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Monthly World Markets Report



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See Disclosures And Disclaimers at the end of this report for disclosures, including potential conflicts of interest. Complete research on any securities mentioned in this report, except for iShares China Index Fund and iShares FTSE/Xinhua China Index Fund, is available from your Investment Advisor. All prices quoted in this report are as of the close of markets on May 27, 2010.

Investors Focused On Europe... For Now

Global stock markets stumbled in May, with a number of major indices recording their first correction, defined as a 10% decline, in more than a year. Investor sentiment has clearly shifted from the bullishness that existed between early February 2009 and late April 2010, when the S&P/TSX Composite Index rose 60%. During that period, investors seemed to push stocks higher with every positive data point that pointed to an improving economy, while ignoring any negative economic numbers.

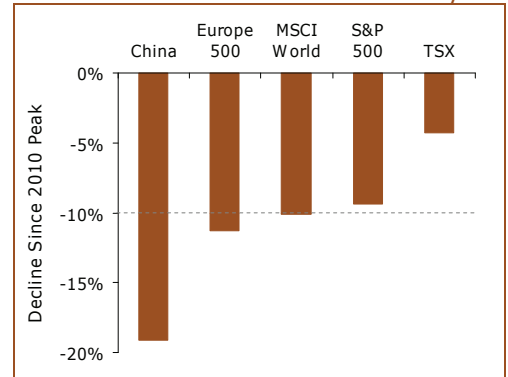
Now the tide has turned and investors are looking past any positive data to the focus of the day: Europe's debt crisis. Investors are worried about what impact that might have on global growth. In the near term, it is difficult to foresee what might return investors to a buying mood – especially during the seasonally weak summer months.

Despite the near-term volatility that is likely to persist, long-term-oriented investors should not panic. While memories of 2008's bear market are still fresh in investors' minds, we do not expect a repeat of that sharp decline. In fact, there are still signs that the global economy is in recovery mode, despite Europe's troubles. In the U.S., the jobless picture is steadily improving, as the economy added the most number of jobs in four years in April. China's economy, now the world's third largest, grew 11.9% in the first quarter and is expected to grow about 10% in the second quarter. GDP growth in Brazil, Taiwan and Singapore has also been surpassing expectations of late. CIBC World Markets Inc. Chief Economist Avery Shenfeld recently noted that if investors shift their gaze from Europe, they might see that the global growth picture is actually positive.

It may be difficult to keep Europe's woes out of the headlines ahead of late June's G20 Summit in Toronto, where the debt concerns of Greece, Portugal and other nations are likely to be a hot topic. If, however, Europe's problems remain contained, allowing other economies to grow steadily, resource and other economically sensitive sectors of the stock market may once again come into favour. When that interest returns, one sector that looks particularly attractive is base metals. These mining companies are trading 30% to 40% below their net asset values, suggesting that either investors are accurately forecasting a significant decline in the price of copper and other industrial metals or pessimism is starting to surpass reality.

Right now, however, it does appear that investors' nerves are rattled and that unease could last a few more weeks or months. Until that period passes, there are a few areas of the equities markets that may offer relatively better risk/reward tradeoffs. Large-cap stocks have underperformed their small-cap brethren over the past year and a half and should hold their value better if markets stay choppy. Shares of utilities companies have been weak as power prices have not rebounded as much as expected. However, this sector's yields now appear particularly attractive in light of declining Treasury Bill yields. Gold and gold stocks also retreated in the second half of May after surging on the back of a weak euro. This group could see renewed interest if Europe's troubles remain in the headlines.

Most Markets In Correction Territory



Source: Bloomberg

SUNIL BHARDWAJ, CFA, MBA
Private Client Investing

Don't Be Fooled By The First Four Months

The primary market is the apple of the eye for corporate bond markets. The pace of new issue activity, as well as new issue pricing, is often monitored carefully as a sign of the health of the market. The pace of corporate bond issuance in Canada has intensified such that if maintained, 2010 would be a record year, with over \$75 billion in domestic issuance alone, excluding Maples (foreign debt issued in Canada). However, we don't think this is in the cards. Seasonality of new corporate bond issuance suggests that companies tend to front-load their debt financings. In the last three years, 62% of annual issuance was completed in the first six months of the year. We think this will be amplified this year given the general expectation that rates will rise in the second half, which we believe has brought forth some of the issuance, notably by the banks.

Thus we think the pace of issuance will slow down in the second half of the year, making 2010 only an average issuance year, perhaps on par with 2008, and similarly dominated by financials. The current environment of poor market liquidity, if it extends, will likely curb the seasonally strong May through July issuance pattern and may prompt us to further reduce our issuance forecast.

Pricing Signals Indicative Of Increased Risk Appetite

We have recorded 65 bonds issued this year in the Canadian corporate debt market, of which 38% were in the six- to 10-year

term (40% by volume), and 11% with terms longer than 10 years (but only 4% by volume). While the largest portion of issuance was short bonds, the six- to 10-year bucket is where the action has been. This group has offered much broader diversity of credits than the short-term group, in which issuance was dominated by bonds with "AA" credit ratings (61%), followed by "AAA" (19%) and "A" (17%), and only two "BBB" issues (3%). Our analysis of new issue pricing leads us to conclude that:

- 1) High-end investment grade pricing displays a remarkably tight range of spread with little yield differentiation between AAA, AA and A credits. This range does not appear to have changed over the first four months of the year, which suggests there has been some indiscriminate buying.
- 2) BBB-rated debt has come to market at progressively tighter spreads over the four months. Based on the observed new issue pricing, the market in the first four months has been progressively more receptive to BBB credits.
- 3) Only five high-yield bonds have come to market. However, the increased risk appetite in the market is confirmed by the progression of increasingly lower-rated issuance since the beginning of the year.

This new issue market behaviour is consistent with a recovering economy but we don't expect corporate new issuance to continue at this pace in the second half of the year.

JOANNA ZAPIOR, CFA
Managing Director, Macro Strategy Team

Pace of Corporate Debt Issuance in the Canadian Market Has Intensified

	2010 YTD	2009 YTD	2009	2008	2007	2006	2005
Auto	\$750	\$0	\$0	\$1,500	\$2,335	\$2,350	\$2,322
Bank	\$11,940	\$5,395	\$15,589	\$35,350	\$32,470	\$19,406	\$20,025
Non-bank	\$3,275	\$1,675	\$7,175	\$3,475	\$6,845	\$5,375	\$11,275
Life Insurance	\$250	\$1,217	\$5,221	\$2,300	\$1,768	\$2,650	\$1,250
Telecom	\$300	\$600	\$8,100	\$500	\$2,400	\$1,850	\$1,500
Communications & Media	\$500	\$750	\$1,565	\$1,200	\$475	\$0	\$0
Industrial	\$355	\$0	\$1,486	\$875	\$725	\$200	\$1,125
Infrastructure	\$700	\$1,234	\$2,906	\$2,147	\$3,756	\$3,203	\$3,491
Real Estate	\$780	\$910	\$2,235	\$1,365	\$2,658	\$950	\$1,370
Consumer	\$275	\$675	\$1,400	\$830	\$467	\$1,025	\$4,035
Energy	\$3,655	\$3,100	\$9,640	\$5,291	\$2,055	\$4,800	\$4,600
Oil And Gas	\$700	\$0	\$150	\$1,450	\$1,750	\$750	\$900
Transportation	\$0	\$0	\$0	\$375	\$0	\$0	\$0
Healthcare	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Corp. Issuance	\$23,480	\$15,556	\$55,467	\$56,657	\$57,704	\$42,559	\$51,893
ABS/CMBS	\$1,986	\$468	\$1,390	\$5,160	\$6,111	\$17,181	\$11,697
Total Domestic	\$25,466	\$16,024	\$56,857	\$61,817	\$63,814	\$59,739	\$63,590
Maple Bank	\$1,050	\$0	\$700	\$280	\$16,810	\$13,875	\$9,475
Maple Non-bank	\$0	\$0	\$350	\$475	\$12,325	\$8,750	\$9,395
Maple Infrastructure	\$0	\$0	\$0	\$0	\$425	\$800	\$150
Maple Energy	\$0	\$0	\$0	\$0	\$100	\$300	\$100
Maple Telecom	\$0	\$0	\$0	\$0	\$0	\$725	\$0
Maple Life Insurance	\$300	\$0	\$200	\$100	\$800	\$2,975	\$0
Maple Auto	\$0	\$0	\$0	\$0	\$100	\$150	\$0
Maple Gov't	\$0	\$0	\$0	\$0	\$550	\$0	\$550
Maple Issuance	\$1,350	\$0	\$1,250	\$855	\$31,110	\$27,575	\$19,670
TOTAL	\$26,816	\$16,024	\$58,107	\$62,672	\$94,924	\$87,314	\$83,260
Yankees (US\$)	\$13,100	\$3,560	\$39,285	\$31,523	\$25,668	\$24,304	\$17,539

Source: CIBC World Markets Inc.

China: Long-term Outlook Outweighs Short-term Concerns

China's equity markets have been weak of late, on growing concerns about Europe's debt crisis and rising inflation in its domestic economy. However, the Chinese government has taken steps to control its inflation, with the potential for additional measures to come. Long term, we believe China's growth story remains on track.

China's gross domestic product (GDP) increased 11.9% in Q1/2010 versus 6.1% growth in Q1/2009. The strong growth, aided by government stimulus and improving global economies, has resulted in increased inflation, with consumer prices having increased 2.8% year over year in April. Food prices rose 5.9%, up from 5.2% in March, and wholesale prices increased 6.8%.

A major focus and concern is China's housing market. In April, the average price of a home in large- and medium-sized Chinese cities rose 12.8% year over year, according to the National Bureau of Statistics. The increase was the biggest in 10 months, which stoked fears of a housing bubble. That same month, the Chinese government announced several measures to help decelerate the housing market, including curbs on loans for third home purchases, increased down payment requirements and higher mortgage rates. The government also increased the bank reserve ratio for a third time this year. Effective May 10, 2010, the requirement increased 50 basis points to 17% for the biggest banks and 15% for smaller banks.

Interests Rates Expected To Rise

China's benchmark interest rate currently stands at 5.31% and has been at this level since December 2009. It is expected that the benchmark rate will increase sometime this year but the exact timing and magnitude is unknown and will be dependent on how the housing market responds to previous lending curbs. The Chinese government's challenge is to balance strong growth with a minimum amount of upward inflation pressure. One risk for investors is that if the central bank raises rates too quickly, it could cause the housing market to deflate sharply, slowing growth more than economists forecast.

China Expected To Surpass Japan

According to the International Monetary Fund (IMF), China's 2009 GDP was US\$4.9 trillion compared to US\$5.1 trillion for Japan. As China's 2010 GDP growth rate is estimated to be approximately five times higher than Japan's, it is likely to take Japan's place as the world's second largest economy in the near future. Some forecasters predict China's economy will take the top spot from the U.S. in approximately 20-30 years.

The Factory Of The World

According to the World Trade Organization (WTO), China was the world's largest exporter in 2009, with exports of US\$1.20 trillion compared to Germany at US\$1.12 trillion and the U.S. at US\$1.06 trillion. We believe China, known as the factory of the world, will continue to lead in exports and, therefore, will

continue to maintain its positive trade surplus and current account balance. Europe is a large export region for China, led by Germany, which receives 4.0%-5.0% of China's exports.

According to the IMF, China's foreign exchange reserves (FER) stood at US\$2.45 trillion as of March 2010, higher than any other country and far exceeding Japan, the country with the next biggest FER, at US\$990.5 billion. The U.S. held US\$127.4 billion. A country's FER is an important indicator of its ability to repay foreign debt and defend its currency and is an important consideration when determining a country's credit ratings.

Hang Seng Looks Attractive

With Hong Kong's Hang Seng Index having declined 11.2% year to date, we believe its valuation level is becoming attractive relative to those of other major indices, especially when one considers China's long-term growth prospects. Thus, we believe any additional weakness in the Hang Seng over the short term could provide a buying opportunity.

Valuation Data For Major Indices*

	P/E LTM	P/E 2010	P/E 2011	Div. Yield LTM %
Dow Jones Industrial Avg.	14.2	12.6	11.0	2.8
S&P 500 Index	15.8	13.5	11.5	2.0
S&P/TSX Composite Index	18.8	14.9	12.4	2.7
DAX Index (Germany)	14.7	11.7	10.0	3.1
NIKKEI 225	33.0	18.2	15.9	1.7
Hang Seng Index	14.2	13.0	11.0	3.1

*As of May 27, 2010. Source: Bloomberg

iShares FTSE/Xinhua China 25 ETF

We believe a conservative approach to gain exposure to China's long-term growth prospects is through the iShares FTSE/Xinhua China Index Fund (FXI-NYSE Arca) and its Canadian counterpart, iShares China Index Fund (XCH-TSX).

These exchange traded funds (ETFs) hold 25 of the largest and most liquid Chinese companies traded on the Hong Kong Stock Exchange, with many of the companies listed as American Depository Receipts (ADRs) on U.S. exchanges. We consider these to be China's large-cap, blue chip companies, with over 60% of the portfolio in financials and telecommunications. FXI, in our opinion, is a below-average risk China ETF portfolio.

FTSE/Xinhua China 25 Index Sector Breakdown*

Sector	Weighting
Financials	45.1%
Telecommunications	18.7%
Oil & Gas	13.8%
Basic Materials	10.3%
Industrials	8.1%
Consumer Services	1.8%
Utilities	0.7%
Short-term Securities	0.0%
Other/Undefined	1.5%

*As of May 27, 2010. Source: iShares.

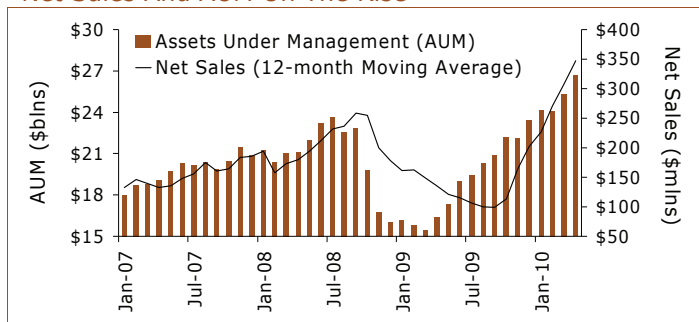
RICHARD WOO
Private Client Investing

Canadian Equities

DundeeWealth Inc. (DW, \$13.94, Sector Outperformer) Price Target: \$20.00

Despite the recent weakness, the S&P/TSX Composite Index is still 55.3% above the lows reached in March 2009, leading to a resurgence in demand for mutual funds and managed investment products. CIBC analyst Paul Holden believes DundeeWealth Inc. is well positioned to continue to benefit from this trend.

Net Sales And AUM On The Rise



Source: CIBC World Markets Inc.

DundeeWealth is a diversified wealth management company operating two business lines: investment management, and financial advisory. The company has enjoyed tremendous growth in assets under management (AUM) on the back of robust net sales, strong market performance and various acquisitions. Its growth has vaulted it from a company with only a 1.5% share of the Canadian mutual fund market at the beginning of the last decade to the ninth-largest mutual fund manager in Canada, with a 3.8% market share. That trajectory appears poised to continue, with DundeeWealth growing AUM 13.1% in the first four months of 2010, far outpacing the 1.5% average for the other mutual fund companies in Mr. Holden's coverage universe.

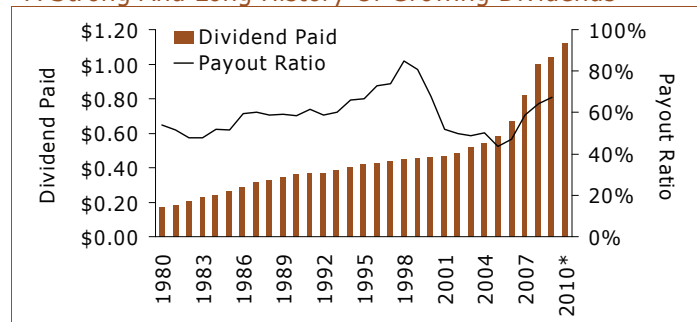
In Q1/2010, earnings before interest, taxes, depreciation and amortization (EBITDA) rose 144% year over year to \$55.9 million. Just as importantly, EBITDA margins rose to 25.9% from 15.0%, indicating an improvement in profitability. For 2010 as a whole, Mr. Holden forecasts 55% growth in EBITDA; he expects additional 15% growth in 2011.

Mr. Holden believes the market is not appropriately valuing DundeeWealth's potential earnings upside. DundeeWealth shares currently trade at a 2010E enterprise value (EV)/EBITDA multiple of 6.6x, versus an average of 7.1x for its Canadian peers and the company's historical average of 9.1x. Mr. Holden thinks DundeeWealth should trade at a premium to the Canadian asset managers, given his expectation for comparatively stronger net fund sales for DundeeWealth relative to the competition. As such, he believes the current valuation provides an attractive opportunity for investors to acquire the shares.

Fortis Inc. (FTS, \$26.50, Sector Outperformer) Price Target: \$32.50

Some investors argue that when a company focuses on dividend growth, it does so at the expense of earnings growth. However, there are some exceptions. CIBC World Markets analyst Petro Panarites points to Fortis Inc. as being one such company.

A Strong And Long History Of Growing Dividends



*Indicated dividend per share. Source: Company reports.

Fortis is the largest publicly traded electricity distribution utility in Canada, with total assets approaching \$12 billion. The company's assets have grown substantially over the past six years, owing primarily to two major acquisitions: FortisAlberta and FortisBC in 2004 for \$1.5 billion and Terasen Gas Companies in 2007 for \$3.7 billion. Fortis operates electric distribution utilities in five Canadian provinces (B.C., Alberta, Ontario, Prince Edward Island and Newfoundland) and three Caribbean countries (Belize, Cayman Islands, Turks and Caicos), and a natural gas utility in B.C.

Fortis has a strong and long history of growing its dividend. In fact, the compound annual growth rate is 6.4% since 1980, and an even more impressive 9.3% over the past 10 years. Currently, the shares yield 4.2%.

The dividend growth record is all the more impressive when considering that the utility is also focused on earnings growth. For the 10 years ending in 2009, the utility has grown earnings at an annualized rate of 10.5%. Fortis is expected to spend \$5 billion in capital between 2010 and 2014, primarily related to regulated utilities investment. According to Mr. Panarites, this, along with recent positive regulatory decisions, is expected to result in strong and comparatively certain EPS growth over the forecast horizon, from \$1.51 in 2009 to \$1.70 in 2010 and \$1.84 in 2011. Moreover, he has no new equity issues modeled over that period.

With EPS expected to grow 8.2% in 2011, versus 5.6% for its peer group, and a strong history of dividend growth, Mr. Panarites believes Fortis deserves its premium valuation and he views the share price as being attractive, trading 18% below his price target of \$32.50.

YOGESH OZA, MA, CFA
Private Client Investing

Company Name	Symbol	Stock Rating	Sector Weighting	Price 27-May-10	Price Target	Earnings Per Share (EPS)			P/E 2010E	Dividend	
						2009A	2010E	2011E		Rate	Yield
DundeeWealth Inc.	DW	SO	M	\$13.94	\$20.00	\$0.30	\$0.70	\$0.87	19.9x	\$0.28	2.0%
Fortis Inc.	FTS	SO	M	\$26.50	\$32.50	\$1.51	\$1.70	\$1.84	15.6x	\$1.12	4.2%

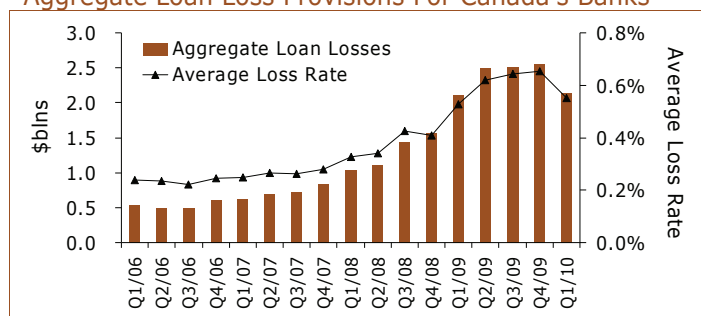
A — Actual for the fiscal year; E — Estimate for the fiscal year. For a full description of the CIBC World Markets Research Rating System, please see page 8.

CIBC Initiates Coverage Of Banks & Life Insurers

Effective April 26, 2010, CIBC analyst Robert Sedran launched coverage of Canada's largest banks and life insurers. When comparing the banks to the insurers, he believes the key question is whether the downturn for financial companies was cyclical in nature (i.e., earnings are depressed temporarily) or structural in nature (i.e., there is more lasting pressure on profitability).

For the banks, he believes the impact was more cyclical. In fact, as a result of the last two years, he believes the Canadian banking sector's core products are both more profitable and less risky, and that the banks are exiting the downturn in a stronger position than the one in which they entered it. Loan loss provisions are expected to remain a dominant theme for Canada's banks – this time, as a source of earnings growth as they decline.

Aggregate Loan Loss Provisions For Canada's Banks



Source: Company reports and CIBC World Markets Inc.

In contrast, Mr. Sedran believes the life insurance industry carries some lingering structural effects of the downturn and that the insurers' core products are riskier and less profitable than they were previously. He believes the shares merit a discount to their historical trading multiples and to the banks.

Among the "Big 6" banks, he assigns Sector Outperformer ratings to Bank of Montreal and Toronto-Dominion Bank; none of the six banks are rated Sector Underperformer. Among the life insurers, Manulife Financial Corporation and Industrial Alliance are his top picks, while Great-West Lifeco Inc. is rated Sector Underperformer.

Bank Of Montreal

Mr. Sedran believes Bank of Montreal has above-average exposure to falling loan loss provisions – a powerful catalyst that

should be an important growth driver over the next two years. As such, he believes Bank of Montreal will exhibit the highest earnings growth among the large Canadian banks, with EPS expected to rise 17% in F2010 and 20% in F2011.

Toronto-Dominion Bank

Similar to Mr. Sedran's thesis for Bank of Montreal, he believes falling loan loss provisions will be a key factor driving earnings growth at Toronto-Dominion Bank. In fact, when the bank reported its Q2/F2010 results, management acknowledged that the improvement in loan losses is developing faster than expected. Given that positioning, and strong performance at the bank's core retail franchises, he rates the shares Sector Outperformer with an \$85.00 target price.

Manulife Financial Corporation

Mr. Sedran notes that Manulife has more leverage to equity markets and interest rates than any of its domestic peers. While that could lead to some near-term earnings volatility, it should lead to meaningful growth as equity markets and interest rates rise. Given the shares trade at 9.2x 2010E EPS versus 11.4x for its Canadian peers, and his expectation of a better operating environment, Mr. Sedran rates Manulife Sector Outperformer.

Industrial Alliance

Industrial Alliance's earnings withstood the crisis relatively well, helped by conservative reserving practices and a below-average risk profile. The company should benefit from a recovering environment given its exposure to the wealth management industry, which, in Mr. Sedran's view, has a better organic growth profile than life insurance.

Great-West Lifeco Inc.

Great-West Lifeco has a lower-risk profile than its peers; however, because of this, the insurer stands to benefit less from the recovering environment than its competitors. In 2010 Mr. Sedran believes the insurer might incur charges related to impairments in its European financial securities portfolio but he expects such credit issues to subside in 2011. The shares trade at the highest P/E ratio of the life insurers he covers. As such, he sees more compelling investment opportunities elsewhere.

DANIELA CERNOBORI, CFA
Private Client Investing

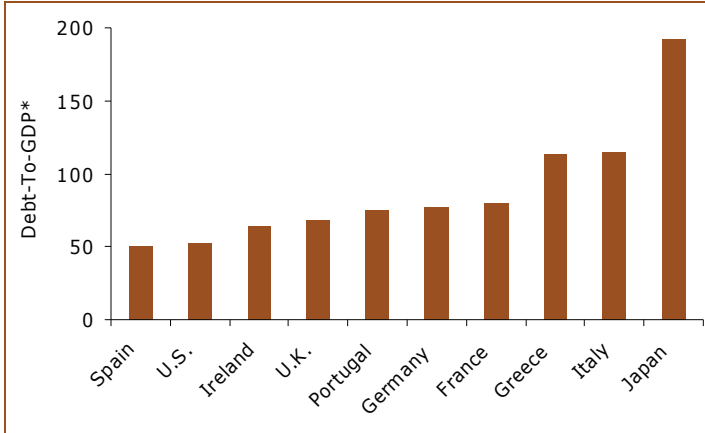
Company Name	Symbol	Stock Rating	Sector Weighting	Price 27-May-10	Price Target	Earnings Per Share (EPS)			P/E 2010E	Dividend	
						2009A	2010E	2011E		Rate	Yield
Bank Of Montreal	BMO	SO	O	\$62.30	\$72.00	\$4.20	\$4.90	\$5.90	12.7x	\$2.80	4.5%
Bank Of Nova Scotia	BNS	SP	O	\$48.69	\$56.00	\$3.65	\$3.88	\$4.54	12.5x	\$1.96	4.0%
Canadian Imperial Bank Of Commerce	CM	Not Rated	O	\$72.02	\$82.00	\$5.88	\$6.29	\$7.29	11.4x	\$3.48	4.8%
National Bank Of Canada	NA	SP	O	\$58.07	\$67.00	\$6.32	\$6.17	\$6.69	9.4x	\$2.48	4.3%
Royal Bank Of Canada	RY	SP	O	\$56.85	\$65.00	\$4.40	\$4.27	\$5.15	13.3x	\$2.00	3.5%
Toronto-Dominion Bank	TD	SO	O	\$73.38	\$85.00	\$5.50	\$6.07	\$7.08	12.1x	\$2.44	3.3%
Great-West Lifeco Inc.	GWO	SU	M	\$25.67	\$28.00	\$1.72	\$2.06	\$2.34	12.5x	\$1.23	4.8%
Industrial Alliance	IAG	SO	M	\$34.13	\$40.00	\$2.62	\$2.98	\$3.30	11.5x	\$0.98	2.9%
Manulife Financial Corp.	MFC	SO	M	\$17.69	\$22.00	\$0.81	\$1.92	\$2.00	9.2x	\$0.52	2.9%
Sun Life Financial Inc.	SLF	SP	M	\$29.88	\$33.00	\$1.00	\$2.89	\$3.09	10.3x	\$1.44	4.8%

A – Actual for the fiscal year; E – Estimate for the fiscal year. For a full description of the CIBC World Markets Research Rating System, please see page 8.

Charting Trends

Equity markets have fallen in recent weeks as investors become increasingly concerned about what impact high sovereign debt levels will have on global growth prospects. Thus, this month we take a closer look at the debt levels of some of the world's major economies.

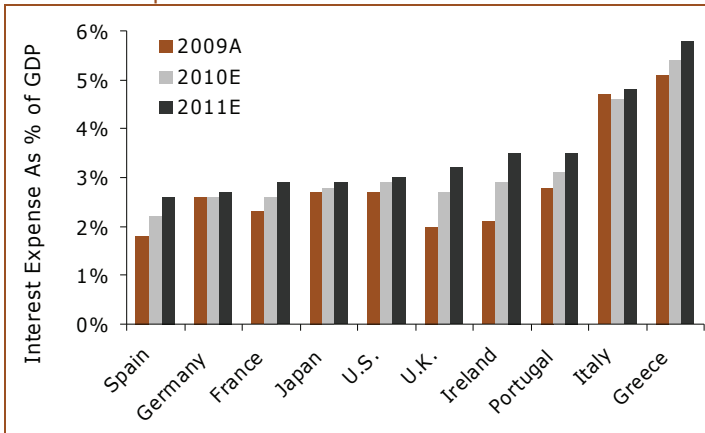
Debt-To-GDP Not The Best Measure



*At year-end 2009. Source: European Commission

One of the more common measures of a country's fiscal health is government debt as a percentage of GDP. By this measure, one can see that Greece and Italy have allowed their debt levels to surpass 100% of their GDP. There are, however, flaws with this metric. For example, while Japan's debt appears extraordinarily high by this measure, the figure paints a more dire picture than exists, as much of the debt is held by households, not foreign bondholders who are much more fickle. At the other end of the spectrum, the U.S. and U.K. appear to have very low debt. What is left out of this measure, however, is that both countries have unfunded liabilities (pensions and health care) that do not appear in the national debt figures; thus the figure becomes somewhat understated.

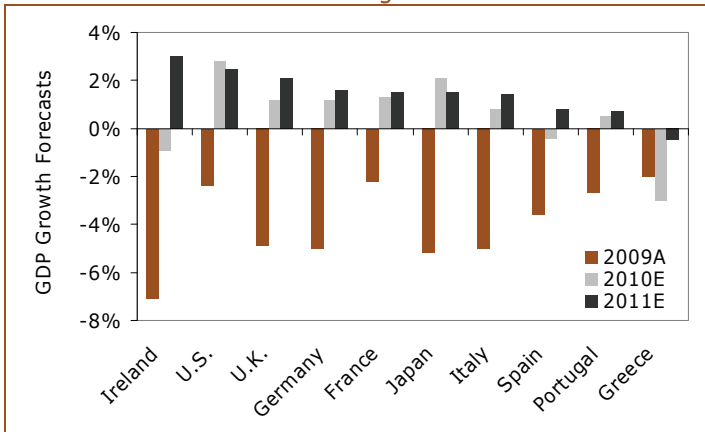
Interest Expense Paints A Better Picture



Source: European Commission

Comparing interest expense to GDP is a better measure of a country's ability to meet its obligations. Using this metric, Greece and Italy's debt situations once again appear concerning relative to other countries. The U.K.'s interest payments are forecast to jump from about 2% of GDP in 2009 to 3.2% of GDP by 2011. Note that these forecasts are from the European Commission's *European Economic Forecast - Spring 2010* and are not adjusted for any spending or tax changes that may take place. In recent weeks, Greece, Italy and Spain have announced plans to reduce their deficit levels by reducing spending and increasing taxes. The U.K. has also elected a new coalition government that plans to be aggressive in getting its fiscal situation in order. To the extent that these efforts are successful, these countries may see their balance sheets improve.

Economic Growth Leads To Higher Tax Revenues



Source: European Commission

One factor that can greatly improve a country's balance sheet is economic growth. When the economy grows, tax revenues increase, providing more funds to meet interest payments and pay down debt. According to the European Commission, Greece is in the worst possible situation, as its economy is expected to contract for three consecutive years. Spain and Ireland are the only other major countries that are expected see their economies contract past 2009. It may surprise some to see that the strongest growth through 2010 and 2011, according to the European Commission, is expected to come from the U.S., which many believe was the epicentre of the Great Recession of 2008-2009.

Given this picture of debt levels and expectations of future ability to meet interest payments, one can better understand why bond rating agencies are so negative on European debt levels relative to that of the U.S.

SUNIL BHARDWAJ, CFA, MBA
Private Client Investing

CIBC Economics Department Interest Rate Outlook

Interest Rates (%) – End of Qtr		27-May-10	Sep/10	Dec/10
3-month T-Bill	Canada	0.49	1.15	1.05
	U.S.	0.16	0.10	0.15
10-year Gov't Bond Yield	Canada	3.38	3.50	3.75
	U.S.	3.36	3.60	4.00
US\$/C\$		0.95	0.99	1.01

Source: CIBC World Markets Inc.

CIBC World Markets Economic Outlook

Economic Outlook		2009F	2010F	2011F
Real GDP Growth (% Chg)	Canada	-2.6	3.2	2.5
	U.S.	-2.4	3.2	2.6
Consumer Price Index (% Chg)	Canada	0.3	1.9	2.1
	U.S.	-0.4	1.8	2.1

Source: CIBC World Markets Inc.

Disclosures And Disclaimers

Companies Mentioned in this Report that Are Covered by CIBC World Markets

Bank of Montreal (2a, 2c, 2e, 2g, 3a, 3c, 6c, 7) (BMO-TSX, C\$62.30, Sector Outperformer)
 Bank of Nova Scotia (2a, 2c, 2e, 2g, 3a, 3c, 7) (BNS-TSX, C\$48.69, Sector Performer)
 Canadian Imperial Bank of Commerce (2a, 2c, 2e, 2g, 3a, 3c, 6a, 6c, 7, 8, 9) (CM-TSX, C\$72.02, Not Rated)
 DundeeWealth Inc. (2a, 2c, 2e) (DW-TSX, C\$13.94, Sector Outperformer)
 Fortis Inc. (2a, 2c, 2e, 2g) (FTS-TSX, C\$26.50, Sector Outperformer)
 Great-West Lifeco Inc. (2a, 2c, 2e, 2g) (GWO-TSX, C\$25.67, Sector Underperformer)
 Industrial Alliance Insurance And Financial Services Inc. (2a, 2c, 2e, 7) (IAG-TSX, C\$34.13, Sector Outperformer)
 Manulife Financial Corporation (2a, 2c, 2e, 2g, 3a, 3c, 6c, 7) (MFC-TSX, C\$17.69, Sector Outperformer)
 National Bank Of Canada (2a, 2e, 2g, 3a, 3c, 7, 8) (NA-TSX, C\$58.07, Sector Performer)
 Royal Bank of Canada (2a, 2c, 2e, 2g, 3a, 3c, 7) (RY-TSX, C\$56.85, Sector Outperformer)
 Sun Life Financial Inc. (2a, 2c, 2e, 2g, 7) (SLF-TSX, C\$29.88, Sector Performer)
 TD Bank (2g, 3a, 3c, 6c, 7) (TD-TSX, C\$73.38, Sector Performer)

Companies Mentioned in this Report that Are Not Covered by CIBC World Markets

iShares China Index Fund (XCH-TSX, C\$20.00, Not Rated)
 iShares FTSE/Xinhua China Index Fund (6c) (FXI-NYSE, US\$39.73, Not Rated)

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Abbreviation	Rating	Description
Stock Ratings		
SO	Sector Outperformer	Stock is expected to outperform the sector during the next 12-18 months.
SP	Sector Performer	Stock is expected to perform in line with the sector during the next 12-18 months.
SU	Sector Underperformer	Stock is expected to underperform the sector during the next 12-18 months.
NR	Not Rated	CIBC does not maintain an investment recommendation on the stock.
R	Restricted	CIBC World Markets is restricted*** from rating the stock.
Sector Weightings**		
O	Overweight	Sector is expected to outperform the broader market averages.
M	Market Weight	Sector is expected to equal the performance of the broader market averages.
U	Underweight	Sector is expected to underperform the broader market averages.
NA	None	Sector rating is not applicable.

**Broader market averages refer to the S&P 500 in the U.S. and the S&P/TSX Composite in Canada.

"Speculative" indicates that an investment in this security involves a high amount of risk due to volatility and/or liquidity issues.

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"CC" indicates Commencement of Coverage. The analyst named started covering the security on the date specified.

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