Global Economic Research

August 27, 2010

WeeklyTrends

Highlights

Canada — Canadians still shopping, but with increasing thrift.

United States — Durable goods orders disappoint, signalling softer business investment ahead.

Asia — Yen strength to accelerate economic rebalancing within Japan.

Oceania — Australia's political losses contrast economic gains.

Industry — Base metal prices hold up well.

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New Releases

Capital Points (08/27)

Fiscal Pulse: Ontario's 2009-10 Final Results (08/23)

Scotiabank Commodity Price Index (08/23)

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Forecasts

Economic Performance (annual % change unless otherwise indicated)

	2000-08	2009	2010f	2011f	2000-08	2009	2010f	2011f
	Canada				United States			
Real GDP	2.6	-2.5	3.3	2.6	2.3	-2.6	3.0	2.5
Consumer Prices	2.3	0.3	1.8	2.1	2.9	-0.3	1.6	1.5
Pre-tax Profits	7.8	-32.3	24.0	10.5	4.4	-0.4	28.0	7.5
Federal Budget Balance ($bn)	8.4	-48.0	-43.0	-28.0	-197	-1413	-1340	-1220
Current Account Balance ($bn)	20.5	-43.5	-38.7	-38.7	-596	-378	-455	-473
Merchandise Trade Balance ($bn)	58.1	-4.6	-1.0	-2.0	-648	-507	-635	-684
Motor Vehicle Sales (000s)*	1,605	1,461	1,565	1,590	16.4	10.4	11.5	12.2
Motor Vehicle Production (000s)*	2,590	1,425	2,200	2,300	11.5	5.6	7.8	8.1
Housing Starts (000s)*	207	149	190	175	1.65	0.55	0.60	0.90
Employment	1.9	-1.6	1.8	1.5	0.7	-4.3	-0.4	1.6
Jobs Created (000s)*	301	-272	296	261	0.86	-5.87	-0.53	2.04
Unemployment Rate (%)	6.9	8.3	8.0	7.7	5.1	9.3	9.6	9.0
	Mexico				Euro zone			
Real GDP	2.8	-6.5	4.8	3.5	1.9	-4.1	0.8	1.0
Consumer Prices	5.1	3.6	4.9	4.6	2.2	0.9	1.3	1.6
	Latin America (Excl. Mexico)				Asia			
Real GDP	3.8	-0.3	5.3	3.8	5.2	1.5	5.7	4.9
Consumer Prices	8.1	7.0	7.9	4.5	1.6	0.8	2.0	2.0

In the United States, millions.

Commodity Prices (US$ annual average)

	2000-08	2009	2010f	2011f
Pulp (tonne)	662	720	940	840
Newsprint (tonne)	574	560	607	680
Lumber (mfbm)	286	178	240	235-240
Copper (lb)	1.72	2.34	3.20	3.35
Zinc (lb)	0.73	0.75	0.88	0.85
Nickel (lb)	7.16	6.50	9.25	9.25
WTI Oil (bbl)	49.93	62	78	80
Nymex Natural Gas (US$/mmbtu)	6.15	4.15	4.55	4.55
Wheat (tonne)	223	454	305	290

Financial Markets (end of period, % unless otherwise indicated)

	10Q1	10Q2	10Q3f	10Q4f	11Q1f	11Q2f	11Q3f	11Q4f
CANADA								
3-month T-bill	0.30	0.61	0.95	1.10	1.60	2.10	2.35	2.30
5-year Canada	2.90	2.33	2.55	2.70	2.85	3.05	3.20	3.50
10-year Canada	3.57	3.08	3.25	3.35	3.45	3.55	3.65	3.95
UNITED STATES								
3-month T-bill (Yield)	0.15	0.17	0.20	0.25	0.40	0.95	1.55	1.85
5-year Treasury	2.54	1.77	1.95	2.15	2.35	2.45	2.65	3.15
10-year Treasury	3.83	2.93	3.05	3.15	3.25	3.45	3.80	4.25
CANADIAN-US SPREADS								
3-month T-bill	0.15	0.44	0.75	0.85	1.20	1.15	0.80	0.45
5-year	0.36	0.56	0.60	0.55	0.50	0.60	0.55	0.35
10-year	-0.26	0.15	0.20	0.20	0.20	0.10	-0.15	-0.30
Canadian Dollar (USDCAD)	1.02	1.06	1.01	1.00	0.99	0.98	0.97	0.97
Canadian Dollar (CADUSD)	0.98	0.94	0.99	1.00	1.01	1.02	1.03	1.03
Yen (USDJPY)	93	88	90	92	94	95	95	97
Euro (EURUSD)	1.35	1.22	1.22	1.24	1.26	1.28	1.29	1.30
Sterling (GBPUSD)	1.52	1.49	1.50	1.53	1.54	1.56	1.56	1.55
Mexican Peso (USDMXN)	12.4	12.9	12.7	12.8	12.9	13.0	13.1	13.2

Canada

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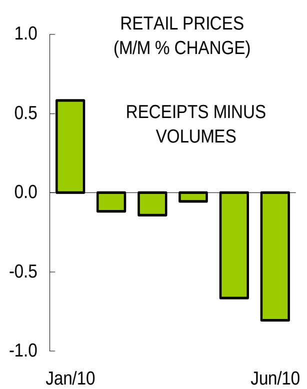
Discounting To Drive Sales

Canadian consumers continue to do their part in supporting the economic recovery, while at the same time showing a greater degree of thrift. Retail sales volumes increased a strong 0.9% m/m in June, with a big assist from new car sales. However, overall receipts were up only 0.1% in the month as a result of widespread discounting by retailers to lure in shoppers.



Average retail prices (estimated by the difference between the growth in volumes and the growth in receipts) have declined in each of the past five months, and at an accelerating pace (see chart). The introduction of employee pricing by automakers has played a large part, but other evidence also suggests larger-than-usual discounting on seasonal merchandise such as clothing as well as for big-ticket items such as furniture and appliances. This is good news for consumers, allowing them to stretch their spending dollar a bit further at a time when wage gains are slowing. However, it also points to shrinking retail profit margins which could limit hiring and investment plans in the sector.

A rush to beat a 2% hike in Nova Scotia's HST, effective July 1, appears to have had a modest distorting effect, as the province saw sales surge 3.1% in June. The impact of the July 1 transition to an HST in Ontario and British Columbia should have been minimal. The policy shift primarily impacts the cost of services, which had previously been exempt from provincial sales tax, but which are not captured in the monthly retail survey.

Preliminary retail reports for July point to relatively soft sales, and continued heavy discounting. However, new car sales remained brisk in the month, with employee pricing still in effect. Looking further ahead, we expect modest expenditure gains, but overall a fairly challenging retail environment. Labour market conditions remain buoyant so far, though growing economic uncertainty suggests employers will take an increasingly cautious approach to new hires. Consumer confidence readings have softened since the spring, as have intentions to make a major purchase. Canadians are becoming less upbeat about their personal finances amid volatile equity markets, softening housing and smaller wage gains. ■

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Review

Corporate Profits — Operating profits from Canadian businesses were down 1.8% in Q2 compared with Q1, but are still well above 2009 levels, posting a 28% y/y gain. Profits dipped to $61.7 billion after three consecutive quarterly increases. The majority of industries increased their profits in Q2, but the 7 of 22 industries that did decline pushed the quarterly change into negative territory. The insurance and oil & gas sectors were the biggest downward drivers of profits, while growth in vehicles & parts manufacturing, and increased mining revenues alongside higher prices helped offset some of those losses. Overall profits in the manufacturing sector were essentially flat, after gaining over the prior four quarters.

International Travel Account — The Canadian travel deficit grew to its largest level ever in Q2, due to a 5.9% increase in Canadian spending abroad, and a 1.1% decrease in spending from foreign visitors to Canada. The decrease in foreign spending is not unexpected given the strong Q1 receipts associated with the Vancouver Winter Olympic Games. Nonetheless, the weak U.S. economy, strong Canadian dollar and tighter border requirements have notably reduced the number of American travelers to Canada in recent years. Q2 of 2010 saw the lowest spending in Canada by U.S. tourists since the third quarter of 1997.

Preview

Current Account, Industrial Product Price Index & Raw Materials Price Index (08/30)

Real GDP (08/31)

United States

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Business Investment May Stall Out In Q3

Big-ticket durable goods orders sharply disappointed expectations, in what may be an additional sign of rising nervousness, and that speaks to downside risks to the economic outlook for the third quarter. The details show a broad-based retreat in orders that removes business investment as one of the bright spots remaining in the U.S. economy.

Non-defense capital goods orders excluding aircraft are a proxy for business investment in machinery and equipment, and, as such, are linked to the GDP report. These bookings fell by a whopping 8% m/m in July, which wipes out the gains of the prior two months and rolls back the order book to the level at which it stood in March.

This is disconcerting in that it probably means that business investment within the GDP accounts has so far been retreating in the third quarter. Assuming flat prints in August and September, a conservative estimate, the third quarter is currently tracking a 4% decline over the previous quarter.

Alongside the distinct possibility that real retail sales will detract from GDP growth in the third quarter, a renewed housing downturn, a drag on net trade, and now waning business investment, the odds of a negative print for real GDP growth are becoming much more elevated. What's more, this follows a downwardly revised second-quarter print to just 1.4% annualized growth.

However, there is positive revision risk to the headline durable goods orders, as the top print may have been distorted by the sizeable and volatile transportation segment. Industry data suggest that the demand for both aircraft and vehicles was higher in July, with Boeing locking in 130 new orders as compared to 49 in June and only 5 in May. However, 62% of those orders were placed in the latter half of the month, and thus might not be captured by the survey period (which ends at the mid-month point), but will be reflected in later revisions. Non-defense aircraft orders climbed by 'only' 29% m/m as compared to an over 2.5 fold rise in Boeing bookings in July.

That said, what is more important is that it is unlikely that the core durables report ex-transportation will get revised higher given waning momentum in new orders components in the regional manufacturing surveys outside of areas skewed by the aerospace industry.

Sectorally, weakness was concentrated in machinery (-4.6% m/m), defense shipments (-2.4%), fabricated metals (-0.9%) and primary metals (-0.1%). Nondefense aircraft bookings (+29% m/m) led the gains — primarily from Boeing Co. — followed by computers & electronics (6.8%). ■

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Review

Home Sales — New home sales suffered a 12.1% m/m drop in July, sending them to their lowest level on record at an annualized level of 276,000 units. Sales of existing homes and condos fared even worse, falling 27.2% m/m to 3.83 million units, the lowest level since the National Association of Realtors started tracking total existing home and condo sales in 1999. These dire reports are symptomatic of stagnant employment growth and the fact that most willing homebuyers jumped into the housing market when they could take advantage of nation-wide. Both results were well below consensus expectations, and weakness was spread across the nation. With the likelihood of continued weak readings in coming months, the renewed declines virtually guarantee that housing will be a significant drag on overall GDP growth in Q3, after adding support in the prior quarter.

Preview

Personal Income & Expenditures (08/30)

S&P/Case-Shiller Home Price Index, Chicago PMI, Consumer Confidence, FOMC Minutes (08/31)

Domestic Vehicle Sales, Construction Spending, ISM Manufacturing Index (09/01)

Productivity, Pending Home Sales index, Factory Orders (09/02)

Employment, ISM Non-Manufacturing Index (09/03)

Asia / Oceania

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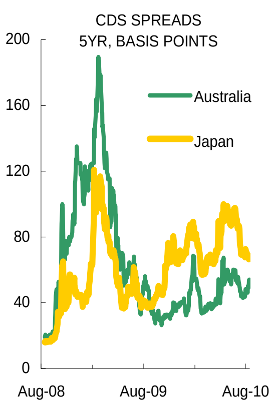
Yen To Drive Japanese Economic Rebalancing

Export volumes out of Japan have yet to show the effects of a record-high yen (JPY). The Bank of Japan's real trade balance report displayed a significant pickup in export volumes for July. The index reached 123.8 last month, a pickup from the 120.8 and 110.3 three-month averages for the first and second quarters, respectively. The data are derived from export receipts and export/import price indexes, and are not seasonally adjusted. Baring seasonal effects, the trend in Japanese foreign shipments remain in stark contrast with yen strength.



Source: Bloomberg

Looking more closely at recent yen fluctuations, we note that during April-June the currency strengthened vis-à-vis the euro (6.6% in average quarterly values), while weakening against the U.S. dollar (-1.4%). Japanese exports to both China and the U.S. have therefore benefited from a higher average USDJPY, while foreign sales to Europe were hurt by a lower EURJPY.

International Monetary Fund Direction of Trade statistics indicate Japanese shipments to China and the U.S. accounting for 18.8% and 16.4%, respectively, while exports to Europe represent 9.2% of total foreign sales. This explains in part the lagged response from exports to the rise in the value of the yen, while also opening a window into what to expect in coming months. So far in the third quarter, average currency trends have USDJPY and EURJPY lowering in unison. Thus, a further exchange rate impact on the country's exports remains only a matter of time.

GDP growth in Japan registered a meager 0.1% q/q gain in the second quarter which was in part pay-back from the 1.1% previous three-month gain. A fall in the contribution of net exports was instrumental to the slowdown. However, as explained above, export volumes slowed only slightly, while imports increased significantly. As a logical result of strengthening currency trends that have so far prevailed, import volumes continued to trend higher in July, rising to an estimated 104.7, from the 99.3 average index level for the first half of 2010.

The pickup in the demand for foreign goods speaks of an enhanced outlook for local spending which remains supported by confidence indicators, growing labour market participation and rising bank credit flows to individuals. Job creation in July increased more than the size of the labour force — which continued to accelerate — resulting in a small reduction in Japanese unemployment to 5.2%. Household spending fell (0.4% m/m) in July, following June's strong pickup (2.9%). In our view, this indicates that the still favourable external outlook continues to trickle down to the domestic market.

Private consumption represents 57% of Japanese GDP, while exports stand at 15.4%. This stands in contrast with Germany and China, where the export/output share reaches 41% and 37%, respectively. ■

Australian Economy Strong After Polls

Australia's Labour Party failed to capitalize on its ability to keep a buoyant economy during the global slowdown. Australia's economy, like the U.S., not only avoided a second Great Depression, but manoeuvred swiftly around the Great Recession as GDP contracted in the final three months of 2008.

The stellar economic performance failed to be reflected in the polls as Labour's preference amongst the electorate dwindled almost steadily from a peak back in February. The turning of the tables in voters' sympathy started with ex-prime minister Rudd but continued after a slight ascent in June under current Prime Minister Julia Gillard.

The downtrend resulted in Labour's coming short of the 76 seat mark to lead the 150-seat House of Representatives, with the current vote tally leaving Labour with 72 seats and the Liberal-National coalition led by Tony Abbott at 70.

An inconclusive outcome hints at the public's unhappiness with both parties, as political momentum swings towards independents leaving a hung parliament.

Notwithstanding Labour's electoral setback, the Australian economy remains solid with leading indicators continuing to display gains. Inflationary concerns remain tame with evidence of second-quarter wage deceleration leaving the door open for a sidelined central bank.

Industry & Commodity

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Base Metal Prices Hold Up Well

Scotiabank's Commodity Price Index rose by 2.7% m/m in July and continued to rally in early August, after sharp declines in May and June. A significant drop in the U.S. dollar against key currencies lifted dollar-denominated commodity prices last month, as did some return of investor risk appetite for commodities & equities. The All Items Index remains 24.7% above the cyclical low in April 2009.

The DXY Index, tracking the U.S. dollar against six key currencies, fell by 9% from the recent high on June 7th through August 6 in reaction to disappointing U.S. economic indicators on consumer spending, employment and housing activity. U.S. industrial production strengthened markedly in 2010Q2 (+7.3% y/y) and remained firm in July (+7.7% y/y) — related partly to re-stocking low inventories of manufactured goods coming into this year. However, financial markets worry about the sustainability of the recovery, given prospects for weak consumer spending. A rise in U.S. initial jobless claims to 500,000 (the highest since November 2009) and a soft Philly Fed reading on Mid-Atlantic manufacturing activity has triggered renewed risk aversion and fund inflows into safe-haven U.S. Treasury securities in mid-August, with the U.S. dollar regaining some lost ground (likely temporarily).

The increase in Scotiabank's Commodity Price Index was broad based in July, with all sub-components advancing. Agriculture led the gain (+7.1% m/m), with strength in grains (wheat, canola and barley) and fish (Pacific salmon and Atlantic lobster). Since bottoming in April/ May at C$266 per tonne, the Canadian Wheat Board's asking export price for wheat (No.1 grade) has recovered rapidly to C$334 in mid-August (+ 26%) and will likely climb further over the next six months. Prices spiked on August 5th following Russia's ban on wheat exports (for the period August 15-December 31) due to a severe drought across the FSU-12 spring wheat area. Reduced crops in Western Canada, Kazakhstan, the Ukraine and the EU-27 have also slashed estimated world wheat ending stocks for 2010-11 to 26.3% of world consumption. This follows two years of near-record world crops which lifted stocks to 29.8% of global consumption (near the high levels of 1999-2000), leading to a gradual fall in prices over the past 18 months. However, stocks remain above the very low levels of 2007-08, which triggered fear of global food shortages.

Base metal prices also bounced back in July from declines in May and June, more than offsetting a temporary pull-back in gold & silver prices. LME copper prices remain quite resilient and surged as high as US$3.38 per pound on August 19 — yielding a 56% profit margin — boosted by supply-side tightness. The Oil & Gas Index also gained ground in July (+2.8% m/m) alongside stronger light & heavy crude oil prices in Alberta as well as some improvement in natural gas export prices. Finally, the Forest Products Index advanced by 1.3% m/m, as gains in U.S. newsprint and fine paper prices and some recovery in lumber prices (back towards average cash costs plus the export tax) offset slightly lower OSB prices. ■

Copper Prices Are Resilient

After losing ground last spring, LME copper prices rallied from US$2.95 per pound in June to US$3.05 in July and are US$3.31 on August 27. While China's economy — accounting for 38% of world copper consumption in 2009 — is likely to slow in the third quarter from 10.3% y/y in 2010Q2 — copper consumption estimates for China are being revised up. China's demand for refined copper will likely grow by 13% in 2010 and another 8-10% in 2011, after an extraordinary 28% increase in 2009 (not including any inventory building by China's State Reserve Bureau or fabricators). Moreover, several programs will offset the impact of a winding down of the massive infrastructure spending program put in place in late 2008 to revitalize China's economy from the 'credit crisis'. Huge spending on copper-intensive power infrastructure on the state grid in rural areas will continue through 2012 (12 bn RMB). Beijing has also renewed the 'home appliance subsidy scheme' and is promoting electric cars, which are twice as copper-intensive as conventional vehicles.

There is growing recognition that copper supplies are fundamentally tight, given almost no increase in world mine capability over the past five years and declining ore grades at major producing mines. While new mine development will begin to ramp up in 2011, it will not be until 2012 that it has a significant impact. World supply/demand conditions for copper are in deficit in 2010, with the deficit likely to grow in 2011. The LME copper price forecast has been revised up to US$3.20 for 2010 and US$3.35 for 2011.

Market Metrics

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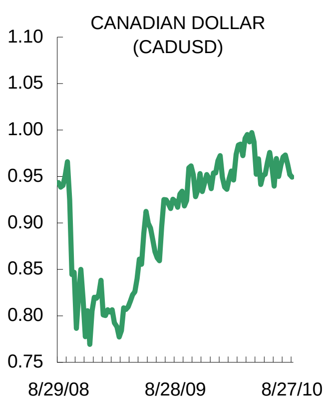
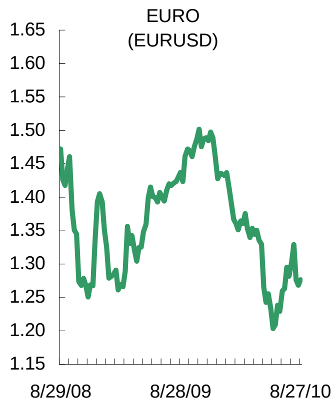
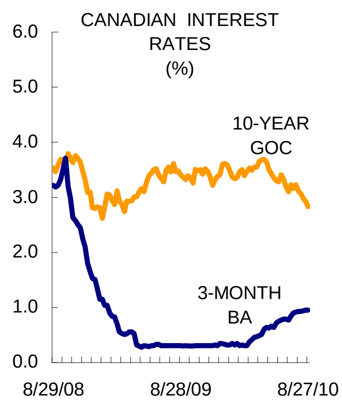
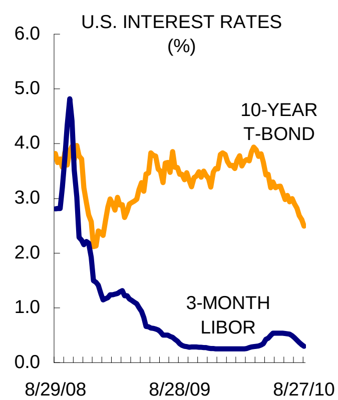
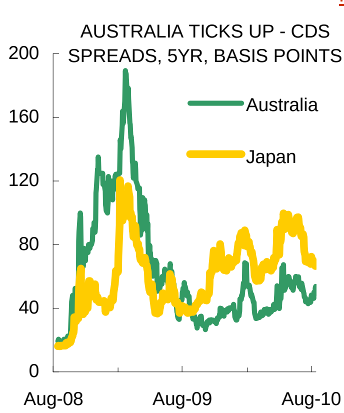




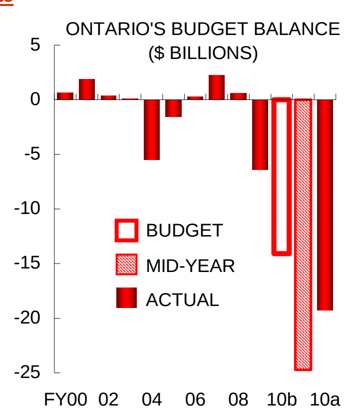




Fiscal Charts



Source: Bloomberg



Source: Ontario Finance.

Markets — Nymex natural gas prices fell to their lowest level since September 2009 this week, to $3.74/mmbtu. The end of summer typically brings about lower natural gas prices as air conditioning demand tails off, while demand for heating is still months away. Although, as is always the risk in the hurricane season, a storm in the Gulf of Mexico could strain production and processing facilities, raising the price.

A wave on global investor pessimism pushed Canadian equity markets sharply lower early in the week. However, the TSX composite had recovered to hit a nearly three-week high by Friday to 11820 at the time of writing. U.S. equities did not fare as well as their Canadian counterparts, as the S&P 500 ended down on the week after poor housing and manufacturing data.

The Canadian dollar has appreciated for three consecutive days after hitting a month-long low of 94.21 cents to the USD on Tuesday. The increase from Tuesday's low against the U.S. dollar was shared by other commodity-tied currencies, including the Australian and New Zealand dollars.

Note: Latest observation taken at time of writing.

Fiscal Policy — Ontario's final deficit for fiscal 2009-10 (FY10) was $19.3 billion — wider than the original *Budget* estimate of a $14.1 billion deficit, but 22% (-$5.5 billion) narrower than the Province's $24.7 billion mid-year deficit forecast, and $2.1 billion narrower than its $21.3 billion estimate this past March. Improvement in the bottom line since Ontario's mid-year revision primarily stemmed from scaling back program spending to almost the original *Budget* estimate, though this still represented a 12.2% jump in FY10 program outlays relative to FY09.

Reflecting both the deficit and record infrastructure investment, net debt, as reported by the Province, rose 14.2% (+$24.0 billion) to $193.6 billion. Over the two years of deficits, Ontario's net debt relative to GDP increased from 26.8% of GDP in March 2008 to 34.2% in March 2010, and on a per capita basis from $12,240 to $14,813. Despite the strength of Ontario's economic rebound since mid-2009, the steep slide in the Province's own-source revenues from the downturn and the potential slowing in U.S. growth will likely require continued expenditure management to achieve or potentially better the government's projected $19.7 billion FY11 deficit.

Economic Tables

Canada	2009	10Q1	10Q2	Latest	
Real GDP (annual rates)	-2.5	6.1			
Current Acc. Bal. (C$B, ar)	-43.5	-31.3			
Merch. Trade Bal. (C$B, ar)	-4.6	4.7	-6.4	-13.6	(Jun)
Industrial Production	-10.0	-0.4		-5.5	(May)
Housing Starts (000s)	149	198	199	189	(Jul)
Employment	-1.6	0.5	1.8	2.2	(Jul)
Unemployment Rate (%)	8.3	8.2	8.0	8.0	(Jul)
Retail Sales	-2.9	7.3	5.0	3.8	(Jun)
Auto Sales (000s)	1459	1555	1518	1518	(Jun)
CPI	0.3	1.6	1.4	1.8	(Jul)
IPPI	-3.4	-0.6	0.5	0.2	(Jun)
Pre-tax Corp. Profits	-32.3	16.8			

Mexico					
Real GDP	-6.5	4.3	7.6		
Current Acc. Bal. (US$B, ar)	-5.7	-2.0	-2.9		
Merch. Trade Bal. (US$B, ar)	-4.6	1.5	-0.2	-12.4	(Jul)
Industrial Production	-7.3	5.4	7.8	8.4	(Jun)
CPI	5.3	4.8	4.0	3.6	(Jul)

Argentina					
Real GDP	0.9	6.8			
Current Acc. Bal. (US$B, ar)	11.5	-1.5			
Merch. Trade Bal. (US$B, ar)	16.9	8.5	21.4	10.6	(Jul)
Industrial Production	0.1	9.0	10.1	7.6	(Jul)
CPI	-26.9	35.7	93.3	11.2	(Jul)

Germany					
Real GDP	-4.7	2.0	3.7		
Current Acc. Bal. (US$B, ar)	168.1	173.9	133.1	189.7	(Jun)
Merch. Trade Bal. (US$B, ar)	189.8	191.4	184.4	182.0	(Jun)
Industrial Production	-15.5	6.0	12.5	10.8	(Jun)
Unemployment Rate (%)	8.2	8.1	7.7	7.6	(Jul)
CPI	0.3	0.8	1.1	1.0	(Aug)

Euro Zone					
Real GDP	-4.1	0.6	1.7		
Current Acc. Bal. (US$B, ar)	-77.7	-141	-124	15	(Jun)
Merch. Trade Bal. (US$B, ar)	56.6	15.3	45.4	82.2	(Jun)
Industrial Production	-14.9	4.8	9.2	8.3	(Jun)
Unemployment Rate (%)	9.4	9.9	9.9	9.9	(Jun)
CPI	0.3	1.1	1.5	1.7	(Jul)

Japan					
Real GDP	-5.2	4.4	1.9		
Current Acc. Bal. (US$B, ar)	141.7	222.1	151.7	138.4	(Jun)
Merch. Trade Bal. (US$B, ar)	28.4	84.6	63.6	83.7	(Jul)
Industrial Production	-21.8	27.1	21.1	17.3	(Jun)
Unemployment Rate (%)	5.1	4.9	5.2	5.2	(Jul)
CPI	-1.4	-1.2	-0.9	-0.9	(Jul)

China					
Real GDP	9.1	11.9	10.3		
Current Acc. Bal. (US$B, ar)	297.1				
Merch. Trade Bal. (US$B, ar)	195.7	56.2	164.6	344.8	(Jul)
Industrial Production	18.5	18.1	13.7	13.4	(Jul)
CPI	1.9	2.4	2.9	3.3	(Jul)

United States	2009	10Q1	10Q2	Latest	
Real GDP (annual rates)	-2.6	3.7	1.6		
Current Acc. Bal. (US$B, ar)	-378	-436			
Merch. Trade Bal. (US$B, ar)	-507	-605	-676	-744	(Jun)
Industrial Production	-9.3	2.7	7.6	7.7	(Jul)
Housing Starts (millions)	0.55	0.62	0.60	0.55	(Jul)
Employment	-4.3	-2.4	-0.5	0.0	(Jul)
Unemployment Rate (%)	9.3	9.7	9.7	9.5	(Jul)
Retail Sales	-7.1	6.3	7.5	5.9	(Jul)
Auto Sales (millions)	10.4	11.0	11.3	11.5	(Jul)
CPI	-0.4	2.4	1.8	1.2	(Jul)
PPI	-2.6	4.8	4.5	4.2	(Jul)
Pre-tax Corp. Profits	-1.2	56.9	48.8		

Brazil					
Real GDP	-0.1	8.0			
Current Acc. Bal. (US$B, ar)	-24.3	-48.2	-46.9		
Merch. Trade Bal. (US$B, ar)	25.3	3.6	28.0	16.3	(Jul)
Industrial Production	-7.2	17.2	14.2	11.7	(Jun)
CPI	5.2	3.9	5.5	4.9	(Jul)

Italy					
Real GDP	-5.1	0.5	1.1		
Current Acc. Bal. (US$B, ar)	-0.07	-0.10	-0.06	-0.04	(Jun)
Merch. Trade Bal. (US$B, ar)	-6.9	-46.9	-29.2	-44.8	(Jun)
Industrial Production	-18.3	3.1	7.6	8.1	(Jun)
CPI	0.8	1.4	1.5	1.7	(Jul)

France					
Real GDP	-2.8	1.4	1.9		
Current Acc. Bal. (US$B, ar)	-52.2	-22.2	-72.9	-54.3	(Jun)
Merch. Trade Bal. (US$B, ar)	-31.2	-33.1	-41.2	-37.3	(Jun)
Industrial Production	-13.2	5.6	7.1	5.0	(Jun)
Unemployment Rate (%)	9.4	9.9	9.9	10.0	(Jun)
CPI	0.1	1.3	1.6	1.7	(Jul)

United Kingdom					
Real GDP	-4.9	-0.2	1.7		
Current Acc. Bal. (US$B, ar)	-23.7	-72.1			
Merch. Trade Bal. (US$B, ar)	-127.8	-136.6	-136.3	-131.1	(Jun)
Industrial Production	-10.2	0.0	1.5	1.3	(Jun)
Unemployment Rate (%)	7.6	7.9		7.8	(May)
CPI	2.2	3.3	3.4	3.1	(Jul)

Australia					
Real GDP	1.3	2.7			
Current Acc. Bal. (US$B, ar)	-40.3	-56.5			
Merch. Trade Bal. (US$B, ar)	-3.2	-8.8	29.7	34.2	(Jun)
Industrial Production	-2.8	3.4			
Unemployment Rate (%)	5.6	5.3	5.2	5.3	(Jul)
CPI	1.8	2.9	3.1		

South Korea					
Real GDP	0.2	8.1	7.2		
Current Acc. Bal. (US$B, ar)	42.7	5.3	41.4	70.5	(Jul)
Merch. Trade Bal. (US$B, ar)	42.3	13.7	58.4	66.1	(Jul)
Industrial Production	-1.3	26.7	19.4	16.8	(Jun)
CPI	2.8	2.7	2.6	2.6	(Jul)

All data expressed as year-over-year % change unless otherwise noted.

Financial Tables

Interest Rates (%, end of period)

Canada	10Q1	10Q2	Aug/20	Aug/27*	United States	10Q1	10Q2	Aug/20	Aug/27*
BoC Overnight Rate	0.25	0.50	0.75	0.75	Fed Funds Target Rate	0.25	0.25	0.25	0.25
3-mo. T-bill	0.30	0.61	0.67	0.69	3-mo. T-bill	0.15	0.17	0.15	0.15
10-yr Gov't Bond	3.57	3.08	2.92	2.85	10-yr Gov't Bond	3.83	2.93	2.61	2.62
30-yr Gov't Bond	4.07	3.65	3.53	3.48	30-yr Gov't Bond	4.71	3.89	3.66	3.65
Prime	2.25	2.50	2.75	2.75	Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	56.5	55.3	55.3	(Jun)	FX Reserves (US$B)	116.5	113.5	113.5	(Jun)
Germany					**France**				
3-mo. Interbank	0.49	0.67	0.86	0.86	3-mo. T-bill	0.31	0.30	0.35	0.39
10-yr Gov't Bond	3.09	2.58	2.27	2.21	10-yr Gov't Bond	3.42	3.05	2.58	2.54
FX Reserves (US$B)	60.2	61.2	61.2	(Jun)	FX Reserves (US$B)	48.1	45.6	45.6	(Jun)
Euro-Zone					**United Kingdom**				
Refinancing Rate	1.00	1.00	1.00	1.00	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.40	0.54	0.43	0.41	3-mo. T-bill	4.85	4.85	4.85	4.85
FX Reserves (US$B)	284.9	283.4	283.4	(Jun)	10-yr Gov't Bond	3.94	3.36	2.98	2.91
					FX Reserves (US$B)	57.6	61.2	61.2	(Jun)
Japan					**Australia**				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	4.00	4.50	4.50	4.50
3-mo. Libor	0.18	0.18	0.18	0.17	10-yr Gov't Bond	5.78	5.09	4.91	4.81
10-yr Gov't Bond	1.40	1.09	0.94	1.01	FX Reserves (US$B)	34.9	34.1	34.1	(Jun)
FX Reserves (US$B)	1015.3	1019.6	1019.6	(Jun)					

Exchange Rates (end of period)

USDCAD	1.02	1.06	1.05	1.05	¥/US$	93.47	88.43	85.62	85.09
CADUSD	0.98	0.94	0.95	0.95	US¢/Australian$	91.72	84.08	89.39	89.81
GBPUSD	1.518	1.495	1.553	1.553	Chinese Yuan/US$	6.83	6.78	6.79	6.80
EURUSD	1.351	1.224	1.271	1.277	South Korean Won/US$	1131	1222	1183	1197
JPYEUR	0.79	0.92	0.92	0.92	Mexican Peso/US$	12.365	12.941	12.765	13.000
USDCHF	1.05	1.08	1.03	1.03	Brazilian Real/US$	1.781	1.805	1.756	1.750

Equity Markets (index, end of period)

United States (DJIA)	10857	9774	10214	10095	U.K. (FT100)	5680	4917	5195	5202
United States (S&P500)	1169	1031	1072	1058	Germany (Dax)	6154	5966	6005	5951
Canada (S&P/TSX)	12038	11294	11722	11821	France (CAC40)	3974	3443	3526	3507
Mexico (Bolsa)	33266	31157	32292	31511	Japan (Nikkei)	11090	9383	9179	8991
Brazil (Bovespa)	70372	60936	66677	64871	Hong Kong (Hang Seng)	21239	20129	20982	20597
Italy (BCI)	1138	972	1017	985	South Korea (Composite)	1693	1698	1776	1730

Commodity Prices (end of period)

Pulp (US$/tonne)	910	1020	1020	1020	Copper (US$/lb)	3.55	2.96	3.34	3.31
Newsprint (US$/tonne)	565	618	630	630	Zinc (US$/lb)	1.07	0.78	0.95	0.91
Lumber (US$/mfbm)	280	188	224	227	Gold (US$/oz)	1115.50	1244.00	1223.50	1235.00
WTI Oil (US$/bbl)	83.76	75.63	73.46	73.81	Silver (US$/oz)	17.50	18.74	18.45	19.03
Natural Gas (US$/mmbtu)	3.87	4.62	4.12	3.74	CRB (index)	273.34	258.52	268.22	266.33

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