

# Canada: Weekly Notes

## Key events for the week of May 10 - 14, 2010

### Economic diary – Canada

Date		Last	Median	HSBC	Impact	Comments
May 10	Housing Starts – Apr (8:15)	197.3K	200K	210K	Minor	<ul style="list-style-type: none"> <li>The latest data (March) out on building permits point to some pretty decent upside for the April starts number. Prior to the release of the permits data we had been forecasting a decline in housing starts from 197,000 to 192,000 units. However, behind the 12.2% rise in builder permits was a 21.1% jump in the number of approved units for construction in the multi family home category. This also corresponds with a large pick up in construction hiring in April. On that basis, we are looking for multi unit housing starts to recovery to February's pace of 91,000 units, up from March's depressed reading of 77,500. Single family starts hold in at current levels at 98,000 and rural starts at 21,000.</li> </ul>
May 12	New Housing Price Index M/M – March (8:30)	0.1%	0.3%	0.2%	Minor	<ul style="list-style-type: none"> <li>Last month, new home prices were weighed down by a 0.7% decline in Toronto housing prices which was a function of the introduction of the harmonized sales tax. Builders in the province of BC had yet to begin including the HST into the price of a new home although this is expected to change in March. We are expecting price declines in BC as the HST is stripped out in the effort to calculate new home prices which will offset some of the gains in other areas of the country</li> <li>Industry data on existing home sales for the month of March indicated that the market had continued to favour sellers. While the environment could still be characterized as a sellers market, new listings are on the rise, creating a more balanced market. Overall, existing home sale prices rose 1.4%/m/m in March, led by price increases in the Toronto area, which offset price declines on the West coast according to the Canadian real estate association.</li> </ul>
	Int'l Merchandise Trade M/M – March (8:30)	C\$1.4bn	C\$1.6bn	C\$1.0bn	Med	<ul style="list-style-type: none"> <li>The trade data provides us with the first real whiff of March data in which to get some context as to how the March GDP may be shaping up. For today's data, we looked at higher crude prices as providing a boost to energy exports. Although this will be partially offset by the warmer temperatures and weaker pricing metrics for natural gas which would have hampered shipment volumes and dollar sales. Distillate exports are expected to have been curtailed by the impact of refinery fires earlier in the year. A 7.2%/m/m rise in industrial goods and materials in February, courtesy of massive spikes in copper (83%/m/m) and nickel ores (265%/mn/m) are expected to be largely unwound in March. That alone is expected to have knocked C\$400mn out of the surplus. Regardless of the softening up of the March headline surplus, it is important to recognize that February's report was particularly encouraging, noteworthy for the overall pick up in both import (+1.0%/m/m) and export (+1.4%/m/m) volumes. March volumes should be seen in the context of a smoothing out of a particularly chunky February report. Finally, China's trade data reflected a large pick up in the appetite for Canadian exports which jumped by a healthy CAD320m.</li> <li>As an aside: we find it interesting that since May 2009, export volumes have risen 14% despite a steady weakening in USD/CAD.</li> </ul>

#### Stewart Hall

Economist  
 HSBC Securities (Canada) Inc  
 +1 416 868 7523  
 stewart\_hall@hsbc.ca

View HSBC Global Research at:  
<http://www.research.hsbc.com>

\*Employed by a non-US affiliate of HSBC Securities (USA) Inc, and is not registered/qualified pursuant to NYSE and/or NASD regulations.

Issuer of report: HSBC Securities (Canada) Inc.

### Disclaimer & Disclosures

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it

Continued on page 2

Source: HSBC Canada

Economic diary – Canada (cont'd)

Date		Last	Median	HSBC	Impact	Comments
May 13	BoC Governors Speaking					▶ Economic conference in Ottawa from May 13 – 14 features a number of BoC governors along with the BoC governor Carney.
May 14	New Motor Vehicle Sales M/M – Mar (8:30)	8.1%	-4.0%	-4.0%	Minor	▶ Preliminary evidence suggests that new vehicle sales on a unit basis pulled back in March, dropping -4.0% following February's robust 8.1%/m increase. Unfortunately the preliminary report provides no breakdown of sales per category class of vehicle. Knowing the sales mix provides some insight into what the dollar sales may look like given that the SUV/truck and foreign vehicle categories tend to come in at higher MSRP than the North American passenger car group. In other words, changes in unit sales for the SUV and truck categories will tend to have a bigger impact on the retail sales report (measured in dollar sales) than changes in the number of unit sales for passenger vehicles.  ▶ Just as North American produced vehicles led the charge in February, so too do we expect to see the greater majority of sales declines coming in the North American passenger car category.
	Manufacturing Sales M/M – Mar (8:30)	0.1%	1.0%	1.3%	Med	▶ Wednesday's trade report will help to flesh out some of the story on manufacturing sales. In front of that, we are expecting that the auto sector will have staged a recovery following temporary layoffs during the first week of February. Primary metals shipments expected to have benefitted from stronger pricing metrics. On the downside, refinery activity remains hampered by several fires earlier in the year that are expected to have continued to keep some capacity idled in March.

Source: HSBC Canada

# Disclosure appendix

## Analyst Certification

The following analyst(s), economist(s), and/or strategist(s) who is(are) primarily responsible for this report, certifies(y) that the opinion(s) on the subject security(ies) or issuer(s) and/or any other views or forecasts expressed herein accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Stewart Hall

## Important Disclosures

This document has been prepared and is being distributed by the Research Department of HSBC and is intended solely for the clients of HSBC and is not for publication to other persons, whether through the press or by other means.

This document is for information purposes only and it should not be regarded as an offer to sell or as a solicitation of an offer to buy the securities or other investment products mentioned in it and/or to participate in any trading strategy. Advice in this document is general and should not be construed as personal advice, given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. If necessary, seek professional investment and tax advice.

Certain investment products mentioned in this document may not be eligible for sale in some states or countries, and they may not be suitable for all types of investors. Investors should consult with their HSBC representative regarding the suitability of the investment products mentioned in this document and take into account their specific investment objectives, financial situation or particular needs before making a commitment to purchase investment products.

The value of and the income produced by the investment products mentioned in this document may fluctuate, so that an investor may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Value and income from investment products may be adversely affected by exchange rates, interest rates, or other factors. Past performance of a particular investment product is not indicative of future results.

Analysts, economists, and strategists are paid in part by reference to the profitability of HSBC which includes investment banking revenues.

For disclosures in respect of any company mentioned in this report, please see the most recently published report on that company available at [www.hsbcnet.com/research](http://www.hsbcnet.com/research).

*\* HSBC Legal Entities are listed in the Disclaimer below.*

## Additional disclosures

- 1 This report is dated as at 07 May 2010.
- 2 All market data included in this report are dated as at close 06 May 2010, unless otherwise indicated in the report.
- 3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.

# Disclaimer

\* Legal entities as at 31 January 2010

'UAE' HSBC Bank Middle East Limited, Dubai; 'HK' The Hongkong and Shanghai Banking Corporation Limited, Hong Kong; 'TW' HSBC Securities (Taiwan) Corporation Limited; 'CA' HSBC Securities (Canada) Inc, Toronto; HSBC Bank, Paris branch; HSBC France; 'DE' HSBC Trinkaus & Burkhardt AG, Dusseldorf; 000 HSBC Bank (RR), Moscow; 'IN' HSBC Securities and Capital Markets (India) Private Limited, Mumbai; 'JP' HSBC Securities (Japan) Limited, Tokyo; 'EG' HSBC Securities Egypt S.A.E., Cairo; 'CN' HSBC Investment Bank Asia Limited, Beijing Representative Office; The Hongkong and Shanghai Banking Corporation Limited, Singapore branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch; HSBC Securities (South Africa) (Pty) Ltd, Johannesburg; 'GR' HSBC Panlakis Securities S.A., Athens; HSBC Bank plc, London, Madrid, Milan, Stockholm, Tel Aviv; 'US' HSBC Securities (USA) Inc, New York; HSBC Yatirim Menkul Degerler A.S., Istanbul; HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, HSBC Bank Brasil S.A. - Banco Múltiplo, HSBC Bank Australia Limited, HSBC Bank Argentina S.A., HSBC Saudi Arabia Limited.

**Issuer of report**

**HSBC Securities (Canada) Inc.**

70 York Street, 8th Floor  
Toronto, Ontario M5J 1S9,  
Canada  
Telephone +1 416 868 7523  
Fax +1 416 364 2543  
Website:  
[www.research.hsbc.com](http://www.research.hsbc.com)

This document has been issued by HSBC Bank Canada, HSBC Securities (Canada) Inc., and/or their affiliates (collectively "HSBC"). The material contained in this document is for the information of clients of HSBC and is not for publication to other persons, whether through the press or by other means. Unless otherwise stated, any pricing information given in this document is indicative only, is subject to change and does not constitute an offer to buy or sell any securities, currency or related financial instrument at any price quoted. HSBC is not liable for any errors or omissions in the content or transmission of this email. Where this document contains market updates/overviews, or similar materials (collectively deemed "Commentary" in Canada although other affiliate jurisdictions may term "Commentary" as either "macro-research" or "research"), the Commentary is not an offer to sell, or a solicitation of an offer to sell or subscribe for, any currency or related instrument. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient in the preparation of the Commentary. The Commentary is derived from sources HSBC believes to be reliable but which HSBC has not independently verified. No representation or warranty is made with respect to the completeness or accuracy of the Commentary. HSBC, its affiliates, their directors, officers, employees and agents: (1) are not liable for any direct or consequential loss arising from use of or reliance on the Commentary, and (2) may have a long or short position in, or otherwise participate in markets for, the currencies and securities mentioned in the Commentary.

This document may be distributed in the United States solely to "Major US Institutional Investors" (as defined in Rule 15a-6 of the US Securities Exchange Act of 1934); such recipients should note that any transactions effected on their behalf will be undertaken through HSBC Securities (USA) Inc. in the United States. In Singapore, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch for the general information of institutional investors or other persons specified in Sections 274 and 304 of the Securities and Futures Act (Chapter 289) ("SFA") and accredited investors and other persons in accordance with the conditions specified in Sections 275 and 305 of the SFA. This publication is not a prospectus as defined in the SFA. It may not be further distributed in whole or in part for any purpose. The Hongkong and Shanghai Banking Corporation Limited Singapore Branch is regulated by the Monetary Authority of Singapore. In Hong Kong, this document has been distributed by The Hongkong and Shanghai Banking Corporation Limited in the conduct of its Hong Kong regulated business for the information of its institutional and professional customers; it is not intended for and should not be distributed to retail customers in Hong Kong. The Hongkong and Shanghai Banking Corporation Limited makes no representations that the products or services mentioned in this document are available to persons in Hong Kong or are necessarily suitable for any particular person or appropriate in accordance with local law. All inquiries by such recipients must be directed to The Hongkong and Shanghai Banking Corporation Limited. In Korea, this publication is distributed by either The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch ("HBAP SLS") or The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch ("HBAP SEL") for the general information of professional investors specified in Article 9 of the Financial Investment Services and Capital Markets Act ("FSCMA"). This publication is not a prospectus as defined in the FSCMA. It may not be further distributed in whole or in part for any purpose. Both HBAP SLS and HBAP SEL are regulated by the Financial Services Commission and the Financial Supervisory Service of Korea. In the UK this report may only be distributed to persons of a kind described in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001. The protections afforded by the UK regulatory regime are available only to those dealing with a representative of HSBC Bank plc in the UK. HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC is authorized and regulated by Secretaría de Hacienda y Crédito Público and Comisión Nacional Bancaria y de Valores (CNBV). HSBC Bank (Panama) S.A. is regulated by Superintendencia de Bancos de Panama. Banco HSBC Honduras S.A. is regulated by Comisión Nacional de Bancos y Seguros (CNBS). Banco HSBC Salvadoreño, S.A. is regulated by Superintendencia del Sistema Financiero (SSF). HSBC Colombia S.A. is regulated by Superintendencia Financiera de Colombia. Banco HSBC Costa Rica S.A. is supervised by Superintendencia General de Entidades Financieras (SUGEF). Banistmo Nicaragua, S.A. is authorized and regulated by Superintendencia de Bancos y de Otras Instituciones Financieras (SIBOIF).

In Australia, this publication has been distributed by The Hongkong and Shanghai Banking Corporation Limited (ABN 65 117 925 970, AFSL 301737) for the general information of its "wholesale" customers (as defined in the Corporations Act 2001). Where distributed to retail customers, this research is distributed by HSBC Bank Australia Limited (AFSL No. 232595). These respective entities make no representations that the products or services mentioned in this document are available to persons in Australia or are necessarily suitable for any particular person or appropriate in accordance with local law. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Securities (Canada) Inc. HSBC Securities (Canada) Inc. is a wholly owned subsidiary of, but separate entity from, HSBC Bank Canada. Member CIPF. ©Copyright 2010. MICA (P) 177/08/2009