



Weekly Market Insight

December 23, 2011

NORTH AMERICAN & INTERNATIONAL ECONOMIC HIGHLIGHTS

Send in the Clowns

By Avery Shenfeld

As we enter a presidential election year, the American political scene would be laughable if the issues were not, in fact, so deadly serious. The press following the Republican nomination battle no longer have Herman Cain to kick around any more, and Rick Perry, who claimed it was "treason" for Bernanke to undertake quantitative easing, might also be headed for the exits soon.

But there's plenty of comic relief in the economic platforms of those who remain. Front-runner Newt Gingrich wants to mine ore on the moon, and his first step to balancing the budget is a tax plan that would cost the Treasury about a third of its current revenues. We had better find diamonds on the moon in a hurry. Ron Paul, currently sitting in third, believes we should go back to the same gold standard that crippled monetary policy in the depression.

Mitt Romney, if you listened to him three years ago, appeared to have a better understanding of the policy levers. In 2008, in a National Review Online article, he argued for a stimulus plan focused on tax cuts for middle income Americans and corporate incomes, infrastructure spending, and research in renewable energy and other ways of reducing the US dependence on imported oil. A lot of that would have resonated with Obama. And here again was Willard Mitt Romney in the same 2008 article: "As Christina Romer, Barack Obama's designee as chairperson of the Council of Economic Advisors concluded from her study of the Great Depression, bad monetary policy was its greatest cause and good monetary policy was its most effective cure. The Fed should continue to expand the money supply. And, it should confirm that it will not tolerate deflation—the pain of inflation pales in comparison." Nothing Ron Paul-ish about that.

Today, Romney is pitching policy balls from a different mitt. He now agrees that Bernanke should be dumped because he "overinflated the amount of currency he's created." That despite a labour market that shows no signs of overheating, and has ample slack even after allowing for structural changes in the population (see *Economic Insights* pages 6-8). The 2011 Romney believes that "fiscal stimulus didn't work". So the fate of economic policy in a Romney presidency is anyone's guess, although he's been a bit more careful not to give away all the tax revenue in his fiscal plan.

As for Obama, his presidency is plagued by his inability to get a divided Congress to do his bidding. After all they struggled in agreeing to extend tax and unemployment benefit stimulus for two months, let alone the two years it might be needed. There will be no serious talk in 2012 on the measures needed to trim deficits beyond 2015, and perhaps not even after the election if the makeup of Congress doesn't shift much.

Why does this matter? Because at some point, investors might finally get comfortable that Europe will avoid a total sovereign debt collapse, only to find that US politics are no less troubling. A failure to further extend unemployment benefits and payroll tax cuts in 2012 will take a serious bite out of growth. But the lack of a concrete deficit reduction plan for later in the decade makes the politics of leaving stimulus in place for now much more difficult. We can't afford to clown around much longer.

Market Snapshot

US	Current*	yesterday*	a week ago*	a month ago*	a year ago*
TED SPREAD (bps)	58	57	55	50	19
10Y / 2Y SPREAD (bps)	172	168	165	168	275
2Y SWAP SPREAD (bps)	49	48	46	54	24
3M T-Bill (%)	0.00	0.00	0.01	0.02	0.11
LIBOR 1 MONTH (%)	0.29	0.29	0.28	0.26	0.26
LIBOR 3 MONTH (%)	0.58	0.57	0.56	0.52	0.30
2-YR BOND (%)	0.28	0.27	0.23	0.27	0.65
5-YR BOND (%)	0.94	0.92	0.83	0.92	2.06
10-YR BOND (%)	2.00	1.96	1.88	1.95	3.39
A Rated / 10Y TREASURY (bps)	220	214	229	219	158
B Rated / 10Y TREASURY (bps)	614	607	621	606	504
BB Rated / 10Y TREASURY (bps)	443	439	452	428	364
CANADA					
PRIME / BA SPREAD (bps)	180	180	180	180	180
CDOR 3 MONTH (%)	1.35	1.35	1.34	1.29	1.23
CDOR 3 MONTH / 3M T-BILL SPREAD (bps)	53	52	53	43	25
10Y / 2Y SPREAD (bps)	108	104	105	116	147
2-YR BOND (%)	0.92	0.90	0.85	0.94	1.70
5-YR BOND (%)	1.29	1.25	1.20	1.39	2.45
10-YR BOND (%)	2.00	1.94	1.90	2.10	3.17
A Rated / 10Y TREASURY (bps)	139	146	150	138	122
BBB Rated / 10Y TREASURY (bps)	241	250	253	237	187
CAN Sovereign Agency / 10Y TREASURY (bps)	45	53	54	48	42
COMMODITIES					
WTI CRUDE FUTURE (US\$ / bbl.)	99.9	99.3	94.1	96.9	91.5
NATURAL GAS (US\$ / MMBtu)	3.2	3.2	3.1	3.5	4.1
SILVER (US\$ / t oz.)	29.3	29.0	29.6	31.7	29.3
GOLD (US\$ / t oz.)	1607.5	1604.0	1586.9	1693.6	1380.0
WHEAT (US¢ / bu.)	624.0	625.5	582.0	576.8	783.0
SOYBEANS (US¢ / bu.)	1165.5	1166.5	1116.8	1108.3	1349.5
SUGAR (US¢ / lb.)	23.6	23.4	23.0	23.2	34.0
CORN (US¢ / bu.)	618.5	623.8	579.8	585.5	614.0
FX					
C\$ / US\$	1.019	1.021	1.036	1.046	1.006
US\$ / EURO	1.304	1.305	1.303	1.329	1.312
C\$ / EURO	1.329	1.332	1.350	1.390	1.319
YEN / US\$	78.100	78.130	77.810	77.560	82.900
US\$ / BRITISH POUND	1.566	1.568	1.552	1.551	1.545
SWISS FRANCS / US\$	0.938	0.937	0.938	0.929	0.962

* As of 11:00 a.m.

Note: Data is for reference only.

International Stock Indexes

Thursday, December 22, 2011

Index (Regiona/Country)	DAILY				% Chg		YTD % chg	52 WEEK			3-yr % chg
	High	Low	Close	Chg	-	+		High	Low	% Chg	
Global											
The Global Dow (World)	1791.11	1772.72	1790.68	14.15	0.8		-14.2	2262.21	1669.03	-13.8	6.3
The Global Dow Euro (World)	1292.78	1278.09	1290.55	8.48	0.66		-11.9	1548.75	1167.37	-13.8	8.6
DJ Global Index (World)	227.42	225.36	227.33	1.6	0.71		-10.5	274.64	208.34	-9.7	10.9
DJ Global ex U.S. (World)	183.61	181.87	183.51	1.09	0.6		-17.1	238.76	171.6	-16	8.6
Asia Pacific											
DJ Asia-Pacific (Asia-Pacific)	117.02	116.17	116.64	-0.4	-0.34		-18.2	145.35	112.09	-16.7	8.1
All Ordinaries (Australia)	4190.2	4136.3	4142.2	-48	-1.15		-14.5	5064.9	3927.6	-15.3	5.9
S & P/ASX 200 (Australia)	4139.5	4084.8	4090.8	-48.7	-1.18		-13.8	4971.2	3863.9	-14.8	4.8
DJ CBN China 600 (China)	19591.04	19020.22	19446.49	-41.56	-0.21		-27.2	28499.08	19446.49	-28.5	6
Dow Jones China 88 (China)	194.83	190.24	193.49	0.46	0.24		-20.6	267.9	192.33	-22.2	2.4
Shanghai Composite (China)	2201.59	2149.42	2186.3	-4.85	-0.22		-22.1	3057.33	2180.9	-23.4	3.2
Hang Seng (Hong Kong)	18388.01	18238.38	18378.23	-38.22	-0.21		-20.2	24419.62	16250.27	-19.8	7.9
Bombay Sensex (India)	15834.63	15472.7	15813.36	128.15	0.82		-22.9	20561.05	15175.08	-20.9	16.8
Jakarta Composite (Indonesia)	3804.04	3779.43	3795.44	1.18	0.03		2.5	4193.44	3269.45	5.1	41.3
Nikkei 300 (Japan)	146.3	145.65	145.95	-0.45	-0.31		-20	198.35	142.2	-20.7	-5.6
Nikkei Stock Avg (Japan)	8436.59	8383.96	8395.16	-64.82	-0.77		-17.9	10857.53	8160.01	-18.9	-1.3
Topix Index (Japan)	725.33	721.77	723.12	-2.56	-0.35		-19.5	974.63	706.08	-20.2	-5.2
Kuala Lumpur Composite (Malaysia)	1491.67	1482.89	1491.46	6.48	0.44		-1.8	1594.74	1331.8	-1.5	19.5
NZSX-50 (New Zealand)	3223.9	3204.59	3207.24	-15.84	-0.49		-3.1	3577.44	3097.78	-3.8	6.2
KSE 100 (Pakistan)	11326.14	11248.15	11306.1	37.55	0.33		-6	12681.94	10842.26	-4.1	16.1
Manila Composite (Philippines)	4385.31	4352.1	4370.46	1.58	0.04		4	4550.53	3721.22	4.9	33.4
Straits Times (Singapore)	2670.65	2659.01	2664.8	-8.52	-0.32		-16.5	3279.7	2528.71	-15.1	15.1
Kospi (South Korea)	1847.49	1835.91	1847.49	-0.92	-0.05		-9.9	2228.96	1652.71	-9.3	16.1
Colombo Stock Exchange (Sri Lanka)	5940.21	5842.16	5919.35	76.52	1.31		-10.8	7811.82	5805.76	-9.1	57.7
Weighted (Taiwan)	6989.59	6940.85	6966.35	-0.13	-0.002		-22.4	9145.35	6633.33	-21.7	15.4
SET (Thailand)	1047.09	1037.19	1042.52	-1.23	-0.12		0.9	1144.14	855.45	2.1	33.9
Europe											
Stoxx Europe 600 (Europe)	240.27	237.29	239.78	2.49	1.05		-13.1	291.16	214.89	-14.9	7.4
Stoxx Europe 50 (Europe)	2327.22	2299.85	2321.63	25.42	1.11		-10.2	2768.65	2028.03	-12.5	4.7
Euro Stoxx 50 (Euro zone)	2282.1	2253.12	2273.02	28.67	1.28		-18.6	3068	1995.01	-20.6	-1.8
Euro Stoxx (Euro zone)	222.45	219.88	221.73	2.61	1.19		-19.2	296.96	200.94	-20.9	0.6
ATX (Austria)	1887.17	1844.2	1883.43	39.53	2.14		-35.2	3000.7	1652.79	-34.7	3.5
Bel-20 (Belgium)	2052.9	2031.54	2040.29	13.97	0.69		-20.9	2770.81	1916.26	-22.6	3.4
PX 50 (Czech Republic)	891.6	875.5	891.6	11.8	1.34		-27.2	1276.3	843	-27.1	2.8
OMX Copenhagen (Denmark)	349.46	344.74	346.05	-2.04	-0.59		-19	441.74	311.34	-19.1	15.3
OMX Helsinki (Finland)	5272.35	5202.64	5272.35	84.19	1.62		-31.2	7912.33	5020.54	-31.5	unch.
CAC 40 (France)	3080.19	3046.83	3071.8	41.33	1.36		-19.3	4157.14	2781.68	-21.5	-0.8
DAX (Germany)	5886.18	5820.44	5852.18	60.65	1.05		-15.4	7527.64	5072.33	-17.1	8.1
BUX (Hungary)	17462.51	17180.26	17462.51	-140.84	-0.8		-18.1	24451.38	14929.76	-18.6	11
FTSE MIB (Italy)	15087.14	14942.93	15027.44	207.58	1.4		-25.5	23178.38	13474.14	-27.7	-7.9
AEX (Netherlands)	305.84	302.22	305.18	4.38	1.46		-13.9	374.19	263.44	-14.3	7.8
All-Shares (Norway)	435.68	428.23	435.68	7.37	1.72		-10.4	513.6	373.47	-10.1	19.3
WIG (Poland)	37608.96	37345.93	37478.7	-95.86	-0.26		-21.1	50371.74	36549.47	-21.5	11.8
PSI 20 (Portugal)	5353.66	5308.82	5332.53	52.94	1		-29.7	8126.06	5185.1	-32.1	-4.9
DJ Russia Titans 10 (Russia)	5699.93	5605.5	5608.49	-85.69	-1.5		-16.9	7565.66	5234.47	-17	26.6
RTS Index (Russia)	1401.91	1380.91	1396.03	13.53	0.98		-21.1	2123.56	1217.21	-20.9	28.6
IBEX 35 (Spain)	8488.8	8401.8	8462.9	84.5	1.01		-14.2	11113	7640.7	-16.3	-2.4
SX All Share (Sweden)	301.7	298.57	301.7	3.29	1.1		-18.1	375.82	270.24	-18.3	14.5
Swiss Market (Switzerland)	5848.17	5814.55	5837.06	32.29	0.56		-9.3	6717.25	4791.96	-11.6	2.5
Istanbul National 100 (Turkey)	52332.67	51301.2	51591.56	-155.87	-0.3		-21.8	70072.02	49621.67	-22.1	25.3
FTSE 100 (U.K.)	5469	5389.7	5456.97	67.23	1.25		-7.5	6091.3	4944.4	-9	8.7
FTSE 250 (U.K.)	9939.69	9842.98	9903.56	60.52	0.61		-14.3	12167.81	9425.93	-14.4	16.7
Americas											
DJ Americas (Americas)	328.88	325.5	328.52	3.03	0.93		-3.6	369.17	288.17	-3.2	14.8
Merval (Argentina)	2471.28	2440.87	2456.34	15.47	0.63		-30.3	3664.82	2286.73	-29.3	32.9
Sao Paulo Bovespa (Brazil)	57459.24	56557.49	57347.87	694.5	1.23		-17.3	71632.9	48668.29	-16.3	15.1
S & P/TSX Comp (Canada)	11879.99	11743.94	11876.48	122.95	1.05		-11.7	14270.53	11177.91	-11.2	12.9
Santiago IPSA (Chile)	4222.11	4185.66	4199.64	0.08	0.002		-14.8	5040.97	3606.31	-14	21.6
IPC All-Share (Mexico)	37066.77	36629.72	37066.77	438.71	1.2		-3.8	38696.24	31715.78	-2.8	18.9
Caracas General (Venezuela)	117278.13	117278.13	117278.13		79.5	117278.13	65173.95	79.9	50.4
Other Countries											
CASE 30 (Egypt)	3702.05	3613.45	3614.04	-88.01	-2.38		-49.4	7210.41	3614.04	-48	-6
Tel Aviv (Israel)	1101.4	1083.31	1091.46	-0.84	-0.08		-17.7	1341.89	999.46	-16.4	18.2
Johannesburg All Share (South Africa)	31904.14	31646.77	31904.14	257.37	0.81		-0.7	33094.06	28391.18	-0.7	14.8

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

Three year percent change is annualized.

Sources: Reuters; WSJ.com

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