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THURSDAY, OCTOBER 9, 2008

Housing starts dive 56%

Construction lowest in two decades

MARIO TONEGUZZI
 CALGARY HERALD

Starts for single-detached homes in the Calgary area plunged in September to their lowest level in more than two

decades — and they were a whopping 56 per cent off the pace set a year ago for the same month.

Data released Wednesday by Canada Mortgage and Housing Corp. show single-detached starts in the Calgary census metropolitan area are down by 44.4 per cent so far this year until the end of September to 3,401 units. Multi-family construction is up by 37.7 per cent, to 6,460, compared with the same nine months of 2007. However, the overall construc-

tion level year-to-date has decreased by 8.7 per cent, to 9,861 units, from a year ago.

The province's housing market has come off sharply from where it had been in 2007 and earlier this year, said Todd Hirsch, ATB senior economist.

"Much of the decrease had been anticipated — the record-high levels of housing starts that the province had been enjoying were simply not sustainable," he said.

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HOUSING STARTS (CALGARY CENSUS METROPOLITAN AREA)

	SINGLE	MULTIPLE	TOTAL
SEPTEMBER 2008	308	265	573
SEPTEMBER 2007	697	689	1,386
% CHANGE	-55.8	-61.5	-58.7
YEAR-TO-DATE 2008	3,401	6,460	9,861
YEAR-TO-DATE 2007	6,114	4,690	10,804
% CHANGE	-44.4	37.7	-8.7

Source: Canada Mortgage and Housing Corp.

MARGIN CALLS

RIM to unleash clickable Storm

SMART PHONES • Research In Motion Ltd.'s first touch-screen BlackBerry, the 9530 Storm, will be available to Canadians with Telus before the holiday season.

It carries all the standard BlackBerry business features, but is also aimed at consumers and poised to compete with the popular iPhone from Apple Inc.

"The Storm is sexy meets smart," said Tammy Scott, vice-president of marketing communications at Telus. "It has an innovative virtual touch-click keyboard on a high-resolution screen."

The Storm's 3.25-inch screen is slightly smaller than the iPhone's 3.5-inch screen, but it's unique touch-and-click feature is meant to make it less likely for users to push the wrong button.

Pricing has not been announced, but is expected to be competitive with the current leading consumer smart phones priced up to \$200.

Investor fear at record high

VOLATILITY • Wall Street's favourite measure of investor fear, the Chicago Board Options Exchange Volatility Index, hit a record intraday high Wednesday, suggesting more turbulence for U.S. stocks.

The index jumped as much as 10 per cent to 59.06, surpassing its record intraday high set Monday, using the modern index format that goes back only to 1990. On Tuesday, it ended at 53.68, marking its second straight close at a record high.

In early afternoon, though, the index was up just 5.03 per cent at 56.38 at about 1:30 p.m. as the three major U.S. stock indexes whipped slightly higher in volatile trading.

The index measures near-term anticipated stock market volatility conveyed by option prices for the Standard & Poor's 500 index.

An upward spike in the index often occurs when the market suffers steep losses. This is said to reflect anxiety among investors as they seek options to insure their portfolios.

The index has been elevated during this week's steep sell-off in a market battered by fears about the global economy.

HERALD NEWS SERVICES

HERALD ENERGY



Traders saw oil fall Wednesday, but some of Canada's big energy players eked out gains

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INVESTORS CONTINUE FLIGHT TO SAFE HAVENS



Andrew Harrer, Bloomberg

News about central banks co-ordinating to cut interest rates is displayed on the Dow Jones ticker in Times Square in New York on Wednesday.

Central banks slash rates in bid to shore up economy

Big lenders fail to match cut, citing high cost of borrowing

REUTERS AND CANWEST NEWS SERVICE

Central banks around the world cut interest rates in unison Wednesday in an unprecedented move that failed to boost battered stocks, thaw credit markets or cushion forecasts for a sharp slowdown.

U.S. stocks closed down for a sixth straight session after heavy trade that saw gains fade in the last hour. Trading was extremely volatile amid uncertainty about whether the lower interest rates would avert recession.

The S&P 500 index closed down one per cent and has shed 15 per cent since the start of the month.

"Confidence has been lost and it's difficult to regain," said Ian Nakamoto, director of re-

search at MacDougall, MacDougall & MacTier in Toronto.

In Canada, the country's biggest banks are refusing to share with their customers the full benefit of an emergency rate cut unveiled Wednesday by the central bank.

Toronto-Dominion Bank was the first of Canada's banks to not pass on the full value of the Bank of Canada's emergency interest rate cut Wednesday.

TD Bank cut its prime lending rate by 25 basis points to 4.5 per cent even though the Bank of Canada slashed its benchmark rate by 50 basis points earlier Wednesday.

"Continuing market turmoil has steadily driven up the cost of borrowing for financial institutions," Tim Hockey, president and chief executive at TD Canada Trust, said in a statement. "This makes it challenging to match the Bank of Canada rate cut at this time."

Canadian Imperial Bank of Commerce, Bank of Montreal, Bank of Nova Scotia, Royal Bank of Canada and

Laurentian Bank of Canada all followed, reducing their prime rates by a quarter-point to 4.5 per cent.

Meanwhile, prices for oil and other commodities fell as investors rolled back to cash and gold — safe havens in fear-racked markets.

"The key is confidence, confidence, confidence. And until we get some change there, the atmosphere for gold is going to continue to be very positive," said Bill O'Neill, partner at Logic Advisors in New Jersey.

The co-ordinated rate cuts were the latest salvo from financial policy-makers in response to a worldwide crisis that has unsettled investors, toppled banks and reshaped elections on both sides of the

Canada-U.S. border.

Europe's financial sector was also in turmoil with Britain saying it was prepared to inject \$87 billion US of taxpayer money into its banks.

Italy also approved a financial plan, saying it would take shares in any banks recapitalized with government funds.

Iceland took over two of its largest banks, abandoned support for its withering currency and sought an emergency loan from Russia.

The U.S. Federal Reserve cut its key federal funds rate by half a percentage point to 1.5 per cent and China, the European Central Bank and central banks in Britain, Canada, Sweden and Switzerland followed suit.

The co-ordinated cuts included China for the first time. The Bank of Japan said it saw no need to cut Japanese interest rates, but that it strongly supported the co-ordinated action.

SEE CENTRAL BANKS, PAGE F6



DEBORAH YEDLIN
 Canadian system a model of sensibleness

For too long, Canadians have been bemoaning the inability of banks within Canada to merge — or be bought by foreign banks; the argument has been that our banks can't compete on a global financial scale because they are too small.

Well, who's laughing now? For the lack of a better phrase, Canada's banking system has dodged a big bullet.

But why is that? Is it because we are inherently more conservative when it comes to taking risks?

SEE YEDLIN, PAGE F8

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