

Is the Canadian dollar under-valued?

HIGHLIGHTS

- The greenback's consolidation period is continuing, but it is still too early to hope for a significant and sustainable rebound.
- The recent correction of the euro reflects the markets' anticipations of an end to monetary easing by the U.S. Federal Reserve. In our view, the relative situation is to the euro's advantage. A return to around US\$1.60 is likely in the short term.
- The pound sterling is bearing the brunt of the dilemma facing the Bank of England, which must confront inflationary pressures on one hand, and a high risk of recession on the other.
- The improved financial situation has triggered a reversal of the yen's upward trend. Much uncertainty remains, and the next few months are likely to be volatile. However, the structural weaknesses of the economy are such that our scenario of 108 yens/US\$ by the end of the summer is on its way to materializing.
- The Canadian dollar is buffeted by contrary winds. Despite record oil prices, the currency is struggling to stay above parity due to anticipations of interest rate cuts in this country.

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Editorial

The market's feeling that "the crisis is over" has enabled our scenario of a stabilizing greenback to continue in recent weeks (Graph 1). The stock market rally, some less-negative-than-expected economic statistics and persistently high oil prices have encouraged financial market players to bank on an end to rate cuts in the United States.

Graph 1 – A break in the downward trend in the near term would confirm a period of stabilization for the U.S. dollar



Sources: Datastream and Desjardins, Economic Studies

However, quite a lot of bad news is still to come, so it is too early to hope for a significant and sustainable rebound for the greenback. On a technical basis, the currency will likely remain close to its current level in the weeks to come, but a downside risk is still there. After bottoming out in September 2007, net non-commercial positions on the U.S. dollar are close to zero (Graph 2), but they are still in negative territory. This means little enthusiasm for the currency despite a significant change in expectations regarding interest rates in the United States.

THE SITUATION IS STILL FRAUGHT WITH UNCERTAINTY

The reason is that the renewed optimism that has prevailed since the bail-out of the Bear Stearns investment firm in mid-March seems to be fragile. Certainly the market was reassured

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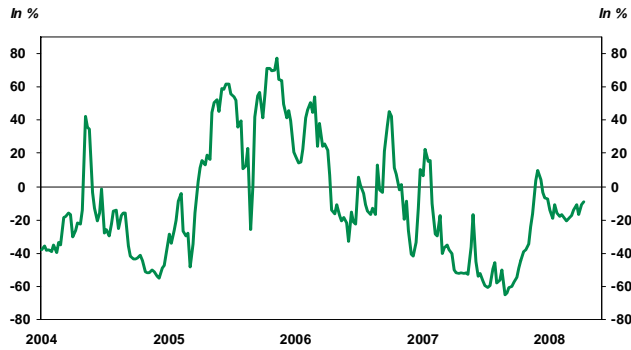
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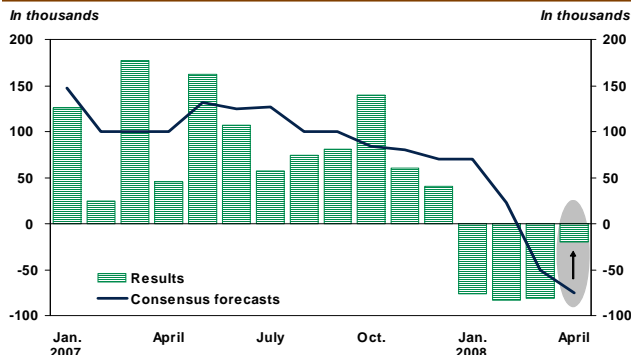
Graph 2 – Despite the change in interest rate expectations, the craze for the U.S. dollar is weak



Sources: Chicago Mercantile Exchange and Desjardins, Economic Studies

about the state of the U.S. economy by the slightly positive real GDP growth that was recorded in the first quarter of 2008, by the prospect of a pause in the U.S. Federal Reserve's monetary tightening and by a deceleration in job losses in April (Graph 3).

Graph 3 – Employment results were less negative than the consensus forecast

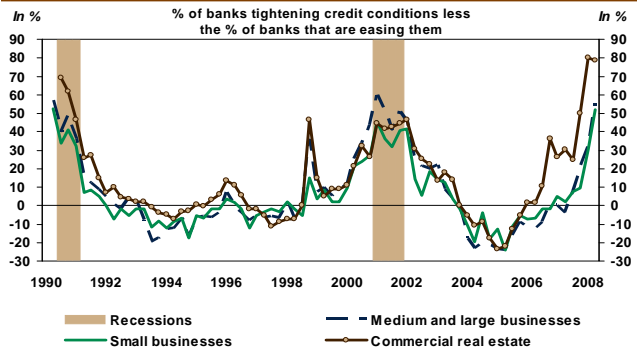


Sources: Bureau of Labor Statistics, Bloomberg and Desjardins, Economic Studies

However, the situation is still fraught with uncertainty, and many statistics are continuing to show an economy in trouble. U.S. domestic demand shrank in the first three months of the year, for the first time since 1990. Gasoline prices are at record levels, house sales are in free-fall and household confidence is at an historic low. Moreover, despite aggressive cuts to U.S. federal funds, tensions on the interbank market are continuing, and the commercial banks have tightened lending conditions (Graph 4).

On the other hand, signs of the U.S. slowdown spreading to the rest of the world have yet to be seen. In general, the emerging economies are still showing very fast growth, and rising inflation is even inducing monetary authorities in many countries to raise the cost of money despite global financial turmoil. As a result, the currencies of Russia, Brazil and China have all appreciated considerably against the greenback in

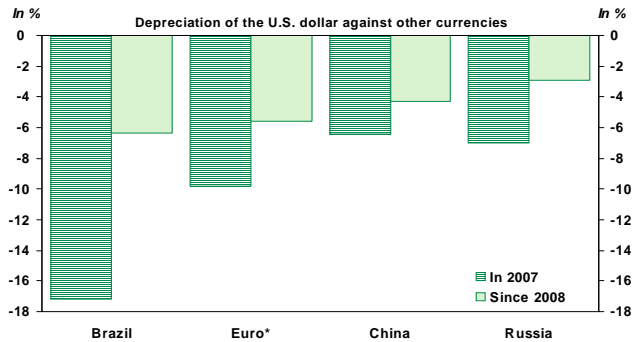
Graph 4 – Credit conditions remain very difficult for businesses



Sources: Federal Reserve Board and Desjardins, Economic Studies

recent months (Graph 5). The industrialized economies are affected a bit more but, relatively speaking, growth there is still better than in the United States.

Graph 5 – After only four months, gains in currencies of emerging countries against the U.S. dollar did well in 2008



* The euro is shown for comparison purposes only.
Sources: Datastream and Desjardins, Economic Studies

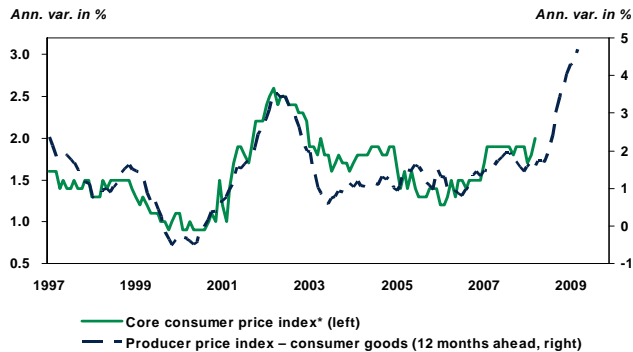
THE EURO CONTINUES TO BENEFIT FROM THE EUROPEAN CENTRAL BANK'S WAR AGAINST INFLATION

After reaching an historic peak of over US\$1.60 in March, the European currency has corrected itself to around US\$1.55 due to a wave of optimism in the United States. However, the global economic picture has not changed much, and the recent downward trend strikes us as a slight correction towards the establishment of consolidation at a higher level.

The euro zone monetary authorities are still greatly concerned about the risk of a second wave linked to high inflation. The estimate for April (3.3%) shows that inflation probably peaked at 3.6% in March. However, persistently high oil prices and their effects on production costs will continue to impel the European Central Bank (ECB) towards caution (Graph 6).

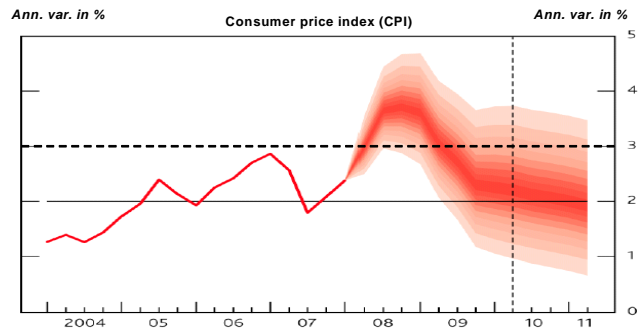
Consequently, with too few concrete signs of an economic downturn well underway in the euro zone, we should not expect any move towards rate cuts in the short term. On the

Graph 6 – The increase in production costs is not reassuring for the ECB



* Excluding energy, foods, alcohol and tobacco.
Sources: Datastream and Desjardins, Economic Studies

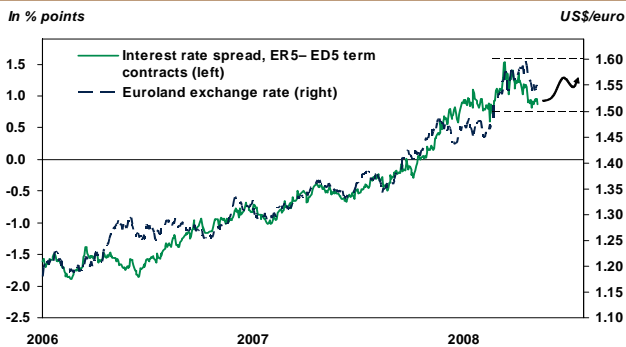
Graph 8 – The Bank of England is expecting inflation to remain over 3.0 % until early 2009



Sources: Bank of England and Desjardins, Economic Studies

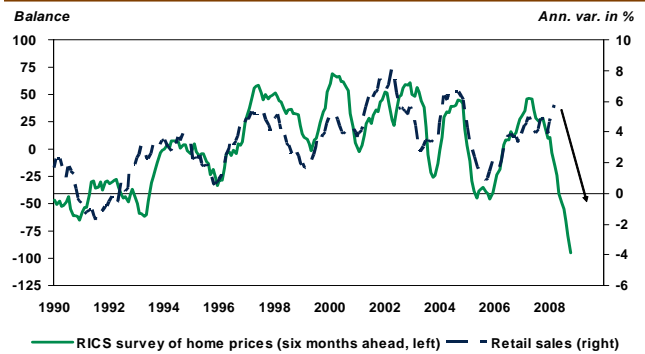
other hand, we believe that the market has been premature in anticipating the end of monetary easing in the United States. In this situation, the widening spread between interest rates should favour the euro's return to the upper end of a range between US\$1.50 and US\$1.60 in the next few months (Graph 7). In the short term, the risk strikes us as being upside for the euro, and we favour long EURUSD and EURGBP positions. However, a gradual subsidence of inflation or a change of course by the ECB could trigger a significant corrective movement for the euro, starting by the end of this summer.

Graph 7 – A reversal in interest rate expectations should favour consolidation for the euro



Sources: Datastream and Desjardins, Economic Studies

Graph 9 – A real estate correction could have significant repercussions on consumption



Sources: Royal Institute of Chartered Surveyors and Desjardins, Economic Studies

in the months to come. In fact, the index collapsed to its lowest level ever recorded. This points towards the possibility of a contraction in consumer spending in the U.K. (Graph 9).

We believe that the Bank of England will remain cautious in the short term, given the high rate of inflation and the persistently high energy prices; this should stabilize the pound sterling. However, economic woes should induce the Bank to cut its interest rates more than the market is expecting in the second half of 2008. In this situation, we remain pessimistic about the pound sterling against the dollar and the euro.

THE UNITED KINGDOM IS THE EXCEPTION TO THE RULE

The pound sterling is continuing to bear the brunt of the dilemma facing British monetary authorities. Fears of inflation surging towards the high end of the target range were confirmed sooner than anticipated, with the annual change of the consumer price index reaching 3.0% in April (Graph 8).

However, signs of economic slowdown are increasingly worrisome. In particular, the most recent survey by the Royal Institute of Chartered Surveyors shows that the vast majority of real estate agents anticipate that house prices will decline

RAW MATERIALS FRONT AND CENTRE

The craze for oil and metals continues to benefit those currencies that are linked to raw materials. On a technical basis, the Australian dollar is ripe for a correction. Since the end of February, the currency has seemed to encounter resistance at US\$0.95. Speculative positions are high and rising, and the recent evolution of the currency, far above the long-term trend, are compatible with a retreat in the short term.

Moreover, monetary tightening by the Reserve Bank of Australia has probably come to an end. Inflation jumped to

4.3% in April, but some indicators show that the real estate cycle is ending and domestic demand is slackening. The volume of retail sales shrank in March, and the low levels of household confidence do not point towards any turnaround in the short term.

We believe the Australian dollar is due for a slight correction. However, continued high metal prices should enable it to consolidate its position close to current levels.

IS THE CANADIAN DOLLAR UNDER-VALUED?

The Canadian dollar is still afflicted by the potential impact of the downturn in the United States on the foreign trade sector. Given the likelihood of further rate cuts by next fall, Canadian monetary policy will not give the currency much support in the near term. High oil prices are helping the loonie keep its head above water but, even though they are setting new records day after day, the effect remains mitigated (Graph 10).

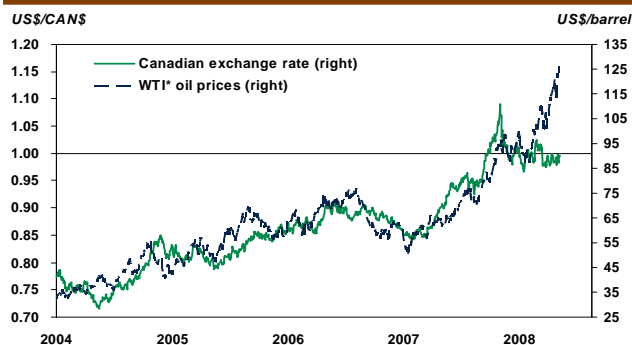
economy could lead to a significant rally by the Canadian dollar in the medium term. High prices for oil and non-energy raw materials will continue to favour upswings in terms of trade, and promote sustained growth in aggregate Canadian demand.

In these conditions, we anticipate a low point slightly below parity for the Canadian dollar between now and the first few months of the summer. An economic recovery in the United States and an announcement of an end to monetary easing in Canada should enable the long-term factors (raw material prices) that govern the loonie's performance to come to the fore. This would send the loonie back on an upward course at the end of 2008 and in 2009.

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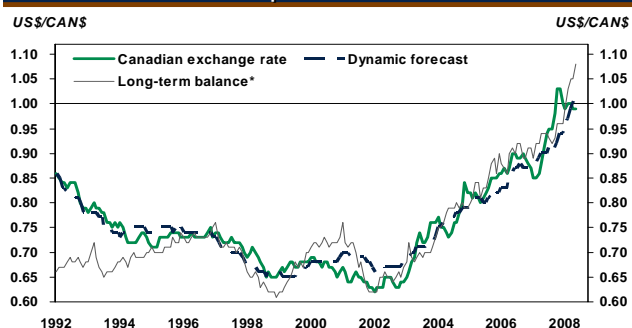
Graph 10 – Higher oil prices are offset by risks of an economic slowdown



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

At these price levels, the Canadian dollar is nevertheless under-valued (Graph 11). In fact, even a decline below US\$100 per barrel would remain compatible with a loonie above parity with the greenback. Consequently, any improvement in the

Graph 11 – Better perspectives could bring the currency back in line with prices of raw materials



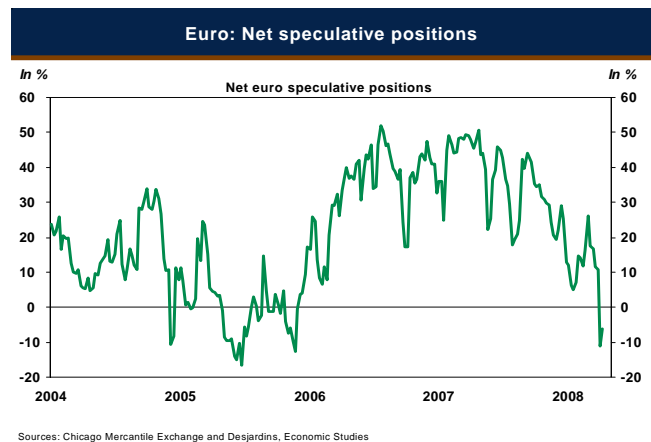
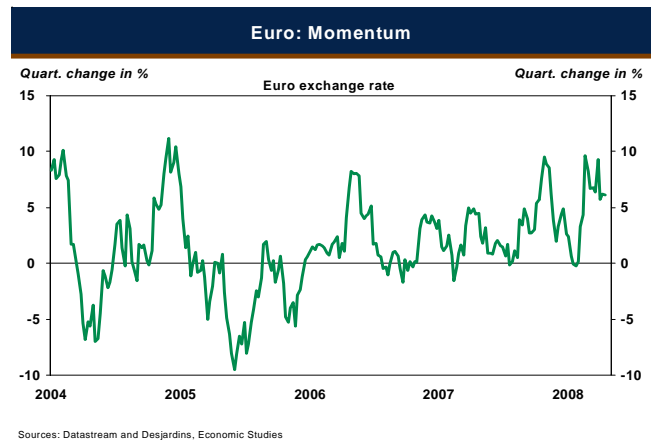
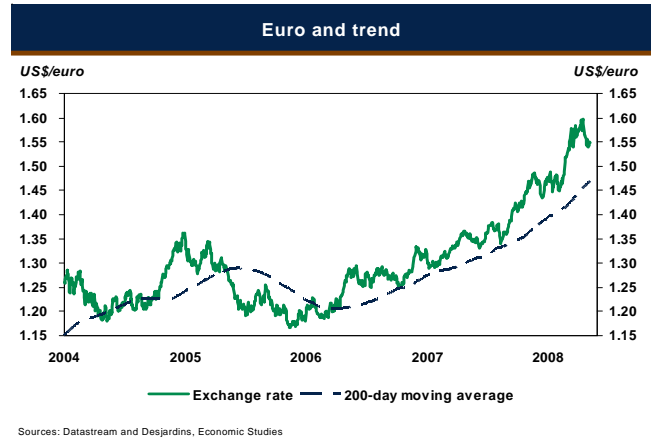
* Value the loonie should converge on if energy and non-energy prices remain at current levels over the next two years.
Sources: Datastream and Desjardins, Economic Studies

EURO (EUR)

The real correction of the euro will not start until the fall

- After crossing the psychological threshold of US\$1.60/euro during the session of April 22, the euro depreciated rapidly once the markets started anticipating that the U.S. Federal Reserve (Fed) would call a halt to its monetary easing. The euro even fell back below US\$1.53 last week, before rising slightly.
- On a market basis, the fast retreat of the euro reflects the recent shift in investor sentiment, with net speculative positions on the euro falling into negative territory for the first time in two years since the end of April. However, short positions have reached a level that, since 2004, has always coincided with a rebound of the euro.
- In the short term, interest rate trends should favour the euro over the greenback, and could even enable it to climb back temporarily close to US\$1.60. In the euro zone, the European Central Bank (ECB) has repeated its intention to keep its key interest rates steady in order to fight inflation which, despite a slight dip to 3.3% in April, is still well above the target of 2%. The situation is not so clear in the United States, where the financial markets are now anticipating that the Fed's next move will be to raise its key rates. In our opinion, the Fed is more likely to have to continue its monetary easing a bit more in order to support the U.S. economy. This would be to the euro's benefit.
- However, we predict a significant correction in the euro in the medium term, that is, once the ECB starts to soften its stance. There is no longer any doubt that the Euroland economy is losing steam, and the European Commission expects real GDP growth to be limited to 1.7% in 2008, and 1.5% next year. Both the foreign trade sector, hard hit by the strength of the euro and the global downturn, and the domestic economy, affected by the slowdown in the housing sector, the significant tightening of credit conditions and a decline in consumer and business confidence, are showing signs of weakness. Despite its reticence, the ECB will probably have to start changing its tune this fall, and finally undertake some monetary easing a few months later.

Forecasts: The euro should continue trading between US\$1.50 and US\$1.60 over the next few weeks and might even test the top of that range. But we remain negative about the euro in the medium term; a fairly quick retreat should push it down below US\$1.50 in the second half of 2008.

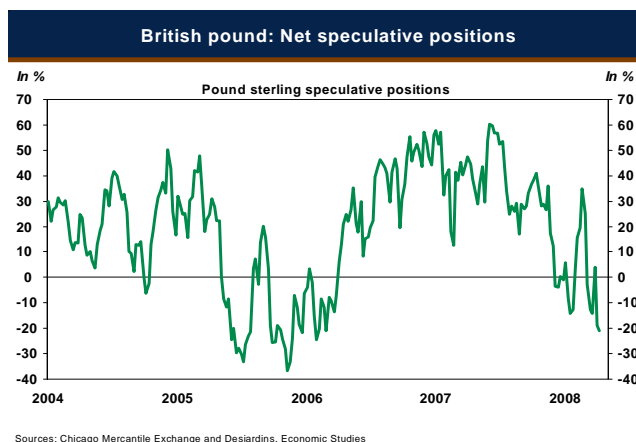
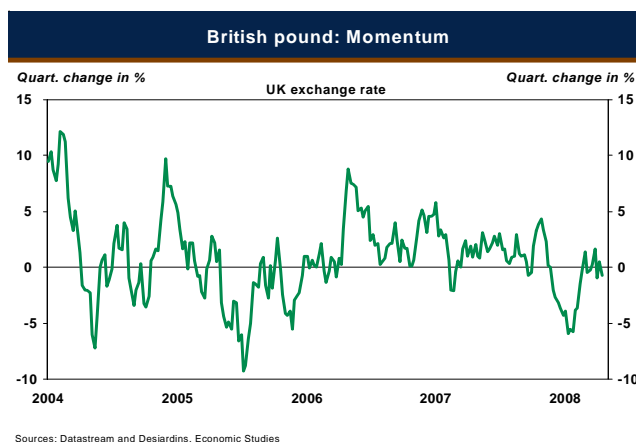
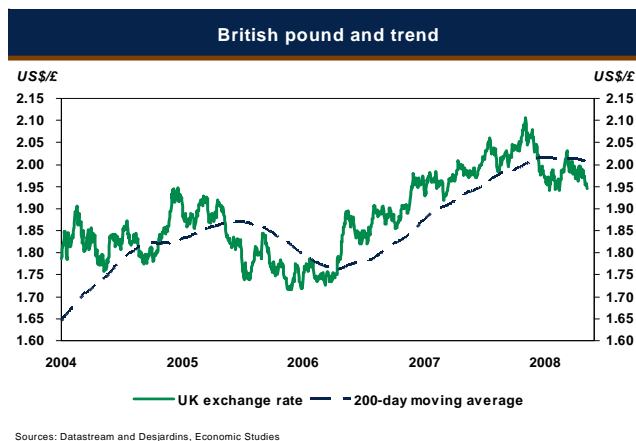


BRITISH POUND (GBP)

Surging inflation is restricting the Bank of England's leeway

- The pound sterling has stayed relatively stable against the U.S. dollar, fluctuating between US\$1.95 and US\$2.00/pound. In the past few days, the greenback's renewed strength has pushed the pound slightly below that range. The British currency has re-appreciated slightly against the euro, with the EURGBP rate falling back to around 0.79 after setting a record of close to 0.81 in mid-April.
- The market indicators are not very conclusive, given that the momentum of the pound is practically nil, and net speculative positions are negative but have yet to reach a low enough level to herald a rebound.
- In the short term, the actions of the Bank of England (BoE) are likely to have a significant impact on the pound's value. It must be said, the dilemma that the BoE's leaders are facing has intensified even more in recent days, with economic data confirming the deterioration of the situation on two fronts: inflation, and economic activity.
- In April, consumer prices in the U.K. recorded their sharpest monthly increase since September 2000, causing the annual inflation rate to spike to 3.0%. The inflation report for May indicates that prices should continue climbing in the short term, and the inflation rate is likely to soar above 3.5%. This situation puts the BoE in an extremely difficult position and may well force it to postpone the next cut to its key interest rate for a few months.
- In our opinion, the deterioration in economic prospects is even more worrisome. In particular, our fears of seeing the correction in the housing market worsen have been confirmed: the RICS house price index has just fallen to its lowest level in 30 years. Other economic data released recently are equally discouraging: industrial production declined in March, household confidence is continuing to falter, and financial institutions are continuing to tighten credit conditions.

Forecasts: Risks of a severe economic downturn, possibly a recession, strike us as being strongest, which should encourage the BoE to reduce its key interest rate again by the end of 2008. However, caution is needed given the extremely high inflation. At US\$1.94, the pound's level is reflecting quite a lot of bad news. We recommend waiting for the pound to rally before taking any more short GBPUSD positions.

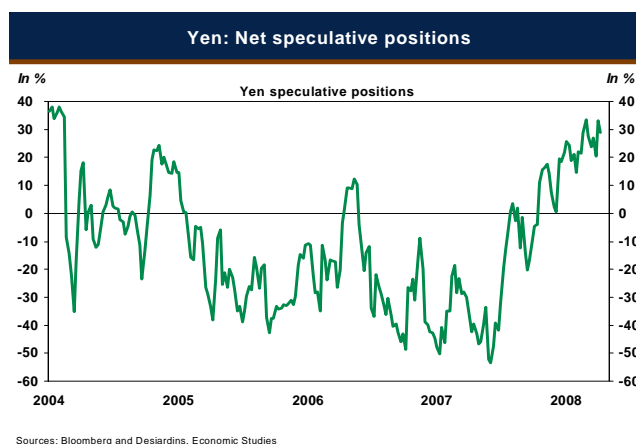
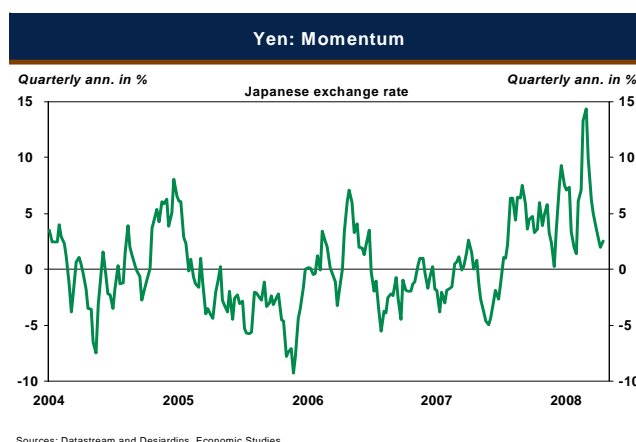
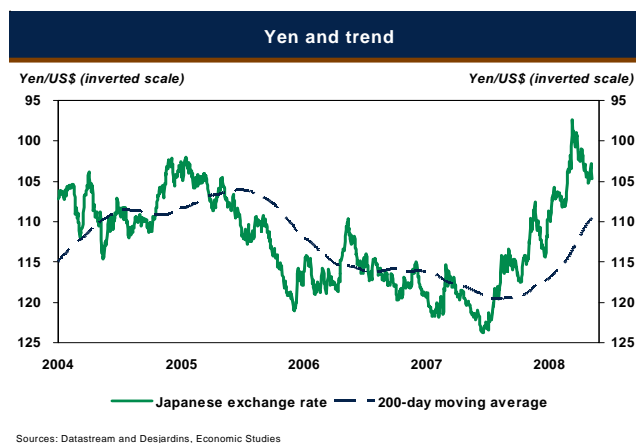


YEN (JPY)

The yen remains very volatile on the exchange markets

- After a short period of stability in early April, the yen began to slide again to hit a low of 105.70 yens/US\$ on May 2. Since then, Japan's currency has been fluctuating within a range of 102 to 105 yens/US\$.
- The markets have partly recovered their appetite for risk over the last few weeks, following the Bear Stearns investment bank rescue, among other things. In this context, the attraction for carry-trade transactions increases, bringing down low-yield currencies like the yen. Nevertheless, this new boom in risk could be punctuated by highs and lows over the coming months. Even more bad economic and financial news may affect the mood in the markets, reducing the appetite for risk once again. The yen should remain very volatile.
- On a market basis, the loss in momentum indicates that the Japanese currency could stabilize near current levels. However, net positions on non-commercial contracts are historically very high, which is compatible with a downward correction to the yen.
- The structural weakness in the Japanese economy remains intact and continues to favour yen depreciation. In March, industrial production fell back to May 2007 levels. The consensus is for economic growth to decline to 1.2% in 2008 versus 1.8% in 2007. Difficulties in residential construction seem to be trying to stretch out as well. On an annual basis, the number of housing starts dropped by 15.6% in March after more encouraging signs in February. The Tankan index, which is often associated with investment in capital and machinery, is down, along with small business confidence. High prices for commodities and energy are also having a negative impact on the profitability of Japanese businesses.
- Despite the higher inflation rate, the Bank of Japan also changed its stance in favour of a status quo in its semi-annual publication on the Outlook for Economic Activity and Prices. Coupled with stable interest rates in the United States, the yen should not be subject to any additional pressure from interest rates spreads over the next few months.

Forecasts: In the short term, the yen will remain volatile. The fundamentals of the Japanese economy favour a weak currency. The exchange rate could rise to 108 yens/US\$ between now and the end of the Q2.

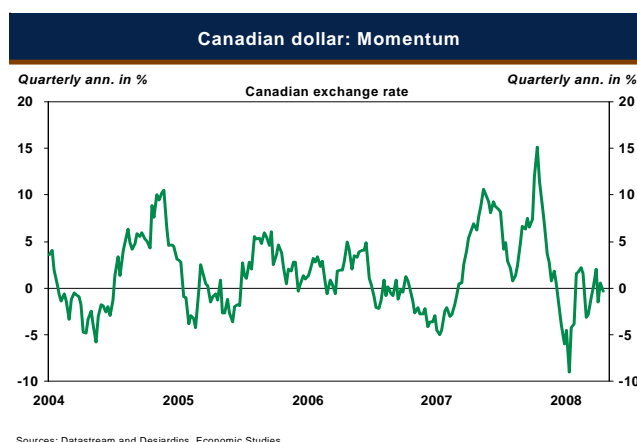
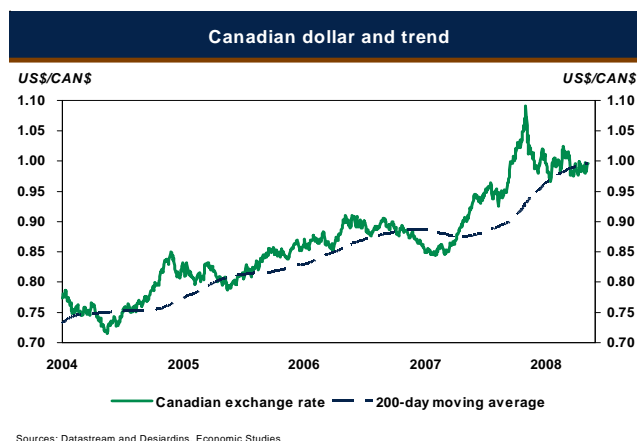


CANADIAN DOLLAR (CAD)

Expectations for interest rates are offsetting higher oil prices

- The loonie is still facing headwinds. The U.S. slowdown's impact on Canadian exports continues to have adverse effects on the currency. However, record oil prices have kept the loonie safe from depreciation. The currency has been able to stay close to parity over the last few weeks.
- On a market basis, the Canadian dollar should dip slightly in the next few weeks. The correction that has been taking place since November 2007 has not brought the currency down low enough under its 200-day trend for the loonie to begin to rise. Its momentum is nearly flat and speculative positions show that the market does not have much enthusiasm for the currency right now.
- With the U.S. Federal Reserve slightly and subtly opening the door to a future pause in the monetary easing cycle, the loonie's softness is in part a reflection of the market's expectations for Canadian interest rates. On May 1, The Bank of Canada (BoC) reiterated before the Senate Standing Committee on Banking, Trade and Commerce that the deterioration of the economic and financial situation in the United States would have direct outcomes on the Canadian economy. Exports should pull back and slow growth considerably in 2008. The turbulence in global financial markets will continue to have repercussions on the cost and availability of credit. Business and consumer confidence in Canada should pull back slightly. Under these conditions, the BoC will probably lower interest rates once again to hit the medium-term inflation target.
- High oil prices continue to provide the currency with good support, but at nearly US\$125 a barrel, the effects are mixed. This probably reflects an expected downturn in raw material prices from levels that are clearly higher than values dictated by fundamentals. It is our opinion that the greenback's downward trend, speculation on the markets, and geopolitical risks have pushed the price of oil close to \$35 over equilibrium.

Forecasts: In the short term, the loonie's evolution will continue to depend on the impact of the U.S. slowdown on the Canadian economy and interest rate expectations. In our opinion, the currency should dip slightly in the first months of the summer. In the longer term, we remain optimistic. The low of US\$0.97 would seem like a good point of entry for a return to an upward trend for the currency.



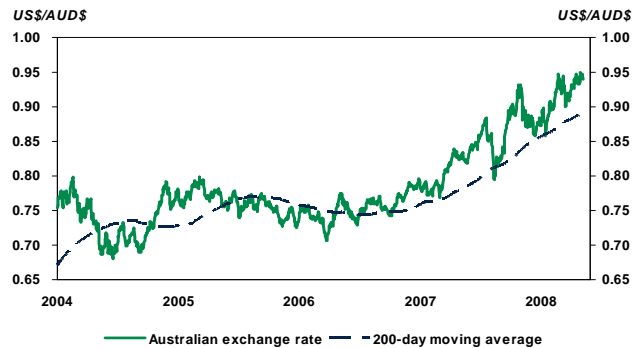
AUSTRALIAN DOLLAR (AUD)

The Australian dollar benefits from lots of support

- High prices of raw materials continued to support the Australian dollar over the last few weeks, pushing the currency up to a peak of US\$0.9507 on May 6, its highest level since the early 80s. The currency however seems to be having a hard time crossing the US\$0.95 mark on a more sustainable basis.
- Market indicators show that a correction in the Australian currency is likely in the short term. Net positions on non-commercial AUD positions are at compatible levels with the currency being overvalued, and momentum measures are evolving near levels that indicate a possible reversal of trend.
- Despite the anticipated correction, the exchange rate should come back to close to the levels recently observed. The Australian economy is benefiting from Asian demand for raw materials. For the time being, due to decoupling, the demand has not been affected by the slowdown in the U.S. economy. The Australian dollar is benefiting from this demand through higher prices for raw materials and improvement in terms of trade.
- A weak U.S. dollar and renewed interest in risk are also providing good support to the Australian currency. An increase in volumes for carry-trade transactions favours higher-yield currencies like the Australian dollar. Clearly, this new appetite for risk might only be short lived, or at least fluctuate over the next few months, a situation that is keeping the currency volatile.
- Strong economic growth and higher inflation have encouraged the Reserve Bank of Australia to progressively raise its leading rate to 7.25%, a 12-year high. The Reserve Bank should now remain on the sidelines, as some signs show that the rate increases are taking effect. In March, the drop in mortgage loans and investment loans has continued. Business confidence was down again in April, leading us to believe that investment could be further hurt. The job market however remains very tight, and the increase in activity rate explains the recent rise in the unemployment rate. The stabilization in interest rates in Australia and the United States is no longer creating additional pressure on the exchange rate.

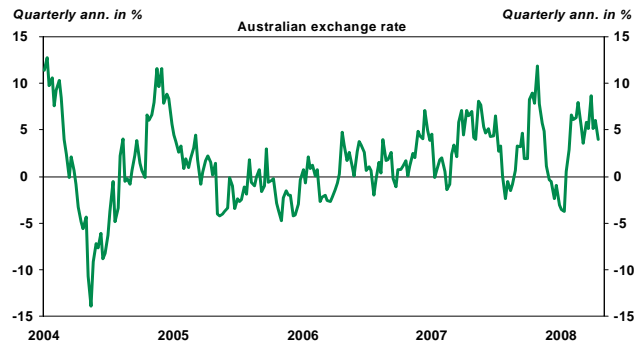
Forecasts: Risks of a short-term correction are high and the Australian dollar will remain volatile. High prices for raw materials will continue to offer good support to the currency, with a value that should remain around US\$0.93 between now and the end of the quarter.

Australian dollar and trend



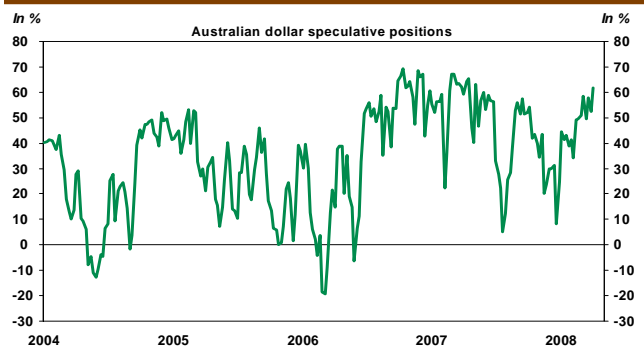
Sources: Datastream and Desjardins, Economic Studies

Australian dollar: Momentum



Sources: Datastream and Desjardins, Economic Studies

Australian dollar: Net speculative positions



Sources: Datastream and Desjardins, Economic Studies

MEXICAN PESO (MXN)

Reversal in the peso's recent appreciation

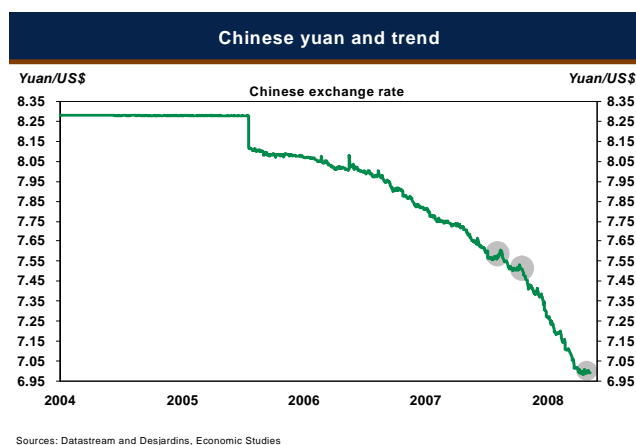
- Widening expectations in the spread between American and Mexican interest rates pushed the Mexican peso to a two-year peak on April 25, at 10.42 pesos/US\$. However, the upward trend was reversed when less-negative-than-expected economic news in the United States caused the market to anticipate a pause in the U.S. Federal Reserve's monetary easing.
- Fundamental analysis shows that the recent gains could be reversed in the next few months. As the United States accounts for almost 85% of Mexico's export market, the U.S. slowdown does not augur well. What's more, though inflation is elevated, the monetary policy will have little impact on food prices, and Mexico's central bank is expected to stay on the sidelines. It is now anticipated that the next movement in rates will be downward. Over the coming months, the Mexican currency should return toward its long-term trend, near 10.75 pesos/US\$.



CHINESE YUAN (RMB)

The Chinese currency stands still

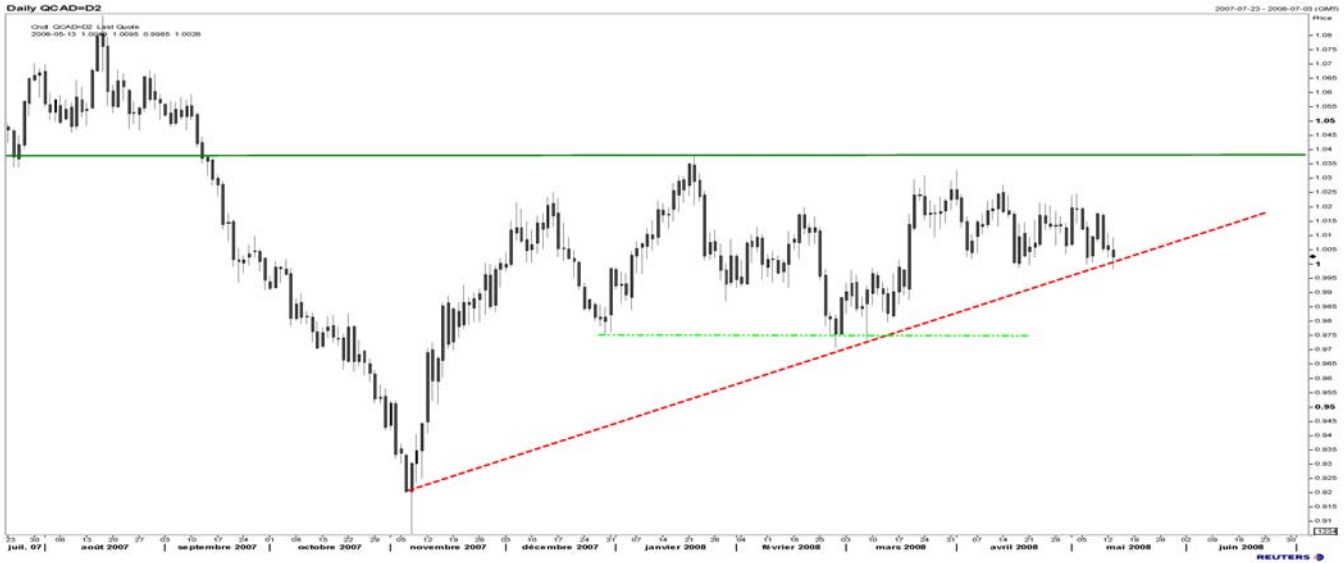
- The pace of monthly appreciation for the yuan has been equal or superior to 1% since November. While the currency's value fell under the 7 yuan/US\$ bar and the U.S. dollar stopped depreciating, it now seems to be standing still. At its lowest, the exchange rate hit 6.9741 yuans/US\$ on April 17.
- The Chinese economy's fundamentals and the imbalances of international pressure continue to favour ongoing yuan appreciation. Chinese economic growth remains sustained (10.6% in Q1 of 2008) and inflation is still high. This strong inflation is mainly due to increases in the price of food, but inflation excluding food is also on the rise. Monetary authorities are trying to contain growth of the money supply by various means. For the third time since the start of the year, the mandatory reserves ratio was up by 50 percentage points to situate itself around 16%. A more flexible exchange rate nevertheless remains a more effective remedy, and the yuan should continue to appreciate between now and the end of the year. However, given the stabilization of the U.S. dollar, the Chinese currency could appreciate less quickly than in previous months.



TECHNICAL ANALYSIS

USDCAD

No change in the trend since last month. Upward support (red line) is doing its job and a rebound towards 1.0380 is anticipated, as long as 0.9980 remains support and 0.9950 is not crossed downward.



EURUSD

The green circles trace a shape that is on its way back up after bottoming out at 1.5284 on May 8. A rally in the EUR/USD could take us towards an initial target of 1.5649 and then 1.6016, as long as 1.5360 remains support and we do not go under 1.5280. In the medium term, we anticipate a downturn of around 1.4700.



GBPUSD

The descending channel is intact and signals once again a test for the support zone between 1.9350/1.9400 followed by a rebound towards 1.9700, as long as it does not drop below 1.9325. The medium-term scenario remains downward under 2.0000 and the target is 1.8800.



AUDUSD

The pair is jammed between an ascending channel and horizontal resistance that will probably lead to sideways movements in the next few weeks. For this, the resistance level must be 0.9500 without passing below 0.9550 and 0.9300 remains support without penetrating 0.9270.



Table 1
Currency market

| Country – Currency* | Spot price | | Percentage return since | | | | Last 52 weeks | | |
|---------------------------|------------|--|-------------------------|----------|----------|--------|---------------|---------|---------|
| | May 14 | | 1 month | 3 months | 6 months | 1 year | Higher | Average | Lower |
| North America | | | | | | | | | |
| Canada – dollar | 1.0023 | | -1.79 | 0.78 | 4.81 | -9.47 | 1.1072 | 1.0191 | 0.9161 |
| Canada – (CADUSD) | 0.9978 | | 1.82 | -0.77 | -4.59 | 10.47 | 1.0916 | 0.9813 | 0.9032 |
| Mexico – peso | 10.4879 | | -0.08 | -2.38 | -3.51 | -2.87 | 11.2456 | 10.8215 | 10.4462 |
| South America | | | | | | | | | |
| Argentina – peso | 3.1588 | | 0.24 | 0.10 | 0.87 | 2.52 | 3.1838 | 3.1392 | 3.0705 |
| Brazil – real | 1.6615 | | -1.17 | -4.89 | -4.31 | -17.48 | 2.1025 | 1.8146 | 1.6484 |
| Asia | | | | | | | | | |
| China – yuan renminbi | 7.0036 | | 0.05 | -2.62 | -5.69 | -8.85 | 7.6845 | 7.3731 | 6.9835 |
| South Korea – won | 1,047.40 | | 6.93 | 10.81 | 14.65 | 13.32 | 1,049.70 | 941.98 | 900.70 |
| Hong Kong – dollar | 7.7990 | | 0.07 | -0.02 | 0.14 | -0.17 | 7.8299 | 7.7959 | 7.7507 |
| India – rupee | 42.3505 | | 6.19 | 7.00 | 8.06 | 4.30 | 42.3505 | 39.9891 | 39.0755 |
| Japan – yen | 105.02 | | 3.85 | -2.63 | -5.55 | -12.79 | 123.82 | 112.35 | 97.39 |
| Europe | | | | | | | | | |
| Denmark – krona | 4.8219 | | 2.37 | -5.30 | -5.20 | -12.37 | 5.5986 | 5.1773 | 4.6644 |
| Euro zone – (EURUSD) | 5.0799 | | 1.47 | -6.03 | -6.17 | -16.05 | 6.1048 | 5.5192 | 4.9583 |
| Norway – kroner | 1.9417 | | -2.12 | -1.53 | -5.99 | -1.96 | 2.1082 | 2.0056 | 1.9406 |
| Russia – ruble | 23.8877 | | 1.90 | -3.02 | -2.31 | -7.40 | 26.0452 | 24.7966 | 23.3314 |
| Sweden – krona | 6.0176 | | 1.35 | -5.58 | -4.48 | -11.53 | 7.0809 | 6.4731 | 5.8368 |
| Switzerland – swiss franc | 1.0560 | | 5.97 | -4.11 | -5.79 | -13.43 | 1.2453 | 1.1369 | 0.9860 |
| United Kingdom – (GBPUSD) | 1.5458 | | -2.42 | 5.71 | 5.22 | 14.17 | 1.5979 | 1.4429 | 1.3304 |
| South Pacific | | | | | | | | | |
| Australia – (AUDUSD) | 0.9333 | | 0.68 | 3.49 | 4.20 | 12.13 | 0.9499 | 0.8797 | 0.7950 |
| New Zealand – (NZDUSD) | 0.7613 | | -3.98 | -3.15 | -0.02 | 3.26 | 0.8175 | 0.7646 | 0.6875 |

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

Note: Currency table base on previous day closure.

Table 2
Currency market: History and forecasts

| End of period | 2007 | | 2008 | | | | 2009 | | | |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Q3 | Q4 | Q1 | Q2f | Q3f | Q4f | Q1f | Q2f | Q3f | Q4f |
| American dollar | | | | | | | | | | |
| Canadian dollar (USDCAD) | 0.9944 | 0.9979 | 1.0259 | 1.0309 | 1.0000 | 0.9756 | 1.0000 | 1.0204 | 0.9804 | 0.9524 |
| Euro (EURUSD) | 1.4222 | 1.4620 | 1.5846 | 1.5500 | 1.4400 | 1.4000 | 1.3600 | 1.3200 | 1.3000 | 1.3200 |
| British pound (GBPUSD) | 2.0471 | 1.9865 | 1.9833 | 1.9400 | 1.9300 | 1.9300 | 1.9100 | 1.9000 | 1.9000 | 1.9200 |
| Yen (USDJPY) | 114.80 | 111.69 | 99.91 | 102.00 | 108.00 | 106.00 | 104.00 | 102.00 | 100.00 | 98.00 |
| Australian dollar (AUDUSD) | 0.8885 | 0.8755 | 0.9137 | 0.9400 | 0.9200 | 0.9000 | 0.8800 | 0.8700 | 0.8500 | 0.8500 |
| Mexican peso (USDMXN) | 10.94 | 10.92 | 10.64 | 11.00 | 11.25 | 11.35 | 11.25 | 11.15 | 11.10 | 11.00 |
| Chinese yuan (USDRMB) | 7.51 | 7.31 | 7.01 | 6.95 | 6.85 | 6.70 | 6.54 | 6.40 | 6.25 | 6.00 |
| Effective dollar* (73 = 100) | 74.38 | 70.27 | 70.31 | 70.00 | 71.12 | 72.34 | 73.00 | 75.22 | 75.25 | 74.30 |
| Canadian dollar | | | | | | | | | | |
| American dollar (CADUSD) | 1.0056 | 1.0021 | 0.9748 | 0.9700 | 1.0000 | 1.0250 | 1.0000 | 0.9800 | 1.0200 | 1.0500 |
| Euro (EURCAD) | 1.4143 | 1.4589 | 1.6256 | 1.5979 | 1.4400 | 1.3659 | 1.3600 | 1.3469 | 1.2745 | 1.2571 |
| British pound (GBPCAD) | 2.0357 | 1.9823 | 2.0346 | 2.0000 | 1.9300 | 1.8829 | 1.9100 | 1.9388 | 1.8627 | 1.8286 |
| Yen (CADJPY) | 115.44 | 111.92 | 97.39 | 98.94 | 108.00 | 108.65 | 104.00 | 99.96 | 102.00 | 102.90 |
| Australian dollar (AUDCAD) | 0.8836 | 0.8737 | 0.9373 | 0.9691 | 0.9200 | 0.8780 | 0.8800 | 0.8878 | 0.8333 | 0.8095 |
| Mexican peso (CADMXN) | 11.00 | 10.94 | 10.37 | 10.67 | 11.25 | 11.63 | 11.25 | 10.93 | 11.32 | 11.55 |
| Chinese yuan (CADRMB) | 7.5521 | 7.3254 | 6.8333 | 6.7415 | 6.8500 | 6.8675 | 6.5400 | 6.2720 | 6.3750 | 6.3000 |

f: forecasts; * Trade-weighted against major U.S. partners.

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