

Clouds Part, But Challenges Remain

Dr. Sherry Cooper



Global Outlook Improves



Europe recovering

China soft landing

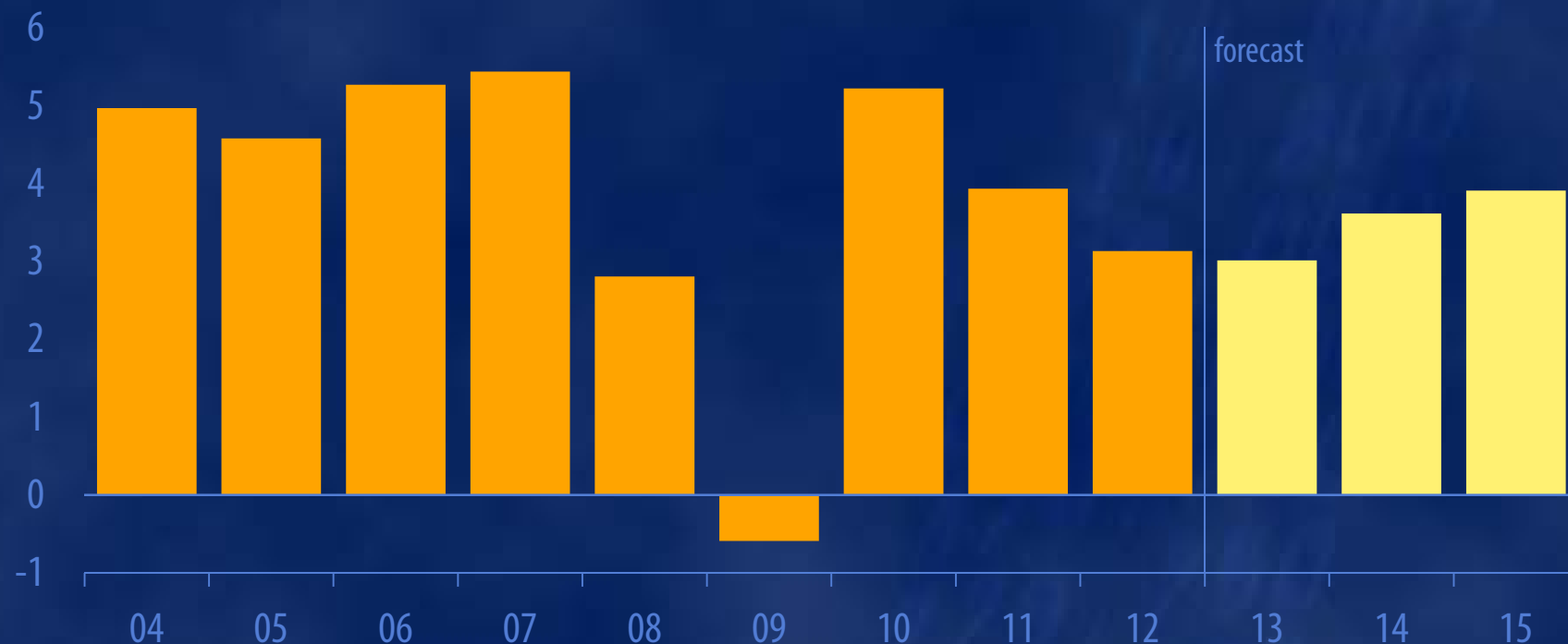
US and Canada strongest in G7

Canadian economy facing headwinds

Global Growth Edges Upward

(y/y % chng)

Global Real GDP



	13	14	15
World	3.0	3.6	3.9

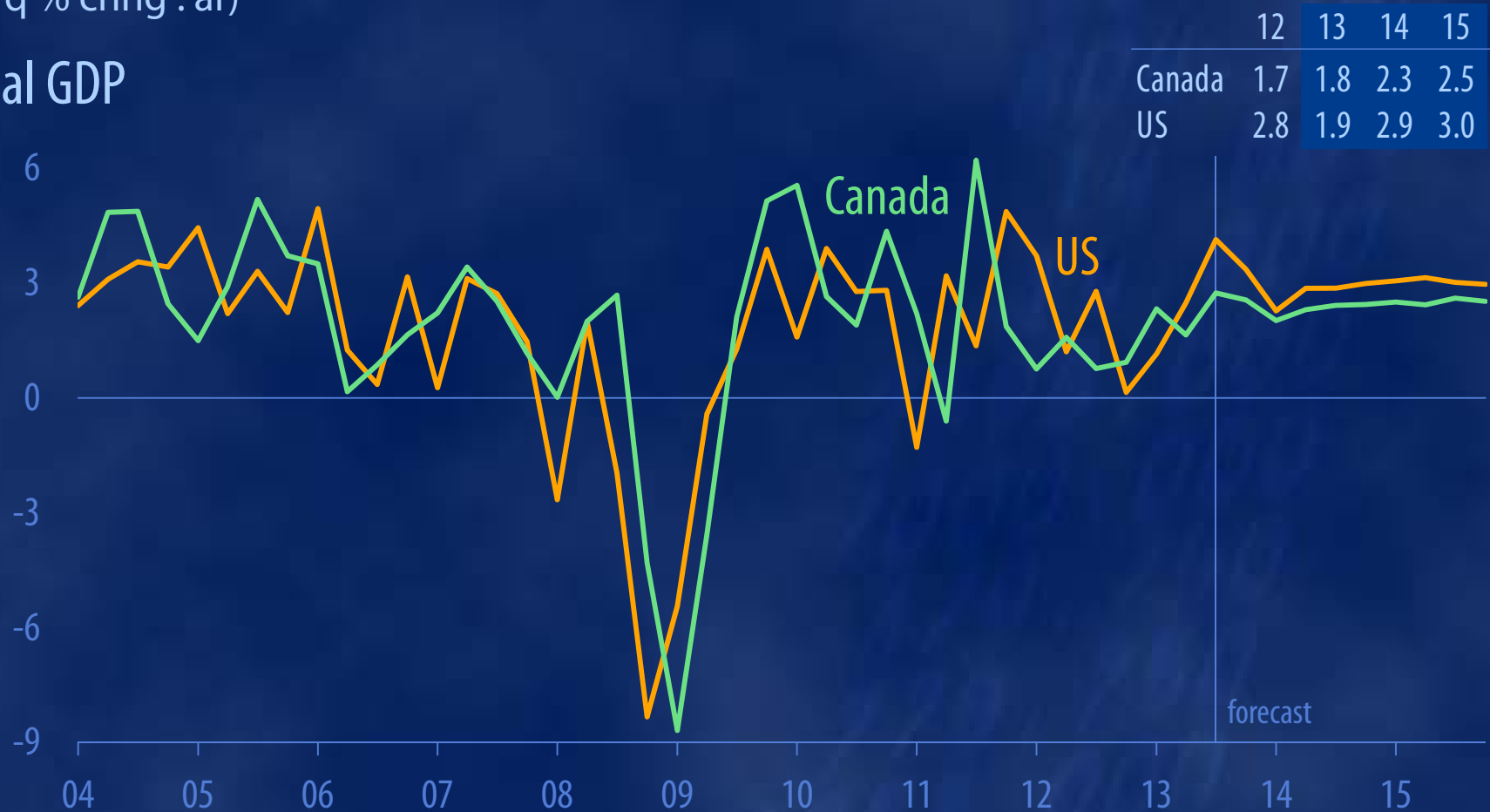
Stronger US is key

forecast = BMO Capital Markets forecasts

Canadian Economy to Underperform US

(q/q % chng : ar)

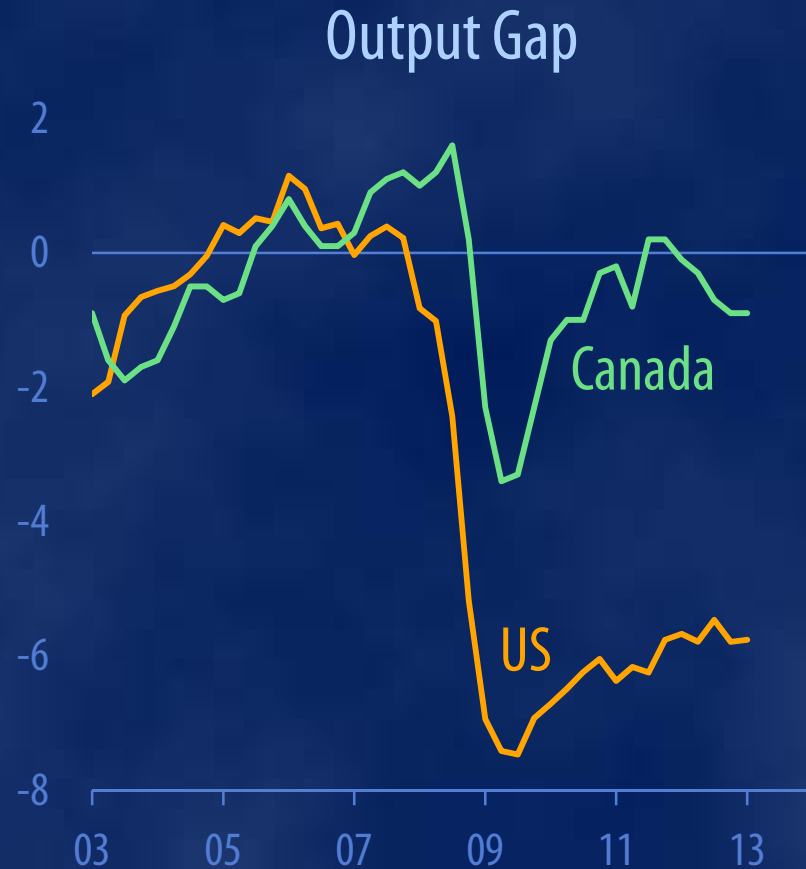
Real GDP



forecast = BMO Capital Markets forecasts

As Canada Closer to Full Employment

(percent)



US Growth Moves to 3% Range

United States (% chng)



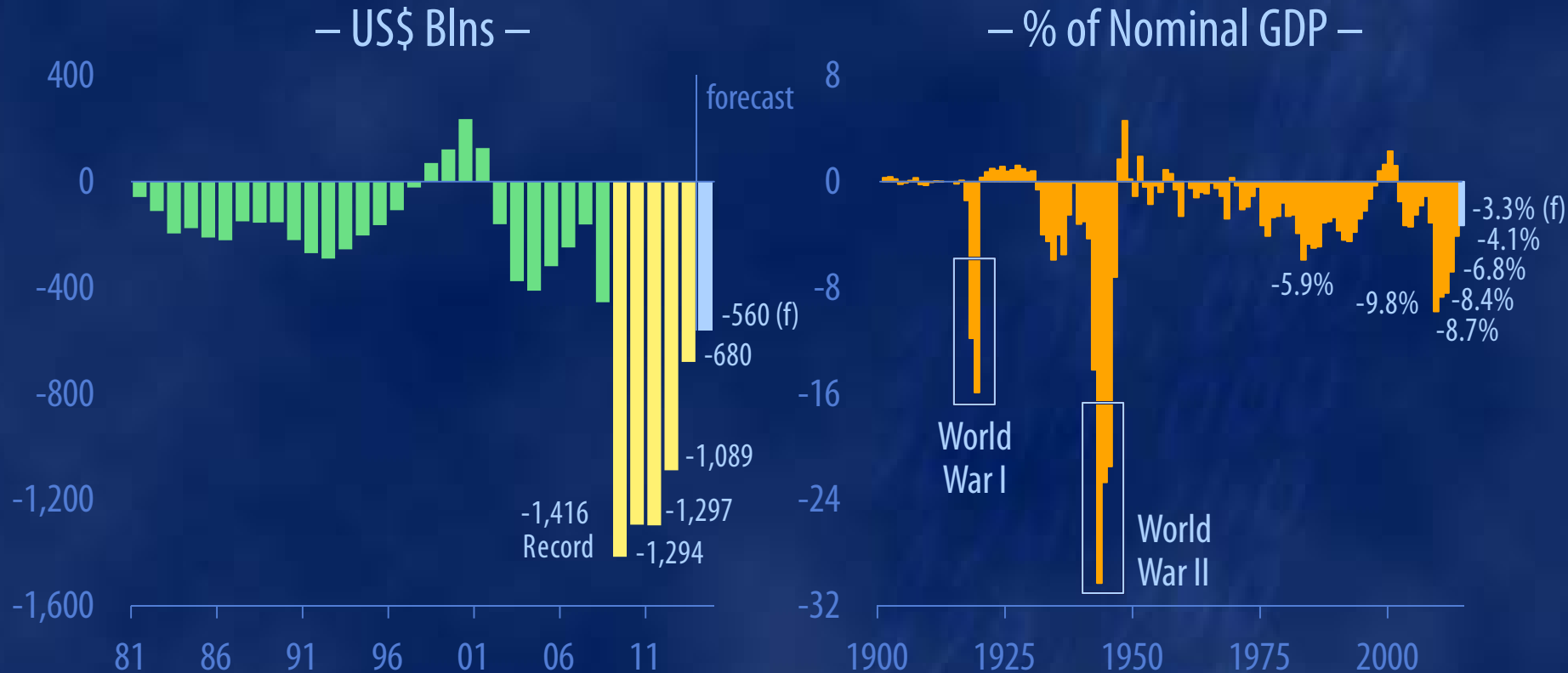
Housing recovery
Energy production
Record stocks
Consumer spending
Monetary ease

Long-term jobless still a drag

forecast = BMO Capital Markets forecasts

US Budget Deficit: Record Improvement

Budget Balance – United States

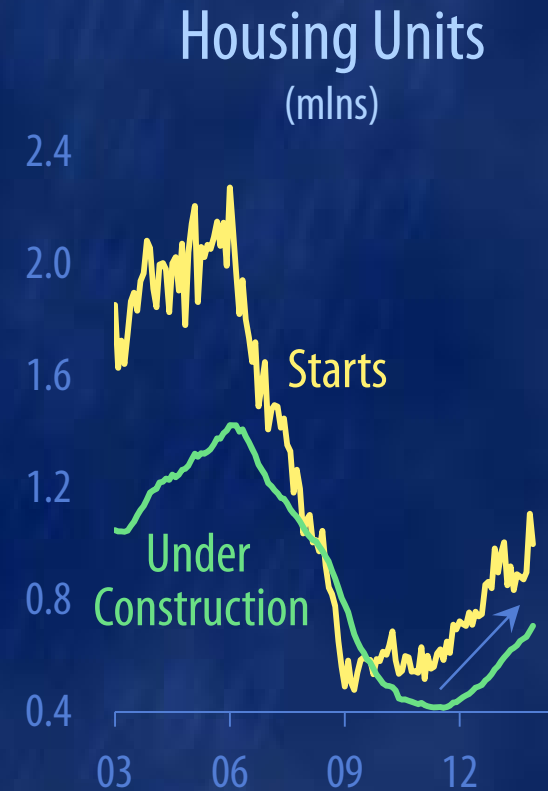
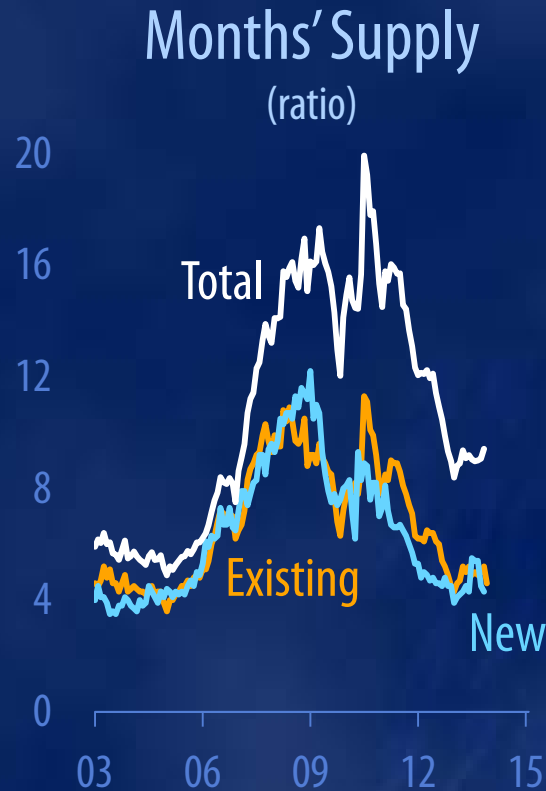
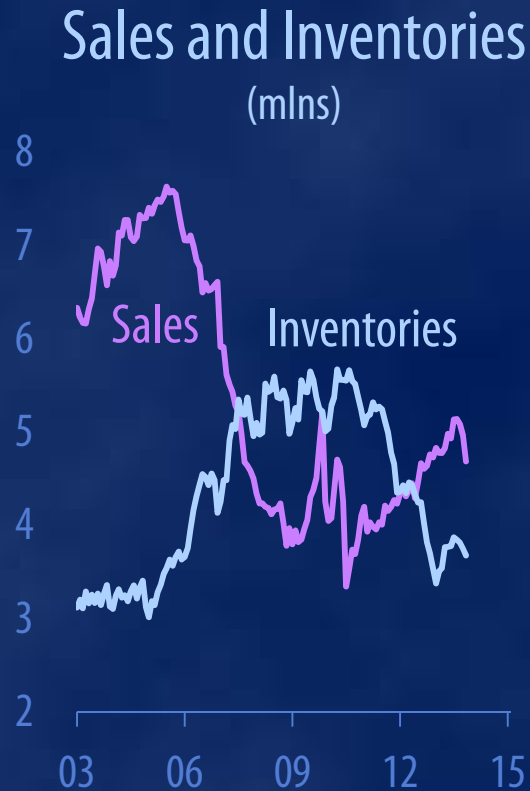


Budget resolution, debt ceiling

Sources: CBO, US Treasury 2014 = forecast

Kickstarting the Housing-Jobs Cycle

Homes – United States

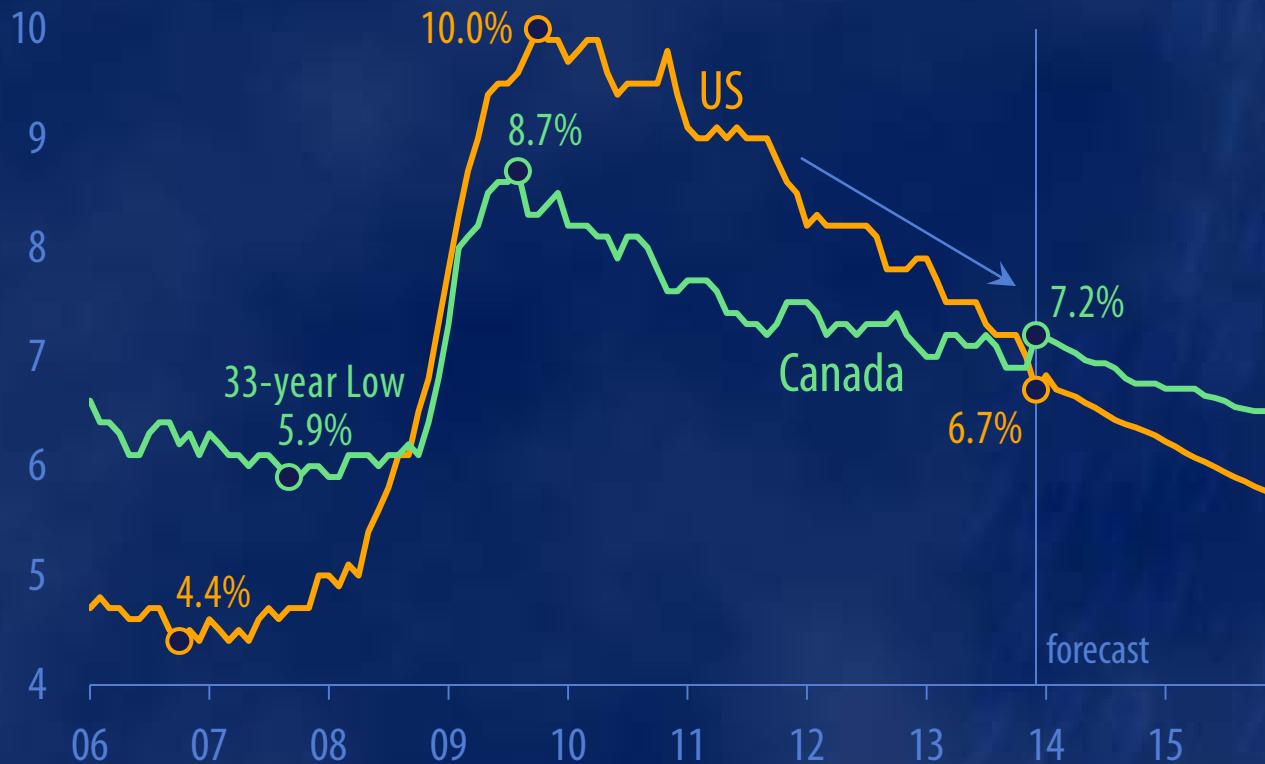


Housing recovery

Inventories = (nsa) include new and existing homes available for sale, and homes in foreclosure

Jobless Rates Fall

Unemployment Rate (percent)



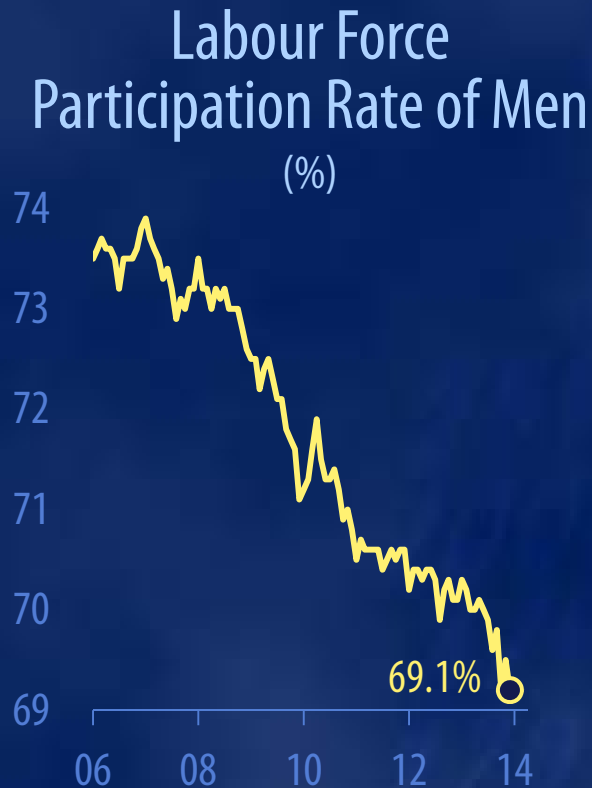
Greece	27.8
Spain	26.7
Portugal	15.5
Italy	12.7
Ireland	12.3
France	10.8
Canada	7.2
UK	7.2
US	6.7
Australia	5.8
Germany	5.2
Japan	4.0

Canada-US crossover

forecast = BMO Capital Markets forecasts

Jobs Hard to Get

United States



Many still unemployed

¹ Comprehensive measure

Canadian Growth Modest

Canada (% chng)



Slowing

- Housing
- Consumer spending
- Government spending
- Trade
- Job growth

Need to kick in

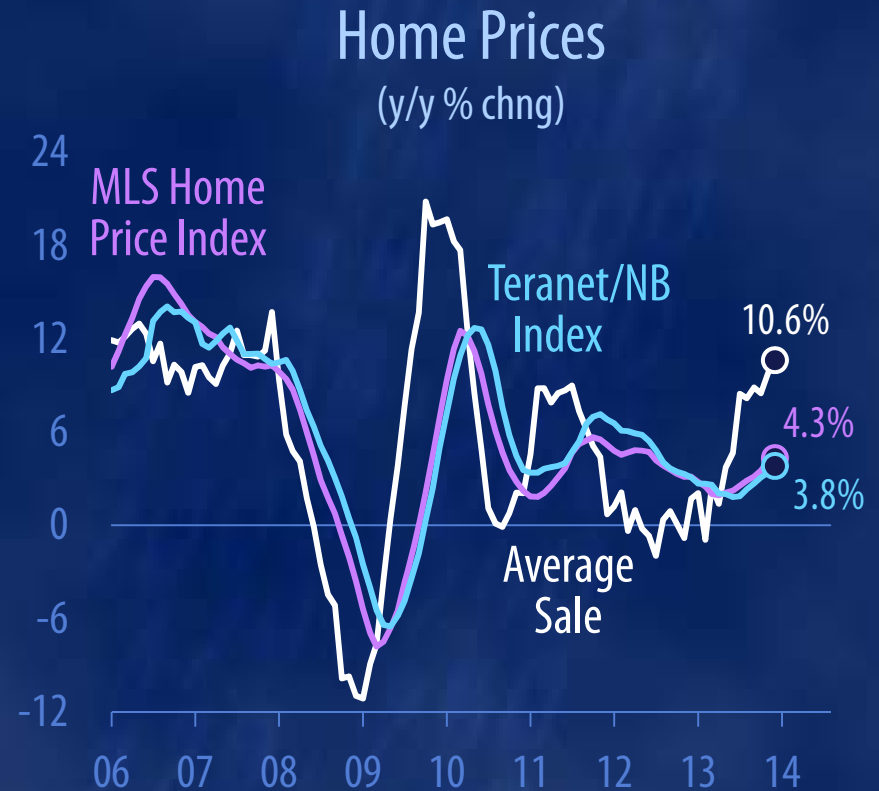
- Business investment
- Exports

Awaits US pick up

forecast = BMO Capital Markets forecasts

Canadian Housing Soft Landing

Canada



Price gains slow

MLS Home Price Index = Controls for sales mix and quality changes Teranet/NB = Repeat sales

Huge Housing Divide

(C\$ 000s : nsa)

Average Home Price

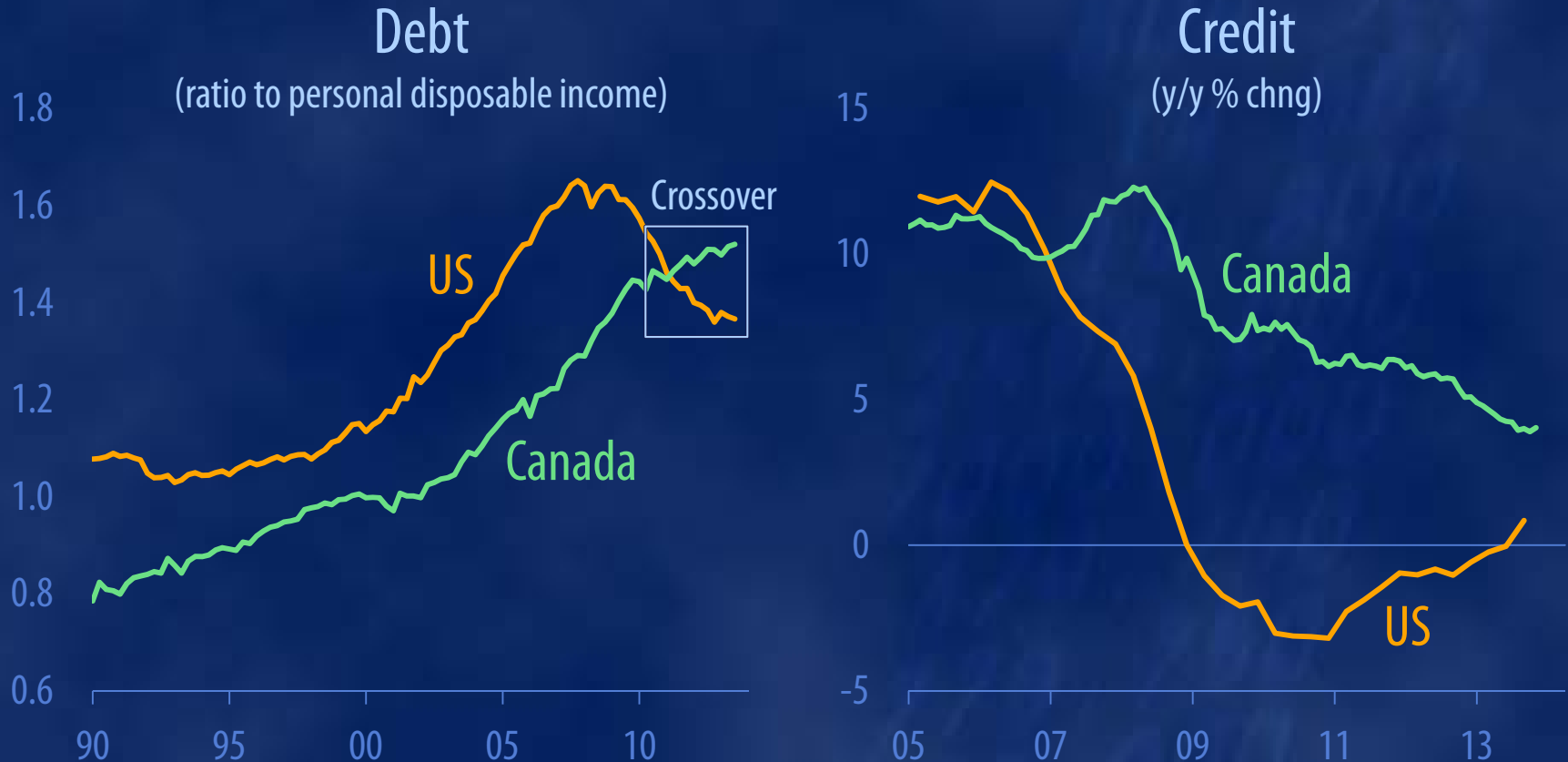


Average prices higher in Canada... with no mortgage interest tax deduction

US = single-family homes

Canadian Consumers Slow Borrowing

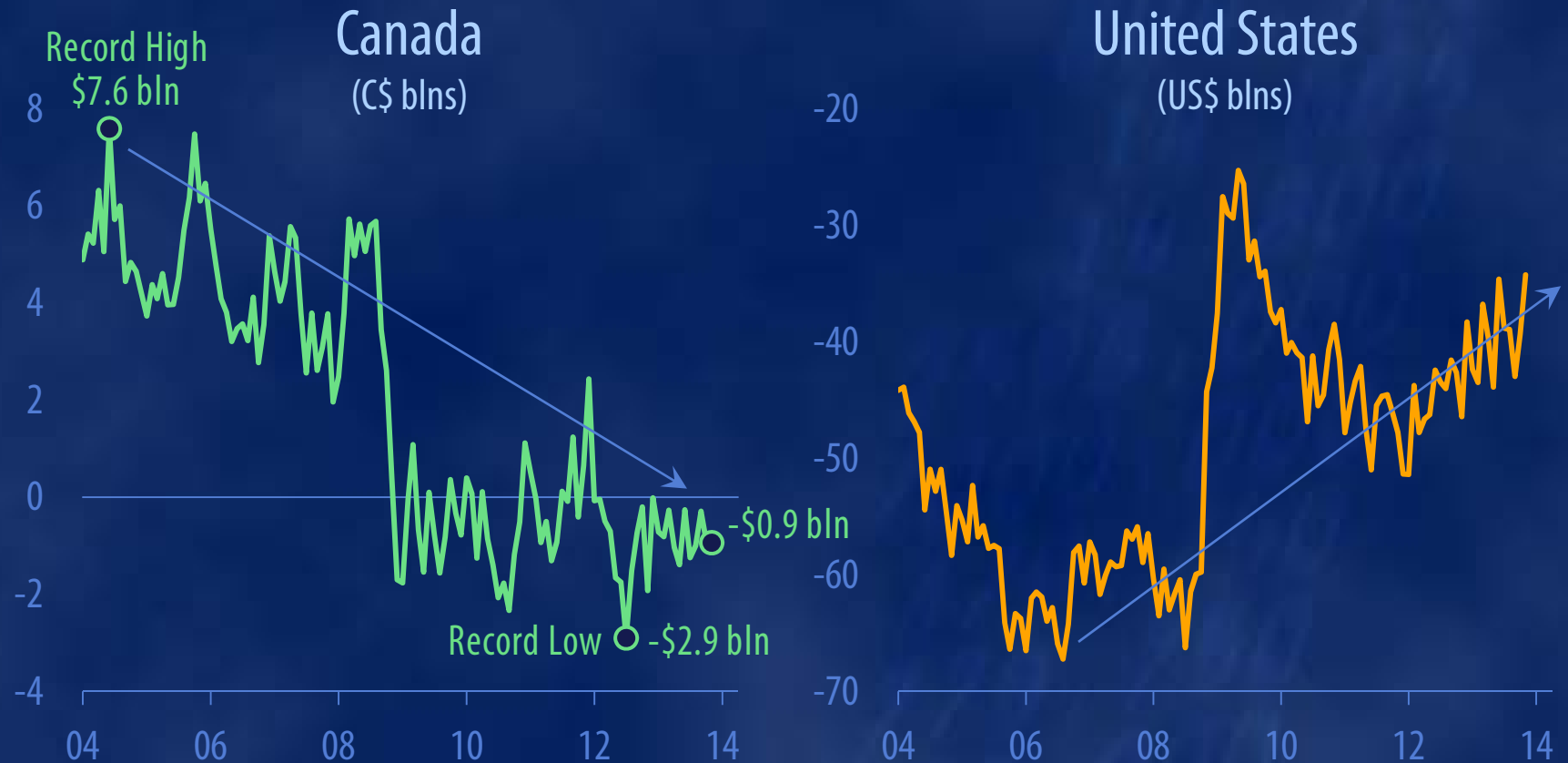
Households



Household Debt includes households, non-profits and unincorporated businesses
Household Credit = Consumer credit and residential mortgages only

Trade Balances: Diverging Paths

Trade Balance



US trade improves even as imports rise

Financial Markets



Fed tapers

Interest rates edging higher

US stocks perform well

TSX underperforms

Canadian dollar dives

BoC On Hold... Fed Tapers

(% : as of January 24, 2014)

Overnight Rate

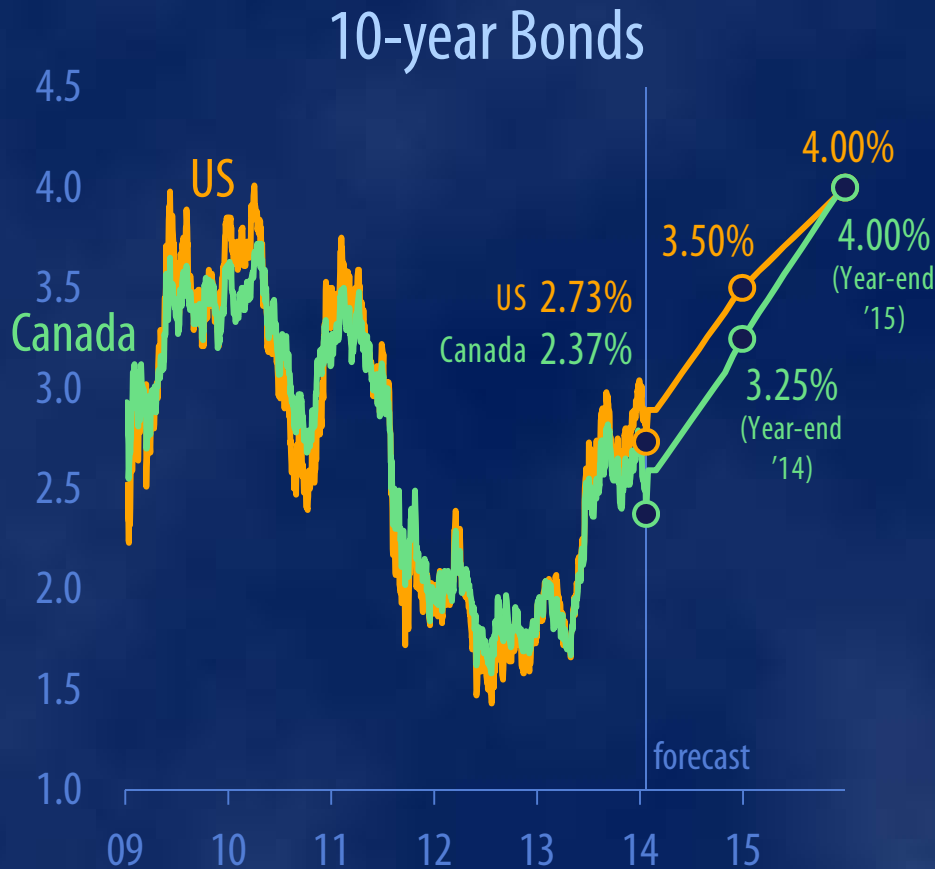


Fed commits to low rates until jobless rate < 6.5%

forecast = BMO Capital Markets forecasts

Long Yields Rising from Extreme Lows

(% : as of January 24, 2014)



Stronger US growth

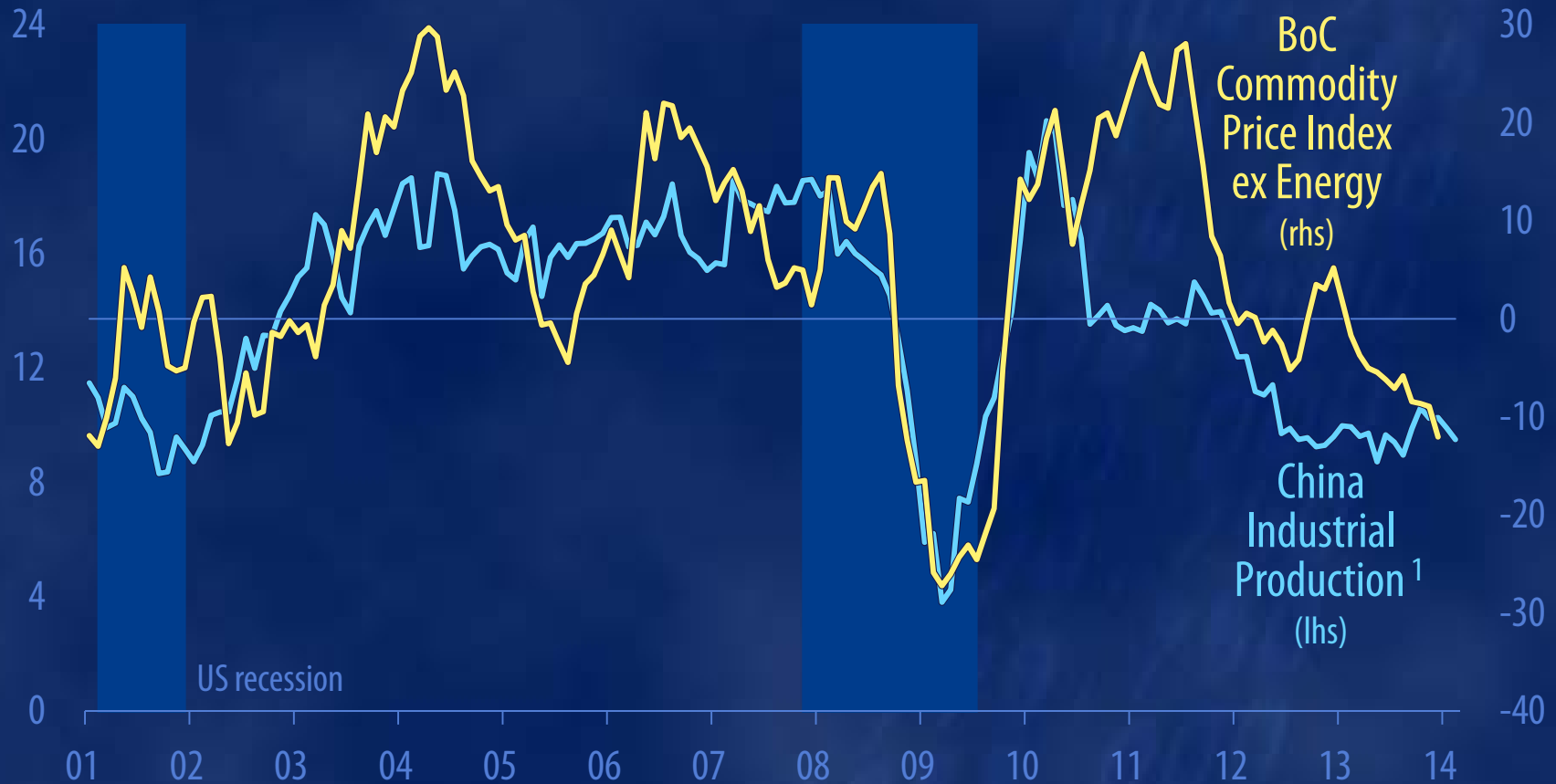
Fed tapers, end QE by 2015

Low inflation keeps rate rise modest

forecast = BMO Capital Markets forecasts

Commodity Boom Wanes

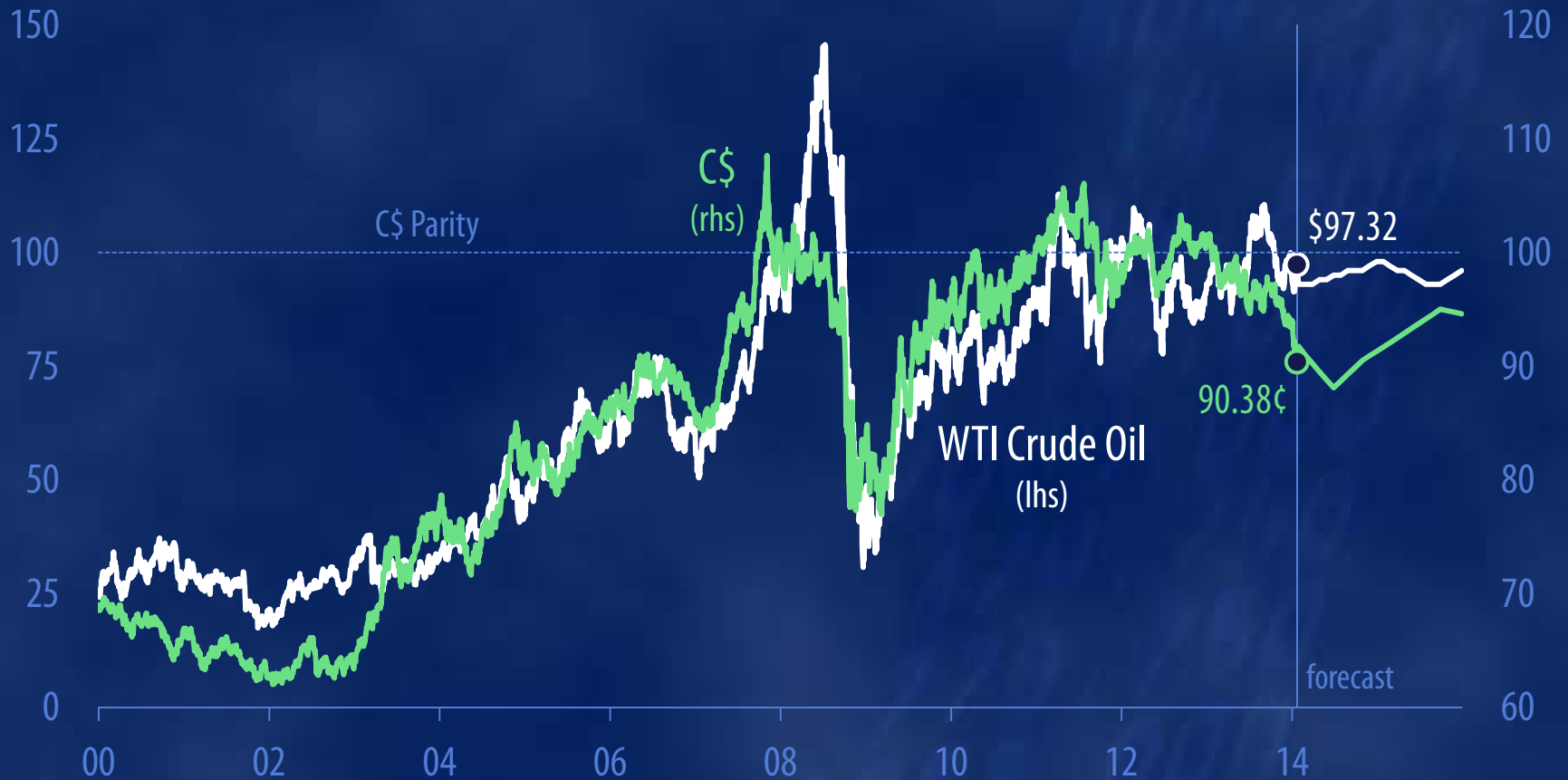
(y/y % chng)



1 (advanced 2 months)

Loonie Dives

(as of January 24, 2014)



forecast = BMO Capital Markets forecasts

WTI Crude Oil = (US\$/bbl)

Canadian Dollar = (US¢/C\$)

Loonie Losses Accelerate



Dovish Bank of Canada

Weak economic numbers

Trade

Employment

Canadian oil sector uncertainty

Weakest currency among world's majors

Canadian Stocks Underperform

(as of January 23, 2014)



Navigating Our VUCA World



Volatility

Uncertainty

Complexity

Ambiguity

Challenges can be opportunities

Ever-changing Competitive Marketplace



Creativity
Innovation
New technology
Price risk well
Adaptability
Flexibility
Productivity
Diversity
Think globally

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