

QUARTERLY INTEREST

VIEWPOINT

BIG PROBLEMS DEMAND BIG SOLUTIONS

The deep and synchronized recession that is currently battering the global economy has led governments and central banks to delve deep into their toolboxes to come up with innovative ways to restore the confidence of investors and consumers in the financial system.

Using their monetary policy tool, central banks have been consistently lowering policy rates since the fall of 2007. These rates fell to close to their lowest possible level at the end of the first quarter of 2009, and most central banks have indicated that they will remain there as long as it takes, i.e. as long as longer-term interest rates have not also come down.

Monetary Policy Rates (%)					
	12/2007	12/2008	03/2009	Quarterly Change (b.p)	Change (b.p) Dec. 2007 to date
Canada	4.25	1.50	0.50	-100	-375
United States	4.25	0.25	0.25	0	-400
Europe	4.00	2.50	2.00	-50	-200
United Kingdom	5.50	2.00	1.00	-100	-450
Japan	0.50	0.10	0.10	0	-40

The central banks have gone even further, implementing programs to enhance the liquidity of the financial system. For instance, the term purchase and resale agreement or direct redemption program for private sector instruments, implemented by the Bank of Canada, and the Term Asset-Backed Securities Loan Facility (TALF), set up by the Federal Reserve Board, are designed to use the balance sheet of a central bank to relieve the pressure on financial institutions and, by so doing, improve the availability of credit.

Quantitative Easing

When policy rates are nearing zero and recovery is still not in the offing, central banks can inject cash directly into the financial system by printing money. The Bank of Japan used just such a quantitative easing arrangement in 2001, i.e. over 10 years after the beginning of their previous crisis, by making the liquidities that it had thereby created available to commercial banks, which could then lend this new money to businesses and consumers. To maximize the economic impact, there naturally has to be demand for credit, even if supply has been facilitated.

The Federal Reserve Board, the Bank of England and the Bank of Japan entered the fray during this first quarter, i.e. a year and a half into this crisis. The Fed announced that liquidity will be added through the purchase of mortgage-backed securities and U.S. Treasury instruments. By doing so, the Fed is not only injecting liquidity, but also ensuring that downward pressure is being exerted on rates of one year or more and that credit spreads - especially for mortgage-backed securities - are being narrowed.

Meanwhile, the European and Canadian central banks have hinted that they might apply a form of quantitative easing. In fact, on April 23, the Bank of Canada will be

specifying how it intends to apply its program. It is expected to borrow heavily from the approach used in the United Kingdom, meaning that the central bank will purchase credit instruments. The Bank of Canada is hoping that the mere hint of a quantitative easing will have the anticipated impact on the level of benchmark rates and credit spreads. Canada's central bank is surely keeping an eye on a better tomorrow when it- and other central banks - will need to remove cash from the markets by reselling the securities purchased as part of its quantitative easing operations. Note that the Bank of Canada's reluctance to implement the purchase of securities reflects the more favourable conditions that apply to our financial system. So much for the monetary aspect.

Special Programs

Fiscal policy is also being called upon to stabilize the financial system and kick-start the economy. In most countries, the crisis has turned the spotlight back on government spending and postponed indefinitely the balanced budgets that were dearly won in a number of countries, including Canada. The latest provincial and federal budgets in Canada have been aimed at more direct initiatives in support of consumers and homeowners and at longer-term measures such as infrastructure programs.

These are fairly run-of-the-mill responses, and are effective during a traditional recession. However, there can be no doubt about the exceptional nature of current conditions nor about the necessity of getting the financial system back on track. This is why governments have come up with a large number of programs. In the United States, the previous government set up the Troubled Assets Relief Program, or TARP, to reduce the weight of troubled assets undermining a number of large commercial banks. More recently, the Treasury Department created a public-private partnership program using some of the funds allocated to TARP. All of these special programs are part of the Financial Stability Plan, which also includes a Capital Assistance Program that will enable banks to maintain the capital required for their ongoing operations. This will allow the government to inject capital in the form of preferred shares that can be converted into common shares should economic conditions worsen.

All of these initiatives will result in a substantial U.S. deficit. However, the recession is also hurting the global economy and, as the recent G-20 meeting showed, national policies should dovetail into international cooperation. Thus, member nations acknowledged that it was necessary to maintain capital contributions to developing countries and to restrict barriers to international trade. Additionally, the efforts of the G-20 are also aimed at stabilizing the international financial system, with the involvement of the International Monetary Fund (IMF).

VIEWPOINT

Of course, the measures that have been implemented so far are designed to restore the financial system and its ability to provide credit on normal terms. However, the stability of the financial system remains a source of much concern, as the health of several financial institutions is still shaky. Evidence that the system has stabilized and that the economy is on the road to rehabilitation will be provided only when the banks stop

calling on government for support. Only then will the central banks and national governments be able to resume their pursuit of the objectives of price stability, fiscal balance and the reconfiguration of financial institution regulations. Until then, quite a few resources will have to be allocated to get the patient back on its feet and prevent a relapse.

Big Solutions

To clarify the scope of the latest acronyms coined by the U.S. government and some of its institutions, the following is a brief description of the major programs set up in response to the economic and financial crisis.

TARP Troubled Assets Relief Program

The TARP program was created under the auspices of the Treasury Department, which is the United States equivalent of our Finance Department. It is a framework program that includes several others, some of which are listed below. Its objective is to promote the stability of the financial system.

CAP Capital Assistance Program

This program is part of the TARP program. It stems from an assessment made by the government of a bank's capitalization as economic conditions worsen. Should the assessment point to a deficiency of capital, the bank will then be required to tap the markets to raise the capital that it needs or alternatively to issue preferred shares that are convertible into common shares, for purchase by the government.

CPP Capital Purchase Program

Unlike the CAP, the CPP is a voluntary program under which a bank issues preferred shares, convertible into common shares, for purchase by the government.

CBLI Consumer and Business Lending Initiative

This program has a budget of \$200 billion to unfreeze securitized assets in the form of consumer and business loans.

TALF Term Asset-Backed Loan Facility

This program, managed by the Federal Reserve Board with an initial budget of \$200 billion, since increased to \$1 trillion, grants three-year loans that are backed by the AAA-rated tranche of securitized assets. This program is designed to restore liquidity to the asset-backed securities market and to narrow credit spreads that the Fed considers to be inordinately wide.

PPIP Public-Private Investment Program

This program involves the Federal Deposit Insurance Corporation, the Federal Reserve Board (through the TALF) and the Treasury Department by allocating from \$75 to \$100 billion in capital to lighten the burden that certain securitized assets and loans are imposing on the balance sheets of banks. Under this program, the private sector contributes to the valuation of assets and takes part in their acquisition along with the public sector. Any resulting profits and losses are shared.

ECONOMIC COMMENTS

International

As the liquidity crisis spread to the entire global economy, it cast a shadow over growth prospects, which the IMF now estimates at 0.5% for 2009. Both industrialized and developing economies are on a downward trend. Developing economies such as those of China and India, former sources of growth, are now feeling the pinch as a result of softer demand from industrialized nations. Thus, China's economic growth slowed from 11.9% in 2007 to 9.0% in 2008 while India's economic expansion decelerated from 9.3% in 2007 to 7.2% in 2008. The growth rates for 2009 projected by the IMF last January for these two countries are 6.7% and 5.1% respectively.

According to the IMF, the outlook is even bleaker in Europe and Japan, which are also suffering from the slowdown. Europe's growth rate was a very low 1.0% in 2008 and will record a 2.0% decline in 2009, whereas Japan's GDP was already down 0.3% in 2008 and will contract by another 2.6% in 2009.

United States

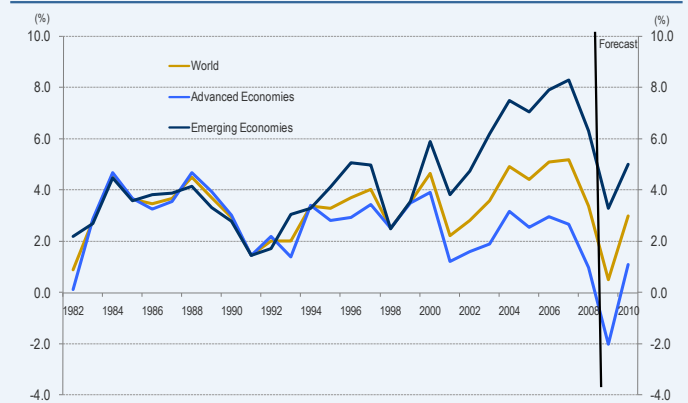
The epicentre of the global economic collapse is located in the United States where the excesses of the past few years, often leveraged, caused GDP to plummet 6.3% on an annualized basis during the fourth quarter, reducing growth for 2008 - a recession year - to 1.1%. The current year will be impacted even more by the ongoing recession, as a drying-up of credit and consumption will plunge the U.S. economy further into negative growth.

A total of over 2 million workers were slashed from payrolls during the first quarter of 2009, after slightly more than 3 million jobs were lost in 2008.

Saddled, with debt just when jobs are disappearing, the U.S. consumer has thrown in the towel. Hence, retail sales were down 10% during the first two months of the year. New car sales paint an even darker picture of consumption, nose-diving over 38% (from a year ago) during the first quarter of 2009.

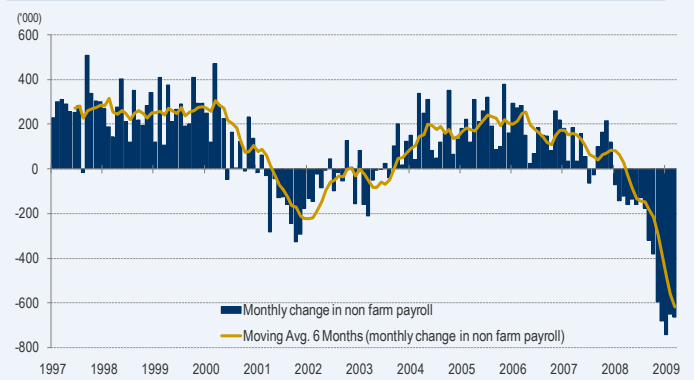
Accordingly, the U.S. government will have its hands full trying to compensate for consumer absenteeism. While a low inflation rate (0.2% in February) gave monetary policy a respite and will make things easier, there is still a long and winding road ahead.

IMF Growth Estimates



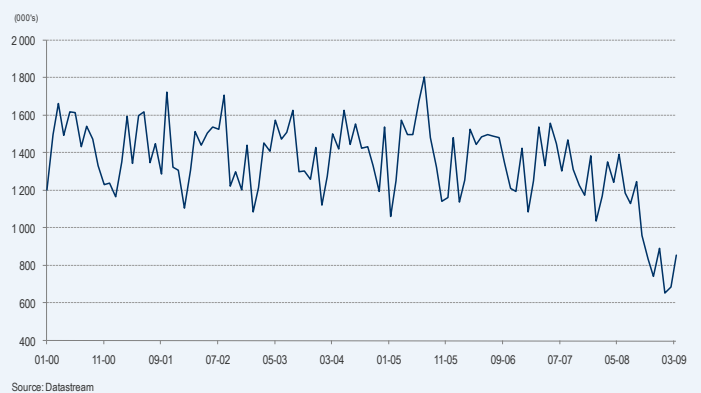
Source: IMF, January 2009

Change in Non Farm Payroll Employment United States



Source: Datastream

Total Vehicle Sales United States



Source: Datastream

ECONOMIC COMMENTS (CONTINUED)

Canada

Despite a decline of 3.4% in annualized terms during the fourth quarter of 2008, Canada’s economy still managed to grow 0.5% for the year as a whole. Although less leveraged than its major trading partner, Canada was still affected by the economic woes of the United States and by their impact on the external sector and on domestic demand.

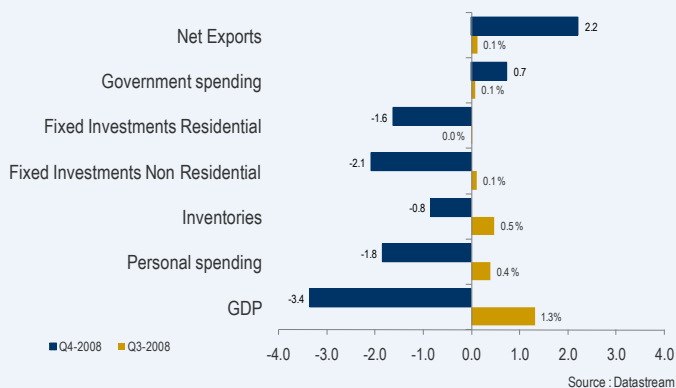
The external sector collapsed in late 2008. Nevertheless, it did contribute to growth during the final quarter of the year, as the decrease in imports was larger than that for exports.

The slowdown in the United States finally brought the Canadian labour market to its knees during the fourth quarter of 2008. These problems persisted through the first quarter of 2009, as an average of nearly 250,000 jobs were lost compared to the previous quarter, driving the unemployment rate up to 7.6%.

Whereas domestic demand had propped up the economy in Canada, the number of job losses in late 2008 led to its collapse. Final domestic demand had eased somewhat during the year before plunging 1.2% during the last quarter. This trend appeared to carry over into the first quarter of 2009, with retail sales falling 5.8% in January.

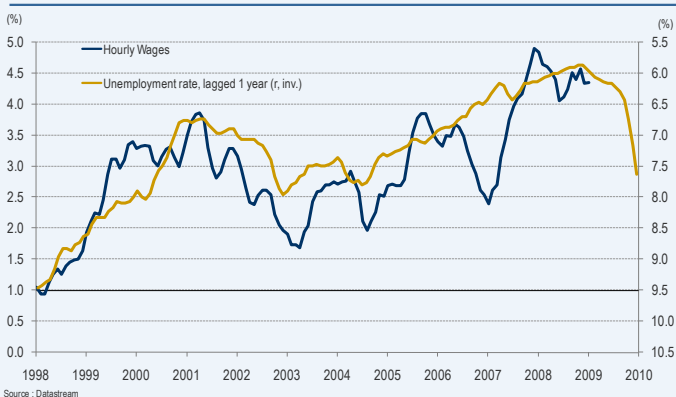
As in the United States, the government of Canada will intervene to make up for the private sector’s decline. In January, the federal government tabled a budget that projects cumulative deficits of \$84 billion for the next four fiscal years. Although the deficit forecast for the fiscal year ended last March 31 was a meagre \$1.1 billion, the federal government’s outstanding debt as at February 2009 stood at \$493 billion, an increase of nearly \$103 billion over the end of March 2008. This increase signals an end to the decrease in the federal debt as a share of GDP for the next few years.

Contribution to Canadian Growth



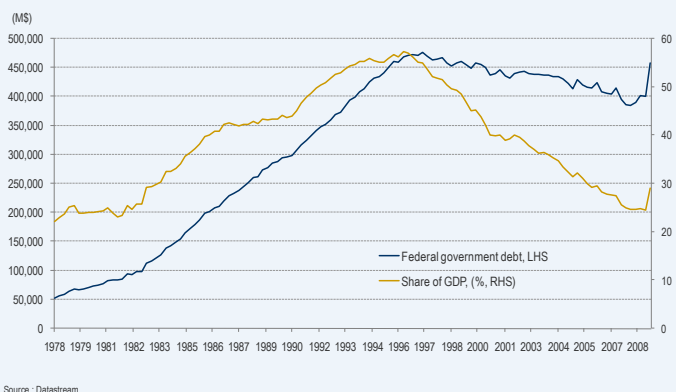
Hourly Wages and Unemployment Rate - Canada

Annual Percent Change - 3 Month Moving Average



Debt Outstanding

Federal Government - in Millions of \$



ECONOMIC INDICATORS

(annual % change)*

	UNITED STATES		CANADA	
	2008	2009	2008	2009
REAL GDP	1.1	n.a	0.5	n.a
UNEMPLOYMENT RATE **	5.8	5.8	6.2	7.6
INFLATION	3.8	0.1	2.3	1.3
RETAIL SALES	-0.4	-8.8	3.2	-5.8
INDUSTRIAL PRODUCTION	-2.2	-11.3	-4.1	-7.8
CAPACITY UTILISATION **	77.6	70.7	77.8	n.a
EXPORTS OF GOODS	12.4	-21.5	5.7	-17.8
IMPORTS OF GOODS	7.3	-29.6	6.7	-7.6

* Most recent cumulative data (as at April 9, 2009)

** Average

MARKET COMMENTS

Monetary Policy and Interest Rate Trends

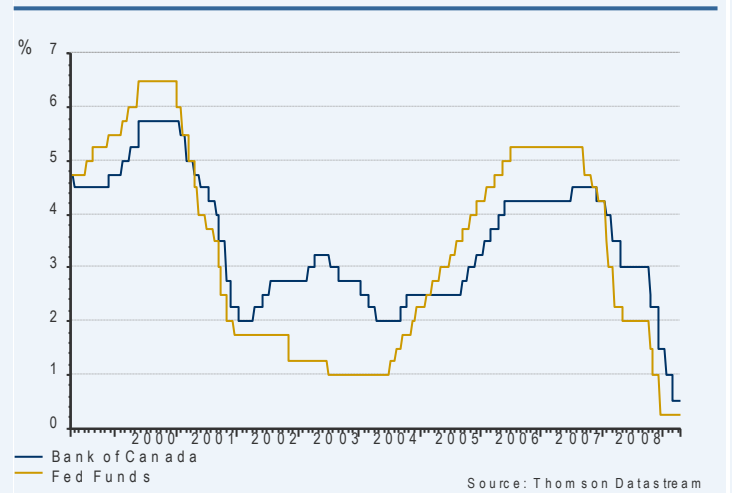
The best way to characterize central bankers' and government officials' actions this past quarter would be to throw in everything but the kitchen sink and then decide the kitchen sink might help as well. Central bankers adopted the "whatever it takes" stance to combat the worsening financial crisis and recession, and to try to restore confidence in the market. With the alphabet soup of acronym programs, paired with fiscal stimulus and non-traditional actions, overnight rates were not the only thing to watch for.

To start the quarter off, the Bank of Canada lowered its target for the overnight rate by 0.50% to 1%, the lowest level since the institution was founded in 1934. The following week, the Federal Reserve decided to keep its target rate at zero-to-25 basis points, stating that economic conditions warranted a very low fed funds rate for "some time." The Federal Open Market Committee (FOMC) also suggested the possibility of purchasing longer-term Treasuries should circumstances indicate this would be effective at improving conditions in private credit markets.

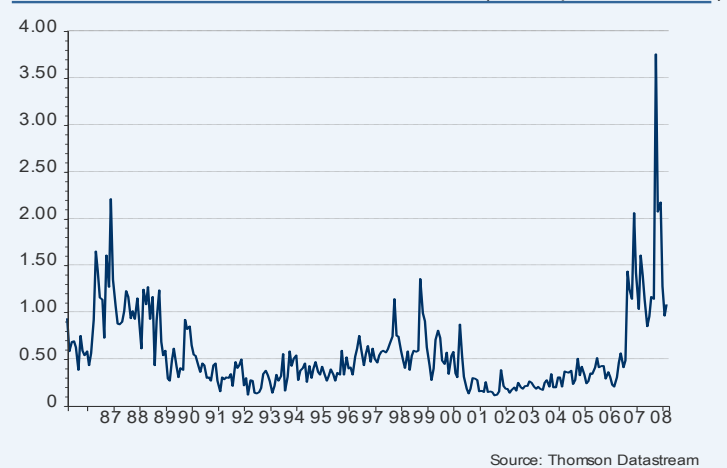
In early March, the Bank of Canada cut the overnight rate again by 0.50% to 0.50%, bringing the cumulative monetary policy easing to 375 basis points since the end of December 2007. The Bank stated that the target could remain at this level or lower until there are clear signs of economic improvement. The Bank evoked the possibility of providing additional monetary stimulus through credit and quantitative easing.

Next, the Fed maintained the target range for the fed funds rate. It did, however, announce many other initiatives - in other words, here comes the kitchen sink - with a massive expansion of the Fed's balance sheet. It will buy an additional \$750 billion of agency mortgage-backed securities, bringing the total purchases of these securities to \$1.25 trillion this year, in the hopes of supporting the mortgage and lending markets, as well as purchasing up to \$200 billion of agency debt. In order to facilitate the extension of credit to households, it will likely expand the range of eligible collateral for the TALF. Lastly, the Fed announced it officially jumped on the quantitative easing bandwagon, along with the United Kingdom, Japan and Switzerland. The Federal Reserve will purchase up to \$300 billion of longer-term Treasuries over the next six months. The purchases will be executed across the yield curve, yet with a concentration in the belly of the curve. The Fed will print money to purchase debt securities, proving it will take any means necessary to restore financial and economic stability.

North-American Monetary Policy Target Rates



U.S. Interbank Market
3-month LIBOR minus 3-month U.S. T-Bills (TED spread estimate)



The Federal Reserve has Expanded its Balance Sheet but its composition is different



MARKET COMMENTS (CONTINUED)

The major central banks have been substantially easing monetary policy and massively injecting cash into the economy for several months now, keeping short term yields at extremely low levels. Moreover, longer term yields in the first quarter of 2009 somewhat reversed the downward trend recorded during the previous quarter.

In Canada, the DEX Index returned 1.52% during the first quarter, led by the mid term sector, which gained 2.55%, whereas the short and long term sectors advanced 1.70% and 0.30% respectively. Meanwhile, corporate bonds outperformed Canadas and contributed to increase the return of the index.

The FOMC reiterated that the fed funds target rate would remain exceptionally low (between 0 and 25%) for an extended period. Thus, the 2-year U.S. yield ranged between 0.68% and 1.11% during the quarter, closing at 0.80%

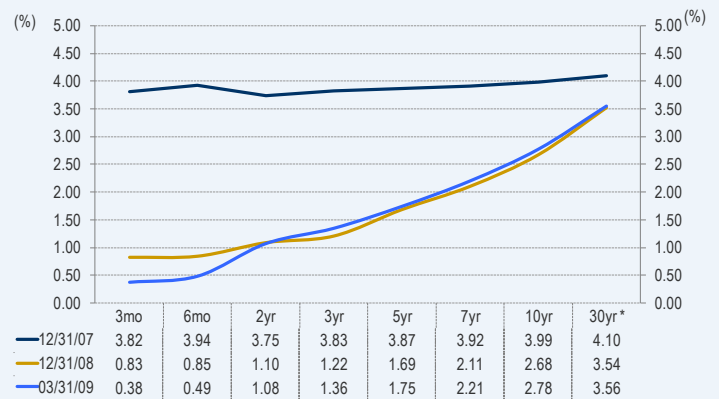
Long term yields in the United States increased as spectacularly as they had fallen in late 2008. From 2.68% last December 31, they rose to 3.84% in March and closed out the quarter at 3.53%. The significant volatility of long term yields was fuelled by the implementation of a quantitative easing program, a full calendar of Treasury issues and the anticipation of future inflation that so many initiatives can generate.

Thus, the spread between 2-year and 30-year yields climbed from 191 basis points to 273 basis points in three months, which represents a marked steepening of the U.S. yield curve.

In Canada, an announced recession and a slashing of the overnight funding rate to 0.50% brought 2-, 5- and 10-year yields to their lowest levels ever, i.e. 0.91%, 1.53% and 2.56% respectively during the quarter. The 30-year yield, though, stayed above its all-time low recorded during the previous quarter (3.39%).

Following the implementation of quantitative easing programs throughout the world, the Bank of Canada's announcement that it would reveal the details of a similar program in its April Monetary Policy Report produced a wave of downward speculation on yields and credit spreads. On the other hand, the Conservative government's announcement of a return to budget deficits for the current fiscal year (\$1.1 billion) and for the next five fiscal years (including \$33.7 billion for 2009-2010 and \$29.8 billion for 2010-2011) boosted the federal government's funding program to a record \$82 billion for the 2009-2010 fiscal year and pushed yields higher. To complete its program, the Bank of Canada will increase the frequency of issues on its calendar and will reintroduce a 3-year maturity.

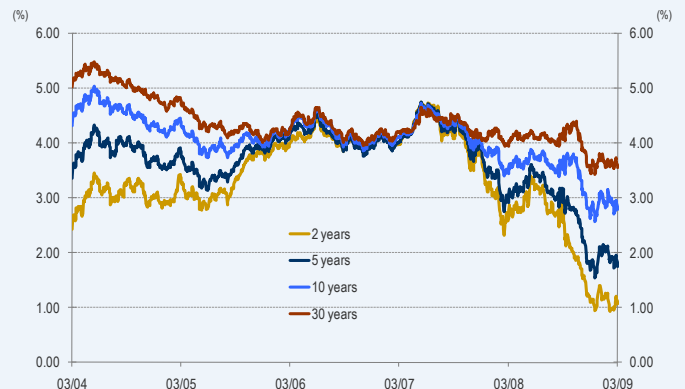
Canadian Yield Curves



* Change of bond benchmark January 1st 2009

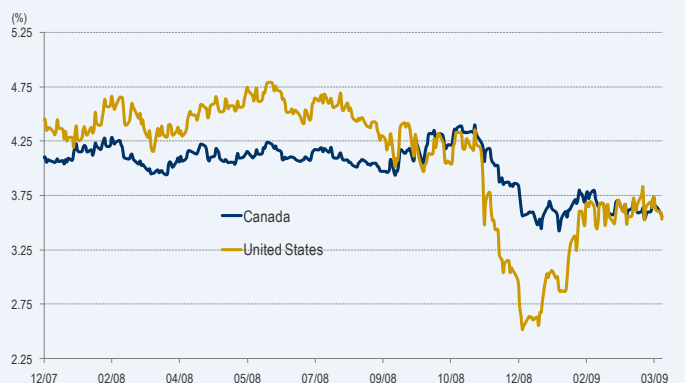
Canadian Interest Rate Trends

The yield curve steepened



Canada and United States 30-year Yields

December 2007 - March 2009



MARKET COMMENTS (CONTINUED)

Changes in 2-, 5-, 10- and 30-year yields were respectively -2, +6, +10 and +10 points (considering the benchmark change) between December 31 and March 31. The fluctuation ranges for each of these maturities were generally high, i.e., 48, 84, 59 and 38 basis points respectively.

The 2- to 30-year curve began to steepen during the final quarter of 2008 and continued to do so, albeit to a lesser extent, during the first quarter of this year. In fact, it grew from 244 basis points on December 31 to 272 basis points in early March, and closed out the quarter at 248 basis points.

Canadian yields increased markedly less than their U.S. counterparts. Of note, yields for each sector fell below the level of their U.S. equivalents at one time or another during the quarter. The 30-year yield recorded the sharpest drop, sinking from 86 basis points to 3 basis points on March 31. Spreads for 2-, 5- and 10-year yields declined 6, 5 and 35 basis points during the quarter to 28, 9 and 12 basis points respectively on March 31.

Real Return Bonds (RRBs)

Long RRB yields in Canada decreased again during the first quarter, from 2.15% at the beginning of the year to 1.83% three months later. The same fate befell corresponding yields in the United States, which lost 29 basis points to 2.10%. Thus, the expected inflation rate increased 42 basis points in Canada to 1.81%, approaching the Bank of Canada's target inflation range. Breakeven inflation also rose in the United States, from 0.66% to 1.45% at the end of the quarter.

During the first quarter of 2009, the RRB Index posted a return of 4.66%, compared to -0.02% for long Canada bonds. This strong showing of the RRB Index marks a departure from the subpar performance posted during the previous quarters when investors turned their backs on RRBs because of the deflationary pressure that was expected to result from poor economic conditions.

Canada - United States 10 Year Spread
(in basis points)

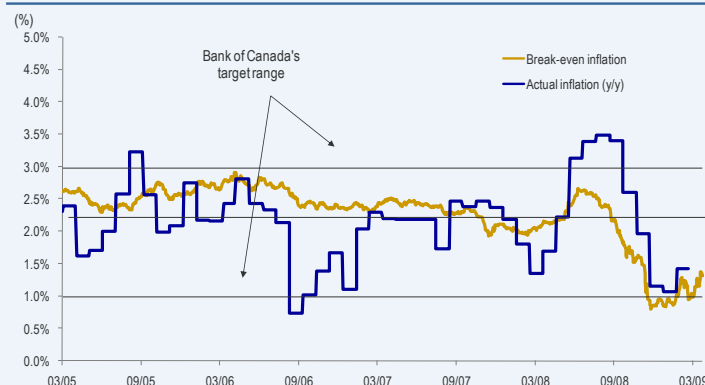


	Yield (%)			Change (b.p.)	
	03/31/09	12/31/08	03/31/08	Q1-2009	2008
Canada					
3-month	0.38	0.83	1.87	-45	-299
2-year	1.08	1.10	2.62	-2	-265
5-year	1.75	1.69	2.91	6	-218
10-year	2.78	2.68	3.44	10	-131
30-year*	3.56	3.54	3.95	2	-56
U.S.					
3-month	0.16	0.03	1.35	13	-313
2-year	0.80	0.76	1.58	4	-229
5-year	1.66	1.55	2.44	11	-189
10-year	2.66	2.21	3.41	45	-181
30-year	3.53	2.68	4.29	85	-177
Canada/U.S. Yield Spread (b.p.)					
3-month	22	80	52	-58	14
2-year	28	34	104	-6	-36
5-year	9	14	47	-5	-29
10-year	12	47	3	-35	50
30-year	3	86	-34	-83	121

*Change of bond benchmark January 1st, 2009

Break-even Inflation Implied by Canada Real Return Bonds and Actual Inflation

March 2005 - March 2009



MARKET COMMENTS (CONTINUED)

Provincial Bonds

Provincial bonds returned 0.63% during the quarter, which was slightly more than Canada bonds (0.57%). The quarter was marked by substantial deficits announced by several provinces, but also by a return to more “normal” volatility in global credit spreads.

Risk premiums for securities with a maturity less than 5 years fell considerably, while spreads for securities with a maturity of over 10 years increased. In the 30-year sector, spreads closed out the quarter at 149 basis points for Québec, 126 for Ontario and 126 for British Columbia, a widening of 2, 2, and 3 basis points respectively for these three provinces.

British Columbia (\$495 million) got the back-to-a-deficit ball rolling, and had to amend its balanced budget legislation until the 2011-2012 fiscal year to deal with the current economic slowdown. On March 19, Québec followed suit with projected deficits of over \$3 billion for its next two fiscal years; the province is expected to return to a balanced budget by 2013-2014. However, the darkest shade of red ink was found in Ontario, which announced deficits of \$14 and \$12 billion for the next two fiscal years, and a return to positive territory for the 2015-2016 fiscal year. This caused an immediate jump in provincial funding requirements; in fact, Ontario will rewrite the record books with funding programs of over \$30 billion over the next three fiscal years.

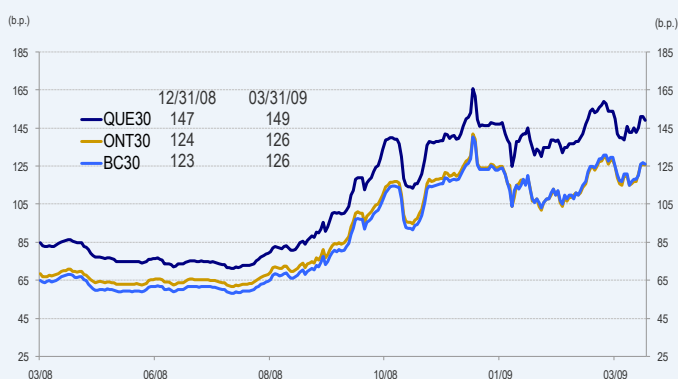
Although few in number during March, provincial funding operations throughout the quarter were generally well received. With the economy in such a sorry state, the provinces are making sure that their order books are filled before proceeding with a new issue. Ontario issued up to \$850 million on a number of occasions, offering two maturities each time (the province’s funding operations usually amount to some \$600 million).

Until the Ontario budget was announced, province of Québec spreads had increased, especially in the 30-year sector, where the spread rose from 23 to 29 basis points before returning to 23 basis points on March 31.

The narrowing of short spreads was caused by the Bank of Canada’s announcements regarding its quantitative easing and credit program, as well as by a \$125 billion increase in the mortgage redemption program that was part of the federal budget provisions.

Federal agency instruments also benefited from the narrowing of premiums on securities with a maturity of under 5 years. Thus, the agency sector returned 1.32%, outperforming Canadas by 75 basis points.

30-year Provincial Spreads over Canada Bonds
March 2008 - March 2009



	Yield Spreads (b.p.)			Change	
	03/31/09	12/31/08	03/31/08	Q1-2009	2008
Quebec/Canada					
5-year	108	130	72	-22	87
10-year	180	174	81	6	118
30-year	149	147	85	2	84
Ontario/Canada					
5-year	99	119	69	-20	79
10-year	167	155	71	12	108
30-year	126	124	69	2	74
BC/Canada					
5-year	105	124	67	-19	86
10-year	157	148	59	9	107
30-year	126	123	65	3	77
Yankee/US Treasuries					
Qc-30 yr	151	112	56	39	45

Provincial Issuer	DBRS Rating	Budget (millions)		Borrowing Requirements (millions)	
		2009/10	2008/09	2009/10	2008/09
Alberta ¹	AAA	-4,700		2,675	1,685
British-Columbia	AA (high)	-495		5,810	5,622
Manitoba	A (high)	48		3,253	2,783
New Brunswick	A (high)	-741		2,400	1,914
Newfoundland	A	-75		0	0
Ontario	AA	-14,100		34,800	24,300
Quebec ²	A (high)	-3,946		11,878	11,112
Hydro-Quebec	A (high)			2,100	1,100
Saskatchewan	AA (low)	425		1,190	911

¹ Alberta - Includes Alberta Treasury Branch & Alberta Capital Finance Authority

² Includes Financing Quebec

³ Nova Scotia and I.P.E. not available for management report

MARKET COMMENT (CONTINUED)

Corporate Bonds

After a crushing fourth quarter, the market looked to the newly inaugurated President Obama and to newly named Treasury Secretary Geithner, as well as to other government officials and central bankers around the world for anything that would bring stability.

First, the quarter began with lots of talk about the creation of an aggregator bank in the United States. However, this possibility was put to rest in early February with Secretary Geithner's first announcement of a plan, albeit an extremely vague one. There was mention of US banks undergoing solvency tests, and some sort of public/private investment mechanism to deal with the banks' legacy assets. This did not calm the market's fears, and spread widening ensued.

However, Canadian banks continued to outperform their global counterparts. Each of the big six Canadian banks made money during the quarter, and had tier 1 capital positions all hovering around 10% to boot. The banks continued to issue preferred shares as well as tier 1 securities, making Canada the only country in the world where the banks were able to issue capital securities, which is a testament to their strength. The unrelenting retail demand ate up these securities as well as other corporate bonds.

Sentiment in the markets pulled a 180 degree turn as Citigroup and Bank of America announced they had two months of positive earnings. As other bullish statements and rumours circulated, such as the desire and possibility of US banks to repay the government much earlier than expected, the stock market rose and credit spreads narrowed. Further details of the public/private investment plan were released, which seemed to comfort and confuse the market simultaneously. However, all of this less negative sentiment after a year and a half of bad news was welcomed by investors. Credit markets became slightly more liquid, yet bid-ask spreads remained wide keeping trading quite costly, but the new issuance calendar began to fill. In Canada, issues ranged across a variety of sectors - financial, communication, utility, industrial and real-estate - as well as terms and rating categories.

The quarter was not without negative themes, such as the flurry of downgrades, ignited by the prolonging of the credit crisis and the potential depth and length of the recession. One notable downgrade would be that of GE Capital. After months, if not a year of trading at levels incongruent with a credit of the highest rating, the company finally lost its AAA rating. The magnitude of the downgrade was much less than

the market had feared; one notch for S&P and two notches for Moody's, to AA+ and Aa2 respectively, both with a stable outlook.

On the flip side, with the Bell Canada LBO officially off the table, the company regained its investment grade status from all three rating agencies (A (I), BBB+, Baa1), which spurred some buying and spread tightening.

The Canadian budget also had impacts on corporate bonds. The government will support vehicle leasing through purchases of ABS. The mortgage buyback program was increased by \$50 billion to a total of \$125 billion. Canadian life insurers were given the possibility to issue government guaranteed debt, similar to the bank program in place.

Corporate bonds outperformed government bonds this quarter, returning 3.48% versus 0.88%, which is a stark contrast from the previous quarter.

Amount of New Issues (million \$)			
	Q4-2008	Q1-2009	Difference
Corporate Bonds	6 254	10 280	64%
Securitization (ABS, CMBS)	-	-	0%
Maple Issues	-	-	0%
Total:	6 254	10 280	64%

Source: CIBC

Yield Spreads (b.p.) - Corporate Bonds					Change	
	03/31/09	12/31/08	12/31/07	Quarterly	2008	
Royal Bank						
5-year	330	450	125	-120	325	
10-year	345	465	148	-120	317	
30-year	345	465	148	-120	317	
Bell Canada						
5-year	370	510	330	-140	180	
10-year	430	540	375	-110	165	
30-year	475	540	400	-65	140	
Loblaws						
5-year	350	420	185	-70	235	
10-year	410	470	235	-60	235	
30-year	495	540	320	-45	220	
GTA						
5-year	275	360	103	-85	257	
10-year	300	370	117	-70	253	
30-year	335	370	125	-35	245	
TransCanada Pipelines						
5-year	265	385	93	-120	292	
10-year	310	420	112	-110	308	
30-year	380	460	156	-80	304	

Source: National Bank Financial

MARKET COMMENT (CONTINUED)

International Bonds and Currencies

The scenario contemplated by bonds markets during the final quarter of 2008, i.e. that central banks would massively redeem long term instruments and that the global economy would take years to recover, was partially negated during the first quarter of 2009. Thus, after posting its best quarterly return since its inception in 1991 (a 6.2% increase for the quarter ended December 31, 2008), the Global Government Bond Index (GBI) declined 0.3% during the first quarter of 2009.

The rate cuts announced by the Bank of Canada substantially reduced the advantages of hedging. Thus, the hedged GBI (hedging the risk of currency fluctuations against the Canadian dollar) closed out the quarter down 0.2%.

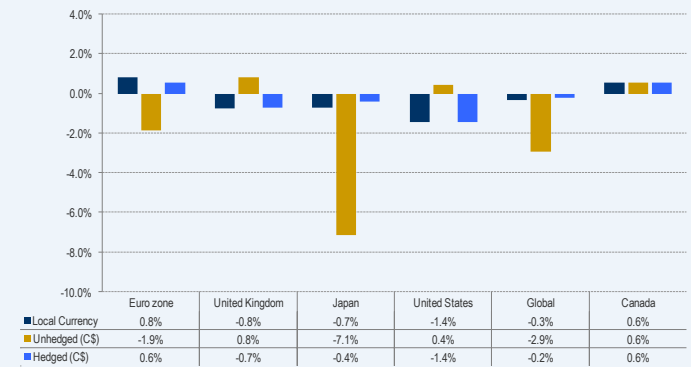
Driven by a depreciation of the yen and the Euro against the Canadian dollar, the unhedged GBI in Canadian dollar terms lost 2.9% during the first quarter of 2009.

After recording a gain of 14.3% for the last quarter of 2008, the U.S. bond market suffered the largest decrease for the first three months of 2009, i.e. 1.4%. Market expectations were high following the FOMC meeting in December and the suggestion that quantitative easing could be effected through the purchase of long term Treasury instruments. However, attention was focused throughout the quarter on the substantial issues expected to be made by the U.S. Treasury for the 2009 calendar year, which were valued at around \$3,500 billion. After bottoming out at 2.06% in December, 10-year government bonds were trading at 3.02% in early March, before closing out the quarter at 2.66%.

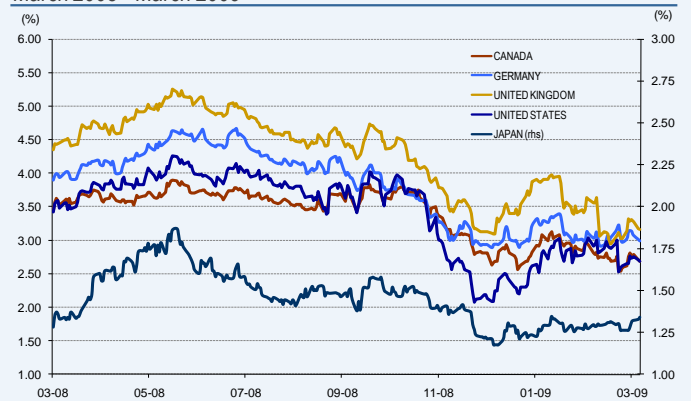
Despite aggressive rate cuts by the Bank of England since last fall, the British bond market tapered off early in the quarter due to a weak financial system and to concerns that demand would be insufficient to match the substantial supply of bonds (Gilts) required to fund government initiatives. Rates increased in spite of the stabilizing effect of an announcement, in early March, that quantitative easing would be effected through the purchase of government securities. The British market closed out the quarter down 0.8%.

Euro zone markets posted the best return of the quarter, as they advanced 0.8%. The ECB finally bowed to pressure and reduced its policy rate by 50 basis points – which was more than anticipated – near the end of the quarter. In addition, the narrowing of yield spreads in countries such

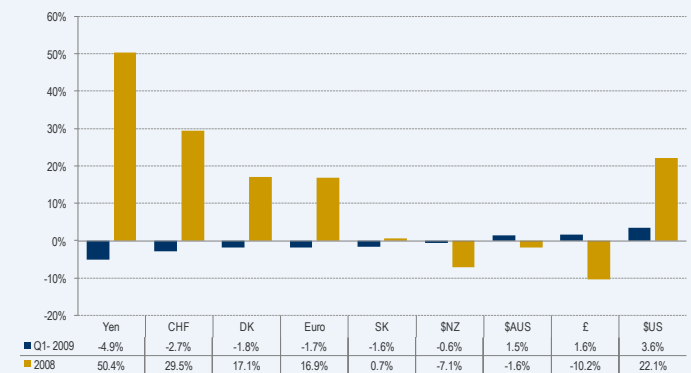
Quarterly Returns International Bonds Q1-2009



International 10-year Bond Yields March 2008 - March 2009



Exchange Rate Fluctuations vs Canadian Dollar Q1-2009



MARKET COMMENT (CONTINUED)

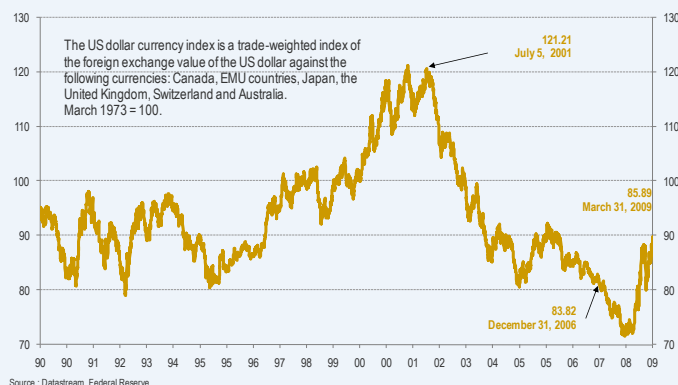
as Italy and Spain propped up the markets. The announcement that Euro zone countries were not taking massive fiscal initiatives also allayed concerns over supply that haunted other countries.

Following a respite last December, the U.S. dollar continued the rise that it began last July, buoyed by its status as a safe haven in these times of uncertainty. The dollar therefore rose against all of the major currencies during the past quarter, bolstered also by rate cuts in other large countries and by a lessening of the U.S. trade deficit. For instance, the greenback gained 8.9% against the yen and 5.4% against the euro.

The Canadian dollar was much less volatile than during the final quarter of 2008, due to the greater relative stability of equity markets and of commodity prices. Our dollar continued to slide against its U.S. counterpart during the last quarter. From a level of \$0.8204 at the end of 2008, it closed out the quarter at \$0.7918, down 3.5%. On the other hand, the dollar appreciated against the yen and the Euro, gaining 4.7% and 1.8% respectively during the quarter.

Monetary Policy Rates (%)					
	12/2007	12/2008	03/2009	Quarterly Change (b.p)	Change (b.p) Dec. 2007 to date
Canada	4.25	1.50	0.50	-100	-375
United States	4.25	0.25	0.25	0	-400
Europe	4.00	2.50	2.00	-50	-200
United Kingdom	5.50	2.00	1.00	-100	-450
Japan	0.50	0.10	0.10	0	-40

U.S. Dollar Index
(1973 = 100)



Exchange Rates					
	12/31/07	12/31/08	03/31/09	Quarterly change	Annual change 2008
VS US\$					
Euro	1.4588	1.3964	1.3243	-5.16%	-4.28%
Canadian Dollar	1.0021	0.8204	0.7918	-3.49%	-18.13%
Japanese Yen	0.0090	0.0110	0.0101	-8.26%	23.09%
Danish Krona	0.1956	0.1876	0.1778	-5.22%	-4.11%
British Pound	1.9864	1.4603	1.4323	-1.92%	-26.48%
NZ Dollar	0.7660	0.5827	0.5592	-4.02%	-23.94%
Australian Dollar	0.8756	0.7052	0.6910	-2.01%	-19.46%
Swiss Franc	0.8826	0.9355	0.8782	-6.12%	5.99%
Swedish Krona	0.1546	0.1275	0.1211	-5.05%	-17.53%
VS C\$					
Euro	1.4557	1.7020	1.6726	-1.73%	16.92%
US Dollar	0.9979	1.2189	1.2630	3.62%	22.15%
Japanese Yen	0.0089	0.0134	0.0128	-4.94%	50.36%
Danish Krona	0.1952	0.2287	0.2245	-1.80%	17.13%
British Pound	1.9822	1.7800	1.8090	1.63%	-10.20%
NZ Dollar	0.7644	0.7102	0.7063	-0.55%	-7.09%
Australian Dollar	0.8737	0.8595	0.8727	1.53%	-1.63%
Swiss Franc	0.8808	1.1402	1.1091	-2.73%	29.46%
Swedish Krona	0.1543	0.1555	0.1530	-1.61%	0.74%