

Has the rise in commodity-driven currencies come to an end?

Highlights

- Pessimism towards the green back is running out of steam: U.S. dollar stabilization continues.
- The euro seems incapable of breaking US\$1.50.
- Inflation is preoccupying, but the British economic slowdown will adversely affect the pound.
- Increased risks favour the yen.
- The Canadian economy is still showing signs of decoupling, but the U.S. slowdown and the expected drop in oil prices should favour a weakening of the loonie in the first half of 2008.
- Commodity demand shores up Australian dollar.
- The peso continues to evolve within a tight range.
- Yuan's rise slows since end of January.

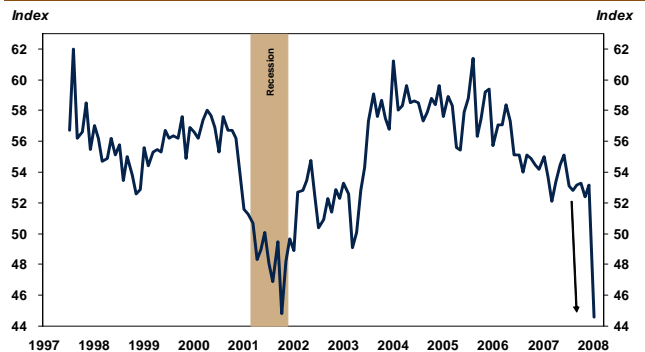
CONTENTS

Editorial	1
Euro	6
British pound	7
Yen	8
Canadian dollar	9
Australian dollar	10
Mexican peso	11
Chinese yuan	11
Technical analysis	12
Tables	14

Editorial

Although the odds of a deep recession in the United States are low, a sharp slowdown now appears inevitable. Real GDP growth has already fallen from 4.9% in the third quarter to just 0.6% in the fourth, and the protracted housing slump could further dampen consumer spending in the first half of 2008. The signs are clear: the drop in the ISM non-manufacturing index to 44.6 in January indicates a severe contraction in the service and construction sectors (Graph 1).

Graph 1 – The ISM non-manufacturing index fell sharply in January



Sources: Institute for Supply Management and Desjardins, Economic Studies

At the same time, the results of January's U.S. Federal Reserve (Fed) survey of senior loan officers reveals that consumer and business credit conditions are still tight (Graph 2). The situation is so critical that in January the Fed took the unprecedented step of cutting its key rate by 125 points in eight days in order to keep the economy from crashing.

Still, the stabilization of the greenback (USD) continues (Graph 3). The difficulties encountered in the last few days of January were completely offset last week, and net non-commercial positions indicate improved investor optimism as regards the USD (Graph 4).

François Dupuis
Vice-President and Chief Economist

Yves St-Maurice
Director and Deputy Chief Economist

Mathieu D'Anjou
Economist

Martin Lefebvre
Senior Economist

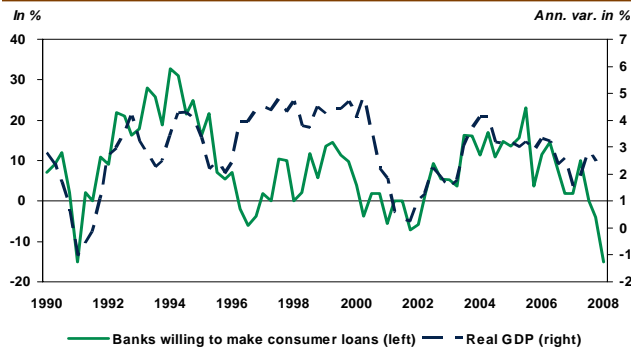
Hendrix Vachon
Economist

514-281-2336 or 1 866 866-7000, ext. 2336
E-mail: desjardins.economics@desjardins.com

NOTE TO READERS: The letters **k**, **M** and **B** are used in texts and tables to refer to thousands, millions and billions respectively.

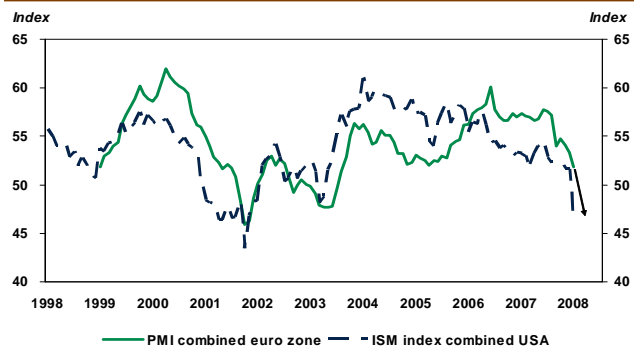
IMPORTANT: This document is based on public information, obtained from sources that are deemed to be reliable. Desjardins Group in no way guarantees that the information is complete or accurate. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. The document may under no circumstances be construed as a commitment by Desjardins Group, which takes no responsibility for the consequences of any decision made based on the information herein. The prices and rates shown are for information purposes only as they may change at any time based on market conditions. Past returns are no guarantee of future performance, and Desjardins Group does not hereby purport to provide any investment advice. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the official position of Desjardins Group. Copyright © 2007, Desjardins Group. All rights reserved.

Graph 2 – Tightening credit conditions are consistent with an economic slowdown



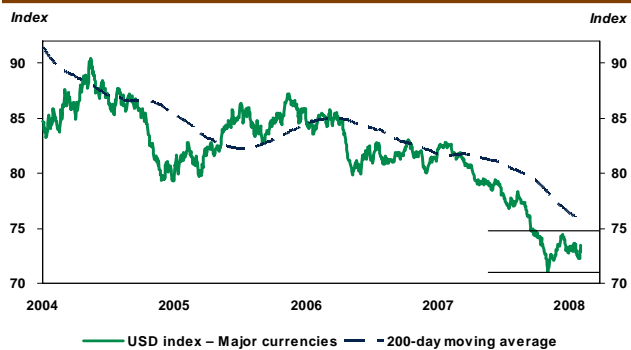
Sources: Federal Reserve Board and Desjardins, Economic Studies

Graph 5 – Decoupling? What decoupling?



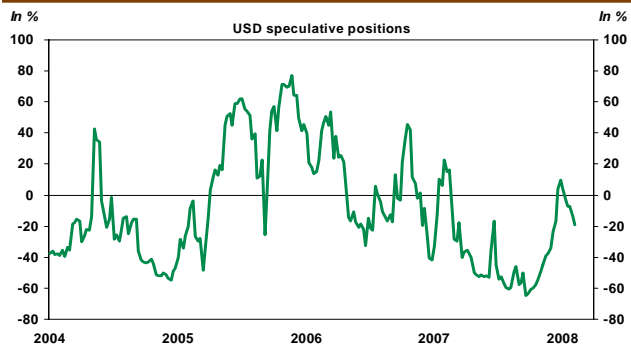
Sources: Reuters, Datastream and Desjardins, Economic Studies

Graph 3 – The greenback continues to stabilize



Sources: Datastream and Desjardins, Economic Studies

Graph 4 – Investor pessimism regarding the greenback is unwinding

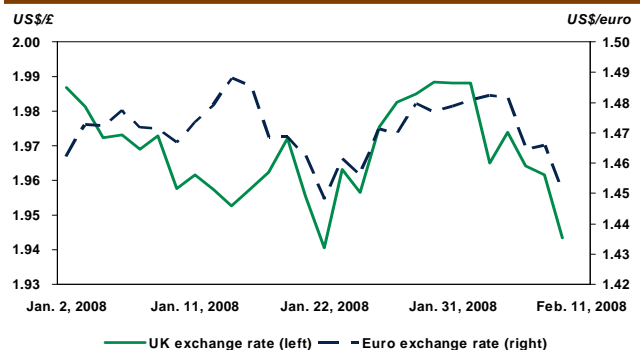


Sources: Commodity Futures Trading Commission and Desjardins, Economic Studies

fact, it has become increasingly clear that the euro zone will not be immune to the U.S. slowdown (Graph 5). Consequently, the European Central Bank (ECB) will sooner or later lower interest rates to boost economic activity.

The euro responded to the ECB's softened tone during the February 7 meeting by falling from a high of US\$1.49 to under US\$1.45 during the week (Graph 6).

Graph 6 – The main European currencies have fallen against the greenback since the end of January



Sources: Datastream and Desjardins, Economic Studies

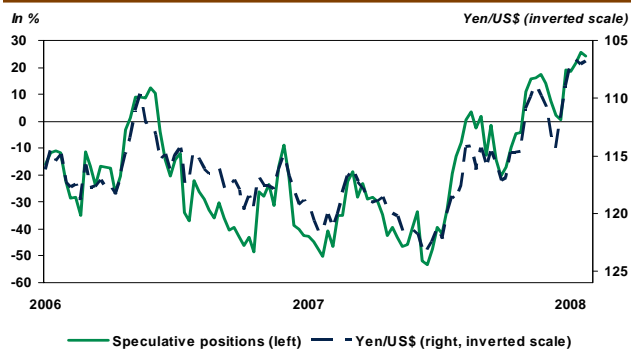
The same is true for the pound sterling, which lost nearly 2.5%, going from US\$1.9956 to less than US\$1.95, at the beginning of the month. Market expectations of a rate cut fell slightly due to the inflationary fears expressed by the Bank of England (BoE), but the effects of energy prices should prove to be temporary and we believe that the weakening real estate market will prompt the BoE to ease its monetary policy more than expected. The volatility appears excessive and recent movements seem exaggerated, which could mean the euro and the pound will go up in the short term. That said, we predict that European currencies will gradually depreciate throughout 2008.

A change in perspective on the decoupling of industrialized nations and the time lag that has developed between action taken by the major central banks and the Fed's monetary easing allowed the U.S. dollar to bounce back strongly against all the major currencies.

Thus, despite the growing spread between Euroland and U.S. short-term interest rates, the euro has peaked out. In

However, the U.S. dollar index weighted against the major currencies will not go up accordingly. In the short term, the greenback will benefit from its safe haven status to regain ground lost against the European currencies, but the resurgence of risk and unwinding of carry trades, i.e., the repayment of loans taken out in low yield currencies in order to invest in high yield currencies, will continue to play in favour of the yen (Graph 7).

Graph 7 – The unwinding of speculative positions drove up the yen



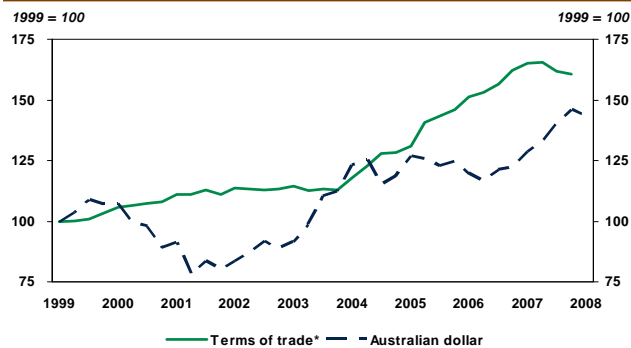
Sources: Bloomberg and Desjardins, Economic Studies

Moreover, while it is clear that the repercussions of the second wave associated with a loss of real estate wealth and anticipated increase in savings on U.S. consumer spending (highly import intensive) will have a ripple effect on the rest of the world, a sharp global slowdown is not part of our base scenario. This is particularly important for commodity-driven currencies.

Weaker U.S. demand will certainly exert downward pressure on prices, but the industrialization of developing Asian countries should continue at a solid pace, meaning that global demand for commodities will remain fairly strong (for more information, see *Commodity Trends*, February 7, 2008). Consequently, the Australian dollar (AUD), New Zealand dollar (NZD) and Canadian dollar (CAD) should continue to do well in 2008.

The AUD has by far the most potential. First, because of Australia's proximity to China and India, its currency may be less sensitive than the Canadian dollar to the U.S. slowdown. Second, while all commodity-driven currencies have benefited from the surge in energy and non-energy prices, the terms of trade (export/import price ratio) increased the most in Australia. Although the impact of the unwinding of carry trades at the end of 2007 (investors have a predilection for the AUD due to Australia's high interest rates) limited the currency's gains, the fundamentals show that it is clearly undervalued (Graph 8).

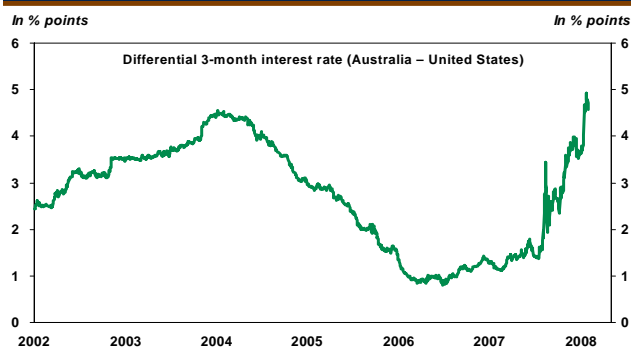
Graph 8 – The terms of trade are conducive to a stronger Australian dollar



* Ratio of export prices to import prices.
Sources: Datastream and Desjardins, Economic Studies

Moreover, the spread between Australian and U.S. interest rates should continue to widen (Graph 9). Thanks to a resurging real estate market, the domestic economy is thriving. The Reserve Bank of Australia raised interest rates in January, and all signs indicate that additional hikes will be needed in the first half of 2008 to temper inflationary fears.

Graph 9 – The interest rate spread will remain in favor of the Australian dollar



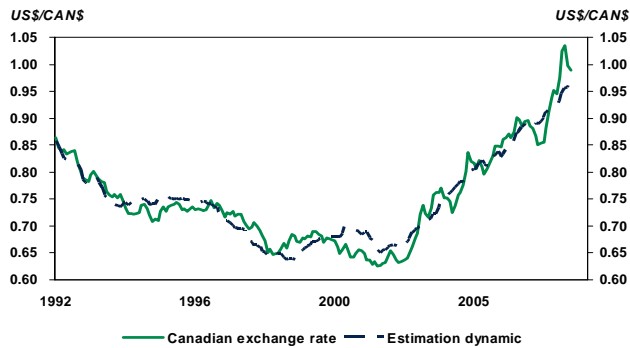
Sources: Datastream and Desjardins, Economic Studies

In Canada, the dollar fell back to a level that is more consistent with the economy's fundamentals (Graph 10) and the gain potential is low in the near term because of the U.S. slowdown, which will affect our currency on two fronts.

First, U.S. demand for Canadian exports is expected to fall (Graph 11). As such, although the domestic economy is faring well, we have revised our forecasts for Canadian GDP growth down to 1.9% for 2008 and to around 3% for 2009.

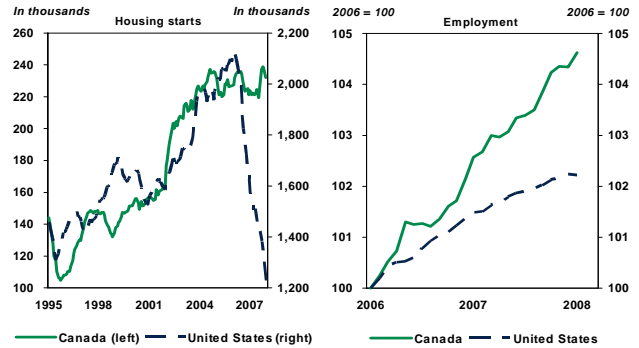
Second, the U.S. downturn is also expected to dampen demand for oil, a key driver of the loonie's growth (Graph 12). After briefly hitting US\$100 early this year, the price of oil has fallen in the last few weeks, and it seems increasingly clear that the global economy's slowdown in 2008 will stem

Graph 10 – The Canadian dollar appears less overvalued



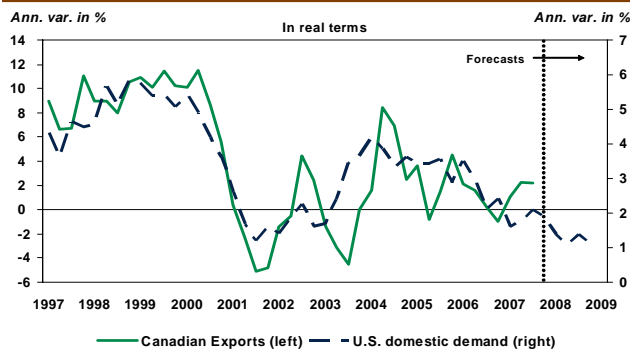
Sources: Datastream and Desjardins, Economic Studies

Graph 13 – Can the Canadian decoupling be maintained?



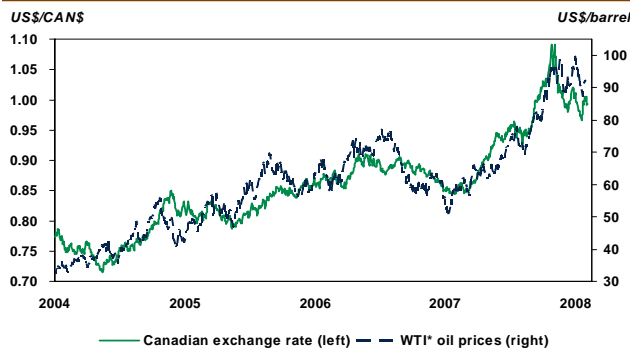
Sources: Canada Mortgage and Housing Corporation, U.S. Census Bureau, Statistics Canada, Bureau of Labor Statistics and Desjardins, Economic Studies

Graph 11 – The expected drop in U.S. demand will significantly slow Canadian growth



Sources: Statistics Canada, Bureau of Economic Analysis, and Desjardins, Economic Studies

Graph 12 – Oil prices are key in determining the loonie's value



* West Texas Intermediate. Sources: Datastream and Desjardins, Economic Studies

demand for oil, calming fears of a shortage. Also, geopolitical tensions seem to have eased as the CIA has concluded that Iran is not developing nuclear weapons. Therefore, despite some temporary surges, we expect the price to fall towards US\$80 per barrel by mid-year.

For the moment, the Canadian dollar is holding steady at near parity due to positive employment data and a robust

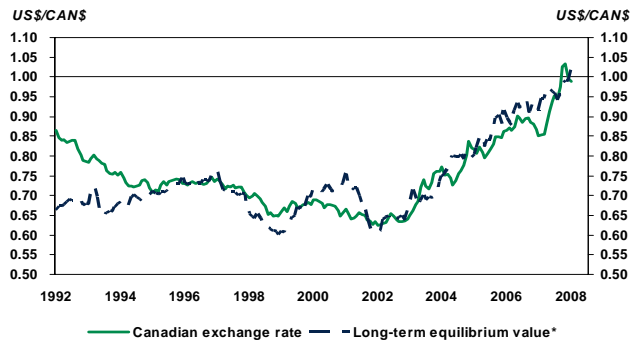
housing market, which contrasts with the sluggishness observed south of the border (Graph 13). However, given that employment is a lagging variable of the economic cycle, the difficulties will probably surface later in the first quarter.

Consequently, with significant downside risks in the foreign sector (exports minus imports), the Bank of Canada (BoC) will have to make sure the spread between U.S. and Canadian short-term interest rates does not widen any further in order to limit upward pressure on the loonie. The market is undecided about the extent of the impending rate cuts, but we believe that the BoC will step up the pace as of the March 4 meeting by lowering rates half a point to 3.50%. And Bank of Canada Governor Mark Carney has yet to decide how much easing will be required:

“[...] monetary stimulus is likely to be required in the near term to keep aggregate supply and demand in balance and to return inflation to target over the medium term. The timing and degree of that stimulus will be determined at future fixed announcement dates. [...]”

However, any weakness or correction of the Canadian dollar will be fleeting. We are still optimistic as regards the industrialization of China and India and, consequently, the demand for energy and non-energy commodities. In these circumstances, our currency should resume its growth in the second half of 2008 and in 2009. The long-term equilibrium value of our exchange rate model, which is based solely on commodity prices, indicates that the loonie should hold steady above par provided the price of oil remains over US\$80 in the next few years (Graph 14). In light of China's spectacular urbanization and growing demand for vehicles, we believe that oil price risks are clearly tilted to the upside.

Graph 14 – The Canadian dollar should remain above par for a while



* Equilibrium value to which the loonie should converge if raw material prices remain at their current levels.
Sources: Datastream and Desjardins, Economic Studies

François Dupuis
Vice-President and Chief Economist

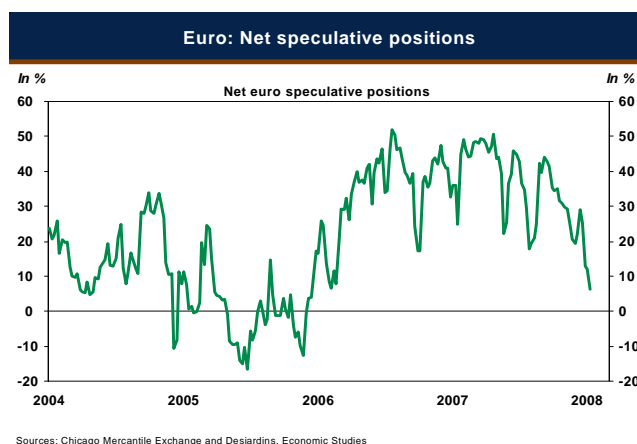
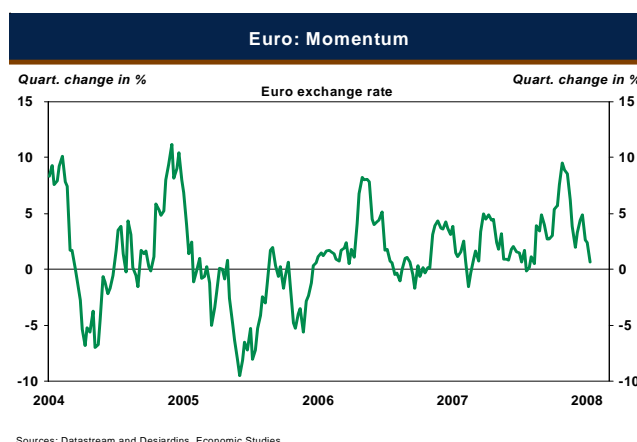
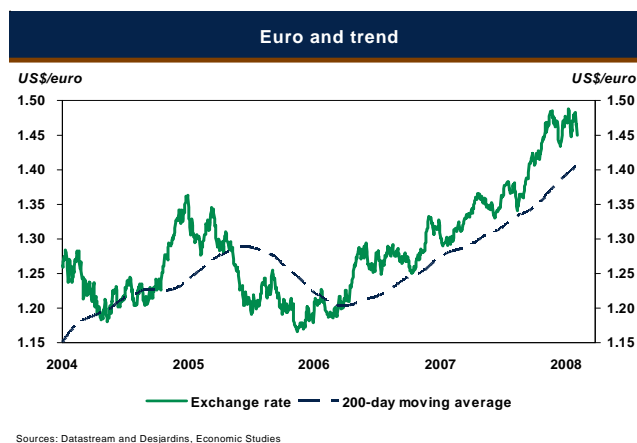
Martin Lefebvre
Senior Economist

EURO (EUR)

The euro seems incapable of breaking US\$1.50

- The euro has been fluctuating in recent weeks. The currency's upward trend ended in November and it has since been hovering between US\$1.43 and US\$1.50. After flirting with US\$1.50 at the end of January, it fell back below US\$1.45 in the last few days after the European Central Bank (ECB) softened its hawkish tone slightly at its most recent meeting.
- It may seem surprising that a 1.25% cut in U.S. rates did nothing for the euro. This, in part, reflects the greenback's resilience, which in tough times, still holds a certain appeal for investors. Moreover, the widening spreads in favour of the euro was accompanied by growing doubts as to the European economy's ability to escape the impact of the downturn overseas given that output indicators were already signalling slowing activity in the euro zone. This weakening economic outlook should convince the reticent ECB to begin lowering rates in the spring.
- However, the euro's recent slide seems a bit quick and a slight rebound is likely in the near term. Speculators have almost completely liquidated their large positions these last few weeks and the euro has lost almost all of its momentum. Some investors may see this as an opportunity to increase their exposure to the currency, which offers higher returns than However, the longer term outlook for the euro remains negative. The ECB's lack of action is increasingly at odds with the Fed's very energetic attempt to keep its economy afloat. Strong economic stimuli should help the U.S. economy rebound slightly in the second half of the year whereas the euro zone could be facing a more protracted slowdown with the result that the euro will undergo a correction as of mid-year in the United States. The euro may therefore quickly climb back to about US\$1.47.
- However, the longer term outlook for the euro remains negative. The ECB's lack of action is increasingly at odds with the Fed's very energetic attempt to keep its economy afloat. Strong economic stimuli should help the U.S. economy rebound slightly in the second half of the year whereas the euro zone could be facing a more protracted slowdown with the result that the euro will undergo a correction as of mid-year.

Forecasts: A technical rebound may be imminent for the euro, which generally should remain above US\$1.45 in the first half of 2008. The economic context will, however, become unfavourable for the currency thereafter, dragging it down to around US\$1.35 at year-end.



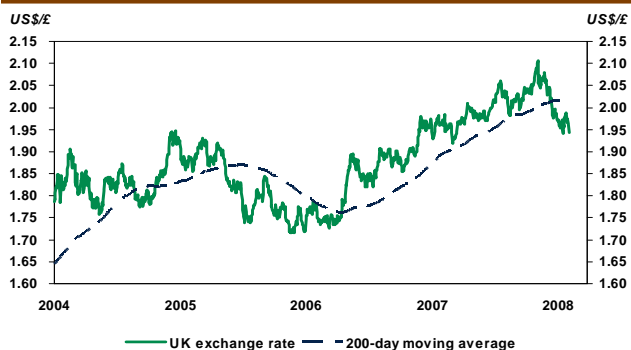
BRITISH POUND (GBP)

The British economic slowdown will adversely affect the pound

- The pound sterling has been rather volatile over the past few weeks. After falling below US\$1.95 on January 21, the pound picked up to nearly US\$2 after Bank of England (BoE) Governor Mervyn King expressed concerns of inflation heating up in the coming months. However, disappointing new economic statistics and the 0.25% cut in the British key rate on February 7 drove the pound below US\$1.95.
- Signs of an imminent slowdown in the United Kingdom are proliferating. First, the slumping housing market will likely dampen consumer spending. Moreover, the turbulence on the global financial markets since summer is having a direct impact on the important British financial sector. Not surprisingly then, the leading indicators are all pointing to a downturn.
- Inflationary pressures are not a cause for concern in the United Kingdom although rising electricity and gas prices risk pushing inflation above 3% in the near term. However, overall, the price increases are limited as attested to by the fact that core inflation rose a mere 1.3% in January. Once the impact of the increase in energy prices has passed, the economic slowdown should quickly take the bite out of inflation, allowing the BoE to continue its monetary easing in the second quarter.
- Market sentiment remains unfavourable towards the pound as net speculative positions in the currency have fallen into negative territory. The momentum is also increasingly negative and approaching critical levels. As such, the pound is not likely to fall sharply again in the short term.
- However, in the medium term, the pound may lose some more ground because the U.S. recovery will benefit the greenback. However, it could bounce back against the euro, which is expected to fall more sharply after the strong gains chalked up in the last few years. That said, the pound's slide could be more pronounced if the English housing market undergoes a real correction, but for now the more likely scenario is a period of stagnation.

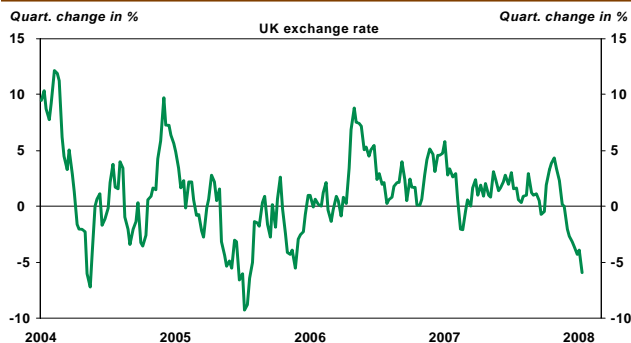
Forecasts: The pound sterling will gradually decline against the greenback and close the year at around US\$1.93 before stabilizing at about US\$1.90 in 2009.

British pound and trend



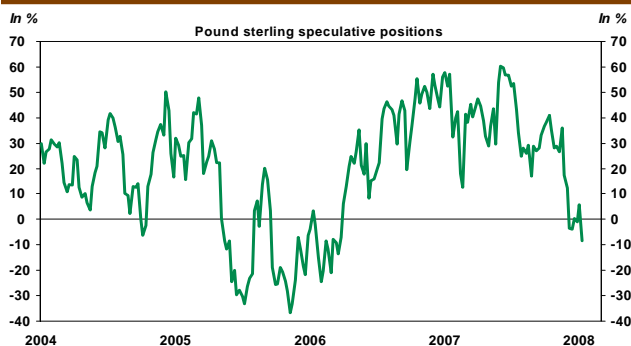
Sources: Datastream and Desjardins, Economic Studies

British pound: Momentum



Sources: Datastream and Desjardins, Economic Studies

British pound: Net speculative positions



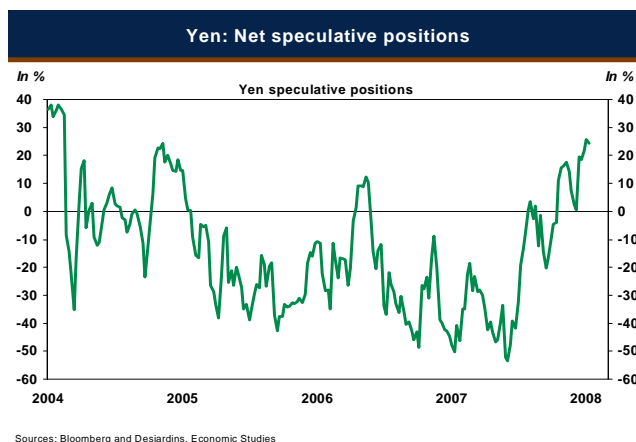
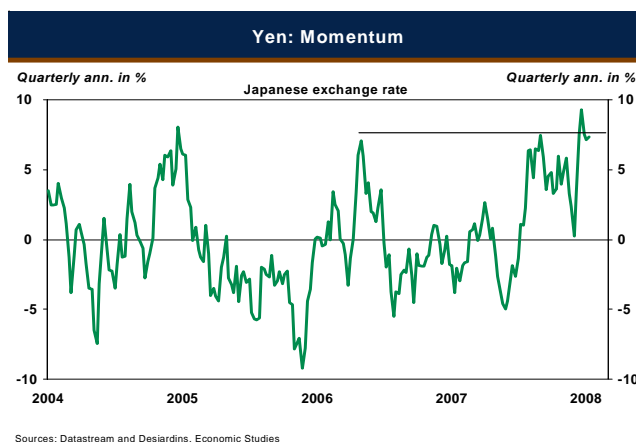
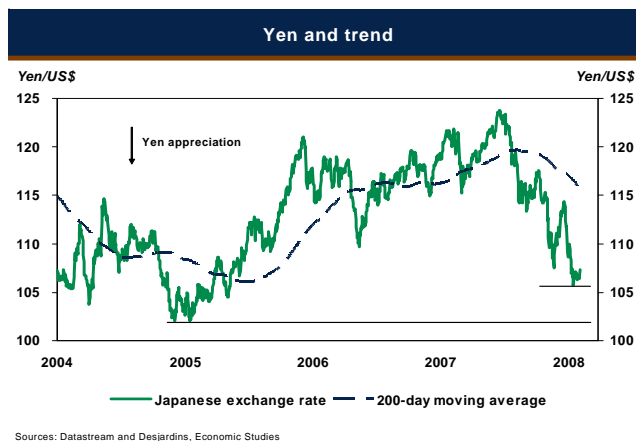
Sources: Chicago Mercantile Exchange and Desjardins, Economic Studies

YEN (JPY)

Increased risks favour the yen

- On January 22, the yen traded at US\$105.725, its highest level since May 11, 2005. The yen's appreciation was fuelled by increased risks on the financial markets and the resulting unwinding of carry trades. Since this peak, the currency has fluctuated between US\$106 and US\$107. The next support level to reach is around US\$102.
- If market indicators are to be believed, the yen's ascension will be punctuated by a number of reversals. The record net positions on non-commercial yen contracts suggest a possible rate correction soon. The same is true for the momentum, which has been very high for some time. The value of this indicator should, however, go back down quickly given that it compares the yen's actual value with its level just before the first carry trade reversal in November.
- The yen's rise contrasts with the Japanese economy's structural weakness. In 2007, real GDP declined for six months straight, in the second and third quarters, compared to the first three months. The year-end results show growth of 3.7%, twice as fast as expected, a pace that is not expected to be maintained, however, in the first half of 2008.
- Despite the fact that the reference price index jumped 0.8% in December, the Bank of Japan (BoJ) is sure to remain on the sidelines at its February meeting given that the pickup in inflation is partially due to increases in energy and commodity prices. In fact, wages recorded their sharpest drop in three years in December.
- We will soon know who will succeed the BoJ Governor, whose mandate ends next month. It seems highly likely that Deputy Governor Muto will be elected. In a context where the Japanese economy could falter, some believe that this changing of the guard might be accompanied by a rate cut. As far as we are concerned, this is not likely, but the next hike may not come until year end or perhaps even 2009.

Forecast: In the short term, the yen could undergo a slight correction and then continue rising against the U.S. dollar despite the structural weakness of its economy. Japanese exports rely less on U.S. demand than in the past, and a significant portion of its exports go to Asia. The rise in other Asian currencies will also boost the yen.

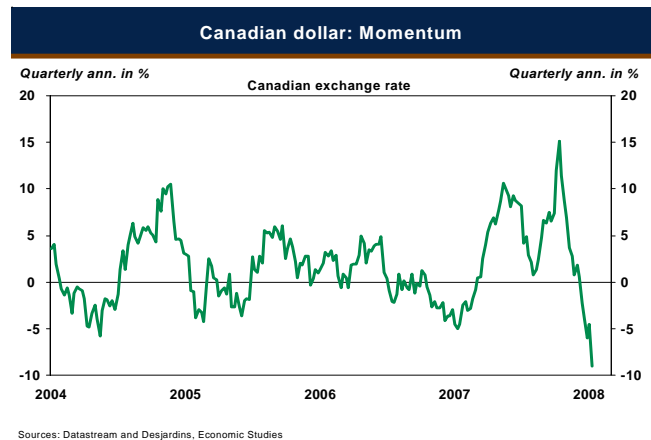
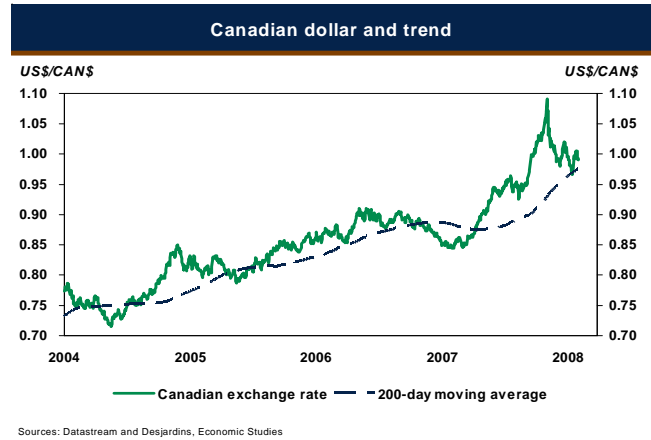


CANADIAN DOLLAR (CAD)

The Canadian economy is still showing signs of decoupling

- As expected, the Canadian dollar has hovered at par since the beginning of the year. The bad economic news south of the border continues to affect the loonie but the damage has been offset by our strong domestic economy and the fact that oil prices have remained high despite fears of ebbing demand.
- On a market basis, expect the dollar to continue fluctuating between US\$0.96 and US\$1.02 for the next few months. The loonie is evolving in line with its long-term trend and net positions on non-commercial CAD contracts (a measure of market speculation) have fallen to almost zero, suggesting a period of stabilization. The dollar has also built up significant negative momentum. However, although this is historically consistent with a rebound, it essentially reflects base effects associated with the record level reached in November 2007 (US\$1.1024), and we should not interpret this as an opportunity for a strong gain.
- Canada's proximity to the United States continues to hamper the loonie. The decline in the ISM non-manufacturing index and sluggish U.S. employment in January are additional signs of a sharp downturn, and it is becoming increasingly clear that the impact on Canadian exports will be more pronounced than initially expected.
- Overall, however, Canada is still showing signs of decoupling. Job creation was stronger than expected in January, unemployment fell to a 33-year low and wages rose twice as fast as inflation.
- Still, the Bank of Canada (BoC) remains concerned about the downside risks associated with the U.S. slowdown, the loonie's vitality and tightening credit conditions with the result that it will continue easing the monetary policy. Consequently, even if some inflationary pressures persist due to the strong domestic economy, the monetary authorities will want to make sure the interest rate spread between Canada and the United States does not widen any further so as to limit upward pressures on the loonie. In our view, low core inflation due to competitive pressures exerted as a result of the loonie's strength will allow the central bank to step up the pace of monetary easing with a half point rate cut on March 4.

Forecasts: In the near term, the loonie will remain just below parity. However, if oil prices fall below US\$80 per barrel, the dollar could experience some weakness in the first half of 2008.

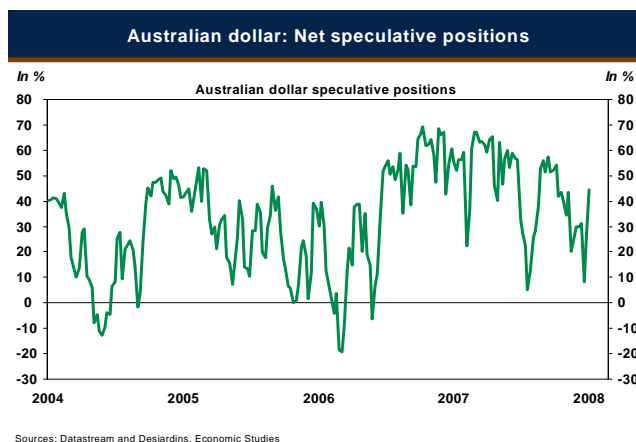
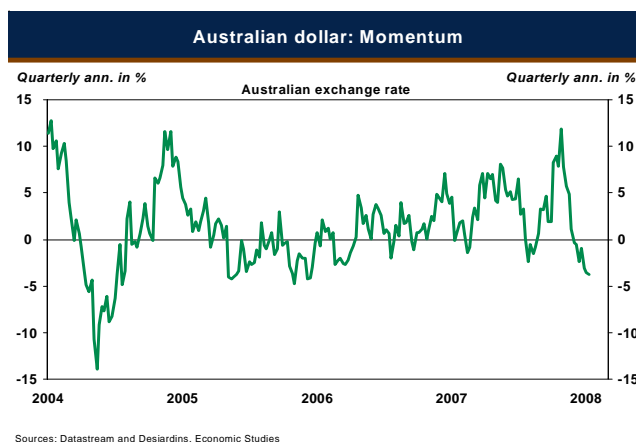
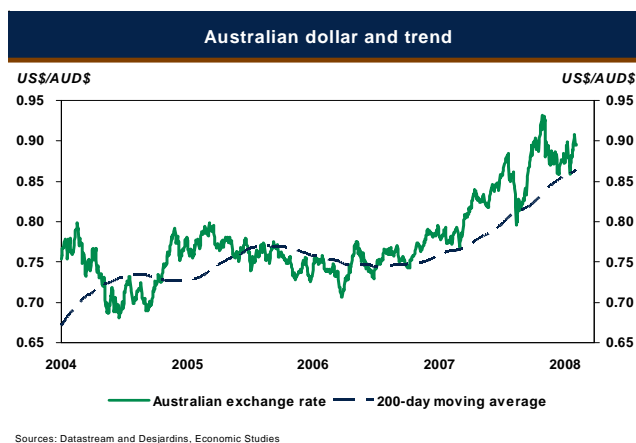


AUSTRALIAN DOLLAR (AUD)

Commodity demand shores up Australian dollar

- The Australian dollar retreated in January due to a resurgence of risks on the financial markets and the resulting unwinding of carry trades. After falling to a low of US\$0.8585 on January 21, the Australian currency, buoyed by high commodity prices and continued interest rate hikes, regained its strength and rose to close to its current value of US\$0.90.
- Despite its recent appreciation, the Australian dollar continues to lose momentum, with its value remaining below the high reached three months earlier. The currency's new upward trend should soon translate into greater momentum but nothing points to overbidding. On the other hand, positions on non-commercial AUD contracts have rebounded. However, this renewed interest for the Australian currency remains sustainable for now.
- Based on the fundamentals, everything points to a strong Australian dollar. In the third quarter, the economy grew faster than it has in more than three years. Consumer spending climbed 4.5%, the most since 2004, and investment jumped 11%. After expanding by 3.9% in 2007, GDP is projected to slow just slightly in 2008, to 3.4%. Australia's proximity to the Chinese and Indian markets and their robust demand for commodities explain these results.
- However, inflation is high and home prices rose 12% in 2007 with the result that the Reserve Bank of Australia had to raise interest rates. The last hike was on February 5, bringing the key rate up to 7%. At least one other increase is planned in 2008, which will support the Australian dollar against lower-yield currencies.
- The main risk for the AUD is falling commodity prices. Bolstered by high prices, the terms of trade, i.e., the ratio between export and import prices, has climbed 25% since the end of 2004, which is consistent with a strong Australian dollar. Should the U.S. economic slowdown have a significant impact on the global economy, commodity prices will fall and so will the Australian currency.

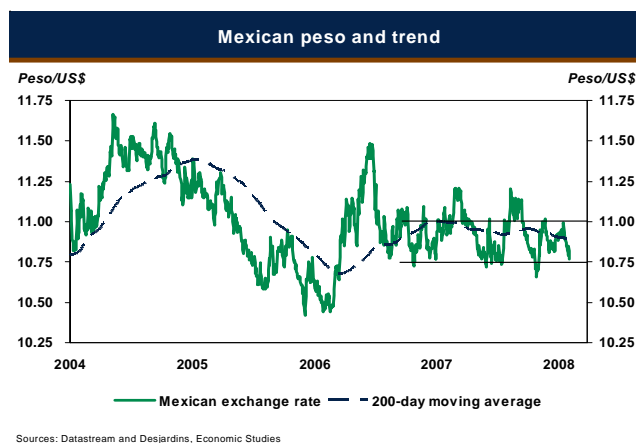
Forecasts: The global economy should not feel much of the U.S. slowdown, which will keep commodity prices and the Australian dollar high. High interest rates will also offer good support. The AUD should climb back above US\$0.92 by the end of the quarter.



MEXICAN PESO (MXN)

The peso continues to evolve within a tight range

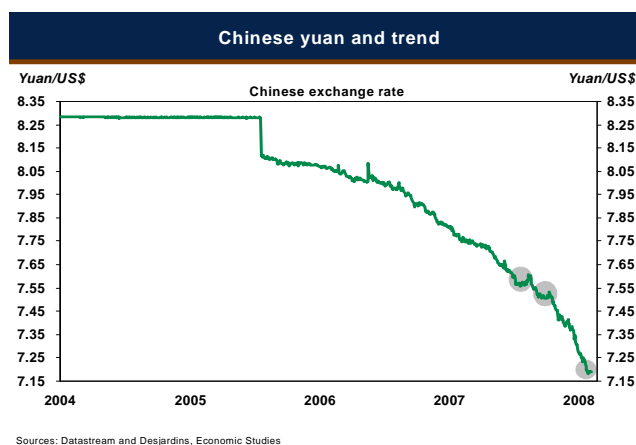
- Like the Canadian dollar, the Mexican peso has benefited from the Federal Reserve's aggressive rate cuts (which lead us to believe that the U.S. slump will be short lived) to close at nearly US\$10.75 in recent days. However, it is having a tough time getting past the low end of its fluctuation range of US\$10.75 and US\$11.00, established at the end of 2006.
- Fundamentals show that the recent gains could be wiped out in the next few months. Annualized real GDP growth was 5.95% in the third quarter but is expected to slow to 1.2% in the fourth. Consumer confidence continues to fall. However, since inflation is gradually retreating, the Central Bank of Mexico will probably stay on the sidelines.



CHINESE YUAN (RMB)

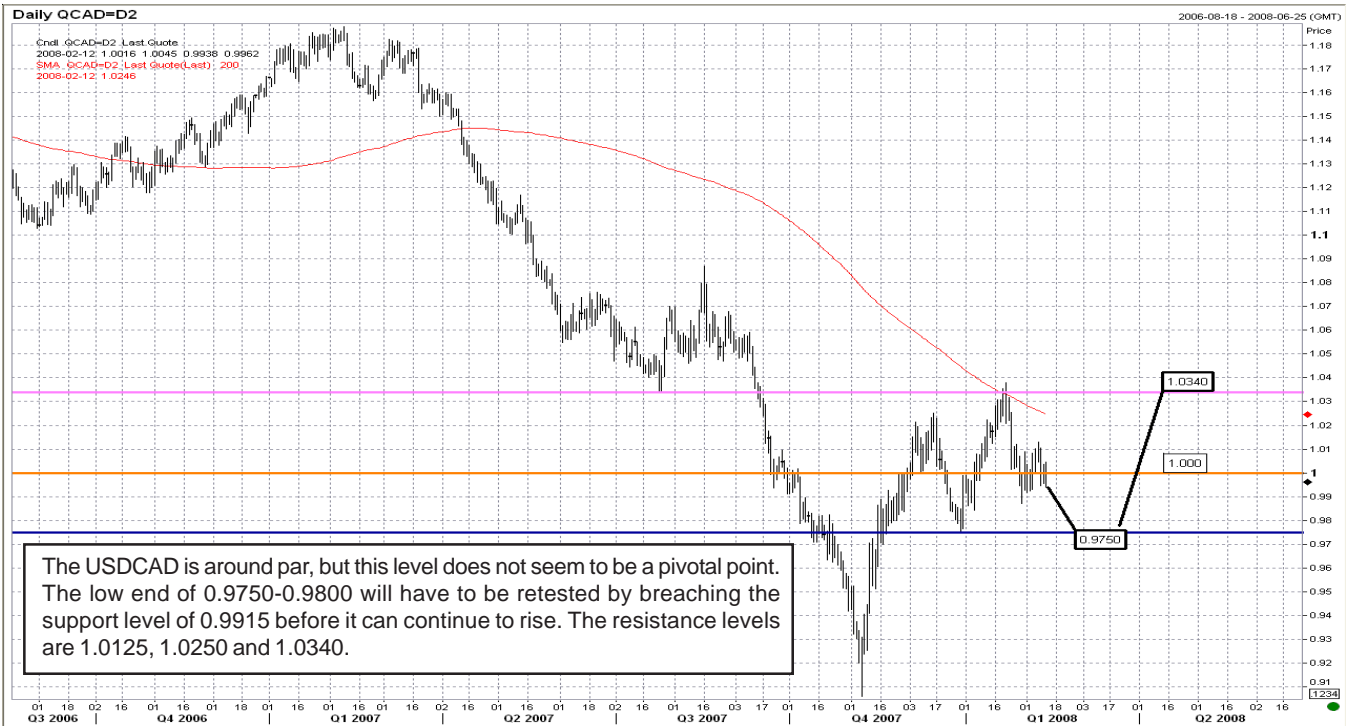
Yuan's rise slows since end of January

- The yuan continued making steady gains versus the greenback in January, rising from 7.30 at the end of December to 7.18 for a monthly increase of nearly 1.7%.
- While it continued its frenzied pace from November to January, the yuan now appears to be running out of steam and has hovered at US\$7.19 since January 28. Similar pauses were observed between mid-July and mid-August, and between mid-September and mid-October in 2007.
- This does not compromise the yuan's appreciation in the longer term. Even if China's enormous trade surplus appears to be stabilizing, the global imbalances, and by extension, international pressures, remain intact. During the World Economic Forum in Davos, China's Vice Premier reiterated China's intention to let its currency float: "Reform of the renminbi exchange-rate regime has quickened since July 2005 [...]. We'll continue to improve our renminbi exchange regime." This greater flexibility will, among other things, allow China to better control inflation. To put the brakes on monetary expansion, China has again raised the ratio of obligatory reserves at the end of January, this time to 15%.

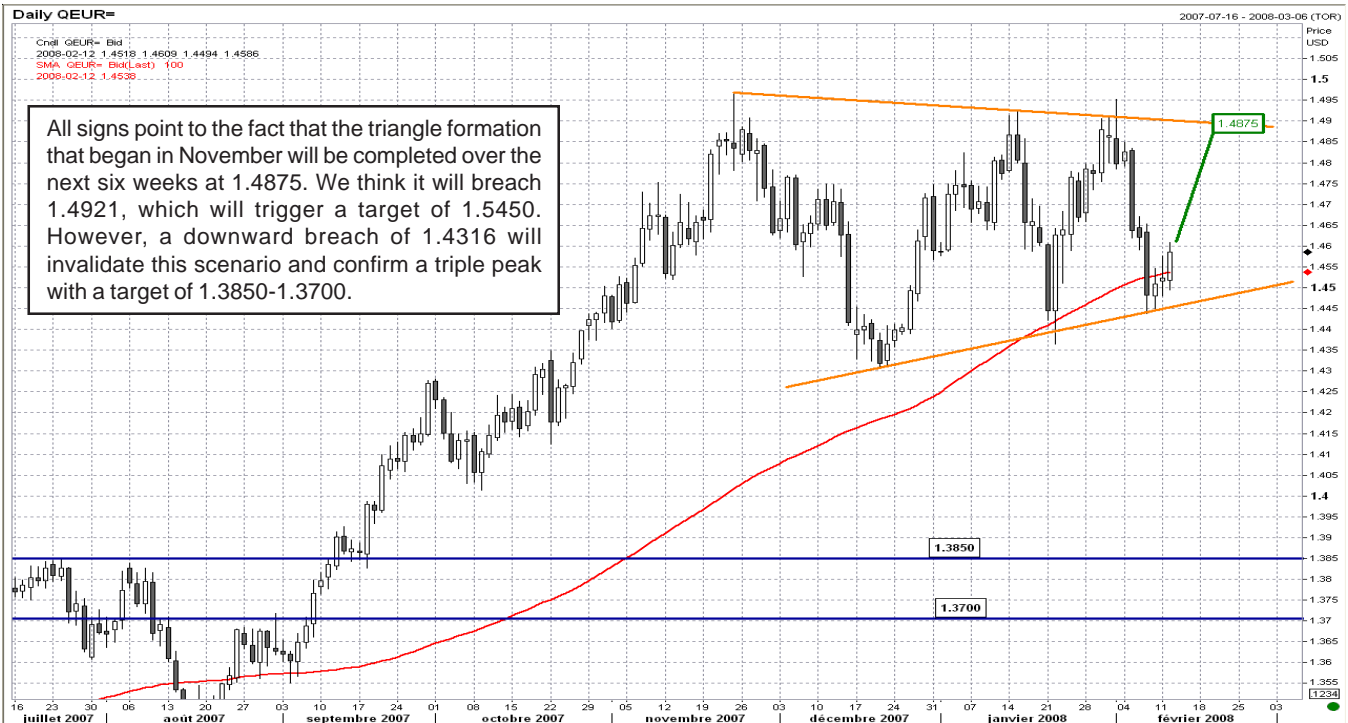


TECHNICAL ANALYSIS

USDCAD

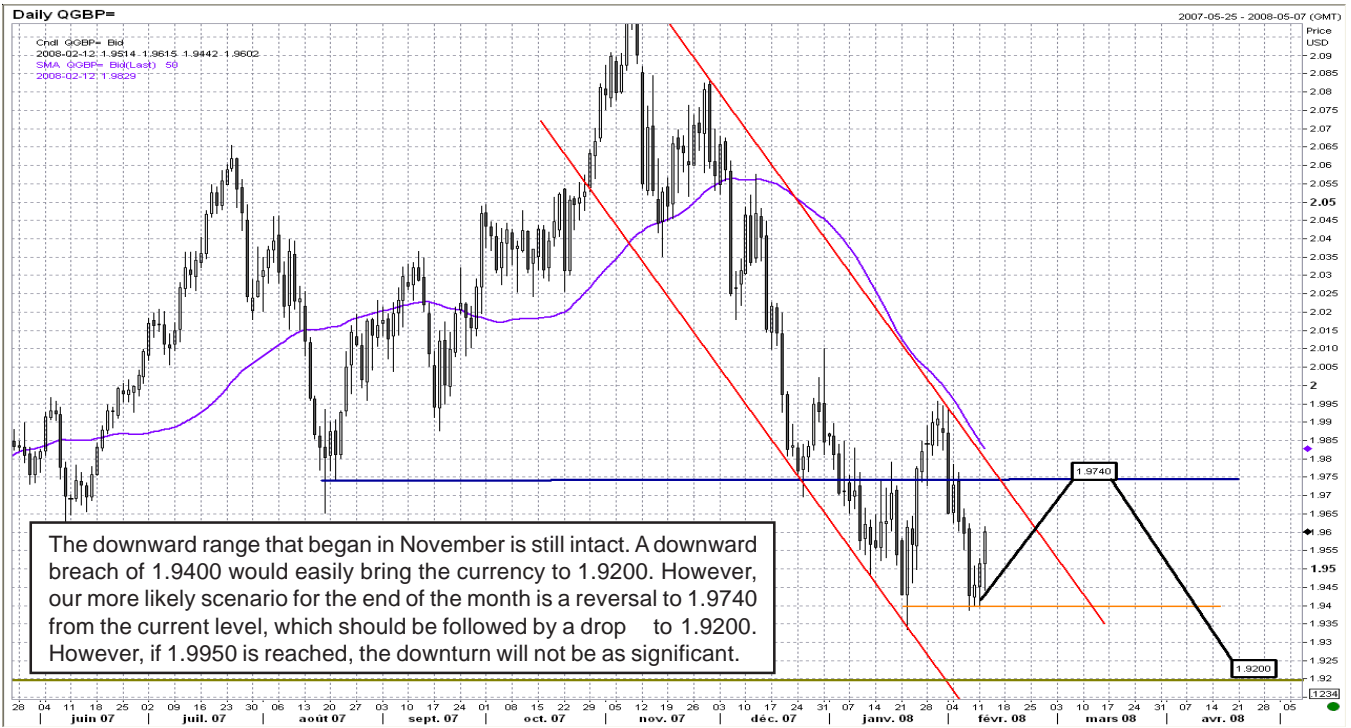


EURUSD

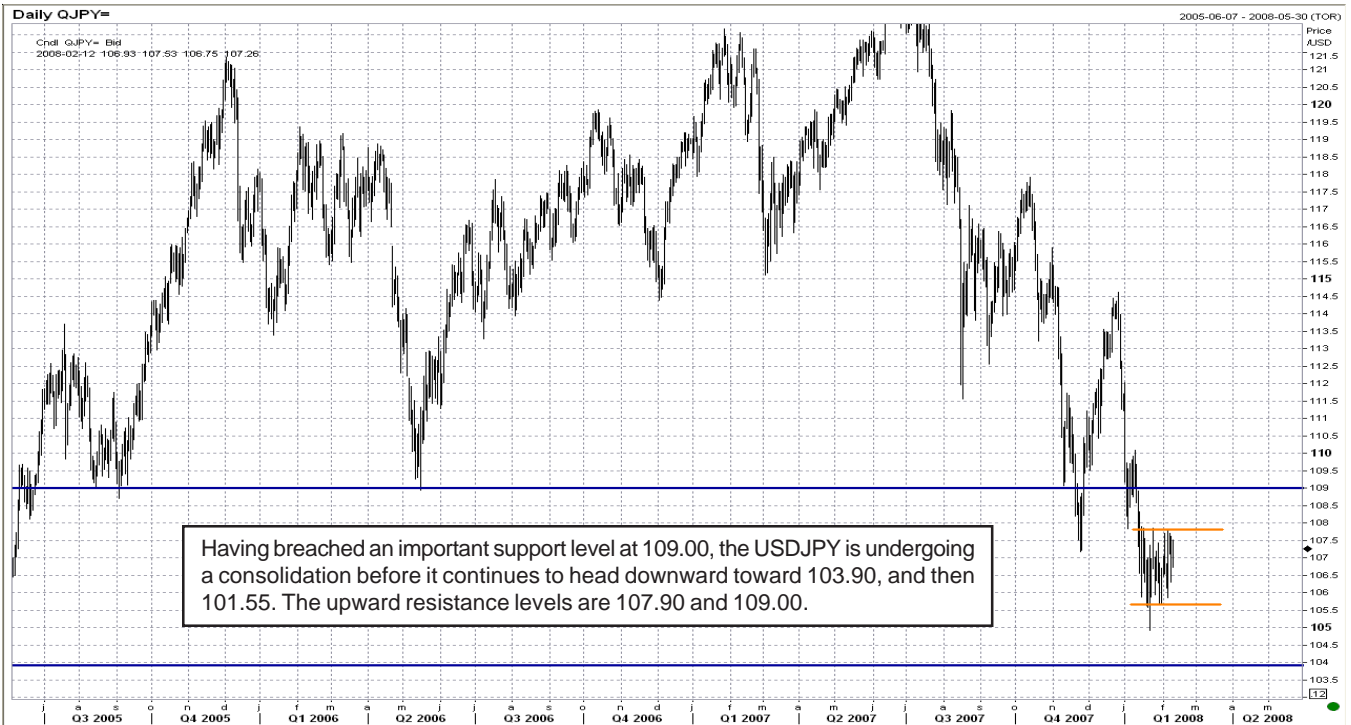


TECHNICAL ANALYSIS

GBPUSD



JPYUSD



Currency market

Country – Currency*	Spot price	Percentage return since				Last 52 weeks		
	Feb. 13	1 month	3 months	6 months	1 year	High	Average	Low
North America								
Canada – dollar	1.0004	-1.96	3.89	-4.86	-14.40	1.1804	1.0535	0.9161
Canada – (CADUSD)	0.9996	2.00	-3.74	5.11	16.82	1.0916	0.9492	0.8472
Mexico – peso	10.7523	-1.61	-1.33	-2.24	-2.22	11.2456	10.9175	10.6680
South America								
Argentina – peso	3.1595	0.98	0.74	0.58	1.88	3.1838	3.1228	3.0705
Brazil – real	1.7455	-0.55	-1.39	-10.16	-17.21	2.1375	1.9044	1.7311
Asia								
China – yuan renminbi	7.1987	-0.89	-3.17	-5.08	-7.31	7.7662	7.5409	7.1832
South Korea – won	945.80	0.88	2.94	1.73	0.66	954.05	930.01	900.70
Hong Kong – dollar	7.7992	-0.09	0.16	-0.31	-0.19	7.8299	7.8021	7.7507
India – rupee	39.7455	1.47	1.31	-1.68	-9.96	44.3855	40.6232	39.0755
Japan – yen	108.16	-0.62	-2.52	-8.48	-10.78	123.82	116.20	105.73
Europe								
Denmark – krona	5.1158	1.55	0.35	-6.46	-10.52	5.7170	5.3633	5.0088
Euro zone – (EURUSD)	5.4647	3.24	0.66	-6.84	-12.10	6.2643	5.7505	5.2714
Norway – kroner	1.9628	0.23	-5.30	-2.43	1.02	2.1082	2.0024	1.9256
Russia – ruble	24.6745	1.26	0.56	-3.37	-6.41	26.3650	25.3369	24.2781
Sweden – krona	6.4096	0.89	1.35	-6.49	-8.72	7.1091	6.6874	6.2390
Switzerland – swiss franc	1.1079	0.55	-1.47	-8.13	-11.35	1.2498	1.1828	1.0823
United Kingdom – (GBPUSD)	1.4565	-1.53	-0.26	6.97	11.92	1.4881	1.3911	1.3014
South Pacific								
Australia – (AUDUSD)	0.8965	0.61	-0.32	6.48	15.07	0.9317	0.8500	0.7685
New Zealand – (NZDUSD)	0.7838	0.13	2.81	6.11	13.76	0.8055	0.7454	0.6728

* In comparison with the U.S. dollar, unless otherwise indicated.

Note: Currency table base on previous day closure.

Currency market: History and forecasts

End of period	2007		2008				2009			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
American dollar										
Canadian dollar (USDCAD)	0.9944	0.9979	1.0309	1.0417	1.0000	0.9756	1.0000	1.0204	0.9804	0.9524
Euro (EURUSD)	1.4222	1.4620	1.4600	1.4500	1.4000	1.3600	1.3300	1.3200	1.3000	1.3200
British pound (GBPUSD)	2.0471	1.9865	1.9500	1.9400	1.9300	1.9300	1.9100	1.9000	1.9000	1.9200
Yen (USDJPY)	114.80	111.69	106.00	109.00	108.00	106.00	104.00	102.00	100.00	98.00
Australian dollar (AUDUSD)	0.8885	0.8755	0.9100	0.9300	0.9200	0.9000	0.8800	0.8700	0.8500	0.8500
Mexican peso (USDMXN)	10.94	10.92	10.90	11.00	11.25	11.35	11.25	11.15	11.10	11.00
Chinese yuan (USDRMB)	7.51	7.31	7.02	6.85	6.55	6.25	5.90	5.60	5.30	5.00
Effective dollar* (73 = 100)	74.38	73.27	73.57	74.00	74.35	74.50	75.46	75.88	75.23	73.80
Canadian dollar										
American dollar (CADUSD)	1.0056	1.0021	0.9700	0.9600	1.0000	1.0250	1.0000	0.9800	1.0200	1.0500
Euro (EURCAD)	1.4143	1.4589	1.5052	1.5104	1.4000	1.3268	1.3300	1.3469	1.2745	1.2571
British pound (GBPCAD)	2.0357	1.9823	2.0103	2.0208	1.9300	1.8829	1.9100	1.9388	1.8627	1.8286
Yen (CADJPY)	115.44	111.92	102.82	104.64	108.00	108.65	104.00	99.96	102.00	102.90
Australian dollar (AUDCAD)	0.8836	0.8737	0.9381	0.9688	0.9200	0.8780	0.8800	0.8878	0.8333	0.8095
Mexican peso (CADMXN)	11.00	10.94	10.57	10.56	11.25	11.63	11.25	10.93	11.32	11.55
Chinese yuan (CADRMB)	7.5521	7.3254	6.8094	6.5760	6.5500	6.4063	5.9000	5.4880	5.4060	5.2500

f: forecasts

* Trade-weighted against major U.S. partners.

Sources: Datastream, Federal Reserve Board and Desjardins, Economic Studies