

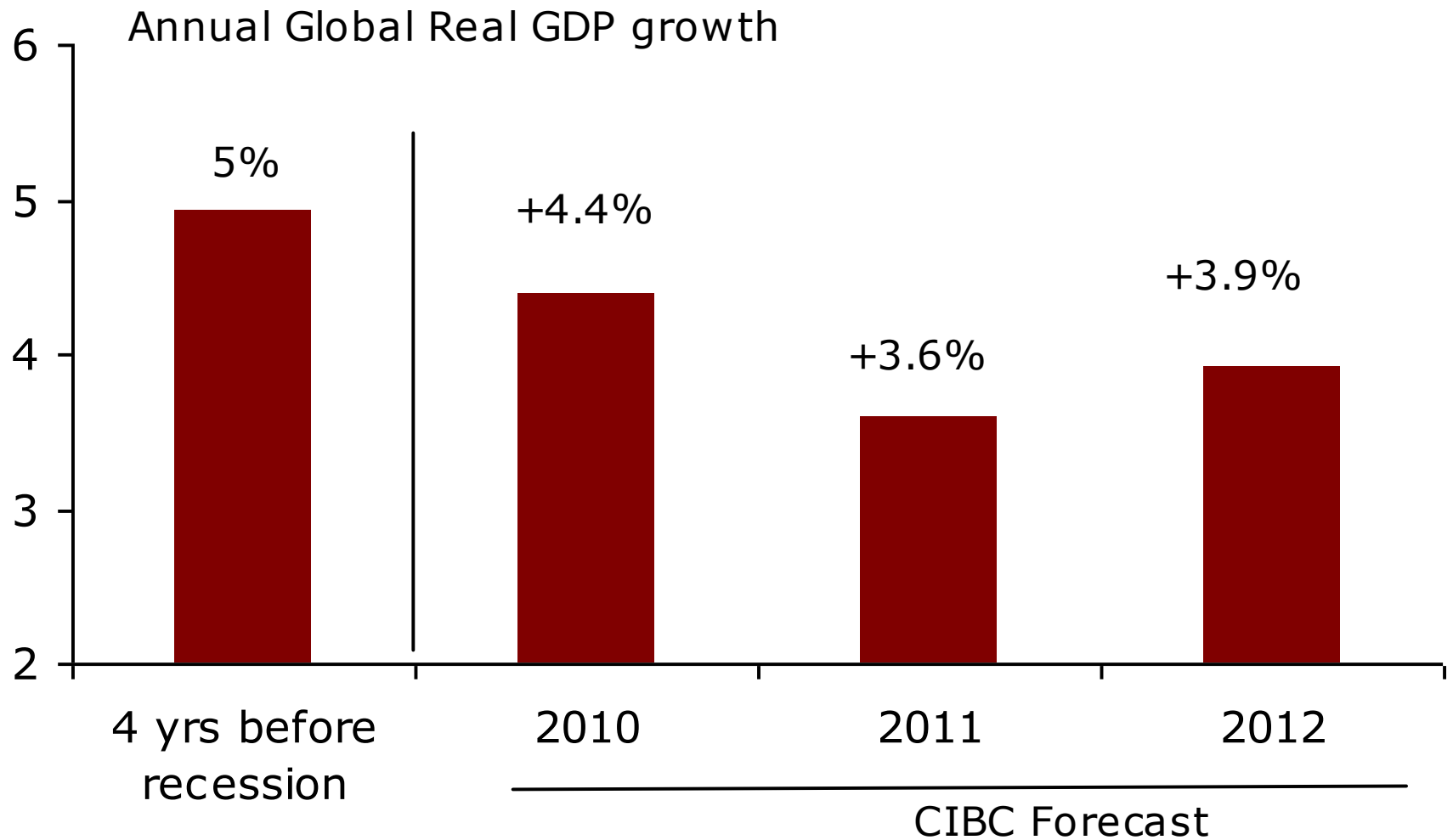
Not Yet Heaven in Twenty-Eleven

By Avery Shenfeld, Chief Economist & Managing Director

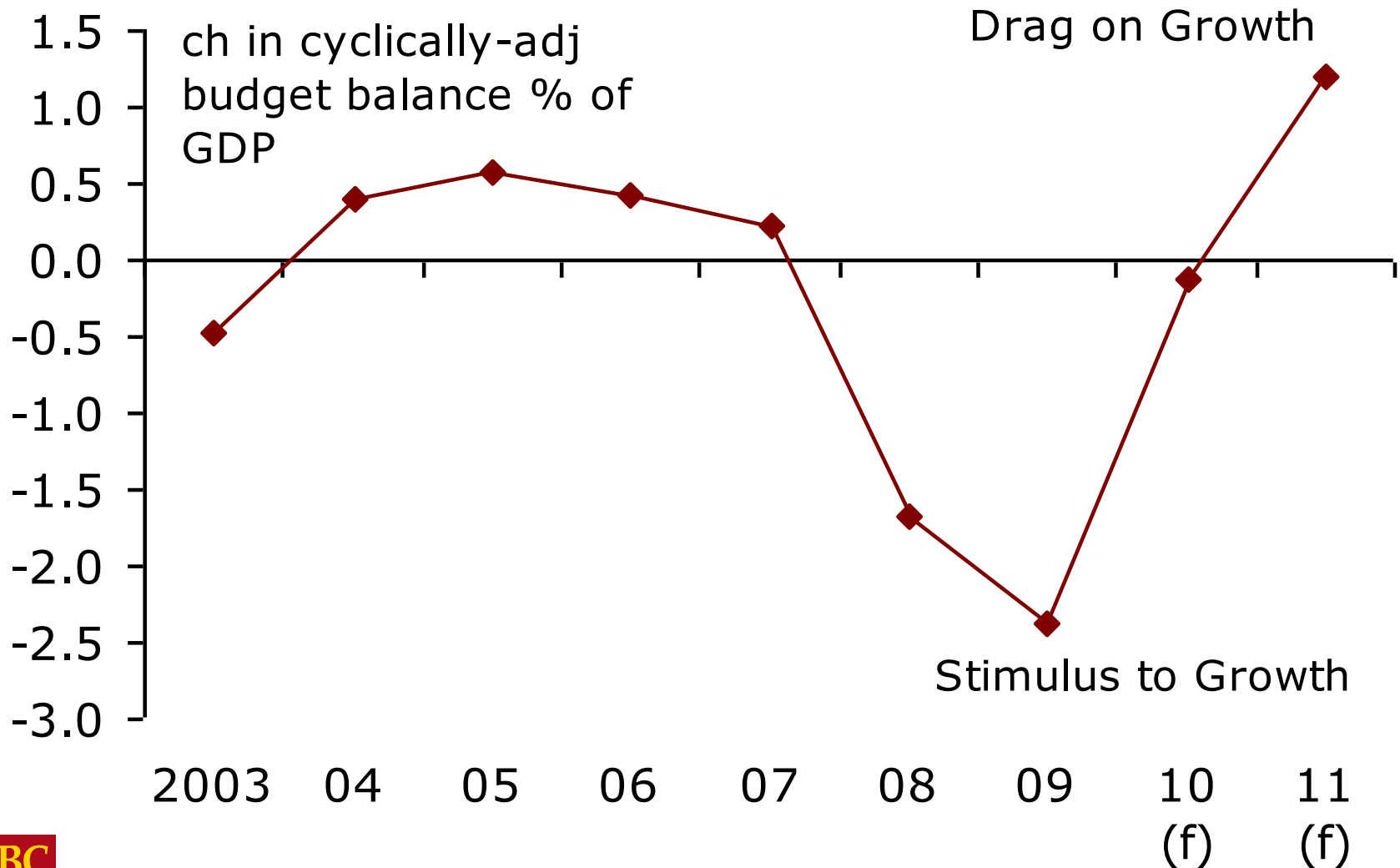
November 2010



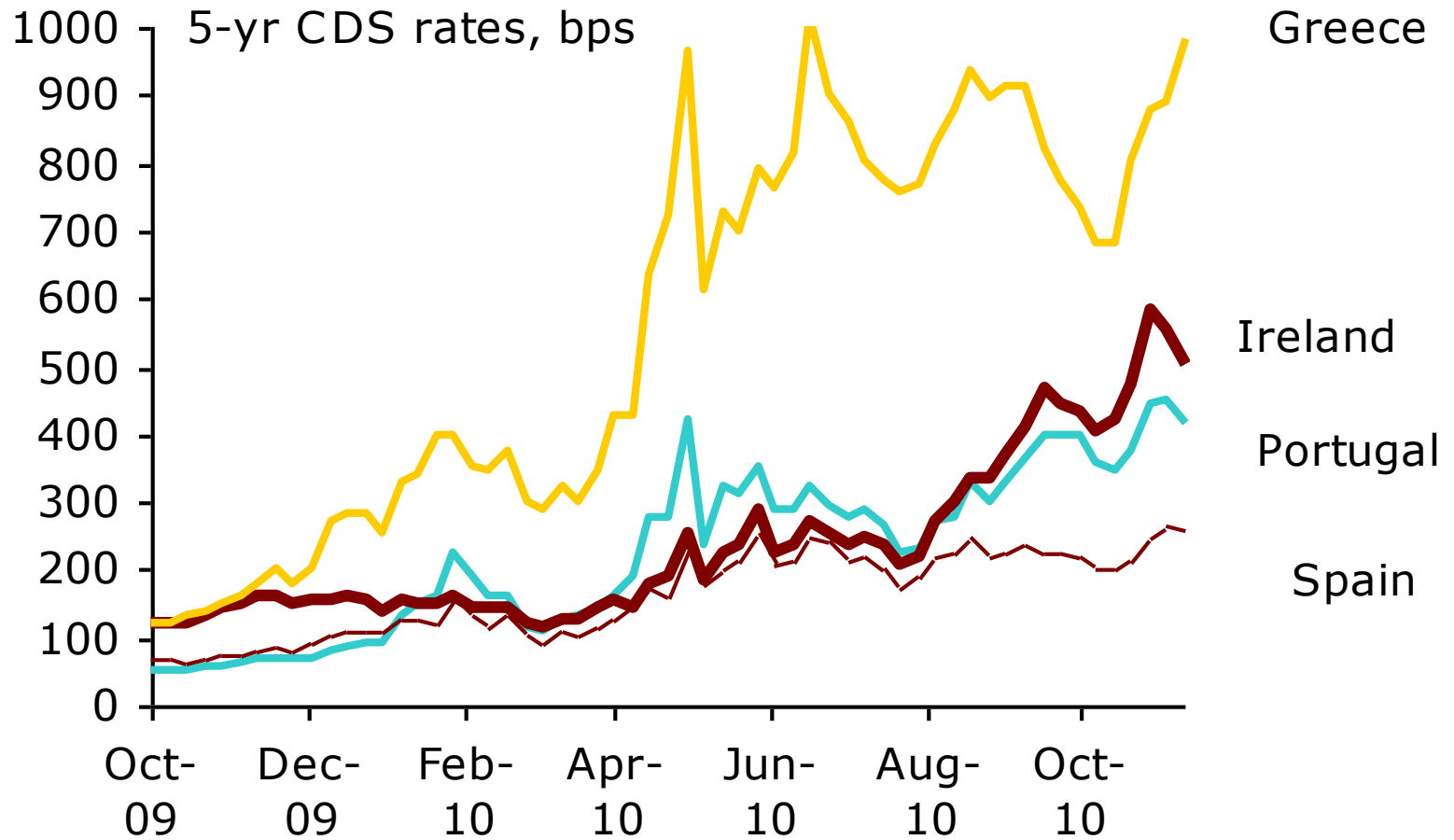
The Great Disappointment



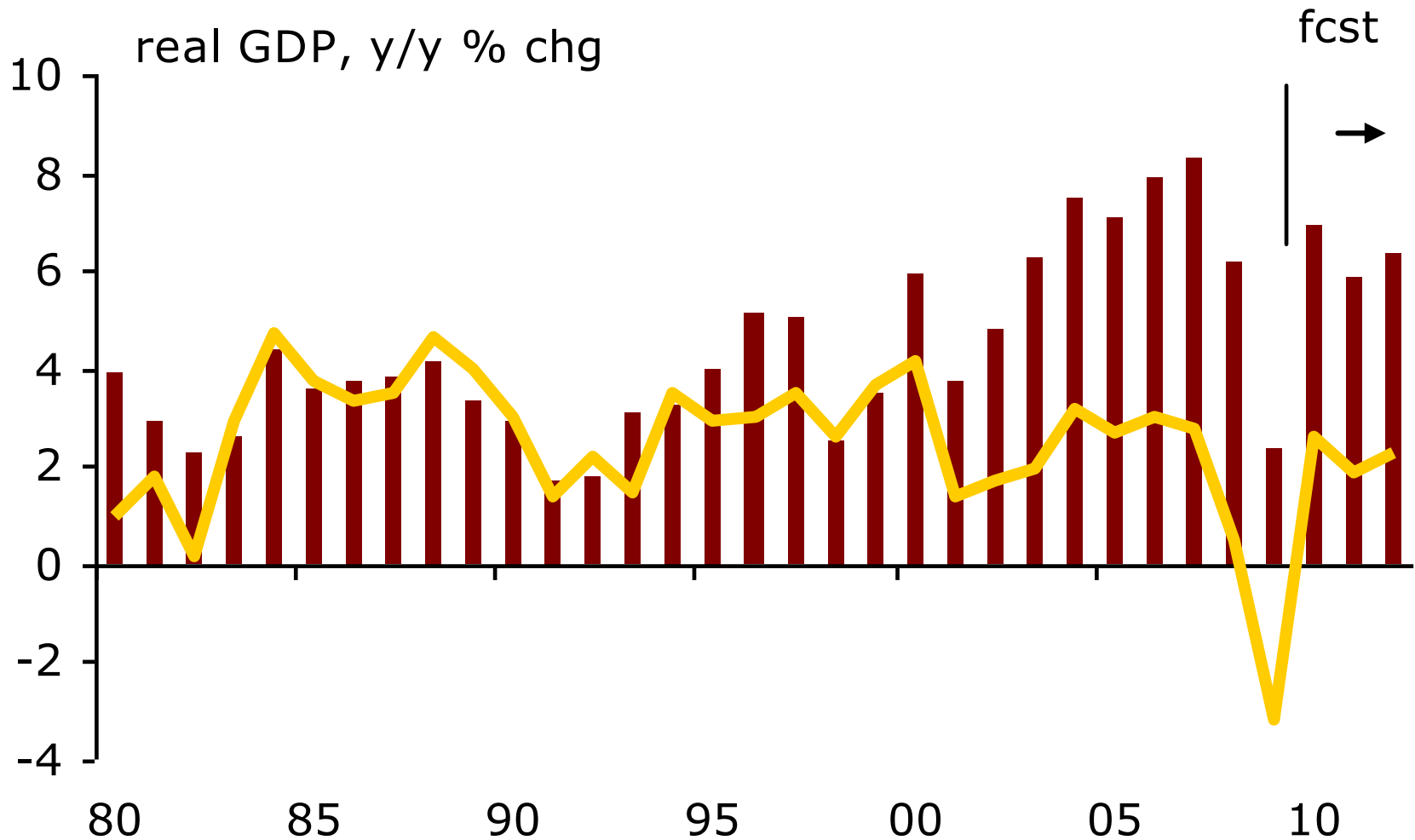
OECD Budget Tightening to Hit Growth in 2011



Market Fears European Sovereign Defaults

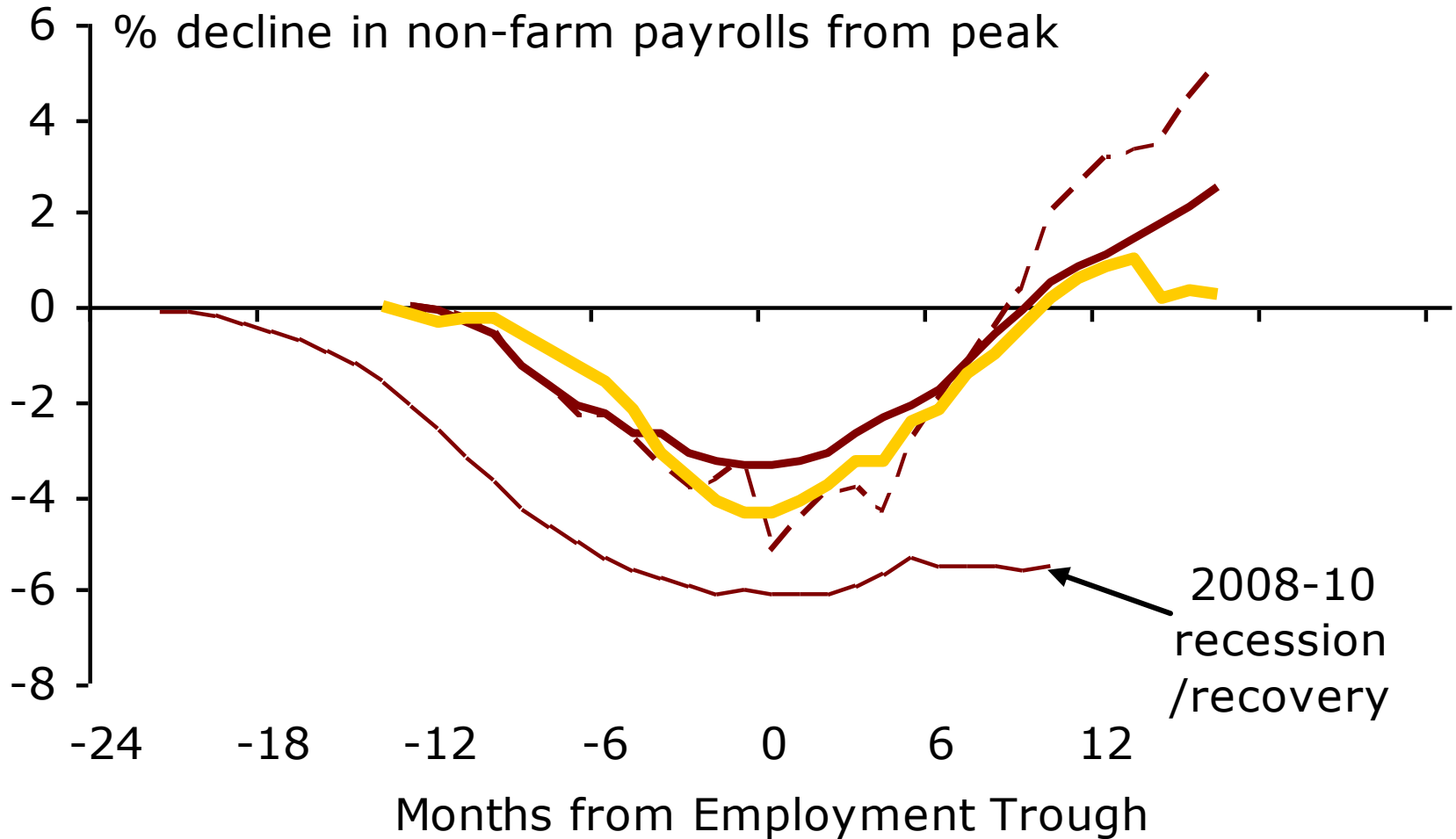


Emerging Markets Not Immune



Emerging Markets Industrialized Economies

Worst US Job Losses Since Great Depression



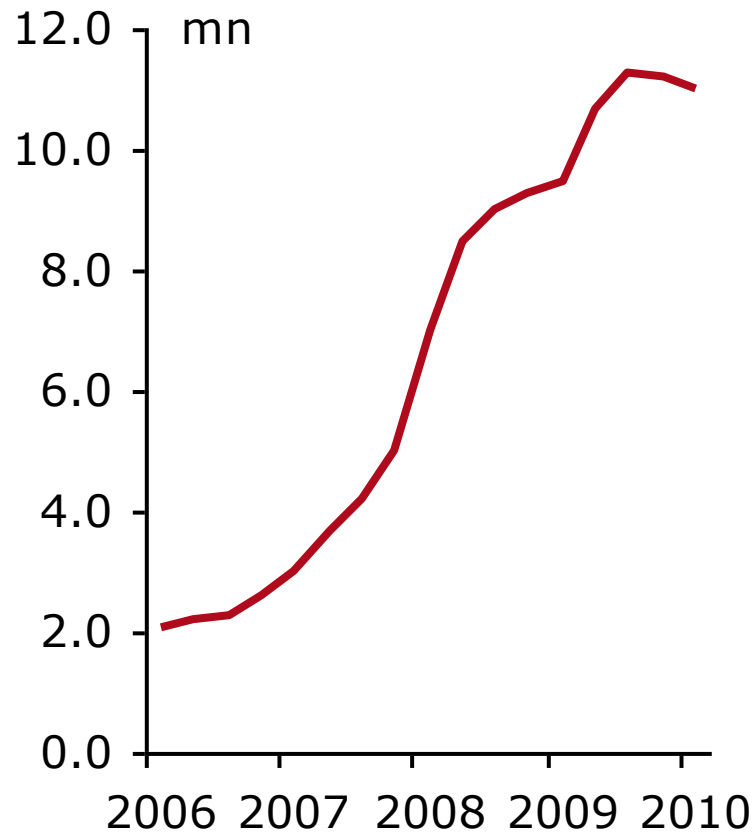
2008-10
recession
/recovery



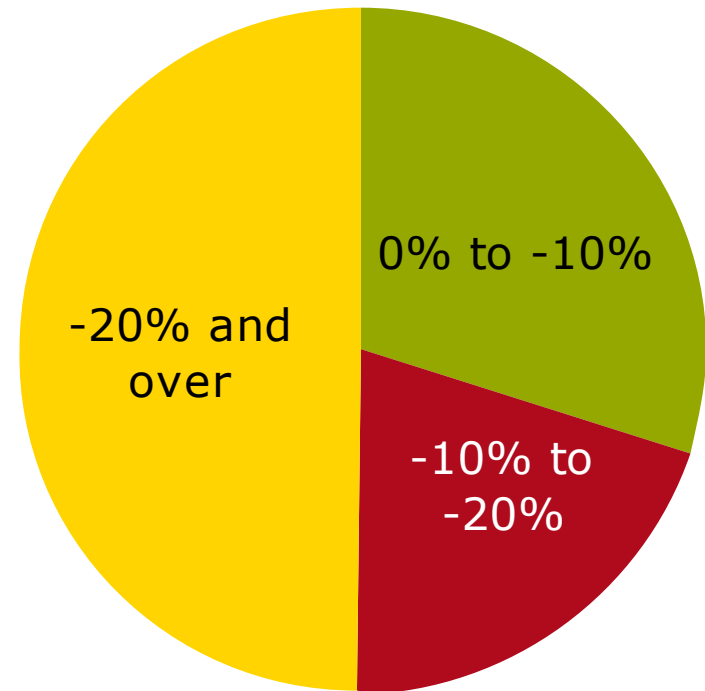
--- 1948 — 1953 — 1958 — 2007-

Record High Negative Equity Position in US Housing

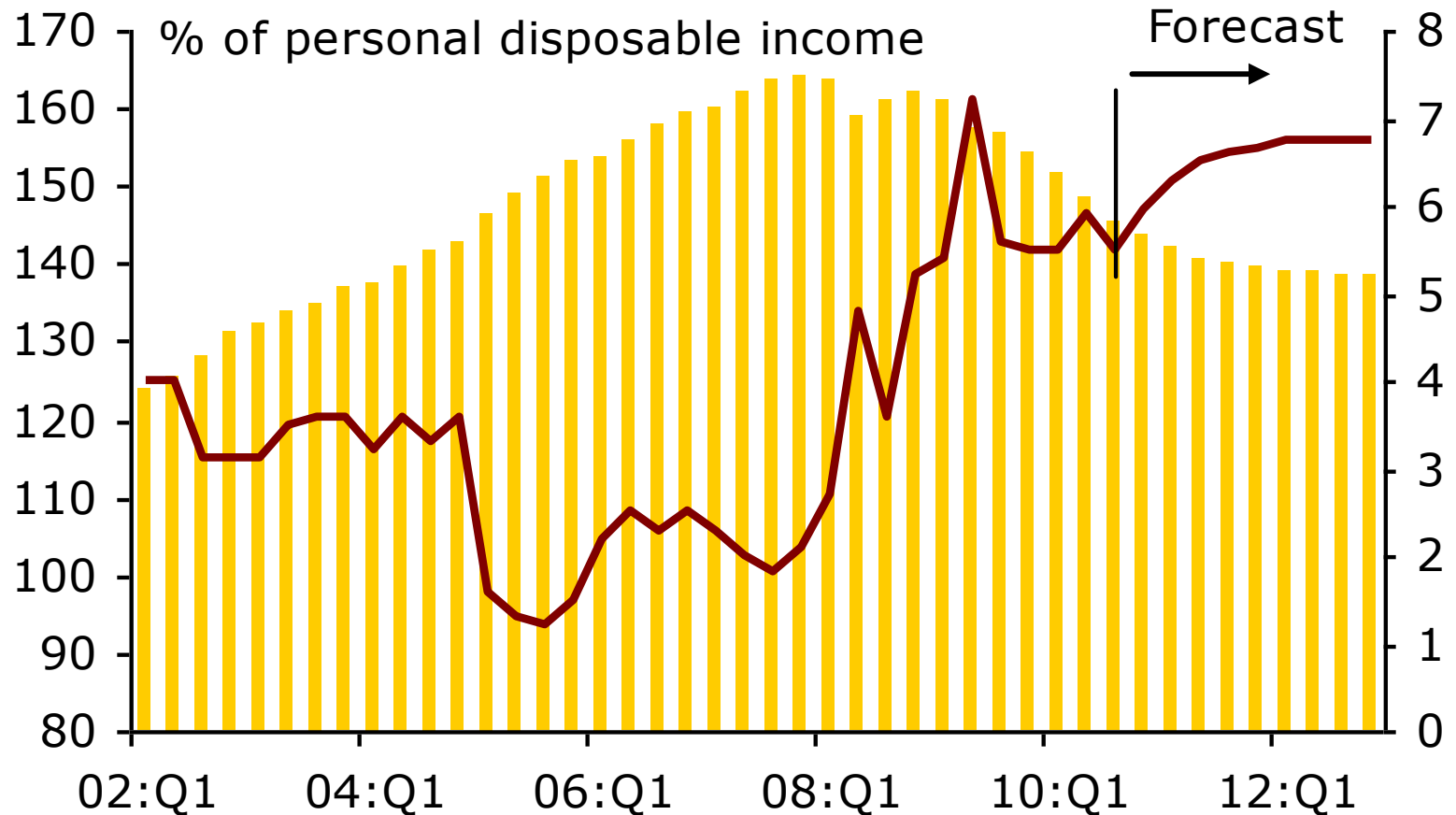
No. of Mortgages in Negative Equity



Distribution of Negative Equity



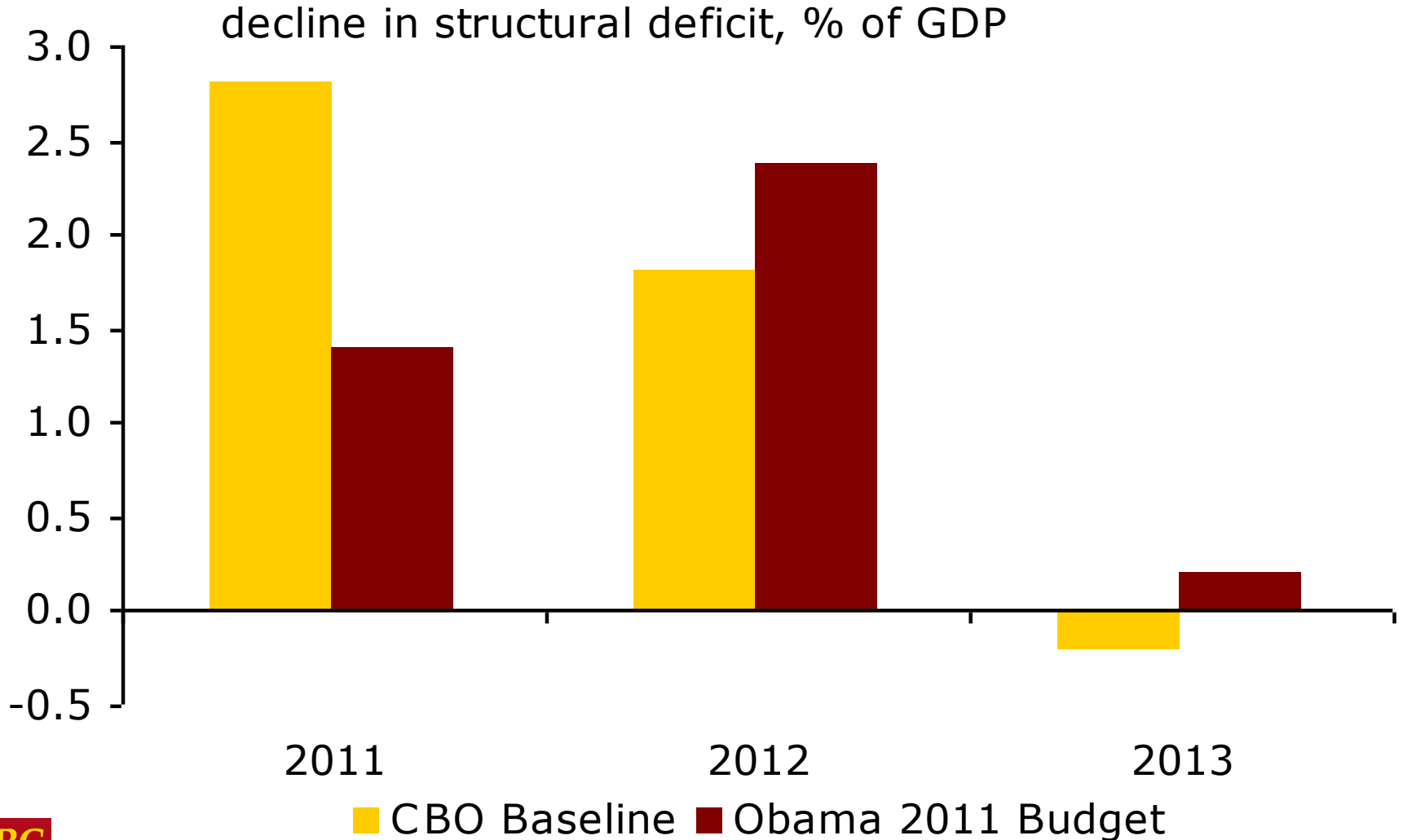
Wealth Loss, High Debt, Lack of Credit Add Up to Rising US Savings Rate



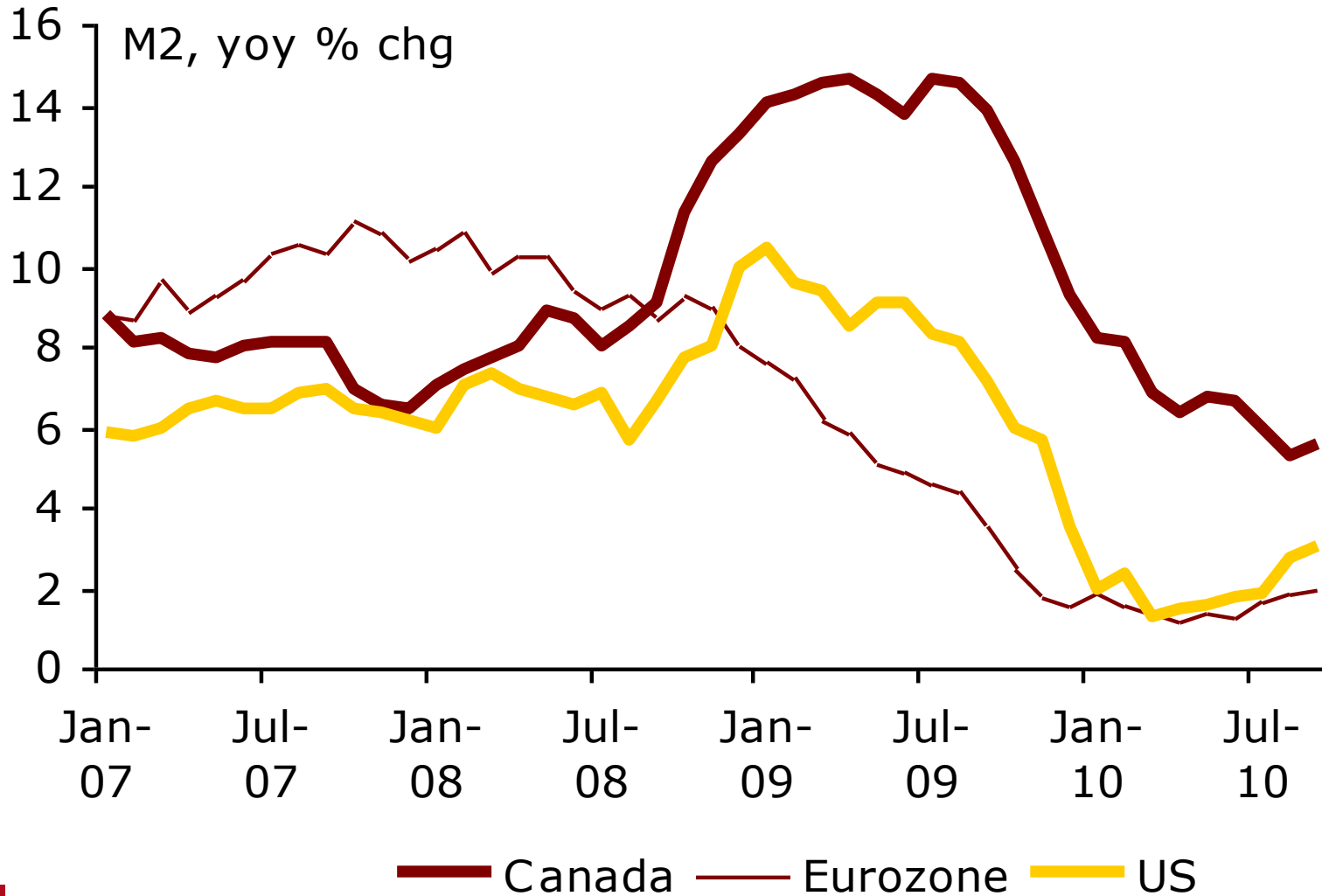
Household Debt (L) Personal Savings (R)



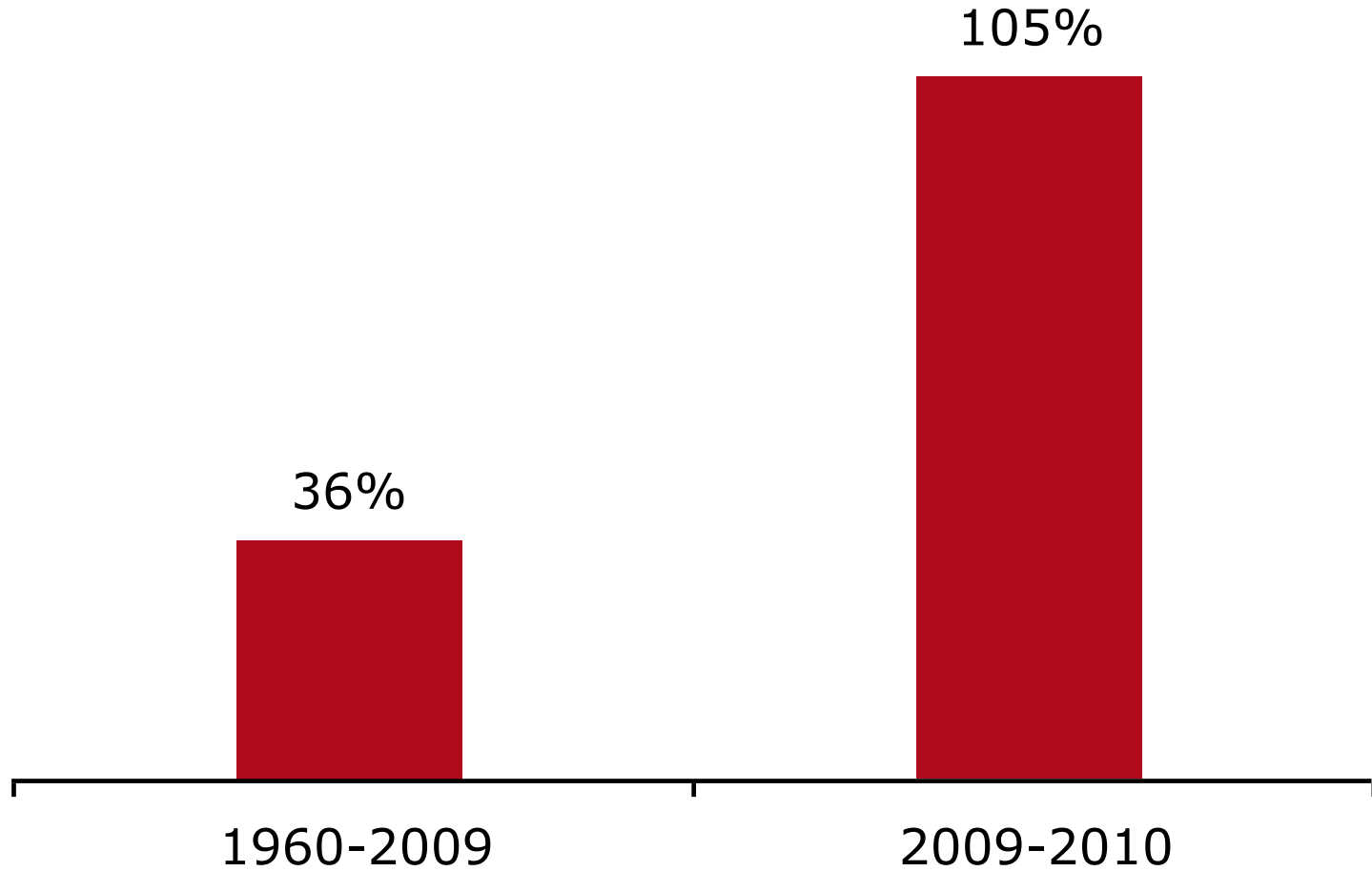
Fiscal Tightening Holds 2011 US Growth to 2% and Keeps Fed Funds Rate Near Zero Thru 2012



No Flood of US Dollars: Quantitative Easing No Risk to US\$ or Inflation

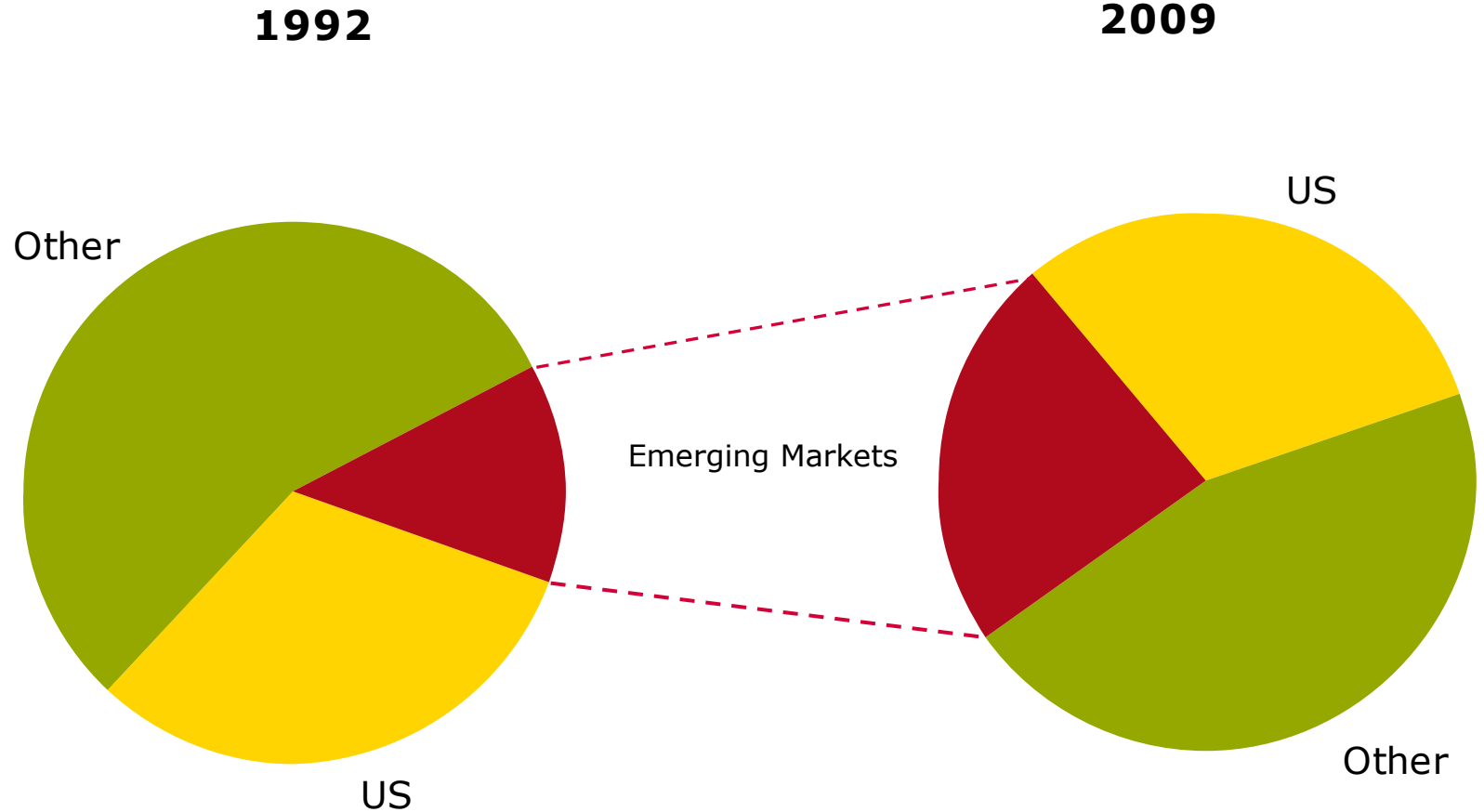


US Exports & Investment Share of GDP Growth During Recoveries

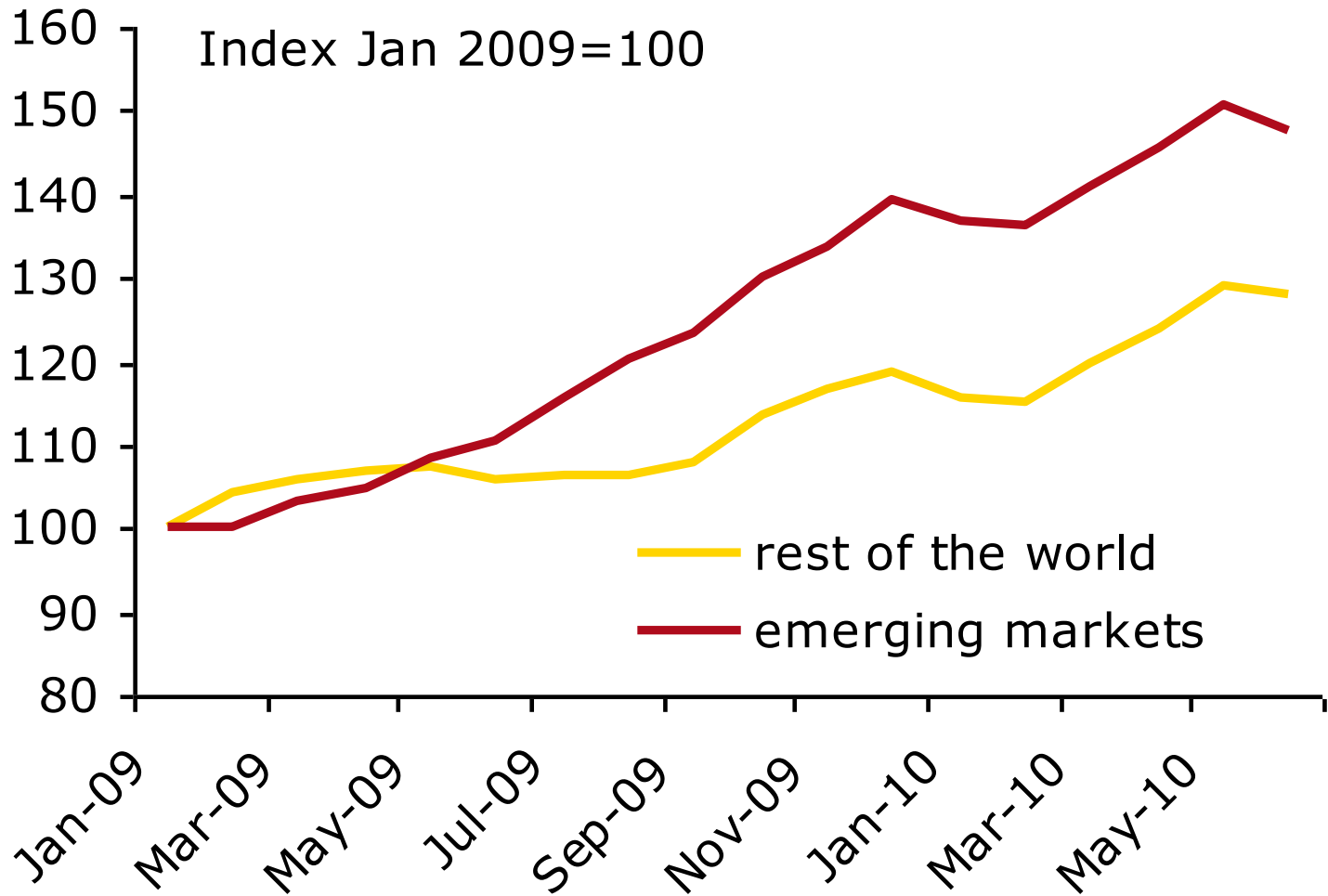


Emerging Markets Sizeable Enough to Impact Global Recovery

Share of Global GDP

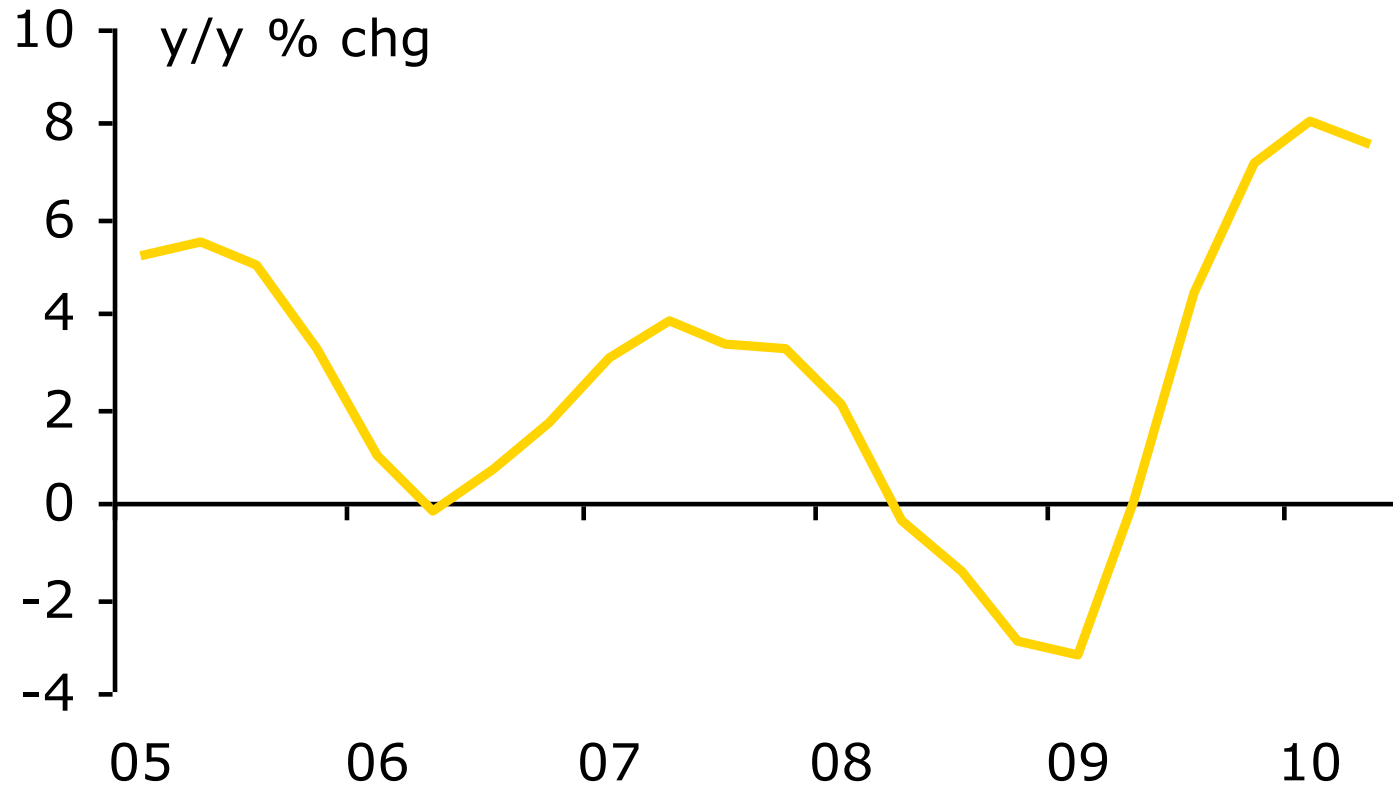


US Exporters: Going Where the Growth Lies



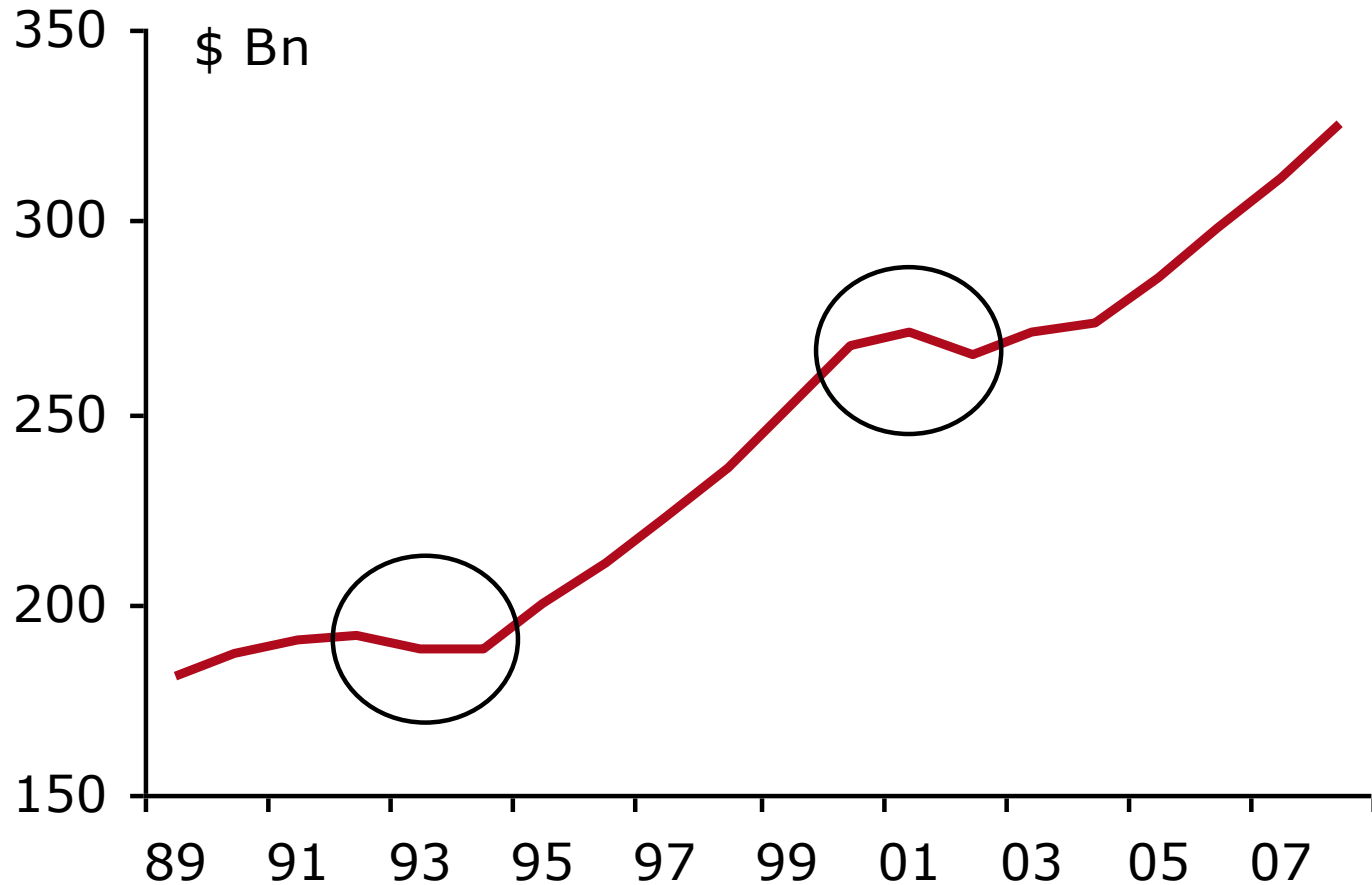
US Manufacturers Becoming More Productive

Output Per Hour of All Persons



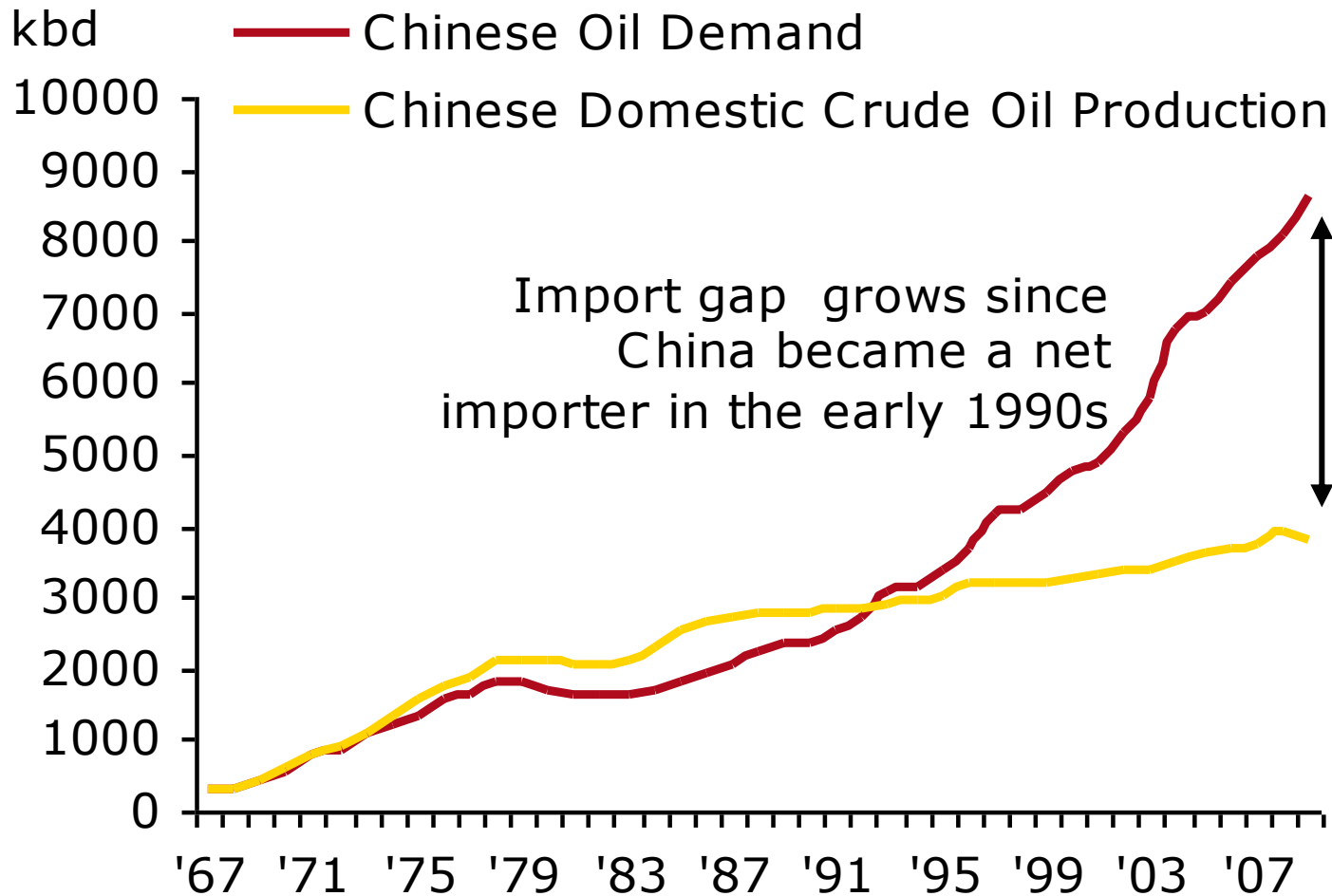
Source: BLS

No Recession Pause this Time in US R&D Spending



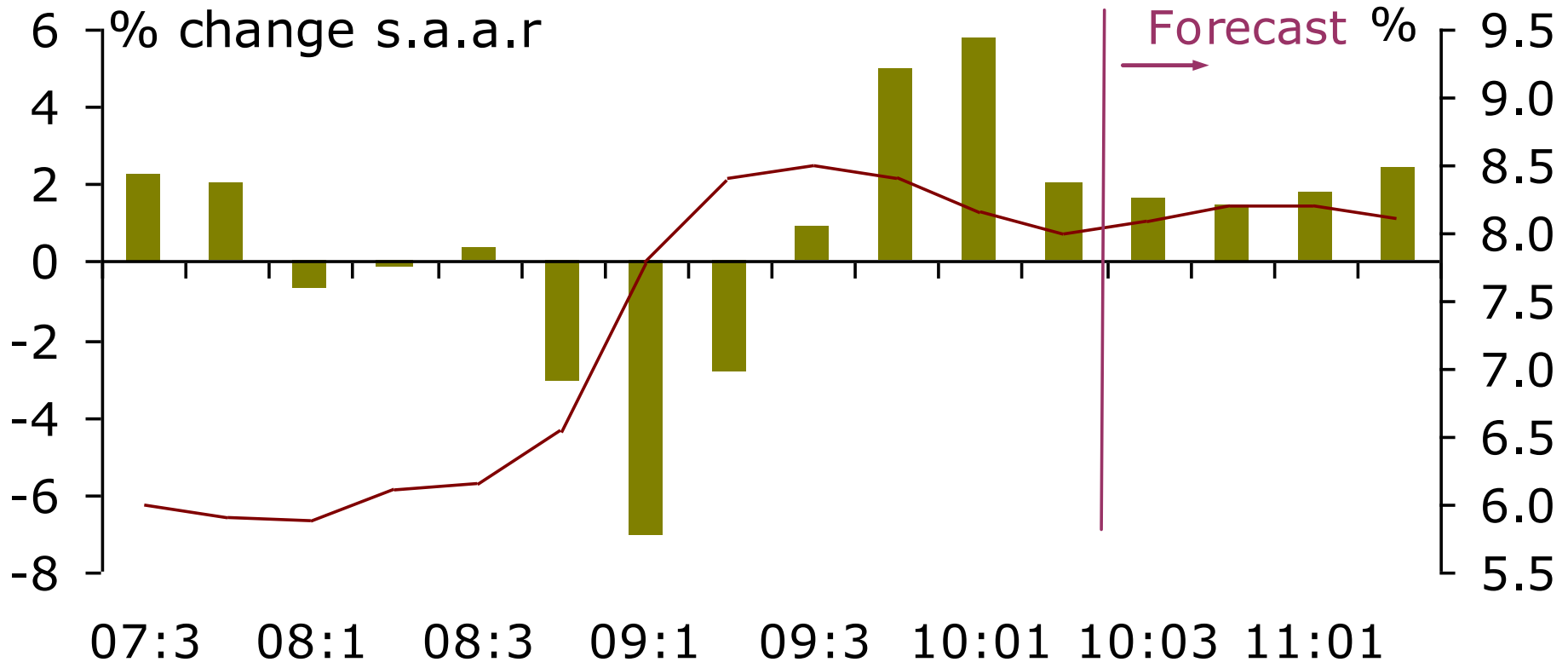
Source: National Science Foundation

Huge Energy Import Gap in China Leaves an Opportunity for Canada



Source: CIBC Macro Strategy – Commodities, BP Statistical Review

Canada Slips Below 2% Growth

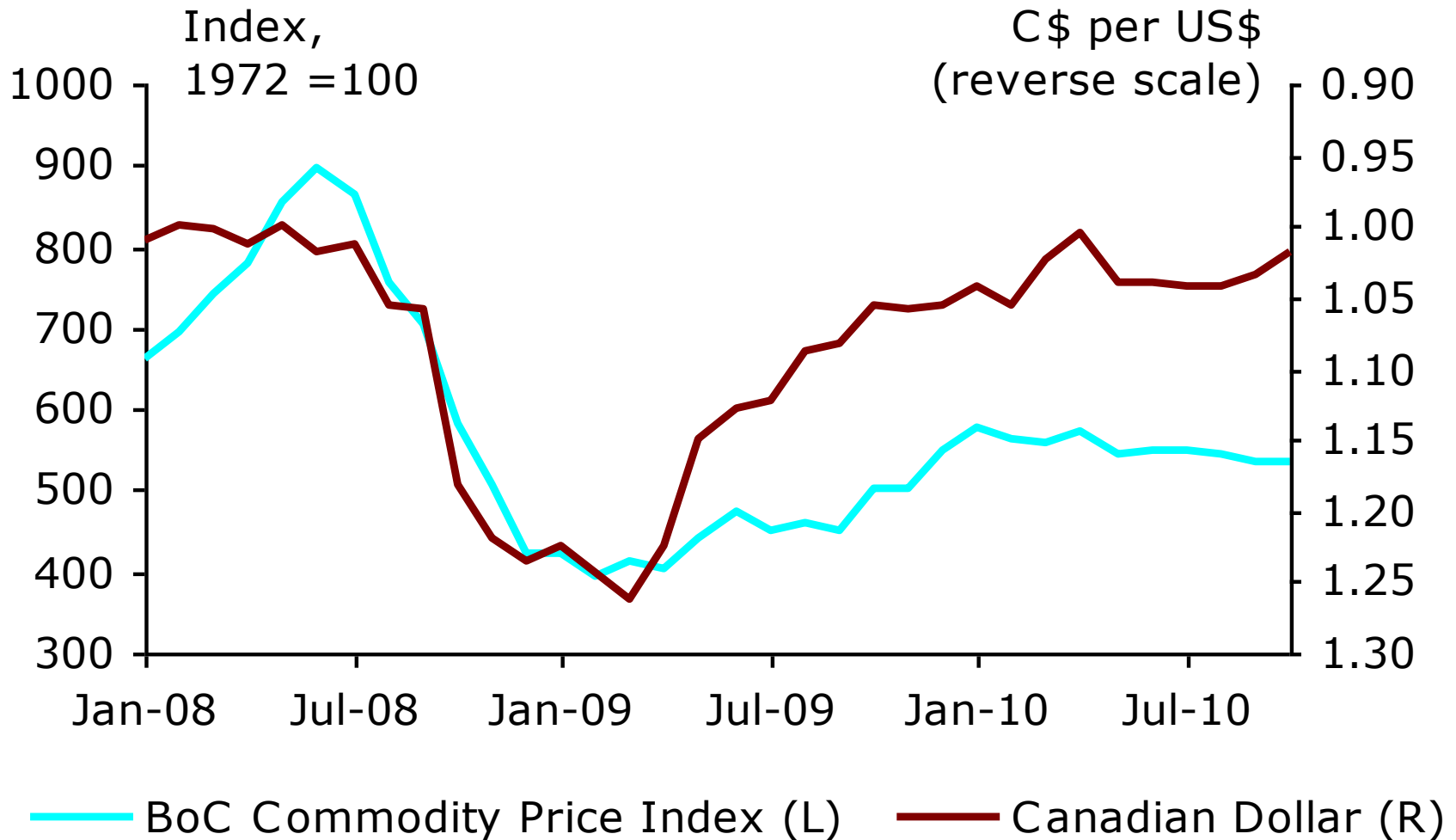


■ Real GDP Growth (left)

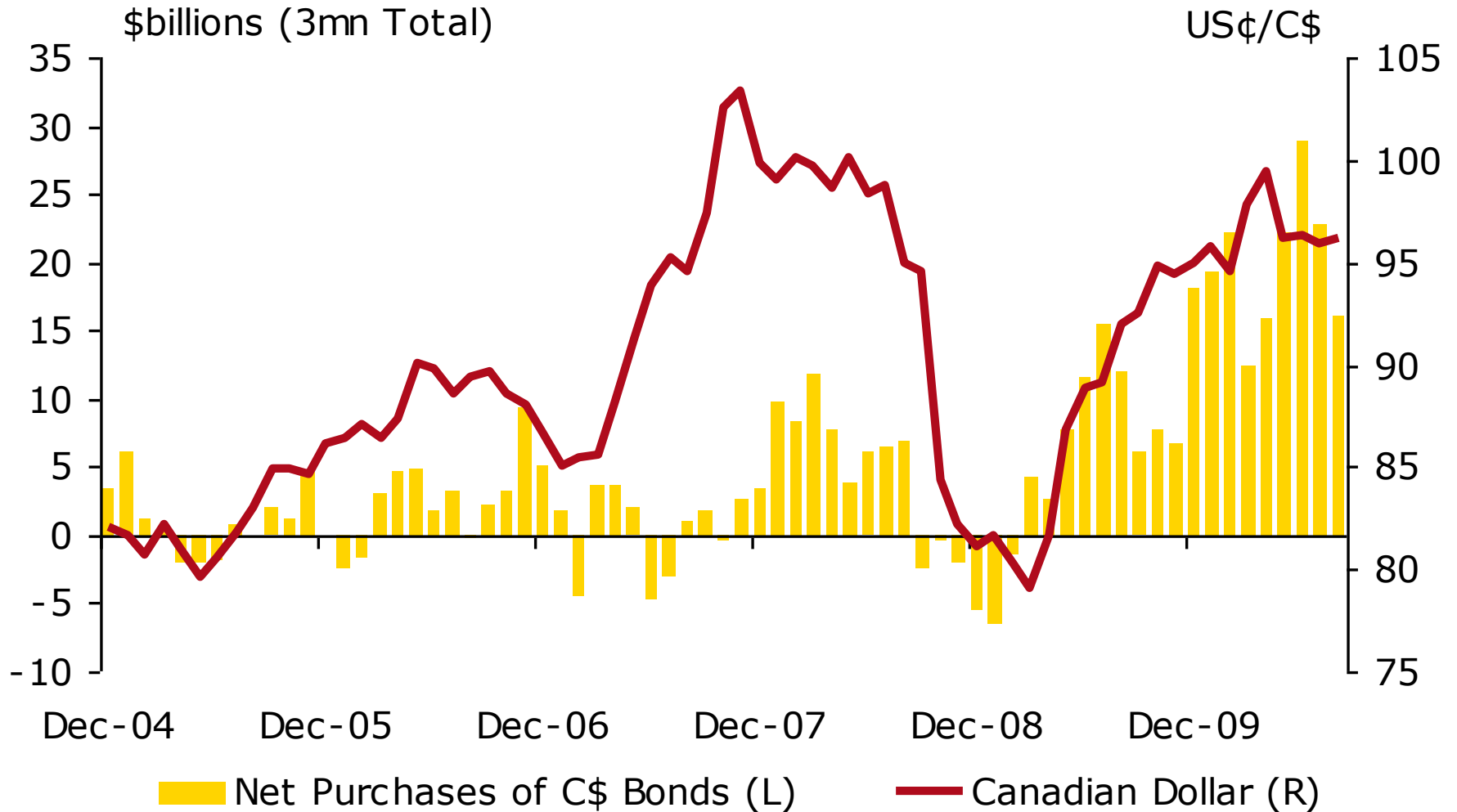
— Unemployment Rate (right)



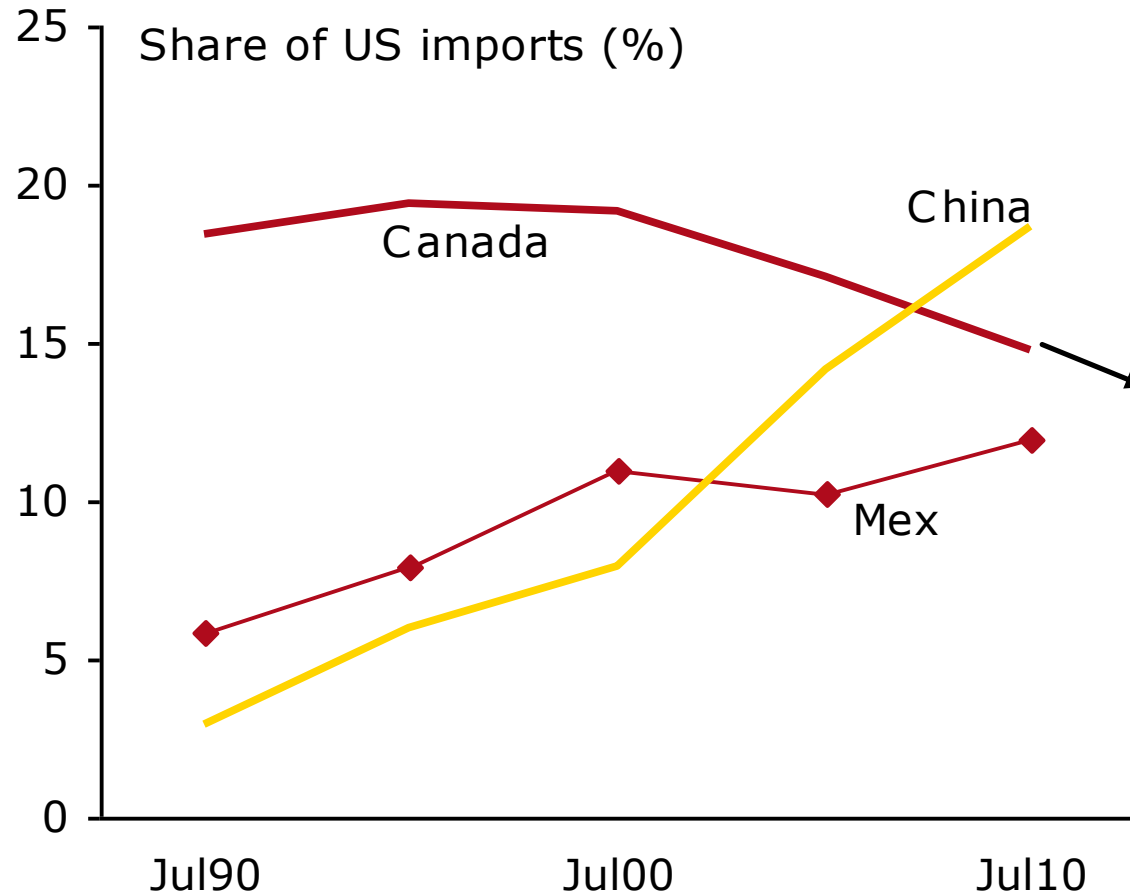
Canadian Dollar Rich Relative to Commodities



Fixed Income Inflows Drove C\$ Appreciation: C\$ 1-8 Cents Weaker than Parity in 2011

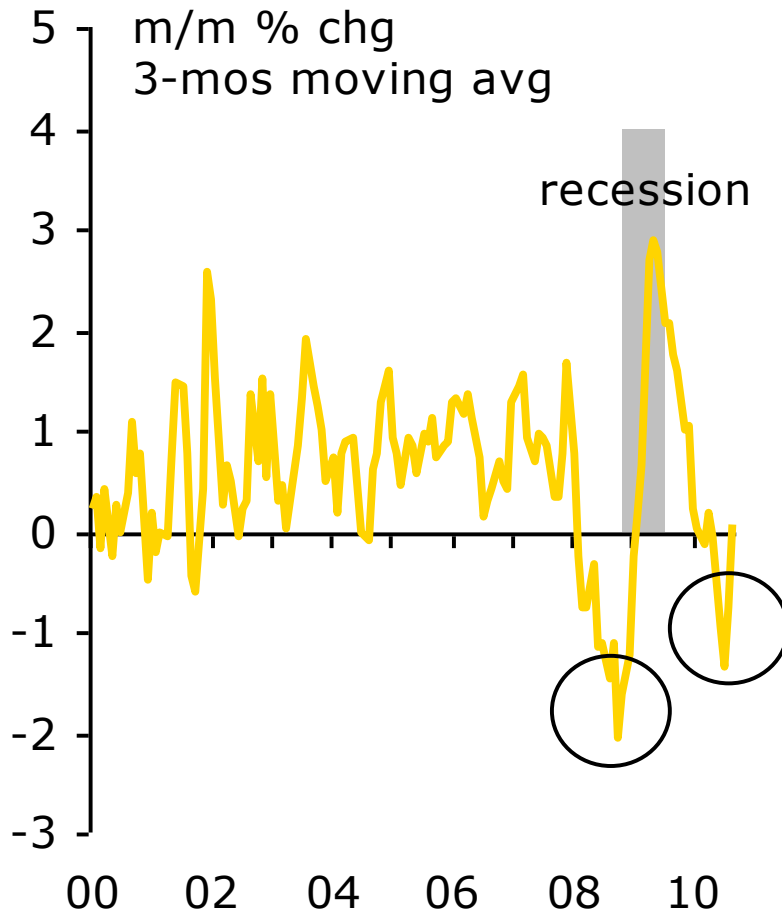


The Pain of An Overvalued C\$ Canada Losing Share of US Market

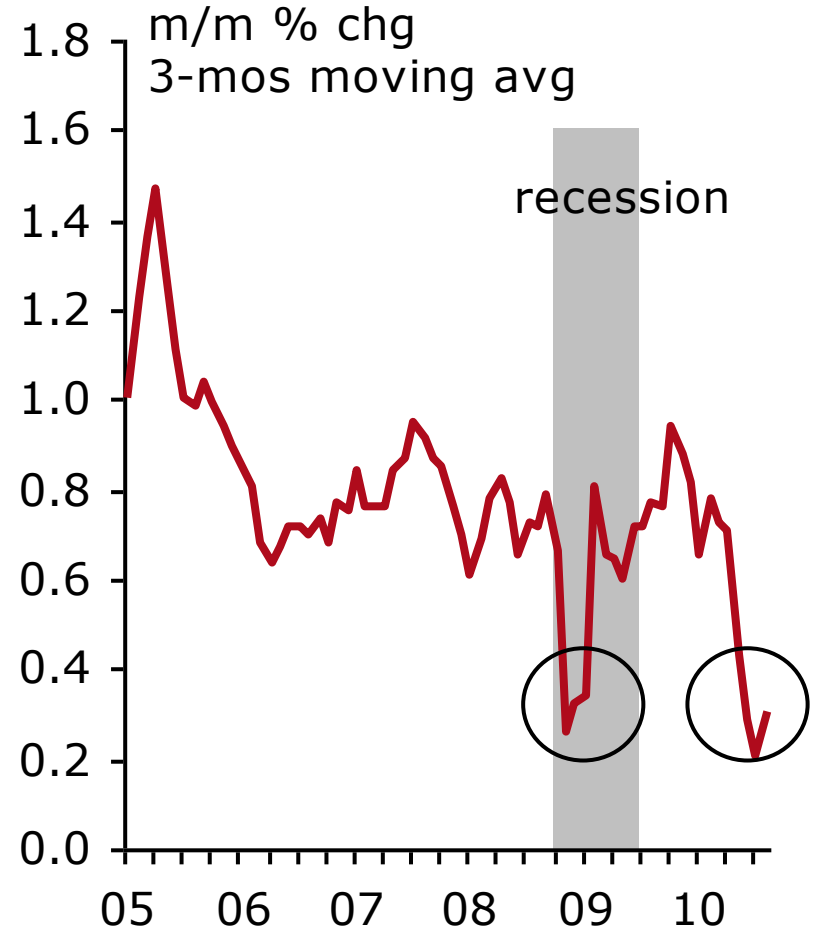


Falling Housing Wealth, Constrained Credit: A 2% Drag on 2011 Consumer Spending

House Prices

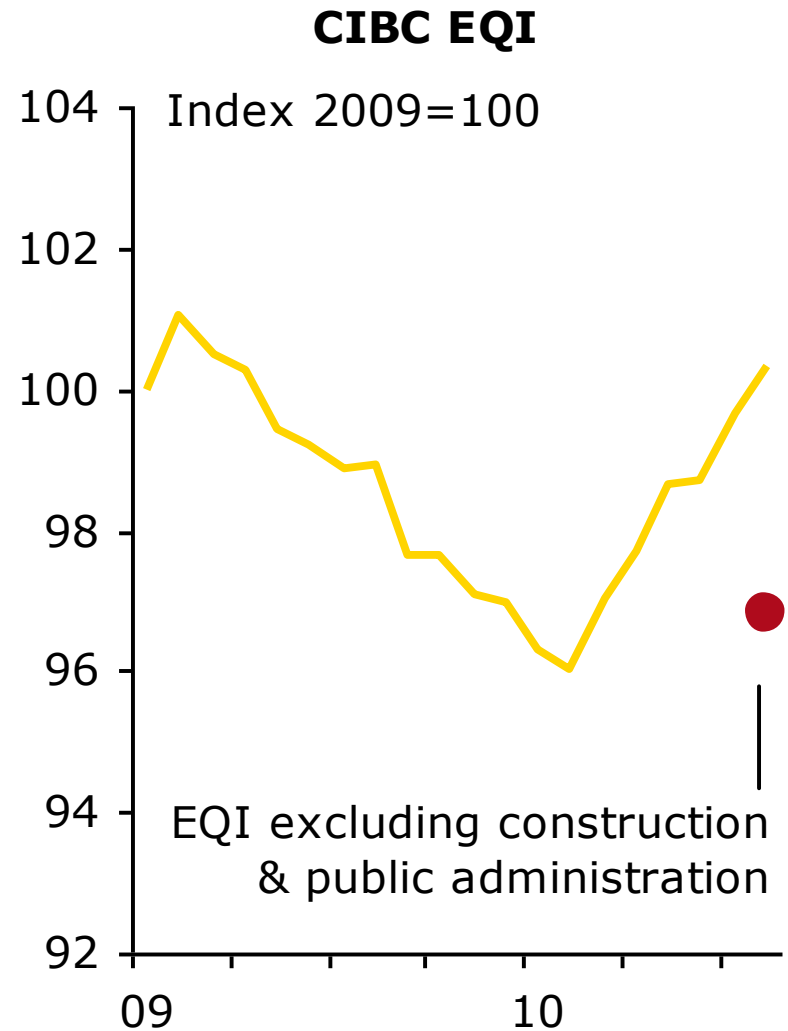
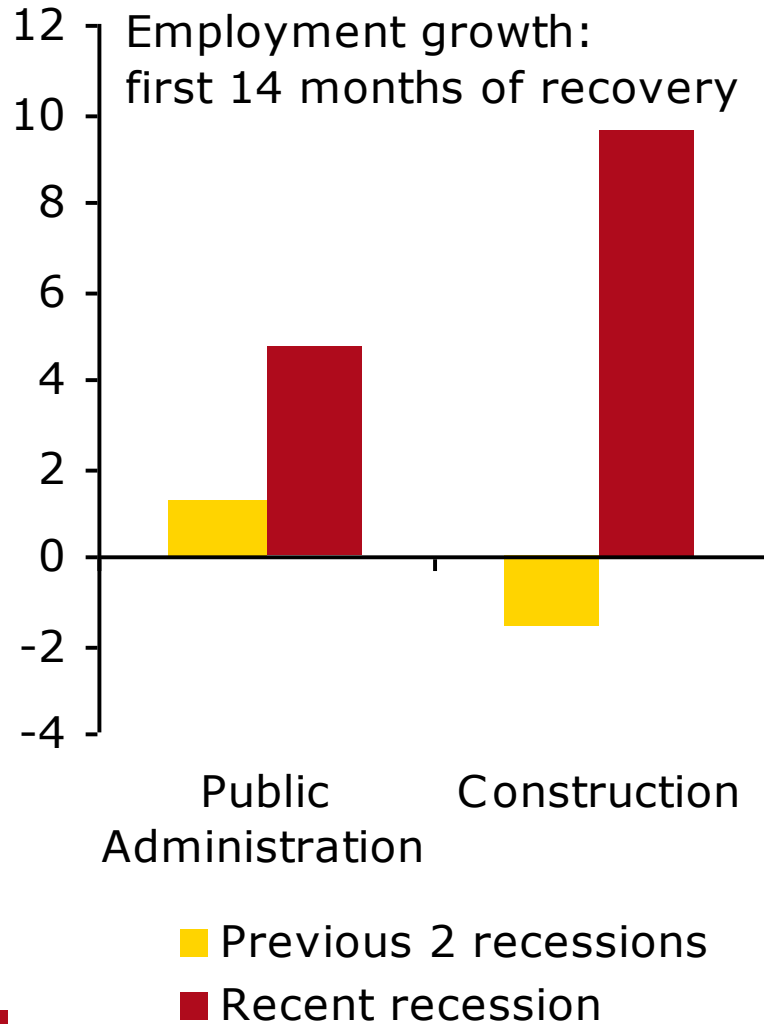


Consumer Credit

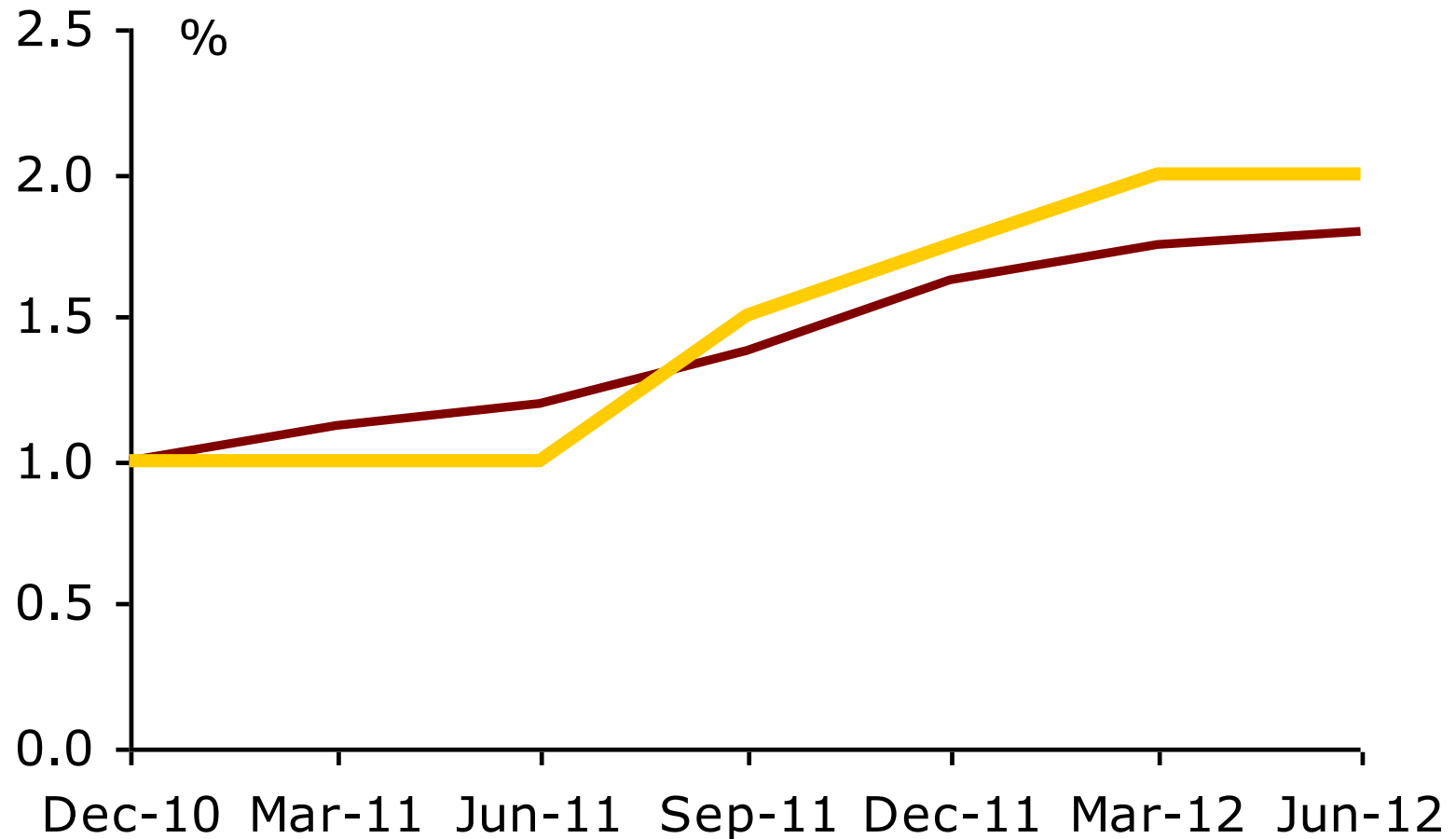


Source: BoC, CREA, CIBC

Jobs Have Leaned on Gov't and Construction



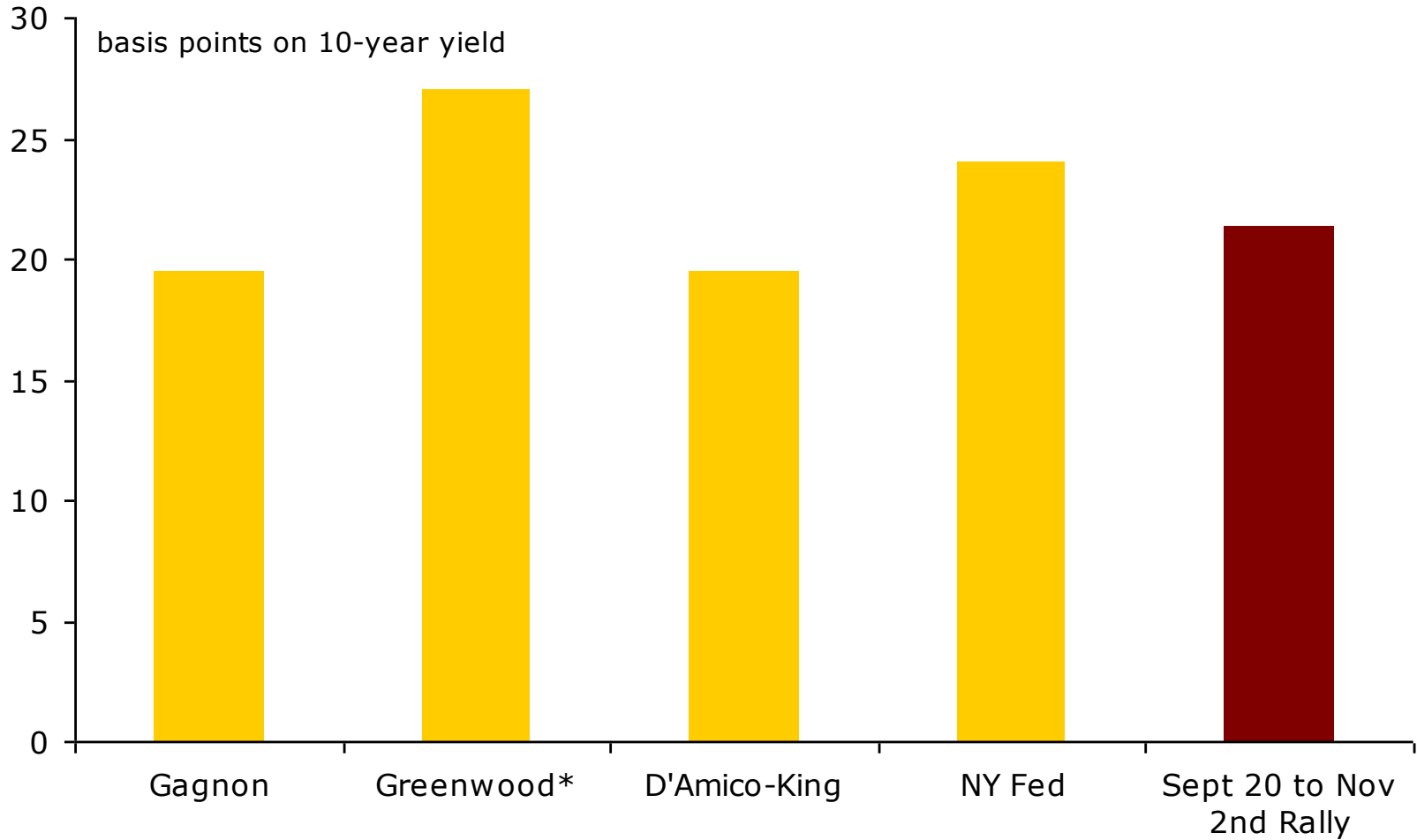
Canadian Overnight Rate Path Not Far From Market Expectations



— Implied by OIS or BAX futures — CIBC Forecast

Quantitative Easing Only Keeps US 10-yr Rates a Quarter Point Lower than Otherwise

Estimated Impact of \$600 bn Treasuries Purchase

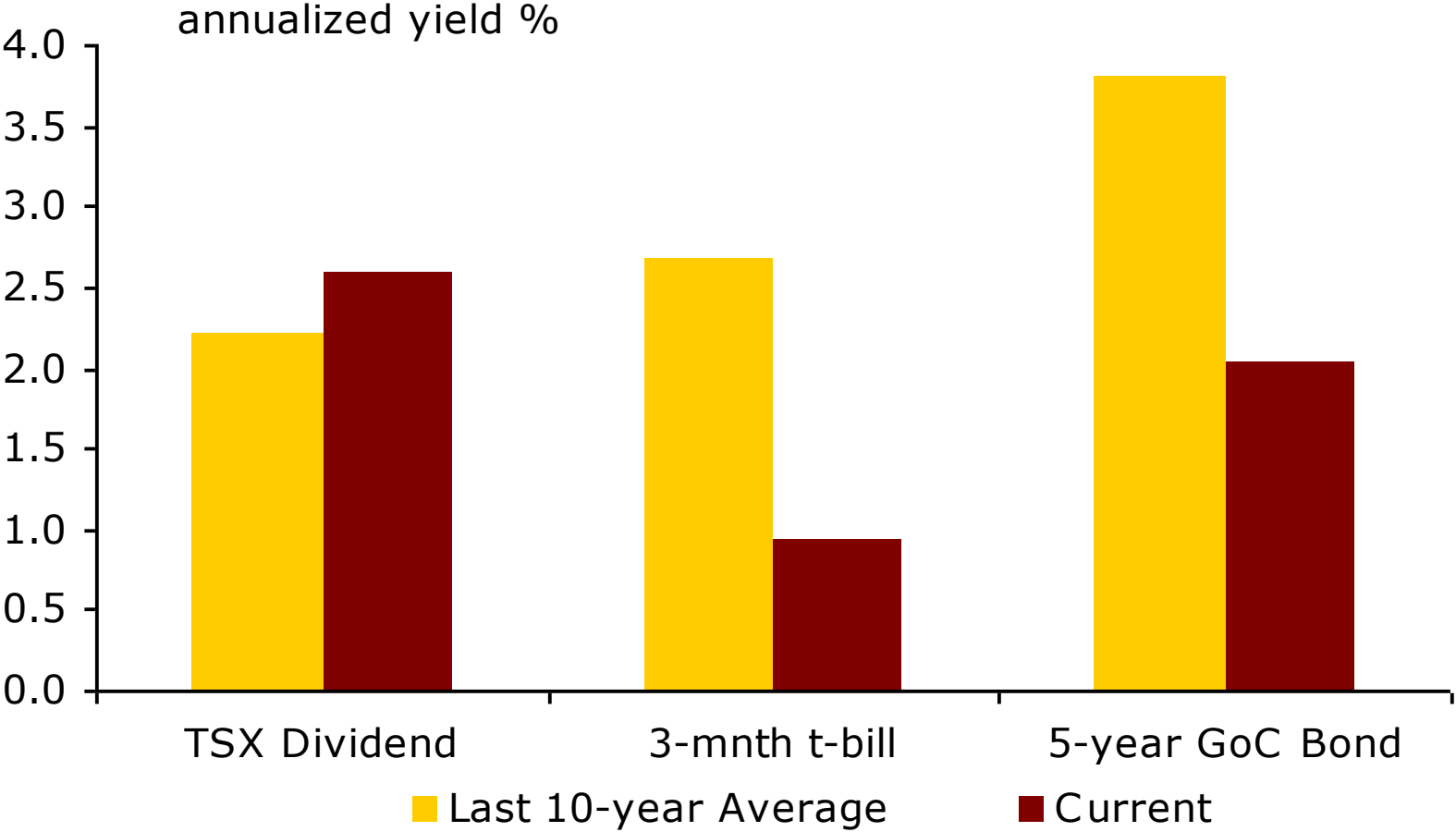


Source: Hamilton-Yu; CIBC

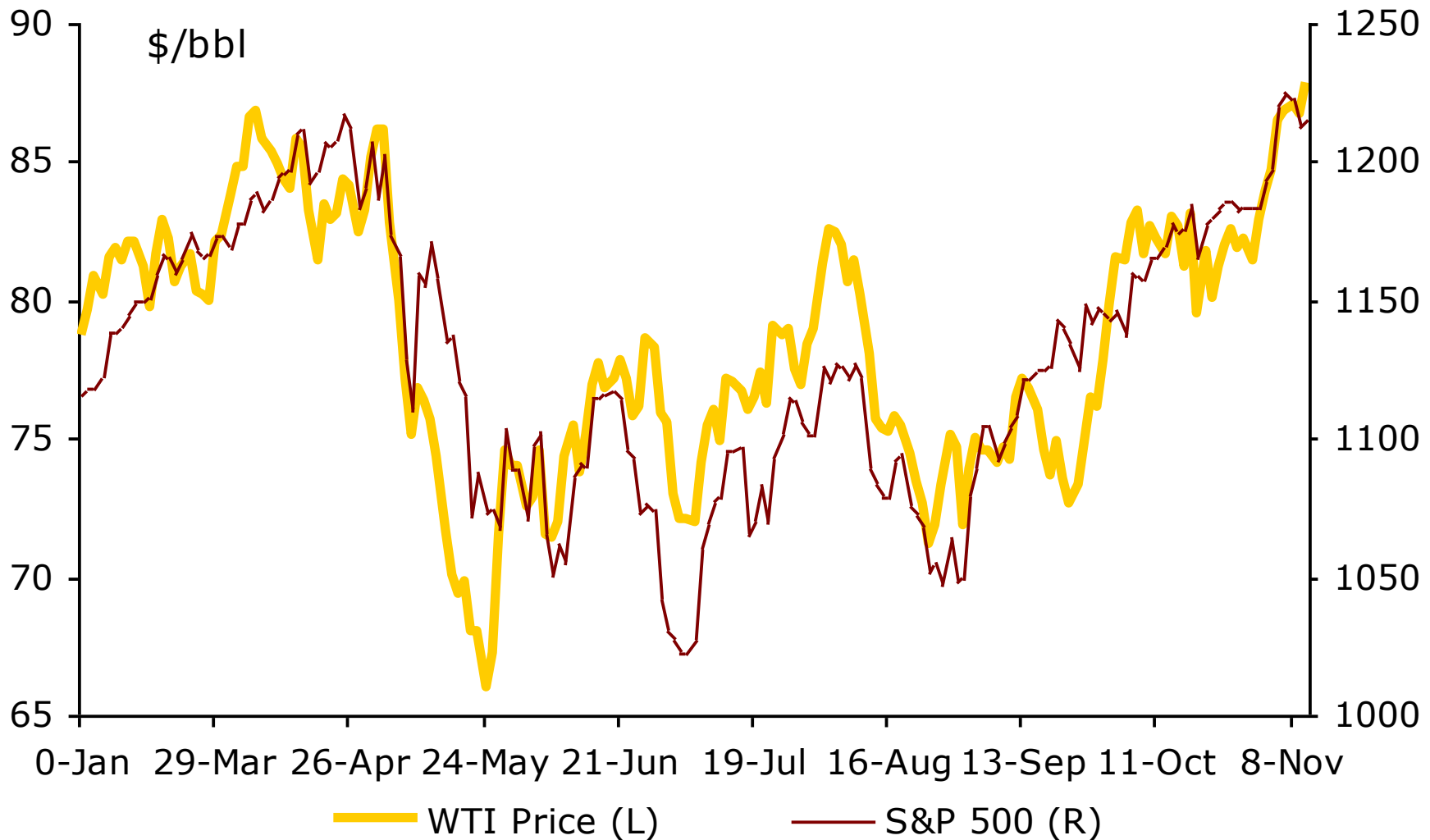
*impact on 20-1yr spread



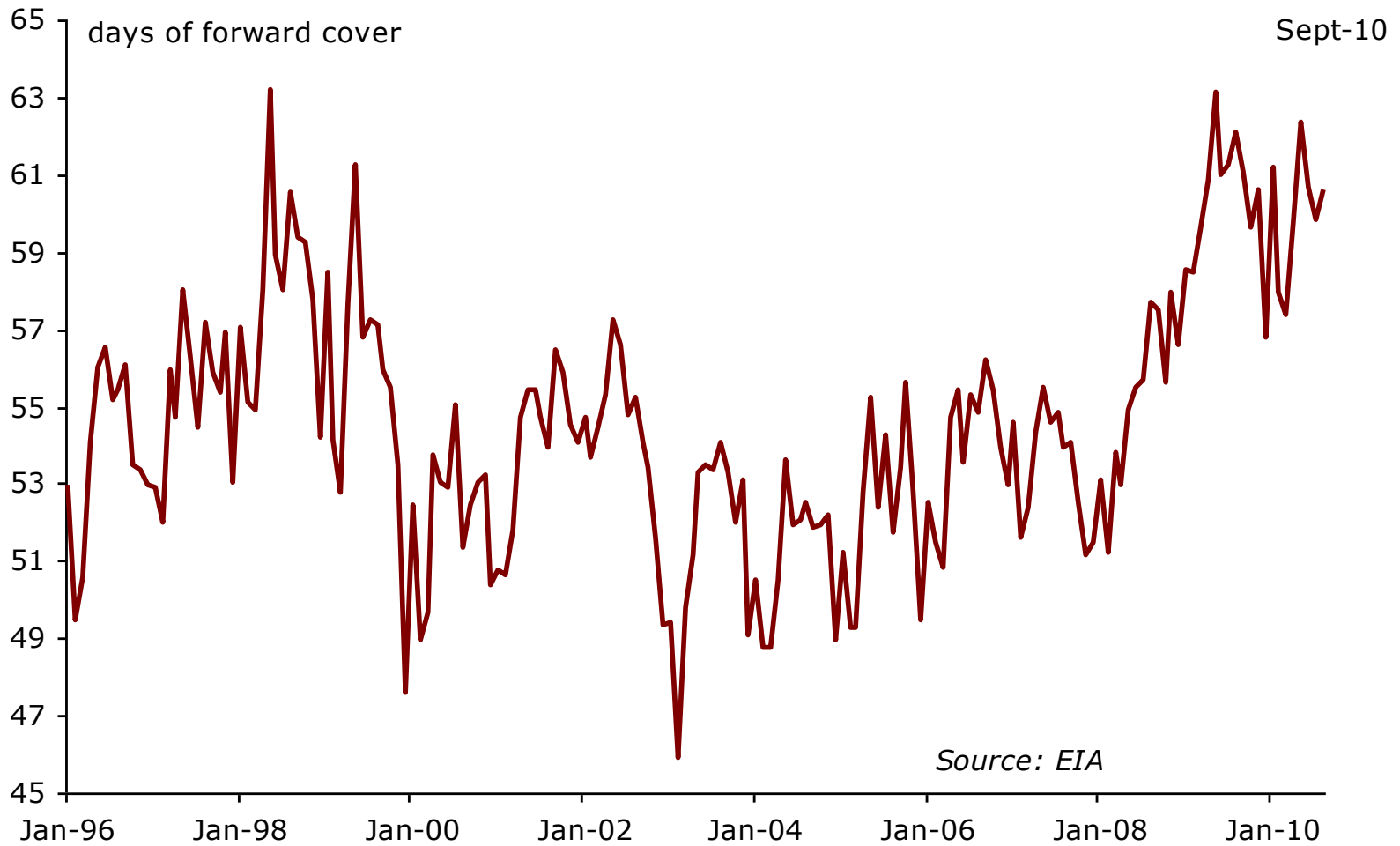
Only Dividends Still Above Long-Run Average



What Happened to Supply and Demand? Oil Price Moving In Line with Equities



OECD Oil Inventories Still Plentiful



Making Money When Others Aren't

- Growth at roughly 2% in 2011 in US and Canada, no double-dip recession. Faster growth returns in 2012.
- Europe slows to 1% on budget cuts, credit fears. China still at 9% growth in 2011. Emerging markets still lead.
- Ontario again below national average in 2011, after stronger start this year.
- Commodity prices a bit weaker ahead. Oil in \$75-80 range.
- Bond inflows keep dollar-Canada in \$1.01-1.07 C\$/US\$ range in 2010/11 despite trade gap (C\$ worth 93-99 cents US)
- US rates on hold through 2012; Bank of Canada hikes short-rates gently in second-half 2011. Longer rates drift higher. Cdn 10-year above 3.6% in late 2011.
- Equity markets will be choppy, but total return beats bonds

