



Weekly Market Insight

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NORTH AMERICAN & INTERNATIONAL ECONOMIC HIGHLIGHTS

Greek Tragedy

By Avery Shenfeld

Is the Greek fiscal tragedy a sign of things to come elsewhere? Certainly, economic shockwaves have started in smaller corners of the globe—it was a drop in the Thai bhat that presaged the late 1990's Asian crisis, which seriously dented global commodity prices. And history shows that sovereign defaults are as contagious as the flu; when one country decides that it won't cough up the dough, others nearby follow suit. Such was the case in the wave of Latin American defaults/restructurings in the early 1980s.

Greece can't just walk away and wash its hands of its debt. It's not that its creditors can threaten to find a lot of Greek assets in their home countries to seize, beyond what's already in the British Museum. Rather, it's that for Greece, EU membership has its privileges, one's that it would put at risk if it slapped creditors in the face. On the other side of the table, Europe has at least as much interest in avoiding the shock of severe defaults in its periphery as the US had when the Clinton administration stepped in with Mexican debt guarantees. At worst, we're looking at a negotiated deal that keeps creditors close to whole.

Athens won't be able to meet Europe's implausible target of slashing the deficit down to 3% from GDP (from 13%) in only 3 years. Picket signs are already being printed in response to public sector cuts, and no economy (or governing party) could weather such a fiscal tightening storm without being able to resort to stimulus from currency depreciation or interest rate cuts. Instead, look for Greece to opt for "austerity light," a still-stringent path that will keep the economy in the doldrums.

It's that prospect that is the more material risk to global growth. The need for fiscal belt tightening goes far beyond the eurozone's periphery. In the US and UK, annual deficits, if not debt burdens, are looking quite Hellenic as a share of GDP. Japan also has a massive government debt burden. If all of these countries are on a budgetary diet plan come 2011, it's hard to see the world's economy getting back to the 5% growth rates it enjoyed pre-recession, even if central banks pull only gently on their own tightening reins.

But without the pressure of the kind of bond market revolt that is forcing painful cuts in Greece and others of its kin, the larger industrialized economies will avoid the degree of fiscal stringency that would threaten the double-dip recession that equities are again starting to worry about.

That's particularly true for Canada. Only in the bubble that is Ottawa could I find myself, as I was this past week, sitting in a debate as the lone fiscal dove, as three other eminent policy watchers called for Flaherty to release a detail plan, including tax hikes to take effect down the road, to show how the federal government will address a structural deficit estimated to be a mere 1% of GDP five years out. If there's real fiscal pain to be felt, it will be from the provinces after 2010, where deficits are more troublesome in some cases. But even looking at the total federal/provincial debt load, Canada has the luxury of taking a gentler path to restraint than the US or Europe.

Market Snapshot

US	Current*	yesterday*	a week ago*	a month ago*	a year ago
TED SPREAD (bps)	17	17	19	20	108
10Y / 2Y SPREAD (bps)	284	281	278	282	192
2Y SWAP SPREAD (bps)	31	28	27	28	77
3M T-Bill (%)	0.08	0.08	0.06	0.05	0.21
LIBOR 1 MONTH (%)	0.23	0.23	0.23	0.23	0.55
LIBOR 3 MONTH (%)	0.25	0.25	0.25	0.25	1.29
2-YR BOND (%)	0.77	0.84	0.89	1.01	0.95
5-YR BOND (%)	2.27	2.35	2.42	2.59	1.88
10-YR BOND (%)	3.61	3.66	3.67	3.82	2.87
A Rated / 10Y TREASURY (bps)	156	162	153	159	362
B Rated / 10Y TREASURY (bps)	478	484	475	506	1271
BB Rated / 10Y TREASURY (bps)	389	394	386	402	946
CANADA					
PRIME / BA SPREAD (bps)	185	185	185	185	183
CDOR 3 MONTH (%)	0.43	0.43	0.44	0.47	1.20
CDOR 3 MONTH / 3M T-BILL SPREAD (bps)	27	26	28	28	75
10Y / 2Y SPREAD (bps)	210	209	215	225	198
2-YR BOND (%)	1.29	1.30	1.22	1.40	0.96
5-YR BOND (%)	2.45	2.48	2.49	2.77	1.87
10-YR BOND (%)	3.38	3.39	3.37	3.65	2.94
A Rated / 10Y TREASURY (bps)	98	105	97	103	327
BBB Rated / 10Y TREASURY (bps)	161	168	164	174	423
CAN Sovereign Agency / 10Y TREASURY (bps)	33	40	32	35	51
Provincial / 10Y TREASURY (bps)					
ALTA	57	64	57	55	140
BC	77	83	77	73	157
MAN	74	80	74	75	166
NB	70	77	73	72	164
PEI	104	109	103	101	171
NFLD	104	111	105	105	196
ONT	88	95	89	89	181
QUE	95	102	96	95	187
SASK	93	100	92	89	170
NS	84	90	86	83	165
COMMODITIES					
WTI CRUDE FUTURE (US\$ / bbl.)	73.0	75.9	74.4	82.9	45.5
NATURAL GAS (US\$ / MMBtu)	5.5	5.4	5.3	5.9	3.9
SILVER (US\$ / t oz.)	15.1	16.2	16.2	18.1	13.3
GOLD (US\$ / t oz.)	1057.3	1102.2	1080.3	1134.2	942.7
WHEAT (US¢ / bu.)	472.5	472.8	485.0	562.0	516.3
SOYBEANS (US¢ / bu.)	917.0	913.5	930.3	1032.0	879.0
SUGAR (US¢ / lb.)	27.9	28.4	29.7	28.7	12.8
CORN (US¢ / bu.)	351.5	355.8	360.3	417.8	352.8
FX					
C\$ / US\$	1.069	1.066	1.065	1.033	1.287
US\$ / EURO	1.369	1.382	1.392	1.434	1.265
C\$ / EURO	1.463	1.473	1.482	1.482	1.629
YEN / US\$	89.520	90.660	90.810	93.156	98.250
US\$ / BRITISH POUND	1.564	1.583	1.605	1.593	1.409
SWISS FRANCS / US\$	1.073	1.062	1.054	1.033	1.158

* As of 11:00 a.m.

Note: Data is for reference only.

International Stock Indexes

Thursday, February 04, 2010

Index (Regiona/Country)	DAILY					% Chg - +	YTD % chg	52 WEEK			3-yr % chg
	High	Low	Close	Chg	% Chg			High	Low	% Chg	
Global											
The Global Dow (World)	1916.73	1858.65	1859.78	-56.65	-2.96	-	-6.3	2047.33	1139.9	31.8	-5.4
The Global Dow (Euro) (World)	1298.81	1270.81	1270.81	-26.14	-2.02	-	-2.4	1337.88	849.42	22.8	-7.3
DJ Global Index (World)	221.23	214.87	215.07	-6.16	-2.78	-	-5.2	234.99	130.29	34.5	-8.8
DJ Global ex U.S. (World)	194.67	189.47	189.77	-4.9	-2.52	-	-5.6	209.06	111.8	40.4	-8.5
MSCI EAFE* (World)	n.a.	n.a.	1488.6	-39.2	-2.57	-	-5.8	1642.2	911.39	32.6	-11.1
Asia Pacific											
DJ Asia-Pacific (Asia-Pacific)	121.21	119.74	120.27	-0.86	-0.71	-	-2.3	129.57	73.76	39.8	-6.9
All Ordinaries (Australia)	4666.4	4623.9	4644.1	-29.12	-0.62	-	-4.9	4981.2	3111.7	37.7	-7.2
S & P/ASX 200 (Australia)	4640	4598.3	4621.6	-26.29	-0.57	-	-5.1	4950.7	3145.5	34.8	-7.5
DJ CBN China 600 (China)	26816.78	26335.88	26621.66	-25.19	-0.09	-	-8.4	29890.92	17495.25	51.3	14.4
Dow Jones China 88 (China)	269.77	266.03	267.96	-1.5	-0.56	-	-11.1	327.69	187.07	39.4	9
Shanghai Composite (China)	3015.13	2968.68	2995.31	-8.53	-0.28	-	-8.6	3471.44	2071.43	42.8	3.9
Hang Seng (Hong Kong)	20554.2	20316.33	20341.64	-380.44	-1.84	-	-7	22943.98	11344.58	54.4	-0.4
Bombay Sensex (India)	16508.22	16188.8	16224.95	-271.1	-1.64	-	-7.1	17701.13	8160.4	78.5	4.1
Jakarta Composite (Indonesia)	2610.37	2589.06	2593.22	-11.33	-0.43	-	2.3	2667.27	1256.11	95.3	13.4
Nikkei 300 (Japan)	187.13	183.91	185.48	-1.08	-0.58	-	0.2	197.22	140.76	16.5	-18.9
Nikkei Stock Avg (Japan)	10438.41	10279.57	10355.98	-48.35	-0.46	-	-1.8	10982.1	7054.98	30.3	-16.1
Topix Index (Japan)	918.55	903.34	911.09	-4.59	-0.5	-	0.4	975.59	700.93	15.9	-19.4
Kuala Lumpur Composite (Malaysia)	1267.28	1263.88	1265.03	-2.12	-0.17	-	-0.6	1308.36	838.39	43.8	1.5
NZSX-50 (New Zealand)	3148.94	3133.59	3148.94	13.83	0.44	-	-2.5	3310.23	2417.95	13.5	-8.8
KSE 100 (Pakistan)	9804.03	9632.95	9769.73	142.1	1.48	-	4.1	9954.41	5399.36	76.5	-5.5
Manila Composite (Philippines)	2920.79	2889.67	2914.87	30.06	1.04	-	-4.5	3121.91	1759.33	54.1	-3.8
Straits Times (Singapore)	2765.77	2741.71	2744.98	-19.86	-0.72	-	-5.3	2933.53	1456.95	61	-4.5
Kospi (South Korea)	1619.37	1607.87	1616.42	1.4	0.09	-	-3.9	1722.01	1018.81	37.2	4.6
Colombo Stock Exchange (Sri Lanka)	3731.12	3689.94	3697.8	...	Closed	-	9.2	3709.13	1612.33	110.6	7.9
Weighted (Taiwan)	7578.18	7504.96	7542.04	-5.94	-0.08	-	-7.9	8356.89	4363.25	72.9	-1
SET (Thailand)	708.51	702.01	702.52	-5.13	-0.72	-	-4.4	751.86	411.27	62.1	1.6
Europe											
DJ Stoxx 600 (Europe)	250.16	242.3	242.7	-6.7	-2.69	-	-4.1	260.26	157.97	24.8	-13.8
DJ Stoxx 50 (Europe)	2502.8	2420.67	2425.14	-70.68	-2.83	-	-6	2634.1	1614.75	20.5	-14.1
DJ Euro Stoxx 50 (Euro zone)	2812.98	2704.95	2707.45	-97.16	-3.46	-	-8.7	3017.85	1809.98	18.1	-13.8
DJ Euro Stoxx (Euro zone)	265.4	255.68	255.97	-8.59	-3.25	-	-6.8	281.41	169.38	21.3	-14.5
ATX (Austria)	2552.18	2460.43	2474.85	-63.31	-2.49	-	-0.8	2752.39	1411.95	46.3	-18.4
Bel-20 (Belgium)	2537.61	2451.45	2454.9	-74.76	-2.96	-	-2.3	2606.93	1527.27	28.7	-18.3
PX 50 (Czech Republic)	1175.6	1135.2	1135.2	-39	-3.32	-	1.6	1220.3	628.5	55.7	-12.4
OMX Copenhagen (Denmark)	341.43	332.48	334.24	-4.23	-1.25	-	5.9	338.47	193.26	40	-9.5
OMX Helsinki (Finland)	6834.9	6640.8	6652.41	-135.95	-2	-	3	6801.35	4110.31	27.6	-13.1
CAC 40 (France)	3806.21	3685.57	3689.25	-104.22	-2.75	-	-6.3	4045.14	2519.29	20.3	-13.4
DAX (Germany)	5696.94	5522.57	5533.24	-138.85	-2.45	-	-7.1	6048.3	3666.41	22.7	-7
BUX (Hungary)	21732.99	20815.27	20815.27	-996.36	-4.57	-	-1.9	22981.48	9461.29	78	-4.9
FTSE MIB (Italy)	22265.57	21383.03	21404.82	-764.43	-3.45	-	-7.9	24425.98	12621	18.8	-20.5
AEX (Netherlands)	333.14	322.22	323.23	-9.8	-2.94	-	-3.6	343.03	199.25	28	-13.9
All-Shares (Norway)	416.74	403.71	403.73	-10.93	-2.64	-	-3.9	434.23	239.48	49.4	-8.7
WIG (Poland)	40034.07	38779.33	38779.33	-1339.4	-3.34	-	-3	41617.21	21274.28	66.3	-11.2
PSI 20 (Portugal)	7820.17	7380.58	7442.99	-389.87	-4.98	-	-12.1	8882.69	5743.09	17.2	-13.8
DJ Russia Titans 10 (Russia)	5648.22	5446.94	5452.52	-182.04	-3.23	-	-2.2	5929.42	2631.38	107.2	-6.3
RTS Index (Russia)	1511.57	1459.38	1463.01	-44.14	-2.93	-	2.5	1581.09	513.12	185.1	-8.3
IBEX 35 (Spain)	10920.1	10220.7	10241.7	-646.7	-5.94	-	-14.2	12222.5	6817.4	21.3	-11.2
SX All Share (Sweden)	308.75	300.92	301.07	-6.05	-1.97	-	0.5	309.79	186.58	51.8	-8.1
Swiss Market (Switzerland)	6569.48	6389.68	6396.51	-157.29	-2.4	-	-2.3	6633.86	4307.67	25.3	-11.6
Istanbul National 100 (Turkey)	55018.64	53217.12	53463.88	-1604.82	-2.91	-	1.2	55526.01	23035.95	107.4	7.4
FTSE 100 (U.K.)	5262.2	5123.9	5139.31	-113.84	-2.17	-	-5.1	5538.1	3512.1	21.5	-6.6
FTSE 250 (U.K.)	9428.19	9217.77	9223.84	-193.97	-2.06	-	-0.9	9726.44	5769.79	44.3	-6.7
Americas											
DJ Americas (Americas)	290.56	280.85	280.91	-9.6	-3.3	-	-5.3	305.67	172.41	31	-8
Merval (Argentina)	2320.3	2235.08	2236.96	-88.83	-3.82	-	-3.6	2401.75	930.12	101.4	2.4
Sao Paulo Bovespa (Brazil)	67100.48	63749.52	63934.01	-3174.54	-4.73	-	-6.8	70729.34	36234.69	55.5	12.4
S & P/TSX Comp (Canada)	11390.46	11120.09	11128.76	-261.7	-2.3	-	-5.3	11953.83	7566.94	25.6	-5.3
Santiago IPSA (Chile)	3851.68	3772.04	3774.2	-77.41	-2.01	-	5.4	3853.58	2360	43.7	8.5
IPC All-Share (Mexico)	31285.53	30530.41	30603.71	-683.33	-2.18	-	-4.7	33064.57	16929.8	55.1	3.1
Caracas General (Venezuela)	59413.05	58454.84	58826.63	-574.84	-0.97	-	6.8	60299.4	34900.62	67.6	9.7
Other Countries											
CASE 30 (Egypt)	7055.09	6979.2	6979.2	-58.77	-0.84	-	12.4	7249.55	3389.31	105.9	1
Tel Aviv (Israel)	1139.09	1133.8	1135.17	-4.32	-0.38	-	-0.9	1179.12	637.5	66.3	5.4
Johannesburg All Share (South Africa)	26926.46	26318.36	26318.36	-608.1	-2.26	-	-4.9	28346.78	18120.69	28.8	0.8

*Europe, Australia, Far East: U.S.-dollar terms.

Three year percent change is annualized.

Sources: Reuters; WSJ.com

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