



**Bank
Financial
Group**

TD Economics

Quarterly Commodity Price Report

April 3, 2009

PROLONGED GLOBAL RECESSION TO TEMPER COMMODITY RECOVERY IN 2010

In December, we lowered our commodity price forecast in order to reflect TD Economics' more pessimistic global economic outlook. This edition of the Quarterly Commodity Report comes with a sense of déjà vu, as the ongoing deterioration of the global economy has led us to once again reduce our forecasts.

Indeed, with economic weakness becoming more pronounced across the globe, we have downgraded our world real GDP forecast to a contraction of 1.6% in 2009, compared to a 0.5% gain projected in December. This would mark the first contraction on post-war record. What's more, with several uncertainties still surrounding the global financial system, the recovery will likely be later than originally thought, and much shallower. We now project the economy to bottom in the third quarter of the year (previously the second quarter), and to grow by only 2.2% in 2010, a full percentage point below our December call. Hence, economic activity will remain in recessionary territory of below 3.0% throughout the forecast period. In contrast, most forecasters are still betting on a global rebound of 3% or more next year.

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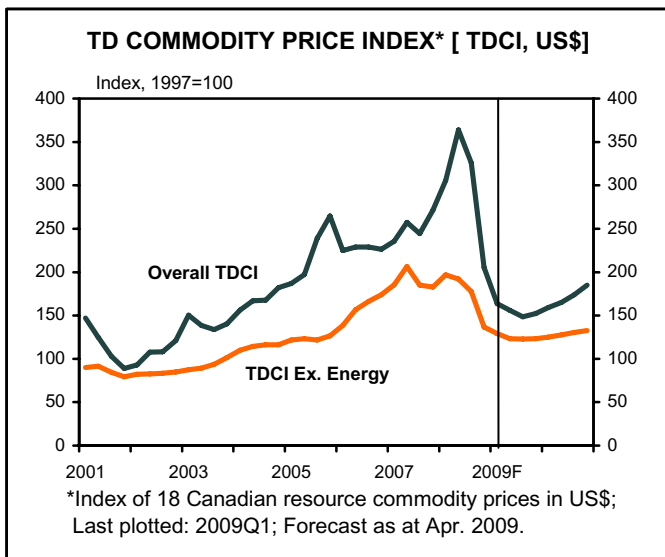
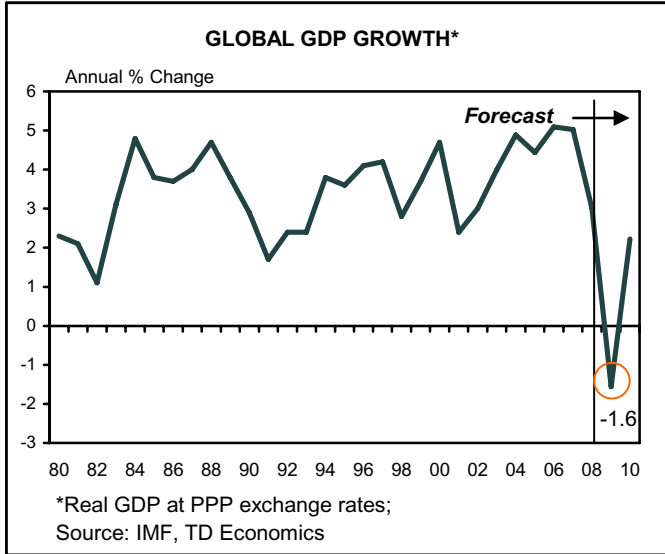
HIGHLIGHTS

- Reflecting TD Economics' gloomier outlook for global economic growth, our TDCI forecast has been revised down.
- The start of the recovery in commodity prices has been pushed out to the third quarter and the rebound through 2010 has been trimmed back to 25%
- Energy and base metals will be hit hardest this year, but to lead the recovery; precious metals to outshine in 2009, but to lose ground in 2010
- Supply overhang to limit rally in commodity markets throughout the forecast period

Slow recovery in commodity prices in 2010

Mirroring these global economic trends, commodity markets are in for a more prolonged period of weakness. While we have also delayed the start of the recovery to the third quarter, the subsequent bounce back in the TD Commodity Price Index (TDCI) through the end of 2010 has been scaled back to 25% from the 55% rebound that was built into our last price outlook. Excluding energy, the index will advance by a more muted 8% (previously 22%) next year.

Commodity bulls have been pointing to the recent resilience in crude oil and some metals as auguring the start of a renewed rally. Indeed, March represented the first monthly gain in the overall TDCI since July 2008. Their optimism has been grounded on some better-than-expected data releases out of the U.S., significant stimulus meas-



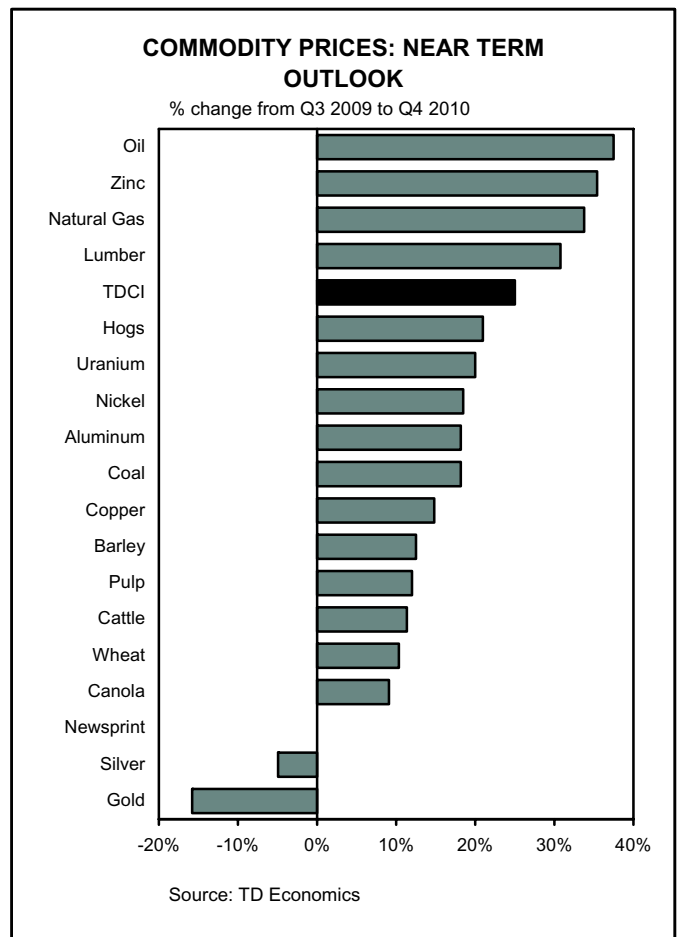
ures, hefty supply cuts and the likelihood that central bank actions to increase the money supply in countries such as the U.S., the U.K. and Japan will not only be inflationary, but also negative to the U.S. dollar. While we would concur that the U.S. dollar is probably likely to recede from its current levels, the major near-term impediment for the market – and a key reason why we believe the overall TDCI will shed a further 7% in the second and third quarters – is the likelihood that the news out on the world economy falls short of current expectations. As already noted, TD’s economic projections are on the pessimistic side of consensus for 2009-10.

While it is the case that production has been curbed in recent months, these curtailments have not prevented in-

ventories from growing dramatically. Our bet is that excessive stockpiles will continue to weigh on the market through 2010. Further downward adjustments to economic expectations should also help to ease inflation concerns related to the current actions of central banks, as an anemic pace of global recovery will buy the banks time to drain excess liquidity from the financial system before prices are able to gain much upward momentum.

Lastly, investment demand can’t be counted on to be a key driver of prices over the next 12-18 months. Equity markets, in particular, will be an attractive lure for investor flows once the global economy begins to recover. They have a major advantage in that they pay an income stream.

The accompanying chart highlights relative performances among the 18 commodities from their expected Q3 trough to the end of 2010. Undoubtedly, the energy and non-precious metals sectors are feeling the brunt of the recession, as demand for these commodities has deteriorated significantly in tandem with economic activity. As a



result, these sub-indices will experience the steepest peak-to-trough declines, falling 66% and 56%, respectively. However, these two sectors will also enjoy the largest rebound between the trough in 2009 and the fourth quarter of 2010, led by a 38% and 35% rebound in crude oil and zinc prices. Natural gas and lumber prices will also be among the top performers, with prices bouncing back by 34% and 31%, respectively. But even with this improvement, prices will remain well below their 2007-08 levels.

Bucking the trend of all other commodities included in the TDCI, precious metals prices have held up surprisingly well, largely due to demand for safe haven assets amid a

great deal of financial and economic uncertainty and increased fears of inflation. And given that several issues regarding the global financial system are still a big question mark, demand for these assets is unlikely to abate anytime soon. As a result, the precious metals sub-index will outperform this year, being the sole sector to post a gain. However, as the global economy begins to regain a solid footing in 2010, investors will be willing to hold riskier assets, thereby reducing safe haven – and precious metals – demand. Accordingly, the precious metals sub-index will remain an outcast next year, this time on the downside, as it declines by 7%.

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ENERGY

Crude oil prices to move sideways in 2009-10

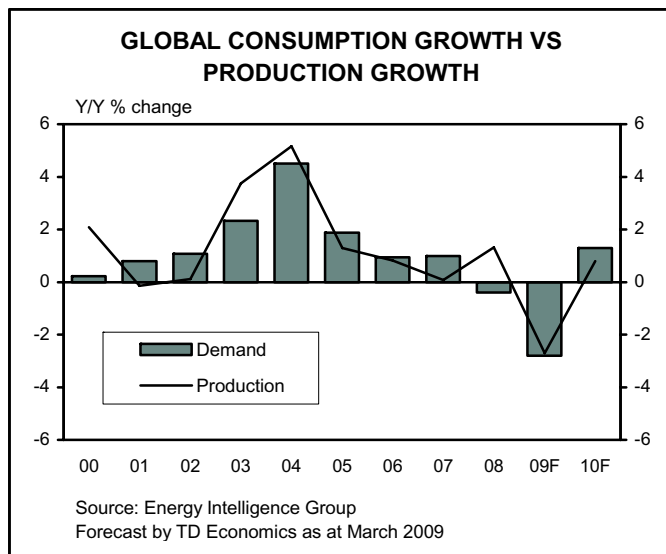
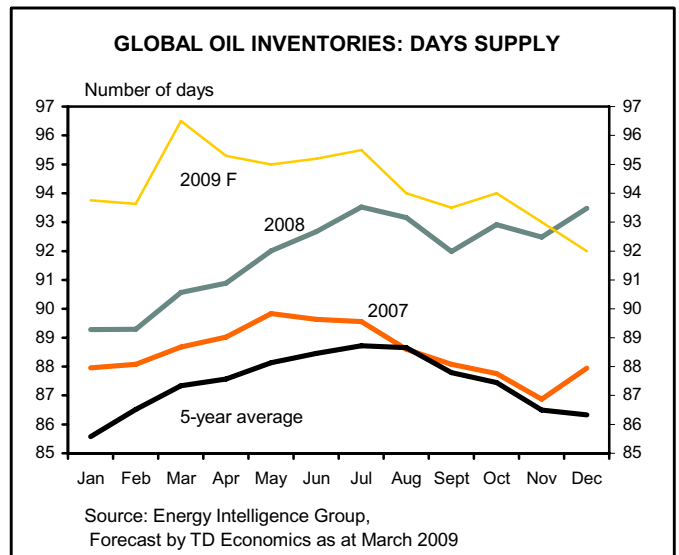
After a wild ride in 2008, crude oil prices have since settled down, trading in the US\$35-50 per barrel range for most of this year. The recent push above the US\$50 per barrel mark was driven by some optimism for a global recovery and actions by the U.S. Federal Reserve in an attempt to stabilize financial markets. However, we believe that this is nothing more than a bear market rally and will prove to be temporary.

To start with, the world is currently awash with oil. The contraction in OECD demand has spread throughout the rest of the world, driving global demand down 3.5% in January and February. Meanwhile, producers have been slow to respond, with world output only sliding 1.7% during the same period, after far outpacing demand in 2008. As a result, global inventories have climbed to 93 days supply, up from the 5-year average of 85 days.

Looking ahead we expect the supply overhang to grow, driven largely by ongoing weakness in demand. With the global economy expected to remain in recessionary territory in both 2009 and 2010, lower prices will do little to revive demand. Moreover, stimulus measures by various governments will only help to mitigate the downside, rather than give the economy a major boost.

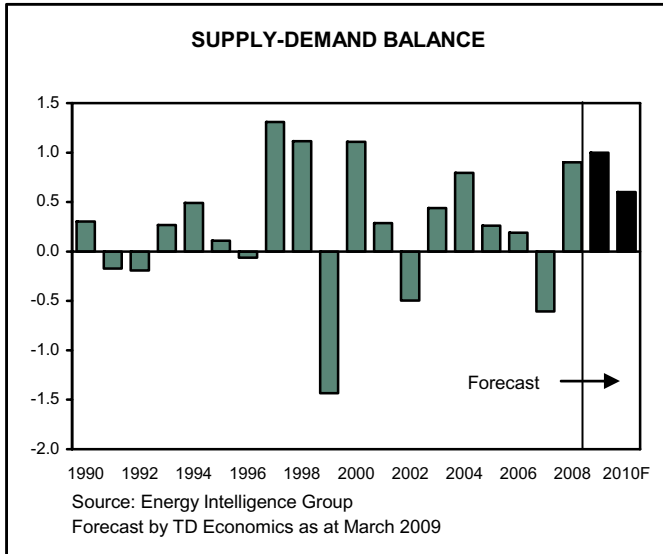
Oil producers will try to close the gap by reducing production. But with output in non-OPEC countries expected to be flat this year – with gains in Brazil, the U.S. and Azerbaijan largely offset by declines in Mexico, the North Sea and Russia – it will be up to OPEC countries to cut

ENERGY PRICES: RECENT PERFORMANCE AND FORECAST						
	Price Level* Mar-09	Unit	Month/ Month % Chg	Year/ Year % Chg	Forecast Level	
					Dec-09	Dec-10
Crude oil	47.87	US\$/barrel	27.0	-49.1	40.00	55.00
Natural gas	3.97	US\$/MMBtu	-5.7	-57.7	4.20	5.15
Thermal Coal	61.37	US\$/mt	-6.0	-48.6	55.00	65.00



production in order to stabilize the market. OPEC has stepped up to the plate, reducing production quotas by 4.2 million barrels per day since September, however compliance is only at about 80% and the cartel indicated that it intends to boost compliance rates rather than making additional cuts to quotas. We are skeptical that higher compliance rates will be met, as member countries are heavily reliant on oil revenues.

As such, the fundamental picture will be slow to improve over the next 12-18 months, suggesting that a sustained rally in prices remains a distant possibility. With OPEC slashing production, spare capacity – which was of great concern less than a year ago – will rise. And with a significant amount of capacity expansions underway in several OPEC countries, most notably in Saudi Arabia, this excess capacity is estimated to hit over 4 million barrels



per day in 2009-10, up from the 1997-2007 average of 2.8 million barrels per day. As such, any risk premium associated with supply shortages will remain muted.

Furthermore, while there is some chatter that speculators will once again drive the price of oil up on expectations of a significant rebound in demand, we don't give much credence to this argument. For one, speculators and hedge funds will be very cautious about reentering the market given the events of the past year. Moreover, investors will have a variety of asset classes to choose from by next year such as equities, which unlike commodities, pay an income stream.

While there is some risk that inflation could return as a result of recent central bank actions, driving up demand for oil as a hedge, we don't expect inflation to be an issue until the economy finds a solid footing in 2011. And even then, the tepid pace of the recovery will give central banks time to remove stimulus before price pressures get out of hand. As such, we expect oil prices to move sideways in 2009 before beginning a very shallow recovery in 2010. For a more detailed analysis, see a recent report entitled "When Will We See A Sustained Recovery in Oil Prices?" available on our website.

Industrial demand to drive natural gas prices in 2009

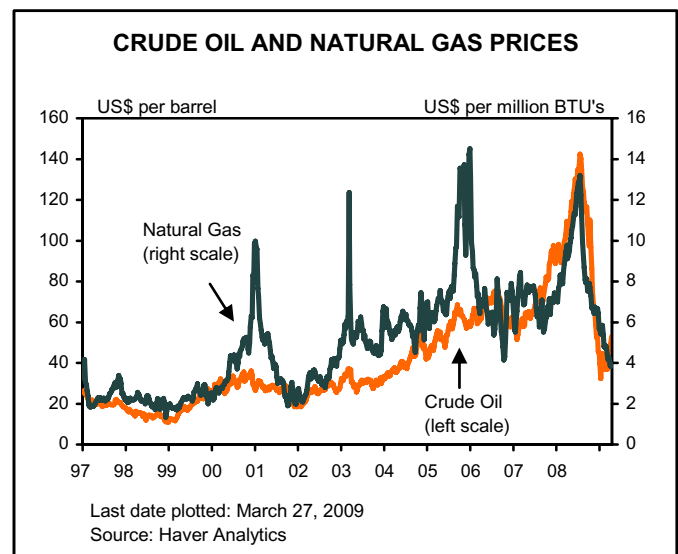
The natural gas market has been unable to halt the rapid decline in prices that began in mid-2008. Prices have fallen by over 70% since peaking last year, breaking below the US\$4 mark on a sustained basis for the first time since 2002. While the slump in the crude oil market has definitely had an impact, natural gas prices have been primarily influenced by the deterioration in supply and demand

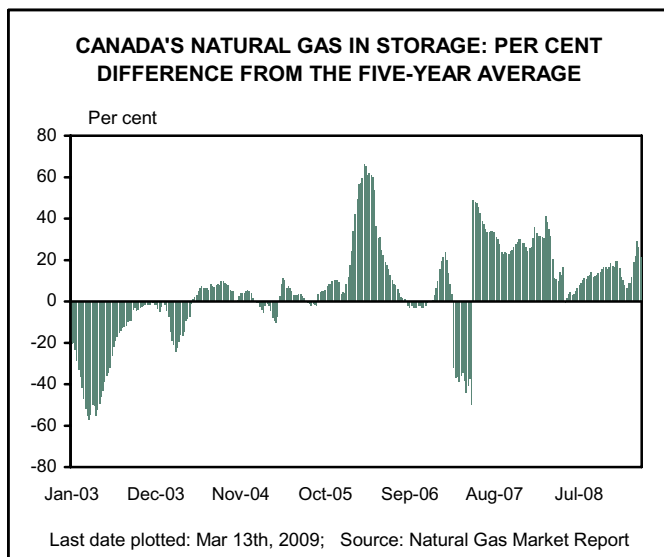
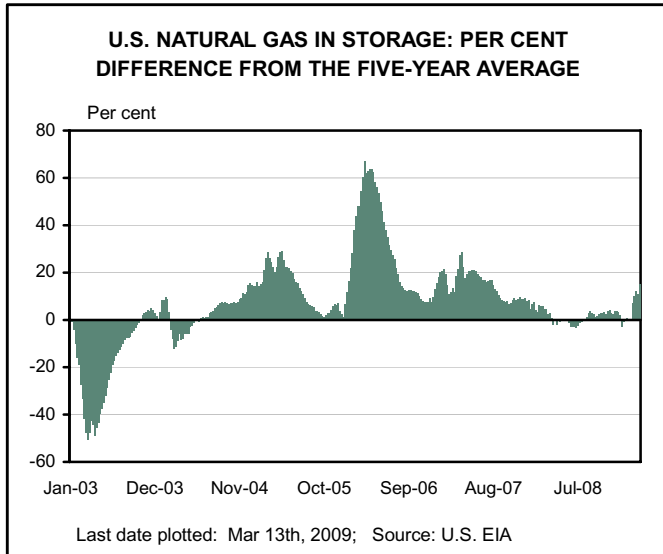
fundamentals.

Typically, natural gas demand is very seasonal, with consumption at its highest during the winter heating season. However, the story was quite different this year. While residential consumption growth was slightly positive compared to last year's heating season, weakening economic conditions led to a substantial decline in industrial demand, which more than offset this growth. As such, the withdrawal from storage has been much slower throughout the season than in past years. Indeed, in March, inventories in the U.S. were 15% ahead of the five-year average, and 25% above year-ago levels. Similarly, in Canada, storage levels were over 20% higher than the 5-year average. At this rate, we will enter the April-October injection season with storage levels nearly 20% above average.

The build in inventories has largely been a demand-side story, as low prices have indeed prompted a reduction in North American rigs counts. Since October of last year, rig counts have been on a steady downtrend, and this is likely to continue given that there is usually a 3-6 month lag before rig counts respond to price changes, and prices have continued to trend lower. Still, an increase in horizontal drilling in the U.S. will offset some of these declines, yielding a flat production performance in the country in 2009. Lower production is expected in 2010 due to a weaker handoff from this year.

Also weighing on prices lately has been expectations of higher North American LNG imports this year. With LNG capacity rising, notably in Qatar, Indonesia and Yemen, and waning demand in traditional importing countries, LNG shipments will likely be diverted to the U.S. and Canada, where there is surplus storage capacity. However, there





is a risk that delays in this new capacity and stronger-than-expected demand could prevent this surge in LNG imports from taking place.

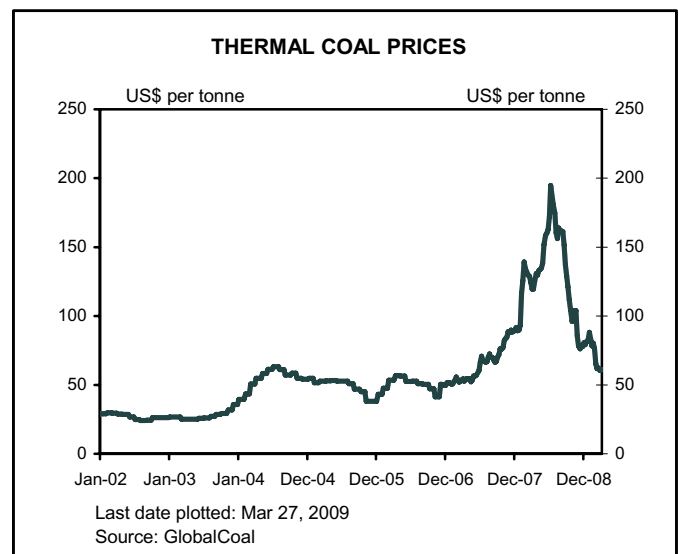
As was the case this past winter, industrial demand will likely be the dominant driver for most of this year, as the global economy sinks deeper into a recession. As well, lack of upward pressure from other energy commodities – given a sideways performance of crude oil prices – will help keep natural gas prices depressed. Accordingly, we expect prices to slide further this year, averaging below US\$4 in the second and third quarter. Prices should begin to rise ahead of the winter heating season, and continue a modest recovery throughout the remainder of the forecast period. Obviously, there is some upside risk to this fore-

cast should the U.S. experience an active hurricane season, however these events are impossible to predict.

Coal prices slide on excess supply

In line with the rest of the energy complex, thermal coal prices continued to slump in the first quarter, falling 16% to a 21-month low. As heavy industrial production slowed amid the global economic slowdown, demand for coal has also weakened considerably – particularly in Japan and Taiwan, where consumers are trying to postpone shipments. As such, the world's largest export terminal at Newcastle, Australia looks very different now than it did during the first half of last year, as it went from struggling with bottlenecking issues to under-utilization. Indeed shipping queues are now sitting at their lowest level in over two years, with suppliers finding it difficult to fulfill their export quotas.

Meanwhile, supply has continued to flood the market as producers have been slow to respond to the sagging demand. Moreover, since the thermal coal market has held up better than the coking-coal market, producers have been shipping lower-grade coking coal to power stations, increasing supply of the former commodity even more. As a result, prices will likely remain under pressure for the remainder of this year, not improving until industrial demand begins to pick-up, probably in 2010. China remains one bright spot, as coal accounts for nearly 80% of its electricity generation. Furthermore, in its fiscal stimulus plan, the Chinese government approved the construction of new power plants, which will give demand a boost down the road. So while borderline now, China will likely become a permanent coal importer within a few years.



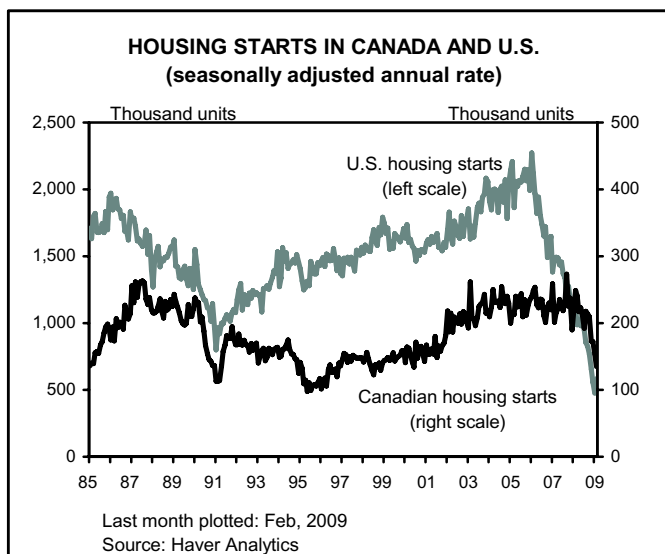
FORESTRY PRODUCTS

Downside for lumber prices appears limited

The North American lumber market continues to be pounded as the U.S. housing sector remains in the doldrums and the Canadian homebuilding ratchets down substantially. Lumber prices are now below the levels seen during the housing correction of the early 1990s, and only slightly above 1985 levels. Inflation adjusted, prices are the lowest on record going back to 1985.

While the U.S. housing market has yet to turn around, improvements in credit conditions – in particular, U.S. 30-year mortgage rates have fallen to an all time low – and significant declines in home prices have led to increased housing affordability. However, the new home market remains under considerable pressure, as housing starts in February were at their lowest level on record (1959) and inventories remain in record territory at over 12 months supply. TD Economics forecasts housing starts to remain at record lows throughout the forecast period, averaging about 440,000 units in 2009 and 530,000 units in 2010. With home construction accounting for almost half of all U.S. consumption, lumber demand Stateside will remain quite weak for some time.

In Canada, after proving to be quite resilient through most of 2008, at more than 200,000 units, housing starts have since plunged, reaching an 8½ year low of 134,000 units in February. Unfortunately, we expect this figure to deteriorate even further as we move through the forecast period, averaging only 125,000–130,000 units. As a result, lumber producers in Canada are no longer able to look to



FOREST PRODUCT PRICES: RECENT PERFORMANCE AND FORECAST						
	Price Level* Mar-09	Unit	Month/ Month % Chg	Year/ Year % Chg	Forecast Level	
					Dec-09	Dec-10
Lumber	195	US\$/thous. board feet	-3.5	-19.3	200	255
Pulp	667	US\$/mt	-3.0	-25.0	640	700
Newsprint	705	US\$/mt	-4.1	10.2	600	650

strength in their home market to prop up sales.

The ongoing deterioration in lumber demand has triggered some supply-side response, as North American production plummeted 18.5% in 2008, marking the steepest decline in over 40 years, and the lowest output level since 1984. Still, excess supply remains in the market, as the plunge in demand has been even greater. As such, further mill downtime or closures will be necessary in order to restore balance in the market.

For some Canadian producers, these tough times are about to get even worse, with the ruling on the Softwood Lumber Agreement (SLA) discrepancy. An international arbitrator ruled that sawmills in Quebec, Manitoba, Ontario and Saskatchewan were in violation of the SLA and are required to pay an extra 10% export tax (in addition to the 5% already in place) on lumber sold to the U.S. until C\$68.26 million has been paid.

With current prices already below the cost of production, the downside for lumber appears limited. We expect prices to remain in their current range of US\$190-200 for the remainder of the year, before embarking upon a very gradual recovery in 2010. On the upside, China will likely step up purchases of North American lumber once the Russian log export tax is implemented later this year, providing some much needed additional demand.

Newsprint prices succumb to recessionary pressures

After being the only commodity in the TDCI to record a gain in the fourth quarter of last year, newsprint prices finally succumbed to the pressures of a global economic recession. Still, at 7.8%, the magnitude of the price decline from its peak in November pales in comparison to the double digit losses experienced throughout the rest of the commodity complex. Nonetheless, prices will only retreat

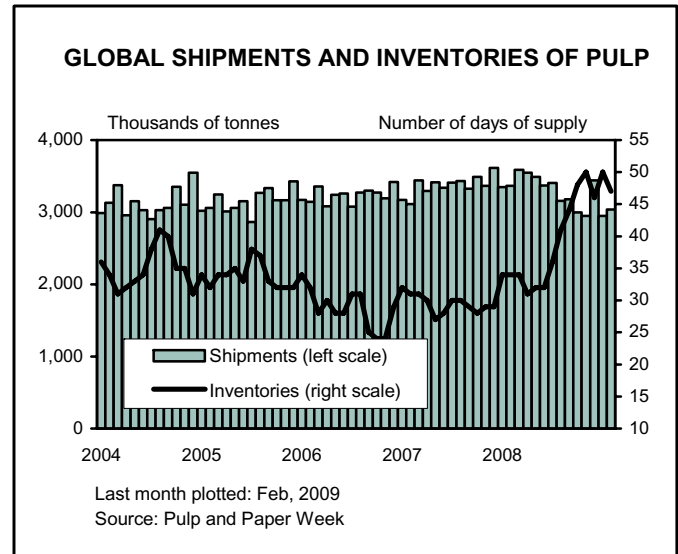
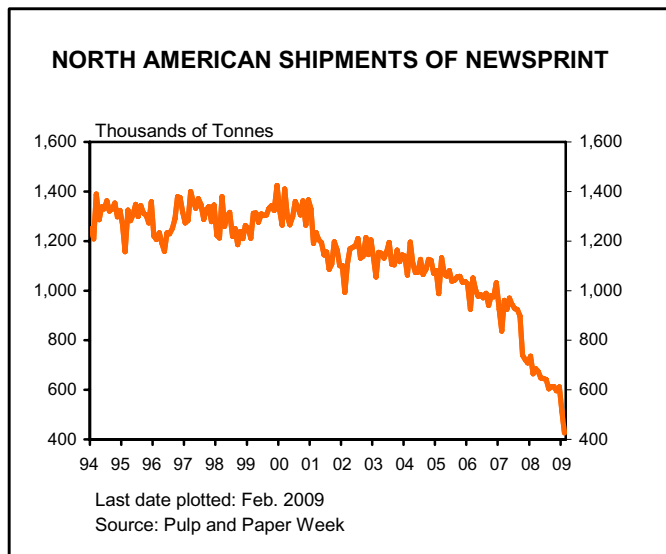
further as producers struggle to match supply with shrinking demand.

Despite the preceding run-up in prices, newsprint consumption in the U.S. has been on a steady downtrend, with demand in February sliding by 33% from year-ago levels – the worst single monthly year-over-year decline on record. In the midst of a precipitous drop in advertising income, publishers are being forced to reduce production costs by eliminating entire sections or publishing days. What's more, foreign demand, which had been keeping North American newsprint demand propped up, has also begun to weaken, due in part to the appreciation of the U.S. dollar and a significant price differential compared to European prices. As a result, exports outside North America plunged 31% in February.

Producers have responded by increasing mill downtime; however, the drop in output has not been enough to offset plummeting demand, resulting in a jump in inventories to 50 days supply in February, compared to 40 days a year ago. While producers are determined to curb output further in order to balance the market, we suspect that this process will take time and that the large inventory overhang will drive prices down even more throughout the rest of 2009. Moreover, many publishers will likely delay new purchases in the coming months as they wait for additional price cuts, and instead work down their inventories. By early 2010, the market will likely be more balanced, allowing prices to stabilize and begin a slow recovery alongside the economy.

Price competition to dent NA pulp demand

Despite several North American mill closures, particu-



larly in Canada, pulp production continues to outpace waning demand, resulting in mounting inventories. Indeed, at 47 days supply in February, producer inventories were 13 days higher than year-ago levels, and only slightly down from the record high of 50, seen in November and January. Hence, it comes as no surprise that pulp prices have now fallen for seven consecutive months.

Demand from China has been a key source of strength for North American pulp producers, with shipments to the country in the first two months of the year up 51% from year-ago levels. But the paper industry in China has shown signs of slowing, which will ultimately result in lower pulp consumption. In fact, while the year-over-year rise is impressive, exports to China were down 30% in February, compared to December's record high, suggesting that inventories in the country are building. Furthermore, North American prices are still higher than some other producing regions – notably Latin America where cost structures are lower – eroding competitiveness in foreign markets.

Nonetheless, the Chinese market still provides some optimism for pulp producers, as demand, although showing signs of weakness, is still quite healthy relative to historical norms. However, fierce price competition and the bleak outlook for the paper industry in Europe and the U.S. will continue to take a toll on North American pulp demand, likely leading to an even bigger build in inventories in the coming months. As such, pulp producers still have a lot of work to do in order to bring the market into balance. We expect prices to continue to trend down in 2009, before staging a modest recovery in 2010 as production curtailments kick in and demand begins to improve.

NON-PRECIOUS METALS AND MINERALS

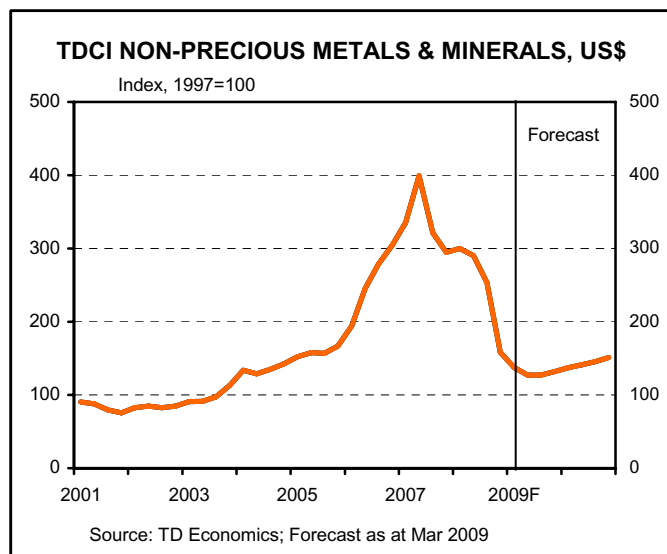
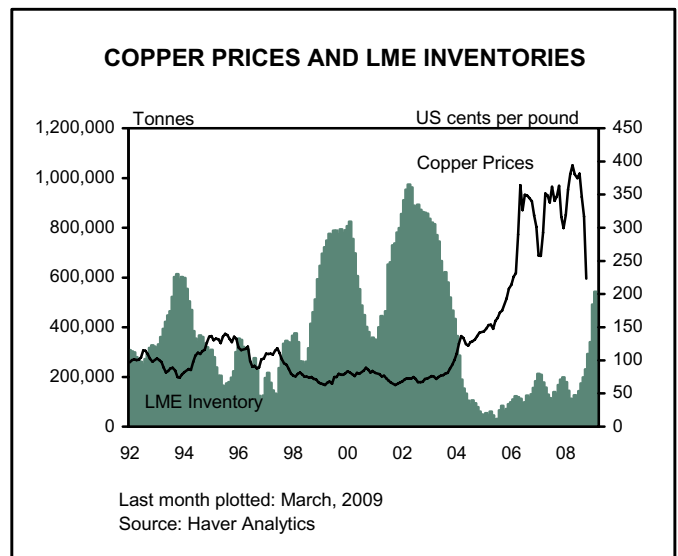
Mounting inventories to cap recovery in metals prices

Like energy prices, non-precious metals and minerals prices have been hit extremely hard by the global economic downturn, as demand has fallen off a cliff. In the first quarter, the sub-index sank 14% on average, following a 50% slide during the second half of 2008. Aluminum and copper prices accounted for the lion's share of the first quarter decline, as the downtrend in nickel and zinc prices decelerated given their already very depressed levels.

Still, some metals prices – notably copper and zinc – did see some upside in March, as evidence of a surge in Chinese imports instilled increased optimism in the markets. But this sudden inflow of metals largely reflects stock building by China's State Reserve Bureau (SRB). While the SRB buying could help to support the domestic industry, it could ultimately have some negative implications for the metals market in the short term. One risk is that Chinese producers step up production in view of these purchases. As well, should the SRB stop buying up the overhang in the market, prices could quickly reverse course. Lastly, given that underlying demand for metals in China is not increasing, the accumulation of the SRB is essentially reallocating global excesses, which in effect could keep global metals prices under pressure.

Going forward, the deep global recession will continue to dampen actual demand for base metals, and supply surpluses and swollen inventories will limit any upward price

METAL AND MINERAL PRICES: RECENT PERFORMANCE AND FORECAST						
	Price Level* Mar-09	Unit	Month/ Month % Chg	Year/ Year % Chg	Forecast Level	
					Dec-09	Dec-10
Aluminum	60.45	US cents/lb	8.0	-52.3	57.00	65.00
Copper	161.07	US cents/lb	19.6	-52.6	140.00	160.00
Nickel	4.41	US\$/lb	-0.6	-67.8	4.80	5.50
Zinc	54.84	US cents/lb	15.7	-45.3	50.00	65.00
Uranium	43.06	US\$/lb	-5.6	-41.8	47.00	54.00



momentum over the 2009-10 period. Copper prices, which are still very close to the marginal cost of production, likely have the most room to fall, while the rest of the base metals prices are already well below marginal costs. The zinc market looks poised for the best performance, as supply side responses in that market were much quicker to take place. Overall, we expect the sub-index to fall by a further 5-10% this year, before recording a modest rebound of 11% in 2010.

Copper surplus to grow significantly in 2009

While copper is the most susceptible of all base metals to the adverse impacts of the global economic recession, prices have managed to eke out some gains over the past month. The strength was due in part to the increased buying by the Chinese government, although higher demand

for primary copper as a result of low scrap metal availability also gave prices a boost. But even with renewed price strength, prices are still down 35% this year, and are over 50% below year ago levels. Looking ahead, we see little scope for an improvement in consumption trends, given the likelihood of continued depressed spending in the U.S. and European construction sectors into 2010. There does however remain some optimism about the Chinese market, as the fiscal stimulus plan implemented by the government put a lot of focus on construction projects. Nonetheless, officials have stated that underlying copper demand is quite sluggish in the country. And in the event that the stimulus plan fails to go ahead as planned, consumption in China could fall even further.

On the supply side, while there have been several announcements of mine closures, supplier response to lower demand and prices has not been sufficient. LME inventories have risen 50% since the start of the year, and are more than triple year-ago levels. And with a recovery in global demand not likely to occur before early 2010, the surplus in the copper market is on track to grow significantly this year. Moreover, given that mine capacity is still expected to expand throughout the next four years, supply-side management is going to be key to lifting prices. We expect that this supply overhang in the market will more than offset any optimism regarding Chinese demand, driving copper prices down 10% through the third quarter of 2009. In 2010, a very tepid pick-up in demand and a slight narrowing of the surplus will lift prices by a modest 5%.

Zinc prices poised for best performance in 2010

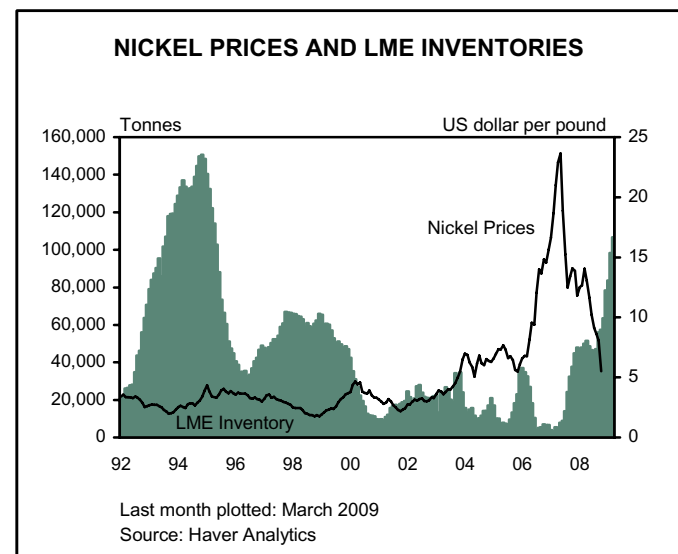
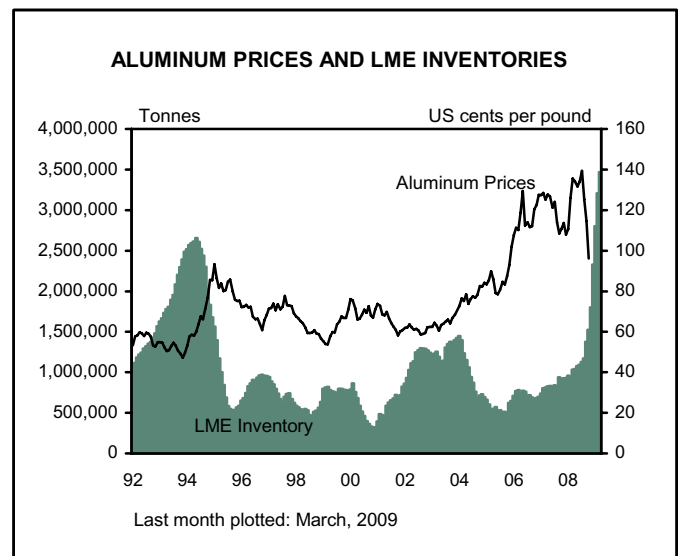
Aluminum prices underperformed during the first three months of the year, as they continued to play catch up to the large reductions recorded in the nickel and zinc markets beginning in the second quarter of 2008. With supply adjustments inadequate to offset the drop-off in demand, LME inventories of all three metals have surged.

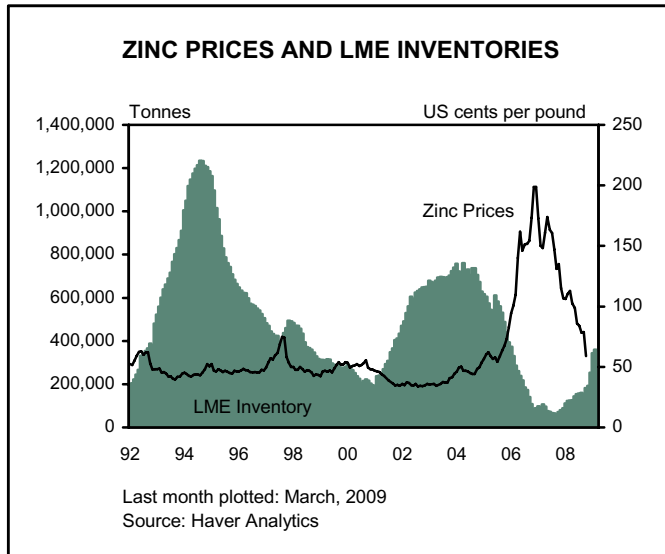
Indeed, aluminum stockpiles are sitting at the highest level on record, with enough supply to cover seven weeks worth of worldwide consumption. While production cuts have begun to take place outside of China, with output in February down 6% from the recent peak in October, an increase in Chinese production more than offset that decline. As a result global production is up slightly, suggesting that more curtailments will be required to put a dent in inventories – especially since demand conditions have be-

come quite dire due in large part to the massive plunge in auto manufacturing, a key aluminum consumer.

Similarly, the ongoing contraction in the stainless steel sector – which saw production slide 40% in December – has slashed nickel demand, driving inventories of the metal up past the psychological 100,000 tonne mark to levels not seen since 1995. What's more, while some producers have curbed output, much of the news now emanating from the supply side is for increased future production, with new projects – including Goro, Onca Puma and Ravensthorpe – set to come on stream between 2009 and 2011.

What separates zinc from the rest of the base metals is the fact that demand was slowing down throughout all of 2008, rather than just the second half, as galvanized steel producers – zinc's key consumer – were quick to cut out-





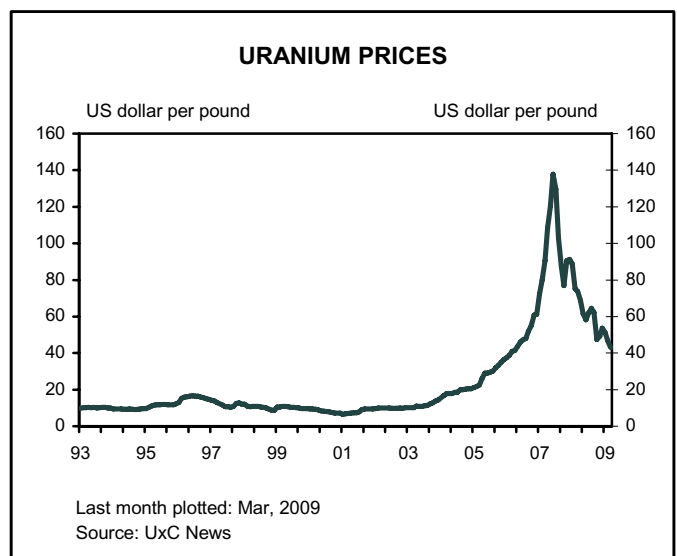
put. As such, the supply response from zinc producers has been quicker than that of other base metals. Nonetheless, inventories have continued to mount, though they are still on the low side relative to historical levels.

Going forward, zinc appears to be in a better position for a sustained recovery than any other metal. First off, given that demand has been sliding for over a year, the extent of a further sizable contraction in consumption appears relatively limited. As well, the prompt supply side adjustments in the galvanized steel industry has likely prevented a massive build in inventories, allowing production in that sector – and hence zinc consumption – to pick up alongside demand. This is in contrast to some other end-use sectors, which are currently awash with metal supply, and will need time to work down inventories before normal consumption levels are restored. Moreover, several production cuts in the zinc market are permanent, and other plants that were idled are unlikely to come back on line until prices have stabilized at higher levels. Thus, zinc prices won't face the same pressures as the other metals prices, whose gains will be limited by ongoing capacity expansions. Look for zinc prices to bottom in the second quarter of this year, before bouncing back by about 38% by the end of 2010. Nickel and aluminum prices will also turn the corner in 2010, however their recovery will be much more gradual, as sky-high inventories prevent a strong rally.

Sluggish demand weighs on uranium prices

After staging their third short-lived rally late last year, uranium prices have since reversed course, falling 20% to levels not seen since April 2006. Much of the declines stemmed from a lack of demand, as utilities have sufficient inventories and the financial crisis has limited the ability of some buyers to purchase fuel on the spot market. With spot demand still highly discretionary, suppliers have been chasing prices down in order to secure deals. While investment demand played a key role in the uranium market last year, the bulk of the sales made this year have been to utilities, as they look to lock in these bargain prices.

How far prices slide will depend on how low sellers are willing to go. It is clear that discretionary demand is price sensitive, so as prices fall, demand will pick up. But similar to the past few rallies, increased demand at these low levels will force prices to bottom, leading to another rebound. With prices already extremely depressed, we expect a trough to be reached in the second quarter of this year. As we head into 2010, prices will slowly begin to rise as utility inventories are worked down and the onset of a global economic recovery triggers increased power demand. Investment demand will likely remain on the sidelines, with other asset classes viewed as more attractive options.



PRECIOUS METALS

Safe haven demand to buoy gold prices in 2009

Precious metals have definitely been living up to their name as a safe haven asset, as the sub-index was alone in posting a gain in the first quarter – and a double digit gain to boot. Gold prices have remained above US\$900 through most of February and March as uncertainty surrounding the global economy and the financial sector continued to dominate the markets. As well, heightened fears regarding the impact of quantitative easing on inflation and the value of the USD have also given the metal a boost. Historically, gold has moved in the opposite direction to the USD (vs the euro). But in January, this negative relationship began to break down, with both prices moving in the same direction, as the USD also benefited from investors flight to safety.

But even with investors increasingly looking to the USD as a safe store of value, investment demand for gold is still on the rise. While traders were unwinding paper holdings during the fourth quarter of last year, this trend has since reversed course, with non-commercial net long positions on the COMEX rising by over 30% this year. Investor demand for physical bullion, which never really lost its luster, has continued to soar this year, with Exchange Traded Fund (ETF) holdings (backed by physical bullion) reaching record levels of over 1,300 tonnes this year.

Going forward, a further deterioration in global economic conditions will likely trigger more risk aversion, and hence investor interest in the yellow metal. As well, we suspect that the greenback will succumb to the pressures



PRECIOUS METAL PRICES: RECENT PERFORMANCE AND FORECAST						
	Price Level* Mar-09	Unit	Month/ Month % Chg	Year/ Year % Chg	Forecast Level	
					Dec-09	Dec-10
Gold	924.48	US\$/ounce	-3.6	-0.6	935.00	800.00
Silver	13.14	US\$/ounce	-1.0	-23.7	13.00	12.50

of weak domestic growth, near-zero short-term interest rates and a massive budget deficit, falling to about 65-70 US cents against the euro by the end of this year. And while we have seen some disconnect in the traditional relationship between gold and the USD, we expect that the negative correlation will be restored as the greenback becomes a less attractive investment tool. As such, there exists some upside for gold prices, though the trading range will remain quite tight. Further out in 2010, gold prices will be pressured down as economic conditions improve, the USD reverses course, and other assets such as equities are in recovery mode. Inflation will remain a concern. However, a relatively weak economic recovery will afford central banks some time to pull liquidity out of the financial system prior to these price pressures breaking out.

Silver to outshine gold in 2010

While silver's industrial nature dominated price movements during the fourth quarter of 2008, its safe haven, precious metal characteristics took the reigns in January. Indeed, worsening economic conditions and a rally in gold prices drove silver prices to outshine its yellow counterpart, surging 22% during the first quarter. As a result, the gold:silver price ratio fell to the (still elevated) 70:1 mark, from a 13-year high of 85:1 in November.

Similar to gold, while demand for paper holdings began to recover gradually from its steep drop during the second half of 2008, ETF holdings were quite resilient during the final quarter of the year, suggesting that the physical market remains quite healthy.

Silver prices will continue to benefit from safe haven asset buying this year, but like gold, will come under pressure next year as a recovery in the global economy begins to take shape. However, a pick-up in industrial demand towards the end of 2010 will help to mitigate the downside, bringing the gold:silver price ratio down to the 60-65:1 range.

AGRICULTURAL PRODUCTS

Agricultural sector holding up well

During a recession, agricultural prices tend to hold up a little bit better than some other commodities, given that people still need to eat. Hence, after an improvement in the fundamental picture sent prices on a downward spiral during the second half of last year, agricultural prices have since held up quite well compared to all other commodities – with the exception of precious metals – with the sub-index falling by a meager 2.2% in the first quarter.

Crop prices got a little boost in January from the severe drought in Argentina, which led to uncertainty surrounding global supplies – particularly corn and soybeans. A lower corn supply would result in increased feed demand – and prices – for barley and wheat, while reduced soybean production would support canola prices. Heavy rainfall in February eased these concerns, allowing crop prices to succumb to the downward pressures of bumper crops across the board and weakening demand.

Livestock prices are a little bit more sensitive to economic conditions given that high-quality meat is highly correlated with income. Still, prices held firm in January, before evidence of waning demand – both domestically and abroad – offset the decline in inventories. The typical ‘grilling season rally’ which normally begins in March-April will likely be delayed this year as the deterioration in the global economy weighs on demand. But with the Country of Origin Labelling (COOL) legislation expected to result in lower U.S. meat supply, livestock prices are likely to out-

AGRICULTURAL PRODUCT PRICES: RECENT PERFORMANCE AND FORECAST						
	Price Level*	Unit	Month/ Month % Chg	Year/ Year % Chg	Forecast Level	
					Dec-09	Dec-10
Wheat	307.55	US\$/tonne	-0.4	-47.5	300.00	325.00
Barley	128.05	US\$/tonne	2.9	-37.6	120.00	135.00
Canola	354.19	US\$/tonne	0.4	-42.1	325.00	360.00
Cattle	84.33	US cents/lb	1.0	-5.6	90.00	98.00
Hog	61.54	US cents/lb	-18.0	6.5	65.00	75.00

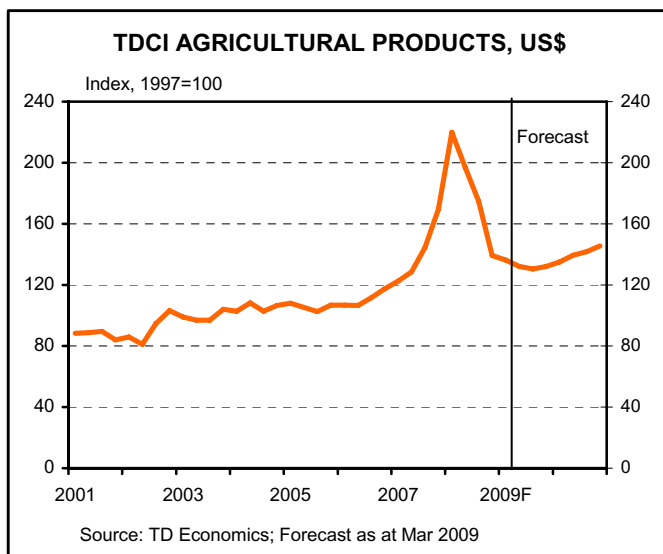
perform crop prices this year, as they begin to rise in the second quarter. Overall, we expect the agricultural sub-index to slide by a further 5% during the second and third quarters of this year, before rebounding by about 10% through the end of 2010.

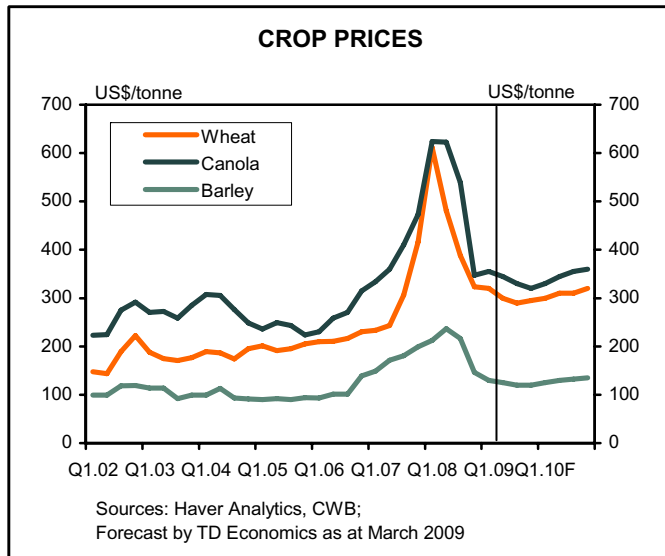
Balanced crop markets to limit recovery

Following a year of record production levels, crop markets are now in a more balanced position. Indeed, global wheat ending stocks are on track to reach their highest level in 6 years in the 2008-09 crop year, while world barley ending stocks are on pace to reach a 10-year high. In Canada, canola carry-out stocks are on track to double this year as both area harvested and yields broke records. This, coupled with the fact that prices have fallen off their 2008 peaks, has tempered the battle for acreage that was so prevalent a year ago. Still, while input prices have also come off the boil, some – notably fertilizer prices – remain quite high relative to historical standards.

As such, farmers will be more inclined to plant less input-intensive crops such as soybeans and canola. Indeed, early estimates have wheat acreage in both Canada and the U.S. falling in 2009-10, while soybean/canola and barley acreage increases. Nonetheless, yields are expected to return to (lower) trend rates, resulting in lower total output across the board.

Meanwhile, consumption will likely experience some growth this year, particularly from emerging markets despite the slowdown in their economies. Lower freight costs have given Canada easier access to more markets, while the depreciation of the loonie to about 80 US cents, has made Canadian exports much more attractive. In fact,





Canadian canola exports are on pace for a record year, with China accounting for a significant portion of the increase in sales, while wheat exports – through the Canadian Wheat Board (CWB) – have exceeded the 10-year average for the past 5 months despite a large global crop and intense competition from Russia and the Ukraine.

But growth in human consumption will be offset by declines in other demand areas, such as feed use. Demand for feed barley rose by nearly 7% in 2008, as it was a cheaper alternative to wheat and U.S. corn once exchange rates are taken into account. With livestock herd sizes in both Canada and the U.S. only expected to contract further, demand for feed barley – and wheat to a lesser extent – will take a hit this year.

Moreover, the plunge in oil prices and drop off in gasoline consumption has put the ethanol and biodiesel industry under significant financial pressure. However, biofuel mandates in the U.S. are likely to remain in place, thereby keeping a significant amount of demand for crops intact.

Putting it all together, the large 2008-09 crop has moved markets into a more balanced position, with ending stocks returning to near-historical levels. Next year, consumption levels will likely be in line with current levels, while output is expected to contract. However, the large carry over of stocks will allow ending stocks to remain healthy. Accordingly, prices will likely decline further this year as the global recession unwinds, and edge up only slightly in 2010. Still, prices will remain above their 5-year averages.

Shrinking herd sizes to lift livestock prices

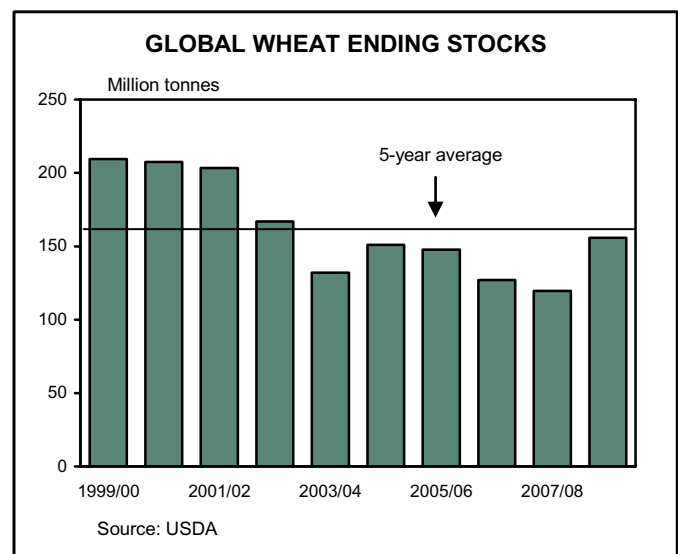
The livestock industry has been challenged by the on-

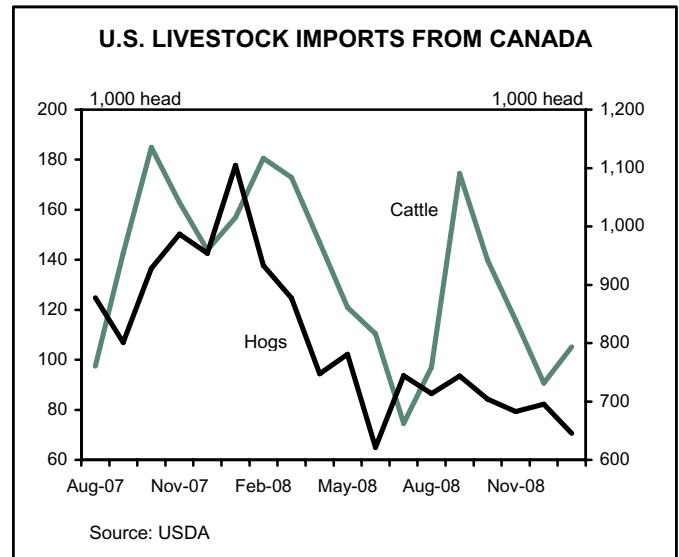
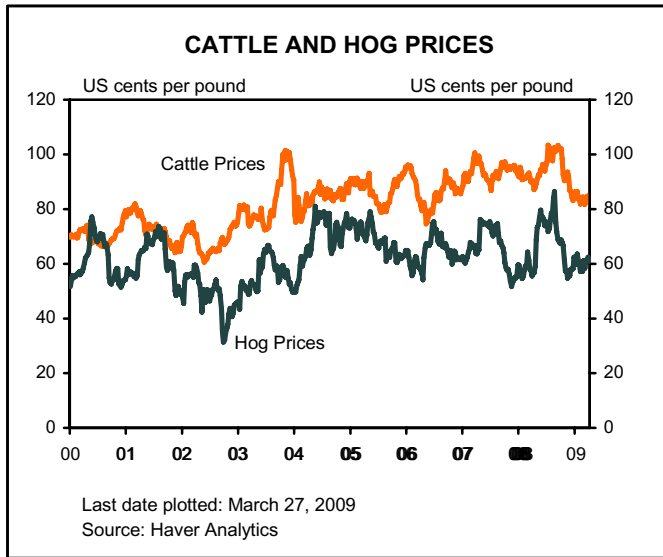
going deterioration in the global economy, as both domestic and global demand for cattle and hogs has weakened in recent months. Canadian exports declined dramatically in January, despite the relatively low value of the loonie. Prices, however, managed to remain within a tight range, as declining herd sizes of both cattle and hogs have provided some offset to the drop-off in demand.

In the U.S., cattle inventory as of January 1st was 94.5 million head, the lowest level on record going back to 1989. Furthermore, cattle on feed was down 6% Y/Y in February – marking the 10th consecutive monthly drop – suggesting that slaughter rates will be down in the first quarter, and likely the second as well. Similarly, Canadian cattle inventories kicked off the year at 13.2 million head, down 5.5% from year-ago levels.

While the cattle market has been tight for some time, U.S. hog supplies have been quite plentiful, making it difficult for hog producers to turn a profit. But, as of December 1st, total hog inventories showed their first Y/Y quarterly decline since 2003, falling by 2%. In Canada, inventories have been on the decline since 2006, and are now down 10% from year-ago levels. Furthermore, the number of Canadian hog farms was down by nearly 14% Y/Y in January, and is now 28% below than January 2006 levels. These lower inventories, coupled with an 80 cent loonie and lower feed costs, could push producers out of the red by the second half of this year.

There still remains a great deal of uncertainty surrounding the impacts of the COOL legislation, of which the ‘final rule’ kicked in on March 15th. Of even greater uncertainty is the fact that American packers have been asked





to take on additional voluntary measures regarding foreign meat, which could result in severe adverse effects for Canadian producers. Canada has withdrawn its WTO challenge that was initiated last year, but it remains on the sidelines should the federal government decide to revive it once the actual impacts of the new legislation are assessed.

In light of these final COOL regulations, U.S. imports of Canadian livestock declined nearly 50% during the first 9 weeks of the year, and now account for only 5-6% of U.S. hogs slaughtered compared to 8.5% a year ago. Going forward, we expect this trend to continue. As such, U.S. supply will shrink, thereby providing a boost to prices during the second half of this year. Still, North American prices

have become very reliant on global demand, hence price gains will be limited. 2010 should see a modest uptick in worldwide consumption alongside the global economy. And combined with lower supply, cattle and hog prices will reap the rewards.

With the U.S. demand for Canadian animals shrinking, the gap between prices in the two countries could widen. However, one bonus for Canadian cattle producers is that Saudi Arabia has agreed to re-open the beef market to Canada after closing it in 2003 during the BSE outbreak. Prior to the ban, Saudi Arabia was Canada's 6th largest export market. Thus, this access could help sustain exports amid falling global demand.

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COMMODITY PRICES: AVERAGE LEVELS (1)

	FOREST PRODUCTS			ENERGY			PRECIOUS METALS	
	LUMBER	PULP	NEWSPRINT	OIL	NAT GAS	COAL	GOLD	SILVER
	RL Framing Lumber Composite, \$/1000 Bd Ft	NBSK, delivered in east U.S., \$/mt	New York, \$/mt	West Texas Intermediate, Cushing \$/Barrel	Henry Hub, LA, \$/mmbtu	Austr. Thermal \$/mt	London Gold Bullion, PM Fix, \$/Troy oz	Handy & Herman Base Price, \$/Troy oz
ANNUAL AVG								
2003	309.09	554.62	504.81	31.16	5.51	28.13	365.38	4.95
2004	405.08	642.12	552.02	41.69	5.88	55.19	409.41	6.71
2005	387.35	646.27	611.86	56.85	8.92	48.91	445.46	7.36
2006	327.02	721.83	666.83	66.12	6.74	50.29	604.03	11.58
2007	284.18	820.34	593.27	72.27	6.97	65.18	696.30	13.40
2008F	252.14	862.83	698.15	99.58	8.86	127.05	872.11	15.00
2009F	195.67	645.18	666.67	41.98	4.13	60.76	930.98	12.96
2010F	231.25	672.50	625.00	48.00	4.75	61.25	856.25	12.64
Dec-06	281.67	770.00	660.00	62.01	6.71	49.82	629.26	13.26
Dec-07	267.81	858.85	585.00	91.88	7.13	89.16	806.69	14.37
Dec-08	208.67	757.20	765.00	40.64	5.80	78.18	824.47	10.37
Dec-09F	200.00	630.00	600.00	40.00	4.20	55.00	935.00	13.00
Dec-10F	255.00	700.00	650.00	55.00	5.15	65.00	800.00	12.55
QUARTERLY AVG								
2007 - Q1	289.02	790.00	631.42	58.10	7.16	52.65	649.62	13.29
2007 - Q2	290.91	807.82	598.33	64.93	7.53	56.36	667.27	13.36
2007 - Q3	292.40	831.14	571.67	75.19	6.17	68.48	679.88	12.70
2007 - Q4	264.38	852.42	571.67	90.87	7.01	83.23	788.43	14.25
2008 - Q1	245.87	877.23	620.00	97.98	8.65	115.39	924.74	17.59
2008 - Q2	265.47	880.00	680.00	124.03	11.37	142.71	896.05	17.21
2008 - Q3	273.36	883.76	735.00	118.27	9.03	163.41	870.31	14.95
2008 - Q4	223.88	810.34	757.59	58.06	6.40	86.70	797.34	10.24
2009 - Q1	197.69	690.72	731.67	42.91	4.56	73.03	908.92	12.65
2009 - Q2F	190.00	640.00	685.00	45.00	3.95	60.00	925.00	13.00
2009 - Q3F	195.00	625.00	650.00	40.00	3.85	55.00	950.00	13.20
2009 - Q4F	200.00	625.00	600.00	40.00	4.15	55.00	940.00	13.00
2010 - Q1F	210.00	640.00	600.00	42.00	4.50	58.00	900.00	12.85
2010 - Q2F	220.00	665.00	615.00	45.00	4.60	60.00	875.00	12.65
2010 - Q3F	240.00	685.00	645.00	50.00	4.75	62.00	850.00	12.50
2010 - Q4F	255.00	700.00	640.00	55.00	5.15	65.00	800.00	12.55
MONTHLY AVG								
Apr-08	247.41	880.00	660.00	112.57	10.13	126.45	909.70	17.51
May-08	277.00	880.00	680.00	125.61	11.28	138.31	888.96	17.07
Jun-08	272.00	880.00	700.00	133.93	12.69	163.38	889.49	17.04
Jul-08	264.91	885.94	720.00	133.87	11.15	184.51	939.65	18.06
Aug-08	278.81	887.87	735.00	116.61	8.25	160.90	838.38	14.56
Sep-08	276.36	877.46	750.00	104.31	7.69	144.82	832.89	12.23
Oct-08	240.22	854.07	765.00	76.65	6.73	106.92	806.62	10.50
Nov-08	222.75	819.75	742.78	56.88	6.67	75.00	760.94	9.86
Dec-08	208.67	757.20	765.00	40.64	5.80	78.18	824.47	10.37
Jan-09	200.82	717.44	755.00	41.72	5.23	82.69	859.34	11.37
Feb-09	197.15	687.96	735.00	39.01	4.51	75.03	943.16	13.46
Mar-09	195.09	666.77	705.00	47.98	3.94	61.37	924.27	13.13

COMMODITY PRICES: AVERAGE LEVELS (2)

	NON-PRECIOUS METALS & MINERALS					AGRICULTURAL PRODUCTS				
	ALUM	COPPER	NICKEL	ZINC	URANIUM	WHEAT	BARLEY	CANOLA	CATTLE	HOGS
	LME Closing Cash Price, Cents/lb	LME Closing Cash Price, Cents/lb	LME Closing Cash Price, \$/lb	LME Closing Cash Price, Cents/lb	Ux U308, \$/lb	Can. St. Lawr. CWRS, 13.5%, C\$/mt	Feed Barley, Lethbr. Grade 1CW C\$/mt	Instore Vancouver: Grade 1 Canada NCC C\$/mt	Live, 1st expiring contract open Cents/lb	Live/lean, 1st expiring contract open Cents/lb
ANNUAL AVG										
2003	65.16	81.53	4.47	37.81	11.71	177.34	104.35	272.34	82.87	55.72
2004	78.13	130.92	6.25	47.74	18.80	186.84	98.89	282.81	81.45	53.26
2005	86.22	167.60	6.69	62.90	29.06	197.76	91.41	238.41	87.24	68.41
2006	116.49	305.10	11.01	148.56	47.77	216.58	108.71	268.54	86.19	64.19
2007	119.71	323.24	16.90	147.52	99.07	300.26	174.99	394.08	93.92	65.69
2008F	116.70	315.75	9.62	85.07	63.85	450.96	202.94	533.24	93.73	66.09
2009F	57.18	142.58	4.65	49.53	46.00	301.67	124.04	338.68	86.68	61.54
2010F	61.25	148.75	5.14	60.50	52.25	310.00	130.50	347.50	95.00	70.25
Dec-06	127.49	301.37	15.67	198.73	61.13	237.64	145.03	332.18	86.74	62.00
Dec-07	107.91	299.56	11.83	106.86	91.25	470.96	199.51	494.93	93.03	57.33
Dec-08	67.54	138.27	4.39	49.90	51.20	329.98	133.90	329.92	84.94	59.86
Dec-09F	57.00	140.00	4.80	50.00	47.00	300.00	120.00	325.00	90.00	65.00
Dec-10F	65.00	160.00	5.50	65.00	54.00	325.00	135.00	360.00	98.00	75.00
QUARTERLY AVG										
2007 - Q1	127.00	269.63	18.74	157.52	81.03	233.54	149.06	334.09	94.34	64.35
2007 - Q2	125.28	346.27	21.86	166.27	122.28	243.84	170.96	359.23	93.23	73.25
2007 - Q3	115.73	349.76	13.71	146.83	106.67	307.41	180.81	409.81	93.51	69.23
2007 - Q4	110.81	327.31	13.29	119.45	86.28	416.26	199.12	473.19	94.60	55.94
2008 - Q1	124.07	352.57	13.08	109.81	79.28	611.01	212.13	623.97	91.62	58.04
2008 - Q2	133.78	385.30	11.87	96.42	62.87	480.96	236.97	622.77	93.10	72.74
2008 - Q3	126.37	348.37	8.61	80.31	62.88	388.53	216.37	539.10	101.28	74.42
2008 - Q4	82.58	176.74	4.92	53.73	50.38	323.34	146.29	347.11	88.92	59.14
2009 - Q1	61.70	155.32	4.75	53.14	47.00	321.66	131.16	359.72	83.71	60.14
2009 - Q2F	55.00	140.00	4.50	47.00	45.00	300.00	125.00	345.00	85.00	60.00
2009 - Q3F	55.00	135.00	4.60	48.00	45.00	290.00	120.00	330.00	88.00	62.00
2009 - Q4F	57.00	140.00	4.75	50.00	47.00	295.00	120.00	320.00	90.00	64.00
2010 - Q1F	58.00	145.00	4.90	55.00	50.00	300.00	125.00	330.00	92.00	66.00
2010 - Q2F	60.00	145.00	5.00	60.00	52.00	310.00	130.00	345.00	94.00	68.00
2010 - Q3F	62.00	150.00	5.20	62.00	53.00	310.00	132.00	355.00	96.00	72.00
2010 - Q4F	65.00	155.00	5.45	65.00	54.00	320.00	135.00	360.00	98.00	75.00
MONTHLY AVG										
Apr-08	134.21	393.90	13.04	102.66	68.75	532.67	229.54	623.58	89.40	66.23
May-08	132.98	387.33	12.34	100.70	61.60	483.90	241.07	608.73	94.09	77.18
Jun-08	134.15	374.67	10.22	85.91	58.25	426.32	240.30	636.00	95.80	74.82
Jul-08	139.29	381.62	9.14	84.00	61.88	397.12	247.05	626.63	100.19	75.53
Aug-08	125.28	346.45	8.62	78.24	64.50	401.26	212.53	525.29	101.43	79.36
Sep-08	114.55	317.05	8.07	78.70	62.25	367.23	189.54	465.39	102.23	68.38
Oct-08	96.20	223.39	5.50	59.04	47.40	317.93	154.61	358.00	92.05	61.59
Nov-08	84.01	168.57	4.85	52.26	49.18	322.13	150.38	353.42	89.76	55.97
Dec-08	67.54	138.27	4.39	49.90	53.75	329.98	133.90	329.92	84.94	59.86
Jan-09	64.21	145.59	5.14	53.81	51.20	340.30	137.03	365.67	84.02	60.40
Feb-09	60.32	150.32	4.72	50.43	46.75	317.36	128.00	359.23	82.87	58.59
Mar-09	60.58	170.04	4.40	55.17	43.06	307.33	128.46	354.26	84.26	61.44

COMMODITY PRICES: % CHANGE (1)

	FOREST PRODUCTS			ENERGY			PRECIOUS METALS	
	LUMBER	PULP	NEWSPRINT	OIL	NAT GAS	COAL	GOLD	SILVER
Y/Y % CHANGE								
2003	3.7	13.2	8.8	18.5	62.1	4.1	17.5	7.0
2004	31.1	15.8	9.4	33.8	6.7	96.2	12.1	35.5
2005	-4.4	0.6	10.8	36.4	51.9	-11.4	8.8	9.8
2006	-15.6	11.7	9.0	16.3	-24.5	2.8	35.6	57.3
2007	-13.1	13.6	-11.0	9.3	3.4	29.6	15.3	15.7
2008F	-11.3	5.2	17.7	37.8	27.2	94.9	25.2	11.9
2009F	-22.4	-25.2	-4.5	-57.8	-53.4	-52.2	6.8	-13.6
2010F	18.2	4.2	-6.3	14.4	15.1	0.8	-8.0	-2.5
Dec-06	-22.1	20.3	2.3	4.4	-48.2	36.5	23.3	52.6
Dec-07	-4.9	11.5	-11.4	48.2	6.3	79.0	28.2	8.4
Dec-08F	-22.1	-11.8	30.8	-55.8	-18.7	-12.3	2.2	-27.9
Dec-09F	-4.2	-16.8	-21.6	-1.6	-27.5	-29.6	13.4	25.4
Dec-10F	27.5	11.1	8.3	37.5	22.6	18.2	-14.4	-3.5
Q/Q % CHANGE								
2007 - Q1	4.0	2.6	-5.0	-3.3	7.6	12.7	5.8	5.3
2007 - Q2	0.7	2.3	-5.2	11.8	5.1	7.1	2.7	0.5
2007 - Q3	0.5	2.9	-4.5	15.8	-18.0	21.5	1.9	-4.9
2007 - Q4	-9.6	2.6	0.0	20.8	13.7	21.5	16.0	12.2
2008 - Q1	-7.0	2.9	8.5	7.8	23.3	38.6	17.3	23.5
2008 - Q2	8.0	0.3	9.7	26.6	31.4	23.7	-3.1	-2.2
2008 - Q3	3.0	0.4	8.1	-4.7	-20.6	14.5	-2.9	-13.1
2008 - Q4	-18.1	-8.3	3.1	-50.9	-29.2	-46.9	-8.4	-31.5
2009 - Q1	-11.7	-14.8	-3.4	-26.1	-28.7	-15.8	14.0	23.5
2009 - Q2F	-3.9	-7.3	-6.4	4.9	-13.4	-17.8	1.8	2.7
2009 - Q3F	2.6	-2.3	-5.1	-11.1	-2.5	-8.3	2.7	1.5
2009 - Q4F	2.6	0.0	-7.7	0.0	7.8	0.0	-1.1	-1.5
2010 - Q1F	5.0	2.4	0.0	5.0	8.4	5.5	-4.3	-1.2
2010 - Q2F	4.8	3.9	2.5	7.1	2.2	3.4	-2.8	-1.6
2010 - Q3F	9.1	3.0	4.9	11.1	3.3	3.3	-2.9	-1.2
2010 - Q4F	6.3	2.2	-0.8	10.0	8.4	4.8	-5.9	0.4
M/M % CHANGE								
Apr-08	3.1	0.0	3.1	6.8	7.7	0.7	-5.7	-8.4
May-08	12.0	0.0	3.0	11.6	11.3	9.4	-2.3	-2.5
Jun-08	-1.8	0.0	2.9	6.6	12.5	18.1	0.1	-0.2
Jul-08	-2.6	0.7	2.9	0.0	-12.2	12.9	5.6	6.0
Aug-08	5.2	0.2	2.1	-12.9	-26.0	-12.8	-10.8	-19.3
Sep-08	-0.9	-1.2	2.0	-10.5	-6.7	-10.0	-0.7	-16.0
Oct-08	-13.1	-2.7	2.0	-26.5	-12.5	-26.2	-3.2	-14.2
Nov-08	-7.3	-4.0	-2.9	-25.8	-1.0	-29.9	-5.7	-6.0
Dec-08	-6.3	-7.6	3.0	-28.5	-13.0	4.2	8.3	5.1
Jan-09	-3.8	-5.2	-1.3	2.7	-9.8	5.8	4.2	9.6
Feb-09	-1.8	-4.1	-2.6	-6.5	-13.7	-9.3	9.8	18.4
Mar-09	-1.0	-3.1	-4.1	23.0	-12.7	-18.2	-2.0	-2.5

COMMODITY PRICES: % CHANGE (2)

	NON-PRECIOUS METALS & MINERALS					AGRICULTURAL PRODUCTS				
	ALUM	COPPER	NICKEL	ZINC	URANIUM	WHEAT	BARLEY	CANOLA	CATTLE	HOGS
Y/Y % CHANGE										
2003	6.4	15.2	45.1	7.2	18.6	0.4	-4.4	7.0	20.6	15.4
2004	19.9	60.6	39.8	26.3	60.5	5.4	-5.2	3.8	-1.7	-4.4
2005	10.3	28.0	7.1	31.8	54.6	5.8	-7.6	-15.7	7.1	28.4
2006	35.1	82.0	64.5	136.2	64.3	9.5	18.9	12.6	-1.2	-6.2
2007	2.8	5.9	53.5	-0.7	107.4	38.6	61.0	46.7	9.0	2.3
2008F	-2.5	-2.3	-43.1	-42.3	-35.5	50.2	16.0	35.3	-0.2	0.6
2009F	-51.0	-54.8	-51.7	-41.8	-28.0	-33.1	-38.9	-36.5	-7.5	-6.9
2010F	7.1	4.3	10.5	22.1	13.6	2.8	5.2	2.6	9.6	14.2
Dec-06	25.0	45.1	157.3	139.8	67.5	13.6	49.3	52.7	-7.8	-3.0
Dec-07	-15.4	-0.6	-24.5	-46.2	49.3	98.2	37.6	49.0	7.3	-7.5
Dec-08F	-37.4	-53.8	-62.9	-53.3	-43.9	-29.9	-32.9	-33.3	-8.7	4.4
Dec-09F	-15.6	1.3	9.4	0.2	-8.2	-9.1	-10.4	-1.5	6.0	8.6
Dec-10F	14.0	14.3	14.6	30.0	14.9	8.3	12.5	10.8	8.9	15.4
Q/Q % CHANGE										
2007 - Q1	2.9	-15.8	24.9	-17.2	37.4	1.4	7.1	6.1	7.7	2.8
2007 - Q2	-1.4	28.4	16.7	5.6	50.9	4.4	14.7	7.5	-1.2	13.8
2007 - Q3	-7.6	1.0	-37.3	-11.7	-12.8	26.1	5.8	14.1	0.3	-5.5
2007 - Q4	-4.2	-6.4	-3.1	-18.7	-19.1	35.4	10.1	15.5	1.2	-19.2
2008 - Q1	12.0	7.7	-1.6	-8.1	-8.1	46.8	6.5	31.9	-3.1	3.7
2008 - Q2	7.8	9.3	-9.3	-12.2	-20.7	-21.3	11.7	-0.2	1.6	25.3
2008 - Q3	-5.5	-9.6	-27.5	-16.7	0.0	-19.2	-8.7	-13.4	8.8	2.3
2008 - Q4	-34.7	-49.3	-42.9	-33.1	-19.9	-16.8	-32.4	-35.6	-12.2	-20.5
2009 - Q1	-25.3	-12.1	-3.3	-1.1	-6.7	-0.5	-10.3	3.6	-5.8	1.7
2009 - Q2F	-10.9	-9.9	-5.3	-11.5	-4.3	-6.7	-4.7	-4.1	1.5	-0.2
2009 - Q3F	0.0	-3.6	2.2	2.1	0.0	-3.3	-4.0	-4.3	3.5	3.3
2009 - Q4F	3.6	3.7	3.3	4.2	4.4	1.7	0.0	-3.0	2.3	3.2
2010 - Q1F	1.8	3.6	3.2	10.0	6.4	1.7	4.2	3.1	2.2	3.1
2010 - Q2F	3.4	0.0	2.0	9.1	4.0	3.3	4.0	4.5	2.2	3.0
2010 - Q3F	3.3	3.4	4.0	3.3	1.9	0.0	1.5	2.9	2.1	5.9
2010 - Q4F	4.8	3.3	4.8	4.8	1.9	3.2	2.3	1.4	2.1	4.2
M/M % CHANGE										
Apr-08	-1.0	3.4	-7.2	-9.1	-6.8	-13.2	5.3	-4.5	-1.1	16.0
May-08	-0.9	-1.7	-5.4	-1.9	-10.4	-9.2	5.0	-2.4	5.2	16.5
Jun-08	0.9	-3.3	-17.1	-14.7	-5.4	-11.9	-0.3	4.5	1.8	-3.0
Jul-08	3.8	1.9	-10.6	-2.2	6.2	-6.9	2.8	-1.5	4.6	0.9
Aug-08	-10.1	-9.2	-5.8	-6.9	4.2	1.0	-14.0	-16.2	1.2	5.1
Sep-08	-8.6	-8.5	-6.4	0.6	-3.5	-8.5	-10.8	-11.4	0.8	-13.8
Oct-08	-16.0	-29.5	-31.8	-25.0	-23.9	-13.4	-18.4	-23.1	-10.0	-9.9
Nov-08	-12.7	-24.5	-11.8	-11.5	13.4	1.3	-2.7	-1.3	-2.5	-9.1
Dec-08	-19.6	-18.0	-9.5	-4.5	4.1	2.4	-11.0	-6.6	-5.4	6.9
Jan-09	-4.9	5.3	17.0	7.8	-13.0	3.1	2.3	10.8	-1.1	0.9
Feb-09	-6.1	3.3	-8.1	-6.3	-15.9	-6.7	-6.6	-1.8	-1.4	-3.0
Mar-09	0.4	13.1	-6.8	9.4	-100.0	-3.2	0.4	-1.4	1.7	4.9

TD COMMODITY PRICE INDICES (TDCI)

	TDCI-US\$ INDEX	TDCI-US\$ INDEX ex-energy	US\$ SUB-INDICES					TDCI-C\$ INDEX	TDCI-C\$ INDEX ex-energy	C\$ SUB-INDICES					C\$/US\$
			FOREST PRODUCTS	ENERGY	PRECIOUS METALS	NON-PRECIOUS METALS & MIN.	AGRI. PRODUCTS			FOREST PRODUCTS	ENERGY	PRECIOUS METALS	NON-PRECIOUS METALS & MIN.	AGRI. PRODUCTS	
ANNUAL AVG															
2003	140.8	92.9	83.8	184.4	108.6	98.2	99.2	197.6	130.4	117.6	258.7	152.4	137.7	139.2	1.40
2004	168.6	114.2	100.4	218.0	125.1	135.1	105.2	219.3	148.5	130.6	283.6	162.8	175.8	136.8	1.30
2005	222.9	123.2	102.1	313.4	136.2	158.3	105.6	270.0	149.3	123.6	379.6	164.9	191.8	127.9	1.21
2006	227.3	158.9	101.8	289.4	188.4	255.6	110.6	257.7	180.2	115.5	328.2	213.7	289.9	125.5	1.13
2007	252.2	190.0	98.0	308.7	217.3	337.7	141.3	272.4	205.1	105.8	333.4	234.7	364.7	152.6	1.05
2008F	300.2	175.9	101.8	413.1	268.2	250.6	182.7	362.0	212.1	122.7	498.2	323.4	302.2	220.3	1.09
2009F	155.2	124.5	84.2	183.0	279.4	130.9	133.0	187.2	150.3	101.6	220.8	336.9	157.9	160.5	1.21
2010F	171.0	128.9	87.1	209.1	258.6	143.5	140.5	194.2	146.5	99.0	237.5	294.0	163.0	159.6	1.14
Dec-06	232.7	176.9	98.8	283.3	199.6	310.6	119.6	267.7	267.7	203.5	113.6	325.9	229.6	357.4	1.15
Dec-07	273.2	181.0	97.6	356.2	248.9	279.3	182.3	273.2	181.0	97.6	356.2	248.9	279.3	182.3	1.00
Dec-08	175.0	129.4	95.6	216.3	245.0	138.1	138.0	185.4	137.1	101.4	229.3	259.7	146.4	146.3	1.06
Dec-09F	152.9	123.6	80.6	179.6	280.6	132.1	133.7	168.2	135.9	88.6	197.6	308.7	145.4	147.1	1.10
Dec-10F	185.6	133.4	92.2	233.1	243.3	152.1	146.7	207.9	149.4	103.3	261.0	272.5	170.4	164.3	1.12
QUARTERLY AVG															
2007 - Q1	235.4	185.6	99.1	280.7	204.5	335.3	122.4	263.3	207.6	110.8	314.0	228.7	375.1	136.9	1.12
2007 - Q2	257.4	206.5	98.4	303.6	209.4	399.3	128.6	276.7	222.0	105.8	326.5	225.1	429.3	138.3	1.08
2007 - Q3	244.6	185.0	98.3	298.8	211.3	321.5	144.5	243.4	184.1	97.8	297.3	210.3	319.9	143.8	1.00
2007 - Q4	271.4	182.8	96.2	351.8	244.0	294.8	169.7	270.8	182.4	96.0	351.1	243.5	294.2	169.3	1.00
2008 - Q1	305.6	197.0	97.8	404.2	288.2	300.2	219.9	308.1	198.6	98.6	407.5	290.5	302.6	221.7	1.01
2008 - Q2	364.0	192.0	103.1	520.2	279.6	290.6	196.8	371.8	196.2	105.3	531.3	285.6	296.8	201.1	1.02
2008 - Q3	326.0	177.8	106.9	460.5	267.6	253.7	174.7	347.0	189.3	113.7	490.2	284.8	270.0	185.9	1.06
2008 - Q4	205.3	136.6	99.3	267.6	237.4	158.0	139.3	250.3	166.6	121.1	326.3	289.4	192.6	169.8	1.28
2009 - Q1	163.7	129.2	89.7	195.1	272.8	137.7	137.4	204.6	161.5	112.2	243.9	341.0	172.2	171.8	1.25
2009 - Q2F	155.9	123.1	84.2	185.8	277.9	127.0	132.1	190.2	150.1	102.7	226.6	338.9	154.9	161.1	1.22
2009 - Q3F	148.7	122.7	82.3	172.3	285.1	127.0	130.4	179.2	147.8	99.2	207.6	343.5	153.0	157.1	1.20
2009 - Q4F	152.2	123.2	80.3	178.6	282.0	131.8	132.1	175.0	141.6	92.4	205.3	324.1	151.5	151.8	1.15
2010 - Q1F	159.3	125.0	82.1	190.5	270.9	136.9	135.1	183.2	143.7	94.4	219.0	311.3	157.4	155.3	1.15
2010 - Q2F	165.2	127.5	85.1	199.3	263.7	140.8	139.4	187.7	144.9	96.7	226.5	299.6	160.0	158.4	1.14
2010 - Q3F	174.1	130.6	89.7	213.6	256.6	145.3	141.7	197.8	148.4	101.9	242.7	291.6	165.1	161.0	1.13
2010 - Q4F	185.2	132.6	91.7	233.1	243.3	150.9	145.6	208.1	149.0	103.1	261.9	273.4	169.6	163.6	1.12
MONTHLY AVG															
Apr-08	336.6	197.3	99.8	463.1	285.7	305.8	206.2	341.5	200.2	101.3	469.9	289.8	310.2	209.2	1.01
May-08	362.4	191.5	104.1	517.7	276.8	287.8	197.9	362.6	191.6	104.2	518.0	276.9	287.9	198.0	1.00
Jun-08	386.9	185.5	104.8	569.9	276.8	272.3	187.2	393.3	188.5	106.6	579.4	281.4	276.8	190.3	1.02
Jul-08	380.5	187.4	105.2	555.9	294.7	274.1	184.1	384.7	189.5	106.4	562.1	298.0	277.2	186.1	1.01
Aug-08	318.7	178.3	107.5	446.2	262.4	254.6	177.7	334.3	187.1	112.7	468.0	275.3	267.0	186.4	1.05
Sep-08	291.7	170.6	107.8	401.8	249.6	237.7	168.0	309.1	180.7	114.3	425.7	264.4	251.8	178.0	1.06
Oct-08	238.1	146.4	103.6	321.4	242.8	180.4	141.9	279.4	171.7	121.6	377.2	284.9	211.7	166.5	1.17
Nov-08	207.0	135.8	100.5	271.7	226.9	156.9	139.1	252.1	165.3	122.4	330.9	276.3	191.0	169.4	1.22
Dec-08	175.3	130.2	96.7	216.3	243.3	140.1	137.3	216.5	160.8	119.4	267.1	300.5	173.0	169.6	1.23
Jan-09	171.7	131.2	92.7	208.5	257.0	142.4	142.2	210.4	160.7	113.6	255.5	314.9	174.5	174.3	1.23
Feb-09	158.8	129.2	89.7	185.7	283.9	135.3	135.7	197.8	160.9	111.8	231.2	353.6	168.5	169.0	1.25
Mar-09	161.4	127.0	87.0	192.5	278.1	134.5	134.5	204.1	160.7	110.1	243.6	351.8	170.1	170.1	1.27

TDCI WEIGHTINGS (%)

FOREST PRODUCTS	21.1	ENERGY	52.4	PRECIOUS METALS	4.5	NON-PRECIOUS METALS & MINERALS	14.7	AGRICULTURAL PRODUCTS	7.3
Lumber	9.5	Oil	23.6	Silver	0.5	Aluminum	6.6	Wheat	2.8
Pulp	5.7	Natural Gas	27.2	Gold	4.0	Copper	2.6	Barley	0.3
Newsprint	5.9	Coal	1.6			Nickel	3.4	Canola	1.2
						Zinc	1.0	Cattle	1.8
						Uranium	1.1	Hogs	1.2

Overall TDCI weights based on Canadian exports 2003-05

Sources: WSJ, FT, Ux Weekly, Random Lengths, Pulp & Paper Weekly, GlobalCoal, Comtex, WCE, FRBNY / Haver Analytics,

TD COMMODITY PRICE INDICES : % CHANGE

	US\$ SUB-INDICES								C\$ SUB-INDICES						C\$/US\$
	TDCI-US\$ INDEX	TDCI-US\$ INDEX ex-energy	FOREST PROD-UCTS	ENERGY	PRECIOUS METALS	NON-PREC METALS & MIN.	AGRI. PROD-UCTS	TDCI-C\$ INDEX	TDCI-C\$ INDEX ex-energy	FOREST PROD-UCTS	ENERGY	PRECIOUS METALS	NON-PREC METALS & MIN.	AGRI. PROD-UCTS	
Y/Y % CHANGE															
2003	31.3	11.7	7.5	42.8	15.9	17.5	8.7	17.3	-0.2	-4.0	27.6	3.6	5.0	-2.9	-10.6
2004	19.7	22.9	19.8	18.2	15.3	37.7	6.0	11.0	13.9	11.0	9.6	6.9	27.6	-1.7	-7.3
2005	32.2	7.9	1.7	43.8	8.8	17.2	0.4	23.1	0.5	-5.3	33.9	1.3	9.1	-6.5	-6.9
2006	2.0	28.9	-0.2	-7.7	38.4	61.5	4.8	-4.5	20.7	-6.6	-13.5	29.6	51.2	-1.9	-6.4
2007	11.0	19.6	-3.8	6.7	15.3	32.1	27.7	5.7	13.9	-8.4	1.6	9.8	25.8	21.6	-7.7
2008F	19.0	-7.4	3.8	33.8	23.4	-25.8	29.3	32.9	3.4	16.0	49.4	37.8	-17.1	44.4	4.5
2009F	-48.3	-29.2	-17.3	-55.7	4.2	-47.8	-27.2	-48.3	-29.2	-17.2	-55.7	4.2	-47.8	-27.2	10.2
2010F	10.2	3.5	3.5	14.3	-7.5	9.6	5.6	3.7	-2.5	-2.6	7.6	-12.7	3.3	-0.5	-5.8
Q/Q % CHANGE															
2007 - Q1	4.0	6.6	0.4	2.5	5.7	10.2	4.2	-0.2	2.4	-3.6	-1.6	1.5	5.8	0.0	-4.0
2007 - Q2	9.3	11.3	-0.7	8.2	2.4	19.1	5.1	5.1	6.9	-4.5	4.0	-1.6	14.5	1.0	-3.9
2007 - Q3	-5.0	-10.4	-0.1	-1.6	0.9	-19.5	12.3	-12.1	-17.1	-7.6	-8.9	-6.6	-25.5	4.0	-7.5
2007 - Q4	10.9	-1.2	-2.1	17.8	15.5	-8.3	17.4	11.3	-0.9	-1.8	18.1	15.8	-8.0	17.8	0.3
2008 - Q1	12.6	7.8	1.6	14.9	18.1	1.8	29.6	13.8	8.9	2.7	16.1	19.3	2.8	30.9	1.0
2008 - Q2	19.1	-2.5	5.4	28.7	-3.0	-3.2	-10.5	20.7	-1.2	6.8	30.4	-1.7	-1.9	-9.3	1.3
2008 - Q3	-10.4	-7.4	3.7	-11.5	-4.3	-12.7	-11.3	-6.7	-3.5	8.0	-7.7	-0.3	-9.0	-7.5	4.2
2008 - Q4	-37.0	-23.2	-7.1	-41.9	-11.3	-37.7	-20.3	-27.9	-12.0	6.5	-33.4	1.6	-28.7	-8.7	20.4
2009 - Q1	-20.2	-5.4	-9.6	-27.1	14.9	-12.8	-1.3	-18.2	-3.1	-7.4	-25.3	17.8	-10.6	1.2	-2.5
2009 - Q2F	-4.7	-4.7	-6.1	-4.8	1.9	-7.8	-3.9	-7.1	-7.0	-8.4	-7.1	-0.6	-10.0	-6.2	-2.4
2009 - Q3F	-4.6	-0.4	-2.3	-7.2	2.6	0.0	-1.3	-5.8	-1.6	-3.4	-8.3	1.3	-1.2	-2.5	-1.2
2009 - Q4F	2.4	0.5	-2.4	3.6	-1.1	3.8	1.3	-2.3	-4.2	-6.9	-1.1	-5.6	-1.0	-3.4	-4.6
2010 - Q1F	4.7	1.5	2.2	6.7	-3.9	3.9	2.3	4.7	1.5	2.2	6.7	-3.9	3.9	2.3	0.0
2010 - Q2F	3.6	2.0	3.6	4.6	-2.6	2.8	3.2	2.5	0.8	2.4	3.4	-3.8	1.7	2.0	-1.1
2010 - Q3F	5.4	2.4	5.4	7.1	-2.7	3.2	1.6	5.4	2.4	5.4	7.1	-2.7	3.2	1.6	-0.3
2010 - Q4F	6.4	1.5	2.3	9.1	-5.2	3.8	2.8	5.2	0.4	1.1	7.9	-6.3	2.7	1.6	-0.8
M/M % CHANGE															
Apr-08	3.0	-3.5	1.5	5.8	-6.0	-3.6	-7.5	4.4	-2.2	2.9	7.2	-4.8	-2.3	-6.3	1.3
May-08	7.7	-2.9	4.3	11.8	-3.1	-5.9	-4.0	6.2	-4.3	2.9	10.2	-4.4	-7.2	-5.4	-1.4
Jun-08	6.8	-3.2	0.7	10.1	0.0	-5.4	-5.4	8.5	-1.6	2.3	11.9	1.6	-3.8	-3.8	1.6
Jul-08	-1.7	1.0	0.3	-2.5	6.4	0.6	-1.7	-2.2	0.5	-0.2	-3.0	5.9	0.1	-2.2	-0.5
Aug-08	-16.2	-4.8	2.2	-19.7	-10.9	-7.1	-3.4	-13.1	-1.3	6.0	-16.7	-7.6	-3.7	0.1	3.7
Sep-08	-8.5	-4.4	0.3	-10.0	-4.9	-6.7	-5.5	-7.5	-3.4	1.3	-9.1	-3.9	-5.7	-4.5	1.0
Oct-08	-18.4	-14.2	-3.9	-20.0	-2.7	-24.1	-15.5	-9.6	-5.0	6.4	-11.4	7.7	-15.9	-6.5	10.8
Nov-08	-13.1	-7.2	-3.0	-15.5	-6.5	-13.0	-2.0	-9.8	-3.7	0.7	-12.3	-3.0	-9.8	1.7	3.8
Dec-08	-15.3	-4.1	-3.8	-20.4	7.2	-10.7	-1.3	-14.1	-2.8	-2.5	-19.3	8.7	-9.4	0.1	1.4
Jan-09	-2.1	0.8	-4.1	-3.6	5.6	1.6	3.6	-2.8	0.0	-4.8	-4.4	4.8	0.8	2.8	-0.8
Feb-09	-7.5	-1.5	-3.2	-11.0	10.4	-5.0	-4.6	-6.0	0.1	-1.6	-9.5	12.3	-3.4	-3.0	1.7
Mar-09	1.6	-1.7	-3.0	3.7	-2.0	-0.6	-0.9	3.2	-0.2	-1.5	5.3	-0.5	0.9	0.7	1.6