

December 7, 2010



Laurentian Bank Securities

The Monitor

- Winter is on Our Doorstep... the Policy Rate is in for a Long Freeze.

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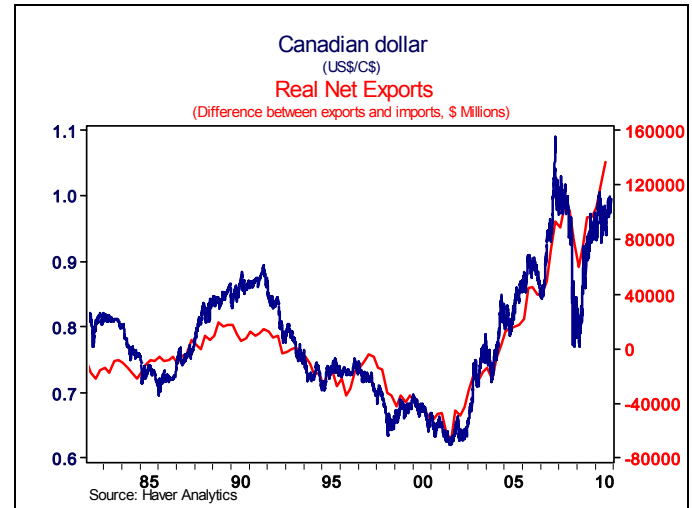
Winter is on Our Doorstep... the Policy Rate is in for a Long Freeze

This morning, to no one's surprise, the Bank of Canada decided to keep the overnight rate target unchanged. For two months now, the policy rate has been standing at 1.00%. Lenders and borrowers will have to get used to it, as this is just the beginning. The press release explaining the Bank's decision features some rather gloomy statements. Here are a few examples:

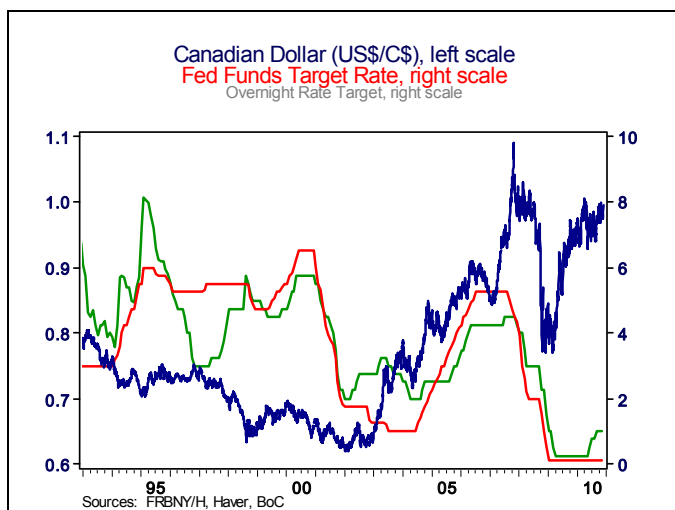
- "private domestic demand in the United States is picking up slowly"
- "In Europe, recent data have been consistent with a modest recovery"
- "growth in emerging-market economies has begun to ease".

What the central bank has to say about the Canadian economy is not exactly morale-boosting: "The recovery in Canada is proceeding at a moderate pace, although economic activity in the second half of 2010 appears slightly weaker than the Bank projected." Bank officials are especially concerned about the recent and future performance of foreign trade: "net exports were weaker than projected and continued to exert a significant drag on growth. This underlines a previously-identified risk that a combination of disappointing productivity performance and persistent strength in the Canadian dollar could dampen the expected recovery of net exports." Our interpretation is as follows: the Bank of Canada is not laying all the blame for our exporters' dismal performance on the weakness in US demand; this seems more of a structural, rather than a cyclical issue, as exporters are suffering from anemic productivity gains, a topic that former governor David Dodge raised several years ago. This may be another way of sounding the alarm and encouraging businesses once again to spend more on machinery and equipment.

For a few quarters now, businesses have been investing more, although this has not been enough to enable the Canadian economy to run at full throttle. High household debt levels are likely to dampen some people's enthusiasm for spending, a point which, surprisingly, was not mentioned in today's press release. One thing the Bank did mention was the fact that our loonie is flirting with parity, although it did not dare advance too far on that slippery slope.



Finally, the press release concludes on the same note as in the past: "Any further reduction in monetary policy stimulus would need to be carefully considered." Certainly, Governor Carney intends to raise interest rates eventually, not lower them. However, any such step is out of the question without more concrete signs of improvement in the United States. Sadly, the unemployment rate has been stagnating for the past year and a half (9.8% in November), bank credit is not getting back on track, and inflation is getting dangerously close to zero instead of distancing itself from it. Thus it is easy to understand why Ben Bernanke has not ruled out extending purchases of US Treasury bonds beyond \$600 billion. Apart from the keenly awaited rebound in US demand, the turmoil in the markets about Europe's sovereign debt crisis will have to subside, and economic conditions here at home will have to improve. In short, there are too many factors keeping the Bank of Canada on the sidelines right now. It is hard to know exactly when the skies may clear. For the time being, we do not foresee any increase in the policy rate before the fourth quarter of 2011.



North American Forecasts

This Week's Forecasts			
(%)	This Week	Next 4 Weeks	In 3 Months
Canada			
3-Month T-Bills	0.95 - 1.00	0.80 - 1.00	1.00
2-Year Bond	1.50 - 1.60	1.40 - 1.60	1.40
10-Year Bond	3.05 - 3.15	2.85 - 3.05	2.95
Canadian Dollar (CAN\$/US\$)	1.0100 - 1.0170	0.990 - 1.031	1.015
United States			
3-Month T-Bills	0.05 - 0.15	0.00 - 0.25	0.15
2-Year Bond	0.40 - 0.50	0.30 - 0.50	0.45
10-Year Bond	2.75 - 2.85	2.70 - 2.90	2.50
Yen (Yen/US\$)	83.5 - 84.5	81.0 - 84.0	83.0
Euro (US\$/Euro)	1.29 - 1.31	1.31 - 1.350	1.350

07/12/2010

Interest-Rate and Exchange-Rate Forecasts													
	Historical Data							Forecasts*					
	2008	2009	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1
Canada													
Overnight Rate	3.03	0.43	0.25	0.25	0.25	0.50	1.00	1.00	1.00	1.00	1.50	2.00	
3-Month Treasury Bills	2.33	0.33	0.22	0.19	0.28	0.50	0.87	0.95	1.00	1.00	1.00	1.50	2.00
2-Year Bond	2.66	1.23	1.26	1.47	1.73	1.39	1.36	1.45	1.50	1.50	1.75	1.90	2.50
10-Year Bond	3.61	3.23	3.31	3.61	3.56	3.08	2.75	3.05	3.10	3.15	3.25	3.40	3.80
30-Year Bond	4.06	3.85	3.84	4.08	4.07	3.65	3.33	3.70	3.85	4.00	4.05	4.10	4.30
United States													
Federal Funds Rate	1.93	0.16	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.75
3-Month Treasury Bills	1.37	0.15	0.16	0.06	0.11	0.18	0.16	0.20	0.20	0.20	0.20	0.20	0.70
2-Year Bond	2.01	0.96	0.95	1.14	1.02	0.61	0.42	0.45	0.60	0.70	0.75	0.80	1.25
10-Year Bond	3.66	3.26	3.32	3.85	3.84	2.97	2.53	2.75	3.00	3.15	3.25	3.30	3.55
30-Year Bond	4.29	4.09	4.03	4.63	4.72	3.91	3.69	4.25	4.35	4.40	4.45	4.50	4.65
Canadian Dollar (US\$/C\$)	0.944	0.880	0.933	0.956	0.985	0.943	0.971	0.985	0.985	0.990	1.000	1.000	0.975
Canadian Dollar (Euro/C\$)	0.641	0.632	0.638	0.667	0.728	0.767	0.709	0.735	0.707	0.715	0.728	0.741	0.758
Euro (US\$/Euro)	1.473	1.394	1.463	1.433	1.352	1.229	1.369	1.340	1.380	1.370	1.360	1.350	1.320
Yen (Yen/US\$)	103.4	93.7	89.5	93.1	93.4	88.5	84.0	83	85	85	90	92	95

Quarter-end data and annual averages
December 7th, 2010

Market Review: Bonds and Currencies

International 3-Month Rates

	Current Yield	Spreads (b.p.) against U.S.					
		Dec-06-10	-1 week	-4 weeks	-1 quarter	- 1 year	Jan-04-10
U.S.	0.15						
Canada	1.01	86	83	82	64	17	10
UK	#N/A	#N/A	36	41	40	43	39
France	0.56	41	38	56	21	35	27

International Bonds: Benchmark 10-Year Yield

	Current Yield	Spreads (b.p.) against U.S.					
		Dec-06-10	-1 week	-4 weeks	-1 quarter	- 1 year	Jan-04-10
U.S.	2.95						
Canada	3.13	18	24	25	28	-16	-24
UK	3.40	45	50	31	32	26	10
France	3.26	31	38	14	-3	1	-24
Germany	2.86	-9	-9	-32	-33	-25	-46
Greece	11.77	882	908	872	908	170	187
Portugal	6.08	313	445	418	305	32	22
Spain	5.22	227	266	174	142	29	13
Japan	1.22	-174	-165	-174	-149	-215	-252

Provincial Bonds: Benchmark 10-Year Yield

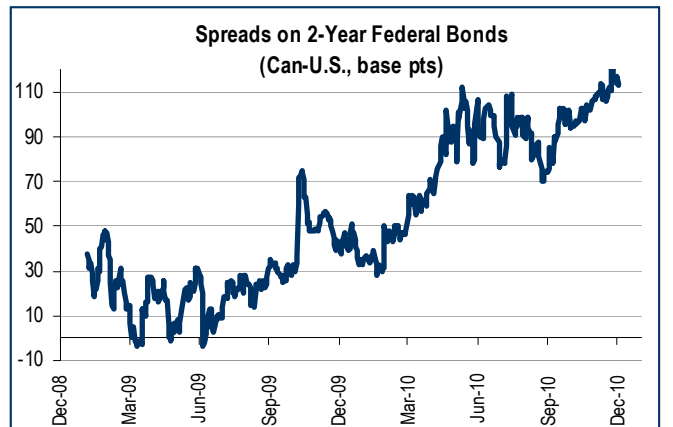
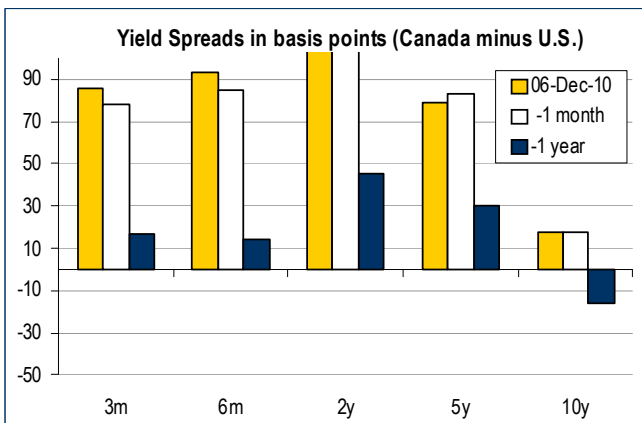
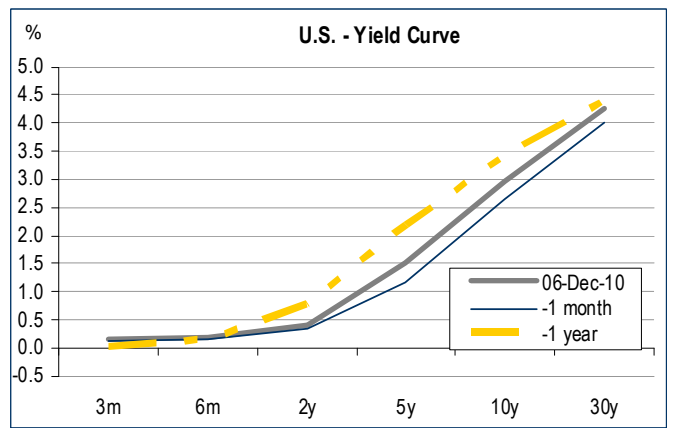
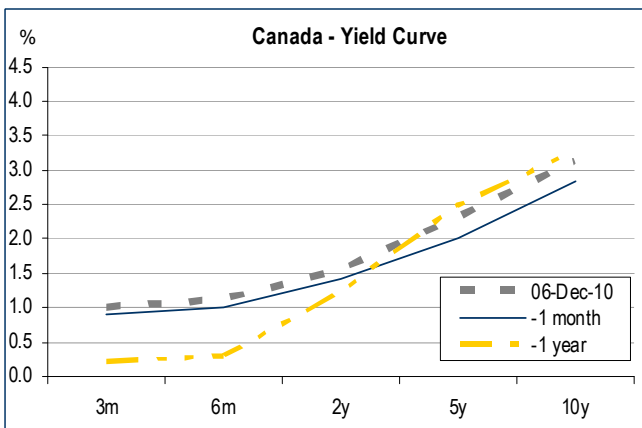
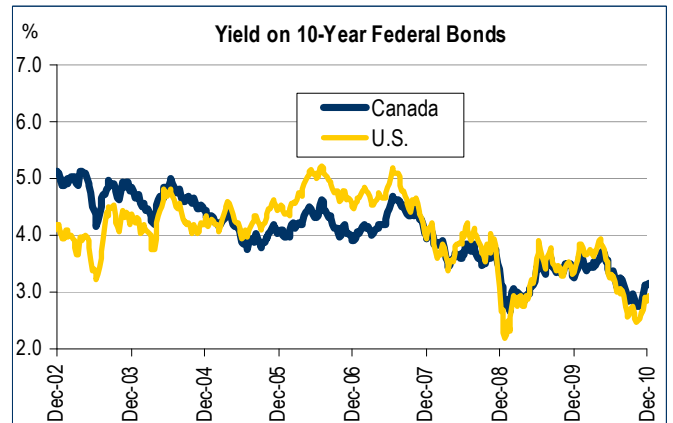
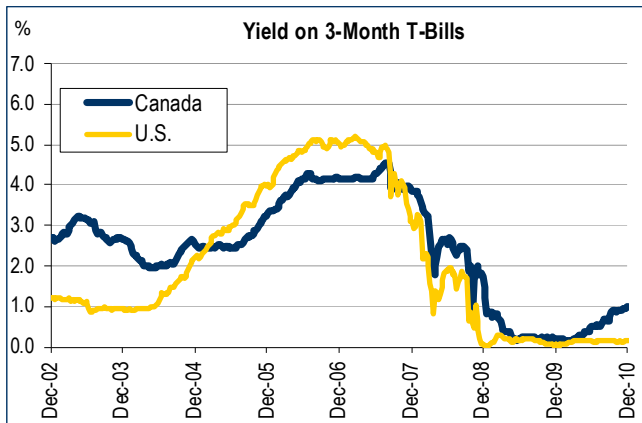
	Current Yield	Spreads (b.p.) against Canada					
		Dec-06-10	-1 week	-4 weeks	-1 quarter	- 1 year	Jan-04-10
Canada	3.16						
Alberta	3.71	55.5	56.5	50.0	63.5	60.0	50.0
British Columbia	3.76	60.5	56.5	55.0	68.5	64.0	60.0
Prince Edward Island	3.96	80.0	76.0	76.0	89.5	77.0	75.0
Manitoba	3.85	69.5	65.5	65.0	78.5	69.0	65.0
New Brunswick	3.93	77.5	73.5	72.0	85.5	74.0	69.0
Nova Scotia	3.92	76.5	72.5	72.0	85.5	73.0	69.0
Ontario	3.91	75.5	71.5	70.0	83.5	69.0	67.0
Quebec	3.94	78.5	74.5	74.0	87.5	74.0	72.0
Saskatchewan	3.74	58.5	54.5	53.0	66.5	65.0	63.0
Newfoundland	3.91	75.5	71.5	71.0	84.5	74.0	72.0

Currencies

	Currencies					Jan-04-10 (%)
	Dec-06-10	-1 week	-4 weeks	-1 quarter	- 1 year	
Canada (Canada/US\$)	1.0056	1.0266	1.0098	1.0426	1.0508	-3.1
Canada (US\$/Canada)	0.9944	0.9741	0.9903	0.9591	0.9517	3.2
Australia (Australia/US\$)	0.9883	0.9607	0.9990	0.9143	0.9130	-7.6
U.K. (US\$/£)	1.5679	1.5579	1.6010	1.5314	1.6428	-2.7
Japan (US\$/Yen)	82.70	83.56	80.80	83.75	89.44	-10.6
Euro (US\$/Euro)	1.3275	1.3036	1.4025	1.2723	1.4819	-7.9

Data updated as at: 07/12/2010

Market Review: Fixed Income Charts



Market Review: Stocks Exchange and Commodities

Stock Market Summary

	Level			Change (%)				
	Dec-06-10	52w HI	52w LOW	(-1W)	(-4W)	(-13W)	(-52W)	Jan-04-10
Canada								
S&P/TSX	13,276	13,276	11,093	2.9	1.7	9.5	15.5	11.9
S&P/TSX 60	757	757	649	2.5	1.4	7.2	11.1	8.1
S&P/TSX Small Cap Index	731	731	543	3.8	3.2	18.0	33.5	25.5
United States								
S&P 500	1,223	1,226	1,023	3.0	0.0	11.4	10.9	8.0
Dow Jones	11,362	11,444	9,686	2.8	-0.4	9.3	9.4	7.4
Nasdaq	2,595	2,595	2,092	2.8	0.6	16.8	18.5	12.4
International								
U.K. - FTSE 100	5,770	5,875	4,806	4.0	-1.4	6.1	8.7	4.9
Germany - DAX	6,954	6,958	5,434	3.8	3.0	13.0	20.2	15.0
France - CAC 40	3,749	4,066	3,331	3.1	-4.2	1.8	-2.4	-6.6
Japan - Nikkei 225	10,167	11,339	8,824	0.4	4.5	9.3	0.0	-4.6
Hong Kong - Hang Seng	23,238	24,964	18,986	0.3	-6.9	8.8	4.1	6.5
Russia - RST	1,666	1,676	1,227	4.8	2.3	13.3	19.9	12.9
Australia - ASX All Ordinaries	4,779	5,024	4,251	1.5	-1.6	3.5	1.8	-2.3
Brazil - Bovespa	69,552	72,996	58,192	2.4	-4.3	4.2	1.5	-0.7

S&P/TSX Sector Summary

	Level			Change (%)				
	Dec-06-10	52w HI	52w LOW	(-1W)	(-4W)	(-13W)	(-52W)	Jan-04-10
S&P/TSX	13,276	13,276	11,093	2.9	1.7	9.5	15.5	11.9
Energy	310	310	266	3.7	1.8	11.5	10.2	1.8
Materials	451	451	300	7.7	5.0	18.2	31.3	33.6
Industrials	99	99	79	1.8	1.4	5.8	23.9	20.3
Consumers Discretionary	108	109	92	1.8	1.1	4.5	16.0	12.0
Consumers Staples	192	196	162	0.5	-0.3	2.9	9.5	6.2
Health Care	51	52	34	6.4	4.9	9.2	45.5	41.3
Financials	180	191	163	-0.7	-1.6	3.2	4.9	1.9
Information Technology	31	32	27	4.1	5.0	14.0	13.9	6.9
Telecommunication Services	91	95	75	-0.2	1.8	3.0	13.6	15.0
Utilities	220	220	181	0.6	0.9	6.3	18.1	11.5

Commodities

	Level			Change (%)				
	Dec-06-10	52w HI	52w LOW	(-1W)	(-4W)	(-13W)	(-52W)	Jan-04-10
London – Gold (US\$/ounce)	1403.50	1421.00	1058.00	1357.00	1388.50	1249.00	1142.50	1121.50
London – Silver (US\$/ounce)	30.05	30.05	14.78	26.95	27.37	19.85	18.00	17.47
Copper (US\$/LB)	4.00	4.04	2.77	3.76	3.95	3.48	3.19	3.39
WTI Crude Oil (US\$/barrel)	89.38	89.19	66.88	83.73	87.06	74.35	73.93	80.97
Natural Gas (Henry Hub) (US\$/MMBTU)	4.27	7.38	3.17	4.15	3.57	3.78	4.81	6.06

Data updated as at:
07/12/2010

Calendar of Major Economic Indicators

KEY ECONOMIC INDICATORS

WEEK OF DECEMBER 6, 2010

Canada

Date	Time	Release	Unit	Data for:	LBS *	Consensus	Previous
Dec 6	8:30	Building Permits	M/M	October	-	-2.5%	15.3%
Dec 6	10:00	Ivey Purchasing Managers Index	-	November	-	56.2	56.7
Dec 7	9:00	Bank of Canada - Overnight rate	-	Dec. 7	1.00%	1.00%	1.00%
Dec 8	8:15	Housing Starts	Thousands	November	162.0	171.7	167.9
Dec 9	8:30	New Housing Price Index	-	October	-	0.2%	0.2%
Dec 10	8:30	International Merchandise Trade	Billions	October	-2.0	-2.0	-2.5

* Laurentian Bank Securities Forecast

Consensus from Bloomberg L.P.

United States

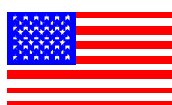
Date	Time	Release	Unit	Data for:	LBS*	Consensus	Previous
Dec 7	15:00	Consumer Credit	Billions	October	-	-\$1.0	-\$2.1
Dec 9	8:30	Initial Jobless Claims	Thousands	Dec. 4	-	425.0	436.0
Dec 9	10:00	Wholesale Inventories	M/M	October	-	0.9%	1.5%
Dec 10	8:30	Trade Balance	Billions	October	-	-\$43.8	-\$44.0
Dec 10	8:30	Import Price Index	M/M	November	-	0.8%	0.9%
Dec 10	8:30	Import Price Index	Y/Y	November	-	2.9%	3.6%
Dec 10	9:55	U. of Michigan Confidence	-	Dec. P	-	72.0	71.6

North American Economic Indicators



Canada

	Period	Monthly Chg. (% or Level)		Cumulative change	
		Current	Previous	- 3 Month	- 1 Year
Gross Domestic Product (GDP)	September	-0.1%	0.3%	0.1%	3.5%
Manufacturing Shipments	September	-0.6%	2.0%	1.0%	9.1%
Housing Starts (' 000) *	October	168	185	199	176
Retail Sales	September	0.6%	0.7%	1.4%	3.3%
Trade Balance (M\$) *	September	-2,485	-1,494	-1,711	-154
Employment (' 000) **	November	15	3	32	375
Unemployment Rate *	November	7.6	7.9	8.0	8.4
Wages (avg. hourly earnings)	November	2.2%	2.1%	2.2%	2.4%
Total CPI inflation	October	2.3%	1.9%	1.9%	1.3%
Inflation ex-food & energy	October	1.8%	1.6%	1.7%	1.4%
Industrial Product Price Index	October	#N/A	#N/A	#N/A	#N/A
Raw Materials Price Index	October	#N/A	#N/A	#N/A	#N/A



United States

	Period	Monthly Chg. (% or Level)		Cumulative change	
		Current	Previous	- 3 Month	- 1 Year
ISM - manufacturing *	October	56.9	54.4	55.5	55.2
ISM - Non-manufacturing *	October	54.3	53.2	54.3	55.2
Industrial Production *	October	93.4	93.4	93.3	88.6
Capacity Utilization Rate *	October	74.8	74.8	74.8	70.7
Consumer Confidence Index *	November	71.6	67.7	68.9	67.4
Retail Sales	October	1.2%	0.7%	2.8%	7.3%
Trade Balance (M\$) *	September	-44,003	-46,477	-49,762	-32,302
Housing Starts (' 000) *	October	519	588	550	529
Existing home sales	October	-2.2%	10.0%	15.4%	-25.9%
Median price of ex. home sales	October	-0.6%	-3.4%	-6.4%	-0.9%
Non-Farm Payrolls (' 000) **	October	172	-24	147	867
Unemployment Rate *	October	9.6	9.6	9.6	10.0
Wages (avg. hourly earnings)	October	2.2%	2.1%	2.3%	2.7%
Total CPI inflation	October	1.2%	1.1%	1.1%	-0.2%
Inflation ex-food & energy	October	0.6%	0.8%	1.0%	1.7%
Producer Price Index	October	0.4%	0.4%	1.3%	4.3%
- Ex-Food & Energy	October	-0.6%	0.1%	-0.4%	1.4%

* Level

** Change in level for the last month, 3 months and 1 year

*** Annual % change

Data updated as at:

07/12/2010

North American Forecasts

Canada

	Annual Average								4th Qtr/4th Qtr					
	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2010	2011	2012	2010	2011	2012
Real GDP (%)	5.6	2.3	1.0	2.4	2.0	2.0	2.5	2.3	2.9	2.0	2.5	2.8	2.2	2.7
Consumption	4.1	2.3	3.5	2.3	2.4	2.5	2.5	2.6	3.4	2.6	2.3	3.0	2.5	2.1
Business investment	13.0	20.3	22.2	9.3	9.7	13.0	11.3	8.7	7.2	12.5	10.9	16.1	10.7	11.5
Non-residential structures	5.4	0.9	10.9	8.0	11.0	15.0	10.0	10.0	-2.8	10.3	11.1	6.2	11.5	11.5
Machinery and equipment	17.8	32.7	28.7	10.0	9.0	12.0	12.0	8.0	13.5	13.6	10.7	21.9	10.2	11.5
Residential construction	20.0	1.0	-5.3	-4.0	-8.0	-2.0	1.0	0.0	10.0	-3.7	0.6	2.4	-2.3	1.0
Government spending	0.8	2.3	0.9	1.2	0.6	-2.6	-2.5	-1.5	3.9	-0.3	-0.1	1.3	-1.5	1.3
Exports	10.1	5.6	-5.0	5.5	4.0	7.0	7.5	8.0	5.7	4.5	6.9	3.9	6.6	6.2
Imports	13.2	19.8	6.4	4.5	4.0	5.0	5.0	6.0	13.4	5.7	4.5	10.8	5.0	3.6
Current account balance in % of GDP	-2.8	-4.0	-5.3	-3.8	-2.9	-2.8	-2.6	-2.6	-4.0	-2.7	-1.9	-	-	-
Inflation (%)														
Total CPI (y/y)	1.6	1.4	1.8	2.1	2.1	1.9	1.8	1.9	1.7	1.9	1.9	2.1	1.9	1.9
Core CPI (y/y)	1.9	1.8	1.6	1.6	1.7	1.7	1.8	1.8	1.7	1.8	1.9	1.6	1.8	1.9
Unemployment rate (%)*	8.2	8.0	8.0	8.0	8.0	8.0	7.8	7.6	8.1	7.8	7.6	-	-	-
Employment	1.6	4.2	1.9	1.1	1.1	1.1	1.7	1.9	1.7	1.5	1.8	2.2	1.4	1.8
Housing starts (000s)	198	199	192	160	162	165	169	172	187	167	172	-	-	-
Before-tax Corp. Profits (y/y)	15.2	26.3	16.0	9.1	4.5	8.1	9.7	10.0	16.3	8.1	9.2	9.1	10.0	9.2

*Average rate for the quarter or the year.

Forecasts as of November 30, 2010

United States

	Quarter-to-Quarter % Change at annual rates (Unless Otherwise Indicated)												
	Annual Average						4th Qtr/4th Qtr						
	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2010	2011	2012	2010	2011	2012
Real GDP (%)	1.7	2.5	2.4	2.6	2.4	3.0	3.0	2.8	2.5	2.5	2.6	2.7	2.3
Consumption	2.2	2.8	3.2	2.4	2.5	2.5	2.5	1.7	2.6	2.5	2.5	2.5	2.5
Private investment	18.2	11.2	9.7	6.7	9.8	8.3	8.9	7.1	9.4	6.9	12.1	8.4	5.8
Non-residential structures	-0.5	-5.8	2.0	2.0	2.0	2.0	5.0	-14.2	1.0	4.4	-5.8	2.7	5.0
Machinery and equipment	24.8	16.8	12.0	8.0	12.0	10.0	10.0	15.7	11.9	7.6	18.4	10.0	6.0
Residential construction	25.6	-27.5	-9.0	5.0	2.5	2.5	2.5	-3.7	-2.3	1.6	-7.6	3.1	1.0
Government spending	3.9	4.0	0.1	0.3	0.1	0.6	0.1	1.1	0.9	0.3	1.6	0.3	0.3
Exports	9.1	6.3	12.5	10.0	9.0	8.0	8.0	11.9	9.4	7.9	9.8	8.7	7.7
Imports	33.5	16.8	6.0	4.0	4.5	5.5	5.5	14.0	7.8	6.8	16.4	4.9	7.5
Inflation (%)													
Total CPI (y/y)	1.8	1.2	1.2	1.5	1.8	2.0	1.7	1.6	1.7	1.9	1.2	1.7	1.9
Core CPI (y/y)	1.0	0.9	0.6	0.8	1.1	1.2	1.2	1.0	1.1	1.4	0.6	1.2	1.4
Unemployment rate (%)*	9.7	9.6	9.6	9.4	9.2	9.0	8.8	9.6	9.1	8.5	-	-	-
Employment	2.2	-0.2	1.2	#REF!	1.4	1.6	1.8	-0.5	1.3	2.0	0.8	1.5	2.3
Housing Starts (000s)	602	584	540	600	650	700	700	586	663	725	-	-	-
Before-tax Corp. profits (% , y/y)	37.0	27.8	12.0	10.0	10.0	10.0	10.0	27.7	10.0	12.0	12.0	10.0	12.0

* Average rate for the quarter or the year.

Forecasts as of November 30th 2010

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