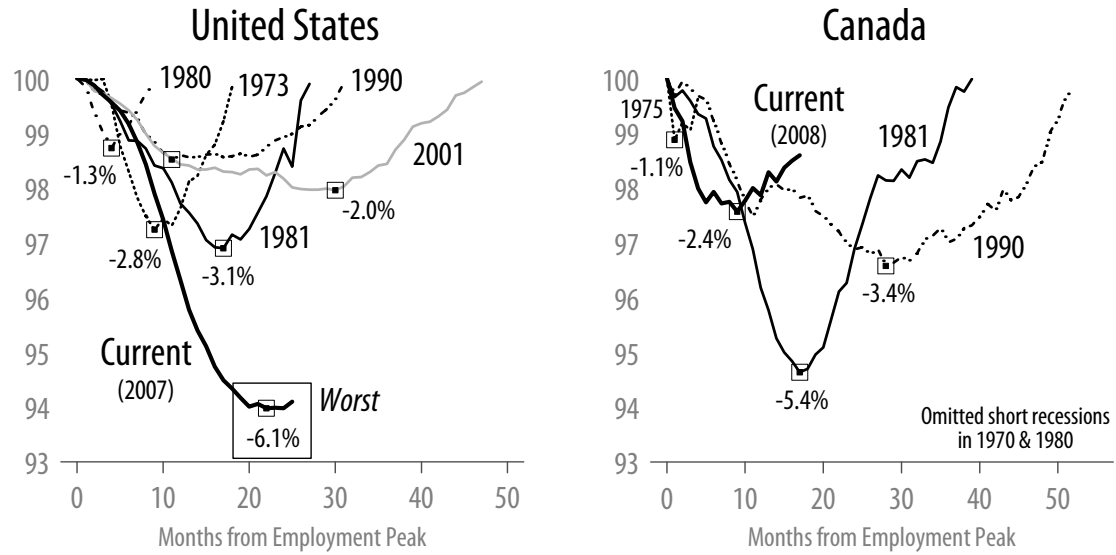
Real GDP Change During Recession (start of recession = 100)



Dates refer to start of recession

# Change in Employment During Recession

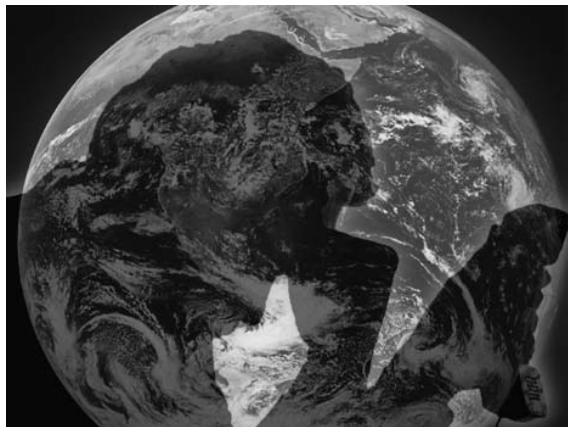
Employment Change During Recessions (peak = 100)



Dates refer to start of recession



# Comparing the Current Recession's Losses



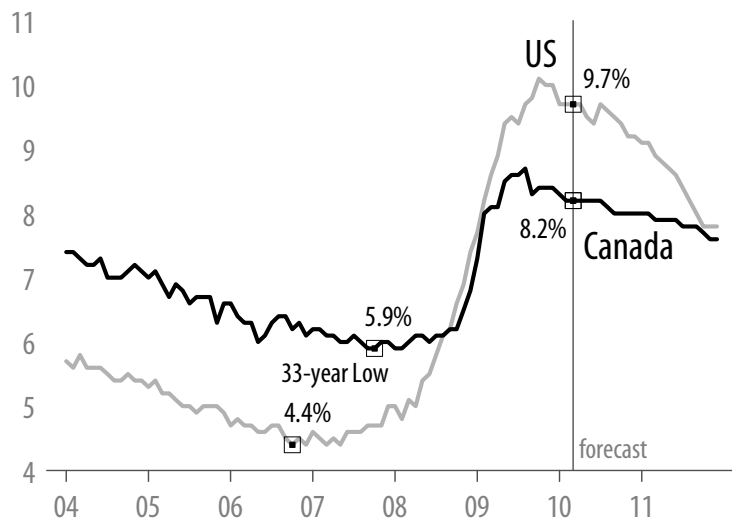
Peak-to-Trough (% chng)

|                          | <u>US</u> | <u>Canada</u> |
|--------------------------|-----------|---------------|
| Job Loss                 | 6.1       | 2.4           |
| Output Loss              | 3.8       | 3.6           |
| Losses:<br>Jobs / Output | 160%      | 70%           |



# Jobless Rates Will Fall Slowly

Unemployment Rate (percent)



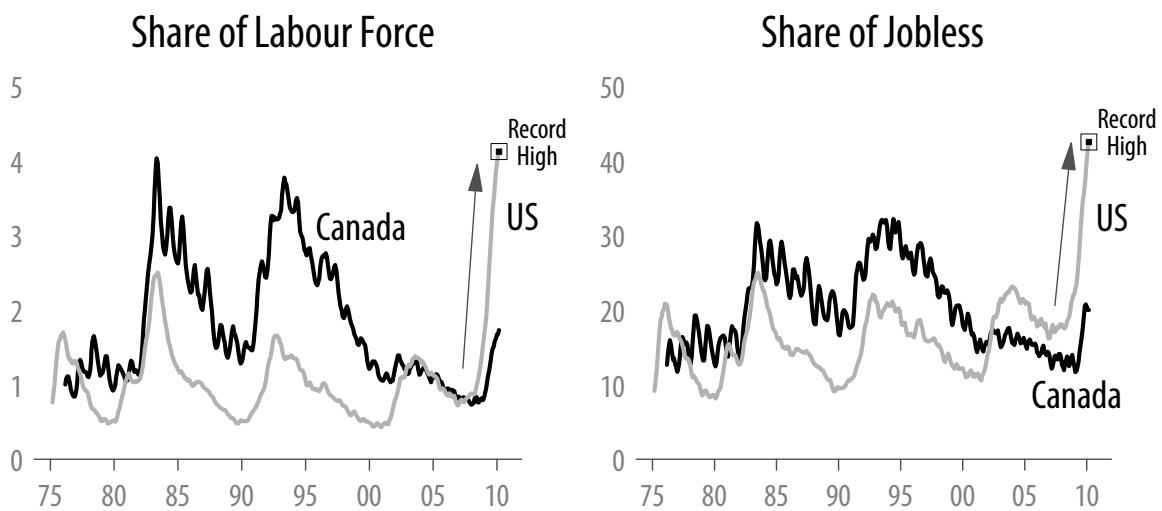
|           |      |
|-----------|------|
| Spain     | 19.0 |
| Ireland   | 13.2 |
| Portugal  | 10.3 |
| Greece    | 10.2 |
| France    | 10.1 |
| Finland   | 9.1  |
| Sweden    | 8.9  |
| Belgium   | 8.0  |
| Germany   | 7.5  |
| Austria   | 6.9  |
| Australia | 5.3  |
| UK        | 4.9  |

## Job Losses Top 8.2 mln in US... 241,000 in Canada



# Long-duration Unemployment

Long-duration Unemployment (percent : 3-mnth ma)



## US Worse than Canada in '80s and '90s

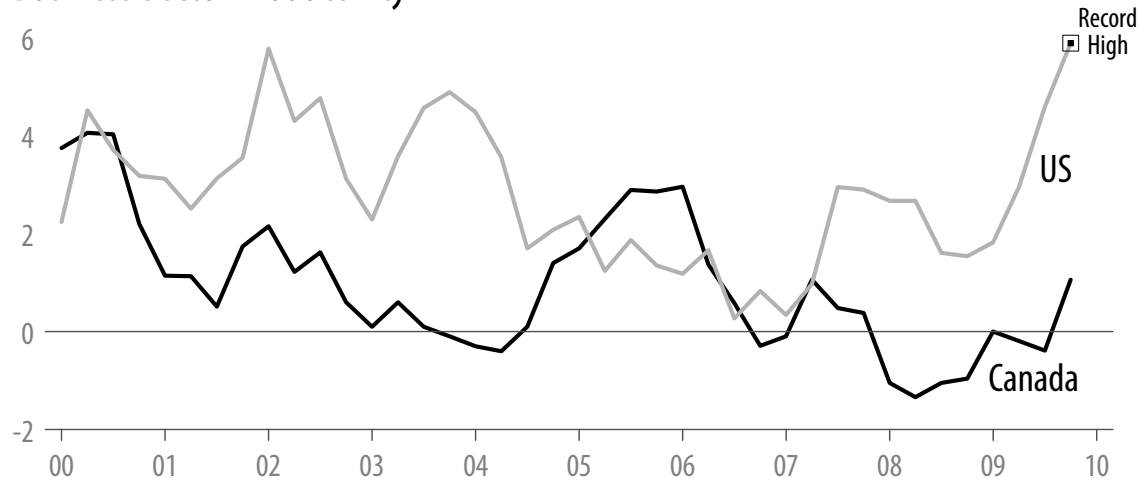
Long-duration Unemployment = Unemployed 27 weeks or more



# Productivity Lags in Canada

(y/y % chng)

## Business Sector Productivity

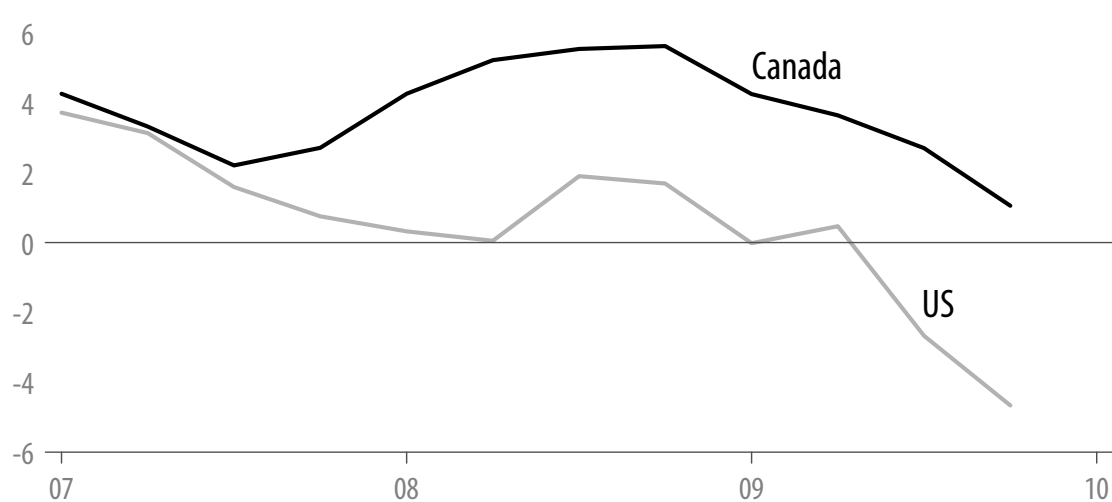


**Must Rise to Be Competitive**

# US Labour Costs Plunge

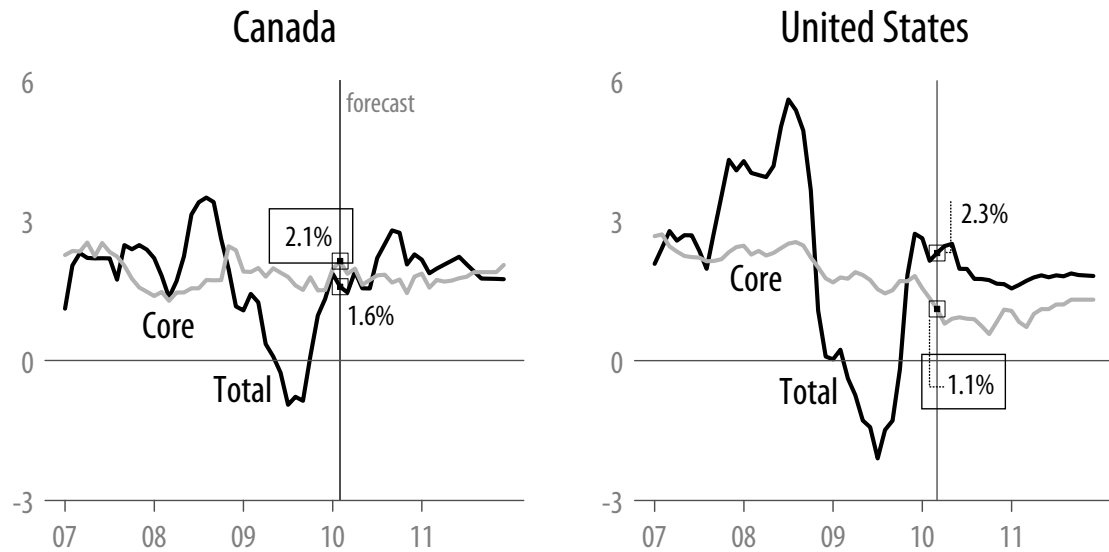
(y/y % chng)

## Unit Labour Costs



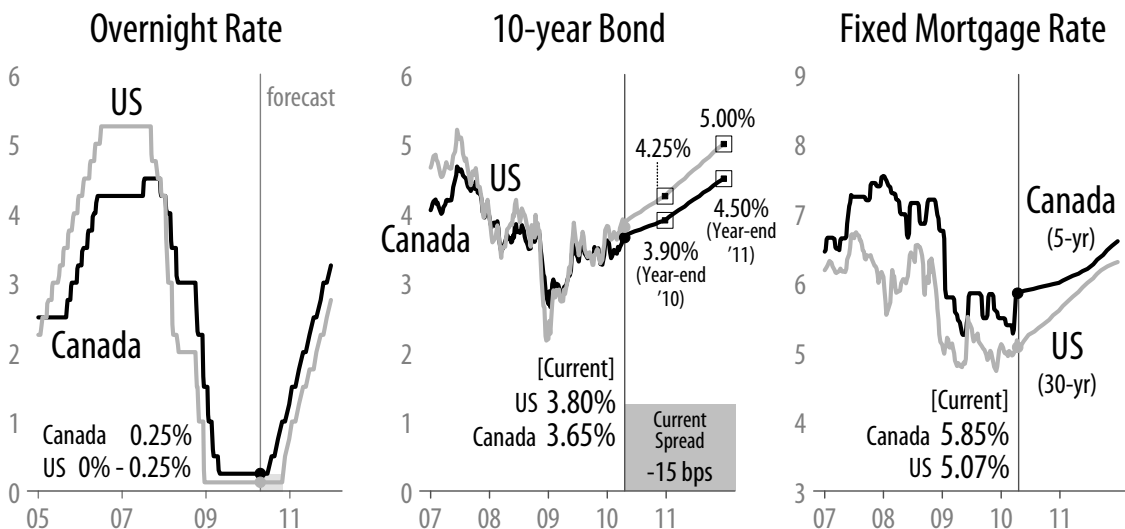
# Core Inflation Higher in Canada

Consumer Price Index (y/y % chng)



# Monetary Policy Will Tighten in Canada First

(% : as of April 19, 2010)

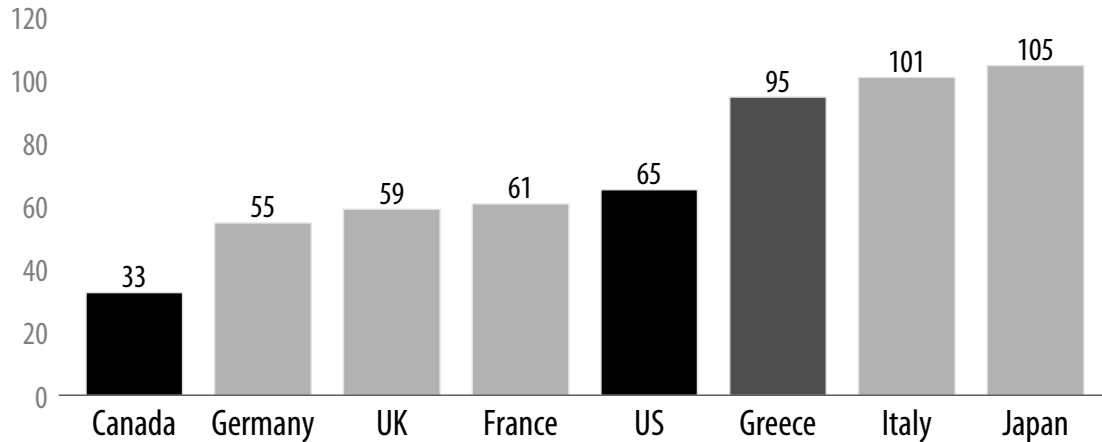


## Bond Yields Rising

# Strong Fiscal Position

2010 (% of GDP)

## Net Government Debt

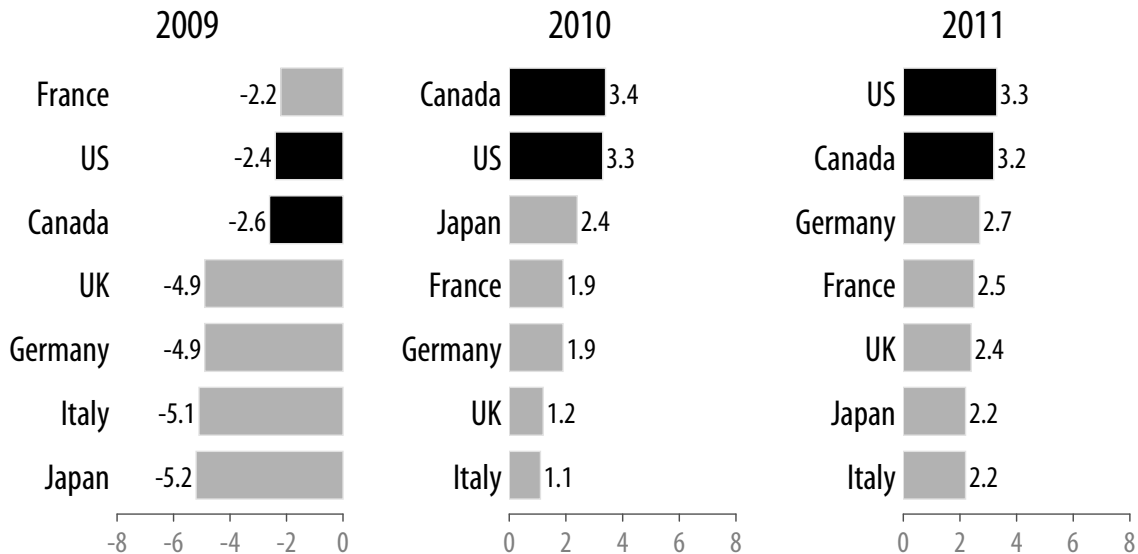


**22% in Canada Last year**

Source: OECD, December 2009 Economic Outlook

# G-7 Recovers

Real GDP – G-7 (y/y % chng)



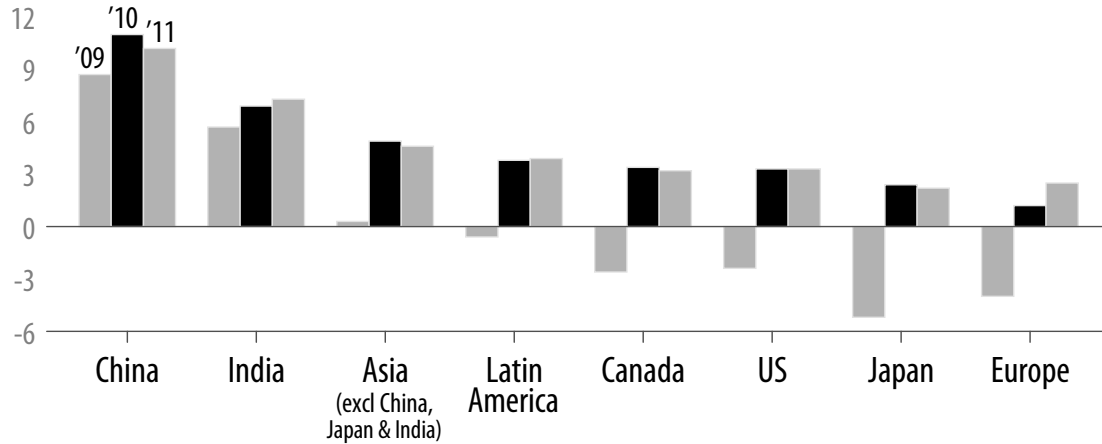
Source: [2010-11] BMO Capital Markets forecasts

# Emerging Markets Charge Ahead

(ann % chng)

## Real GDP

|       | 08  | 09   | 10  | 11  |
|-------|-----|------|-----|-----|
| World | 3.1 | -0.8 | 4.1 | 4.4 |



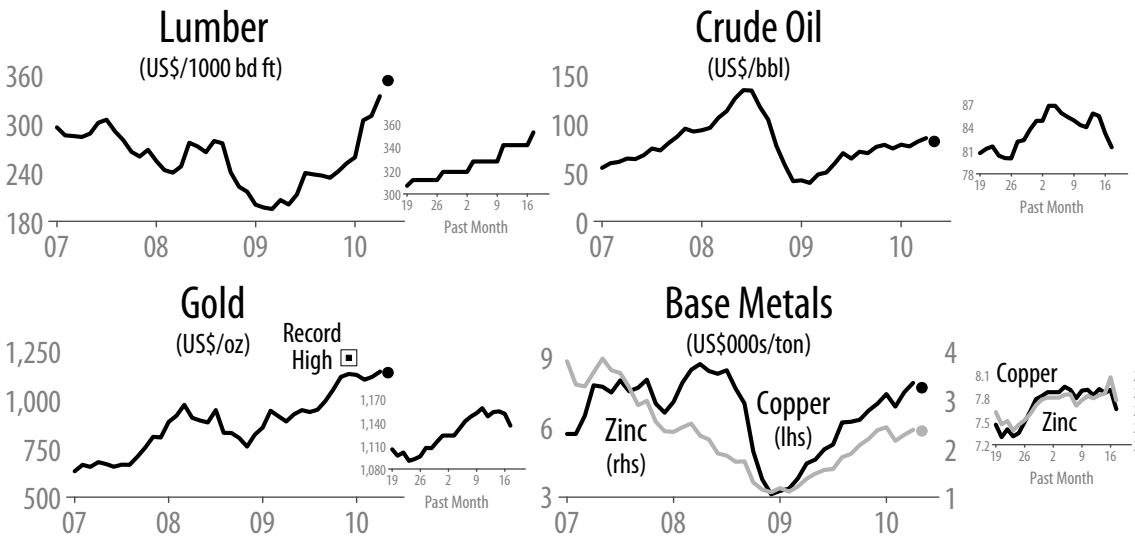
## China Booming

Ranked by '10 Source: [2010-11] BMO Capital Markets forecasts



# Commodity Prices Revive... Until Goldman

(as of April 19, 2010)

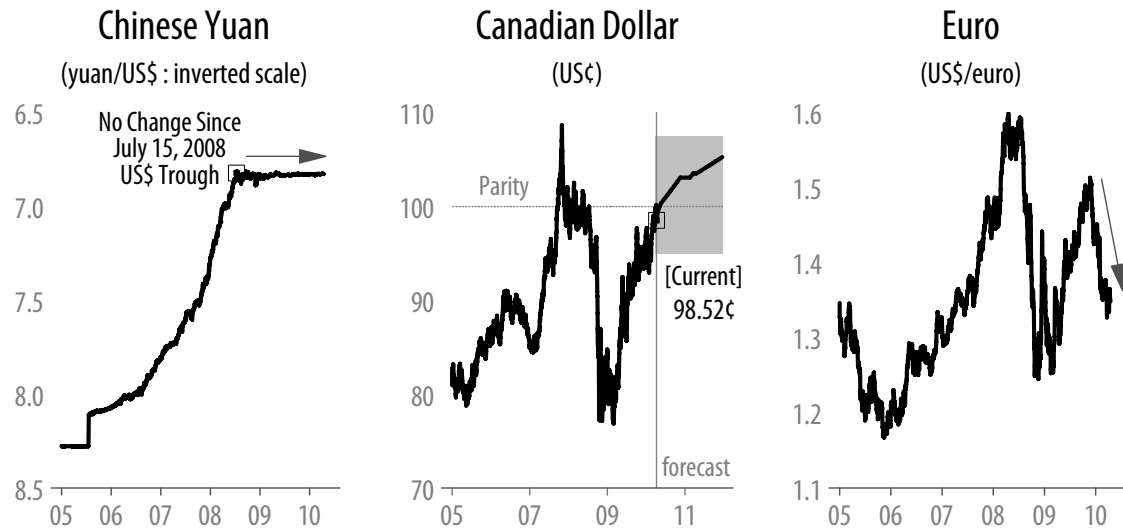


## Canada Sells What the World Wants



# No Change in China's Currency

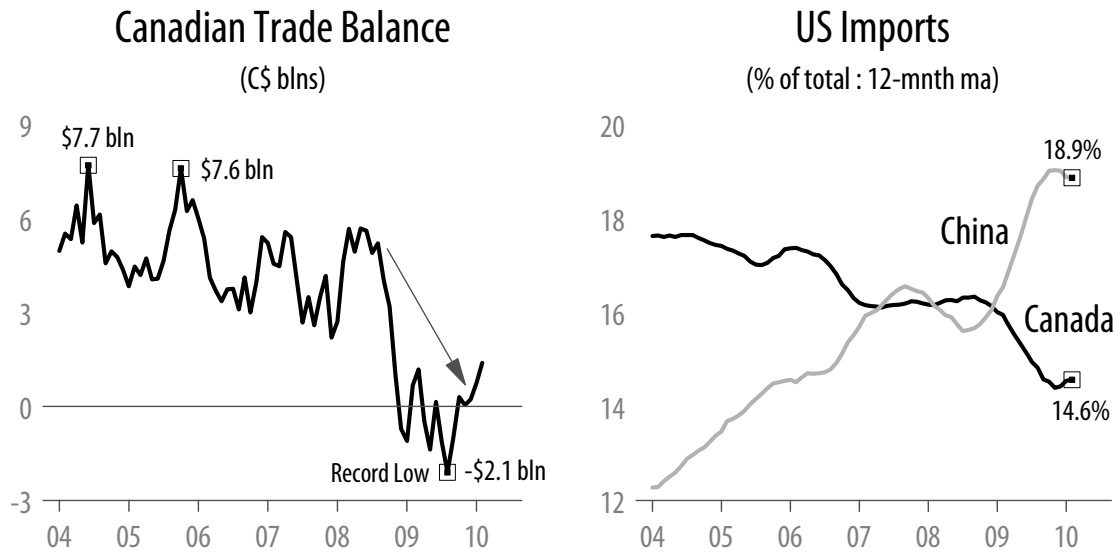
(as of April 19, 2010)



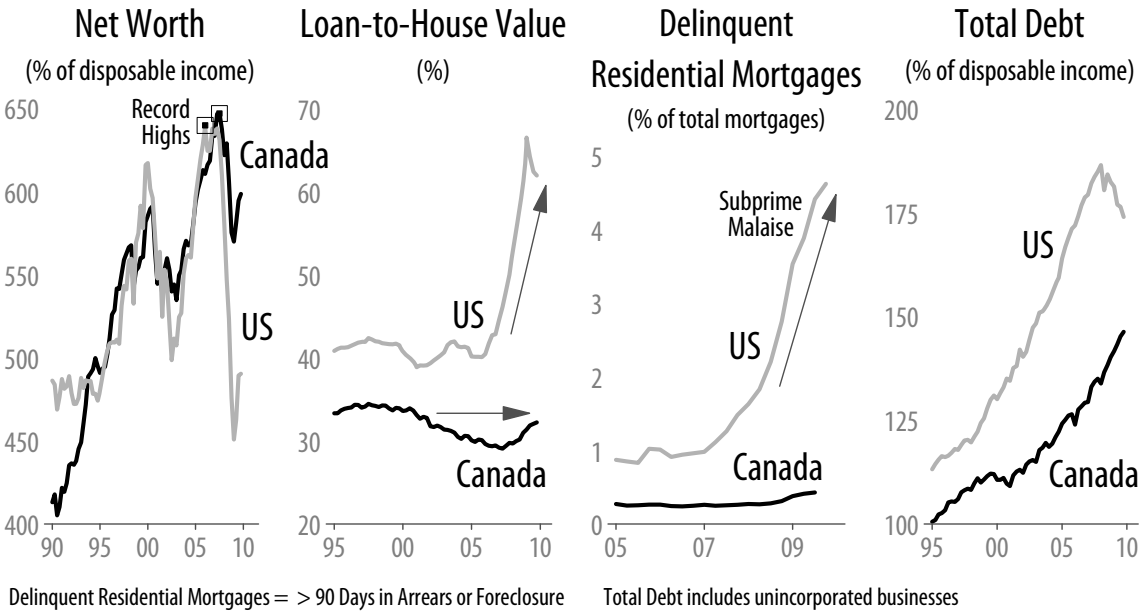
## Canadian Dollar At Parity... Again



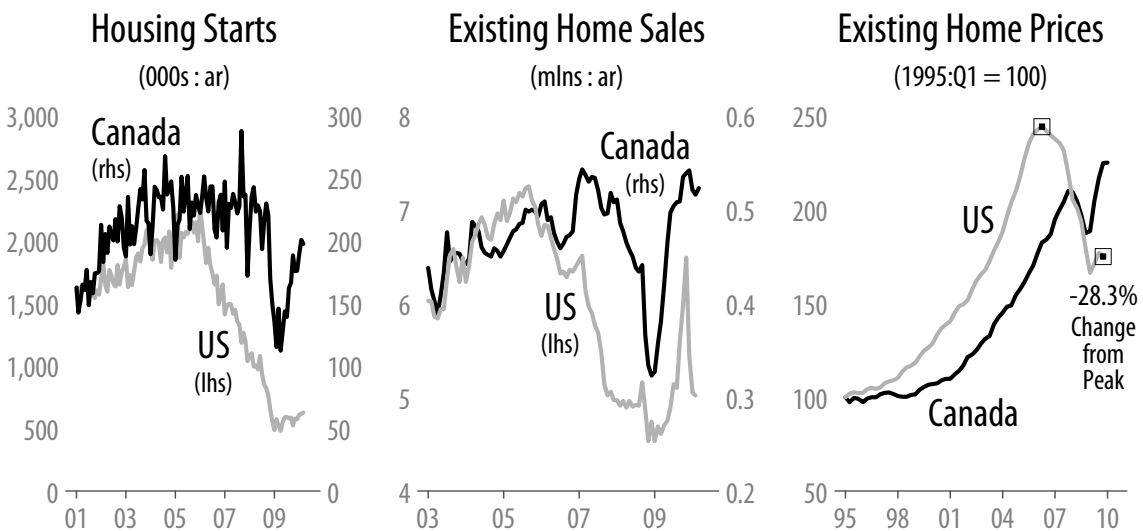
# China Now Biggest Supplier of Imports to US



# Canadian Households In Better Shape



# Canadian Housing Strong... Mortgage Rules Tightened

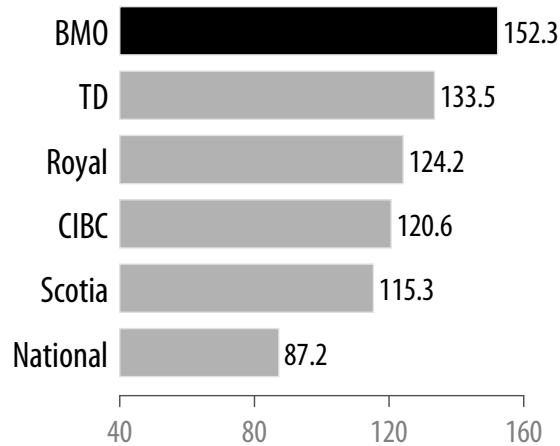


**US Housing Shaky**

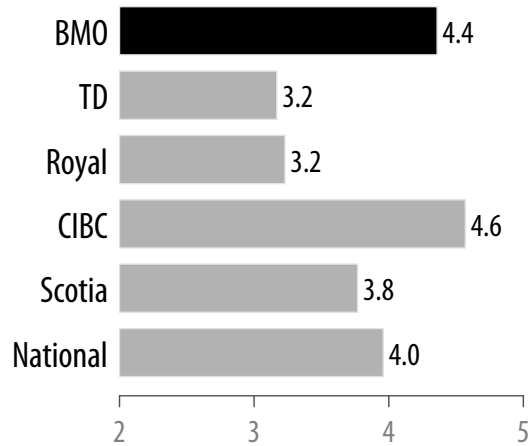
# Canadian Banks Rock Solid

Canada (percent : as of April 19, 2010)

## Total Returns Since March 9, 2009



## Dividend Yield



**Deemed Best in Class**

# Here Comes the Sun

- Massive Rate Cuts
- Fiscal Stimulus
- US Housing Shaky
- US Deleveraging Continues



*Goldman*      *Greece*      *Volcanic Ash*

**East Asia Leads Global Recovery**

**Canada Outperforms, But Challenges Remain**