

Global Views

Weekly commentary on economic and financial market developments

March 4, 2011

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Middle East, China and Europe In Driver's Seat Next Week

- **Please see our full indicator, event, auctions, and central bank calendars on pp.A3-A10.**

Europe, China and the Middle East will each pitch in to drive the tone in global markets next week. Egypt's central bank makes a rate decision on Thursday (hint: no hike expected), but the key risk stems from ongoing developments in North Africa in the lead-up to Friday's planned 'day of rage' in Saudi Arabia just as we merrily make our way to the Arabian peninsula to begin client meetings.

Europe's prime role in setting next week's market tone will be focused upon three main factors. On Monday, EU Parliamentarians are expected to propose a ban on naked trading of credit default swaps. Greece had blamed this market for some of its woes, but others would argue the market provided a hedge against financial chicanery. The issue will be on the table at the month-end EU Summit. Second, on Wednesday, Spain announces how much capital it will ask lenders to raise in ongoing efforts to recapitalize its banking sector including the cajas (see Sarah Howcroft's article on page 5). Third will be the Bank of England's rate and asset purchase target decisions on Thursday, but more importantly, the colour provided by BoE Governor King's comments. We anticipate continued dovish perspectives on temporary inflationary pressures that will subside into next year, and also on expected downsides to growth through fiscal drag and heightened geopolitical and commodity market tensions. See page 14 for a discussion on replacing dissenter Andrew Sentance. There are no peripheral auctions next week, and data flow will only consist of European trade figures, Q4 GDP revisions, and German CPI. EU Leaders meet on Friday to discuss North African tensions.

China will also dominate much of the global spotlight next week. We'll be expecting a further acceleration in CPI inflation on Thursday, likely crossing the 5% y/y mark on higher food and energy prices that will spark further concerns regarding policy tightening. A commodity shock hits Asian economies differently than elsewhere because there isn't much of a headline versus core distinction on inflation risks, owing to the fact that food and energy spending dominates the consumer basket across much of Asia. But much of the week's focus will be upon announcements into this weekend regarding China's 2011 Budget and Economic Plans, and its 12th Five Year Plan that is likely to further the debate over China's role in global rebalancing. Asian — including Chinese — trade figures are on tap. Asia-Pacific markets will also focus on the first of the Australian jobs reports to potentially capture the influence of natural disasters.

Canadian markets will be largely in watch-mode toward global developments, with two notable exceptions. One is that it remains to be seen if the strong contribution of international merchandise trade to December GDP is sustained when January trade figures arrive on Thursday. Equally important will be whether Friday's employment release builds on January's large gain of 69,000 jobs, or takes a step backward on a high base effect. Canada also auctions 2s on Wednesday, and the market's retreat on hawkish BoC bets could well set a favourable backdrop for the auction. Bank earnings releases continue into next week.

The US will not be in the driver's seat of world markets next week. Higher oil prices are likely to dent the trade deficit further. Retail sales for February will be closely watched — especially the following week's inflation-adjusted retail sales, since the prior month recorded a drop in real spending that set a negative start to the contribution of consumer spending to Q1 GDP and did so by signaling that US consumers were hoarding stimulus as we've warned would be a likely scenario against more bullish forecasts for US GDP growth. Fed talk will be focused on Monday, particularly in terms of Dallas Fed President Richard Fisher's (hawk, voting) comments on the US and global economies, and Atlanta Fed President Lockhart's (alternate 2011, voting 2012) speech on the US outlook. The US auctions 3s, 10s and 30s next week.

Beyond the BoE, several other global central banks will make rate announcements. Consensus expects each of the Bank of Thailand, the Bank of Korea and Peru to hike. Bank Negara Malaysia is also under pressure to raise interest rates as growth and inflation prompt policy tightening across much of Asia. The RBNZ may well cut, particularly following speculation raised through comments by the Prime Minister regarding the impact of two earthquakes to hit Christchurch.

Oil Price Surge Fuels Renewed Growth And Inflation Concerns

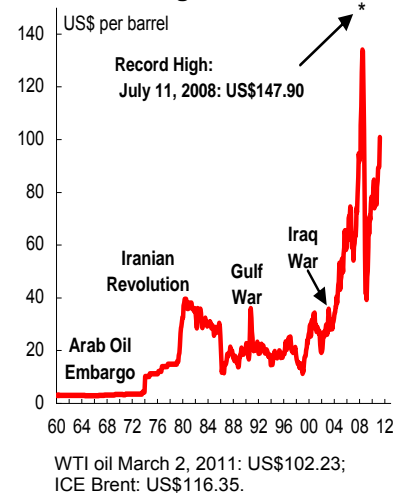
- The oil price surge in recent weeks, if sustained, will temper economic growth and marginally boost inflation around the world.

Concerns over the sustainability of global growth have resurfaced amid rising turmoil in North Africa and some Middle East states. In this environment, oil prices are likely to extend their recent increases. We now expect the price of WTI crude oil to average \$97/bbl this year (the year-to-date average is \$89.50) and \$100/bbl in 2012, a \$20/bbl increase from the \$80/bbl average recorded in 2010.

Today's elevated prices are expected to slow, but not derail global growth, though all bets are off if oil prices are sent sharply higher as a result of potential supply disruptions to the major oil-producing countries and/or transshipment routes in the region. A broad rule of thumb — a \$10/bbl rise in crude prices reduces economic growth by about 0.2% — suggests that this elevated period of oil prices could trim global growth by almost a percentage point over the next two years. However, in contrast to the oil price spike in 2008, the current increase is occurring against the backdrop of an expanding global economy powered by continuing strong gains in the emerging economies, repeated government stimulus, increasing business activity, and historically low interest rates.

Many of the developed world's large net oil importing countries are more vulnerable to the rise in energy costs because of the compounding effects of fiscal restraint over the next two years. Canada should perform better than the United States because of its net oil exporting status. The oil-exporting provinces of Alberta, Saskatchewan, and Newfoundland & Labrador should be positively impacted, although the oil-importing provinces, and particularly the manufacturing centres of Ontario and Quebec, will be negatively impacted by the higher costs, the restraint on exports associated with reduced U.S. demand and a stronger Canadian dollar.

Rising Demand + Geopolitical Risk = Higher Oil Prices



The greater impact is on inflation, with the rise in food and energy costs translating into higher headline CPI trends, with some leakage into underlying core trends as well. Emerging economies are more susceptible as they are operating closer to capacity and are experiencing wage pressures, though many of these economies have strengthening currencies to offset some of the spillover and governments may augment fuel subsidies. Most of the developed nations still have considerable slack in both product and labour markets that will help smother some of the price pressures. Commodity-producing countries like Canada could witness even less inflation because of generally stronger currencies. Businesses with some pricing power will likely pass on the higher costs, though in general, profit margins are likely to come under increased compression.

Financial market conditions are likely to remain broadly supportive of growth. Central banks in the developed world will likely keep short-term interest rates at rock bottom levels for most of this year, notwithstanding the renewed inflationary bias. Rising oil prices and increased geopolitical risks join other factors that include household deleveraging, fiscal consolidation, and banking sector recapitalization that will keep the global growth on a slower trajectory. Government bond yields are likely to trend higher with increasing demands from both public and private borrowers, and an expanding risk premium that reflects rising inflation and credit concerns.

Canada & United States

- We have trimmed our forecast for U.S. growth in 2011 to 3.0%, reflecting the downward revision to GDP over the final months of 2010 combined with the squeeze on consumer purchasing power stemming from the recent further run-up in gasoline prices.
- A stronger-than-expected economic performance in Canada in the latter half of 2010 and hand-off to 2011 are the primary factors behind our upward revision in GDP growth to 3.1% this year. As a net energy exporter, Canada is somewhat more insulated from the rise in energy costs, though growth is unlikely to diverge much from the U.S. trend.

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- In Canada, higher-than-forecast federal revenues for fiscal 2010-11 (FY11), ending this March 31, are expected to narrow Ottawa's deficit to \$42 billion, a \$3 billion improvement on the government's estimate and a stronger starting point for the planned FY12 deficit reduction. In the U.S., federal revenue growth also is expected to exceed the government's forecast in the current fiscal year, though a substantial widening of the deficit is still anticipated.

Mexico

- The Mexican economy exceeded expectations by growing 4.6% y/y in the final quarter of 2010, taking average growth for the year to 5.5%. On a quarterly basis, GDP grew 1.3% over the third quarter, led by the manufacturing sector, which gained 1.0% in the same period. Though lagging the broader recovery, construction remained on a positive trend, posting a 4.3% advance y/y, its best performance in two and a half years. As a result, we have revised our GDP forecast for 2011 upwards to 4.3%.

International

- Notwithstanding India's higher-than-expected economic expansion of 8.7% in 2010, we are maintaining our estimate of growth for 2011 at 8.5%. The slowdown is based on the calculation that slightly higher oil prices will lead to more intense monetary tightening as the fiscal picture has been left unchanged, with spending programmed for fuel subsidies on a downward trend.
- Reflecting increasing commodity prices globally, inflationary pressures continue to intensify in Europe. Following our upwardly revised energy price forecasts, we have adjusted the euro zone's and the U.K.'s forecasts for end-2011 headline CPI higher to 2.4% y/y and 3.6% y/y, respectively.

Commodities

- WTI oil and global benchmarks such as Brent crude are expected to stay elevated for some time due to the unrest in North Africa and parts of the Middle East. While Saudi Arabia has 3.5 mb/d of spare capability to offset supply disruptions from Libya and possibly other areas, a disruption from another producing area would begin to strain capability.
- While WTI oil has spiked alongside Brent, an unusually wide discount to Brent persists — a development expected to continue for several years. Rising Canadian and U.S. Midwest supplies in the Cushing, Oklahoma delivery point for Nymex crude continue to keep WTI below world benchmarks.
- High grain and oil seed prices are likely to persist. The USDA expects only a limited increase in stocks-to-use ratios for corn and soybeans in 2011-12.

Provincial

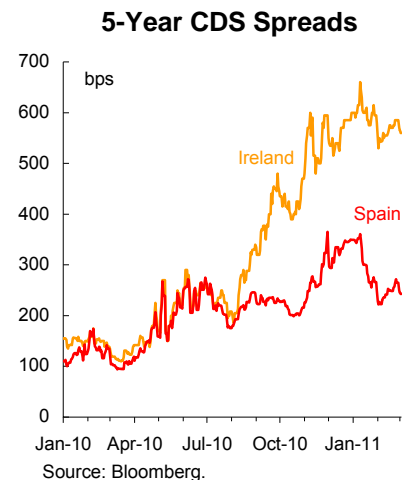
- Export activity in Central Canada likely accelerated at a somewhat stronger pace than initially reported for Q3 2010, carrying over momentum into 2011 and boosting growth estimates. Activity in Ontario will also be lifted in early 2011 by an increase in vehicle production schedules, as automakers better align output with stronger-than-expected sales in the key U.S. market. Canadian dollar appreciation will continue to challenge the region's exports and profit margins.
- Alberta and Saskatchewan will benefit from a further increase in WTI oil prices over 2011 and 2012. As well, the Prairie provinces can look forward to higher grain and canola prices. The resulting pick-up in earnings will likely boost consumption and employment, supporting growth in Western Canada over the forecast period.
- Newfoundland and Labrador's economic outlook continues to brighten with increasing offshore production taking place in the later months of 2010, and additional production anticipated from Hibernia South by mid-2011. A resolution of the labour dispute at the province's major nickel mine also comes as good news, alongside impressive gains in iron ore production and significant capacity expansion for this industry.
- A high Canadian dollar will weigh on export growth in Nova Scotia and New Brunswick, with fiscal repair a further constraint on each economy's expansion through 2012.
- With forecast prices for WTI oil and several other key commodity exports raised higher, fiscal repair in the resource-rich Provinces will continue to be facilitated. For Central Canada's deficit reduction efforts, the slightly stronger growth now forecast for 2011 offers a boost, albeit modest, as the Provinces present their Budgets for fiscal 2011-12 (FY12).

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Euro Zone Bank Recapitalization

- **Upcoming stress tests and bank reports will reveal the magnitude of the capital boosts needed in Ireland and Spain in order to avoid rousing debt crisis fears in Europe.**

The economies of the euro zone will face a number of financial hurdles this month, including a series of EU summits ahead of the March 25 deadline for a “comprehensive solution” to the debt crisis, as well as the launch of the second round of 2011 bank ‘stress tests’, which will likely prove more stressful than the first. On Friday the European Banking Authority will release details of the stress scenarios for the EU-wide program. These will consist of a baseline macroeconomic case and a severe negative case, in addition to country-specific shocks to interest rates, real estate markets and government finances. The methodology of the test will be released in April, followed by the results in June. The 2010 program was criticized for being too lenient, with just seven banks failing, and two major Irish banks passing, only to succumb to the nation’s liquidity crisis a few months later. Given more stringent criteria this time around, there is building speculation that several European banks will need to raise a substantial amount of capital in the near future in order to restore investor confidence in the struggling continent. The governments of Ireland and Spain—still plagued by financial market fear of sovereign defaults and contagion risk—are facing particular scrutiny with regards to their banks, as illustrated by recent widening in CDS spreads (see chart). The belief of European officials seems to be that if the details of any capital shortcomings are made public, private investors will no longer be spooked by speculation, and credit will start flowing.



As part of the €85 billion EU-IMF bailout package, the Irish banking system is currently undertaking its own stress test, the results of which will be made public at the end of this month. Two of the more troubled retail banks covered by the government’s bank debt guarantee, Anglo Irish Bank and Irish Nationwide, will be exempt from the tests, and will have to achieve a core tier one capital ratio of only 8%. The remaining major banks must ensure core ratios of 12%, a threshold which, given current positions, will likely necessitate a major capital injection from taxpayers. The governor of the nation’s central bank has recently noted concern over the banks’ mortgage books specifically, suggesting more mortgage-related losses can be expected. With the economy still reeling in the aftermath of the recession, house prices continue to fall while mortgage arrears, and by corollary mortgage-related loan losses, are climbing. Although the government has pledged to support the banking system with capital injections if necessary, fiscal capacity is extremely limited. The most recent budget in December outlined the severe austerity measures of the *National Recovery Plan*, the next phase of a multi-year fiscal adjustment, including billions in spending cuts, tax increases and other measures such as asset sales.

In another series of moves intended to placate investors, the Bank of Spain will publish information on the capital positions of Spanish lenders on March 10. This comes after an announcement of stricter capital requirements and the release of data on €100 billion worth of troubled bank loans to the construction and real estate sectors. The reports next week will reveal just how much capital will have to be raised by each lending institution in the next 6-12 months in order to meet new core tier one ratios of 8-10%. The government’s current approximation of €20 billion required in aggregate falls well short of private estimates, including Moody’s call for €50 billion. Whatever the precise number, it is clear that continued reform of the Spanish banking system is necessary. As part of this restructuring, the number of regional savings bank groups — the *cajas*, which are especially exposed to the nation’s decimated property market — has already dropped to 17 from 45 a year ago through government seizures and mergers, and talks of additional mergers are currently underway.

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Do Rising Energy Prices Take Some Gas Out of Consumption?

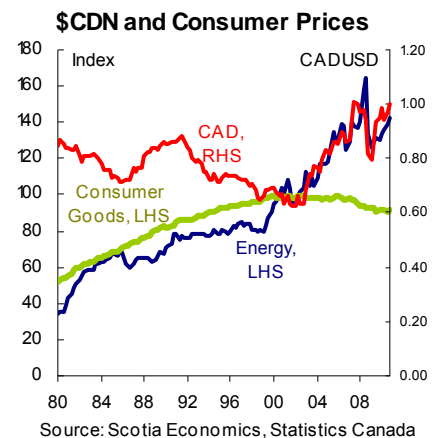
- **Canadian retailers manage to weather higher fuel costs much better than those in the United States.**

It appears that strong oil prices could be here to stay with sustained global economic growth, notwithstanding the added impact from unrest in North Africa and the Middle East. With the price at the pump now rising, the question remains to what extent consumption will be affected. A few simple tests demonstrate that consumption in Canada and the United States actually reacts quite differently in a climate of rising energy prices.

Canada's retailers are for the most part import intensive in consumer good segments, with autos, furnishings, clothing and electronics mostly originating from abroad. In light of the fact that the Canadian dollar is now strongly correlated to worldwide energy prices, one would assume that retailers would benefit by being able to import at a lower cost, widening profit margins and allowing for increased price calibration.

Sure enough this does indeed seem to be the case. From 2000 onwards, one can see that as the dollar strengthened, our composite price index of consumer goods comprised of autos, furnishings, electronics and clothing actually flattened over that period, indicating some measure of pass-through to consumers. In an effort to quantify this relationship the Canadian dollar was modeled against the consumer goods index. Although this simplifies matters somewhat, the model does support the theory that a rising dollar results in some downward pressure on the "consumer goods" price index.

Additionally, it also appears that the retail sector's ability to adjust margins and pricing on consumer goods has proven to be sufficient to offset the added costs consumers face from gasoline and energy prices. Mapping retail sales against the energy component of the CPI yields no significant statistical relationship, indicating that there is likely very little "crowding out" of consumption during a period of rising energy prices.



The same cannot be said for the United States where the dollar has proven to be less sensitive to fluctuations in energy prices. Retailers in the U.S. often buy domestically or from China — where the yuan is relatively stable vis-à-vis the U.S. dollar — and therefore do not see margins fluctuate in synch with the US dollar. Therefore, unlike Canada there is no buffer for margins to adjust when energy prices start to eat away at consumer's spending power. Modeling the energy component of U.S. CPI against retail sales ex fuel and food reveals that there is in fact a negative relationship between the two, with a roughly 10% increase in the energy knocking sales ex fuel and food down 1%. While this is a rough and isolated estimate it is statistically significant and highlights the fact that the U.S. core consumer profile is weakened somewhat during periods of rising energy costs, while Canada's — discounting a major drop in U.S. growth — remains relatively insulated.

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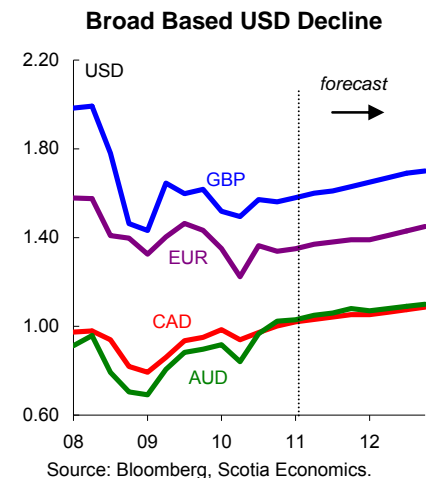
Explaining Our Bank of Canada Views

• The Uncertainty Premium Justifies A Long Pause.

Scotia Economics is the latest within consensus when it comes to forecasting the resumption of rate hikes by the BoC. We think that doesn't occur until October of this year. The risks to our call go both ways, with the majority of consensus expecting an earlier hike. We have some sympathy for their views in the wide realm of possible scenarios, but turn to explaining the reasoning behind our call on the heels of the BoC's latest statement that was dovish as we had anticipated, but that caught the hawks off guard.

USD Bears

First, what particularly differentiates Scotia from other shops is that we are among the most bearish on the USD's prospects. Chart 1 provides our smoothed forecasts, and while admittedly the scale associated with plotting them all together masks the strength in any one individual currency, it gets across the point that Scotia Economics and Scotia FX are indeed bearish on the USD against most crosses. That makes Scotia Economics and FX bullish on the Euro crossing 1.45 against the USD next year. It also translates into USDCAD appreciating to the 92 cents mark by the end of 2012. Indeed, within the Canadian consensus, we are the most bullish on CADUS and a full twelve cents above the lowest forecast at the opposite end of the spectrum. Should our CAD call come to fruition via a push toward eight full cents above parity against the USD in 2012, then we cannot rule out the risk of an even more extended pause or a rate cut at some point in future.



This is not primarily a spread call between central banks that is motivating the currency view. The core house view entails timing the point at which we think the US fiscal landscape is set to markedly deteriorate. We think that happens as President Obama extends stimulus that was introduced last fall, instead of allowing it to expire in a Presidential election year. We think that ratings agencies and bond markets will react adversely, thereby diminishing appetite for the USD. Just as Europe will be placed further along the path toward fiscal repair into next year, the US will not have even materially started and yet its fiscal position is as bad if not worse, especially on a fully consolidated basis across Federal, State and Local governments as well as off-book obligations through social security and medicare. If one does not buy this view, or the ability to time it, then a more hawkish BoC could emerge should the currency forecast not come true independent of spread drivers. On top of this, Scotia Economics believes that key commodity prices level off this year such that USDCAD retains its level but further upward commodity-induced price pressures drop out. Again, our story is primarily rooted in relative fiscal headaches.

In the BoC's parlance, a strong CAD owing to US fiscal problems would be 'type 2' tightening, as in not purely reflective of fundamental drivers as they apply to Canada. Therefore, this type of CAD strength imposes net tightening on the Canadian economy that we believe will do the BoC's tightening for them. With this house view, it is difficult to envision further BoC tightening when our expectation is that CAD will be lit up apart from what the BoC does, particularly when the BoC's reaction function is signaling deep concerns over CAD appreciation given its dovish implications for both growth and inflation.

The Uncertainty Premium

There is little to no cost to central banks in choosing to keep their powder dry now, in light of the enormous uncertainty premium that hangs over the economy and markets. Simply put, scenarios abound, but no one has a clue as to how various geopolitical developments such as in North Africa and the Middle East will fully unfold. Further, European peripheral spreads are negatively exposed to the end-of-March EU Summit and the enormous funding requirements that lie ahead into the Spring and early Summer. Whether US consumers will save or

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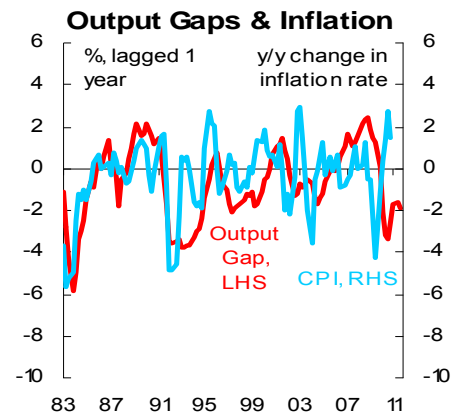
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spend their stimulus is an added area of uncertainty, and they chose to save it in driving real consumption lower in January. These are only a few of the sources of uncertainty that would make premature monetary tightening unwise in addition to the uncertainty over CAD noted above. If risks settle down as the year progresses, the BoC retains full flexibility to catch up at a relatively faster pace at a later date, but we do not currently judge the BoC to be behind the curve for many of the reasons we provide in this note.

Output Gap Still Sizeable, Over-Stated Connection With Inflation

The BoC's estimate of the output gap remains to be updated on the heels of stronger-than-expected Q4 growth, but the Q3 estimate that stood at excess capacity equal to 1.9% of the economy likely didn't stray massively lower in part because the supply side of the economy also continued to expand in Q4.



Source: Bank of Canada, Statistics Canada, Scotia Economics

Going forward, we foresee demand growth constraints through no pent-up demand in consumer and housing, fiscal drag, mortgage rule changes, and the impact of high commodities on central Canada as an offset to strengths in other resource regions.

More important is what weight to give output gaps as an inflation driver to begin with. Chart 2 shows the tight fit between output gaps and inflation in the 1980s, but the breakdown in the relationship following the adoption of inflation targeting by the BoC over the past two decades. The role of expectations in a sticky wages and prices framework took over as a dominant driver of inflation readings in Canada. Thus, even if the output gap closes off at a faster than expected pace, that does not necessarily mean that inflation begins to challenge the target.

Tightening on all fronts

Markets and policy will likely combine to feed enough tightening on growth conditions this year, such that in our opinion, to also add BoC tightening may prove to be excessive. Among these forms of tightening is the effect of a second round of tightening in mortgage rules that will bring forward housing demand into 2011H1 at the expense of the future given that Canada sits at a cycle top in housing variables and is poised to move lower on housing demand over 2011H2-12. Eventual fiscal drag will also kick in as temporary stimulus drops off the books and deficits are reduced. CADUSD-induced tightening has already been referenced as another growth constraint, and is simultaneously a disinflationary argument given the strong role played by imports in Canadian consumption and capital goods purchases. Our forecast for rising bond yields will also spill over into higher rates paid by households and businesses.

Fed constraint

The Scotia Economics print forecast anticipates that the Federal Reserve will not begin to raise its Fed funds target rate until 2012Q1. Chairman Bernanke's dovish comments in favour of requiring a prolonged period of strong job gains, and in favour of seeing through current inflationary pressures as temporary in nature support our view that the Fed is on hold this year. Thus, should the BoC resume rate hikes and add to its 75bps overnight spread compared to the Fed, then CADUSD pressures will be even more intense than we anticipate, posing an uncomfortable constraint on the BoC.

What Target Beyond 2011?

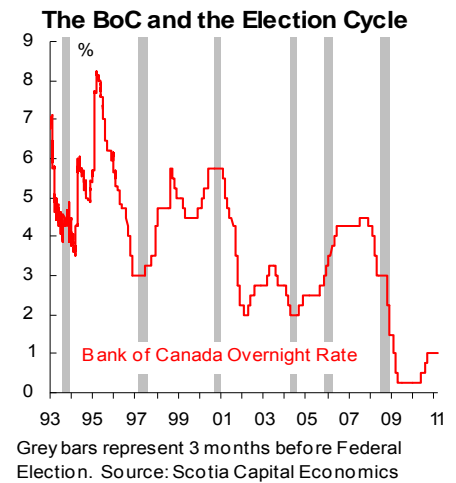
We are also not sure if the BoC will seek more latitude in markets on its inflation target in the lead-up to the expiration of its current agreement with the Federal government. Therefore, it's not clear to us if the BoC hikes the minute its operational core target gets to 2% in this cycle or is expected to do so. Lowering the inflation

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target would be a hawkish signal in favour of earlier rate hike expectations, but we haven't sensed this as being the preferred option at the BoC. Indeed, lowering the inflation target raises the odds of recurrence insofar as hitting the lower zero bound on the overnight rate that the BoC likely wishes to avoid. Price level targeting is another option, and would be a dovish signal that recognizes the BoC undershot its inflation target through the crisis and could therefore allow inflation to stray somewhat higher than target before acting. See "Price Level Targeting Could Put The Bank of Canada On Hold Throughout 2011," *Global Views*, pp.3-6, February 18, 2011. Another option would be more emphasis upon macroprudential tools to utilize regulatory policy as a way of addressing the risks of too-low-for-too-long. The Federal Government did just that when it introduced tighter mortgage rules on two occasions in the past year, and this likely gives the BoC some wiggle room before it has to raise rates. It is the Asian model applied to Canada. A final option is some hybrid option that could also be somewhat more dovish than a strict inflation-targeting focus.



The Role Of Elections In Canadian Monetary Policy

There is no hard evidence that the BoC is anything but an independent institution that has earned great regard for its policies particularly over the past two decades. That's why we've left this point until last. But if this is an election year in Canada, then it at least bears noting that the BoC has historically rarely hiked during the lead-up to an election campaign. Over the past twenty years, in fact, the BoC only hiked through one election — January 23rd 2006 (chart 3, grey bars denote federal election periods), and the economy was strong enough to justify it after a short rate pause. The chart combines the periods when the BoC targeted a floating rate set at 25bps above the 90day T-Bill yield from 1980 to early 1996, and afterward when the BoC shifted to targeting the overnight rate within an operating band. That said, through many of these elections, the backdrop was inappropriate for the BoC to have been hiking. But should the BoC be sensitive to the electoral cycle this time around, then we suggest that our reading of the federal election prospects this year would keep the BoC on hold until at least mid-summer in an early election scenario, or until late in the year under a fall election scenario. It also bears noting that an Ontario provincial election is slated for October 6th of this year, and Premier McGuinty has already warned against raising rates given CAD implications for his province. Provincial Premiers have no direct influence on the Bank of Canada, and the BoC has successfully argued many times that it crafts monetary policy for average macroeconomic and financial market conditions across the country.

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Canada's Inventory Make-Over

- StatsCan revisions paint a markedly changed inventory picture.

Until the latest numbers arrived, we had thought that Canadian inventories remained relatively bloated, and that this would weigh more against the Canadian recovery in contrast to the US where inventories are much leaner. We've changed our mind, as the facts have changed due to heavy Statistics Canada revisions.

Chart 1 demonstrates the levels of inflation-adjusted inventories relative to sales before (blue, thin line) and after (red, thick line) revisions released alongside the Q4 GDP report. The before trend was somewhat unappealing, in that it depicted still higher inventories as at 2010Q3 than they were just prior to the crisis, which in turn was toward the upper end of the past decade's norm. The post make-over picture is much easier on the eyes. StatsCan is now telling us that inventories are much leaner. Further, we're now asked to believe that the picture of bloated inventories prior to the sharp downturn was a total myth. These are not small changes: the ratio was revised 10 percentage points lower as at mid-2008 and about as much now.

Much of the revised picture is traced to the retail sector excluding auto dealers (chart 2), where inventories are now at their leanest in the current cycle. Upward revisions to sales were much more significant than upward revisions to inventory levels (charts 3-4). Retailers may be fully expecting consumer spending to be

Chart 1

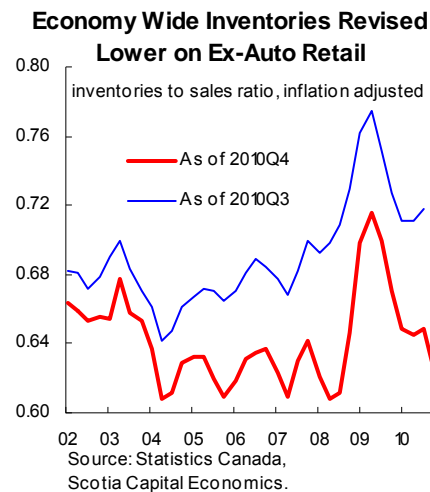


Chart 2

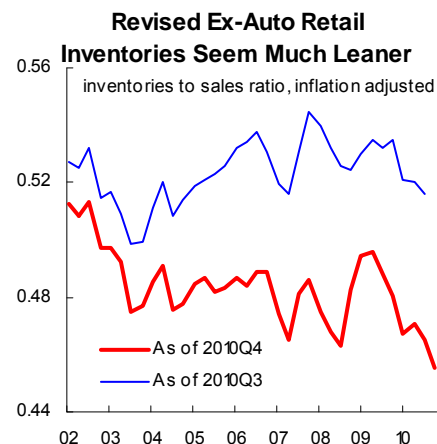


Chart 3

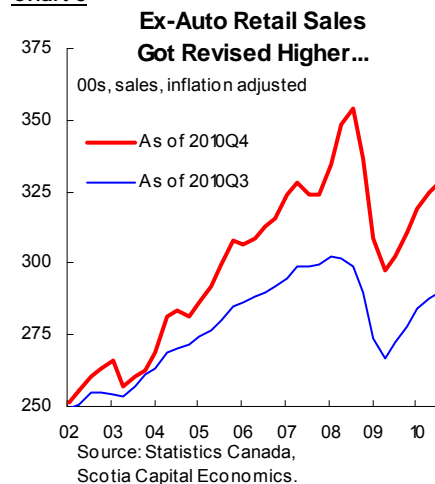
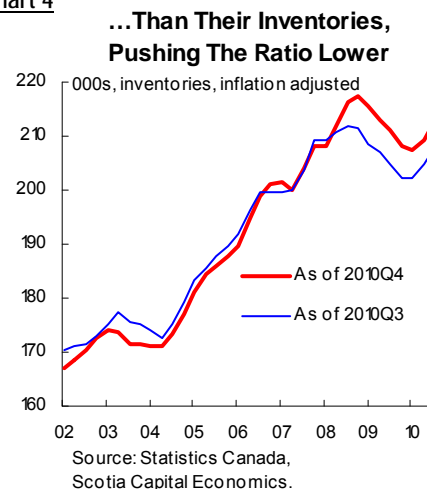


Chart 4



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coming off the boil, so they have already very cautiously managed inventories lower. Should they get surprised on consumer spending to the upside, they'll have to re-stock. Should they get surprised to the downside, they are relatively well positioned. But there is fairly lean choice available on retailer shelves, as well as at auto dealers, and at wholesalers (charts 5-6).

BoC implications are modest at best. This would only signal growth upsides if consumer spending surprised higher and set in motion a reinforcing chain of spending and inventory contributions to growth, whereas we think there is no pent-up consumer or housing demand in Canada—in contrast to other countries. Further, manufacturing inventories in Canada are still higher as a share of sales than they were pre-crisis (chart 7), which in turn reinforces the argument that Canada is less well able to leverage the recovery in the US through spill over effects into Canadian manufacturing production.

Chart 5

**Auto Dealer Inventories
Remain Lean...**

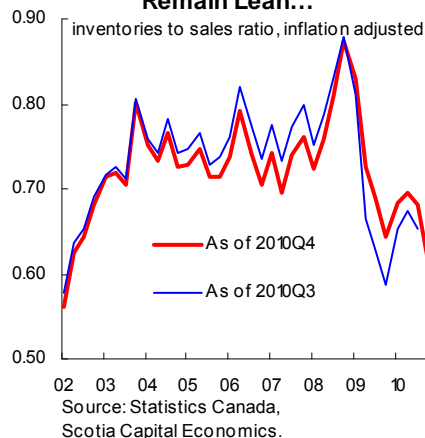


Chart 6

...and So Do Wholesale Inventories...

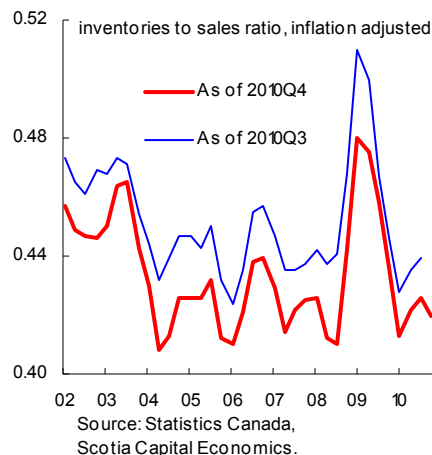
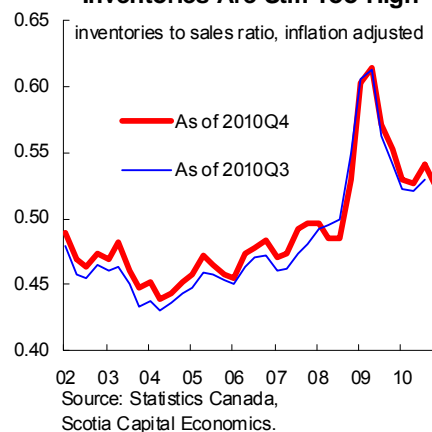


Chart 7

**...but Manufacturing
Inventories Are Still Too High**



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Canadian Housing Demand on the Rise, For Now

- **Look for a busy spring housing season to give way to more moderate activity later in year and into 2012 alongside a lack of pent-up demand, more restrictive mortgage lending rules and rising borrowing costs.**

As was the case in 2010, Canadian housing activity heading into this year's crucial spring season appears to be getting a strong early lift from an improving economy, expectations of rising borrowing costs in the latter half of the year and an attempt among some buyers to beat pending mortgage rule changes effective mid-March. Reports from several major regional real estate boards (i.e. Toronto, Calgary and Vancouver) this week revealed continued brisk sales in February, along with generally tight market conditions and rising prices.

The broad factors supporting housing demand — historically low interest rates and steady employment growth — remain in place for further gains. At the same time, we expect several factors will reinforce a somewhat softer housing trend later in the year and into 2012. This includes a lack of pent-up demand following the record-breaking housing boom of the past decade, the further tightening in mortgage lending rules announced in mid-January, coming on the heels of earlier measures implemented in October 2008 and April 2010, and reduced affordability. While average mortgage interest carrying costs as a share of household income are at historically low levels, average home prices relative to incomes are at historic highs. As borrowing costs move up, affordability will be increasingly strained.

Overall, we expect sales volumes will edge down only modestly in 2011, but with the momentum favouring the first half of the year. This would place sales about 15% below the 2007 peak, and in line with the 10-year average — continuing the cyclical transition to a more sustainable pace of housing demand. Market conditions are expected to remain fairly balanced, favouring sellers to some degree in the spring, and buyers by the fall. This in turn suggests relatively steady prices, but with more downside risk later in the year.

The selection of regional leaders and laggards is problematic, as underlying market conditions can change quickly. However, for some guidance, we consider a combination of demand and supply side factors, including employment and population growth, the ratio of new listings-to-sales and rental vacancy rates for 21 major CMAs, and contrast this with long-term/national trends. Several cities stand out in their high ranking on both sides of the ledger, suggesting the potential to outperform over the near term, including St. John's, Québec City, Ottawa, Toronto, Kitchener-Waterloo, Winnipeg, Regina and Vancouver (see table).

Housing Conditions Across Major CMAs

	Demand		Supply	
	Employment	Population	Resale	Vacancy
	Growth 12mma	Growth 12mma	Listings 6mma	Rate Oct. 2010
St. John's	✓			✓
Halifax		✓		
Saint John				
Québec City	✓		✓	✓
Montreal	✓			
Ottawa	✓	✓		✓
Toronto	✓	✓	✓	✓
St. Catharines	✓			
Hamilton-Burlington			✓	
Kitchener-Waterloo	✓	✓	✓	
London				
Windsor				
Sudbury				
Thunder Bay			✓	✓
Winnipeg	✓	✓	✓	✓
Regina	✓	✓	✓	✓
Saskatoon		✓		
Calgary		✓		
Edmonton		✓		
Vancouver		✓		✓
Victoria				✓

✓ indicates favourable pricing dynamics relative to the national average.

Source: Statistics Canada, CREA, CMHC, Scotia Economics

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U.S. State Squeeze Evolves as Revenues Turn Higher

- **Cutbacks are still central to State budget planning for fiscal 2012.**

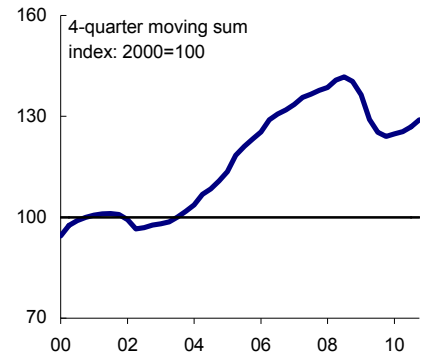
U.S. State tax revenues, after five consecutive quarters of steep declines, posted positive year-over-year growth for all four quarters of calendar 2010. Preliminary data for Q4 2010 indicates a 6.9% rise in total tax receipts from a year earlier, with all of the early-reporting States indicating higher sales tax collections and only four States experiencing weaker personal income tax collections. Admittedly, a portion of the 2010 tax revenue gain reflects rate hikes, and total tax receipts are still well below pre-recession peaks. High unemployment and a fragile consumer will continue to slow the rebound in State personal income and sales taxes, and the trough is deep for volatile State corporate income tax.

The extended State fiscal convalescence is confirmed by the initial budget proposals from 41 States for fiscal 2012 (FY12), which begins this July 1st for most States. Three-quarters of these States propose further significant cuts to core public services, with over half trimming health outlays and a number planning to curtail Medicaid. The cumulative impact of cuts over three to four years is now substantial. Arizona's proposed per student funding in its public universities for FY12, for example, will be 46% below pre-recession levels. A smaller proportion of States are implementing tax hikes and several are extending 'temporary' rate increases or surcharges. In a few instances, to stimulate growth, tax cuts are planned, mostly for corporations.

In addition to unfunded pension and retirement benefit obligations, a number of other factors are contributing to State angst. The 'emergency' federal aid that at one point covered up to one-third of State budget shortfalls will be constrained going forward. Budget cuts currently under consideration in Washington will further slice federal spending in States. Federal initiatives, such as 100% expensing for business machinery & equipment purchases until 2012, are expensive for States mirroring the federal tax code.

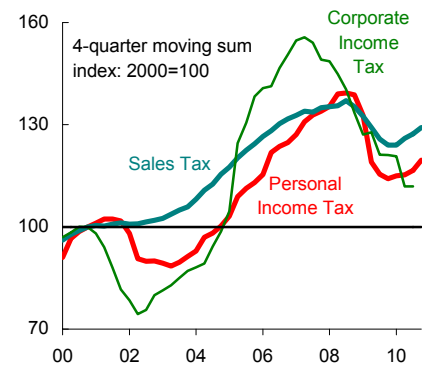
As well, several 'emergency' recession responses will increasingly require attention over the next year. A pressing example, raised by the President, is the over-extended situation of many State unemployment insurance (UI) systems. Currently, about 30 States have exhausted their UI trust funds, and their loans from the federal UI trust fund topped US\$40 billion at the end of 2010, according the U.S. Department of Labor, incurring interest charges approaching US\$1½ billion this year. As States enact special assessments on employers to cover this expense, Washington, if its UI loans to States are not repaid in two years, will raise federal UI taxes on the State's employers, further slowing job creation and growth. In a future downturn, to avoid a State squeeze of this magnitude, a partial solution given the prohibition of operating deficits for virtually all States, is larger, more flexible rainy day funds, perhaps built up with dedicated State revenue transfers as well as allocations from operating surpluses. In the meantime, near-term multiple pressures persist, longer-term pension funding obligations can no longer be ignored and mid-term replenishment demands remain just around the corner.

U.S. State Total Tax Receipts



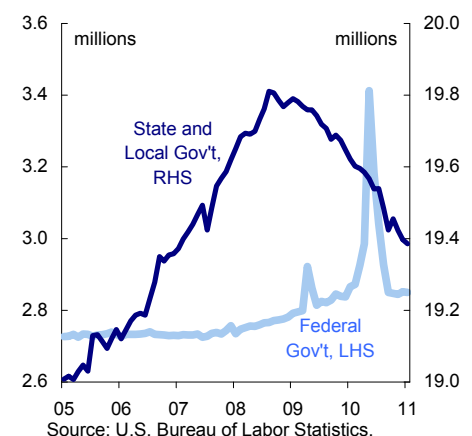
Source: U.S. Census Bureau, Nelson A. Rockefeller Institute of Government, Scotia Economics.

State Tax Detail



Source: U.S. Census Bureau, Nelson A. Rockefeller Institute of Government, Scotia Economics.

U.S. State and Local Employment



Source: U.S. Bureau of Labor Statistics.

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How Will Sentance's Departure From The BoE's MPC Affect Future Policy Votes?

- The outcome could be dovish by displacing the most hawkish voice.

Although the majority of the Bank of England's monetary policy committee (MPC) members remain in favour of maintaining the existing monetary policy — keeping the key interest rate at a record low of 0.5% and the £200-billion asset purchase program unchanged — internal debate at the BoE has been heating up since June, with the latest minutes revealing a 5-3-1 vote. Andrew Sentance became the first dissenter last June, voting for a 25bp rate hike, but has since upped the ante, calling for an even more aggressive rate rise of 50bps. In January, MPC newcomer Martin Weale joined the hike camp, favouring a 25bp increase. The latest February meeting minutes revealed a third dissenter, Spencer Dale, the Bank's Chief Economist, who also pushed for a 25bp hike. In terms of the asset purchase program, Adam Posen remains a lone voice in his recommendation to expand quantitative easing by another £50 billion. What will happen to the vote in future meetings is partly a function of who will replace Andrew Sentance when his term expires in May.

The BoE's MPC is made up of nine voting members (see table), making it one of the biggest¹ monetary policy committees among the inflation-targeting nations, with only the ECB (varies) and the National Bank of Poland (10) ahead of it. The Crown, via the Treasury, appoints the Governor, the two Deputy Governors and the two Executive Directors — for renewable terms of five years — although the Chancellor of the Exchequer wields a strong influence. The Chancellor names the four external members for renewable three-year terms. These individuals act independently, and are meant to ensure a balanced view. They work on a part-time basis, on average about three days a week. The use of external members on the MPC boards is a common² occurrence, employed by half of the inflation-targeting nations.

Name	Position	Term	View
Mervyn Allister King	Governor	07/01/2008-06/30/2013	Dovish
Charles Bean	Deputy Governor	07/01/2008-06/30/2013	Neutral
Paul Tucker	Deputy Governor	03/01/2009-02/28/2014	Neutral
Spencer Dale	Bank Executive Director	07/01/2008-06/30/2013	Hawkish
Paul Fisher	Bank Executive Director	03/01/2009-05/31/2011	Dovish
David Miles	External Member	06/01/2009-05/31/2012	Dovish
Adam Posen	External Member	09/01/2009-08/31/2012	Dovish
Andrew Sentance	External Member	06/01/2008-05/31/2011	Hawkish
Martin Weale	External Member	08/01/2010-07/31/2014	Hawkish

Of the nine members, only two terms — those of Executive Director for Markets Paul Fisher and External Member Andrew Sentance — are coming to an end this year, both on May 31st. Fisher, a dove, has already been reappointed for a second term in late February. Sentance, considered a vocal hawk, did not have his term extended, but there is no clarity on whether this was of his own accord. As such, he only has two meetings left and, like the Fed's Hoenig, will drop out as a direct voting influence at the central bank even though his views are likely to continue to be sought. The Treasury closed the public application process for his replacement on January 31st. The list of applicants and the day of the announcement of Sentance's successor have not been published, a byproduct of the lack of transparency associated with the selection process. That said, we do know that Sentance's successor should begin his or her term in June.

Each MPC member's vote carries equal weight, but in case of a tie the BoE Governor has the casting vote. This is the case in the majority of inflation-targeting economies³. Of the nine voters, Fisher, King, Miles and Posen are considered to be doves, Weale, Sentance and Dale are seen as hawks, while Bean — a former Chief Economist — and Tucker have maintained a neutral tone. Excluding Sentance, that produces a 2-4-2 (hawk, dove, neutral) split on views and a 6-2 (hold-hike) split in votes as per the latest meeting. Should an outspoken hawk replace Sentance, it would still not alter the Bank's decision. There would need to emerge at least two more hawks from within the existing Committee for the tone to shift to a more hawkish stance. While street talk is muted thus far, we have a hunch it would be difficult to replace Sentance with a voter who would be as hawkish as he is. Whether that means a more dovish voice tilts the voting balance back in favour of the doves or not depends upon whether the other members are unchanged in their views over coming months.

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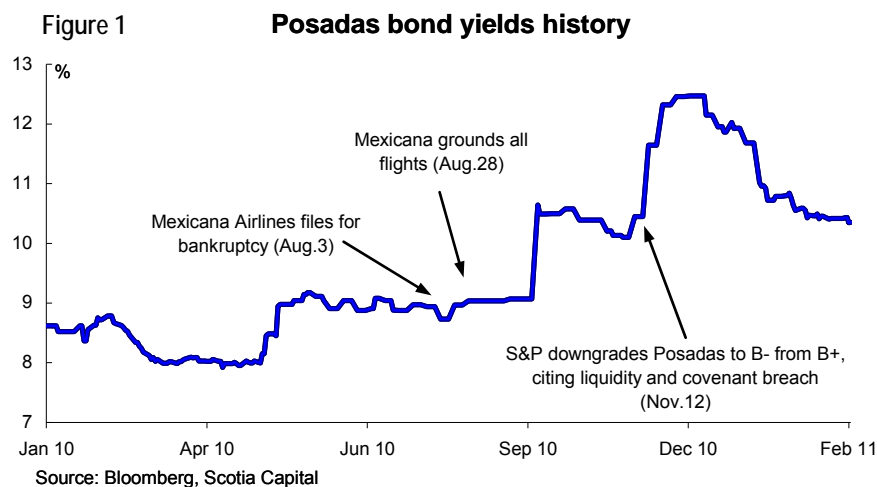
Posadas: Risks and Return

The following article was published on March 1, 2011.

We review and evaluate investor concerns about Grupo Posadas, a large operator of hotels in Mexico. These include fallout from the Mexicana Airlines bankruptcy, derivatives exposure, the potential for covenant breach, and macroeconomic risk. While bond yields of greater than 10% are attractive and we think good news is more likely than bad news, substantial risks and uncertainties remain.

Recent events

Posadas yields have been extremely volatile ever since the bankruptcy of Mexicana airlines last summer, rising from 9% to above 12% and then converging back towards 10% more recently (Figure 1). Since US Treasury yields are now 100bp higher than they were in the summer, Posadas spreads have almost returned to the levels where they were back in the summer. Nevertheless, because many high yield Mexican names compressed during this period, we are not sure that last summer's spreads are a good indication of fair value.



We think that going forward there are four key issues that will drive Posadas bond prices in 2011: disassociation from Mexicana, macroeconomic developments, covenants, and derivatives. We consider each of these in turn

1. The role of Mexicana Airlines

Certainly one of the reasons for the sell-off in Posadas bonds was the bankruptcy of Mexicana Airlines, in which Posadas held a 30% ownership share. It was rumoured at the time that Posadas hotels would suffer significantly due to the various linkages it had with the airlines. For example, Posadas provided call center services to Mexicana and also sold travel packages, which included both airfare and lodging.

Mexicana had a long history of problems, including multiple restructurings prior to its privatization in 2005. To enhance competition in the sector, the Mexican Government sold Mexicana and other related assets in 2005 to Grupo Posadas for USD\$165.5 million. Subsequently, the group sold 70% of its stake in the airline.

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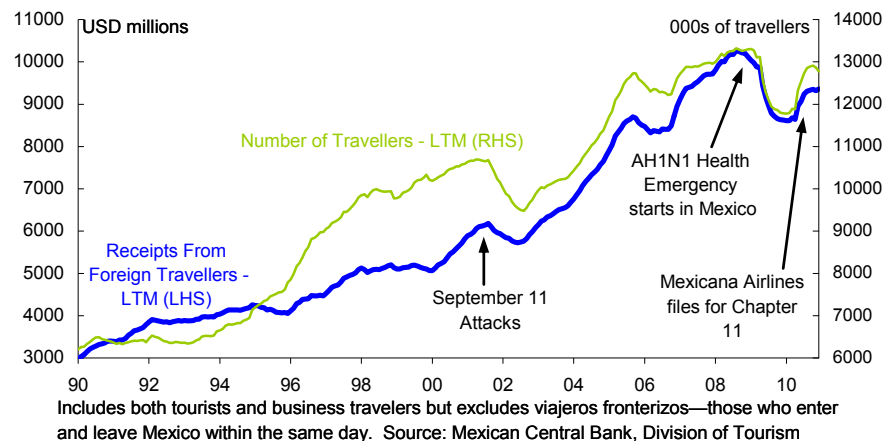
Due to losses registered by the airline, as of December 2008 the Group's investment in Mexicana was recorded on its balance sheet as MXN\$0. In the first semester of 2009, Mexicana was hurt by the global economic crisis and by the influenza outbreak in Mexico. These factors significantly reduced its volume of passengers. Mexicana attempted a number of measures to deal with the considerable losses, including a never-executed USD\$250 million bond issue in May 2010 and a renegotiation with its workers' union in July. The company was forced to close flights and stop selling tickets, and then to cease operations all together.

In 3Q10, Posadas announced that it had sold its 30% stake in Mexicana for a symbolic amount. Although the sale had no effect on the hotel group's balance sheet, Posadas had to register MXN\$114 million in provisions for all the accounts receivable from Mexicana. The group's earnings diminished, since in the first half of 2010 services rendered to Mexicana (call center, housing of crews, and synergies from packages) represented 3% of total revenue. Also, in this period, Posadas had made MXN\$49 million in loans to Mexicana, for which Posadas had to make additional provisions; and finally, it spent MXN\$12 million in severance pay to call center personnel.

The good news is that many of the costs associated with Mexicana will not repeat in 2011. Based on the above numbers, Mexicana's bankruptcy lowered Posadas' 2010 EBITDA by 15%. While Mexicana may emerge from bankruptcy—recent news suggested a possible investment pending approval by government regulators—it is unlikely that the new Mexicana's relationship with Posadas will be as close as before. Nevertheless, if Mexicana was really only 3% of revenue, then the effect should be fairly small. Thus, the Mexicana bankruptcy should actually cause EBITDA to increase in 2011 relative to 2010.

2. Macroeconomic risk

Figure 2 Foreign spending and visits to Mexico



Surely, the amount of business travel and tourism in Mexico is the key factor that determines Posadas revenue and income; yet, it is also a factor that Posadas has almost no control over. As shown in Figure 2, foreign travel to Mexico was hard hit both by the financial crisis and the Avian Flu, leading to a dip of 12% in receipts. In contrast, in the previous five years ending in 2008, tourism had grown at a compound annual rate of 9%. Tourism has started to recover but remains far short of where it was in the peak of 2008, much

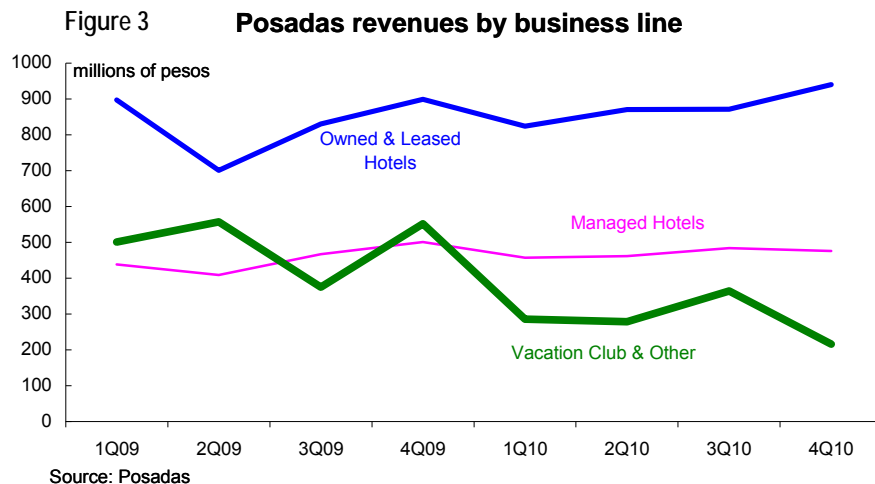
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less where it would have been by now had the previous growth continued. Of course, the economic recovery remains uncertain and increasing drug violence may scare off some tourists as well. Posadas revenue does show some recovery in line with the recovery in tourism (Figure 3).



Revenue from both Posadas-owned hotels and from managed hotels seems to be slowly recovering, as shown in the graph. In addition, management reports strong growth in January and February of 2011. In contrast, revenue from vacation clubs (time-shares) continued to decline last year. 4Q10 was the first quarter where the contribution to group profits from the vacation club division was negative, although only marginally so. Obviously, in the extreme financial crisis we experienced in 2009, few people wanted to purchase a vacation time-share. Even fewer, perhaps, wanted to upgrade their time-share to a more expensive one, which in the past had been a good source of revenue for Posadas. Nevertheless, what is most worrisome is that Vacation Club revenue continued to decline throughout 2010 even as the economy recovered. We also note that while 81% of Posadas hotels are in urban centers and those hotels have recovered substantially since 2009, coastal hotels are not recovering; that is bad news for the vacation clubs for whom tourists staying at the coastal hotels represent good sales prospects.

3. Covenants

Potential covenant breach has been a concern to the rating agencies over the past several months. The bonds have covenants that restrict additional borrowing when the interest coverage ratio is below 2.5. That coverage ratio currently stands at 2.4. According to Posadas' management, however, after certain permitted adjustments, the relevant number is actually 3.0, given Posadas sufficient breathing room. What the rating agencies were really worried about were covenants contained in the bank agreement. Management reports that they renegotiated those covenants with the bank in December in a way that should ease rating agencies concerns and that we should soon receive positive news from those agencies. Since much of the bank agreement is confidential, we have been unable to get additional details.

4. Derivatives

Local newspapers have in the past expressed concerns regarding Posadas' derivatives exposure. Posadas uses cross-currency swaps to swap debt issued in floating rate pesos into fixed-rate USD exposure. As a result, when the peso depreciates, the derivatives lose value and when the peso appreciates, as it has been doing recently, Posadas makes money. Posadas currently has \$166mm USD of such derivatives.

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Management insists that its hotel revenues are denominated in dollars and therefore the use of derivatives to hedge the currency mismatch in revenues and debt is appropriate. We are not so sure. On one hand, we understand that when foreign travelers search for Mexican hotels, they may well see prices that are denominated in dollars and those prices do not change in response to daily movements in the exchange rate. On the other hand, hotel costs are mostly in pesos; theoretically, competition between hotels in Mexico should force prices to move in line with those costs in the long-run. In other words, long-run prices are probably effectively denominated in pesos even though the rooms are listed in dollars.

The good news is that the peso has stabilized and is unlikely to return to the depreciated levels of greater than 15 we saw at the peak of the financial crisis. Obviously, such an exchange rate would prompt large margin calls on Posadas that could strain limited liquidity, but no one is expecting such a scenario.

Conclusion

Our analysis of the four key risks are as follows. Regarding Mexicana, we do not see any further fallout, and instead expect Posadas EBITDA to recover because 2010 Mexicana-related losses will not repeat. While we are not convinced that the derivatives are necessary, we are also not that worried about Posadas' exposure. On the covenants, we may get good news soon, but we really have no independent information on this that would help us to assess the risks. Significant uncertainty remains about EBITDA generation in the coming year. While we think tourism should continue to recovery moderately, we are worried about the possibility of further losses in the Vacation Club segment. Posadas bonds yielding over 10% are attractive as we think good news is more likely than bad news, though substantial risks and uncertainties remain.

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Model Portfolios & Sector Strategy — March Update

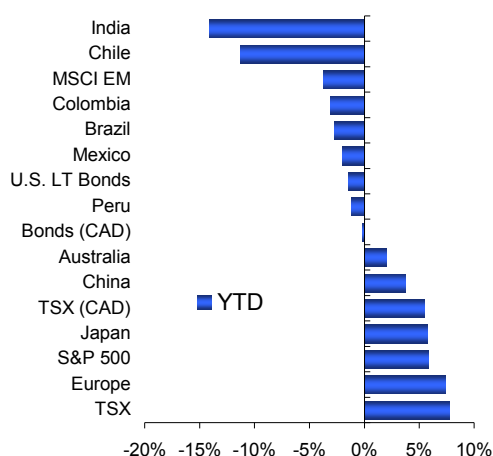
This text was published on March 1, 2011.

January gains extend into February, Energy sector Leads

- The market's positive tone moderated in the last trading days of February as geopolitical tensions escalated and spread closer to oil producing nations. Although upheaval in Libya and spiking oil prices did manage to take the wind out of the 6-month equity rally, global equities posted positive performances last month. Canadian equities (TSX +7.4% in USD; +4.3% in CAD) outperformed the S&P 500 (3.2%) and the MSCI AC World (+2.8%) in February. LatAm (+1.9%) and EM (-1.0%) underperformed.
- YTD, equities (TSX +5.5% in CAD, +7.8% in USD; S&P 500 +5.9%) are outpacing Bonds (-0.2% for the DEX Universe in CAD; -1.5% for long term U.S. Treasuries in USD) and Developed markets are beating EM. See Exhibit 1.
- WTI settled in at US\$97.78, US\$5.59 (+6.1%) above January's closing level. Although equity weakness, oil price activity, and headline news would suggest otherwise, the flight-to-quality has remained orderly so far. The USD did not rally and long term bond yields only modestly declined.

Exhibit 1

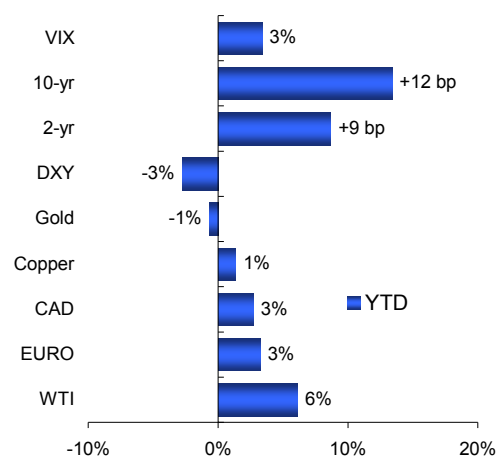
Market Performance 2011 YTD



*All performances in USD unless otherwise indicated
 Source: Scotia Capital, Bloomberg

Exhibit 2

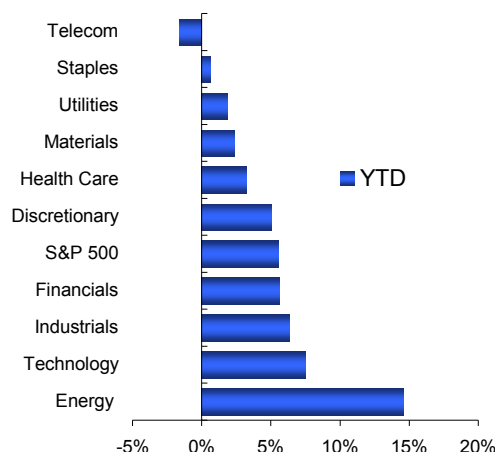
Market Indicators 2011 YTD



Source: Scotia Capital, Bloomberg

Exhibit 3

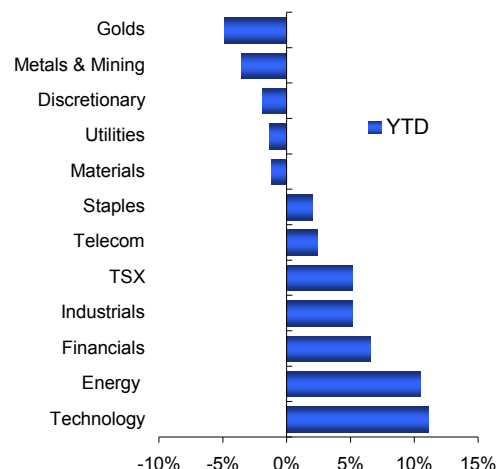
S&P 500 Sector Performance 2011 YTD



Source: Scotia Capital, Bloomberg

Exhibit 4

TSX Sector Performance 2011 YTD



Source: Scotia Capital, Bloomberg

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- From a sector standpoint, January leadership was broad with four of the 10 S&P 500 GICS sectors (59% of the weighting) outperforming. February leadership was isolated in Energy and Discretionary and the S&P 500 Energy sector (+7.3% in January; +6.8% in February) is the only sector sporting outperformance in both January and February.
- YTD, Energy, Industrials, Technology, and Financials are outperforming both on the S&P 500 and the TSX index. See Exhibits 3 and 4.

Strategic Edge Portfolio (SEP) — March Update

- The SEP was up 4.79% in February, 35 bp ahead of the S&P/TSX's 4.44% total return advance. Our strategy stance and stock selections in Financials (+8 bp), Energy (+57 bp), Technology (+12 bp) offset basis points lost in Materials (-36 bp), Cash (-19 bp) and Health Care (we don't own Valeant/VRX) last month.
- Since the start of 2011, the SEP is outperforming its benchmark by 159 bp. Our underweight position in Materials/Gold and overweight focus in Energy, Financials, Industrials-Capital Goods and Technology explain 2011 outperformance.
- SEP Strategy for 2011.** The SEP had higher cyclical exposure in both 2009 and 2010 (low cash weighting, more mid-cap, and overweight Materials-Mining), but we plan to slowly lower our risk exposure in 2011 as the risk-reward outlook no longer looks compelling. In the near-term, we remain concerned about the overbought nature of equities after a stunning 6-month run from last August levels. Positive inflows into U.S. domestic equities and attractive fundamentals argue against a major correction. In our opinion, mid-east tensions will abate, but inflation fears will eventually become the market's main challenge towards the end of 2011. We have been taking some risk/high beta exposure off the table since December and would reiterate this view. We believe it is too soon to chase defensive sectors (defensive sectors don't look good based on earnings revisions, trend in employment, and outlook for interest rates) and would prefer to raise cash instead. Our sector preferences remain unchanged with focus in Financials, Technology, Industrials, and Energy. Energy has had a great run recently and we would scale back positions and redirect into Financials (banks) and Industrials. Still, we would reiterate our Energy over Materials preference
- March 2011 changes.** Reducing our Energy exposure to market weight (lowering NXY, TLM, CNQ, BTE, and CVE) and raising Financials-Banks (adding to our existing TD and CM positions). In the Insurance space, IAG joins the SEP and GWO is leaving. In Materials, we are selling K and increasing exposure in ABX, G, and IMG. We are also switching TRI for ACM/a in Discretionary-Media.
- The SEP's objective is to combine our sector strategy views with Scotia Capital's best ideas in the large cap universe.

Exhibit 5

Strategic Edge Portfolio Performance (Total Return)

February 28, 2011		Performance -- Total Return (%)	
Period	SEP	S&P/TSX	Value Added (bp)
February	4.79%	4.44%	35
3-M	11.7%	9.8%	193
6-M	25.5%	20.2%	531
YTD	7.1%	5.5%	159
1-Yr	33.2%	24.8%	834
CAGR (%)			
3-Yr	11.5%	4.4%	712
Inception (June-05)	12.9%	9.4%	351
Annual (%)			
2005	13%	15%	-156
2006	16%	17%	-144
2007	11%	10%	156
2008	-28%	-33%	495
2009	42%	35%	704
2010	24%	18%	648

Source: Scotia Capital, Bloomberg

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Near term Cautious, Still optimistic on 2011

- In our opinion, January's leadership should prevail throughout 2011 and we would reiterate our DM/large cap preferences. Monetary policy divergence between EM and DM should support further outperformance from DM until the ECB and the Fed hint of rate hikes. Following a stunning 6-month 27% rally, the S&P 500 was threading in overbought territory recently and we believe the near-term equity risk-reward outlook is not compelling. Risk appetite has shifted into large caps and developed indices, and the next step is likely a healthy pullback. However, the recent leg of this rally had "flows" written all over it and it may be premature to bet aggressively against it, especially at a time when fundamentals (positive earnings revisions, forward P/Es below 15x) remain supportive.
- We believe the trend in profit revisions will remain supportive for equity markets in coming months and expect the revisions ratio (% of positive revisions/total revisions) to stay at elevated levels.

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Exhibit 6

Strategic Edge Portfolio Performance - As at February 28, 2011

Sector / Company		Weighting		February	March 2011
S&P/TSX (price-only)		SE Portfolio	S&P/TSX	Performance	Recommendation
Cash		5.1%		0.1%	↑
Financials		31.1%	28.3%	5.9%	2.8%
RY	ROYAL BANK OF CANADA	6.1%	5.0%	5.8%	
TD	TD BANK	7.5%	4.4%	8.5%	↑
CM	CIBC	5.0%	2.0%	7.8%	↑
NA	NATIONAL BANK	2.8%	0.7%	7.2%	↓
MFC	MANULIFE FINANCIAL	3.0%	2.0%	5.2%	
SLF	SUN LIFE	2.0%	1.1%	2.4%	
IAG	INDUSTRIAL ALLIANCE	1.8%	0.2%	7.4%	New Addition
IFC	INTACT FINANCIAL	1.2%	0.3%	-1.9%	
REF-u	CANADIAN REIT	0.9%	0.1%	3.7%	
BPO	BROOKFIELD PROPERTIES	0.9%	0.2%	-3.0%	
Staples		1.2%	2.4%	1.6%	-1.2%
MRU/A	METRO	0.8%	0.3%	1.7%	
SC	SHOPPERS DRUG MART	0.4%	0.6%	11.8%	
Telecom		2.6%	3.9%	-1.6%	-1.3%
SJR/B	SHAW COMMUNICATIONS	0.9%	0.4%	-2.1%	
QBR/B	QUEBECOR INC.	0.9%	0.1%	-0.7%	
T	TELUS	0.9%	1.0%	-3.0%	
Utilities & Pipelines		4.2%	5.2%	-2.0%	-0.9%
TRP	TRANSCANADA	1.7%	1.7%	6.8%	
IPL-u	INTER PIPELINE FUND	1.4%	0.2%	-0.5%	
ENB	ENBRIDGE	1.1%	1.4%	0.0%	
Discretionary		2.8%	4.1%	-4.2%	-1.3%
ACM/A	ASTRAL MEDIA	1.3%	0.1%	-2.2%	New Addition
THI	TIM HORTONS	1.5%	0.5%	4.4%	
Technology		4.5%	2.6%	8.6%	2.0%
RIM	RESEARCH IN MOTION	2.7%	1.8%	8.7%	
CLS	CELESTICA	1.0%	0.1%	16.6%	
GIB/A	CGI GROUP	0.9%	0.3%	0.6%	
Energy (Ex-Pipelines)		24.4%	24.2%	5.6%	0.1%
NXY	NEXEN	1.3%	0.9%	5.4%	↓
PGF	PENGROWTH ENERGY	1.8%	0.2%	-1.0%	
DVN	DEVON ENERGY (U.S.)	1.1%	n/a	3.1%	
TLM	TALISMAN ENERGY INC.	3.0%	1.5%	5.1%	↓
CNQ	CANADIAN NATURAL RESOURCES	4.0%	3.3%	9.6%	↓
ARX	ARC RESOURCES	2.2%	0.5%	13.9%	
BTE	BAYTEX ENERGY	1.9%	0.4%	13.1%	↓
SU	SUNCOR	6.0%	4.4%	10.1%	
CVE	CENOVUS	3.0%	1.7%	9.1%	↓
Materials		17.8%	22.8%	4.4%	-5.0%
Gold & Precious Metals		7.7%	13.2%	7.1%	-5.5%
ABX	BARRICK GOLD	3.6%	3.1%	8.0%	↑
G	GOLDCORP	2.6%	2.3%	15.5%	↑
IMG	IAMGOLD	0.5%	0.5%	8.1%	↑
SLW	SILVER WHEATON	1.0%	0.9%	33.8%	
Materials (Ex-Gold/Precious Metals)		10.1%	9.6%	n/a	0.5%
FCX	FREEPORT-MCMORAN (U.S.)	1.3%	n/a	-2.6%	
TCK/B	TECK RESOURCES	2.1%	1.6%	-11.4%	
POT	POTASH CORP	3.8%	3.2%	1.2%	↓
VT	VITERRA	1.0%	0.3%	1.7%	
AGU	AGRIUM	1.9%	0.9%	4.1%	
Industrials		6.2%	5.5%	1.7%	0.8%
CNR	CANADIAN NATIONAL RAILWAY	2.4%	2.0%	4.7%	
FTT	FINNING	1.2%	0.3%	-5.1%	↓
SNC	SNC-LAVALIN	1.1%	0.5%	-4.1%	↑
BBD/B	BOMBARDIER	1.6%	0.6%	9.6%	

Source: Scotia Capital, Bloomberg

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Key Data Preview

CANADA

We estimate that the February **jobs report** (Friday) will show a modest gain of 10k, held back by a strong base effect from the prior month. Canadian leading employment indicators are sparse and delayed, leaving forecasters to examine developing trends, base effects and any technical distortions. In the upcoming report, we suggest looking at the public- vs. private-sector breakdown. January's report highlighted that the broader public sector added over half of all the jobs since the recovery began, raising concerns that the heavy reliance upon public-sector hiring may be unsustainable as the focus shifts forward to fiscal restraint.

Net trade unexpectedly turned into a nominal surplus of C\$3.0 billion in December — a first in nearly a year and the biggest since late 2008 — resulting from a stronger foreign demand for energy and industrial products. What's more, these results were not price-driven, as volumes posted an increase of comparable magnitude. We estimate that the **trade surplus** (Thursday) will retreat to around C\$2.0 billion in January, as more moderate gains in commodity prices are likely to be at least partly offset by a strong loonie and a high base effect from the prior month.

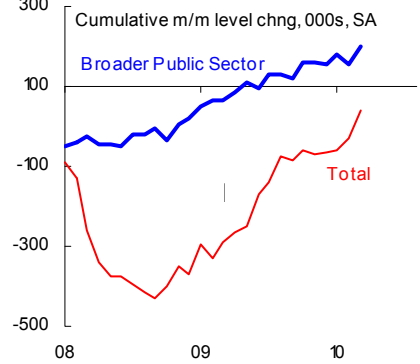
As we have argued before, the Canadian housing market — which led the economy out of the recession — is now at cycle tops by a number of measures and, as such, is expected to moderate in 2011. We think that **housing starts** (Tuesday) and **building permits** (Monday) will retreat modestly in February and January, respectively, extending the downward trend started in April of last year. **New Home Price Index** (Wednesday) may be swayed once again by gains in the land-only component, but the house-only index — which flows through to shelter costs in CPI — is expected to retreat further.

UNITED STATES

Nominal **retail sales** (Friday) are likely to have continued to advance in February, although the pace of growth has been softening since October. What's more, inflation-adjusted volumes — which feed directly into the GDP calculation — contracted (-0.1%) in January, their first decline in six months. Discretionary spending (see chart) — which accounts for 70% of overall retail sales — took most of that hit, disrupting the upward trend started in June. The recent rise in the personal savings rate suggests that Americans remain in the hoarding mode, channeling stimulus into savings accounts. For February, the consensus range is wide, varying from a flat print to 1.1% growth. We sit on the lower end, with a call for a headline gain of 0.5% m/m and a milder core (ex. auto) increase of 0.2%. Although we do not have February data on used vehicle sales, we know that light vehicle sales revved up strongly in February, adding to headline retail sales. At the core level, higher chain-store sales and gas prices plus a weak base effect were likely the principal drivers of nominal growth.

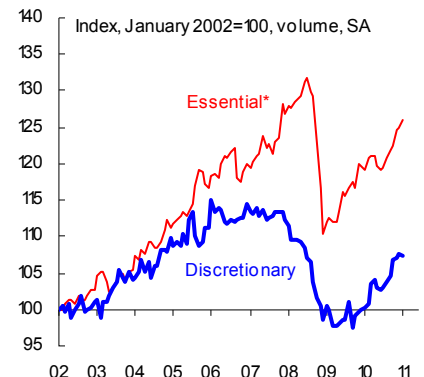
We look for the nominal **trade gap** (Thursday) to widen to US\$41.7 billion in January, from US\$40.6 billion in the prior month. Higher petroleum prices are likely to continue to account for most of the widening, as the United States imports over two-thirds of its oil needs, spending about US\$336 billion in 2010, or half of its trade deficit. As such, it may be worthwhile taking a look at the real ex-oil trade deficit, to get a better picture of the underlying foreign and domestic demand. Last month, this shortfall shrank by a sizeable 8.5%, supported by a sharp gain in export volumes — consumer goods in particular — with an upward trend since August. Imports, however, have been declining for the past four months, pointing to a still-cautious domestic sentiment, but also the effect of a weak dollar.

Canadian Public Sector Hiring Leads Job Gains



Source: Statistics Canada, Scotia Capital Economics.

US Retail Sales



* Essential retail sales include food, gasoline and healthcare. Source: Bureau of Economic Analysis, Scotia Capital Economics.

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EUROPE

While the Swiss economy continues to expand strongly, inflationary pressures remain virtually absent on the back of the Swiss franc (CHF) strength; consumer price inflation decelerated to 0.3% y/y in January from 0.5% the month before. February CPI data will be released on March 9th; we estimate that the consumer price index will record an increase of 0.4% y/y. Therefore, Swiss monetary authorities will likely continue to maintain an expansionary policy stance; the next quarterly monetary policy meeting is scheduled for March 17th. We expect that the policymakers will keep the key interest rate target unchanged at 0.25% until the fourth quarter of 2011, when a cautious process of monetary normalization will likely begin.

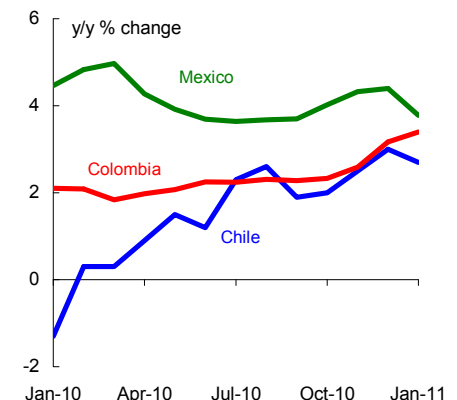
Switzerland CPI



LATIN AMERICA

For the coming week (March 7th-11th), inflation data regarding Colombia, Chile and Mexico will take markets' attention, especially since most major countries in Latin America have started a fight against accelerating inflation. Colombia was the most recent one to join Chile, Brazil and Peru, and unexpectedly hiked the benchmark interest rate in late February. Meanwhile, in Mexico, quite influenced by the US monetary cycle, inflation has not so far been so influenced by increasing oil prices, allowing the central bank to leave its monetary policy stance unchanged. Up until now, annual inflation in Mexico has remained on a downward trend, reaching its lowest levels in 4 months.

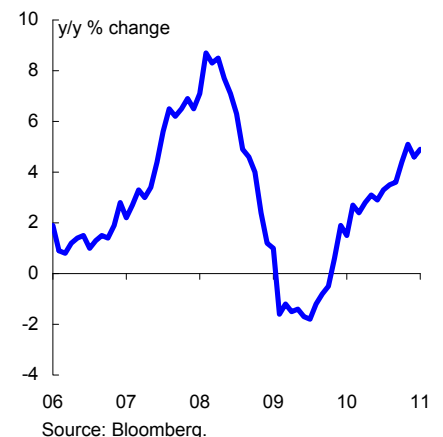
Inflation in Chile, Colombia and Mexico



ASIA

We expect China's inflation to have come down once more to 4.6% y/y in February as vegetable prices eased in February and food demand in general weakened after the Chinese New Year. Base effects and the ease in food inflation more than offset non-food price gains during the month.

Chinese Inflation



Key Indicators for the week of March 7- 11

North America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
CA	3/7/2011	08:30	Building Permits (MoM)	JAN	-2.0	0.3	2.4
US	3/7/2011	15:00	Consumer Credit (USD Billions)	JAN	--	3.3	6.1
US	3/8/2011	07:30	NFIB Small Business Optimism	FEB	--	95.0	94.1
CA	3/8/2011	08:15	Housing Starts (000s)	FEB	169.0	172.8	170.4
US	3/9/2011	07:00	MBA Mortgage Applications (MoM)	4-Mar	--	--	-6.5
CA	3/9/2011	08:30	New Housing Price Index (MoM)	JAN	0.0	0.1	0.1
MX	3/9/2011	09:00	Trade Balance (USD Millions)	JAN F	--	--	63.0
US	3/9/2011	10:00	Wholesale Inventories (MoM)	JAN	--	1.0	1.0
MX	3/9/2011	10:00	Consumer Prices Core (MoM)	FEB	--	0.4	0.5
MX	3/9/2011	10:00	Consumer Prices (MoM)	FEB	--	0.4	0.5
CA	3/10/2011	08:30	Int'l Merchandise Trade (C\$ Billions)	JAN	2.0	2.5	3.0
US	3/10/2011	08:30	Initial Jobless Claims (000s)	5-Mar	390.0	378.0	368.0
US	3/10/2011	08:30	Continuing Claims (000s)	26-Feb	3800.0	--	3774.0
US	3/10/2011	08:30	Trade Balance (USD Billions)	JAN	-42.0	-41.4	-40.6
US	3/10/2011	14:00	Monthly Budget Statement (USD Billions)	FEB	--	-240.5	-49.8
CA	3/11/2011	07:00	Net Change in Employment (000s)	FEB	10.0	--	69.2
CA	3/11/2011	07:00	Unemployment Rate (%)	FEB	7.8	7.7	7.8
US	3/11/2011	08:30	Advance Retail Sales (MoM)	FEB	0.7	0.9	0.3
US	3/11/2011	08:30	Retail Sales Less Autos (MoM)	FEB	0.4	0.6	0.3
MX	3/11/2011	09:00	Gross Fixed Investment (MoM)	DEC	--	7.0	7.8
US	3/11/2011	09:55	U. of Michigan Confidence	MAR P	--	76.3	77.5
US	3/11/2011	10:00	Business Inventories (MoM)	JAN	--	0.7	0.8

Forecasts at time of publication.

Source: Bloomberg, Scotia Economics.

Key Indicators for the week of March 7- 11

Europe

Country	Date	Time	Event	Period	BNS	Consensus	Latest
RU	3/7/2011		Consumer Price Index Core MoM	FEB	--	0.9	0.7
RU	3/7/2011		Consumer Prices (MoM)	FEB	--	0.9	0.8
RU	3/7/2011		Official Reserve Assets	FEB	--	490.0	493.8
EC	3/7/2011	04:30	Sentix Investor Confidence	MAR	--	17.2	16.7
UK	3/7/2011	19:01	RICS House Price Balance	FEB	--	-25.5	-31.0
FR	3/8/2011	02:30	Bank of France Bus. Sentiment	FEB	--	110.0	110.1
FR	3/8/2011	02:45	Central Govt. Balance (Euro Billions)	JAN	--	--	-148.8
FR	3/8/2011	02:45	Trade Balance (Euro Billions)	JAN	--	-5.1	-5.1
GE	3/8/2011	06:00	Factory Orders MoM (sa)	JAN	--	2.5	-3.4
UK	3/9/2011	05:30	Total Trade Balance (GBP/Mln)	JAN	--	-4000.0	-4831.0
GE	3/9/2011	07:00	Industrial Production MoM (sa)	JAN	--	1.7	-1.5
RU	3/9/2011		Light Vehicle & Car Sales YoY	FEB	--	68.0	72.0
FR	3/10/2011	02:45	Industrial Production (MoM)	JAN	--	0.5	0.3
GE	3/10/2011	03:00	Trade Balance (Euro Billions)	JAN	--	13.0	11.9
SP	3/10/2011	03:00	Retail Sales (Real) (YoY)	JAN	--	--	-4.4
IT	3/10/2011	04:00	Industrial Production sa (MoM)	JAN	--	0.6	0.3
UK	3/10/2011	05:30	Industrial Production (MoM)	JAN	--	0.4	0.5
UK	3/10/2011	07:00	BOE ANNOUNCES RATES	10-Mar	0.5	0.5	0.5
UK	3/10/2011	08:00	BOE Asset Purchase Target (GBP Billions)	MAR	200.0	200.0	200.0
FR	3/11/2011	02:45	Current Account (Euro Billions)	JAN	--	--	-5.4
GE	3/11/2011	03:00	CPI - EU Harmonised (MoM)	FEB F	0.6	0.6	0.6
GE	3/11/2011	03:00	CPI - EU Harmonised (YoY)	FEB F	2.2	2.2	2.2
SP	3/11/2011	03:00	CPI (EU Harmonised) (MoM)	FEB	--	0.1	-1.3
SP	3/11/2011	03:00	CPI (EU Harmonised) (YoY)	FEB F	--	3.4	3.4
IT	3/11/2011	04:00	GDP sa and wda (YoY)	4Q F	1.3	1.3	1.3
UK	3/11/2011	05:30	PPI Input NSA (MoM)	FEB	--	1.5	1.7
UK	3/11/2011	05:30	PPI Input NSA (YoY)	FEB	--	14.4	13.4
GR	3/11/2011		GDP QoQ	4Q F	-1.4	-1.4	-1.4

Forecasts at time of publication.

Source: Bloomberg, Scotia Economics.

Key Indicators for the week of March 7- 11

Asia Pacific

Country	Date	Time	Event	Period	BNS	Consensus	Latest
VN	3/7/2011		Domestic Vehicle Sales (YoY)	FEB	--	--	48
NZ	3/7/2011		QV House Prices YoY%	FEB	--	--	-1.5
PH	3/7/2011		Budget Deficit/Surplus (PHP Billions)	JAN	--	--	0.482
JN	3/7/2011		Leading Index CI	JAN P	--	102.3	101.4
TA	3/7/2011	03:00	CPI YoY%	FEB	--	1.1	1.11
TA	3/7/2011	03:00	Total Trade Bal in US\$ Billion	FEB	--	0.87	1.88
NZ	3/7/2011	16:45	Manufacturing Activity (QoQ)	4Q	--	--	1.3
JN	3/7/2011	18:50	Bank Lending incl Trusts (YoY)	FEB	--	--	-1.8
JN	3/7/2011	18:50	Current Account Total (JPY Billions)	JAN	--	470.0	1195.3
SL	3/7/2011	21:00	Repurchase Rate	8-Mar	--	7.0	7.0
SL	3/7/2011	21:00	Reverse Repo Rate	8-Mar	--	8.5	8.5
AU	3/7/2011	23:01	Australia Manpower Survey	2Q	--	--	21.0
CH	3/7/2011	23:01	China Manpower Survey	2Q	--	--	38.0
HK	3/7/2011	23:01	Hong Kong Manpower Survey	2Q	--	--	20.0
IN	3/7/2011	23:01	India Manpower Survey	2Q	--	--	41.0
JN	3/7/2011	23:01	Japan Manpower Survey	2Q	--	--	7.0
NZ	3/7/2011	23:01	New Zealand Manpower Survey	2Q	--	--	16
SI	3/7/2011	23:01	Singapore Manpower Survey	2Q	--	--	27.0
TA	3/7/2011	23:01	Taiwan Manpower Survey	2Q	--	--	32.0
JN	3/7/2011	23:30	Bankruptcies (YoY)	FEB	--	--	-2.1
JN	3/8/2011		Eco Watchers Survey: Current	FEB	--	--	44.3
JN	3/8/2011		Eco Watchers Survey: Outlook	FEB	--	--	47.2
NZ	3/8/2011		Value of All buildings SA (QoQ)	4Q	--	--	-3.2
JN	3/8/2011	18:50	Machine Orders (MoM)	JAN	--	3.0	1.7
AU	3/8/2011	19:30	Home Loans (MoM)	JAN	--	0.0	2.1
SK	3/8/2011	22:00	Bank Lending to HH (KRW Tln)	FEB	--	--	429.5
TH	3/9/2011	03:30	Benchmark Interest Rate	9-Mar	2.5	2.5	2.3
NZ	3/9/2011	15:00	RBNZ Official Cash Rate	10-Mar	3.0	2.9	3.0
SK	3/9/2011	16:00	Producer Price Index (YoY)	FEB	--	--	6.2
JN	3/9/2011	18:50	GDP Annualized (QoQ)	4Q F	--	-1.2	-1.1
AU	3/9/2011	19:30	Unemployment Rate (%)	FEB	--	5.0	5.0
SK	3/9/2011	20:00	Bank of Korea Monetary Policy Committee Meeting		3.0	3.0	2.8
PH	3/9/2011	20:00	Total Monthly Exports (USD Millions)	JAN	--	--	4201.0
PH	3/9/2011	20:00	Total Exports (YoY)	JAN	--	18.5	26.5
CH	3/9/2011	21:00	Trade Balance (Billions USD)	FEB	--	4.9	6.5
MA	3/9/2011	23:01	Industrial Production YoY	JAN	--	1.1	4.2
TH	3/9/2011	23:30	Consumer Confidence Economic	FEB	--	--	72.6
CH	3/10/2011	21:00	Producer Price Index (YoY)	FEB	--	7	6.6
CH	3/10/2011	21:00	Industrial Production (YoY)	FEB	--	13	13.5
CH	3/10/2011	21:00	Consumer Price Index (YoY)	FEB	4.6	4.8	4.9
CH	3/10/2011	21:00	Fixed Assets Inv Urban YTD YoY	FEB	--	23	24.5
CH	3/10/2011	21:00	Industrial Profits YTD YoY	FEB	--	--	49.4
CH	3/10/2011	21:00	Retail Sales (YoY)	FEB	--	19	19.1
PH	3/11/2011		Bank Lending (YoY)	JAN	--	--	8.9
IN	3/11/2011	00:30	Industrial Production YoY	JAN	--	--	1.6
MA	3/11/2011	06:00	Overnight Rate	11-Mar	2.75	2.75	2.75

Forecasts at time of publication.

Source: Bloomberg, Scotia Economics.

Key Indicators for the week of March 7- 11

Latin America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
CO	3/5/2011	20:00	Consumer Price Index (MoM)	FEB	--	1.0	0.9
CO	3/5/2011	20:00	Consumer Price Index (YoY)	FEB	--	3.6	3.4
CL	3/7/2011	06:30	Trade Balance in US\$ Million	FEB	--	1390.0	2175.4
CL	3/7/2011	06:30	Economic Activity YoY	JAN	--	5.8	5.7
CL	3/8/2011	06:00	CPI (MoM)	FEB	--	0.2	0.3
CL	3/8/2011	06:00	CPI (YoY)	FEB	--	2.6	2.7
CL	3/8/2011	06:00	CPI Ex Perishables & Fuel MoM	FEB	--	0.2	0.1
BZ	3/9/2011	09:00	Trade Balance (FOB) - Weekly	6-Mar	--	--	577.0
BZ	3/9/2011	10:00	Central Bank Weekly Economists Survey				
BZ	3/10/2011	06:30	COPOM Monetary Policy Meeting Minutes				
CL	3/10/2011	06:30	Central Bank Economist Survey				
PE	3/10/2011		Reference Rate	MAR	3.75	3.75	3.50
BZ	3/11/2011	03:00	FIPE CPI - Weekly	7-Mar	--	--	--
BZ	3/11/2011	06:00	FGV Preview Inflation IGP-M	10-Mar	--	--	--
CO	3/11/2011		Monetary Policy Meeting Minutes				

Forecasts at time of publication.
Source: Bloomberg, Scotia Economics.

Global Auctions for the week of March 7- 11

North America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	3/7/2011	11:00	U.S. Fed to Purchase USD5-7 Bln Notes/Bonds
US	3/7/2011	11:30	U.S. to Sell 3-Month Bills
US	3/7/2011	11:30	U.S. to Sell 6-Month Bills
US	3/8/2011	11:00	U.S. Fed to Purchase USD6-8 Bln Notes/Bonds
US	3/8/2011	11:30	U.S. to Sell 4-Week Bills
US	3/8/2011	11:30	U.S. to Sell 52-Week Bills
US	3/8/2011	13:00	U.S. to Sell 3-Year Notes
US	3/9/2011	11:00	U.S. Fed to Purchase USD5-7 Bln Notes/Bonds
CA	3/9/2011	12:00	Canada to Sell 2-Year Notes
US	3/9/2011	13:00	U.S. to Sell 10-Year Notes Reopening
US	3/10/2011	13:00	U.S. to Sell 30-Year Bonds Reopening

Europe

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
TU	3/7/2011	04:30	Turkey to Sell 182-Day Bills
HU	3/7/2011	05:30	Hungary to Sell 6-Week Bills
NE	3/7/2011	06:00	Netherlands to Sell up to EUR2 Bln 83-Day Bills on March 7
NE	3/7/2011	06:00	Netherlands to Sell up to EUR2.5 Bln 175-Day Bills on March 7
FR	3/7/2011	09:00	France to Sell EUR4 Bln 91-Day Bills
FR	3/7/2011	09:00	France to Sell EUR2 Bln 182-Day Bills
FR	3/7/2011	09:00	France to Sell EUR2 Bln 364-Day Bills
NE	3/8/2011	04:00	Netherlands to Sell Up to EU3.5Bln Bonds Due Jan 15 2014
DE	3/8/2011	04:15	Denmark to Sell 2.5% 2016 Bonds
DE	3/8/2011	04:15	Denmark to Sell 3% 2021 Bonds
HU	3/8/2011	05:30	Hungary to Sell 3-Month Bills
SZ	3/8/2011	05:30	Switzerland to Sell 3-Month Bills
UK	3/8/2011	05:30	U.K. to Sell GBP800 Mln 0.625% I/L 2042 Bonds
HU	3/8/2011	06:00	Hungary's Central Bank to Sell 2-Week Bills
SW	3/9/2011	05:10	Sweden to Sell SEK2 Bln 3.5% 2022 Bonds
HU	3/9/2011	05:30	Hungary to Buy Back Bonds
RU	3/9/2011	06:00	Russia to Sell Up to RUB5 Bln OFZ Bonds
RU	3/9/2011	06:00	Russia to Sell Up to RUB30 Bln OFZ Bonds
SZ	3/9/2011	06:30	Switzerland to Sell Bonds
CZ	3/9/2011	07:00	Czech Rep. to Sell CZK6 Bln 3.85% Bonds Due Sept. 2021
IT	3/10/2011	05:00	Italy to Sell Bills
HU	3/10/2011	05:30	Hungary to Sell Bonds
IT	3/11/2011	05:00	Italy to Sell Bonds/Floating Rate Notes
HU	3/11/2011	05:30	Hungary to Sell 6-Week Bills
UK	3/11/2011	06:10	U.K. to Sell Bills

Source: Bloomberg, Scotia Economics.

Global Auctions for the week of March 7- 11

Asia Pacific

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SK	3/6/2011	21:30	Korea to Sell KRW1.4 Tln 3-Year Bonds
JN	3/6/2011	22:35	Japan to Sell 6-Month Bills
MA	3/6/2011	23:00	Bank Negara to Sell MYR1.5 Bln 63-Day Islamic Notes (18/11)
MA	3/6/2011	23:00	Bank Negara to Sell MYR1.5 Bln 210-Day Notes (10/11)
MA	3/6/2011	23:00	Bank Negara to Sell MYR2.5 Bln 211-Day Notes (61/10)
SI	3/6/2011	23:00	Singapore To Sell S\$3.9 billion 91-Day T-Bills
PH	3/7/2011		Philippines to Sell PHP 1 Bln 91D T-bills
PH	3/7/2011		Philippines to Sell PHP 3.5 Bln 182D T-bills
PH	3/7/2011		Philippines to Sell PHP 4 Bln 364D T-bills
TH	3/7/2011	22:00	Bank of Thailand to Sell THB25 Bln 28D Bills
TH	3/7/2011	22:00	(CB11609B)
TH	3/7/2011	22:00	Bank of Thailand to Sell THB12 Bln 182D Bills
HK	3/7/2011	22:30	Hong Kong to Sell HKD25.604 Bln 91-Day Bills
HK	3/7/2011	22:30	Hong Kong to Sell HKD8 Bln 182-Day Bills H1162
JN	3/7/2011	22:45	Japan to Sell 30-Year Bond
CH	3/7/2011	23:00	Agricultural Dev Bank to Sell CNY15 Bln 5-Year Bonds
CH	3/8/2011	22:00	China to Sell 3 Year Bond
CH	3/8/2011	22:00	China to Sell CNY28 Bln 3-Year Bonds
JN	3/8/2011	22:35	Japan to Sell 3-Month Bills
MA	3/8/2011	23:00	Bank Negara to Sell MYR500 Mln 180-Day Islamic Notes (19/11)
MA	3/8/2011	23:00	Bank negara to Sell MYR1 Bln 364-Day Notes (08/11)
MA	3/8/2011	23:00	Bank Negara to Sell MYR2.5 Bln 168-Day Notes (11/11)
TA	3/8/2011	23:30	Taiwan to Sell TWD100 Bln 364-Day NCD
IN	3/9/2011	06:30	India to Sell INR 50Bln 91-Day Bills
IN	3/9/2011	06:30	India to Sell INR 30Bln 364-Day Bills
JN	3/9/2011	22:45	Japan to Sell 5-Year Bond
MA	3/9/2011	23:00	Malaysia to Sell MYR80 Mln 91-Day Bills (11/11)
MA	3/9/2011	23:00	Malaysia to Sell MYR100 Mln 364-Day Islamic Bills (04/11)
NZ	3/10/2011	21:30	New Zealand Plans to Sell Government Bonds

Source: Bloomberg, Scotia Economics.

Events for the week of March 7- 11

North America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	3/7/2011	8:00	Fed's Lockhart Speaks on U.S. Economic Outlook
US	3/7/2011	9:15	Fed's Fisher Speaks in Washington on U.S. Economy

Europe

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
EC	3/6/2011	18:00	Bimonthly Meeting of Bank for International Settlements
EC	3/7/2011	05:00	EU's Rehn Speaks at Event in Luxembourg
EC	3/7/2011	07:00	Trichet Speaks in Basel
HU	3/7/2011	08:00	Hungarian Parliament Votes on New Monetary Council Members
EC	3/7/2011	09:30	ECB Announces Bond Purchases
EC	3/7/2011	12:00	EU Parliament Panel Votes on Short-Selling Legislation
PO	3/7/2011		Bank of Portugal Releases Data on Banks
IT	3/8/2011	05:00	Bank of Italy Releases Lending and Bad Debt Data for January
EC	3/8/2011	05:00	Bundesbank Presents Annual Report
EC	3/8/2011	08:00	ECB's Weber Speaks in Frankfurt
SP	3/9/2011	18:00	Bank of Spain to Tell Lenders How Much Capital They Must Raise
EC	3/9/2011	18:00	EU's Oettinger to Present Energy-Efficiency Plan
EC	3/10/2011	03:30	Barroso, OECD's Padoa-Schioppa, Reynders Speak at Eurostat Conference
UK	3/10/2011	07:00	BOE Asset Purchase Target
UK	3/10/2011	07:00	BOE ANNOUNCES RATES
EC	3/10/2011	10:00	ECB's Gonzalez-Paramo Speaks in Bucharest
GE	3/10/2011	13:00	Merkel Holds Baden-Wuerttemberg Election Speech in Stuttgart
IT	3/11/2011	05:00	ECB's Executive Board Member Bini Smaghi Speaks in Lucca
EC	3/11/2011	05:30	EU Leaders Hold Summit on Situation in North Africa
EC	3/11/2011	06:00	EU's Rehn Speaks at Eurostat Economics Conference
GE	3/11/2011	09:00	Schaeuble At Baden-Wuerttemberg Election Rally: Sindelfingen
EC	3/11/2011	11:00	Euro-Area Leaders Hold Summit on Competitiveness
GE	3/11/2011	12:00	Schaeuble At Baden-Wuerttemberg Election Rally: Sinsheim

Asia Pacific

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CH	MAR 04-05		China's Premier Wen Jiabao Issues 2011 Economic Report
CH	MAR 04-05		China's National People's Congress
CH	MAR 04-05		China's Finance Minister Issues 2011 Budget Plan
CH	MAR 04-05		China's Planning Commission, NDRC, Issues 2011 Economic Plan
CH	MAR 04-05		China's Government Releases 12th Five-Year Plan
IN	3/5/2011	01:30	Finance Minister to address RBI board. (Visual coverage)
AU	3/8/2011	17:30	RBA Assistant Governor Lowe Speaks to Australia Industry Group
TH	3/9/2011		Hong Kong Financial Secretary John Tsang Speaks in Bangkok
TH	3/9/2011	03:30	Benchmark Interest Rate
AU	3/9/2011	05:00	RBA's Stevens Gives Speech to Europe-Australian Group, London
NZ	3/9/2011	15:00	RBNZ Official Cash Rate
SK	3/9/2011	20:00	South Korea 7-Day Repo Rate
MA	3/11/2011	05:00	Overnight Rate
IN	3/11/2011	23:00	Maharashtra Economic Summit

Latin America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
PE	3/10/2011		Reference Rate

Source: Bloomberg, Scotia Economics.

Global Central Bank Watch

North America

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Canada – Overnight Target Rate	1.00	April 12, 2011	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	March 15, 2011	0.25	--
Banco de México – Overnight Rate	4.50	April 14, 2011	4.50	--

The BoC stuck to its guns this week, disappointing hawks. What the BoC gave in one or two areas in the statement, it took back in others, leaving its net growth and inflation bias unchanged. We maintain that the BoC will remain on hold until October. Fed hawks continue to argue for a sooner-than-later start to tightening. While additional QE is unlikely, we think that the FOMC will remain on the sidelines until at least 2012Q1.

Europe

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
European Central Bank – Refinancing Rate	1.00	April 7, 2011	1.00	1.25
Bank of England – Bank Rate	0.50	March 10, 2011	0.50	0.50
Swiss National Bank – Libor Target Rate	0.25	March 17, 2011	0.25	--
Central Bank of Russia – Refinancing Rate	8.00	March 25, 2011	8.25	--
Hungarian National Bank – Base Rate	6.00	March 28, 2011	6.00	6.00
Central Bank of the Republic of Turkey – 1 Week Repo Rate	6.25	March 23, 2011	6.25	--

Russia is joining many other emerging-market economies in the fight against intensifying inflationary pressures; following the central bank's decision at end-February to tighten monetary conditions by increasing the Refinancing Rate, we expect further hikes in the coming months.

Asia Pacific

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Japan – Target Rate	0.10	March 15, 2011	0.10	--
Reserve Bank of Australia – Cash Target Rate	4.75	April 4, 2011	4.75	4.75
Reserve Bank of New Zealand – Cash Rate	3.00	March 9, 2011	3.00	2.88
People's Bank of China – Lending Rate	6.06	TBA	6.06	--
Reserve Bank of India – Repo Rate	6.50	March 17, 2011	6.50	--
Hong Kong Monetary Authority – Base Rate	0.50	TBA	0.50	--
Bank Negara Malaysia – Overnight Policy Rate	2.75	March 11, 2011	2.75	2.75
Bank of Korea – Bank Rate	2.75	March 9, 2011	3.00	3.00
Bank of Thailand – Repo Rate	2.25	March 9, 2011	2.25	2.50
Bank Indonesia – Reference Interest Rate	6.75	April 11-12, 2011	6.75	--

We expect the South Korean central bank to tighten by 25 bps next week in order to reassert its grip on inflation expectations. The economy is re-accelerating with business sentiment on the upside. Meanwhile, we anticipate the Bank of Thailand will retain the status quo given the strengthening pattern of the Baht during latest sessions.

Latin America

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Banco Central do Brasil – Selic Rate	11.75	April 20, 2011	12.25	11.75
Banco Central de Chile – Overnight Rate	3.50	March 17, 2011	4.00	--
Banco de la República de Colombia – Lending Rate	3.25	March 18, 2011	3.50	3.38
Banco Central de Reserva del Perú – Reference Rate	3.50	March 10, 2011	3.75	3.75

The Central Bank of Peru has raised its reference rate by 50 bps since the beginning of the year, justifying the move as a result of strong domestic demand and higher energy and food prices. Annual inflation remains close to the 2.0% target, the lowest among its Latin American peers; however, inflation expectations have moved up quickly from 2.50% in December to 3.30%, according to the latest survey in January. We expect another increase of 25 bps following the next policy meeting.

Africa

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
South African Reserve Bank – Repo Rate	5.50	March 24, 2011	5.50	--

Forecasts at time of publication.

Source: Bloomberg, Scotia Economics.

	2000-09	2010e	2011f	2012f	2000-09	2010e	2011f	2012f
Output and Inflation (annual % change)	Real GDP				Consumer Prices²			
World ¹	3.6	4.9	4.4	4.4				
Canada	2.1	3.1	3.1	2.6	2.1	1.8	2.4	2.2
United States	1.8	2.8	3.0	2.7	2.6	1.6	1.9	1.8
Mexico	1.9	5.5	4.3	3.8	4.9	4.4	4.1	4.0
United Kingdom	2.7	1.3	1.4	1.7	2.2	3.7	3.6	2.9
Euro zone	1.2	1.7	1.4	1.6	2.1	2.2	2.4	2.3
Japan	0.7	3.4	1.6	2.7	-0.3	-0.5	0.1	1.0
Australia	3.0	3.0	3.5	3.3	3.2	3.0	2.8	2.5
China	10.2	10.3	9.5	9.7	2.0	3.5	4.5	4.0
India	7.2	8.7	8.5	8.8	5.7	8.4	7.0	5.0
Korea	4.5	5.8	5.5	5.3	3.2	3.0	3.3	3.0
Brazil	2.9	7.6	5.5	5.0	6.6	5.9	5.2	5.0
Chile	3.7	5.0	6.0	5.5	3.4	3.7	3.5	3.0
Peru	5.1	8.5	6.8	7.2	2.5	2.4	3.0	3.0
Central Bank Rates (% , end of period)	11Q1f	11Q2f	11Q3f	11Q4f	12Q1f	12Q2f	12Q3f	12Q4f
Bank of Canada	1.00	1.00	1.00	1.50	2.00	2.25	2.25	2.25
Federal Reserve	0.25	0.25	0.25	0.25	0.75	1.25	1.75	2.00
European Central Bank	1.00	1.00	1.00	1.25	1.50	1.75	2.00	2.25
Bank of England	0.50	0.50	0.50	0.75	1.00	1.25	1.50	1.75
Swiss National Bank	0.25	0.25	0.25	0.50	0.50	0.75	0.75	1.00
Bank of Japan	0.10	0.10	0.10	0.10	0.10	0.25	0.25	0.50
Reserve Bank of Australia	5.00	5.00	5.25	5.50	5.75	6.00	6.25	6.50
Exchange Rates (end of period)								
Canadian Dollar (USDCAD)	0.98	0.97	0.96	0.95	0.95	0.94	0.93	0.92
Canadian Dollar (CADUSD)	1.02	1.03	1.04	1.05	1.05	1.06	1.08	1.09
Euro (EURUSD)	1.35	1.37	1.38	1.39	1.39	1.41	1.43	1.45
Sterling (GBPUSD)	1.58	1.60	1.61	1.63	1.65	1.67	1.69	1.70
Yen (USDJPY)	82	83	84	84	86	87	89	90
Australian Dollar (AUDUSD)	1.03	1.05	1.06	1.08	1.07	1.08	1.09	1.10
Chinese Yuan (USDCNY)	6.5	6.4	6.2	6.1	6.0	5.9	5.8	5.8
Mexican Peso (USDMXN)	12.2	12.2	12.2	12.5	12.6	12.5	12.6	12.8
Brazilian Real (USDBRL)	1.67	1.68	1.69	1.70	1.71	1.72	1.74	1.75
Commodities (US\$, annual average)	2000-09	2010	2011f	2012f				
WTI Oil (/bbl)	51	80	97	100				
Brent Oil (/bbl)	50	80	110	112				
Nymex Natural Gas (/mmbtu)	5.95	4.40	4.40	4.75				
Copper (/lb)	1.78	3.42	4.30	4.00				
Zinc (/lb)	0.73	0.98	1.09	1.09				
Nickel (/lb)	7.11	9.89	10.90	8.75				
Gold, London PM Fix (/oz)	522	1,225	1,425	1,350				
Pulp (/tonne)	668	960	945	935				
Newsprint (/tonne)	572	607	675	710				
Lumber (/mfbm)	275	254	265	300				

¹ World GDP for 2000-09 are IMF estimates; 2010-12f are Scotia Economics' estimates based on a 2009 PPP-weighted sample of 34 countries.

² CPI for Canada and the United States are annual averages. For other countries, CPI are year-end rates.

Canada	2010	10Q3	10Q4	Latest	United States	2010	10Q3	10Q4	Latest
Real GDP (annual rates)	3.1	1.8	3.3		Real GDP (annual rates)	2.8	2.6	2.8	
Current Acc. Bal. (C\$B, ar)	-50.0	-67.9	-44.2		Current Acc. Bal. (US\$B, ar)		-509		
Merch. Trade Bal. (C\$B, ar)	-7.2	-27.7	6.8	36.0 (Dec)	Merch. Trade Bal. (US\$B, ar)	-647	-683	-623	-643 (Dec)
Industrial Production	4.7	7.9	5.9	6.3 (Dec)	Industrial Production	5.8	6.9	5.9	5.1 (Jan)
Housing Starts (000s)	192	192	179	170 (Jan)	Housing Starts (millions)	0.59	0.59	0.53	0.60 (Jan)
Employment	1.4	1.8	1.7	2.0 (Jan)	Employment	-0.8	-0.1	0.5	1.0 (Feb)
Unemployment Rate (%)	8.0	8.0	7.7	7.8 (Jan)	Unemployment Rate (%)	9.6	9.6	9.6	8.9 (Feb)
Retail Sales	5.1	3.7	4.7	4.9 (Dec)	Retail Sales	7.0	6.1	8.1	8.3 (Jan)
Auto Sales (000s)	1559	1609	1556	1513 (Dec)	Auto Sales (millions)	11.5	11.6	12.3	13.4 (Feb)
CPI	1.8	1.8	2.3	2.3 (Jan)	CPI	1.6	1.2	1.3	1.6 (Jan)
IPPI	1.0	1.0	2.6	-2.7 (Jan)	PPI	4.2	3.8	3.9	3.6 (Jan)
Pre-tax Corp. Profits	18.4	15.3	16.2		Pre-tax Corp. Profits		34.8		
Mexico					Brazil				
Real GDP	5.5	5.3	4.6		Real GDP	6.7	5.9	4.2	
Current Acc. Bal. (US\$B, ar)	-5.7	-7.7	-14.5		Current Acc. Bal. (US\$B, ar)	-47.5	-45.6	-47.9	
Merch. Trade Bal. (US\$B, ar)	-3.1	-9.2	-4.6	0.8 (Jan)	Merch. Trade Bal. (US\$B, ar)	20.3	19.6	30.1	14.4 (Feb)
Industrial Production	6.1	6.2	4.7	4.9 (Dec)	Industrial Production	10.5	8.1	3.5	1.9 (Jan)
CPI	4.2	3.7	4.2	3.8 (Jan)	CPI	5.1	5.0	6.1	6.9 (Feb)
Argentina					Italy				
Real GDP		8.6			Real GDP	1.1	1.2	1.3	
Current Acc. Bal. (US\$B, ar)		3.6			Current Acc. Bal. (US\$B, ar)	-0.07	-0.05	-0.07	-0.09 (Dec)
Merch. Trade Bal. (US\$B, ar)	12.1	12.0	6.2	6.2 (Jan)	Merch. Trade Bal. (US\$B, ar)	-36.5	-22.9	-44.1	-43.2 (Dec)
Industrial Production	9.7	9.3	10.6	10.3 (Jan)	Industrial Production	5.4	6.3	4.4	5.7 (Dec)
CPI	66.4	89.8	54.9	0.0 (Jun)	CPI	1.6	1.6	1.8	2.1 (Jan)
Germany					France				
Real GDP	3.5	3.9	4.0		Real GDP	1.7	2.0	1.7	
Current Acc. Bal. (US\$B, ar)	172.6	149.8	231.9	279.1 (Dec)	Current Acc. Bal. (US\$B, ar)	-52.7	-41.8	-88.6	-59.3 (Dec)
Merch. Trade Bal. (US\$B, ar)	201.5	207.6	219.8	225.1 (Dec)	Merch. Trade Bal. (US\$B, ar)	-38.6	-40.1	-37.8	-45.9 (Dec)
Industrial Production	10.0	10.3	11.2	9.9 (Dec)	Industrial Production	5.8	5.1	5.3	6.6 (Dec)
Unemployment Rate (%)	7.7	7.6	7.5	7.3 (Feb)	Unemployment Rate (%)	9.8	9.7	9.7	9.6 (Jan)
CPI	1.1	1.2	1.5	2.0 (Feb)	CPI	1.5	1.5	1.6	1.8 (Jan)
Euro Zone					United Kingdom				
Real GDP	1.7	1.9	2.0		Real GDP	1.3	2.5	1.5	
Current Acc. Bal. (US\$B, ar)	-77	-43	-41	-2 (Dec)	Current Acc. Bal. (US\$B, ar)		-63.9		
Merch. Trade Bal. (US\$B, ar)	0.0	43.0	53.2	43.8 (Dec)	Merch. Trade Bal. (US\$B, ar)	-150.4	-160.5	-165.6	-173.3 (Dec)
Industrial Production	7.1	7.1	7.7	8.2 (Dec)	Industrial Production	2.0	3.1	3.3	3.7 (Dec)
Unemployment Rate (%)	9.9	9.9	9.9	9.9 (Jan)	Unemployment Rate (%)		7.8		7.9 (Nov)
CPI	1.6	1.7	2.0	2.3 (Jan)	CPI	3.3	3.1	3.4	4.0 (Jan)
Japan					Australia				
Real GDP	4.0	4.7	2.6		Real GDP	2.7	2.7	2.7	
Current Acc. Bal. (US\$B, ar)	194.8	227.5	172.5	171.9 (Dec)	Current Acc. Bal. (US\$B, ar)	-31.8	-29.2	-34.4	
Merch. Trade Bal. (US\$B, ar)	77.7	90.7	80.9	27.9 (Jan)	Merch. Trade Bal. (US\$B, ar)	19.1	27.5	25.4	18.4 (Jan)
Industrial Production	16.0	12.9	5.0	3.0 (Jan)	Industrial Production	4.3	4.2	-0.3	
Unemployment Rate (%)	5.1	5.0	5.0	4.9 (Jan)	Unemployment Rate (%)	5.2	5.2	5.2	5.0 (Jan)
CPI	-0.7	-0.8	0.1	0.0 (Jan)	CPI	2.8	2.8	2.7	
China					South Korea				
Real GDP	10.3	9.6	9.8		Real GDP	6.1	4.4	4.8	
Current Acc. Bal. (US\$B, ar)	290.0				Current Acc. Bal. (US\$B, ar)	28.2	39.7	36.6	2.7 (Jan)
Merch. Trade Bal. (US\$B, ar)	182.7	260.6	250.4	77.5 (Jan)	Merch. Trade Bal. (US\$B, ar)	42.1	45.7	52.7	34.2 (Feb)
Industrial Production	13.5	13.3	13.5	13.5 (Dec)	Industrial Production	16.6	12.9	9.9	15.1 (Jan)
CPI	4.6	3.6	4.6	4.9 (Jan)	CPI	3.0	2.9	3.6	4.5 (Feb)

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

Source: Bloomberg, Scotia Economics.

Interest Rates (% , end of period)

Canada	10Q3	10Q4	Feb/25	Mar/04*	United States	10Q3	10Q4	Feb/25	Mar/04*
BoC Overnight Rate	1.00	1.00	1.00	1.00	Fed Funds Target Rate	0.25	0.25	0.25	0.25
3-mo. T-bill	1.01	1.05	1.01	1.02	3-mo. T-bill	0.15	0.12	0.12	0.11
10-yr Gov't Bond	2.76	3.12	3.29	3.35	10-yr Gov't Bond	2.51	3.29	3.41	3.52
30-yr Gov't Bond	3.36	3.53	3.70	3.79	30-yr Gov't Bond	3.68	4.33	4.50	4.62
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US\$B)	59.4	57.0	58.6	(Jan)	FX Reserves (US\$B)	122.1	121.4	122.9	(Jan)
Germany					France				
3-mo. Interbank	0.86	0.96	1.07	1.15	3-mo. T-bill	0.51	0.40	0.68	0.80
10-yr Gov't Bond	2.28	2.96	3.15	3.28	10-yr Gov't Bond	2.66	3.36	3.52	3.64
FX Reserves (US\$B)	62.4	62.3	62.9	(Jan)	FX Reserves (US\$B)	52.2	55.8	56.4	(Jan)
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	0.88	0.82	0.67	0.38	3-mo. T-bill	4.85	4.85	4.85	4.85
FX Reserves (US\$B)	300.1	300.3	309.7	(Jan)	10-yr Gov't Bond	2.95	3.40	3.62	3.64
Japan					Australia				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	4.50	4.75	4.75	4.75
3-mo. Libor	0.15	0.13	0.13	0.13	10-yr Gov't Bond	4.96	5.55	5.54	5.58
10-yr Gov't Bond	0.94	1.13	1.25	1.31	FX Reserves (US\$B)	38.1	38.7	37.0	(Jan)
FX Reserves (US\$B)	1077.4	1061.5	1060.3	(Jan)					

Exchange Rates (end of period)

USDCAD	1.03	1.00	0.98	0.97	¥/US\$	83.52	81.16	81.68	82.43
CADUSD	0.97	1.00	1.02	1.03	US\$/Australian\$	96.71	102.33	101.77	101.18
GBPUSD	1.572	1.561	1.612	1.624	Chinese Yuan/US\$	6.69	6.59	6.58	6.57
EURUSD	1.363	1.339	1.375	1.398	South Korean Won/US\$	1138	1125	1124	1117
JPYEUR	0.88	0.92	0.89	0.87	Mexican Peso/US\$	12.593	12.360	12.120	12.004
USDCHF	0.98	0.93	0.93	0.93	Brazilian Real/US\$	1.688	1.660	1.664	1.645

Equity Markets (index, end of period)

United States (DJIA)	10788	11578	12130	12208	U.K. (FT100)	5549	5900	6001	5991
United States (S&P500)	1141	1258	1320	1324	Germany (Dax)	6229	6914	7185	7168
Canada (S&P/TSX)	12369	13443	14052	14253	France (CAC40)	3715	3805	4070	4015
Mexico (Bolsa)	33330	38551	36880	36875	Japan (Nikkei)	9369	10229	10527	10694
Brazil (Bovespa)	69430	69305	66903	67832	Hong Kong (Hang Seng)	22358	23035	23012	23409
Italy (BCI)	1033	1048	1109	1131	South Korea (Composite)	1873	2051	1950	2005

Commodity Prices (end of period)

Pulp (US\$/tonne)	990	960	960	960	Copper (US\$/lb)	3.65	4.42	4.40	4.52
Newsprint (US\$/tonne)	638	640	640	640	Zinc (US\$/lb)	0.99	1.10	1.12	1.13
Lumber (US\$/mfbm)	236	308	287	294	Gold (US\$/oz)	1307.00	1405.50	1402.50	1427.00
WTI Oil (US\$/bbl)	79.97	91.38	97.88	103.58	Silver (US\$/oz)	22.07	30.63	32.54	34.43
Natural Gas (US\$/mmbtu)	3.87	4.41	4.01	3.79	CRB (index)	286.86	332.80	351.29	362.37

* Latest observation taken at time of writing.
Source: Bloomberg, Scotia Economics.

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