

September 5 - September 9

EQUITY MARKETS – Local Currency Returns

• US equities erased their weekly gains after falling nearly 3% on Fri amid concerns Greece could default on its debt and deepen an economic slowdown.

	Level	Wkly Chg	YTD	YTD C\$	
S&P/TSX	12388	-1.7%	-7.9%	-7.9%	• Weekly gains erased after 2.3% drop Fri amid concerns Greece may default.
DOW JONES	10992	-2.2%	-5.1%	-5.3%	• 27 of 30 members declined, led by JPMorgan, Hewlett-Packard, McDonald's.
S&P 500	1154	-1.7%	-8.2%	-8.5%	• All 10 sectors fell, led by financials, materials, industrials.
NASDAQ	2468	-0.5%	-7.0%	-7.2%	• 6 of 7 sectors were down, led by transportation, insurance, other financials.
RUSSELL 2000	674	-1.4%	-14.0%	-14.2%	• All 9 sectors fell, led by producer durables, utilities, consumer discretionary.
NIKKEI 225	8738	-2.4%	-14.6%	-10.9%	• Fell on concern about slowing growth in US, Europe, 2 of Jpn's big export mrkts.
MSCI EAFE	1406	-5.5%	-15.2%	-15.5%	• Europe shrs fell on heightened concern about Europe bank, sovereign credit risk.
MSCI WORLD	1170	-0.5%	-8.6%	-8.9%	
MSCI EM	1014	-0.8%	-12.0%	-12.2%	• Fell amid mounting concern global economy slowing, weakened currencies.

TSX SECTORS

• Market weakness broad-based, as only 2 of 10 sectors rose on the week, compared with 9 the previous week.

	Level	Wkly Chg	YTD		Level	Wkly Chg	YTD
Materials	4053	1.0%	-1.2%	Consumer Discretionary	888	-1.9%	-18.9%
Utilities	1915	0.1%	-0.1%	Financials	1544	-2.7%	-7.3%
Consumer Staples	1665	-0.1%	-0.6%	Industrials	1196	-2.9%	-7.8%
Information Technology	150	-1.3%	-34.9%	Energy	2671	-3.2%	-14.9%
Telecommunication Services	928	-1.8%	10.0%	Health Care	634	-3.6%	29.9%

Oil: West Texas Intermediate US\$/b	\$87.24	\$0.79	-\$4.14	Gold: Spot US\$/oz	\$1,858.57	-\$24.31	\$437.79
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FIXED INCOME MARKETS

RATES %

	3-mo T-bill	10-yr Bond	30-yr Bond	
Canada	0.91	2.10	2.81	• Spreads at the short end remained positive and were little changed, as Canadian and US yields were little changed.
U.S.	0.00	1.92	3.25	
Spread	0.91	0.18	-0.45	
	Level	Wkly Chg	YTD	• 30-year spreads remained negative and narrowed, as Canadian yields were down 15 bps, while US yields declined 5 bps.
DEX Universe Bond	842.5	0.4%	7.1%	
DEX Real Return Bond	490.9	0.6%	10.7%	
Mer Lynch US High Yield Master II	805.4	-0.2%	2.1%	
	Last Meeting	Current Rate	Next Meeting	
Bank of Canada	Sep 7	1.00%	Oct 25	• Overnight rate same in Sep; need to withdraw monetary policy stimulus diminished
U.S. Federal Reserve	Aug 9	zero to 0.25%	Sep 20-21	

CURRENCIES

	Level	Wkly Chg	YTD		
Canadian dollar: CAD per USD	0.9953	-1.0%	0.3%	• Fell as job losses raised spec BoC on hold longer, global grth concern intensified.	
Japanese yen: JPY per USD	77.5200	-0.9%	4.6%		• Fell as Jpn economy shrank in Q2 more than 1st reported, US\$ sought as refuge.
Euro: USD per EURO	1.3665	-3.8%	2.1%		• Fell on heightened concern about European bank & sovereign credit risk.
British pound: USD per GBP	1.5868	-2.2%	1.6%		• Fell as BoE kept int rates at record low, US\$ sought as refuge.

Relative to the Canadian dollar (Wkly Chg / YTD): **euro (-2.8%/ 1.8%); British pound (-1.1%/ 1.4%); yen (0.1%/ 4.4%).**

ECONOMICS

• **Canadian Economy Loses Jobs**

Canada's economy unexpectedly shed 5,500 jobs in August. The loss, combined with a soft 7,100 gain in July, suggests job creation may stall in the third quarter. The decline masked continued strength in full-time employment, which rose by 25,000 jobs for the second straight month. More part-time positions were cut in August. New hiring remained concentrated in the service sector. Education and health services posted a strong rebound after declines in July. Job creation in the service sector has run at a healthy 22,000 positions over the past six months. In contrast, employment in the goods sector fell by 40,000 jobs in August, held back in large part by sizable drops in construction and primary industries. Over the past six months, goods-sector employment has been flat. The jobless rate edged up to 7.3% from 7.2% in July.

• **Bank of Canada Remains on the Sidelines**

The Bank of Canada kept the overnight rate at 1.00% for an eighth time at its September 7 policy announcement. The BoC said that in light of slowing global economic growth and heightened financial uncertainty, the need to withdraw monetary policy stimulus has diminished. It noted that while the Canadian economy contracted in the second quarter largely due to temporary factors, it still expects growth in Canada to resume in the second half of the year. The BoC will continue to monitor carefully global economic and financial developments.

Canada:	Unemployment Rate - Aug	7.3%	• Up from 7.2% in Jul, which was lowest since Dec 2008.
	Net Change in Employment - Aug	-5.5k	• 1st loss in 5 mths, led by construction, natural resources; followed 7,100 gain in Jul.
	Housing Starts - Aug (saar)	185k	• Fell 9.7% from Jul after solid gains in previous 3 mths; multi-unit projects led decline.
	Ivey Purchasing Managers Index - Aug level	56.4	• Rebounded from 6-mth low of 46.8 in Jul to above 50, which indicates expansion.
	Merchandise Trade - Jul	-\$753m	• Deficit shrank from \$1.37b in Jun on increase in autos & parts exports.
United States:	Trade Balance - Jul	-\$44.8b	• Deficit narrowed more than forecast from revised \$51.6b in Jun on record exports.
Japan:	Real GDP - Q2 2011 (annualized)	-2.1%	• Contracted more than 1.3% initially reported as capital spending decreased.

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