

What's Normal?



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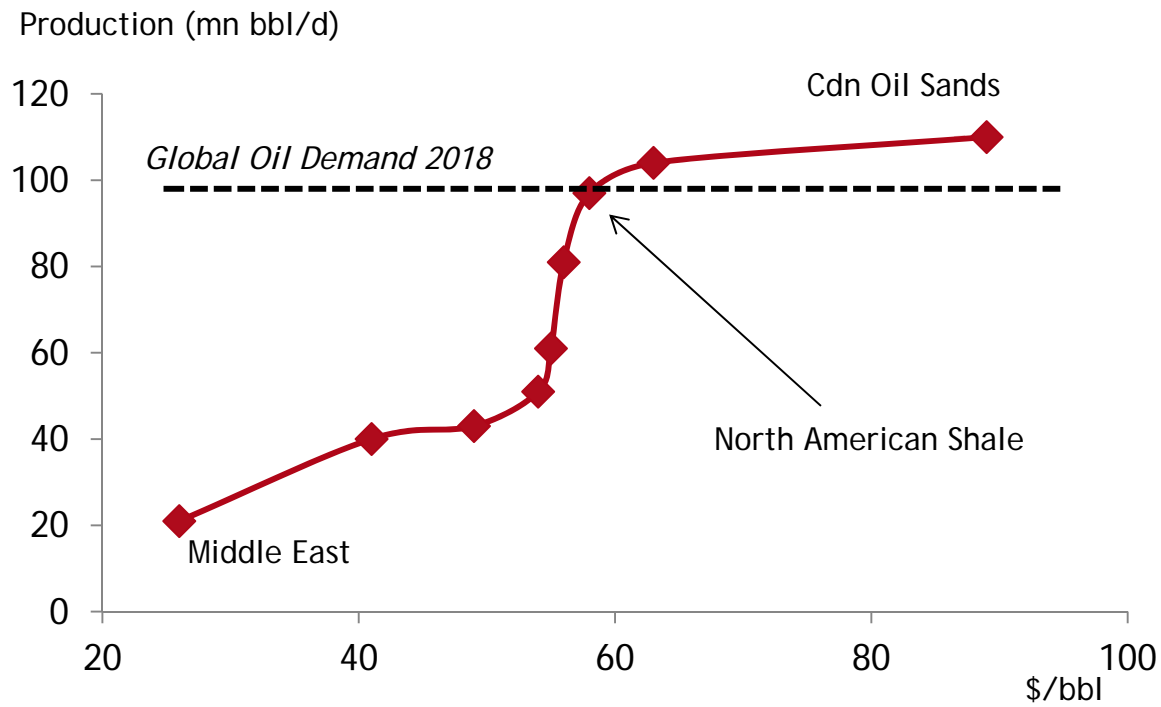
Canada: Share of Low-Paying Jobs - Rising



Source: Statistics Canada, CIBC



Shale Marginal Supplier in the Medium Term

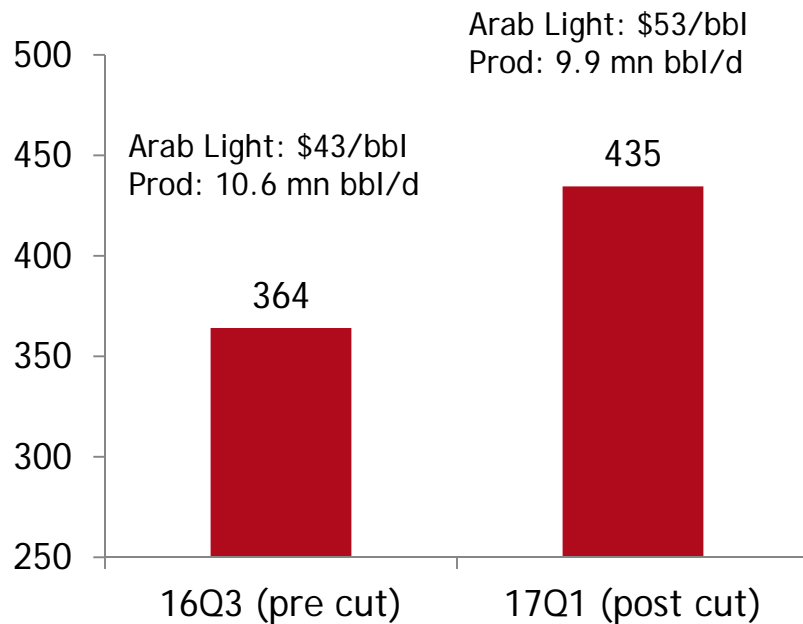


Source: BP, CIBC

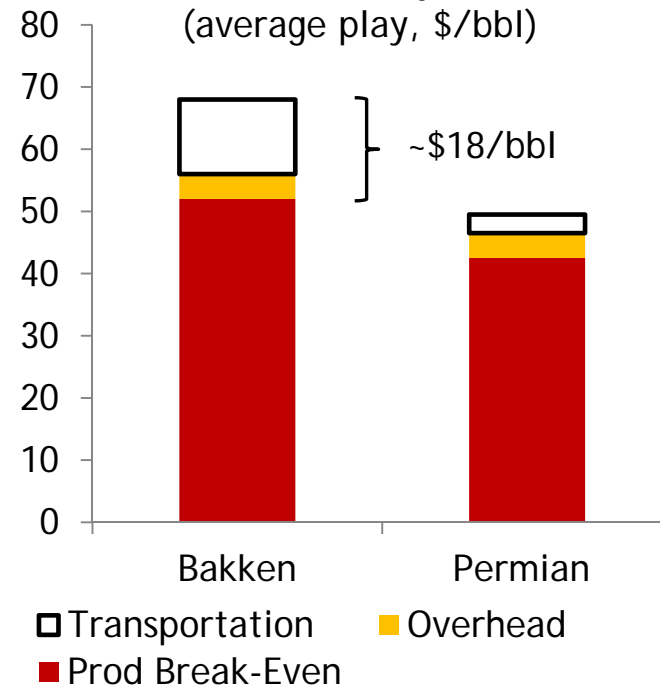


Saudi's Better Off Maintaining Production Cuts (L), Prices Too Low for Full US Rebound (R)

Implied Saudi Oil Revenues (\$ mn/day)



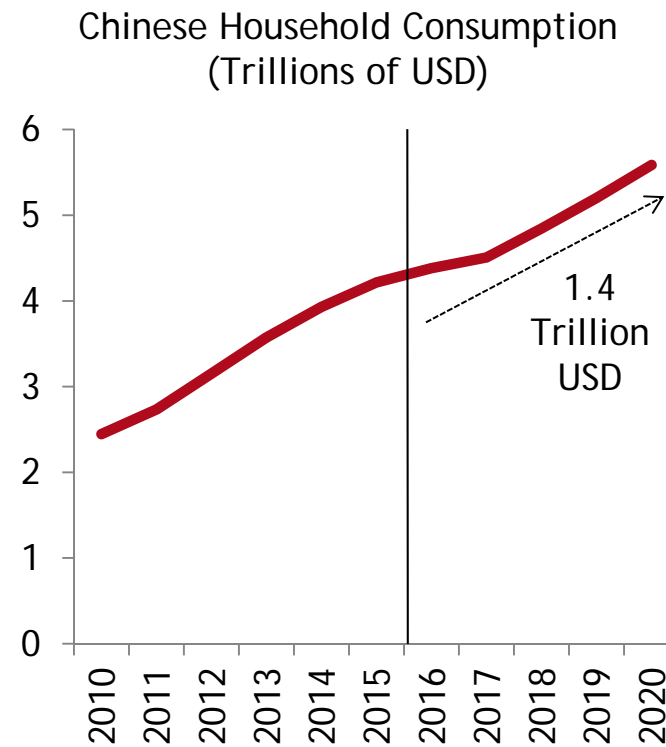
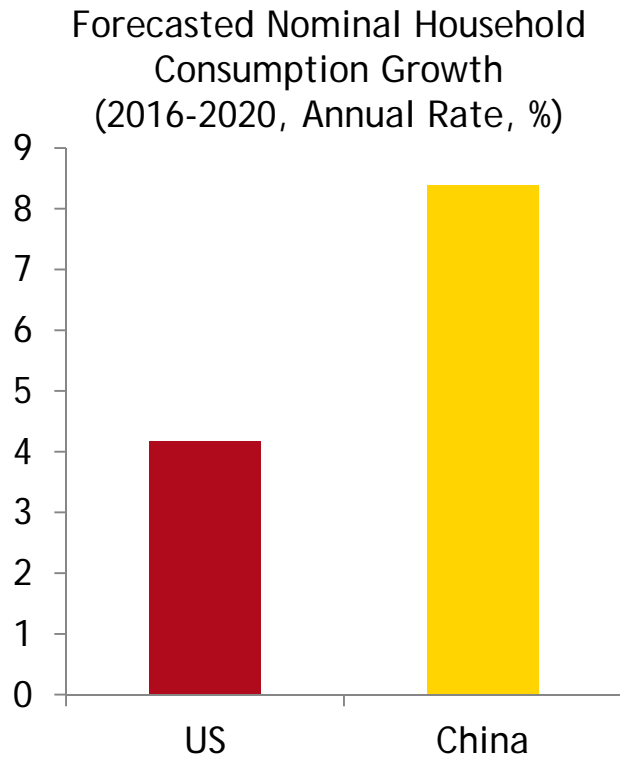
Total Break-Evens by Shale Basin
(average play, \$/bbl)



Source: CIBC, OPEC Secretariat, EIA, Bloomberg



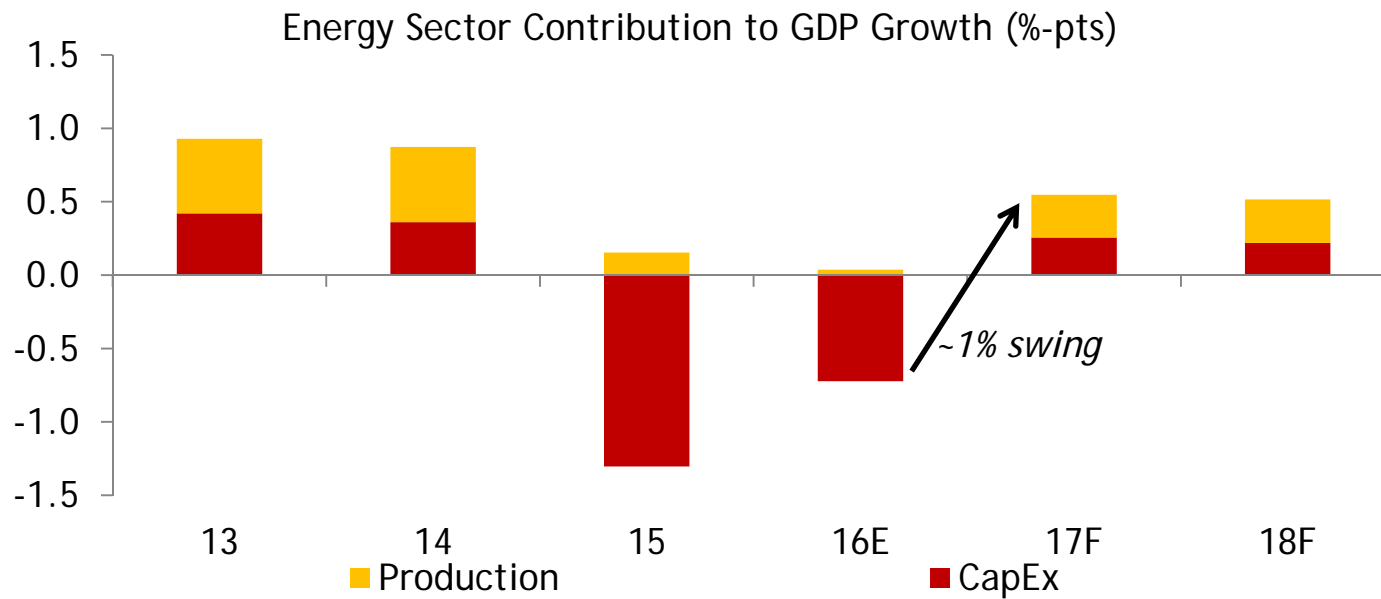
Consumer Spending in China to Rise at Double the US Rate (L), Leaving it \$1.4 tn Higher in 2020 (R)



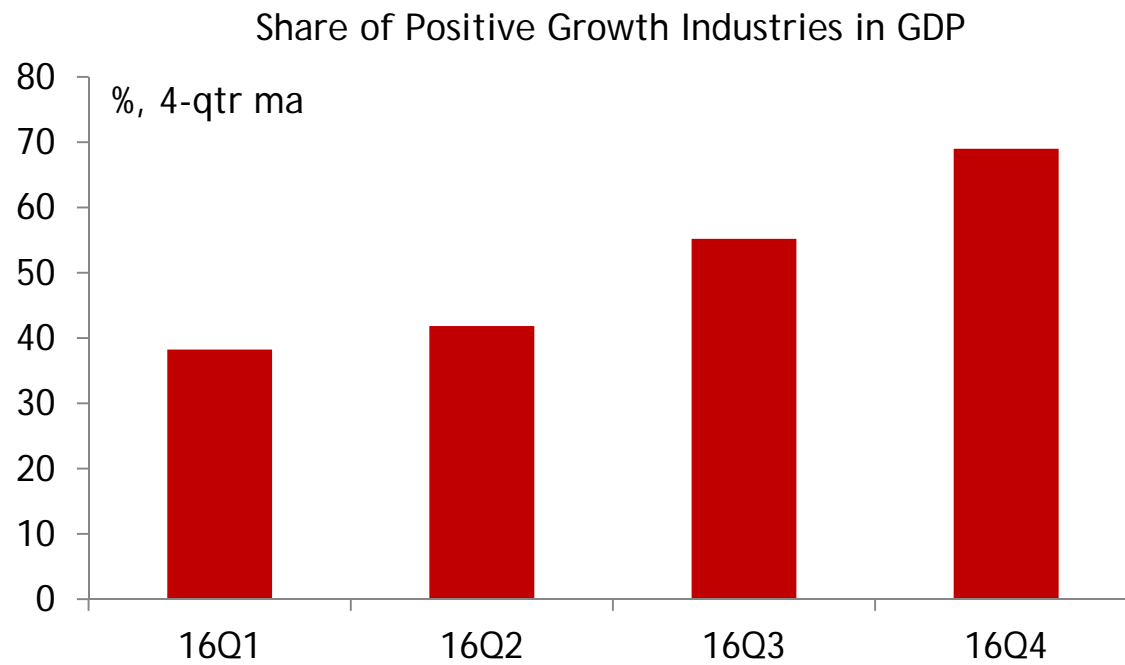
Source: BEA, National Bureau of Statistics of China, CIBC



2017 Canadian Growth: Refueled by Oil & Gas



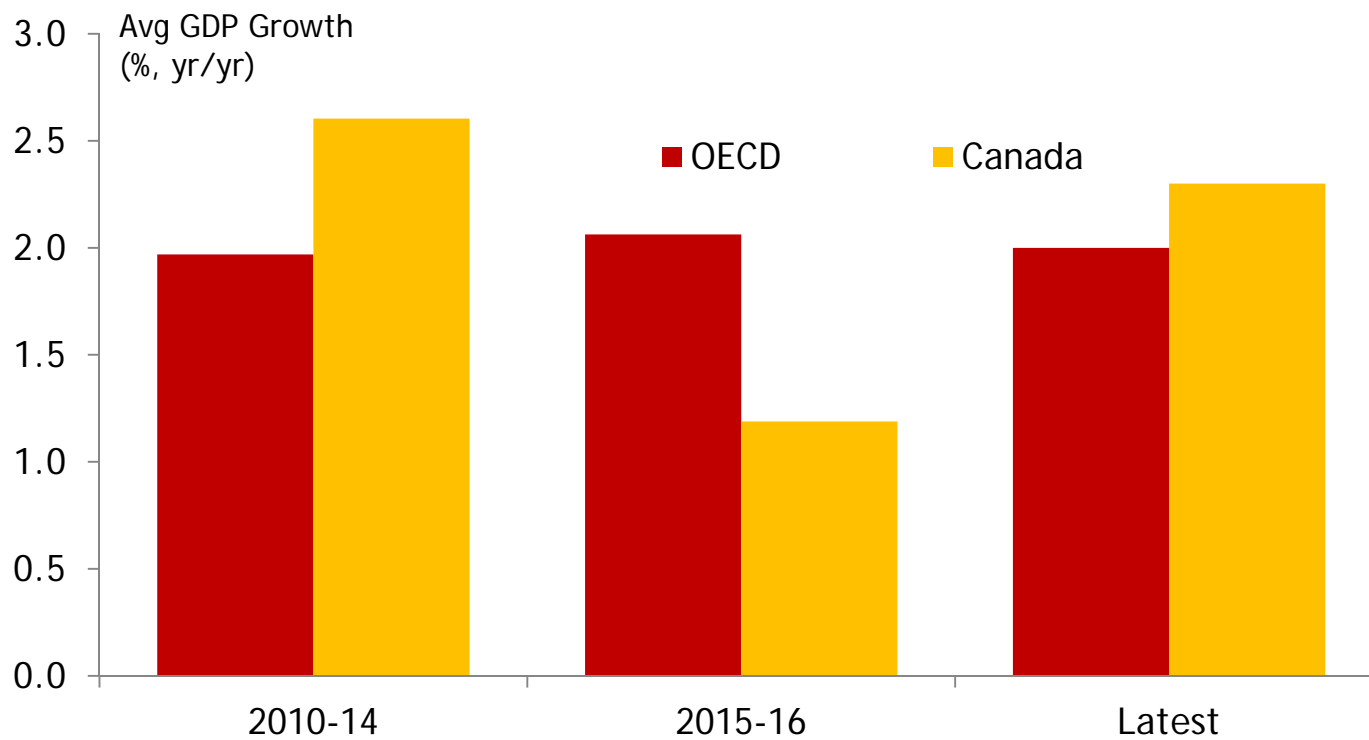
Broadly-Based Growth



Source: Statistics Canada, CIBC



Canadian Economy Back to Outperformer

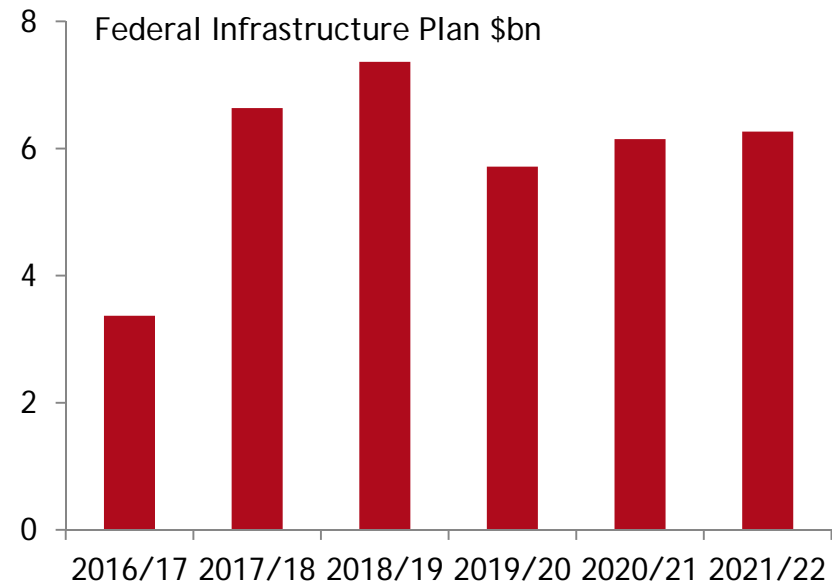
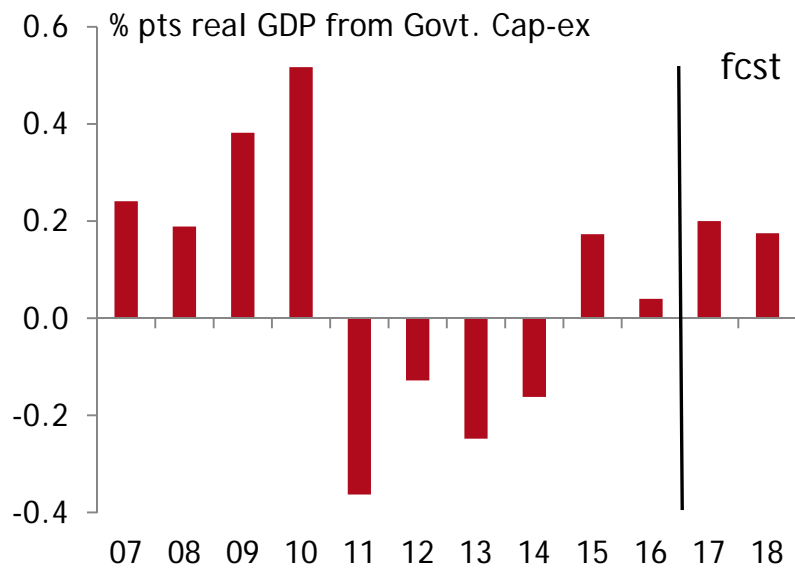


Source: Bank of Canada, OECD, CIBC

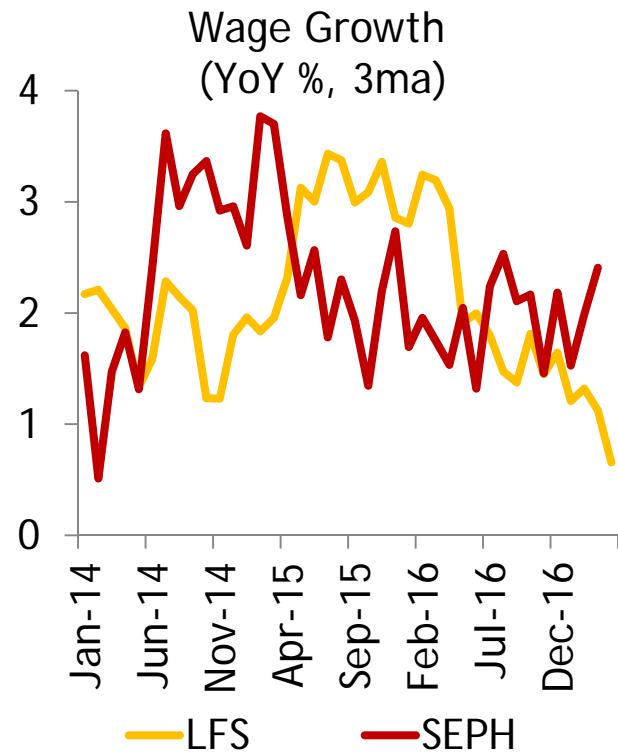
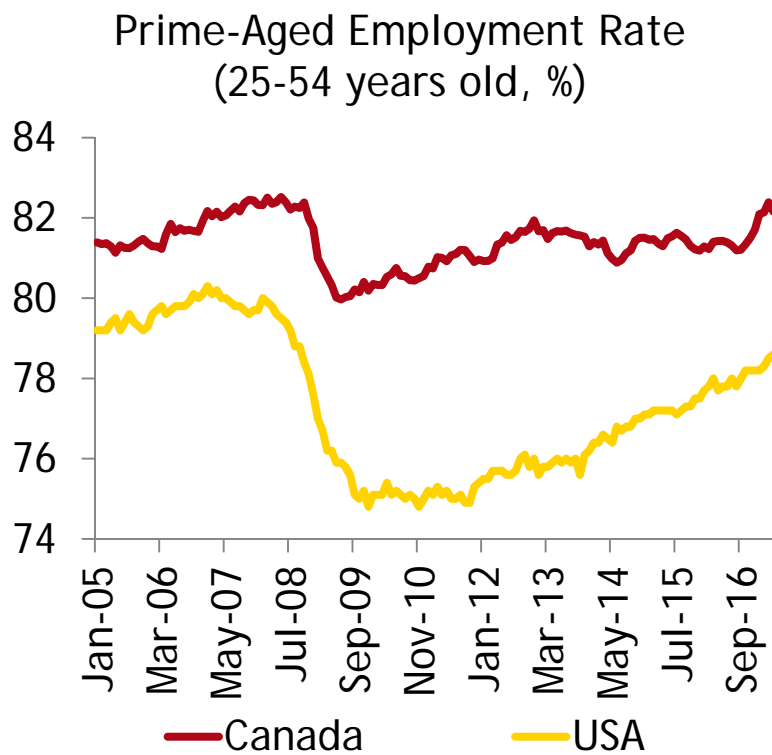


Modest Real GDP Growth Lift from Government Cap-Ex (L), Federal Infrastructure Plan Peaks in 2018 (R)

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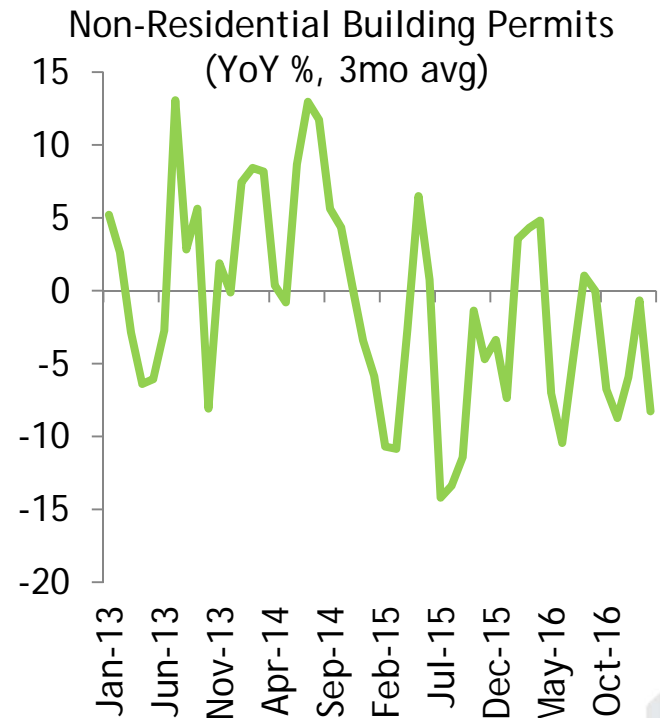
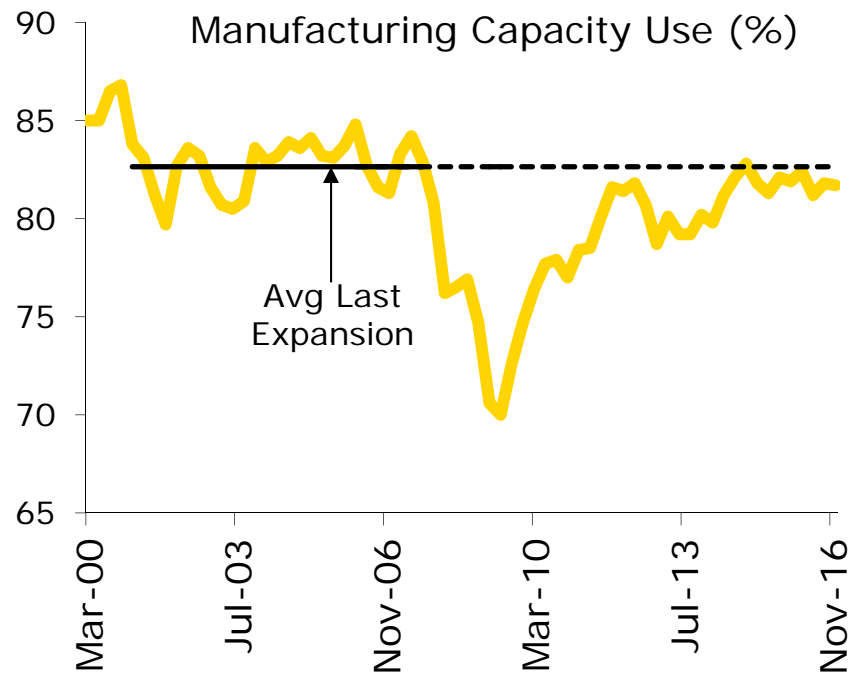


Canadian Labour Market: Tighter Than US in Employment Rate (L),
Wages Steady at 2% in Payrolls (SEPH) Fixed Weight Series (R)



Canadian Plants Bumping Up Against Capacity (L), But No Signs of Major Expansions Afoot (R)

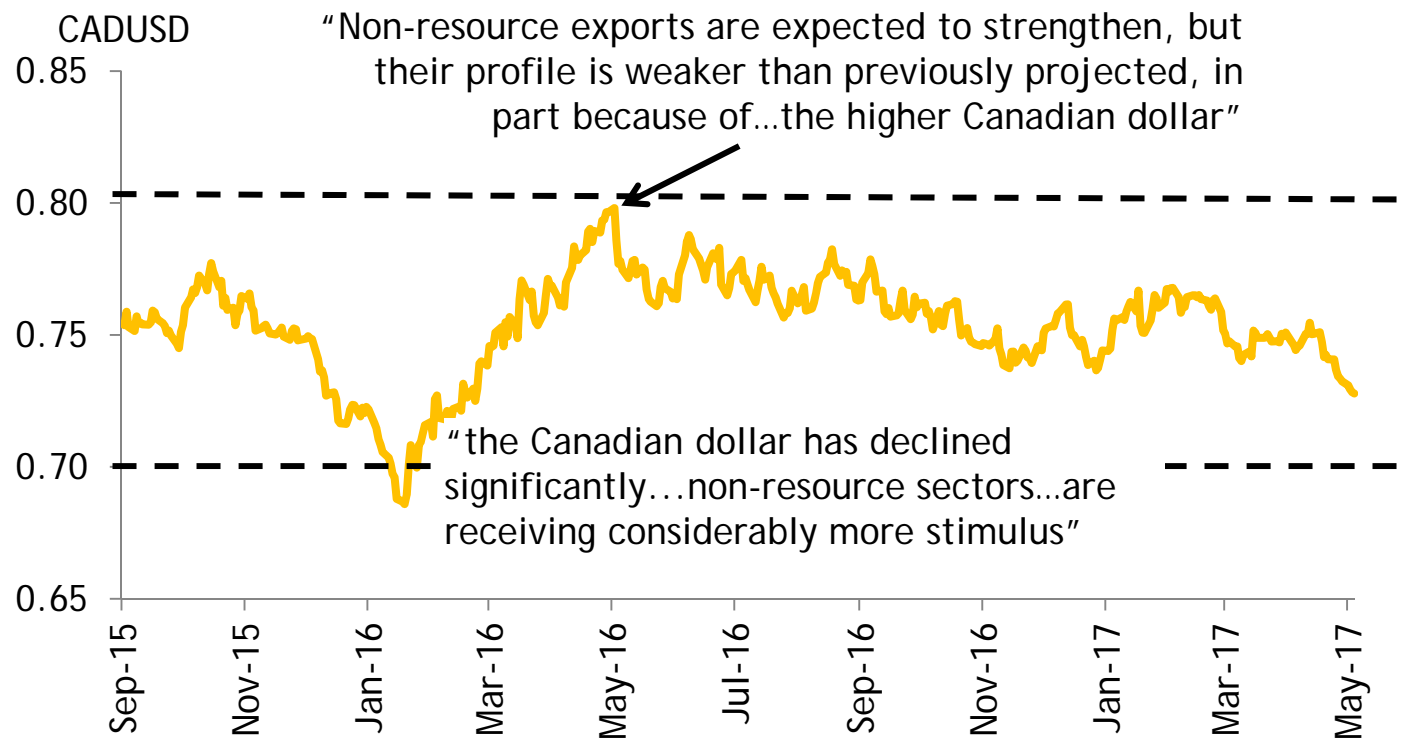
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Source: BEA, Statistics Canada, CIBC



Is the C\$ Low Enough?

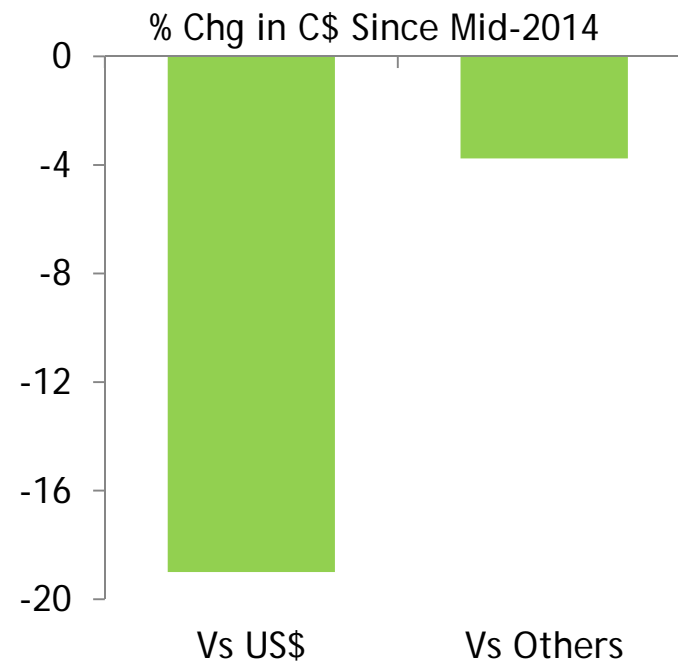
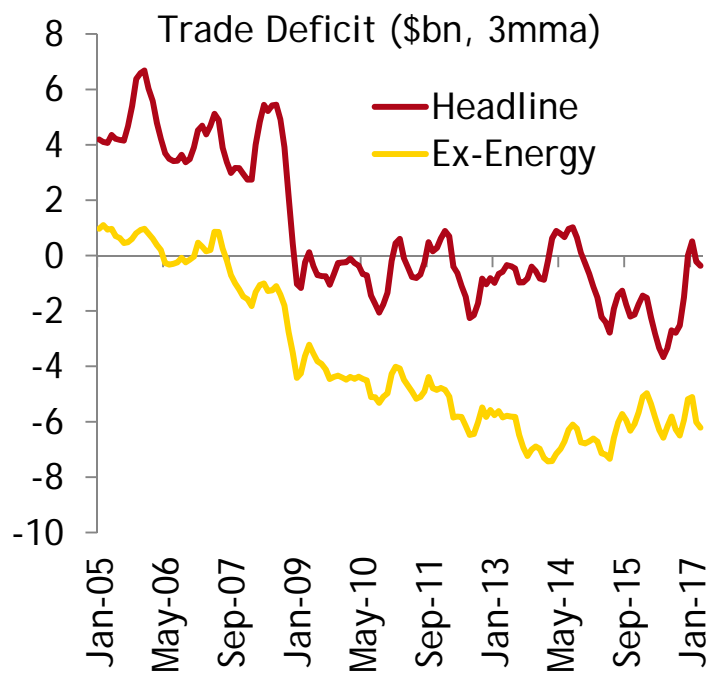


Source: Bloomberg, CIBC



Ex-Energy Trade Deficit Still Large (L), C\$ Hasn't Moved Much Against Currencies Other Than US\$

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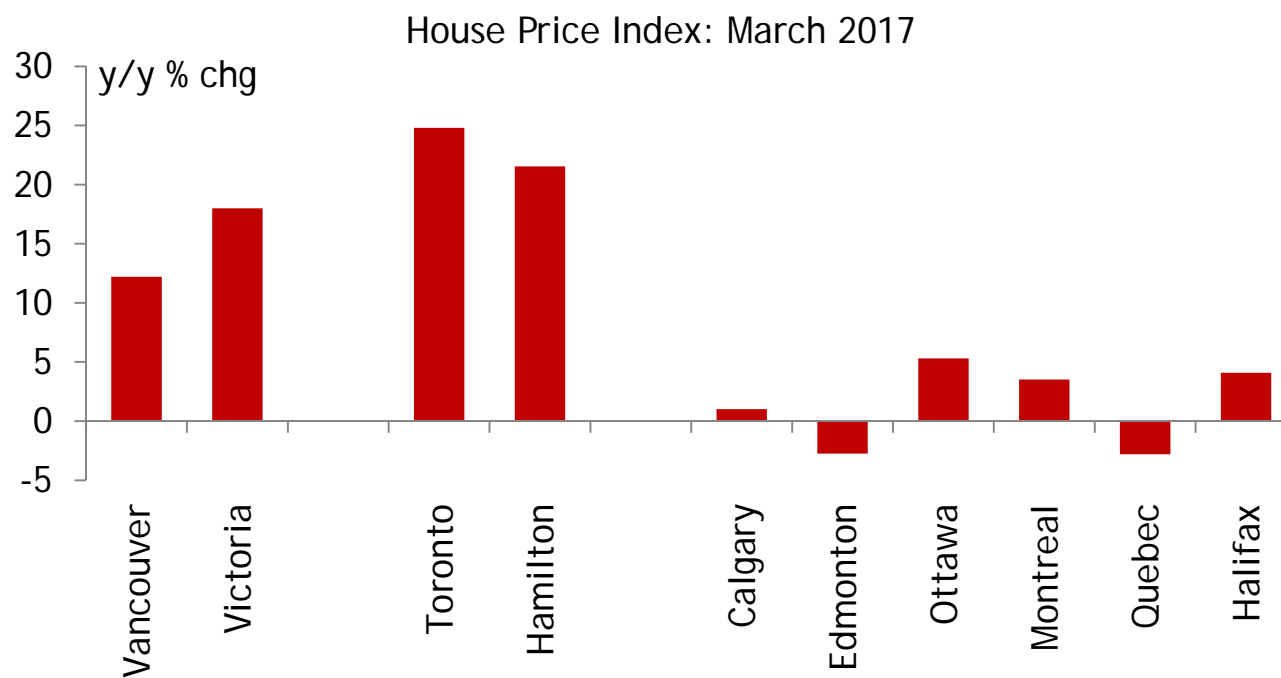


Source: Statistics Canada, Bloomberg, BOC, CIBC



House Prices: Blowing Hot and Cold

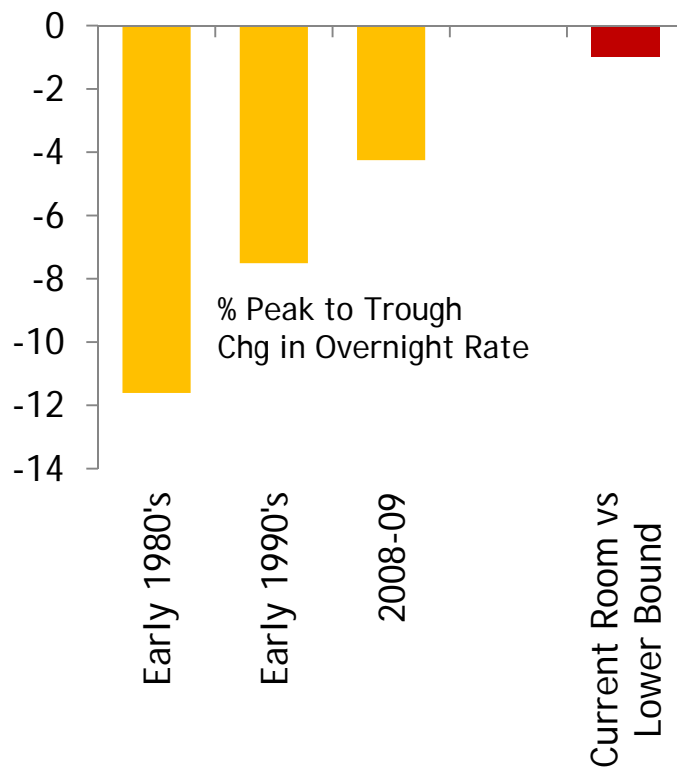
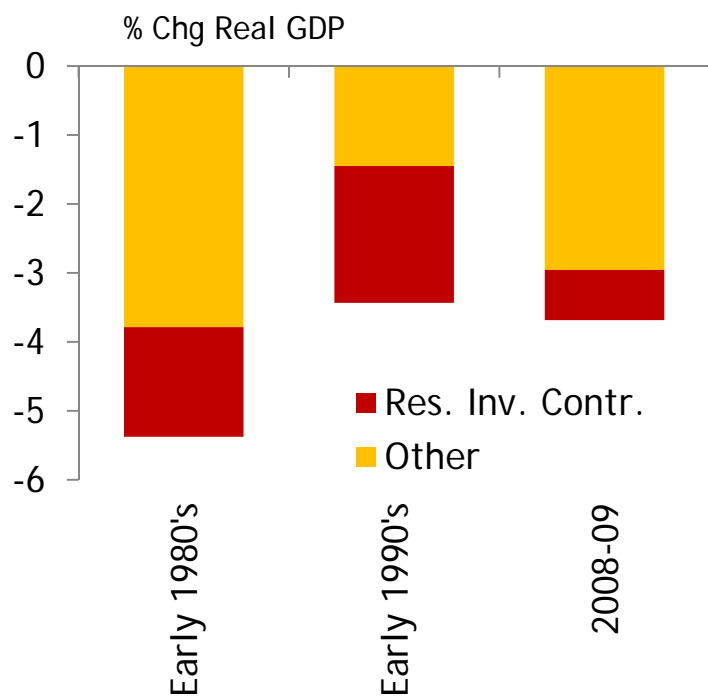
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Source: Teranet/National Bank of Canada, CIBC



Residential Investment Declines a Recession Deepener (L), Even When Room for Significant Rate Cuts (R)



Source: Statistics Canada, CIBC



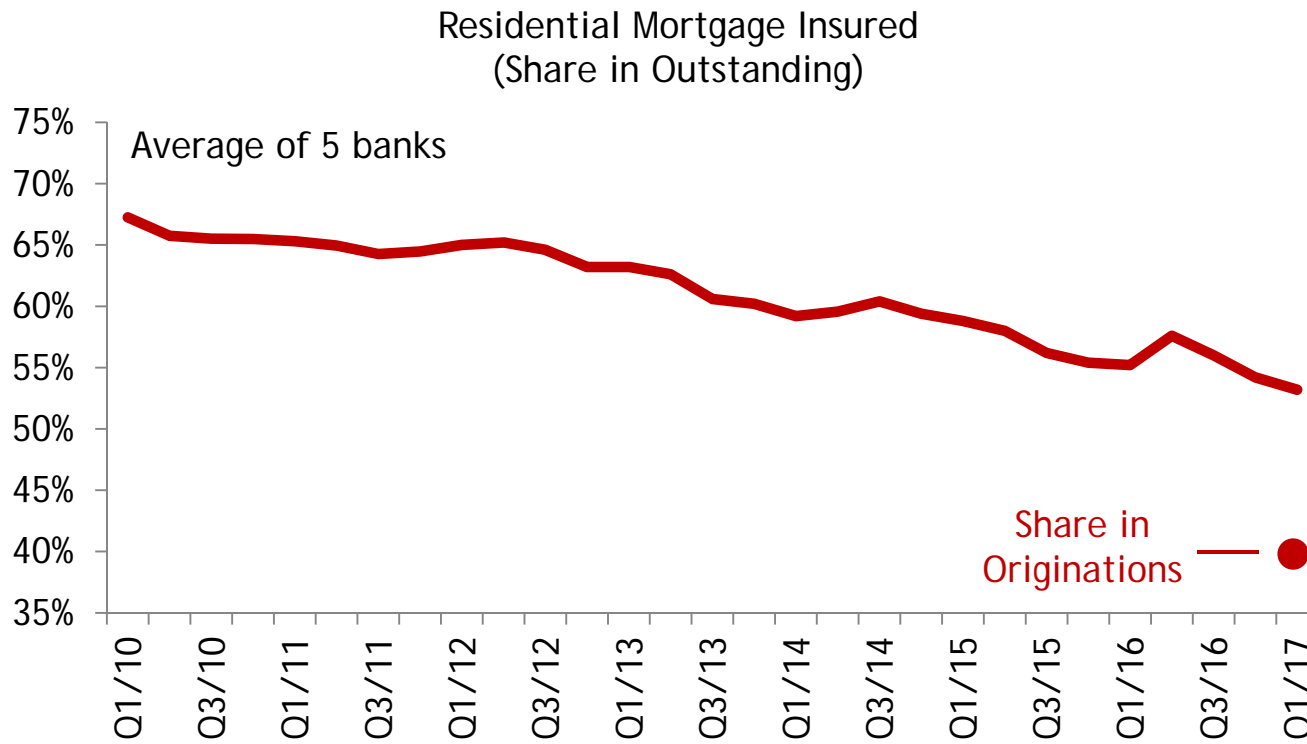
New Federal Mortgage Rules

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1. **Standardized stress test for all high-ratio insured mortgages - Effective October 17, 2016 (MANDATORY)**
 - All insured homebuyers must qualify for mortgage insurance at an interest rate the greater of their contract mortgage rate or the Bank of Canada's conventional five-year fixed posted rate. That is, expand the existing Bank of Canada MQR to apply to all high-ratio mortgage terms, regardless of length
 - Already applicable for high-ratio insured mortgages with variable rates or fixed rates with terms less than five years
 - Currently, ~15% of new originations are high-ratio insured mortgages
2. **Changes to eligibility for portfolio insurance - Effective November 30, 2016**
 - To be eligible for portfolio insurance, newly insured low-ratio mortgages must meet the eligibility criteria that previously only applied to high-ratio insured mortgages:
 - NEW Maximum amortization of 25 years
 - NEW Maximum home purchase price of \$1MM
 - Adherence to TDSR/GDSR of 44%/39% as NEW determined by above standardized stress test to all mortgage terms
 - NEW Loan purpose includes the purchase of a property or subsequent renewal of such a loan
 - A minimum credit score of 600 at the time the loan is approved
 - NEW Property will be owner-occupied (NB: CIBC already excludes rentals)
 - For variable-rate loans that allow fluctuations in the amortization period, loan payments that are recalculated at least once every five years to conform to the original amortization schedule (NB: CIBC already recalculates)
3. **Policy Review on shared risk loss**
 - The Department of Finance will lead a consultation in the Fall to discuss benefits/drawbacks on shared risk loss with lenders
4. **Tax exemption**
 - An individual who was not resident in Canada in the year the individual acquired a residence will not be able to claim the exemption for that year



Shrinking Target



Source: Company Reports and CIBC

