

# Running Out of Gas

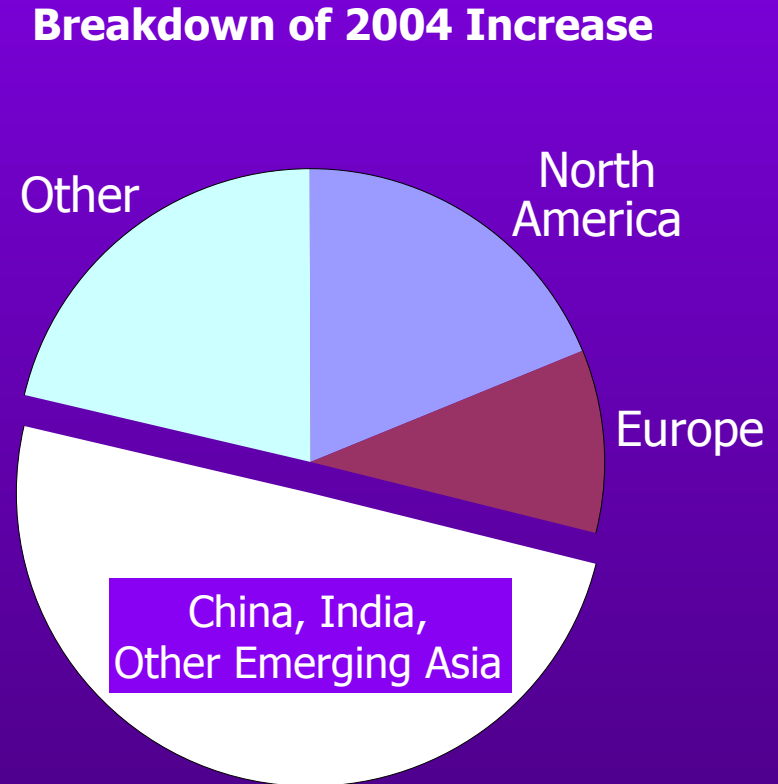
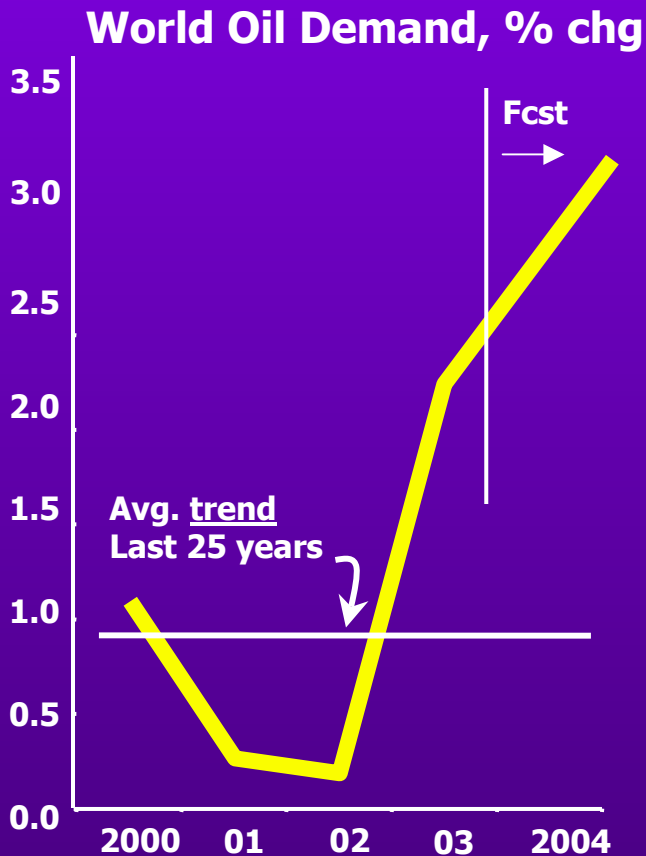
Jeff Rubin, Chief Economist & Chief Strategist

CIBC World Markets  
Economics & Strategy  
**September 2004**



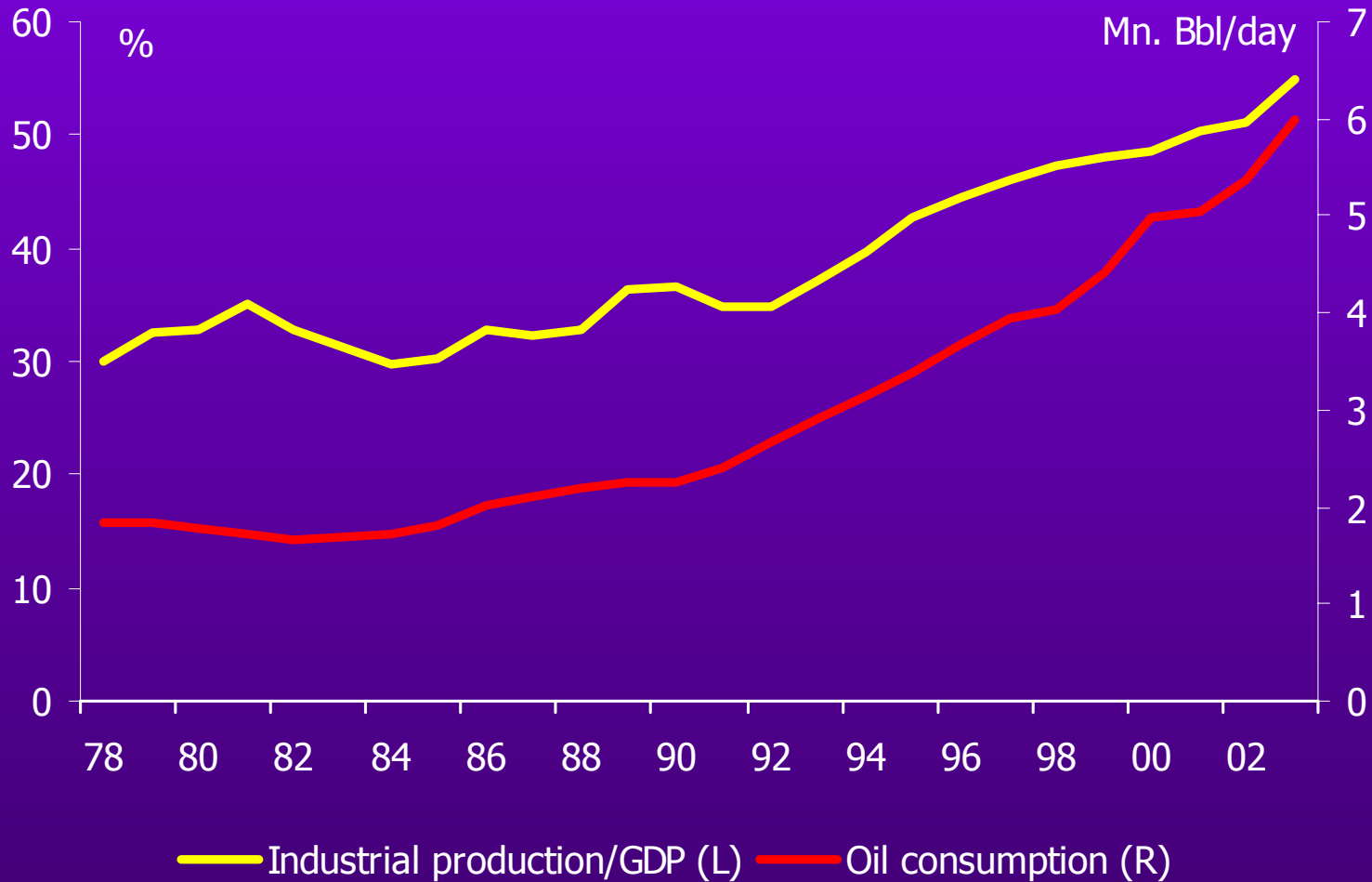
CIBC  
World Markets

# Asia Powering Strong World Oil Demand



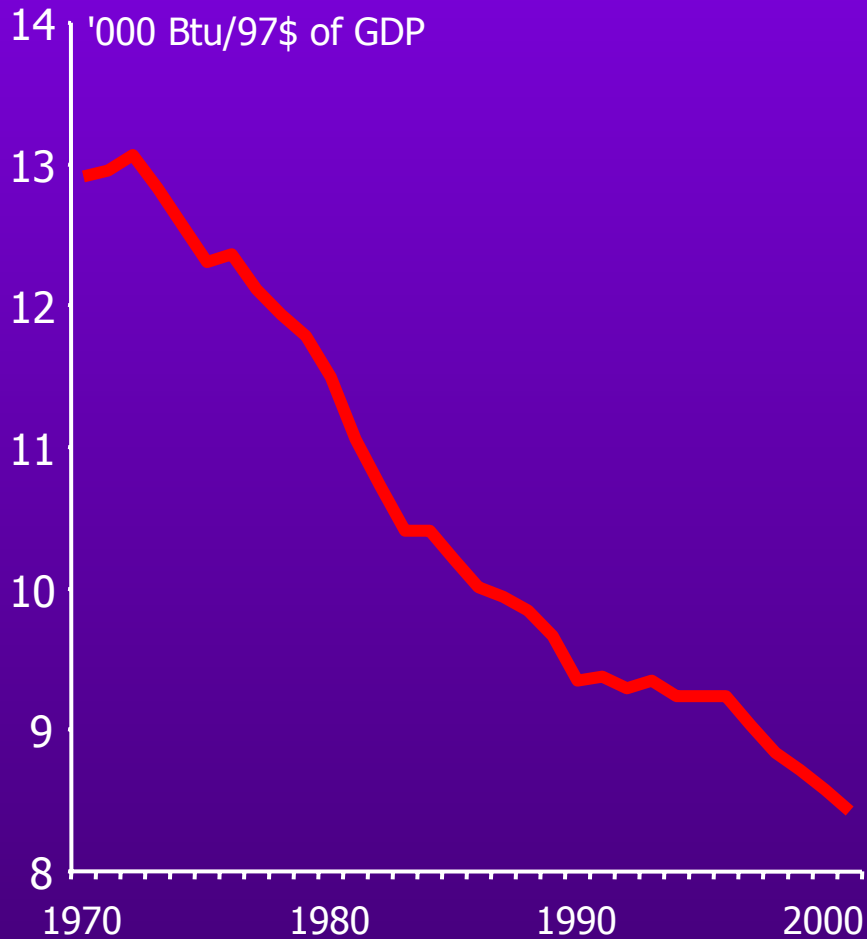
Source: International Energy Agency

# Industrial-Fueled Growth Drives China's Oil Demand

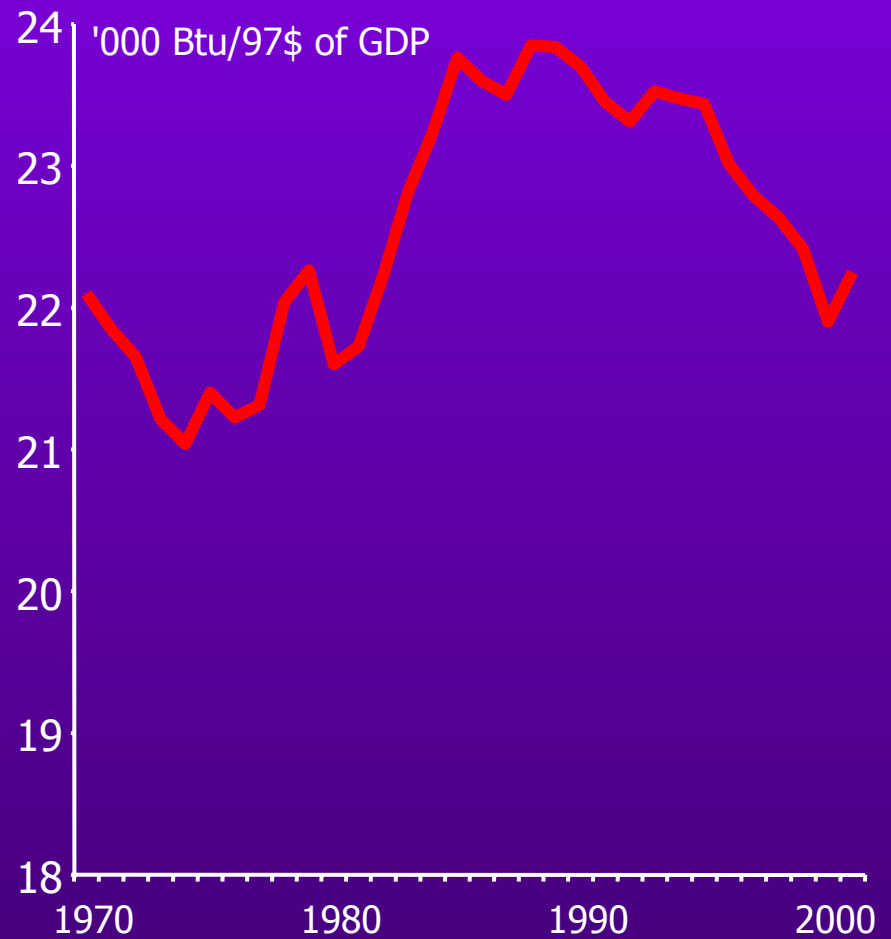


# Globalization is Energy Intensive

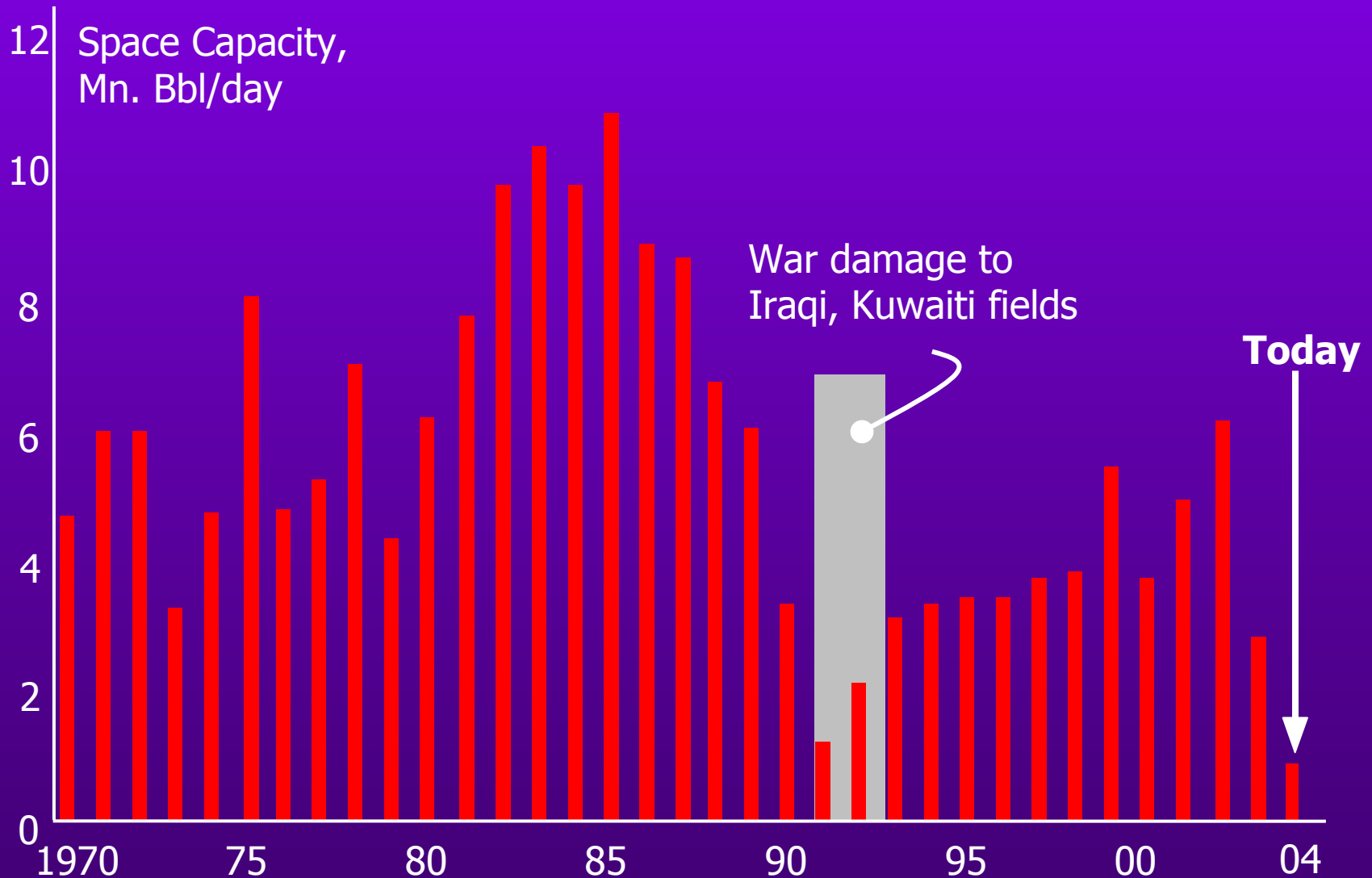
OECD Countries



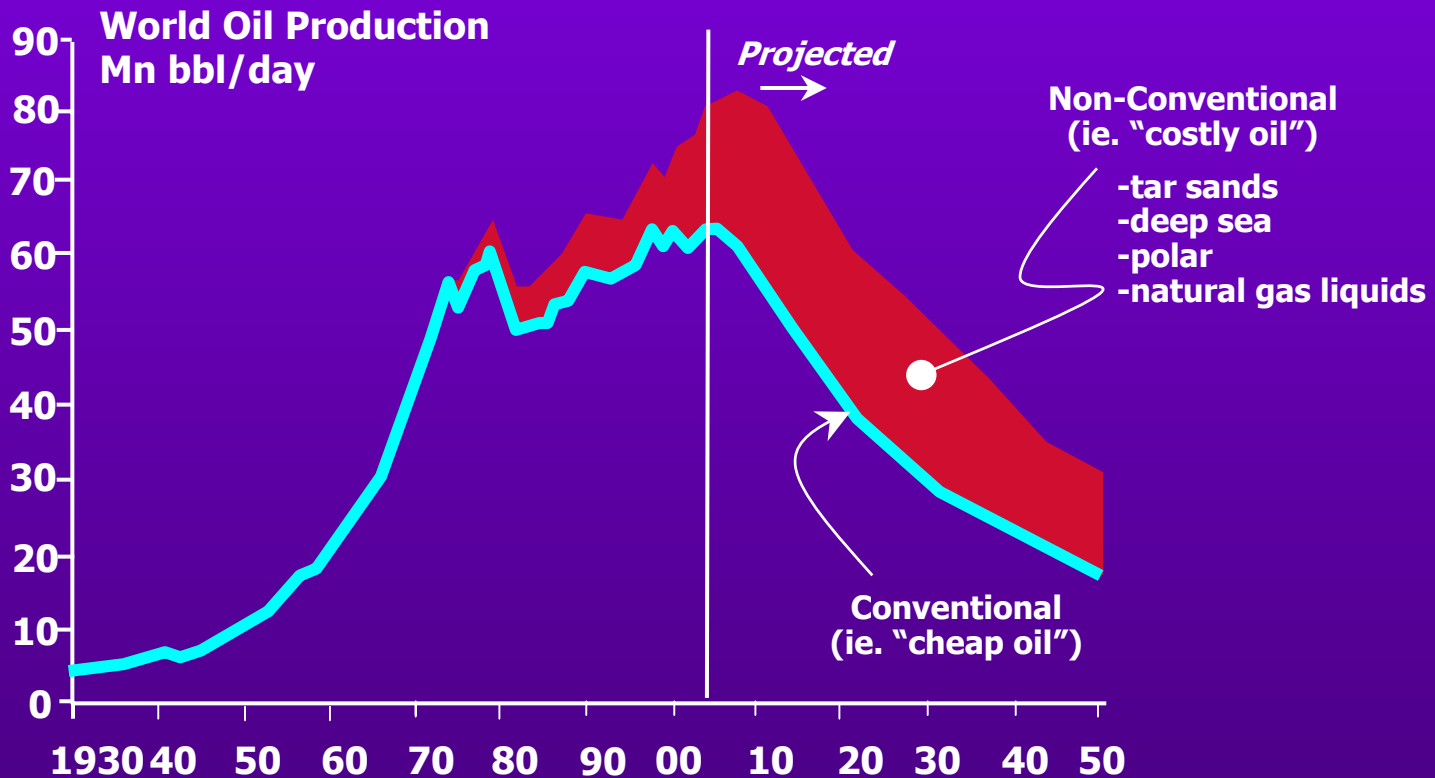
Emerging Economies



# Tight Global Capacity Leaves Little Room for Demand Growth

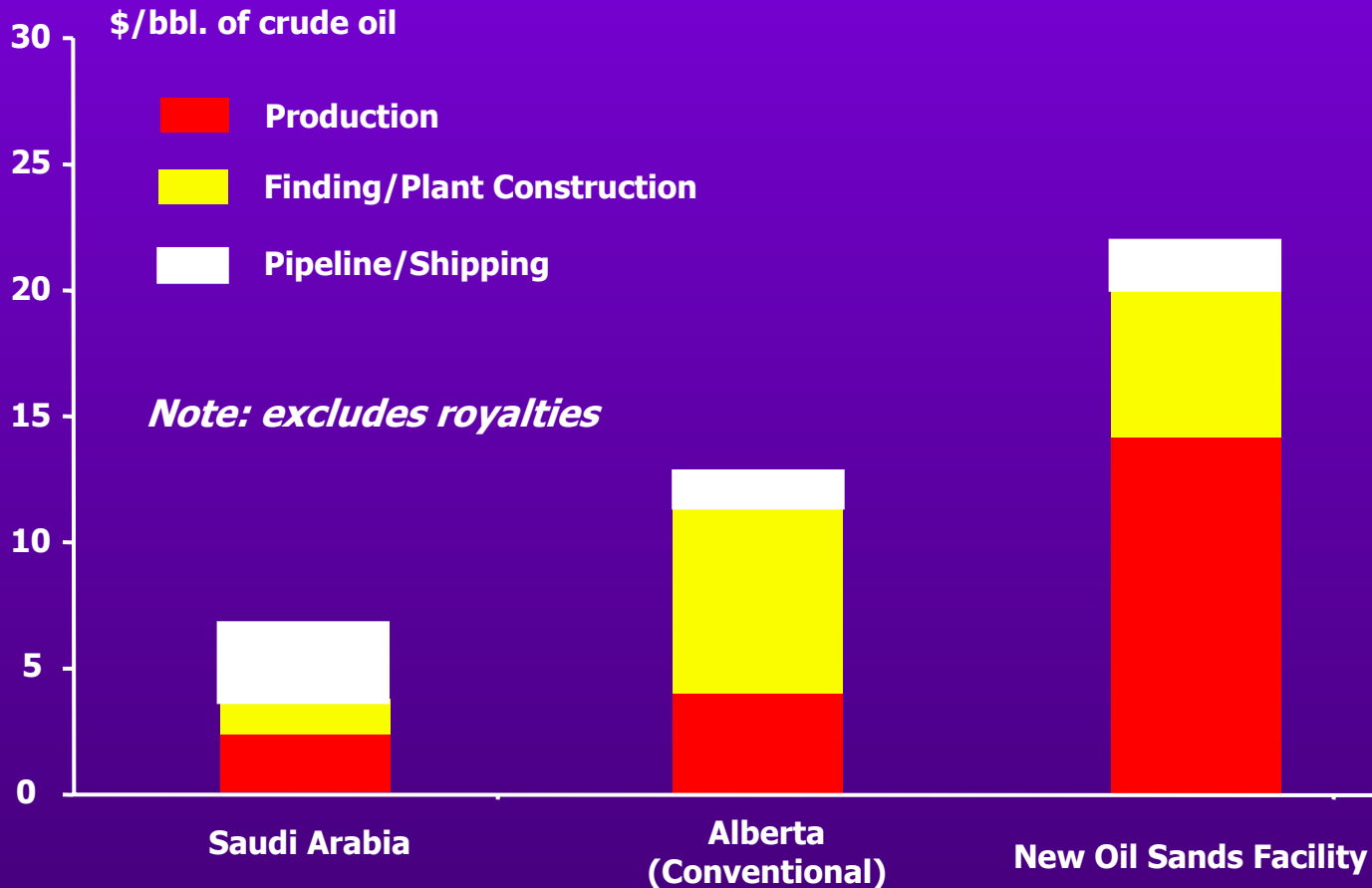


# World Oil Production - Hubbert Curve

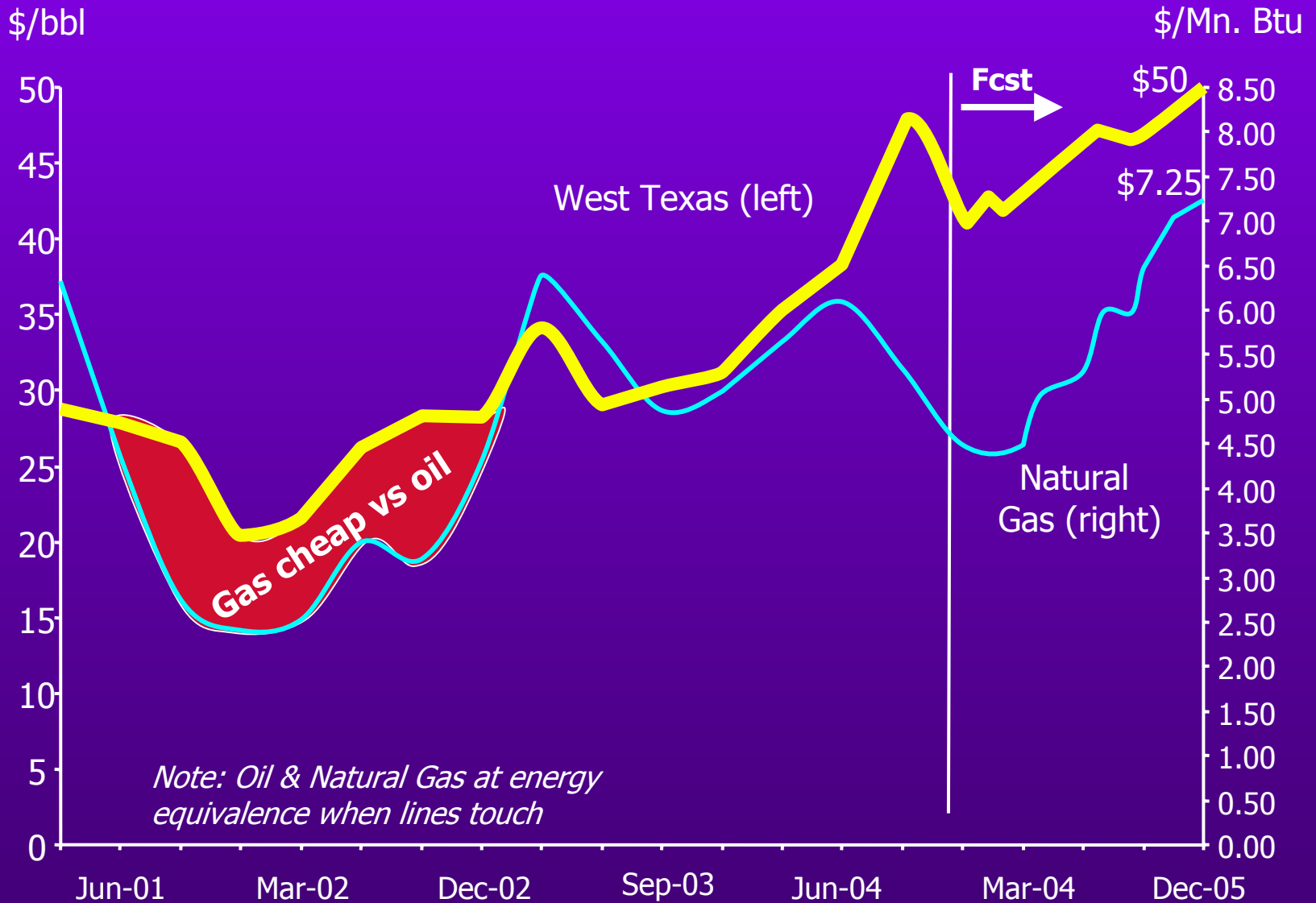


Source: Colin Campbell, CIBC WM

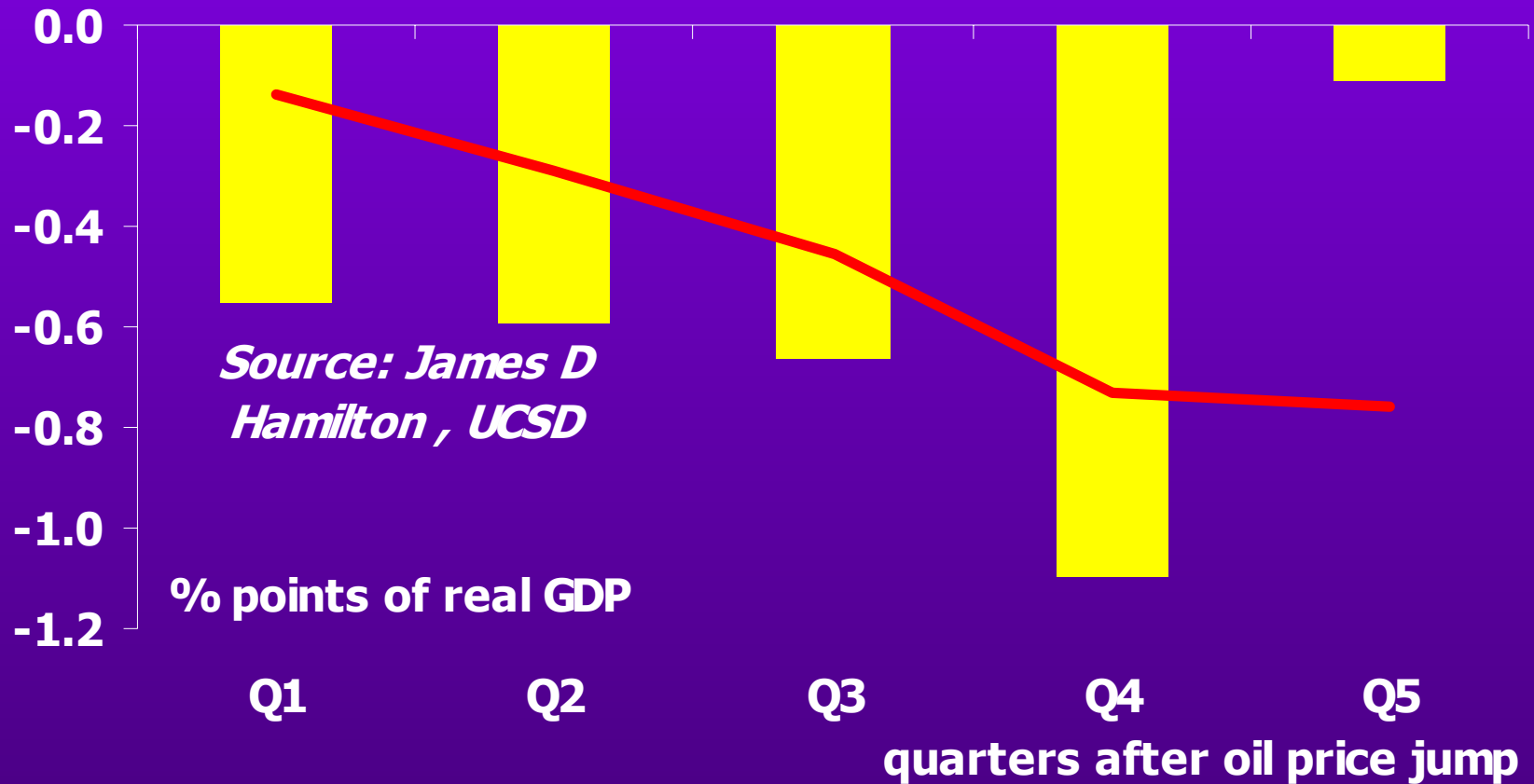
# Greater Non-Conventional Supply Will Come at a Price



# \$50 Crude Will Lift Natural Gas Prices



# 22% Rise in Crude Price a Big Negative for US Growth



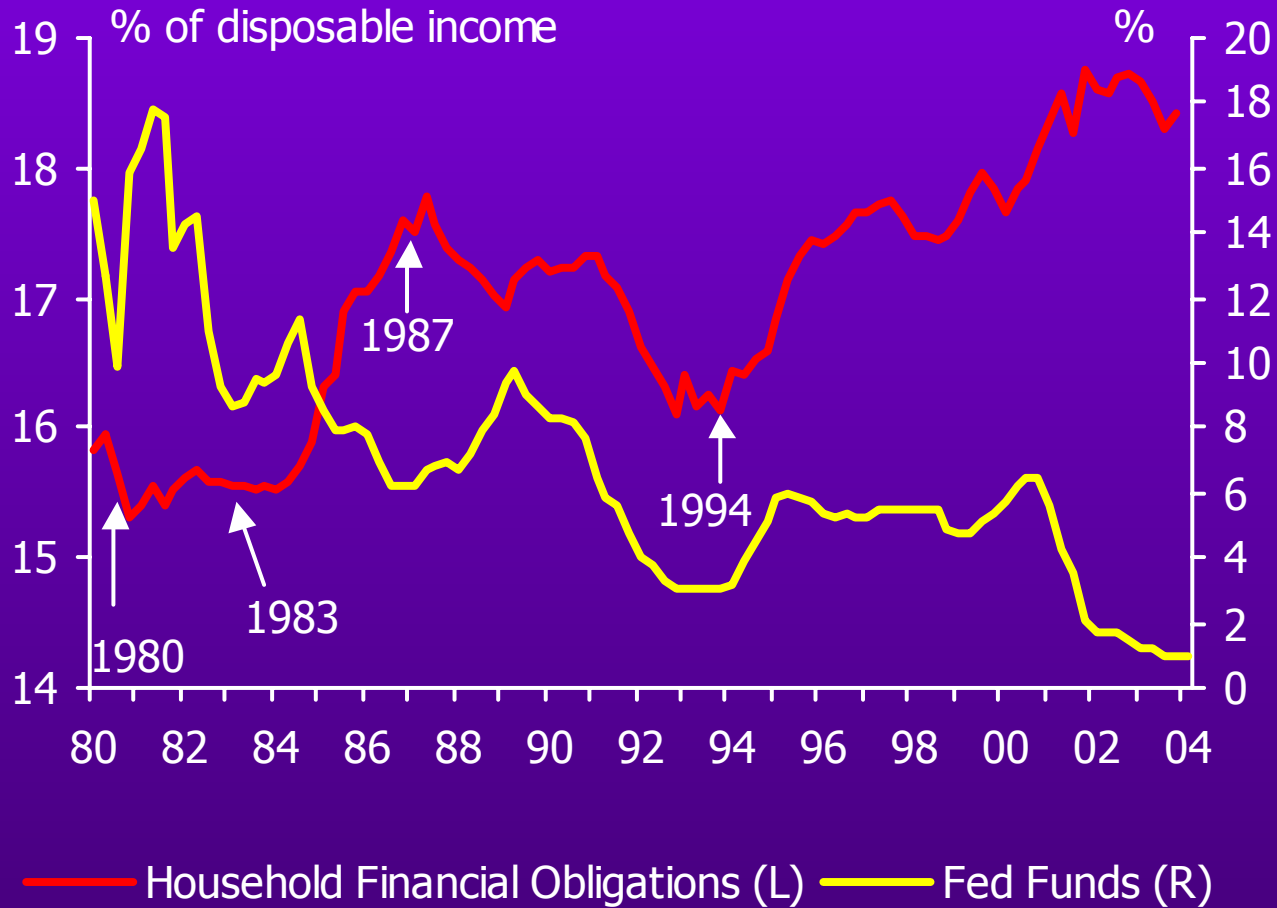
*Source: James D  
Hamilton, UCSD*

% points of real GDP

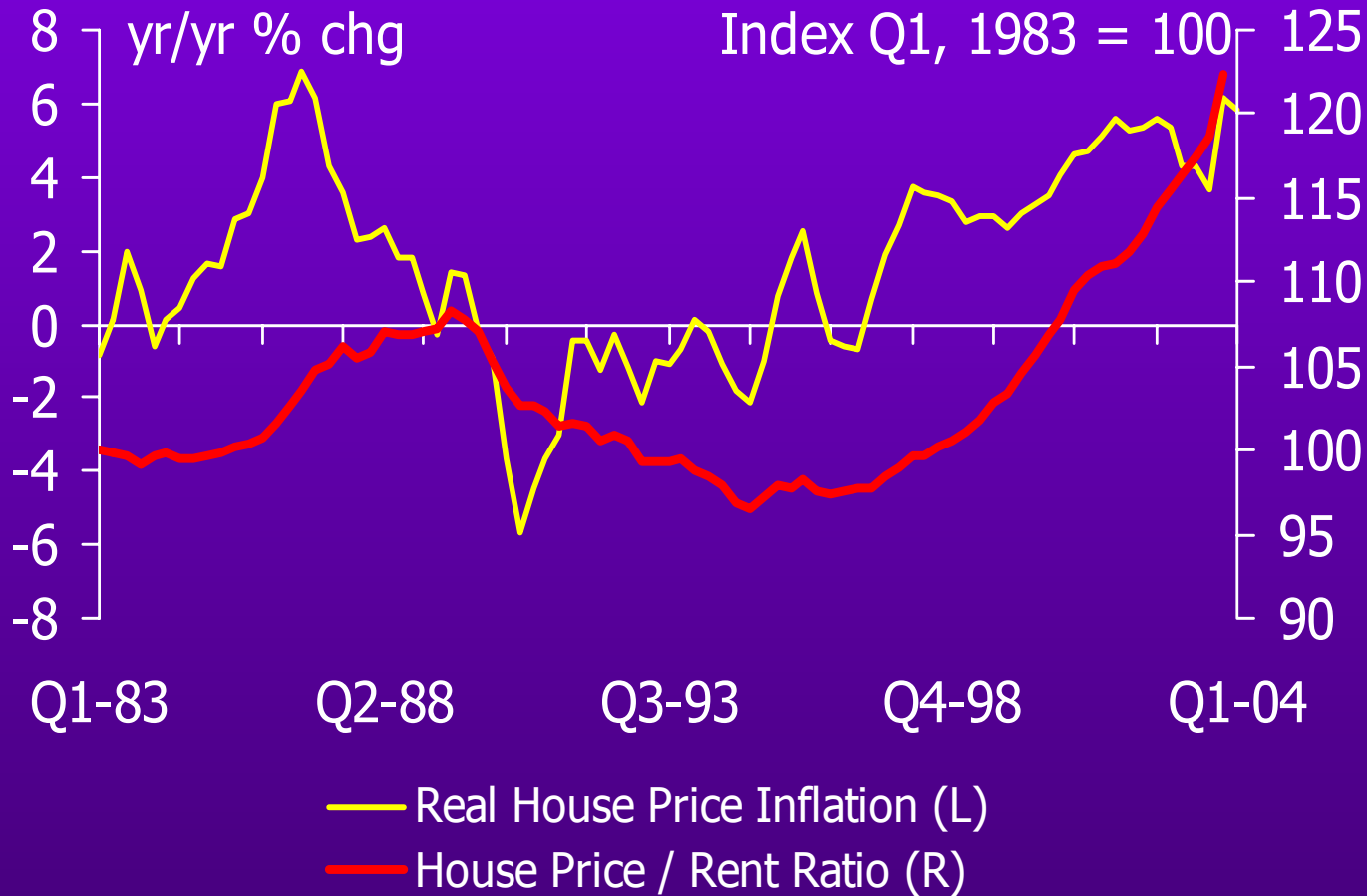
quarters after oil price jump

**■ Quarterly Growth Impact (ann rate)** **— Cumulative Impact**

# American Households Are Stretched

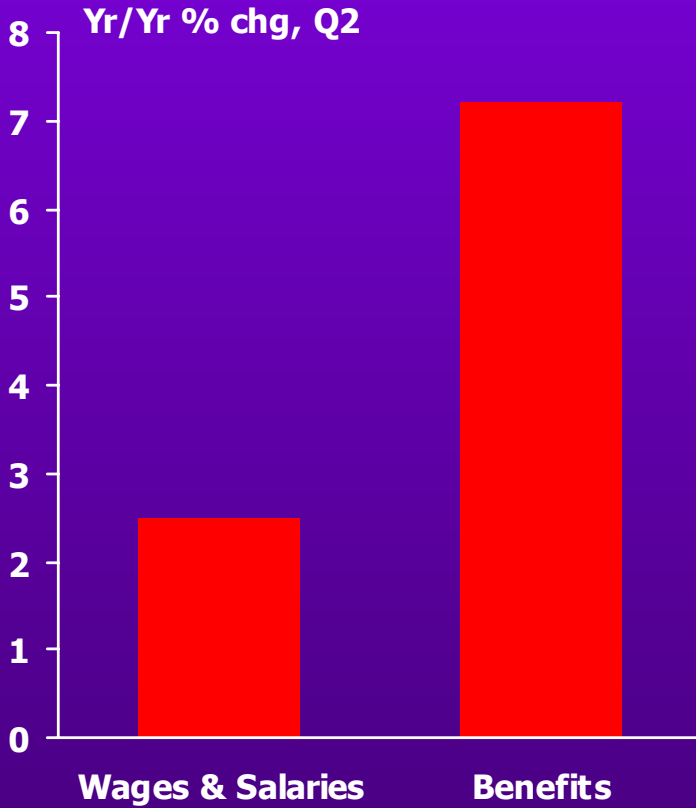


# US Housing Market Is Expensive

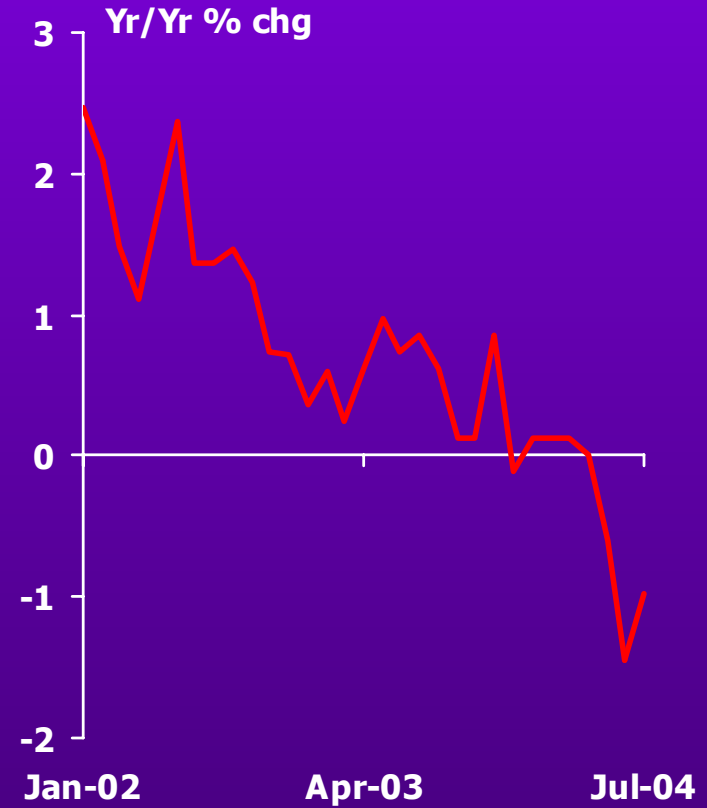


# Sluggish Wages Limit Buying Power

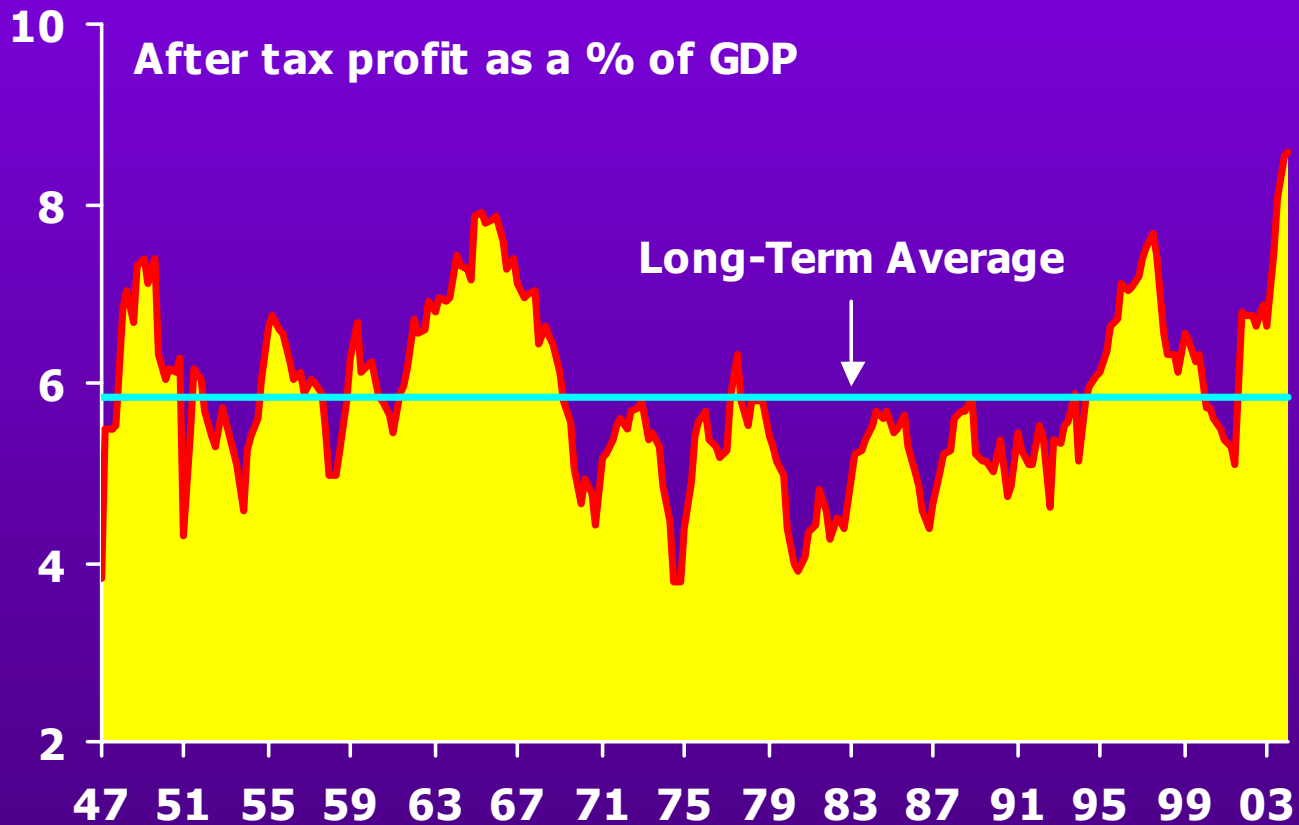
## Employment Cost Index



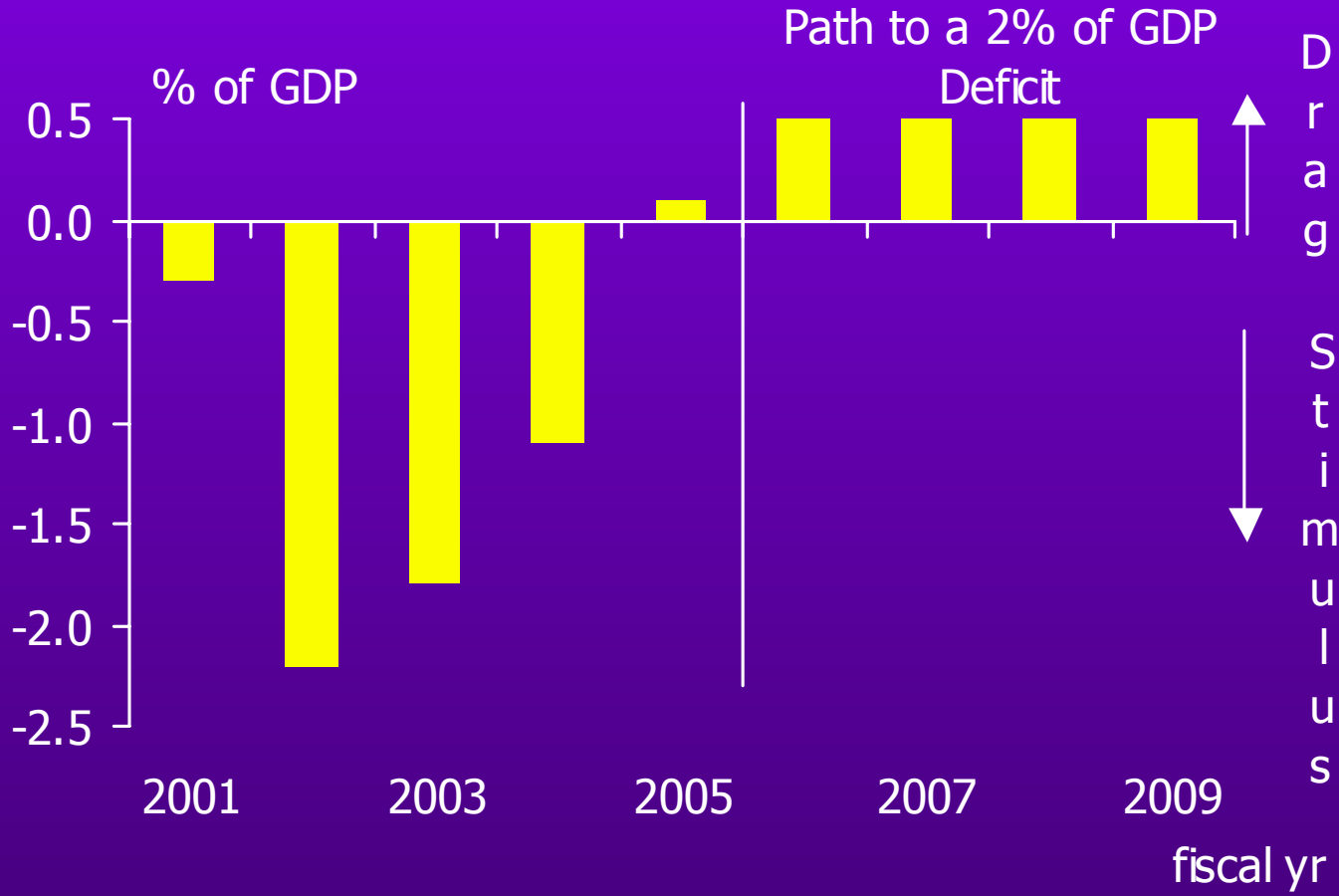
## Real Avg Hourly Earnings



# Profit Margins at Record High

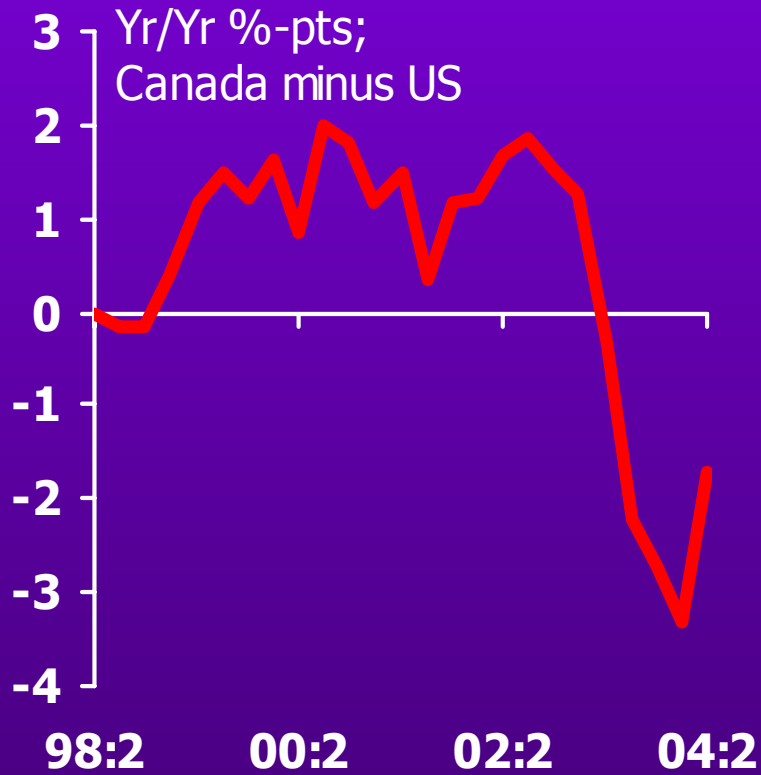


# Fiscal Policy Set to Tighten

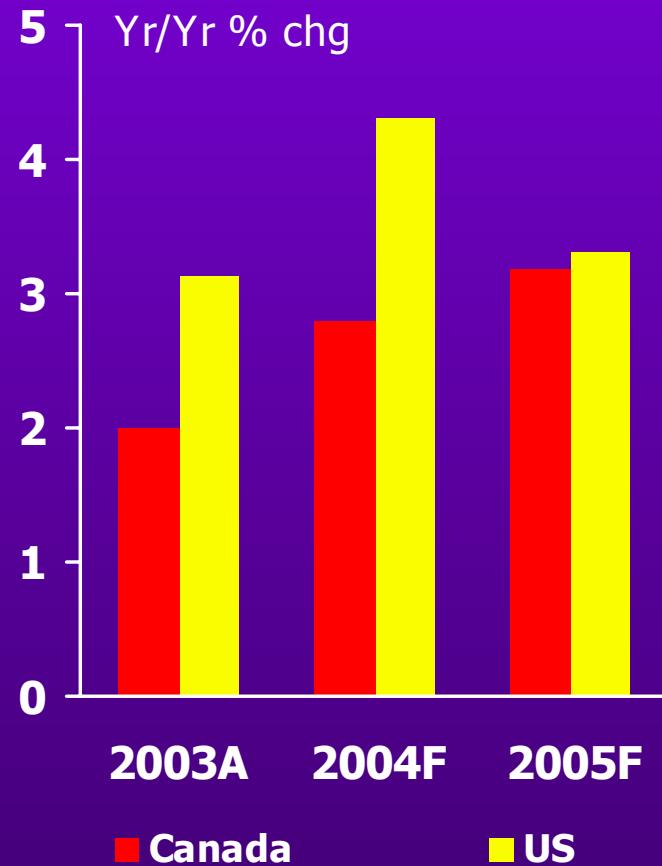


# Canada Catching Up to US Growth

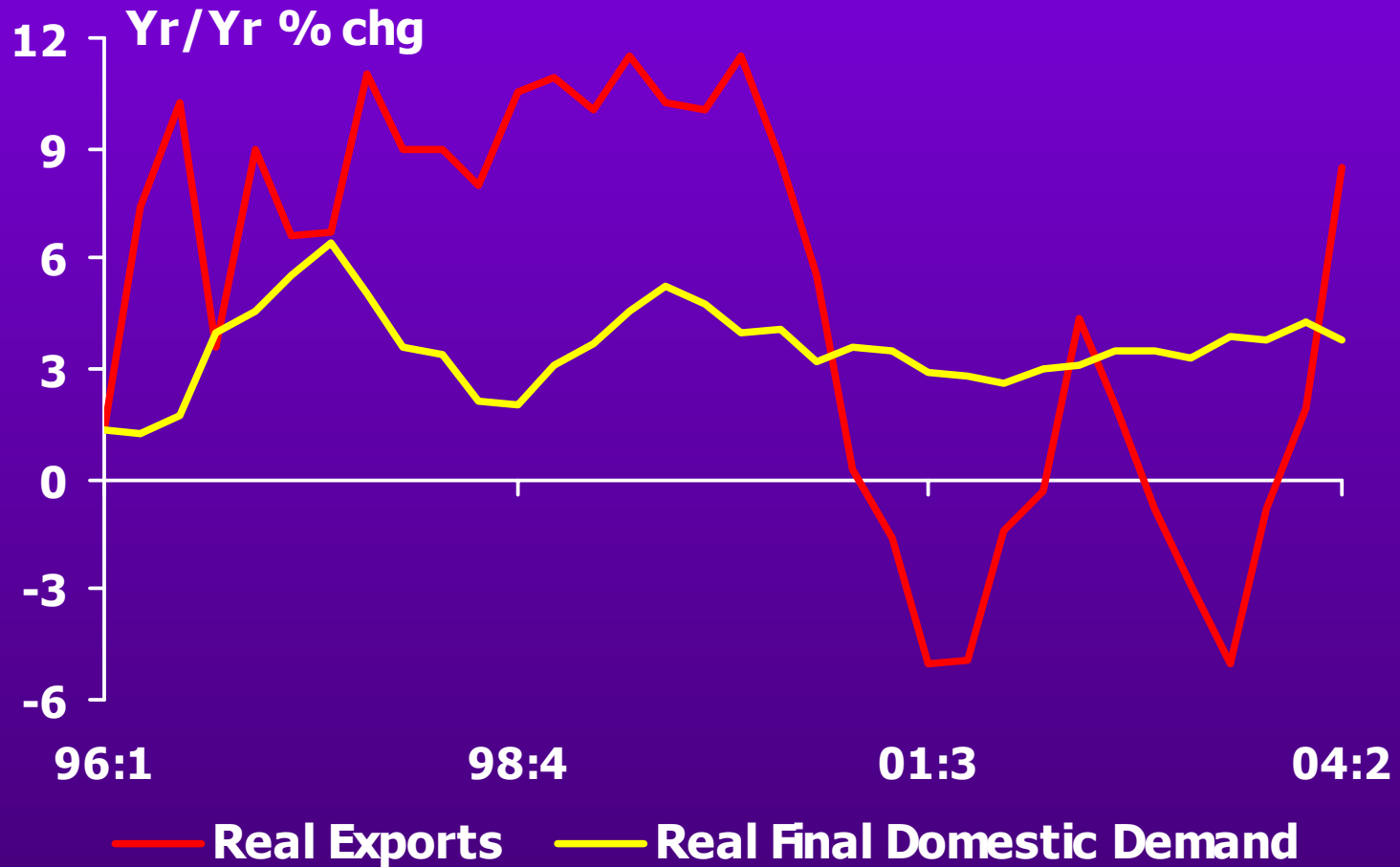
## Real GDP Growth Gap



## Annual GDP Growth

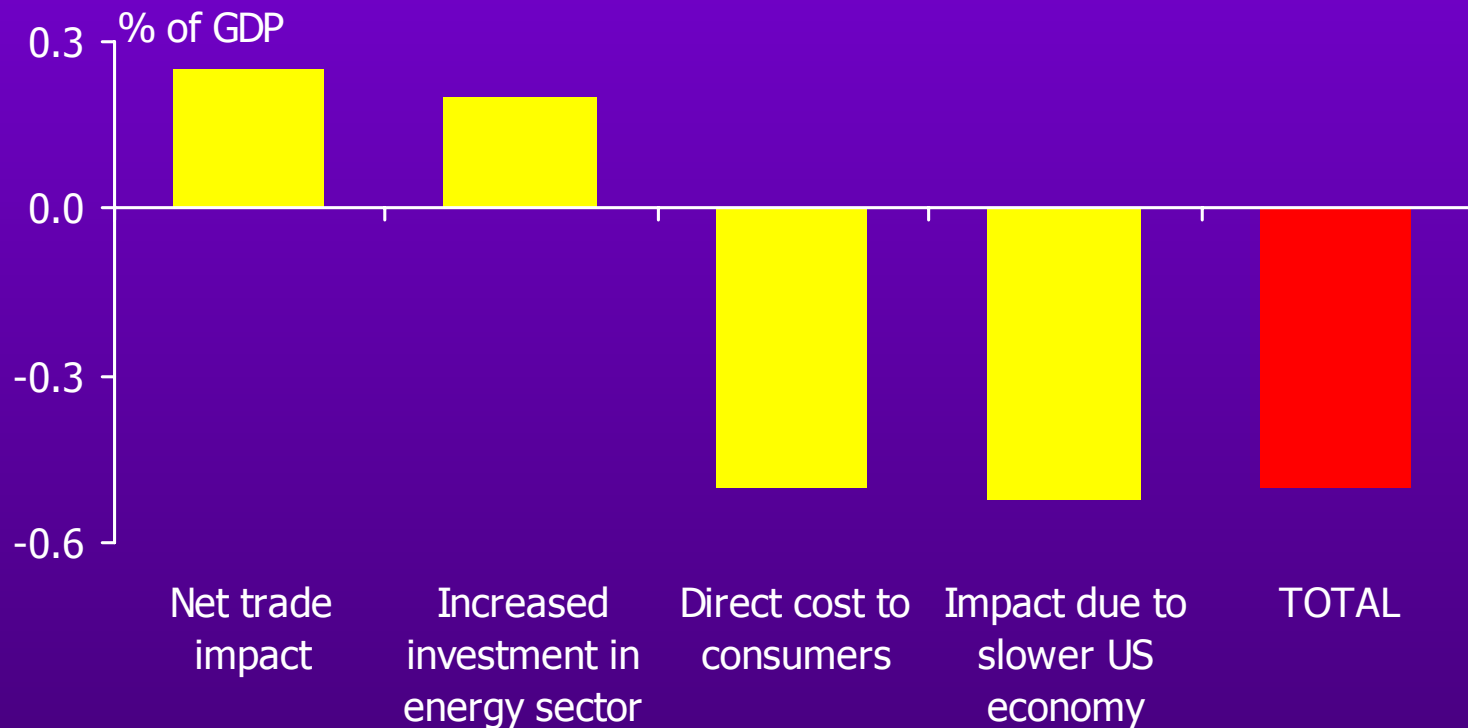


# Growth Driven by Exports

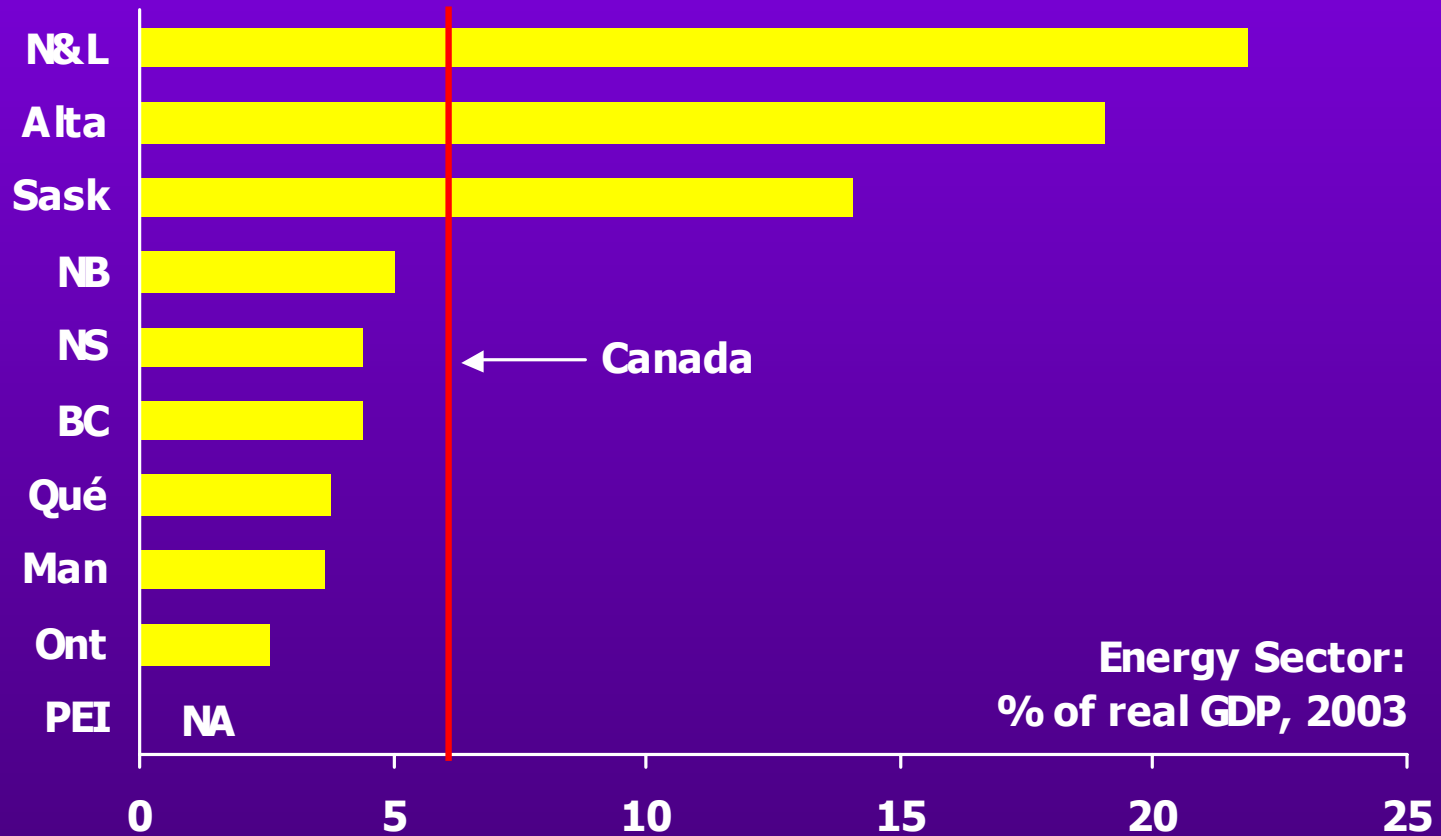


# Oil a Net Negative for Canada

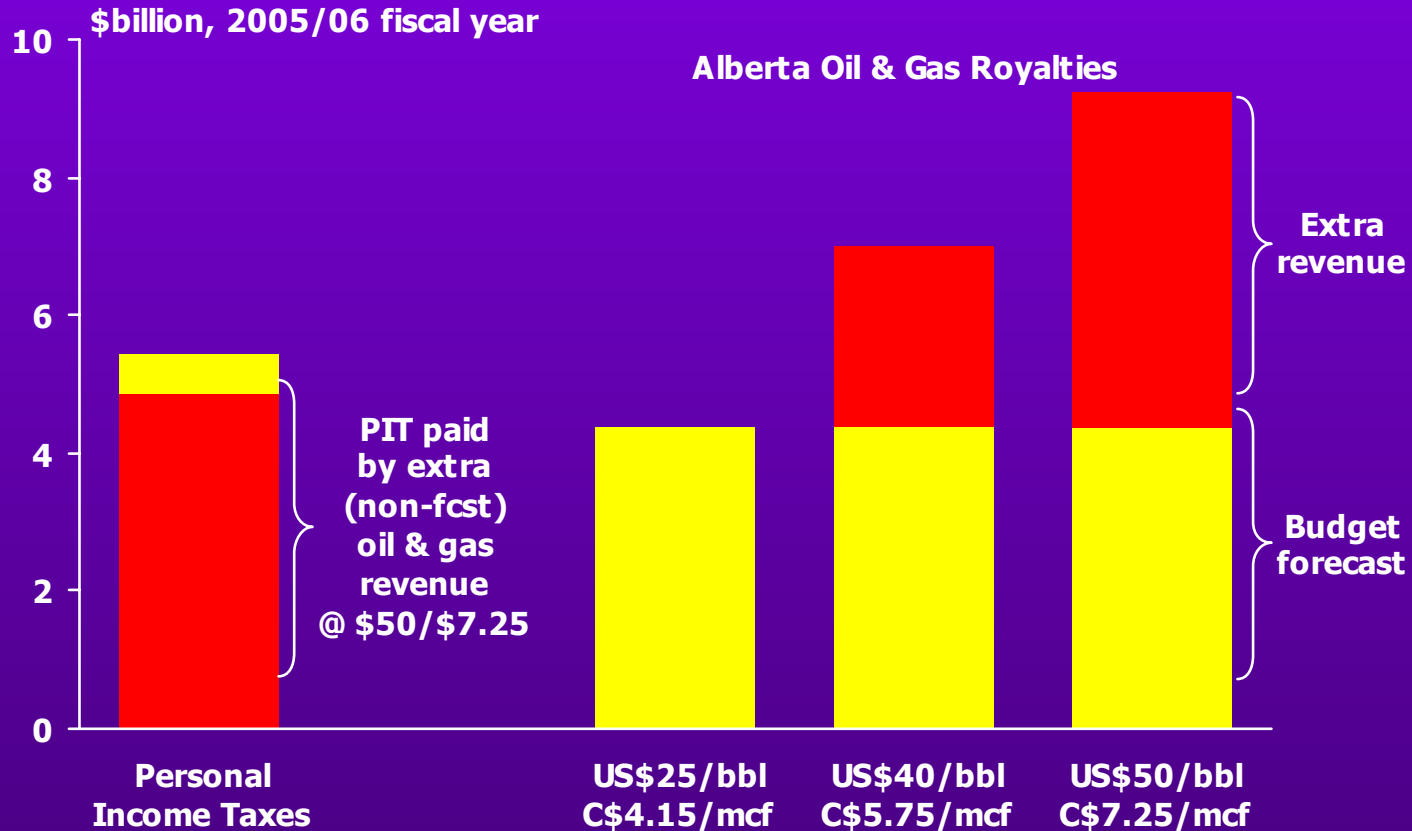
Impact of Energy Prices Remaining at Current Level on the Canadian Economy in the Coming 12 Months



# Who Benefits From High Energy Prices?

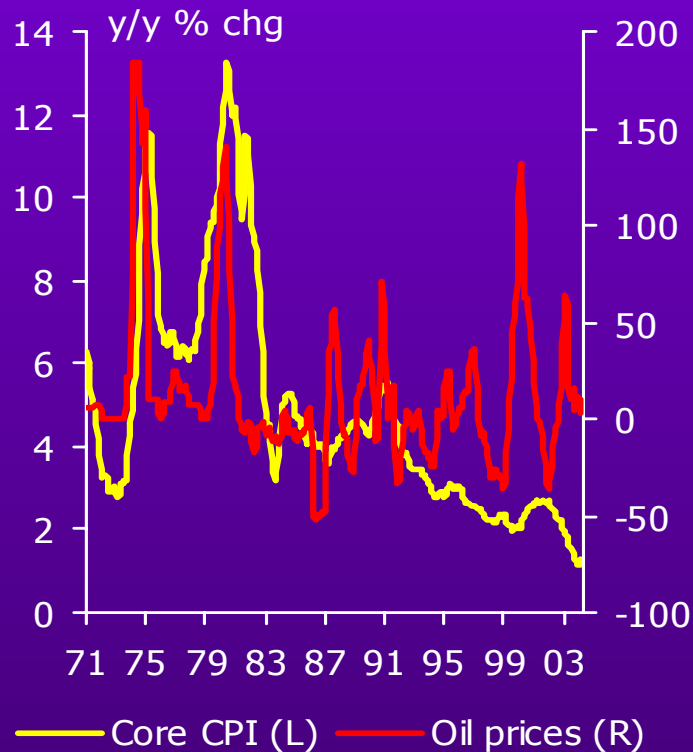


# Potential Tax Impact on Alberta

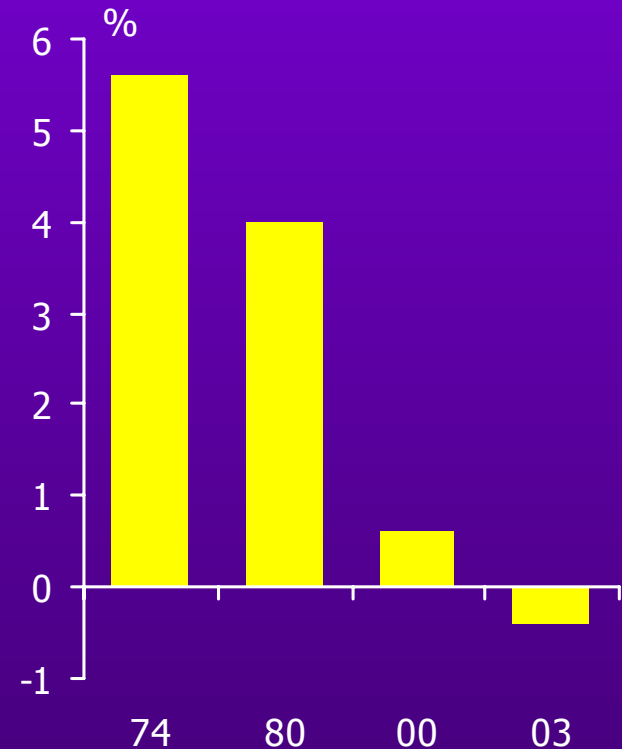


# Oil Price Spikes and US Core Inflation

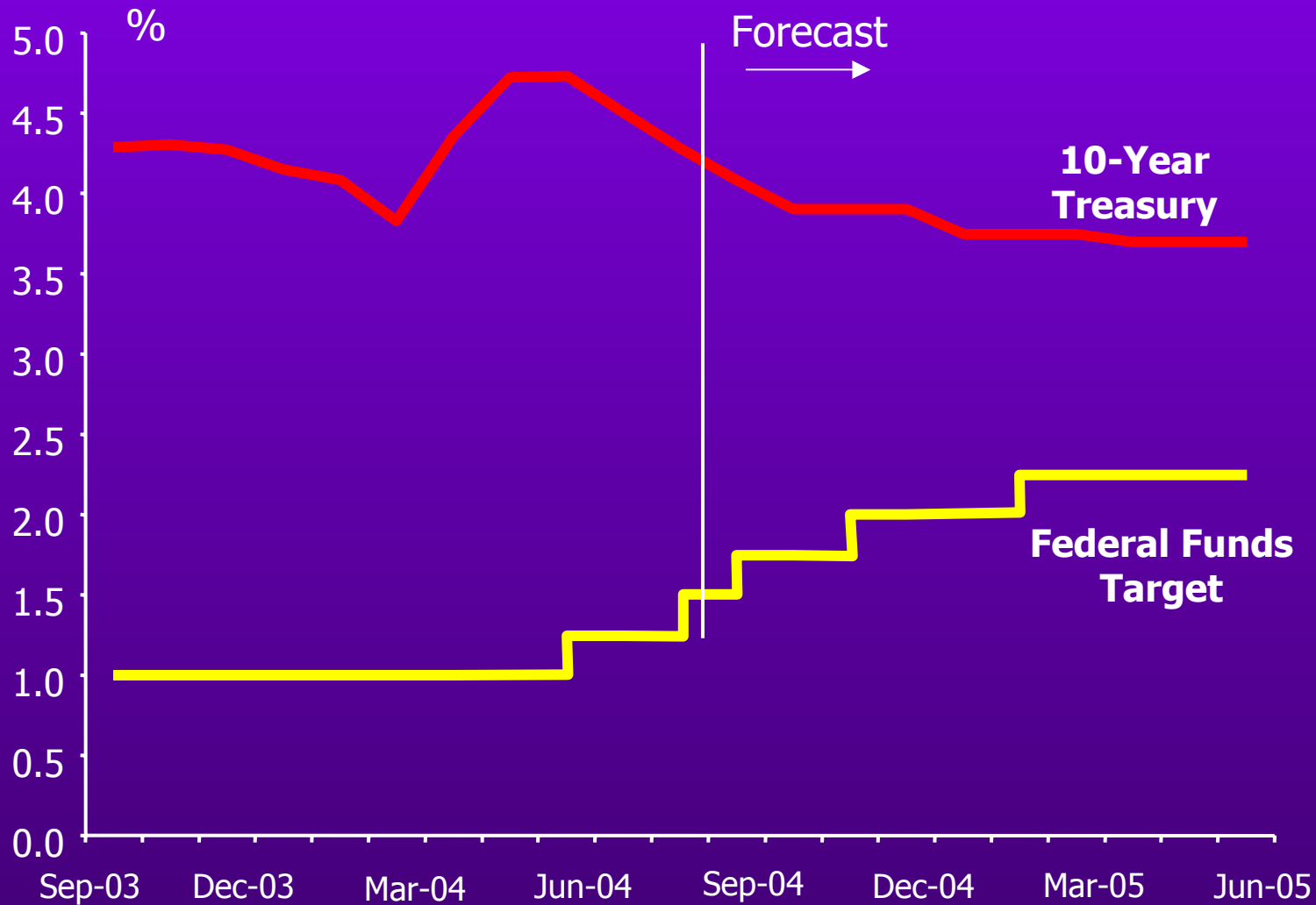
Oil Prices vs Core CPI



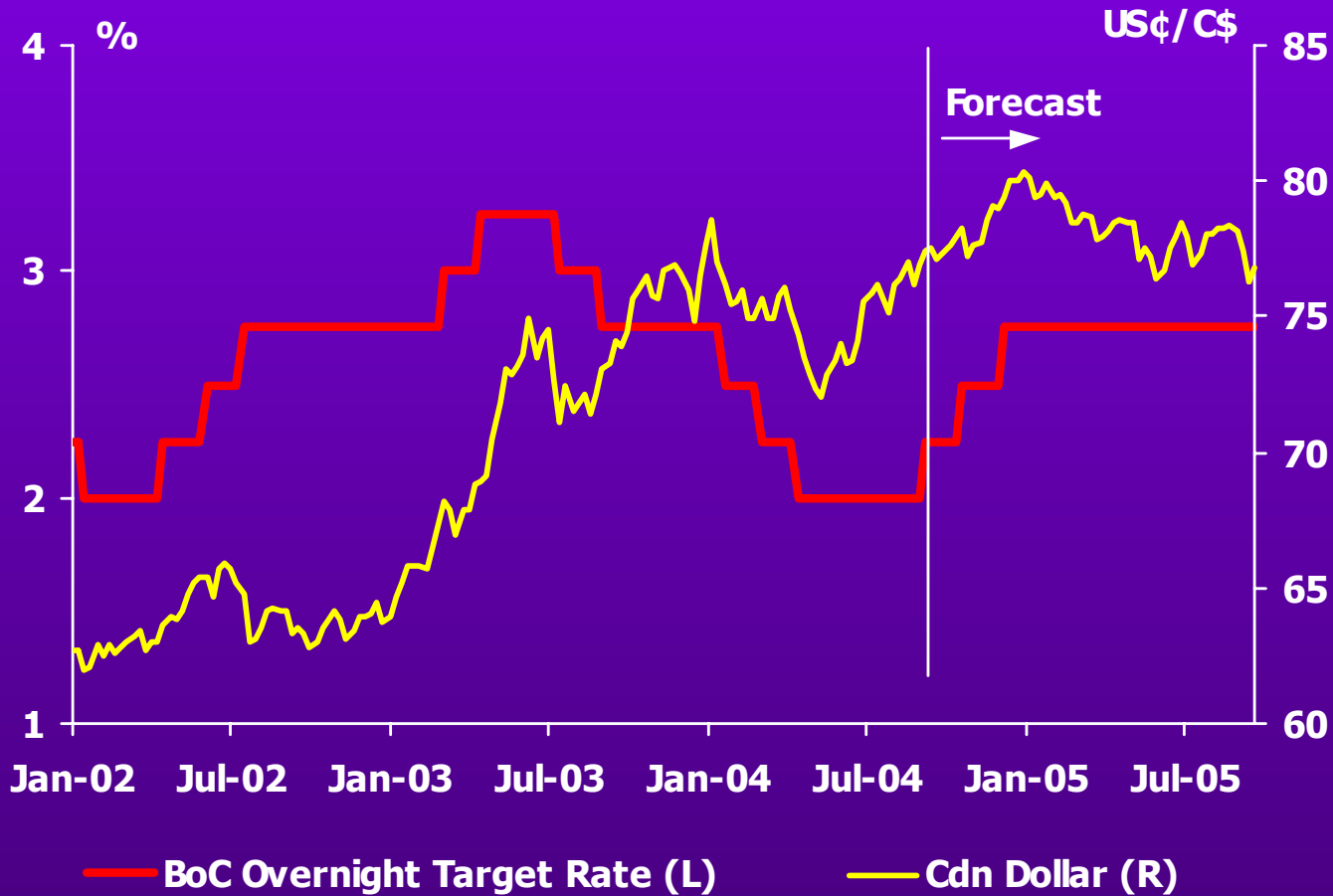
Acceleration in Core CPI  
12 months following an Oil Spike



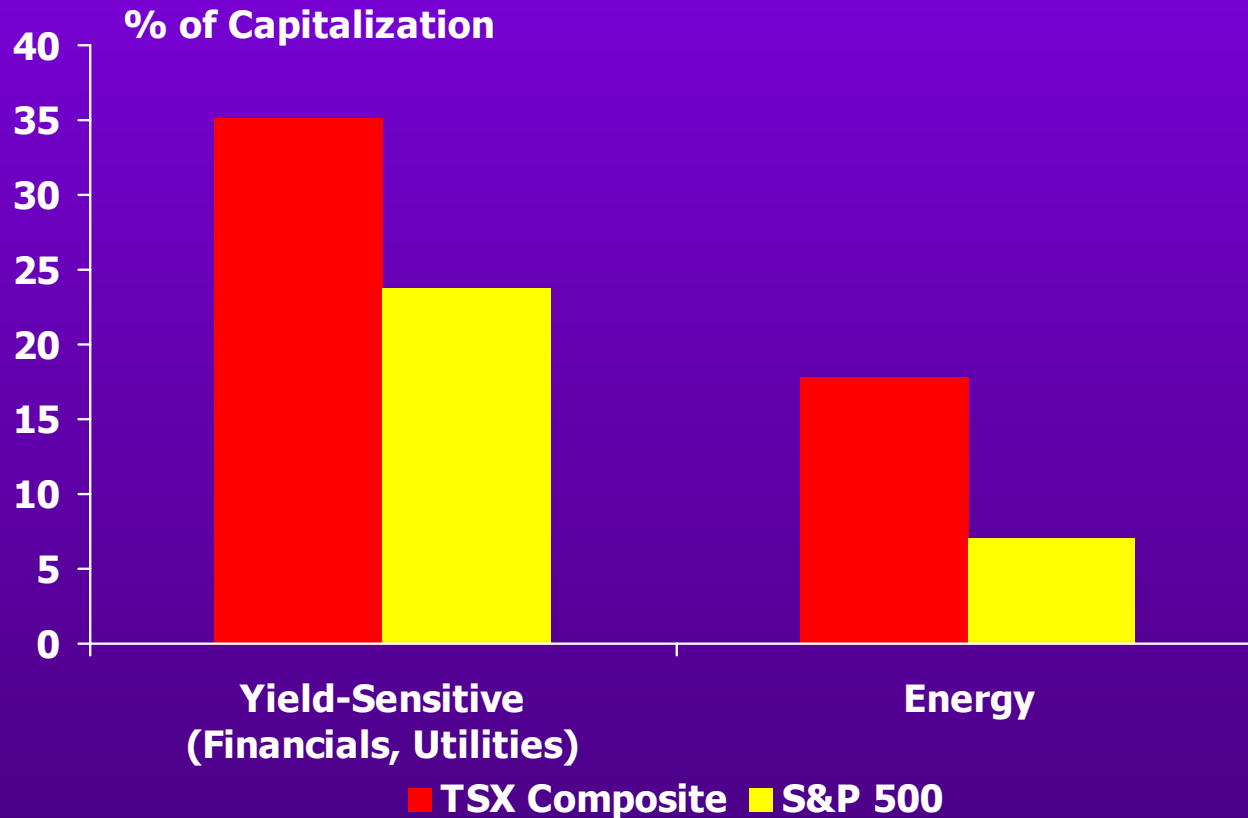
# Truncated Fed Tightening Opens Door for Bonds



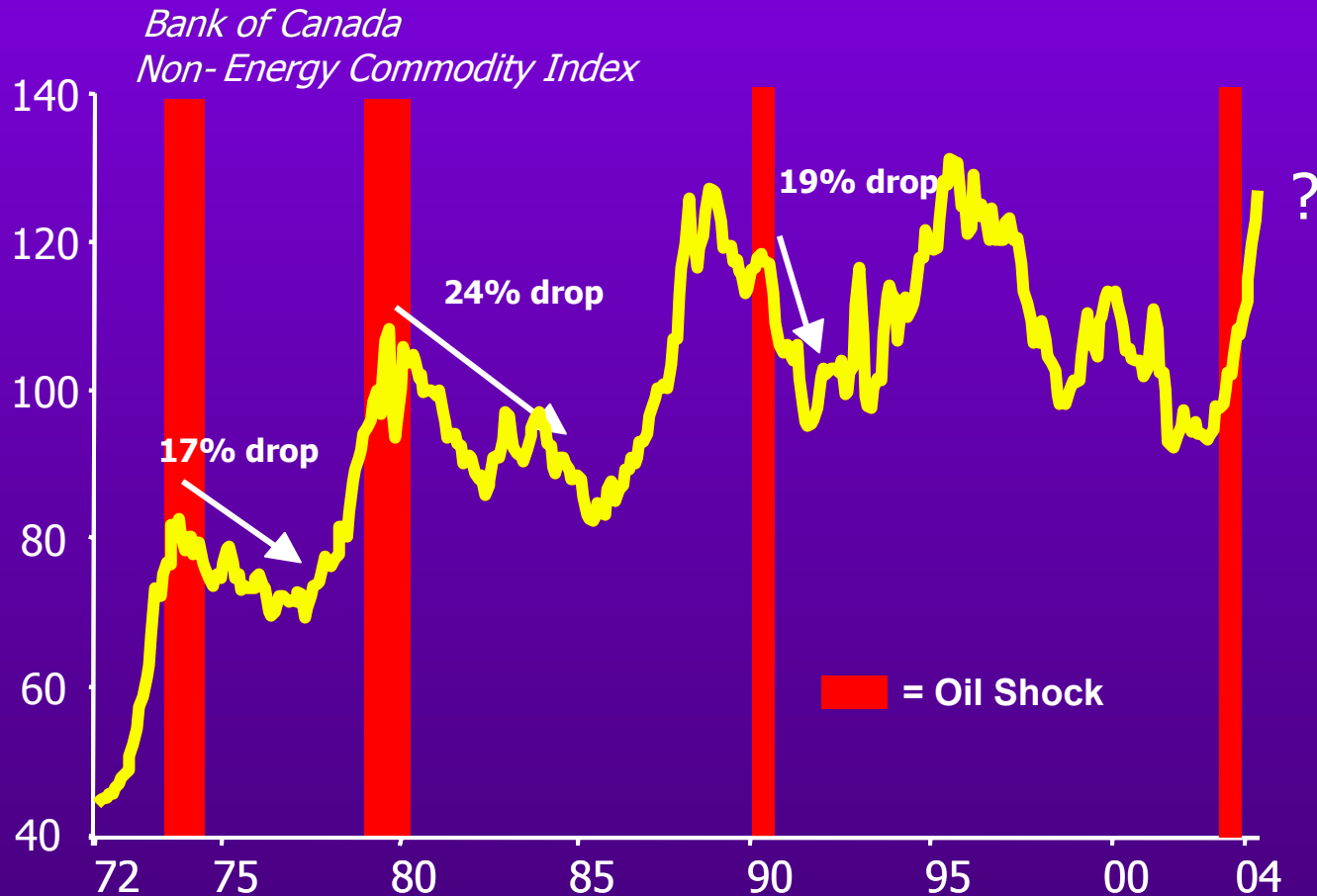
# Rising C\$ Reins in Bank of Canada



# Low Rates, Costly Energy Favours TSX

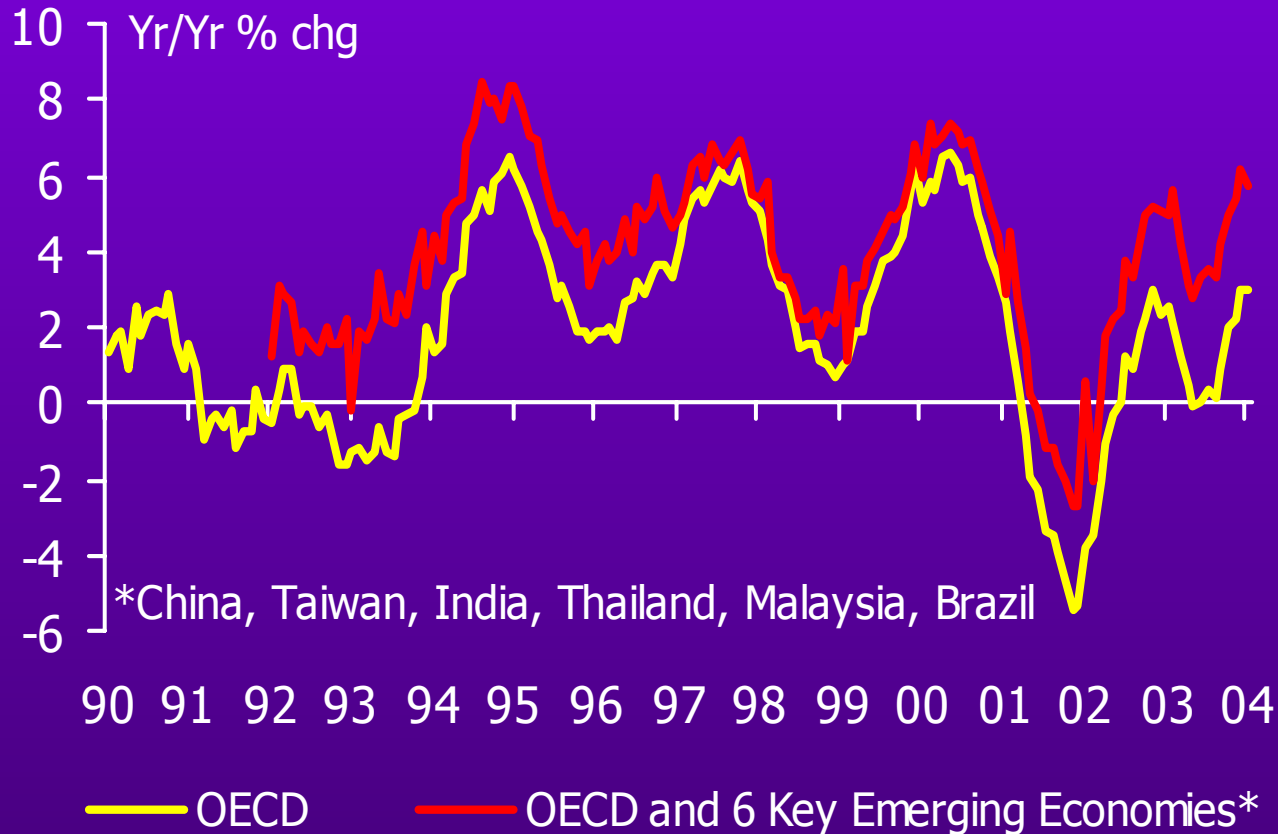


# Other Resources Hit When Oil Soared

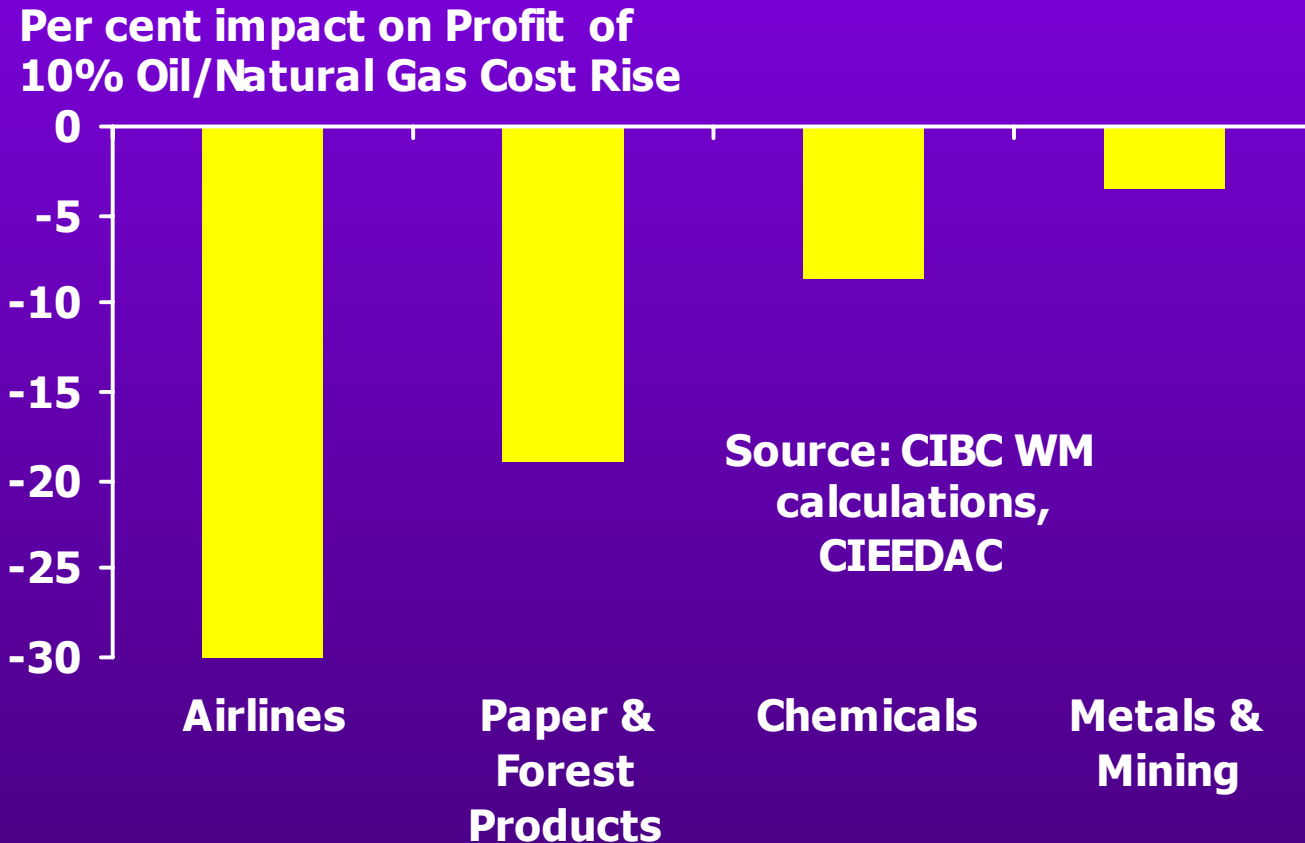


# Global Industrial Growth: A Cyclical Peak?

## Industrial Production



# While Many Industries Hurt on Cost Side



# Soaring Energy Sector to Increase its Weight

