

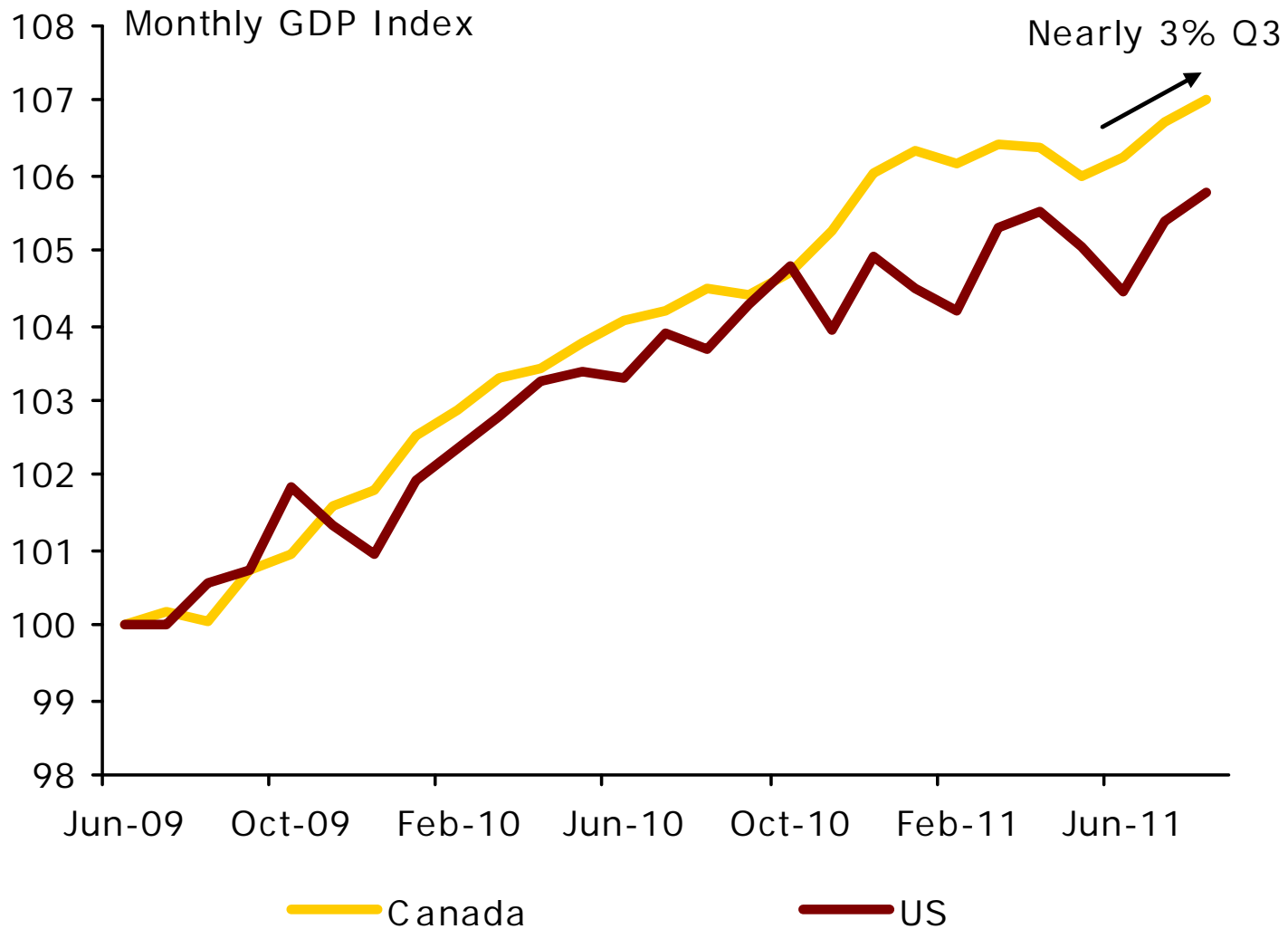
How Scary Is It?

By Avery Shenfeld, Chief Economist & Managing Director

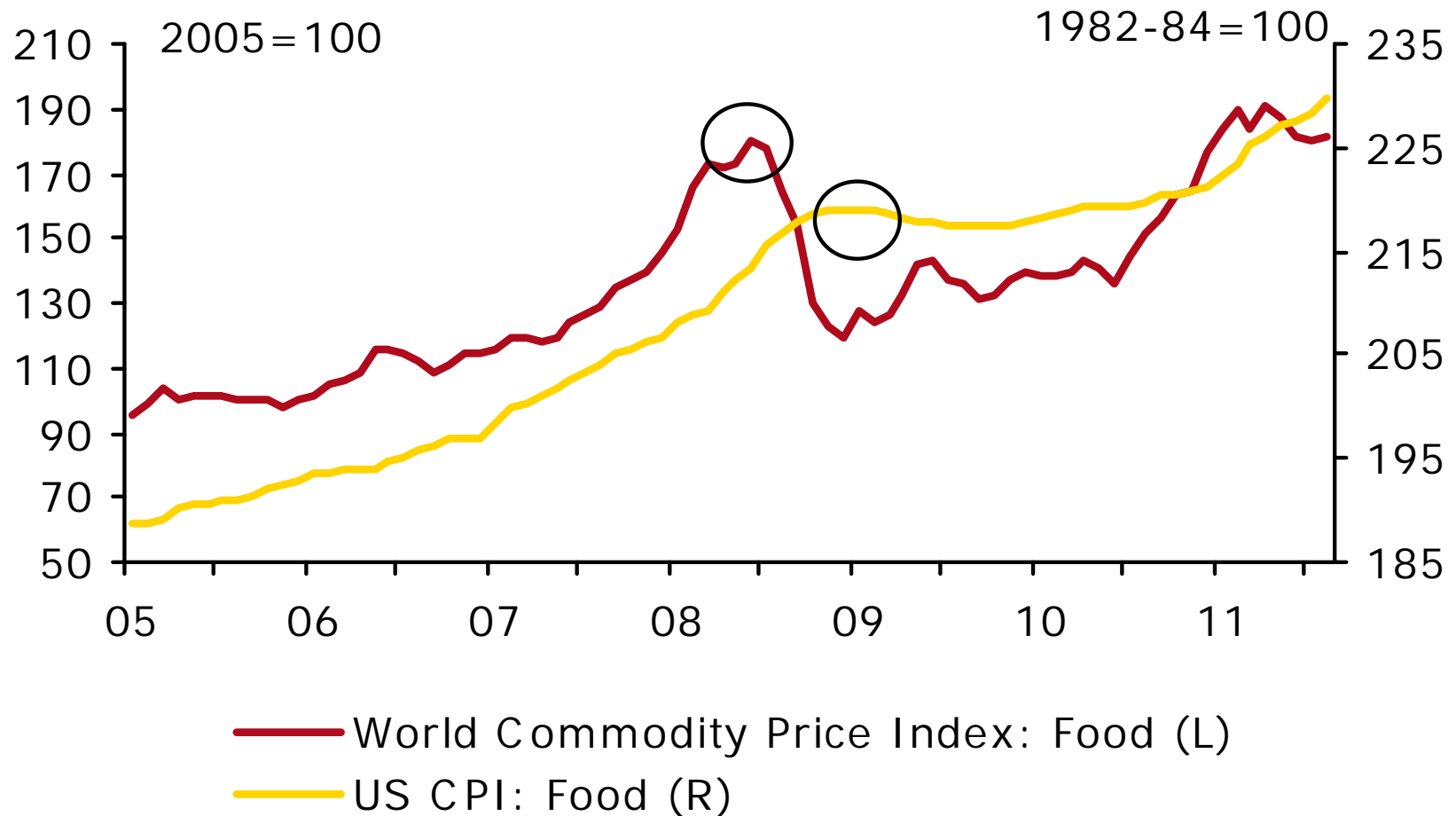
November 2011



Canadian Growth Resumes After Disruptions in Autos and Energy

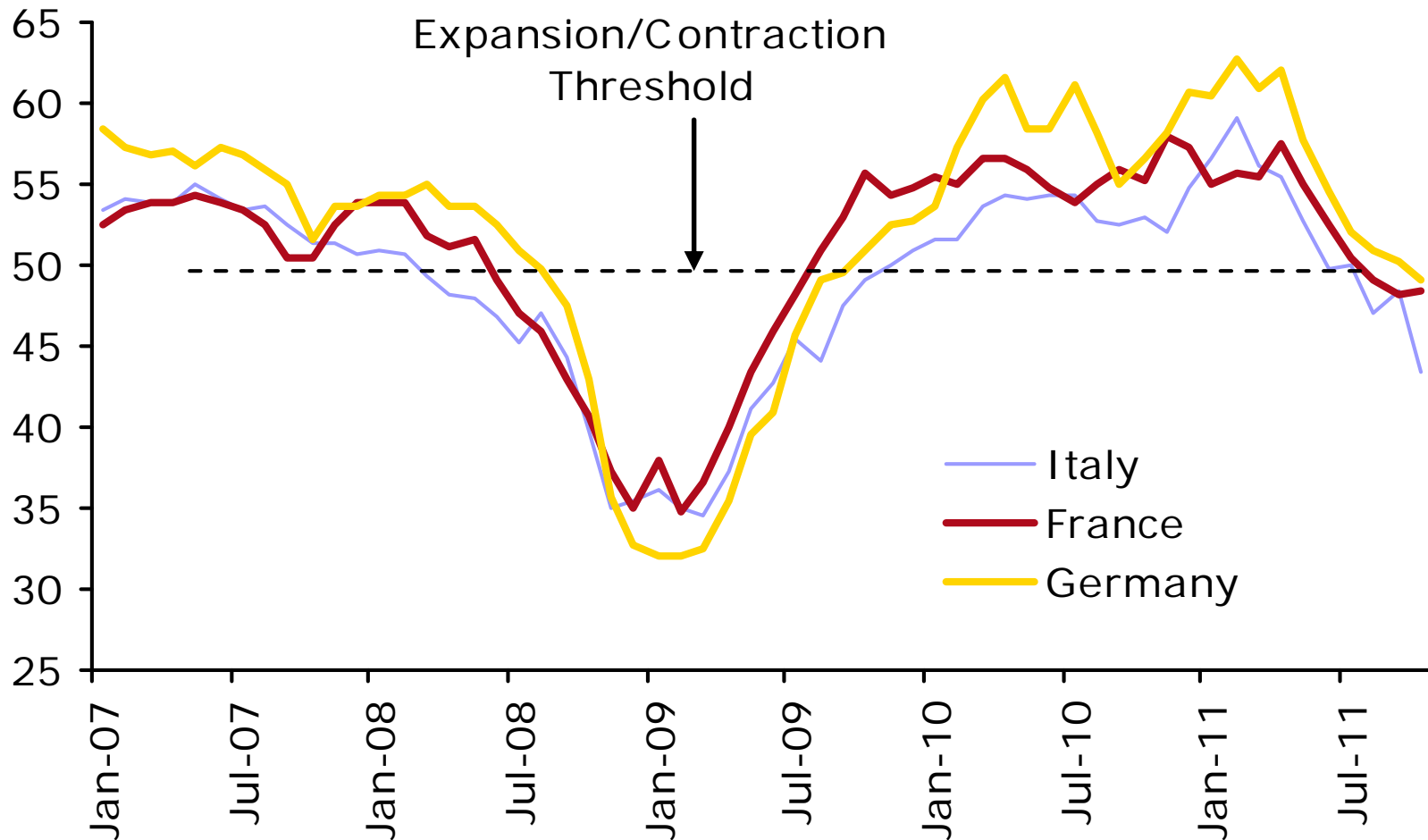


Food Inflation Could Also Ease in Lagged Response to Commodity Trend

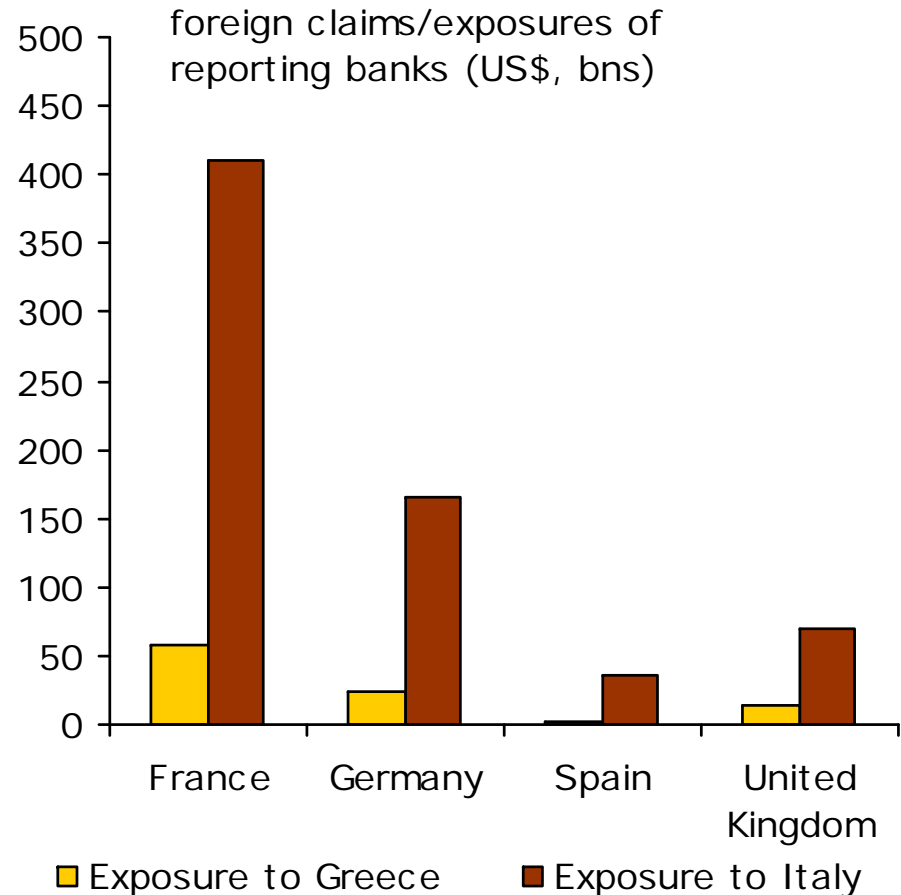
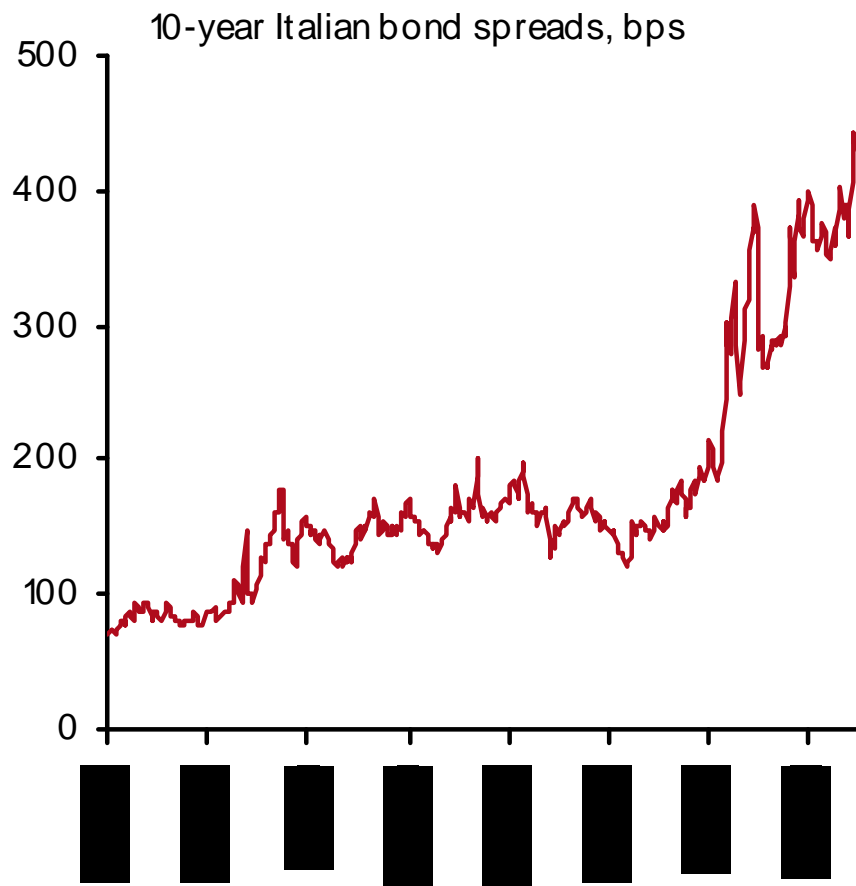


Source: Bureau of Labour Statistics, Statistics Canada, CIBC

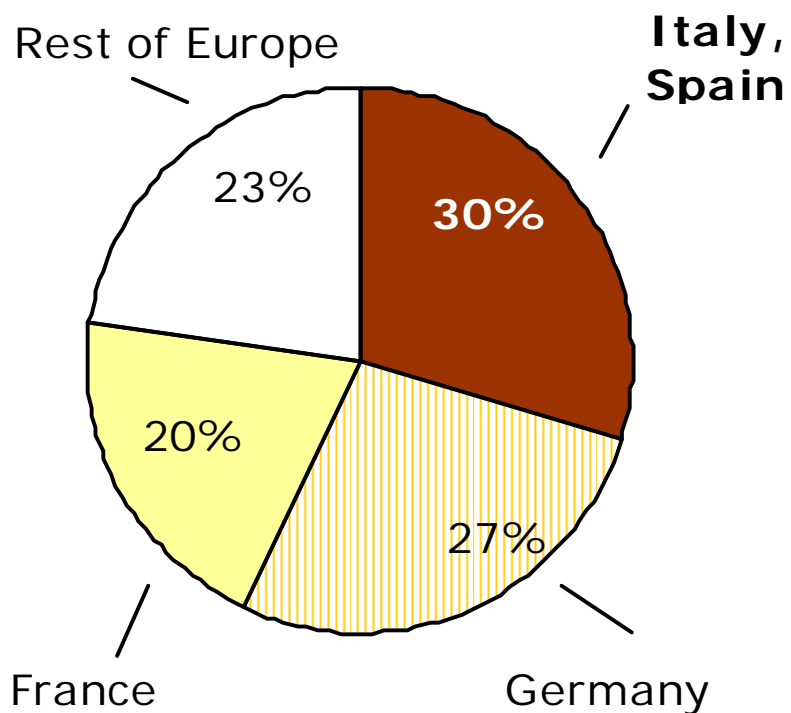
Europe's Economies Look Recession Bound



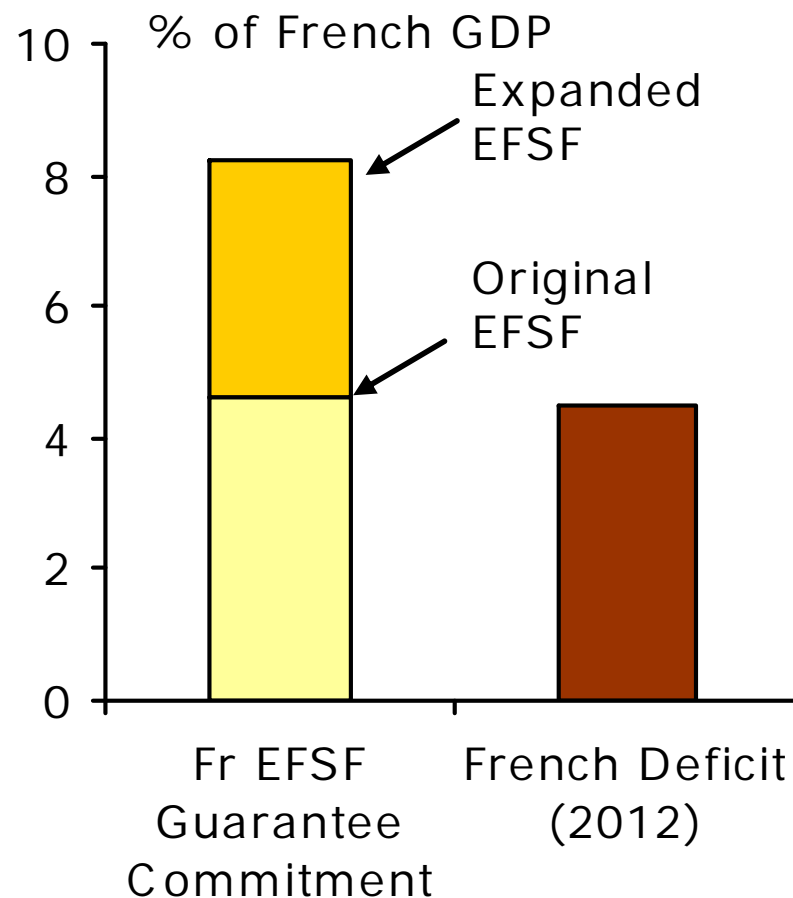
Bond Indigestion: From Moussaka to Lasagna



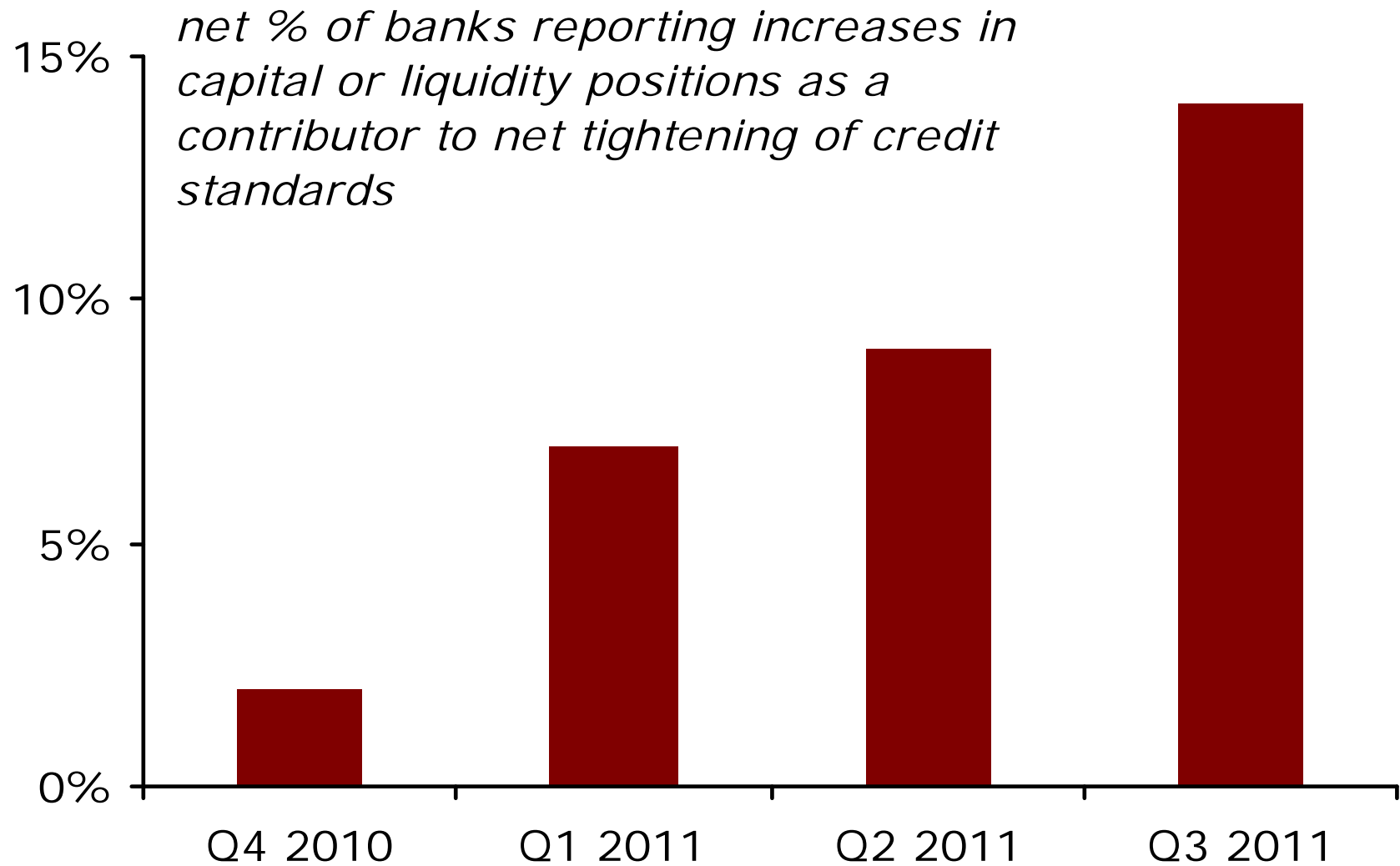
EFSF: Who Will Guarantee the Guarantors? (L) French Ratings Risk in Further Expansion (R)



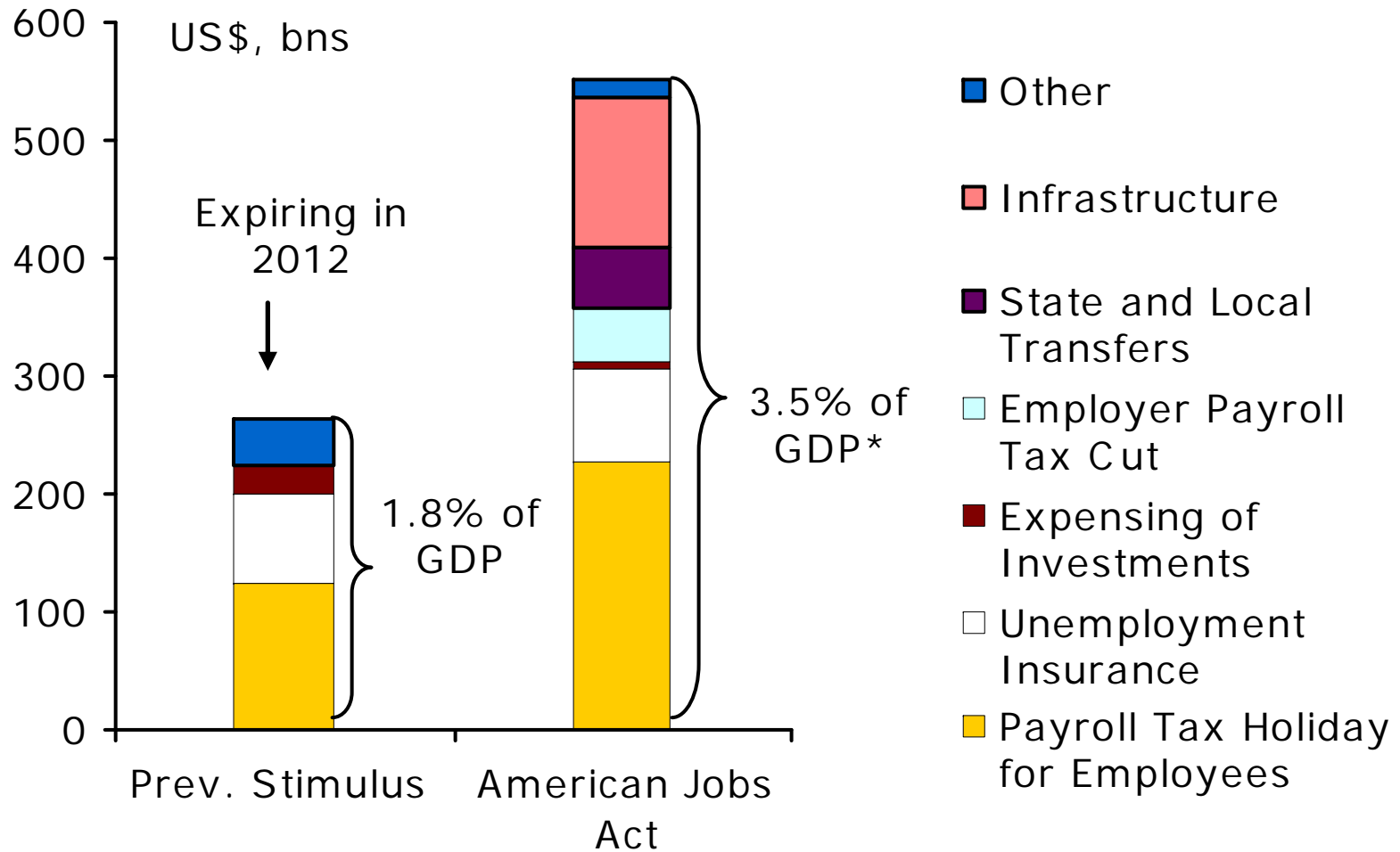
Share of EFSF € 780bn guarantee commitments



Eurozone Banks Cutting Back on Lending Due to Capital Shortages



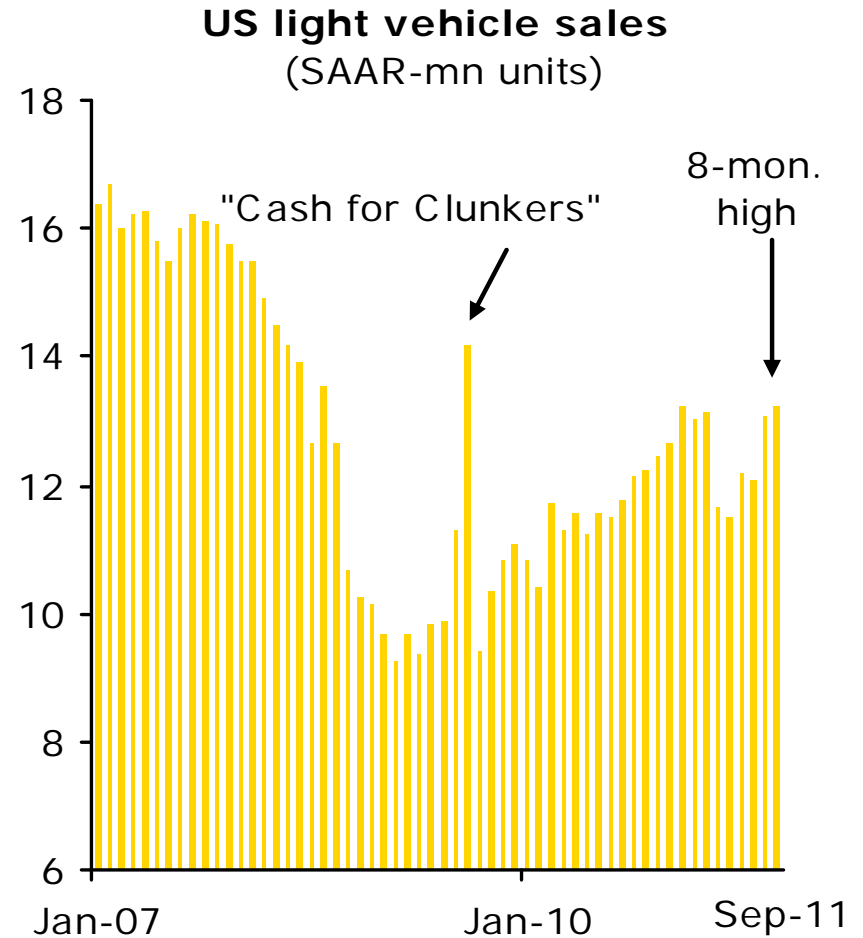
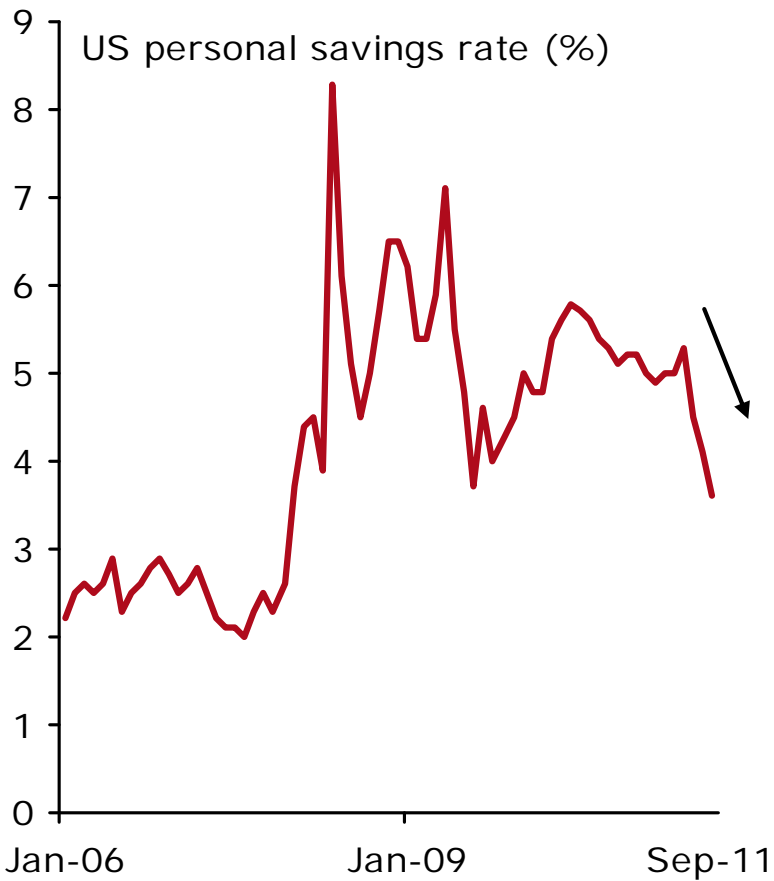
Obama Seeks to Delay Fiscal Tightening



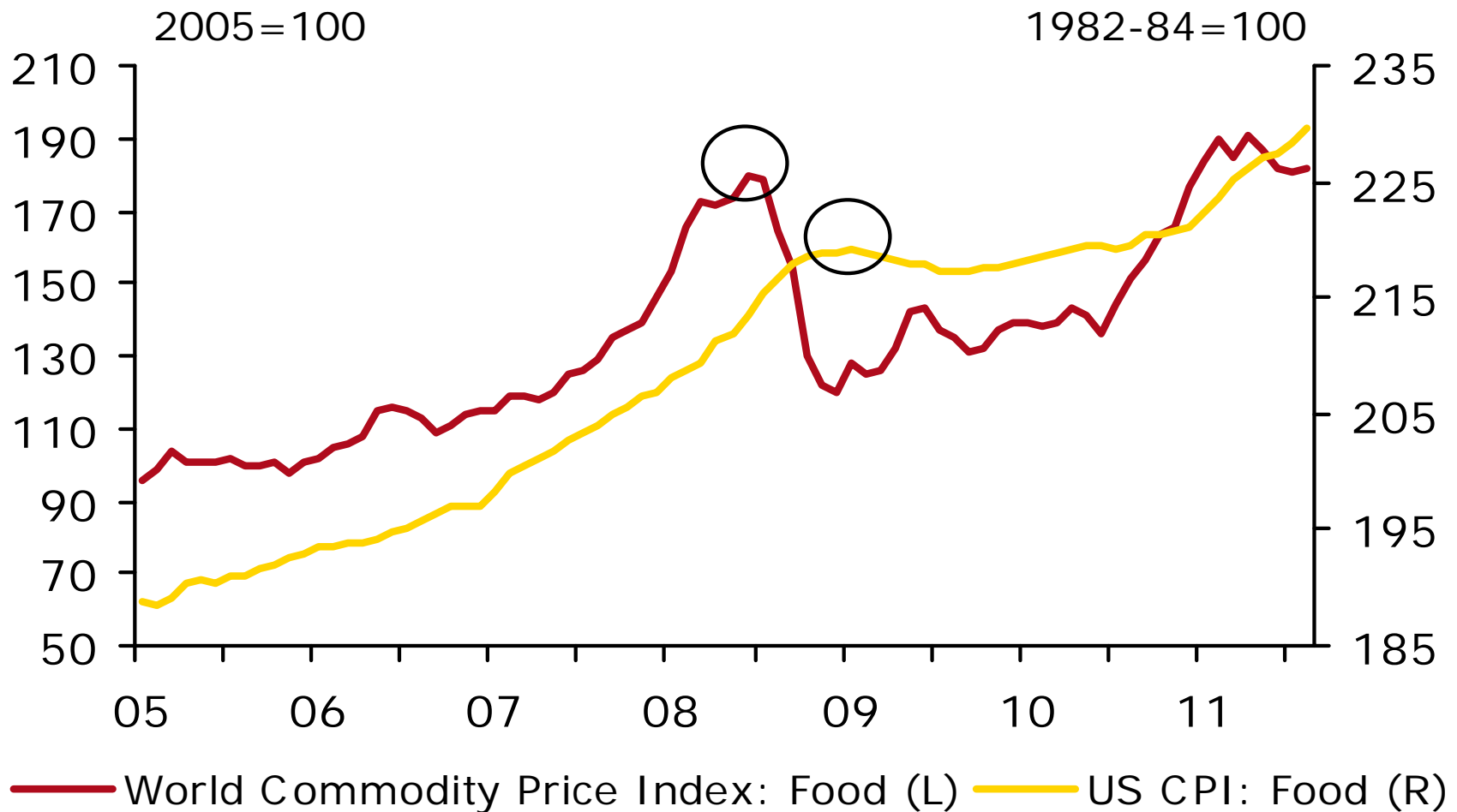
*Of which 3% is for 2012



US Consumers: Where's the Deleveraging?

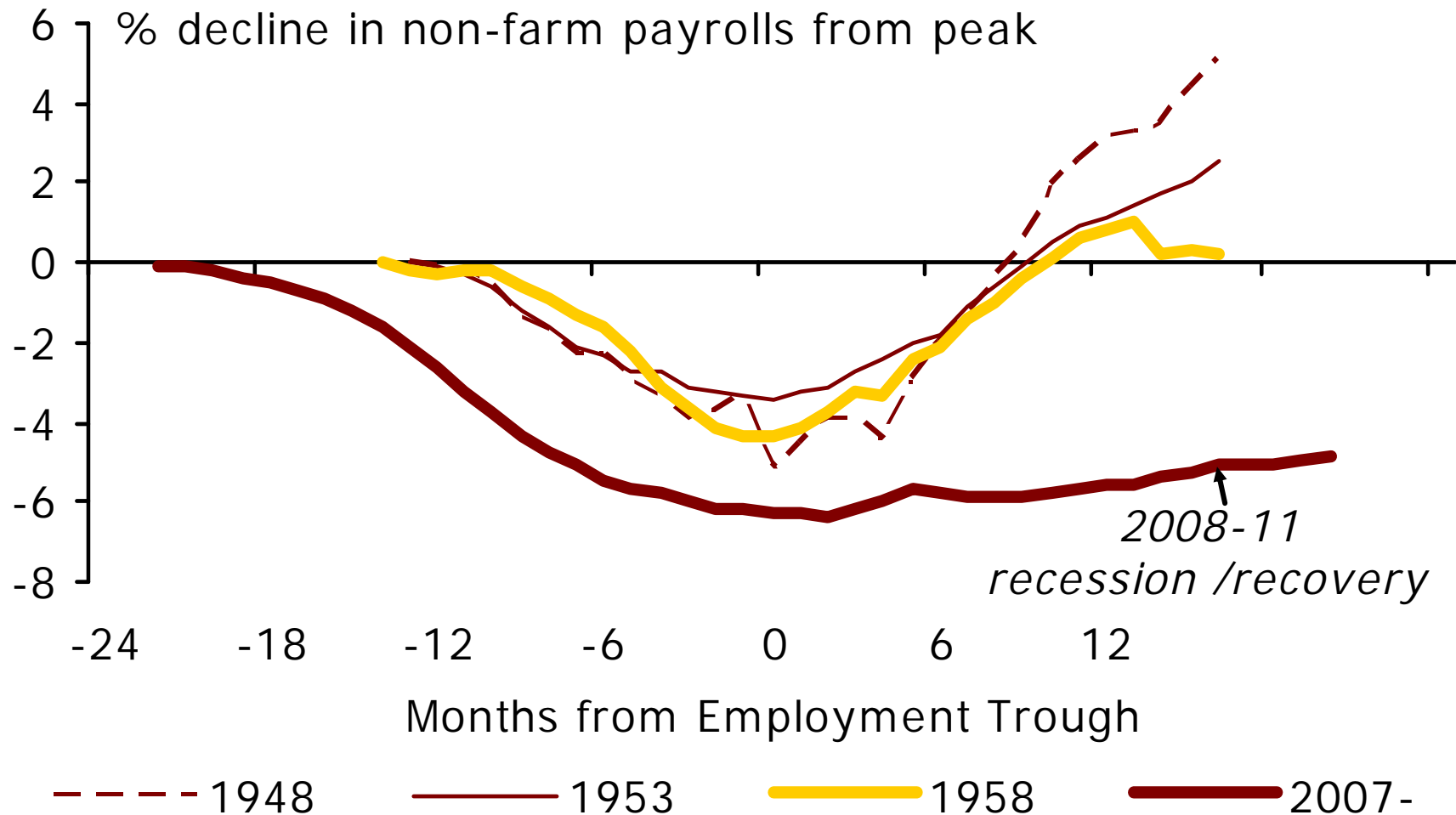


Gasoline and Food Inflation Should Ease in Response to Commodity Trend

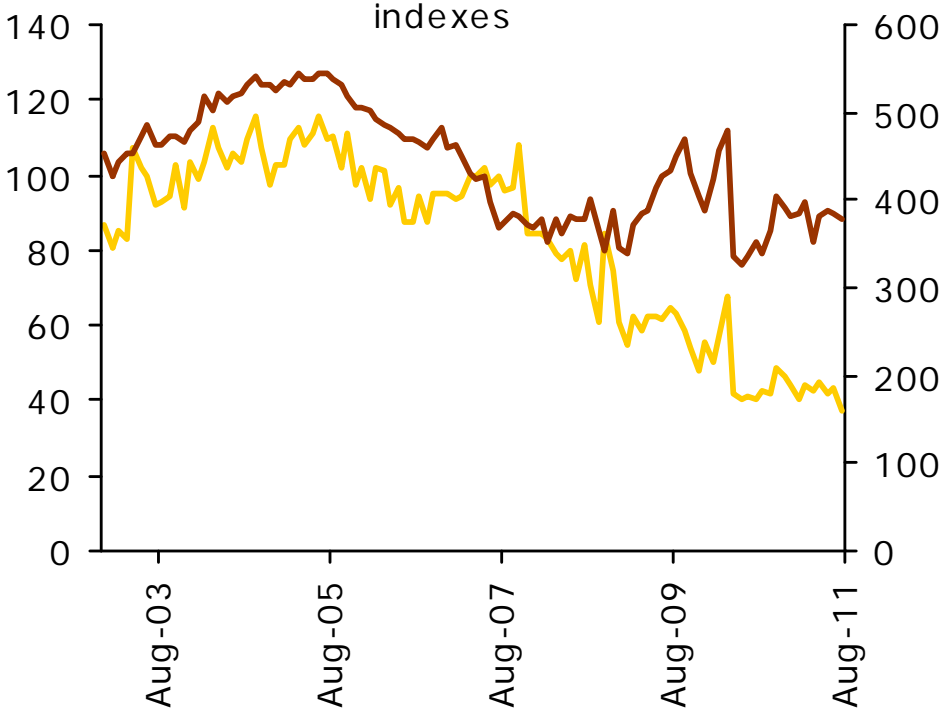
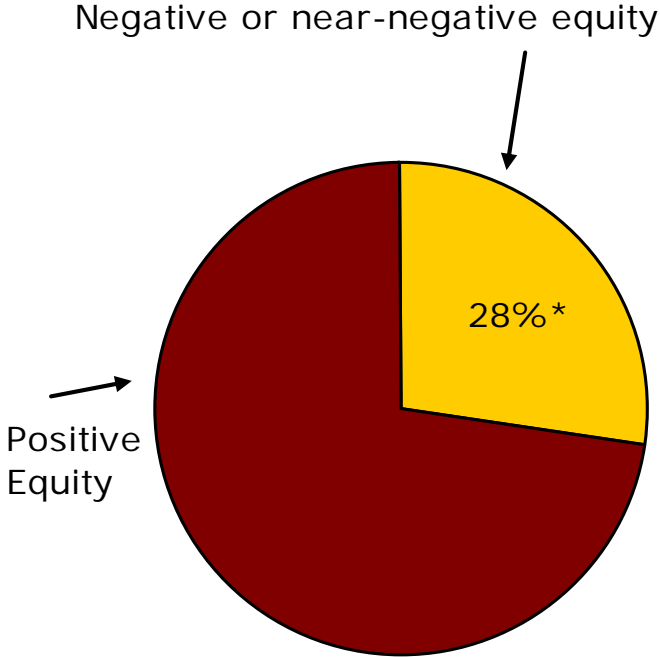


Source: Bureau of Labour Statistics, Statistics Canada, CIBC

Slack Keeps Fed On Hold Through 2013; Fed Extending Term to Anchor Long Rates



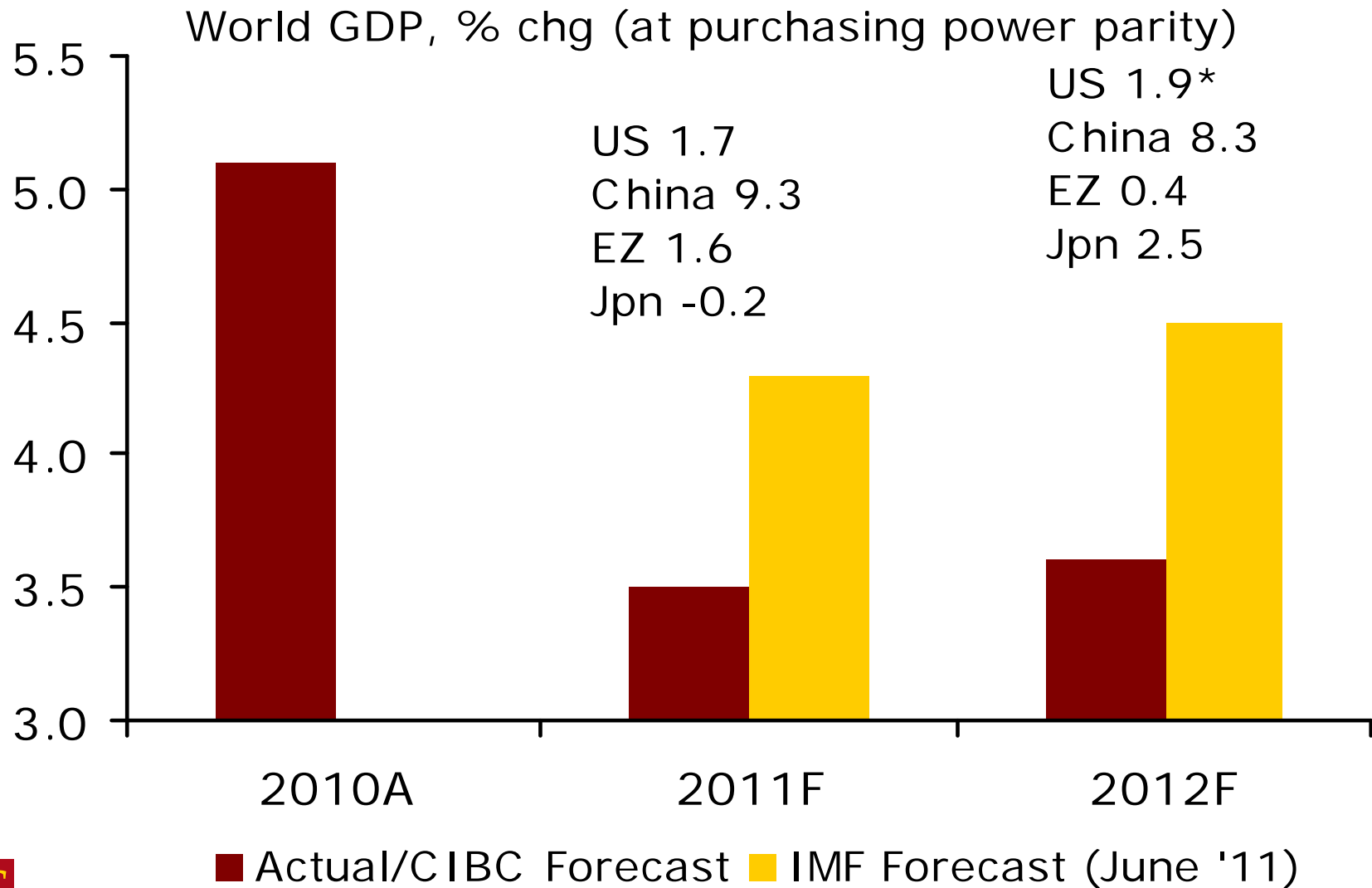
A Twist Not Worth Shouting About



— Mortgage Applications for Home Purchase (R)
— US Pending Home Sales (L)



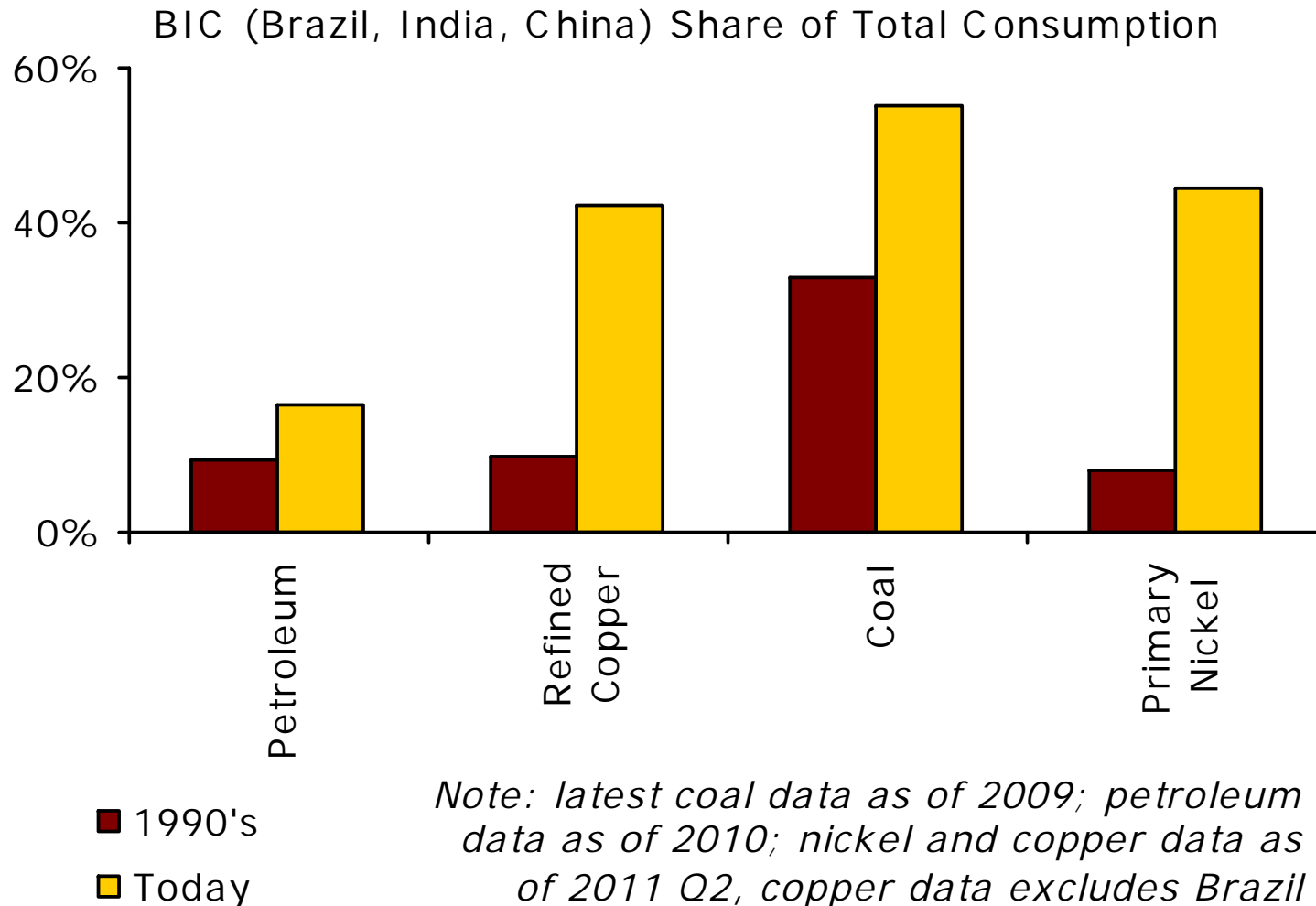
Global Growth Disappointments A Challenge to Pace of Equities Rally



Source: IMF, CIBC

*Assumes US extends payroll tax cut and extended jobless benefits

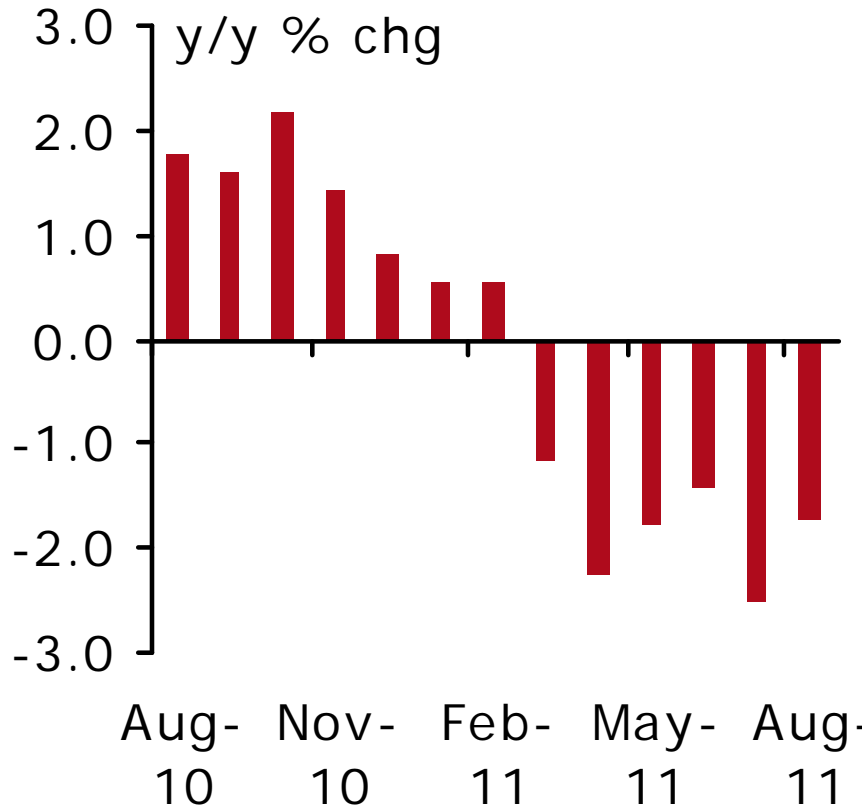
Emerging Markets Now the Drivers For Commodities Rallies



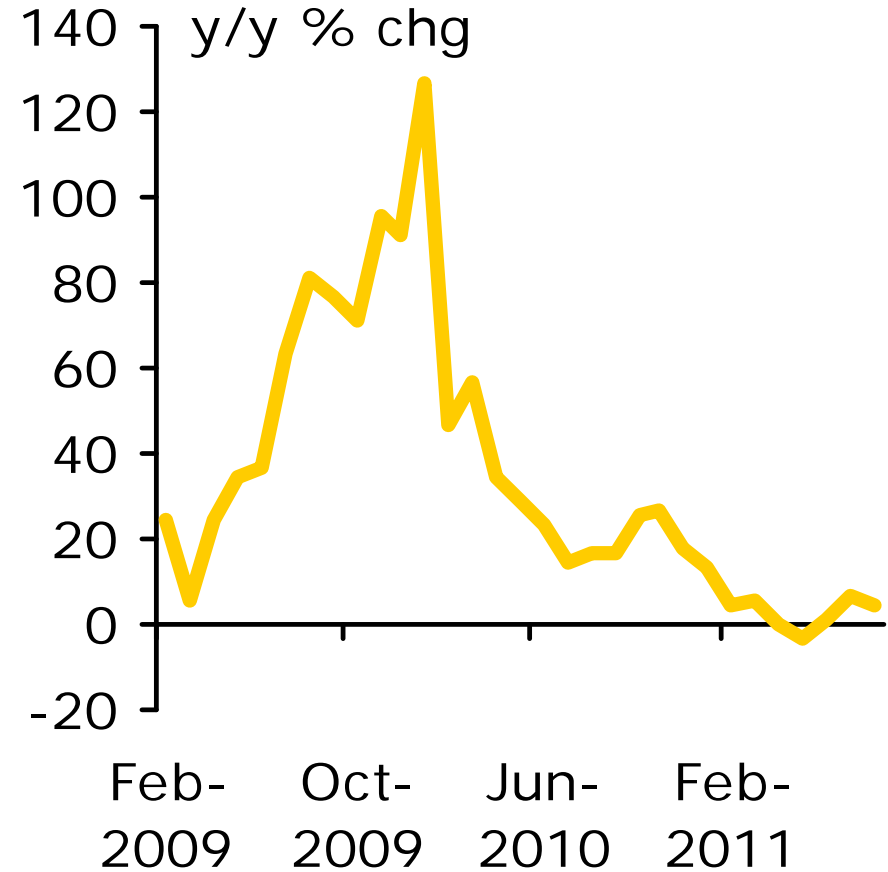
Source: EIA, CRU, WBMS

Higher Prices Restrained Oil Demand

US Vehicles Miles Driven

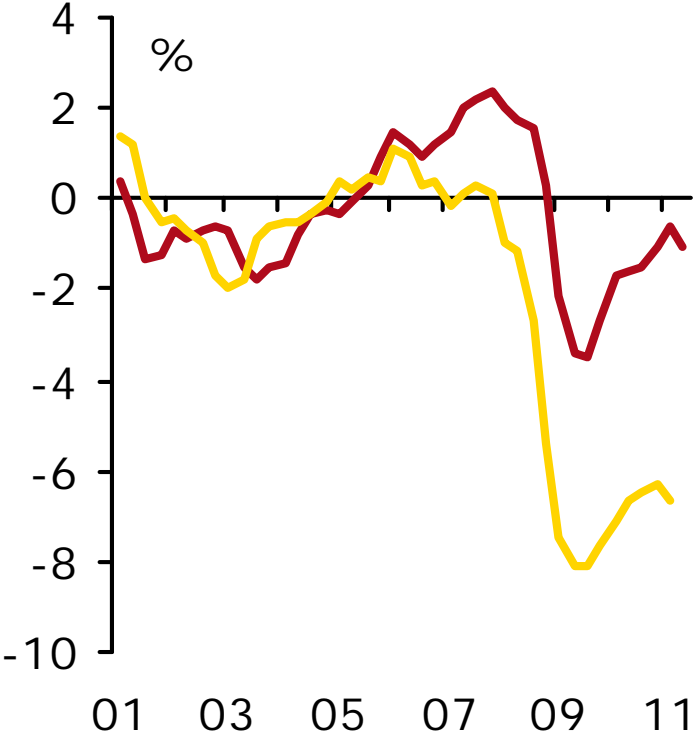


China's Auto Sales



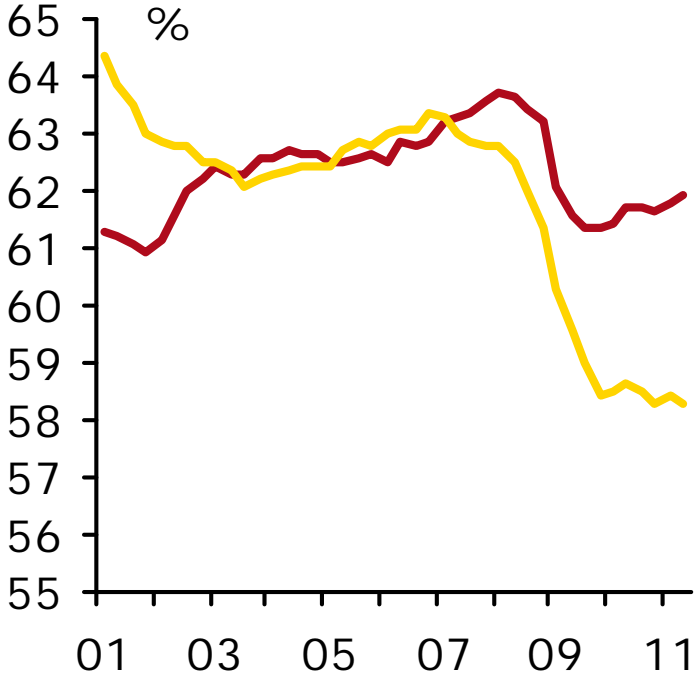
The Continental Divide

Output Gap



— Canada — US

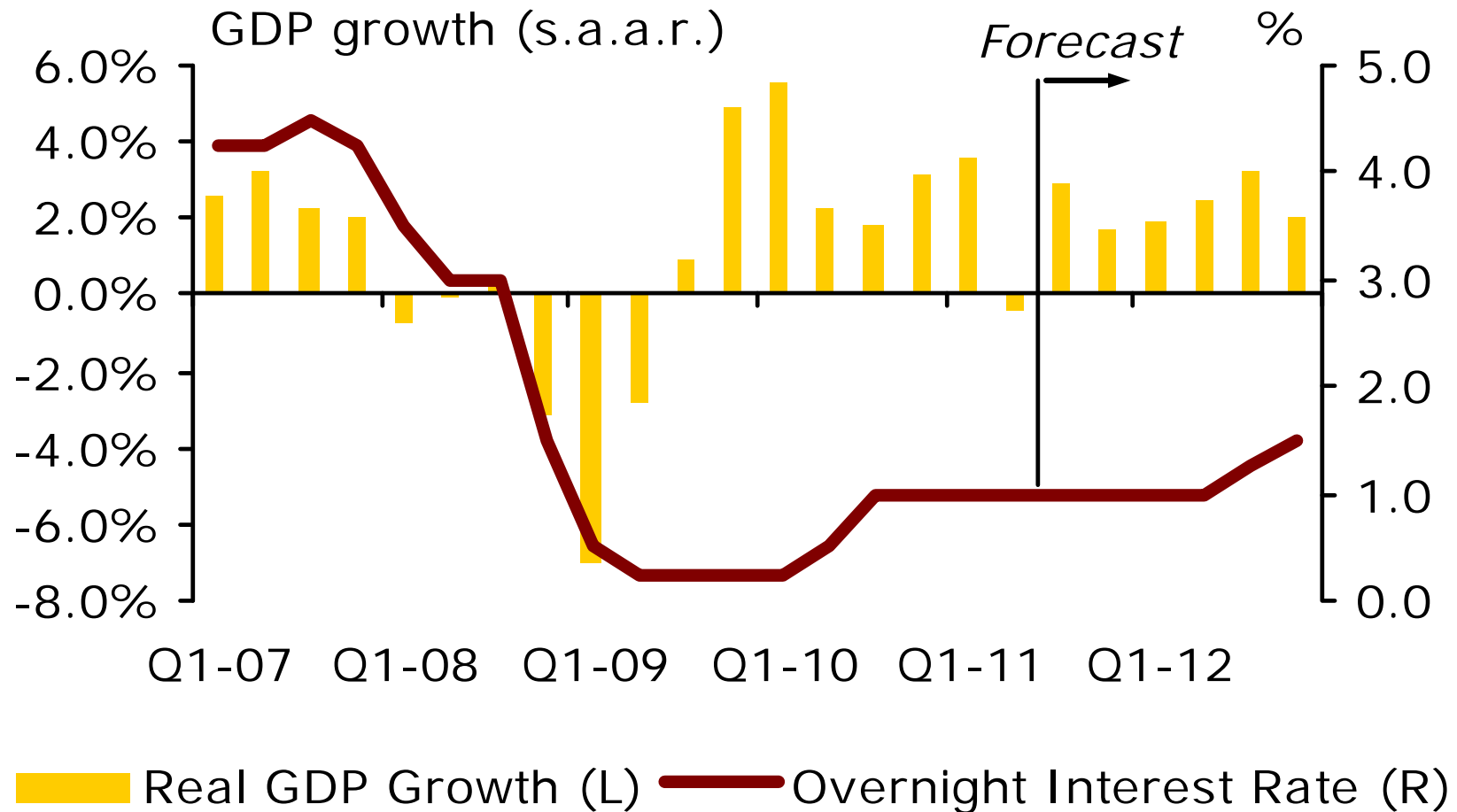
Employment/Population Ratio



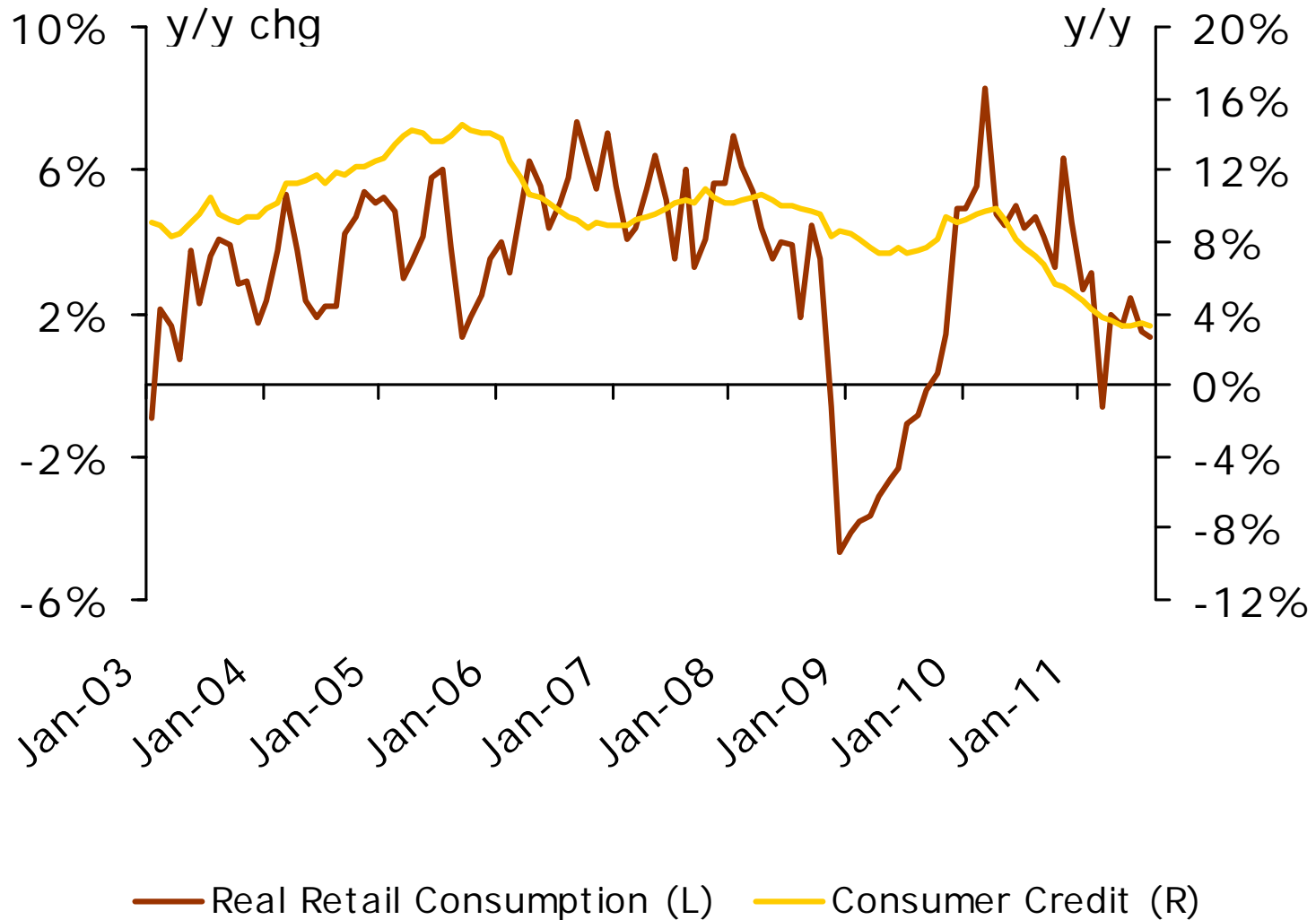
— Canada — US



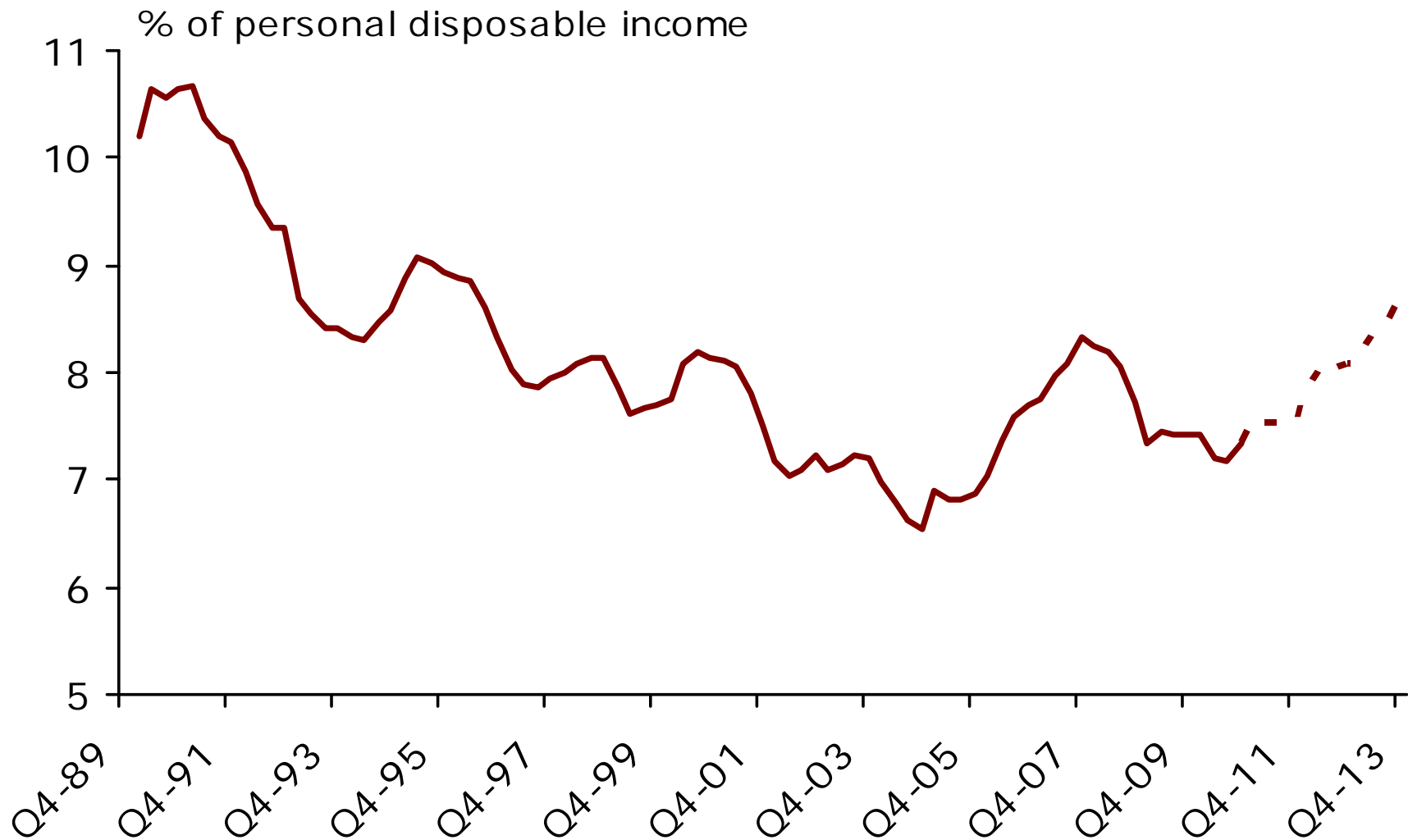
Canada Sees 2.1% Growth in 2012 But it Will Take Low Rates to Get There



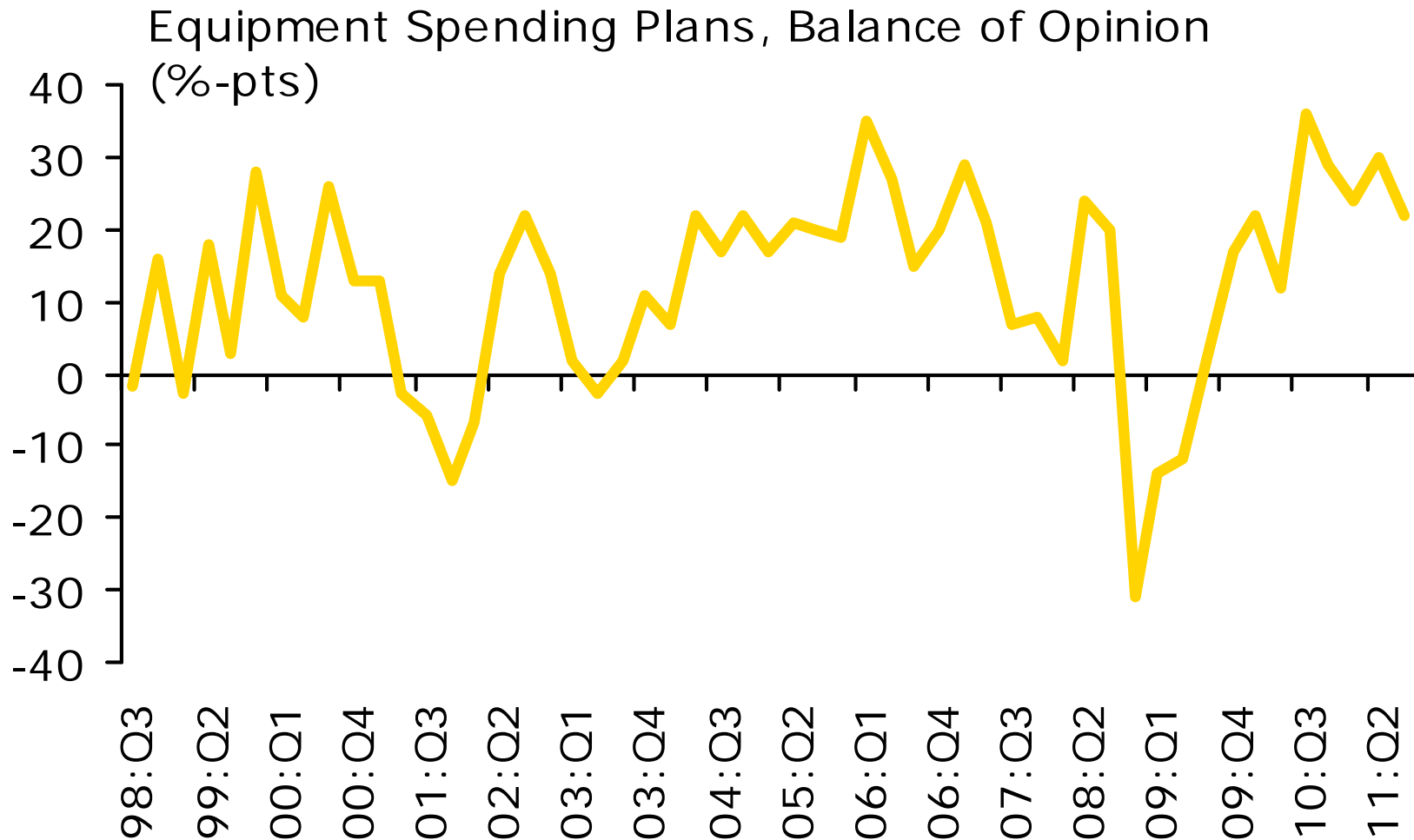
Consumers Reduced Debt Appetite Slows Retail Sales: Low Rates Needed for Longer



Debt Service Costs Unthreatening If Overnight Rates Contained to 2% in 2013

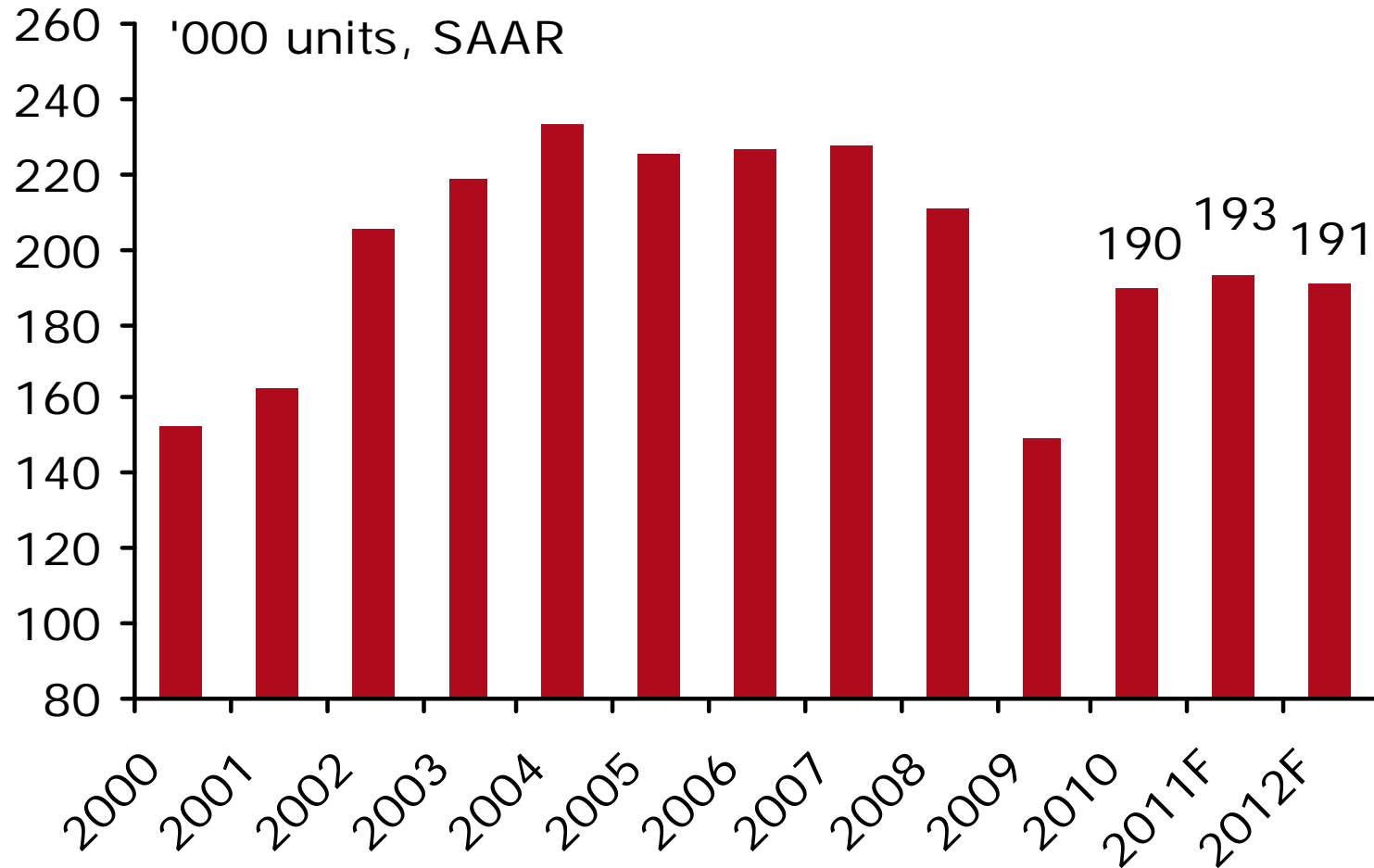


Outlook for Investment Spending Still Favourable

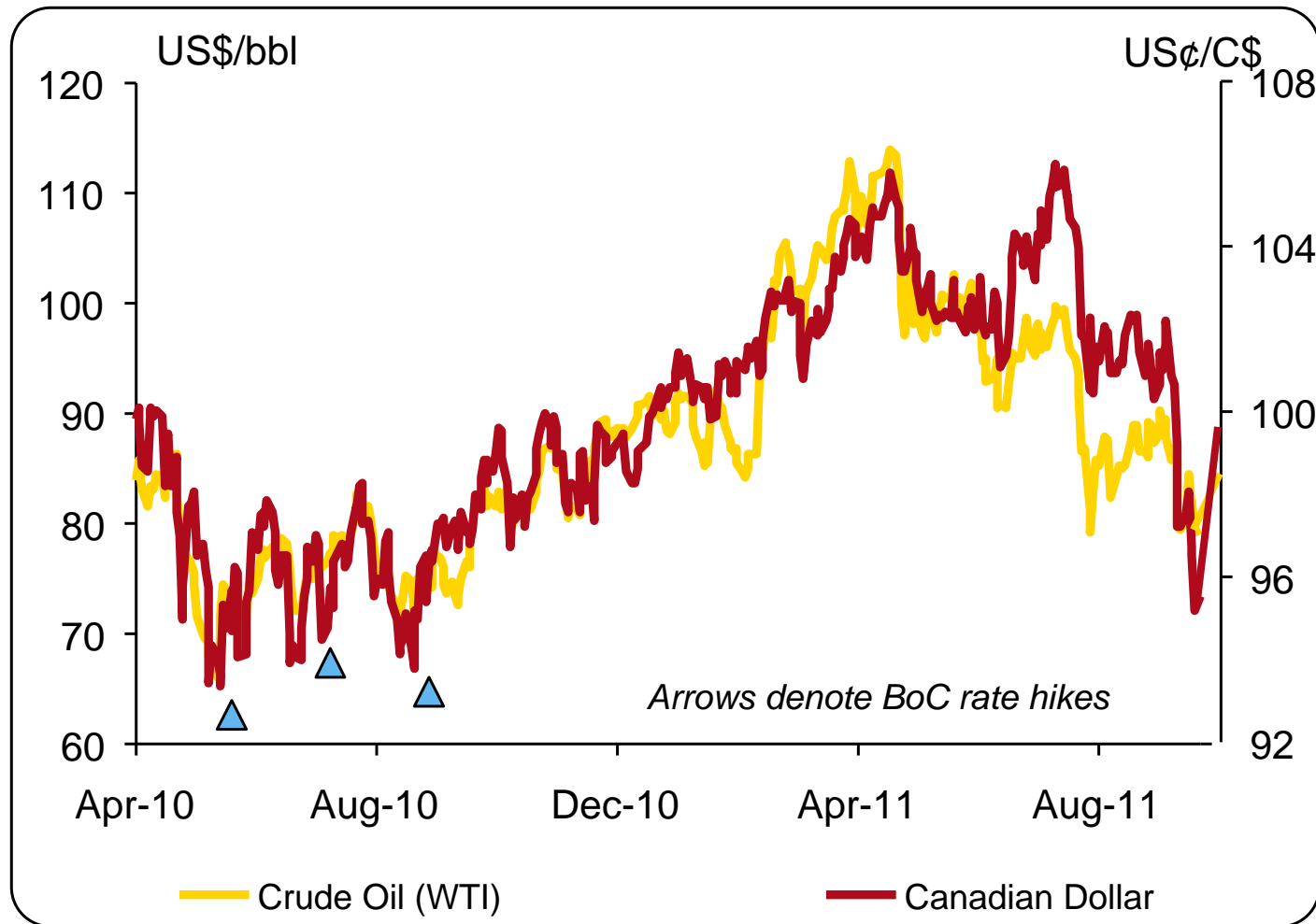


Source: Bank of Canada Business Outlook Survey

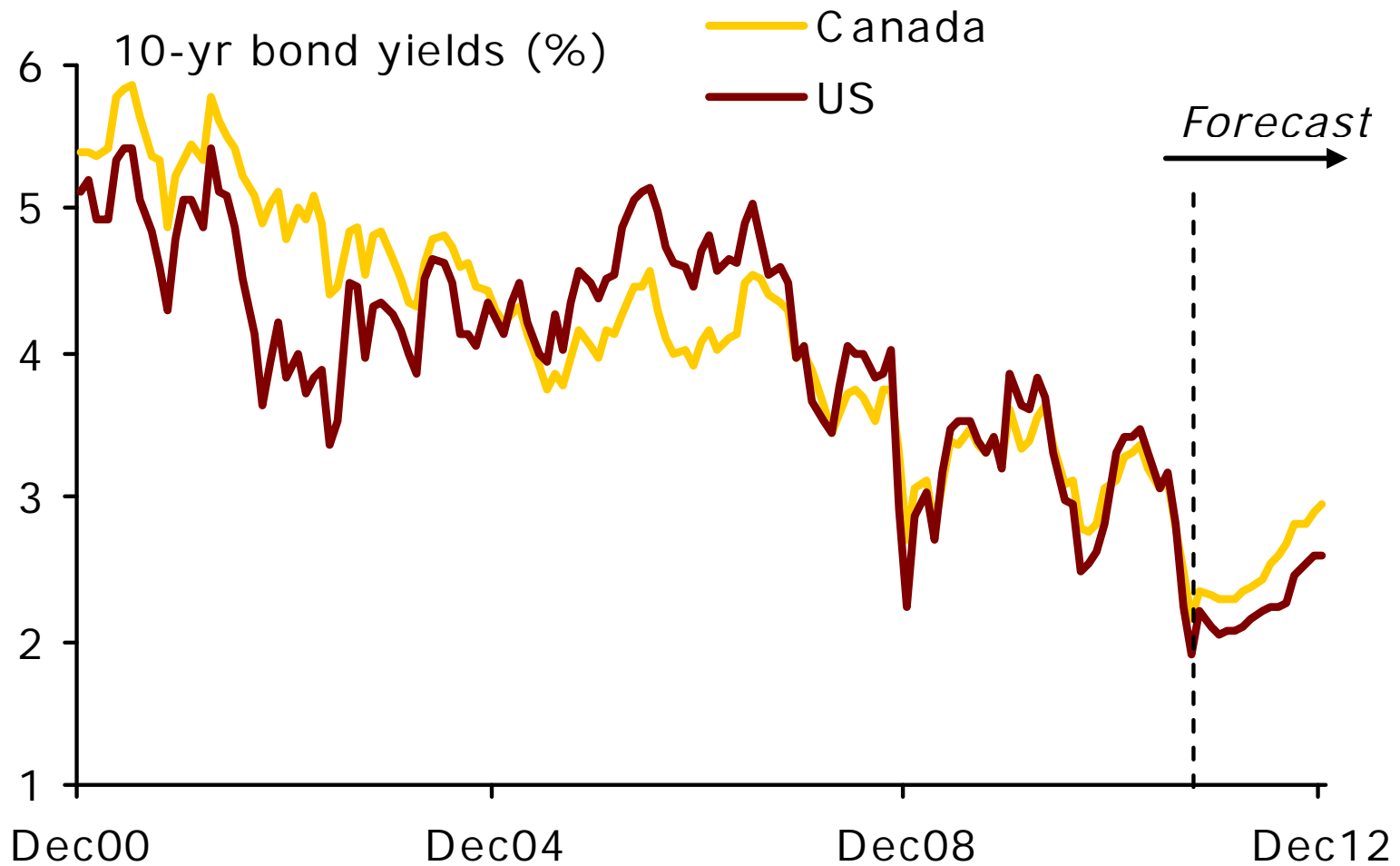
Housing Easing But Not Crashing



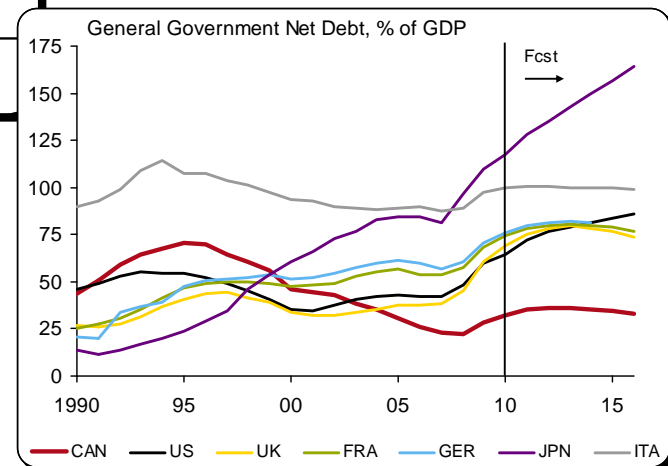
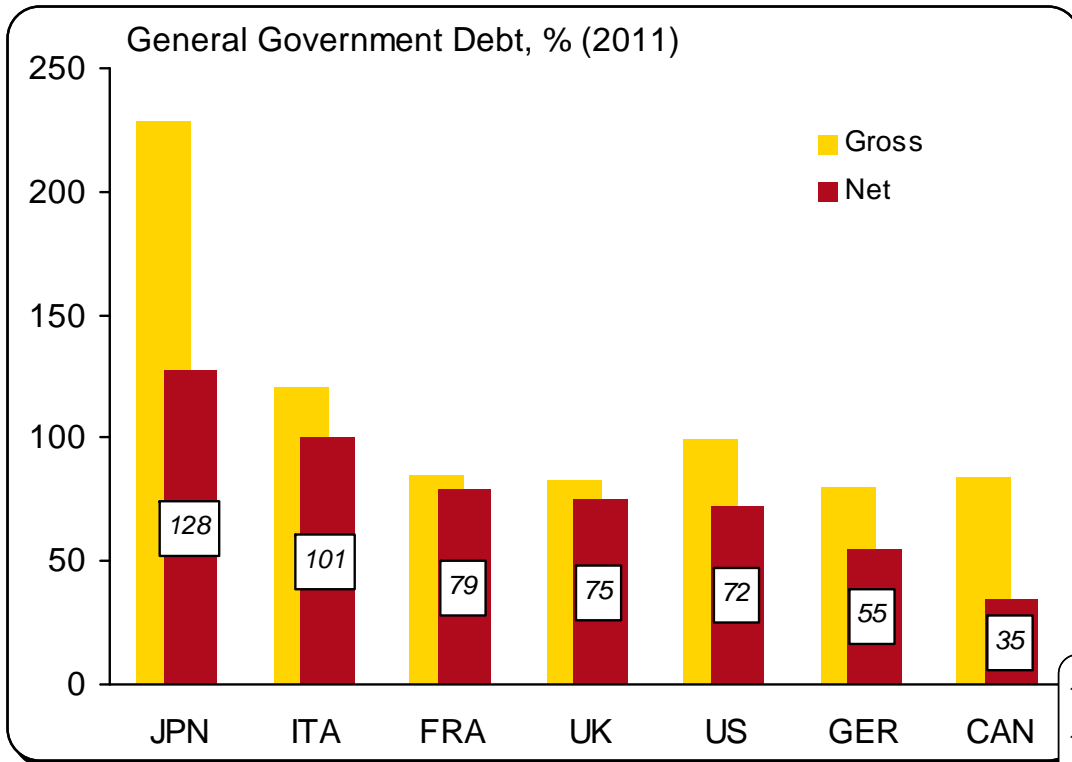
Commodities Drive C\$; C\$ Strengthens later in 2012, Also Helped by BoC Hikes



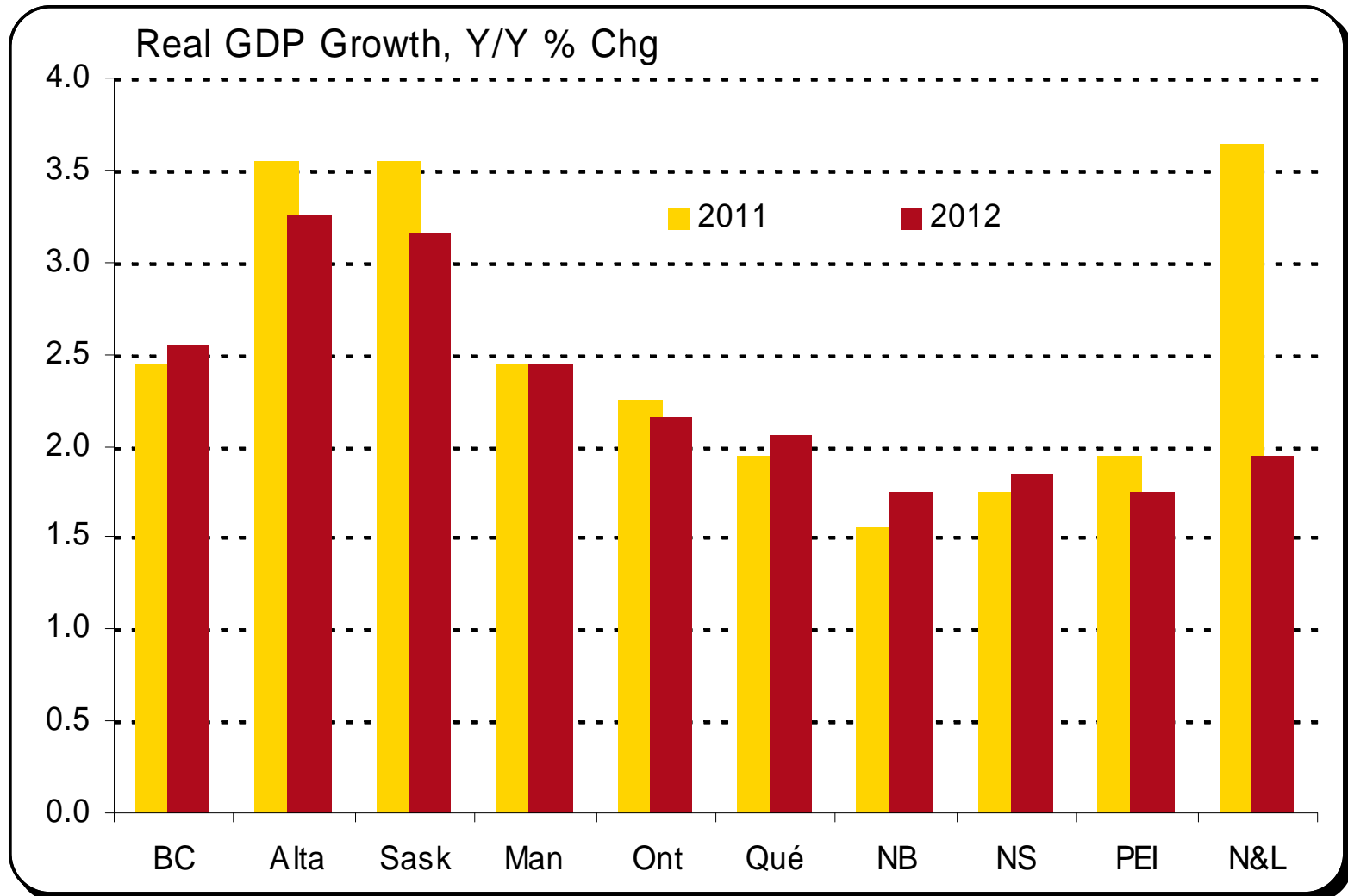
Bond Yields Drift Higher; Remain Low By Historical Standards



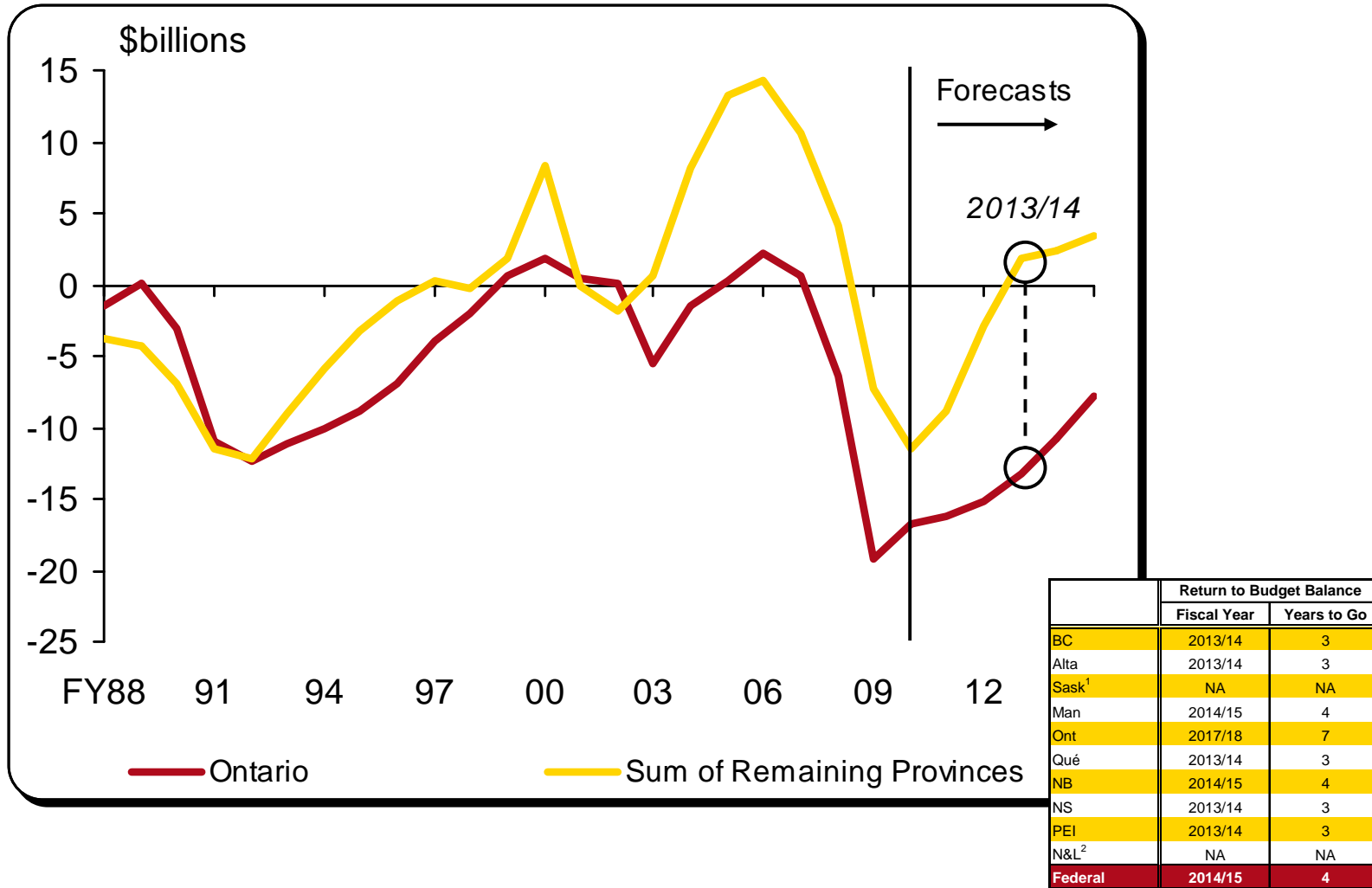
Fiscal Credentials: Canada's Earlier Hard Work Paid Dividends



West is Best in 2012



Ontario's Slower Path Back to Balance



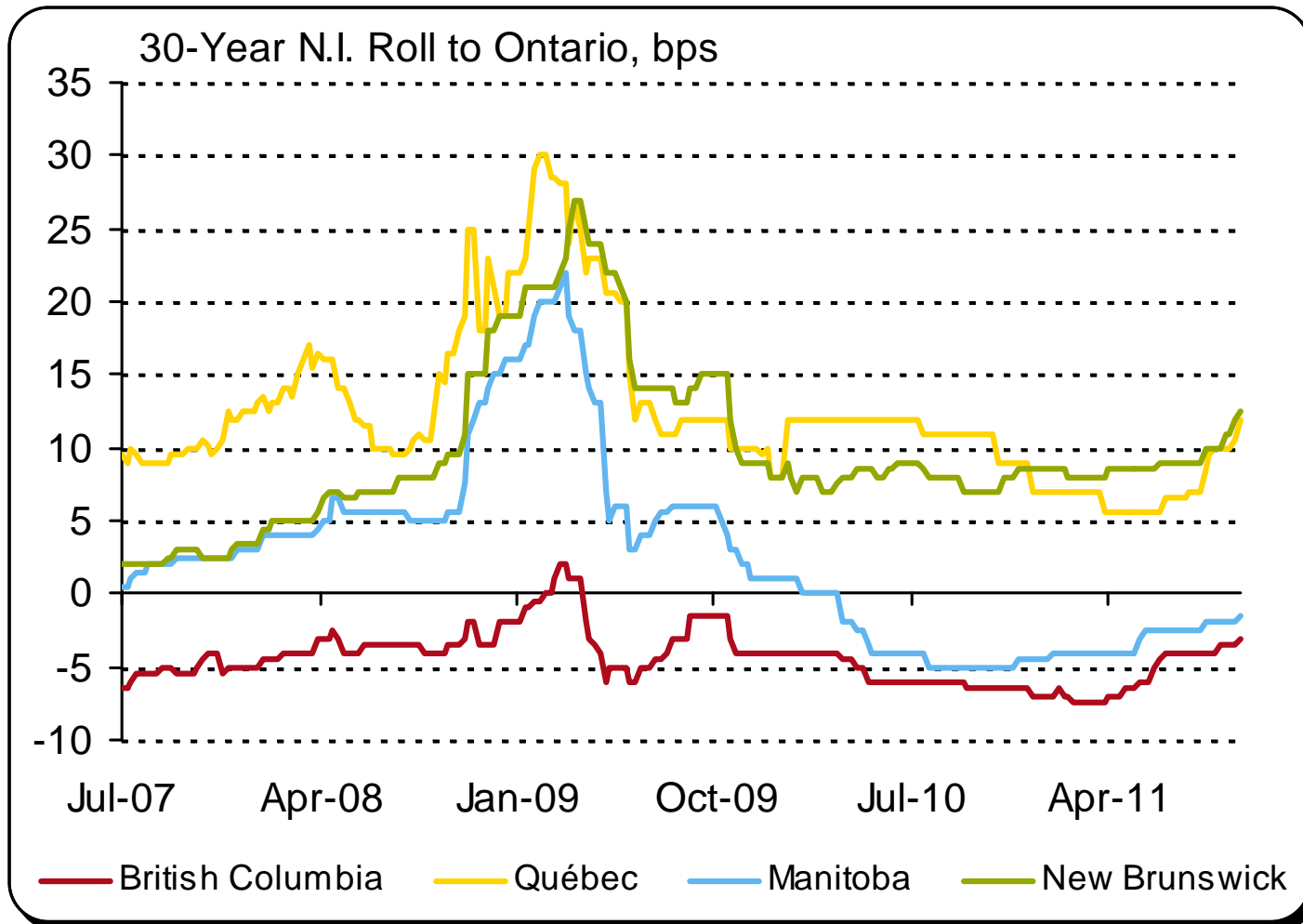
Based on 2010 Budgets

1. General Revenue Fund in surplus

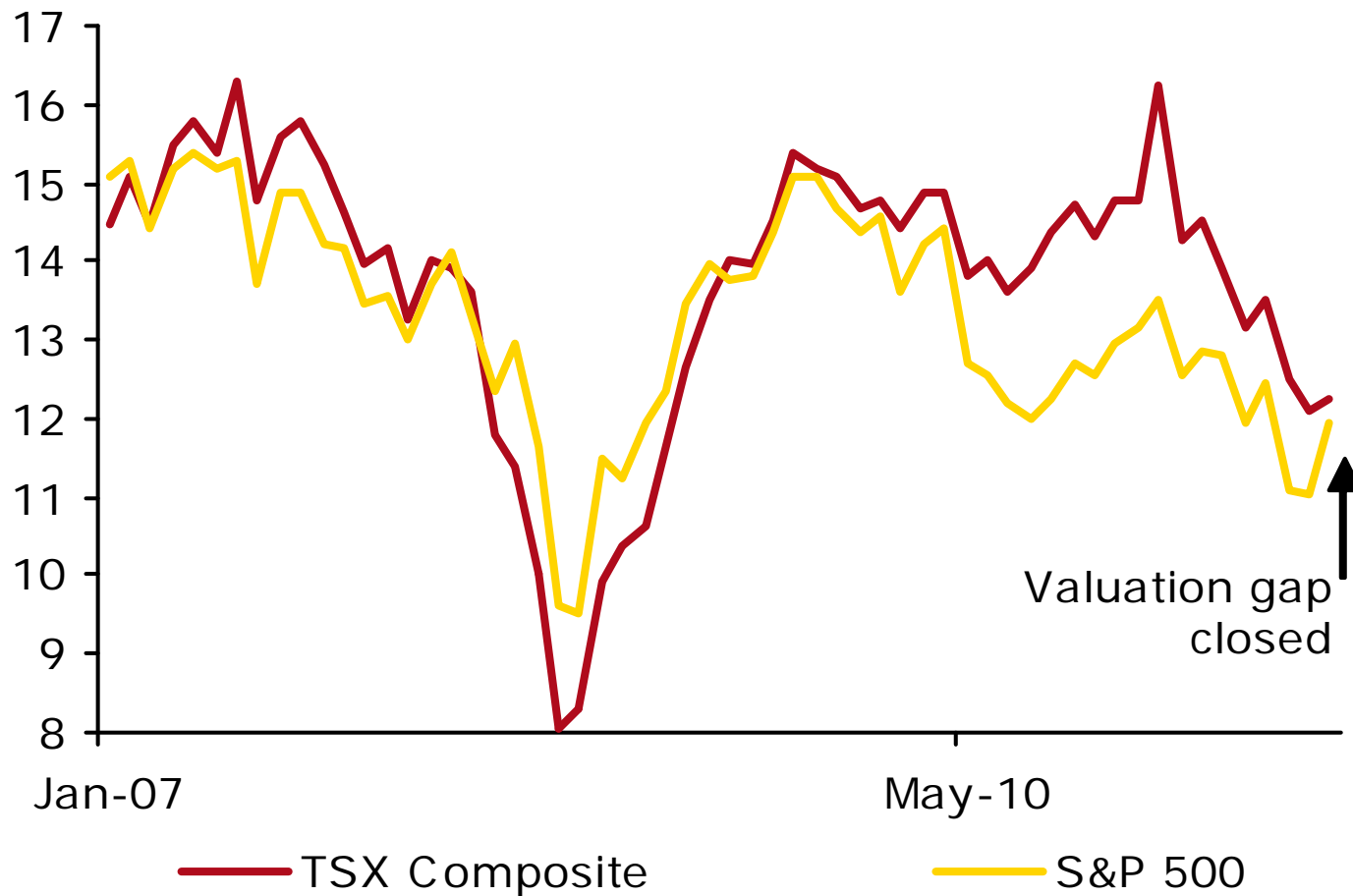
2. Budget balanced in 2010/11



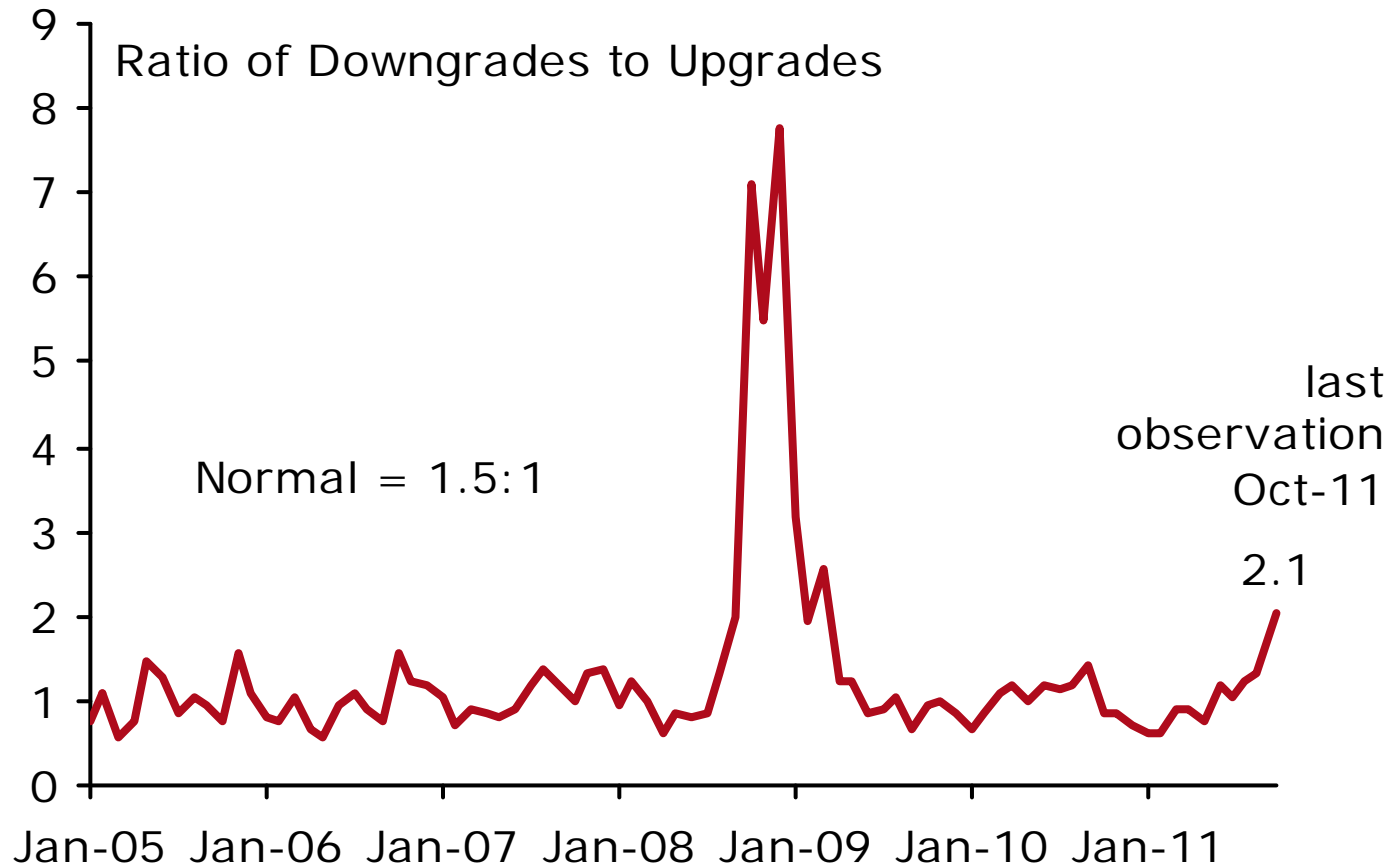
Demand for Liquidity Sees Non-Ontario Names Underperform on Relative Basis



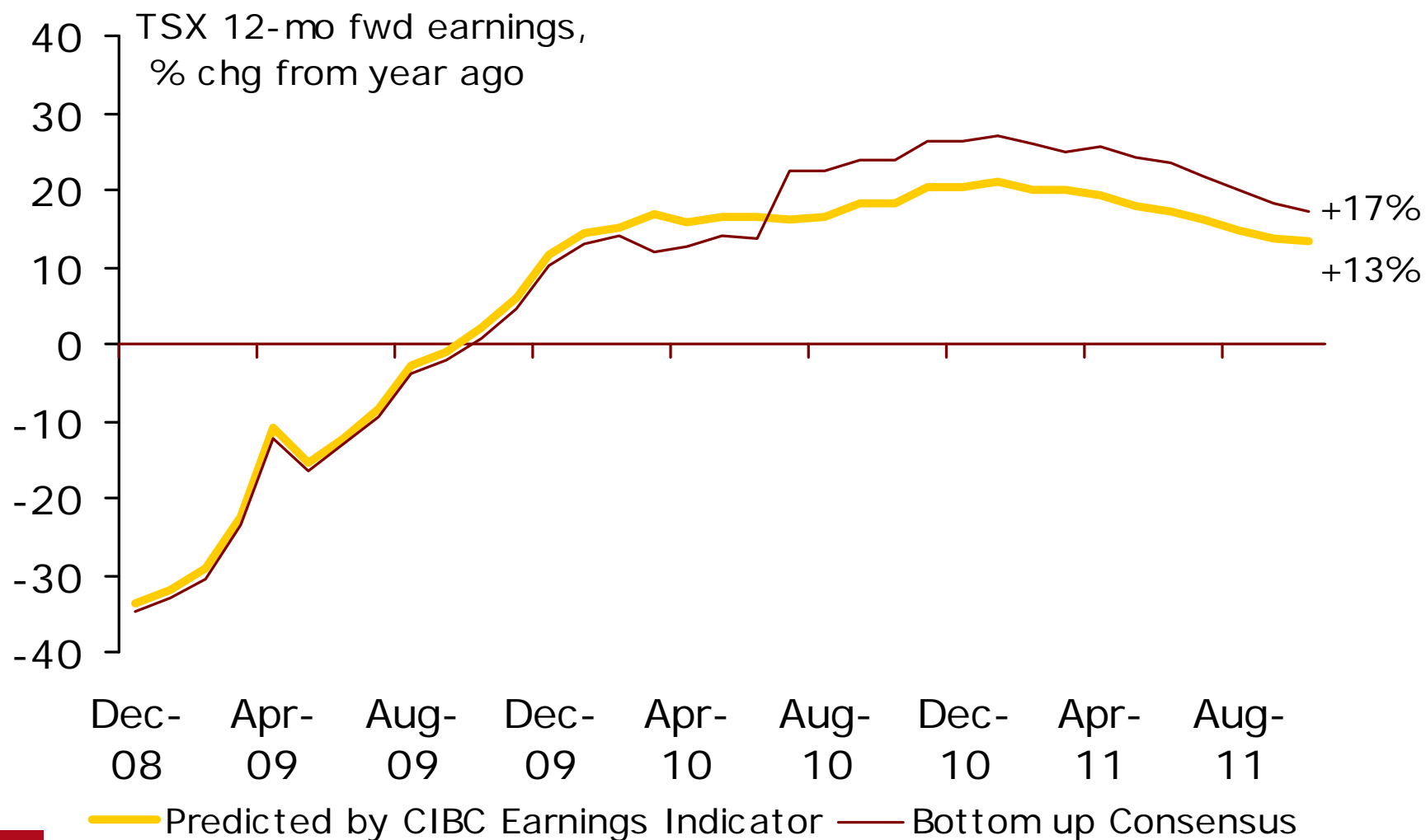
TSX Forward PE Low by Historical Standards, Matching US



Analysts However Cutting 2012 Earnings Expectations



Equity Markets to See Below-Consensus Earnings



Source: Thomson Reuters, CIBC

Quality Dividend Stocks Should Outperform

