TD SECURITIES DATA PREVIEW

Country	Release Date	Event	Consensus	TD Forecast
Canada	February 16	Manufacturing Shipments (December)	-5.5% M/M	-5.5% M/M

Economics: The Canadian manufacturing sector has been hit particularly hard by the dramatic slowdown in Canadian and U.S. economic activity in the past few months – and the automobile industry has been the main casualty. Moreover, with the outlook for both economies remaining very grim, there is little chance of a meaningful turnaround in manufacturing sector activity in the near term. For December, we expect Canadian manufacturing sector shipments to post its fifth consecutive monthly drop, with a big 5.5% M/M decline. This comes on the heels of the sharp 6.4% M/M plunge in November. As has been the case in the past, much of the weakness should come from auto-related shipments, though the plunge in energy prices is likely to further depress petroleum and coal sales, and the dismal export performance of the Canadian economy in December provides a grim foreshadowing of the likely outcome for manufacturing. Real sales are also expected to be quite weak during the month, and as such manufacturing sector activity should remain a drag on Canadian economic activity in Q4. In the coming months, we should see further moderation in Canadian manufacturing sector activity as the worsening global economic recession tempers demand for Canadian manufacturing products. – *Millan Mulraine, Economics Strategist, (416) 308 2911*

Foreign Exchange: There's no reason to expect anything good from the Canadian manufacturing shipments report on the 16th, with every single leading indicator that we know of in negative territory. That being said, although the Canadian data has surprised almost uniformly to the downside over the last few weeks, it has not been able to push USD/CAD much higher on a sustained basis, and USD/CAD continues to struggle above the 1.25 area. Therefore we don't expect to see much of a reaction to the dire manufacturing data, as equity action and risk sentiment dictate the broader currency trends.– *Jacqui Douglas, Currency Strategist, 416 982 7784*

Fixed Income: Given the absolutely atrocious outcome for Canadian exports in December, the manufacturing prospects cannot look very good. Although it is hard to fathom that another sharp drop could occur in December after the precipitous decline that took place in November, that is indeed where the risks lie. As a result, this economic indicator stands poised to generate a bond bullish signal for Canada, though we warn that there will be bigger fish to fry next week, including ample bond supply, the Fed Minutes, and the repercussions from the G-7 meeting on the weekend. Moreover, and perhaps most importantly, the Canadian bond market will be closed on Monday when this release comes out, so any response will be delayed at best. - Eric Lascelles, Chief Economics and Rates Strategist, 416 982 8979