FX Forecasts

Desjardins Economic Studies
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Inflation concerns favour European currencies

Highlights

- The trade-weighted U.S. dollar index likely hit its trough in mid March, but it is still too early to hope for the U.S. dollar to rebound in any significant and sustainable way.
- Upward pressures remain on the euro in the short term.
- In the U.K., inflation expectations are a concern, but no interest rate hikes are expected.
- Japan's economic fundamentals have more influence on the yen.
- Loonie will continue to soften in the short term.
- Period of stability should continue for the Australian dollar.
- The Mexican peso benefits from rate hikes.
- Chinese currency on the rise after a brief pause.

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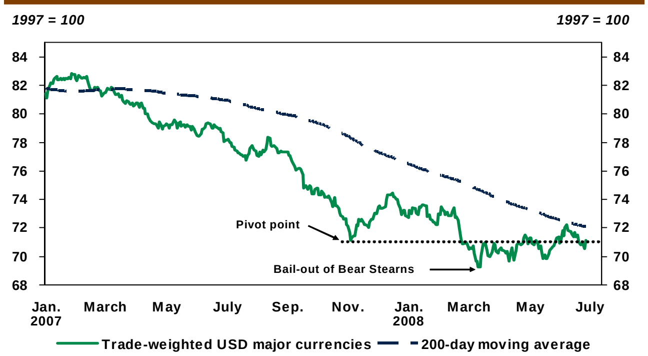
Editorial

The trade-weighted U.S. dollar index likely hit its trough in mid March, or more precisely since the rescue of Bear Stearns by the Federal Reserve (Fed) (Graph 1). However, it is still too early to hope for the U.S. dollar to rebound in any significant and sustainable way.

Graph 1 – The greenback continues to stabilize



Sources: Datastream and Desjardins, Economic Studies

As a result of inflation concerns related to high oil prices, interest rate cuts are now a thing of the past south of the border. Total inflation reached a year over year pace of 4.2% in May. For the moment, core inflation, which excludes food and energy, remains contained. However, the Fed is still worried about the pass-through effects that could occur due to the un-anchoring of inflation expectations. That said, the rate hikes anticipated by the market seem exaggerated (Graph 2). The situation remains rife with uncertainty, and several indicators point to an economy in trouble.

The tax rebate cheques sent out by the Bush Administration in May helped increase retail sales throughout the month, but domestic demand in the U.S. remains fragile. Gas prices have reached unparalleled levels, the stock market is volatile,

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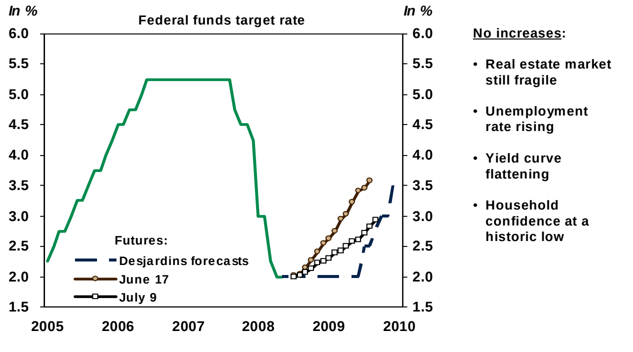
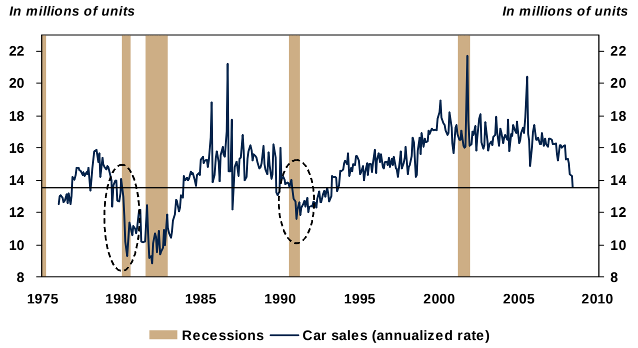
Graph 2 – Market revised rate increase expectations downwards, but not enough!



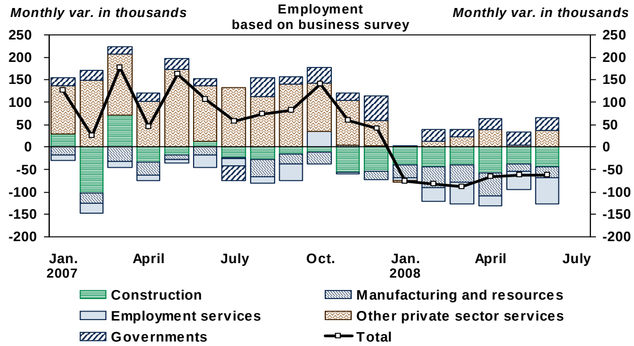
Sources: Federal Reserve and Desjardins, Economic Studies

Graph 4 – Car sales fall to levels last seen at start of recessions in the 80s and 90s



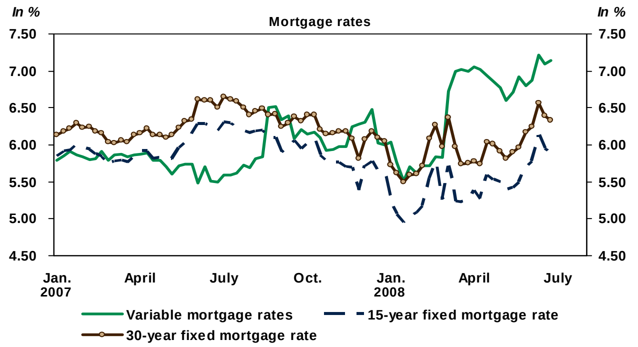
Sources: Conference Board, Bureau of Economic Analysis and Desjardins, Economic Studies

Graph 3 – Job losses hit 438,000 since the start of 2008



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

Graph 5 – Retail interest rates fell slightly, the Fed barely avoided an increase



Sources: Datastream and Desjardins, Economic Studies

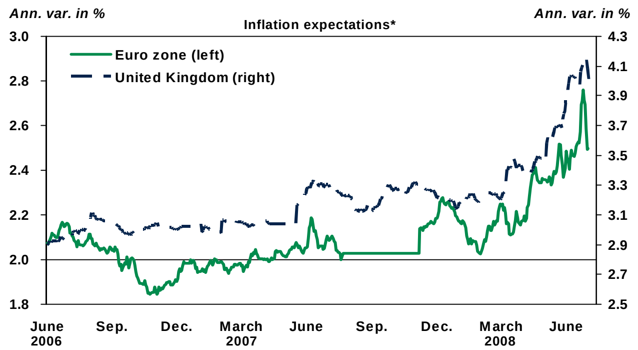
home sales are in free-fall, the labour market continues to deteriorate (Graph 3) and household confidence is near an all-time low.

With more rebate cheques sent out last month, U.S. households will be able to hang on for a little while longer; however, the near total collapse of car sales in June to levels last seen during the recessions in the 80s and 90s (Graph 4) does not bode well for any firming up of consumer spending in the near term.

Furthermore, despite the aggressive cuts to U.S. federal funds, tensions in the inter-bank market are still being felt and commercial banks have tightened their lending conditions. In many cases, borrowing rates remain higher than a year ago (Graph 5).

Interest rate forecasts remain favourable for Europe's main currencies where the risk of inflation poses a much greater threat (Graph 6). In the United States, of course, high oil prices are still a cause for concern, but the current economic slowdown is still at this point more deflationist than inflationist for goods other than food and energy. As a result,

Graph 6 – Long-term inflation expectations up sharply in Europe

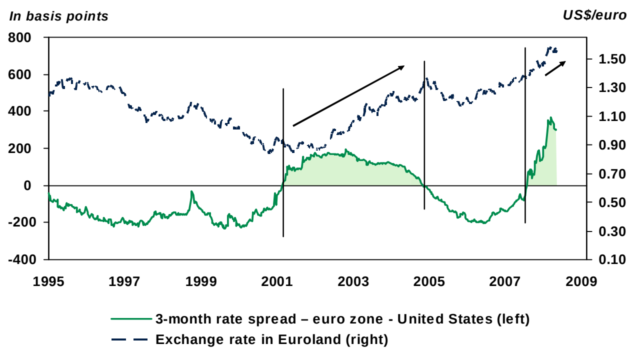


*From 5- and 10-year bonds issued by the French and British governments protected against inflation.
Sources: Bloomberg and Desjardins, Economic Studies

it is unlikely that the Fed will increase its key interest rate before 2009.

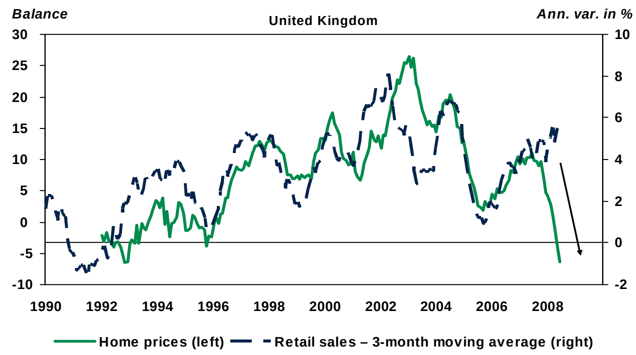
In the short term, the euro remains subject to upward pressures (Graph 7). The euro has been unable to fully benefit from the 25-basis point increase imposed at the beginning of the month due to the less hawkish than expected tone adopted by the president of the European Central Bank (ECB)

Graph 7 – Euro trending higher when rate spread is favourable to the euro



Sources: Datastream and Desjardins, Economic Studies

Graph 8 – Real estate correction could have major impact on consumption



Sources: Nationwide, Datastream and Desjardins, Economic Studies

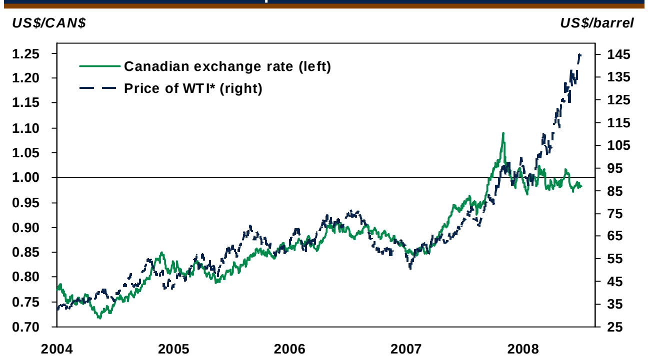
– Jean-Claude Trichet tried to reassure the markets that a rate hike would be sufficient to stabilize prices in the medium term. However, the ECB will not hesitate to take action again should the price of oil continue to rise. In contrast, if there is a correction in oil prices, as we anticipate, the ECB will have more leeway to reduce its rates. But with inflation expected to remain above 3% until the end of the year, any cuts are unlikely before 2009. In these conditions, the euro should continue to trade within a tight spread between USD$1.53 and USD$1.60 in the coming months. In the longer term, the drop in inflation coupled with the slowdown of the Euroland economy should lead to a significant correction in the euro's value.

After softening since mid March, the pound sterling has also gained ground vs. the greenback. When inflation surpassed the Bank of England (BoE) target range in May, the British monetary authorities were compelled to revise their inflation expectations upwards. In the short term, the interest rate spread should allow for a greater consolidation of the GBP/USD pairing between USD$1.95 and USD$2.00 However, we recommend taking short positions on the pound sterling at close to USD$2.00.

It must be said that the signs of a recession are growing in the United Kingdom. Retail sales were surprisingly strong in May (3.5% month over month, 8.1% year over year), but were a reflection of advance summer spending due to record-breaking temperatures. If the results show that British households are still not totally disturbed by quickly rising energy and food costs, the pace of sales observed in May is clearly unsustainable. Home prices have fallen for the eighth consecutive month, taking the year-over-year rate to -6.3% in June, the lowest level since 1992 (Graph 8).

The loonie's continues to trend downward. While oil prices are breaking records, the USD/CAD pairing was trading at an average of CAD$1.01 in June. In our opinion, the loonie's softness is a reflection of two distinct realities. On one hand, the price of black gold is clearly overvalued, and the disconnect between oil prices and Canada's currency seems to indicate that the market is expecting a short-term correction in oil prices (Graph 9). On the other hand, the risk of an economic slowdown south of the border continues to weigh heavily on Canada's economy.

Graph 9 – Disconnect between oil prices and the loonie suggest crude oil prices are over-valued

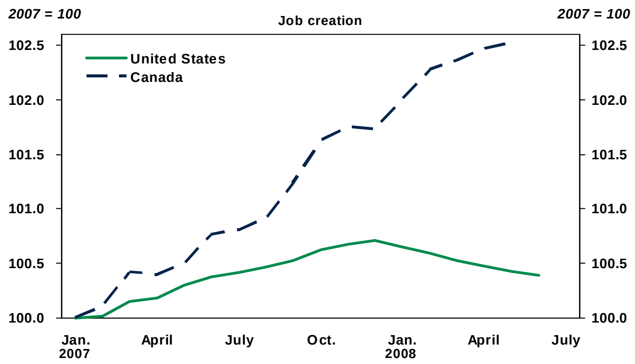


* West Texas Intermediate.
Sources: Datastream and Desjardins, Economic Studies

In the short term, our forecasts still call for a period of softness for the Canadian dollar while the greenback could hit as high as CAD$1.05 in the near future. The gains will be limited, however, and this trend could be quickly reversed. Canada's domestic economy is in much better shape than its U.S. counterpart. The labour market in Canada remains healthy (Graph 10) and real wages continue to rise at a good pace. The real estate market seems to be hitting its ceiling, but any fear of a U.S.-style meltdown is not in the cards.

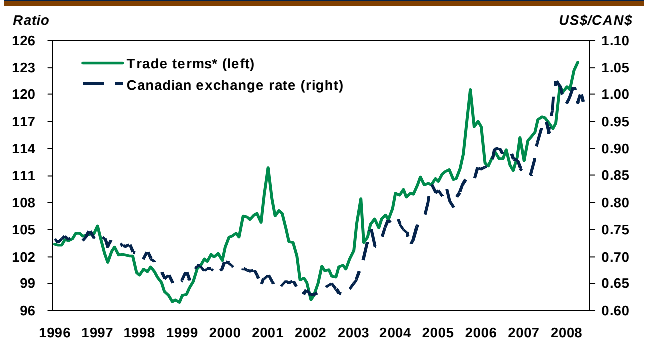
Terms of trade (import/export price ratio) remain favourable to the strengthening of the Canadian dollar (Graph 11). Prices for energy and non-energy raw materials have exploded in the past few years, which should continue to create a wealth effect for Canada's economy. Of course the repercussions of

Graph 10 – Canada's job creation remains sustained



Sources: Datastream and Desjardins, Economic Studies

Graph 11 – Overall, rising prices for raw materials help support the loonie



*Export/import price ratio.
Sources: Datastream and Desjardins, Economic Studies

the global economic slowdown will no doubt have an impact on the cost of raw materials; however, the loonie is clearly under-valued vs. its current exchange rate, and any economic improvements could translate into a significant rebound by early 2009.

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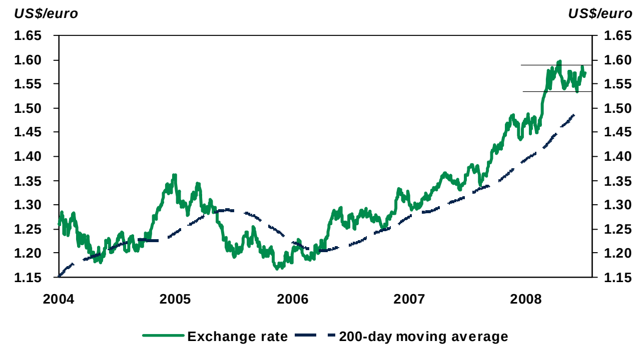
EURO (EUR)

Upward pressures remain on the euro in the short term

- After hitting a record USD$1.6018 last April 22, the euro hit a recent low of USD$1.5286 before stabilizing within a much tighter spread. Recent events remain favourable to the euro's consolidation between USD$1.53 and USD$1.60.
- On a market basis, the short-term trend for the euro remains upward. The recent period of the euro's softening saw the Euroland currency hover closer to its 200-day moving average and its momentum has almost disappeared, which is compatible with another wave of rising values. However, this could very well be the last one: net speculative positions (long positions less short positions) are in negative territory, while the pessimism tied to the U.S. dollar is losing steam.
- Fundamentally, the gap in interest rates between the United States and the euro zone is favourable to the euro. Should oil prices continue to rise to new heights, the European Central Bank (ECB) could further tighten its monetary vice grip. However, we believe that the increase announced in July signalled the end of monetary tightening instead of heralding the start of a new cycle.
- Germany continues to drive economic growth upward, but the economic situation in the PIGS region (Portugal, Italy, Greece, and Spain) is still fragile, and higher rates would only increase the risk of an economic slowdown in the euro zone. As it stands, the PMI manufacturing and goods indexes are under the 50 mark, which signal a contraction of economic activity in these sectors. After the positive effects of favourable weather on construction during the first quarter, a pullback in real GDP growth is to be expected during the second quarter of 2008.

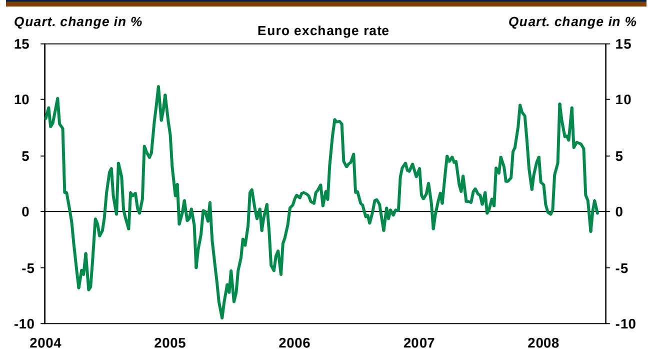
Forecasts: The euro could possibly experience one last wave of appreciation; however, a decline in oil prices could quickly reverse this most recent trend. In the short term, we anticipate a consolidation of the euro. An increase to more than USD$1.60 seems to be a good entry point for short EUR/USD positions. A genuine correction in the euro will only see the light of day if the ECB opens the door to interest rate cuts.

Euro and trend



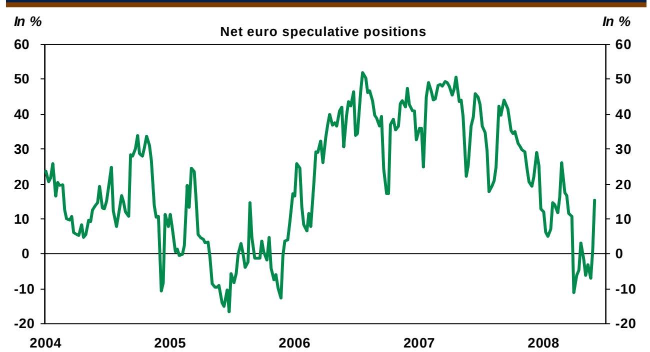
Sources: Datastream and Desjardins, Economic Studies

Euro: momentum



Sources: Datastream and Desjardins, Economic Studies

Euro: net speculative positions



Sources: Chicago Mercantile Exchange and Desjardins, Economic Studies

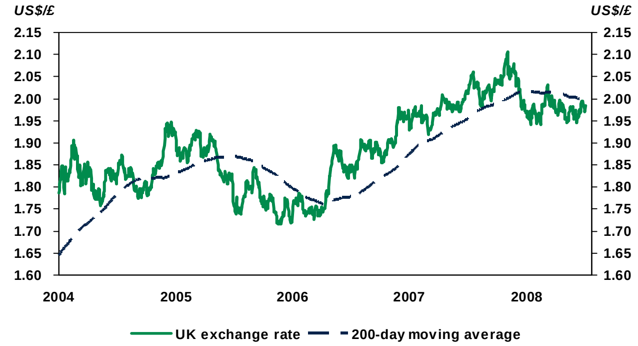
BRITISH POUND (GBP)

Inflation expectations are a concern, but no rate hikes are expected

- After hitting a high of USD$2.0393 on March 14, the pound sterling fell to a low of USD$1.9365 on May 14. Since then, a change in interest rates expectations fuelled by inflation that is rising faster than anticipated has set the pound sterling on a slight upward trend.
- On a market basis, the pound sterling moved closer to its 200-day moving average, which in the past translated to a major thrust in the "cable" rate, i.e. the GBP/USD pairing. However, speculative positions have rebounded, which is not compatible with an appreciation in the pound sterling.
- On the economic front, the pound sterling's potential gains will be short lived. The Bank of England (BoE) has issued statements on its concerns about inflation in the past few months, but it seems unlikely the BoE will follow in the ECB's wake and increase the cost of borrowing in the U.K. anytime soon. At more than 3.3%, total inflation is advancing above the target range set by the BoE. But this essentially reflects the base effects tied to energy prices. As such, core inflation (which excludes food and energy), is contained at 1.5%.
- The next change to monetary policy will probably be an interest rate cut. The real estate market, which is highly sensitive to rising interest rates, is not in great shape. The survey of the Royal Institute of Chartered Surveyors showed a slight rebound in June, but more than 92% of real estate agents surveyed still anticipate a market correction. As such, home prices fell for the eighth consecutive month in June, and the annual change is at its lowest level since the recession of 1992. For the moment, British households are carrying on, but the spectacular rebound in retail sales in May (3.5% month over month) is clearly unsustainable.
- Furthermore, production indicators signal that a slowdown is currently taking place. Industrial production fell by 0.8% in May, which resulted in a drop of 1.6% in the annual variation. The PMI manufacturing (45.8) and services (47.1) indexes fell more than expected in June, signalling a contraction in economic activity in these sectors.

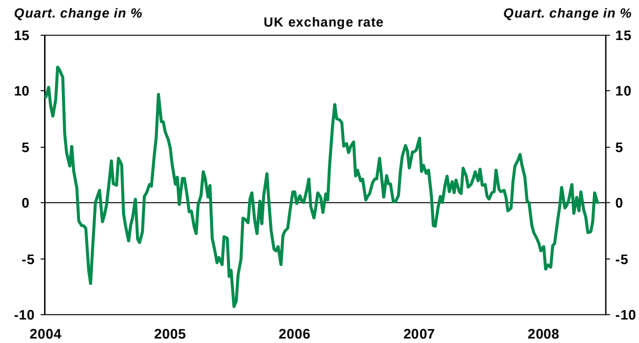
Forecasts: In the short term, we anticipate a consolidation period for the pound sterling vs. the greenback within a corridor of USD$1.94 to USD$2.02. In the longer term, however, economic troubles could compel the British monetary authorities to reduce interest rates, possibly toward the end of 2008. In these conditions, any period of vitality for the pound sterling should be used to replenish short positions on the GBP/USD pairing, (setting a stop loss at USD$2.04) and long positions on the EUR/GBP pairing.

British pound and trend



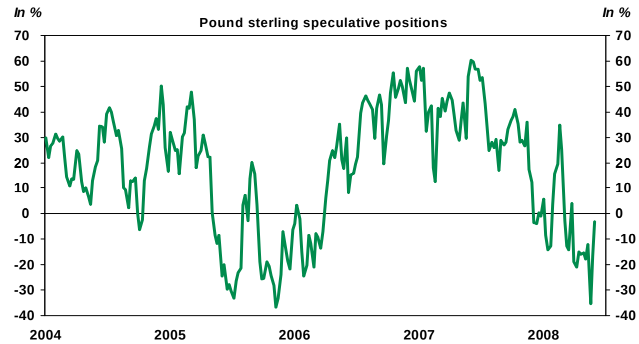
Sources: Datastream and Desjardins, Economic Studies

British pound: momentum



Sources: Datastream and Desjardins, Economic Studies

British pound: net speculative positions



Sources: Chicago Mercantile Exchange and Desjardins, Economic Studies

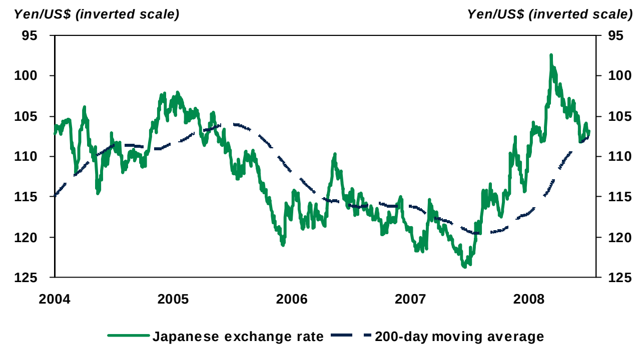
YEN (JPY)

Japan's economic fundamentals have more influence on the yen

- For the past few weeks now, the yen seems less dependent on the perception of risk in financial markets than on the fundamental values of Japan's economy. The value of the yen fell in June, and the exchange rate fell to a low of 108.58 yen/US$ by mid month. After settling briefly under 106 yen/US$, the yen fell yet again despite some signs of an upsurge in risks.
- On a market basis, the yen's depreciation is unsustainable. The exchange rate has moved considerably closer to its 200-day moving average. The momentum is way in the negative zone, and net speculative positions are about to rebound.
- For the coming months, the status quo will reign, and monetary policy in Japan and in the United States should not cause any major shifts in currency tied to interest rates spreads. Inflation is a concern in many industrialized countries, but Japan, which recently had trouble maintaining a rate of inflation greater than zero, has less to worry about. In May, the annual rate of inflation climbed to 1.5%. If we exclude energy and fresh foods, the rate falls to -0.1%. There is less urgency for the Bank of Japan to act. It is unlikely that rates will increase by the end of the year.
- The structural weakness of Japan's economy is still there, and this remains the source of the yen's depreciation. Industrial production jumped in May, but the level remains less than that recorded in February. Based on a consensus, economic growth should weaken to 1.2% in 2008 vs. 1.8% in 2007. The troubles in residential construction are spreading, the unemployment rate is up slightly and household confidence is falling, as is household spending. The Tankan index, which is often linked to investments in capital and machinery, is in decline, much like the confidence level of small businesses. Lastly, the high cost of energy and commodities is significantly reducing the profitability of Japanese companies. The possibility of a recession in Japan in 2008 cannot be excluded. External trade is the only sector that could really generate growth, which is why a weak yen is so important for Japan.

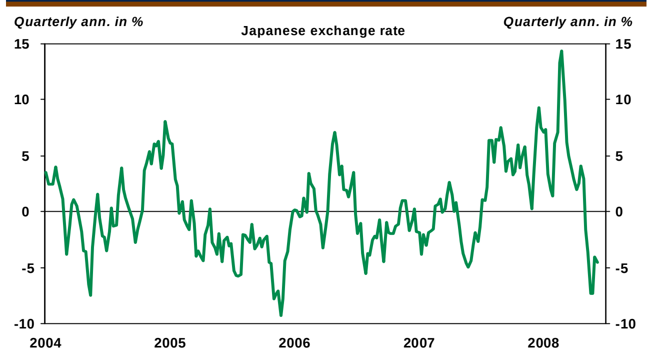
Forecasts: The weak period for the yen could continue for some time due to the fundamental values of Japan's economy. Any major increase in risk on financial markets could have a passing influence on the yen's value, however. The exchange rate should continue to hover at around 105 and 110 yen/US$ in the next few weeks.

Yen and trend



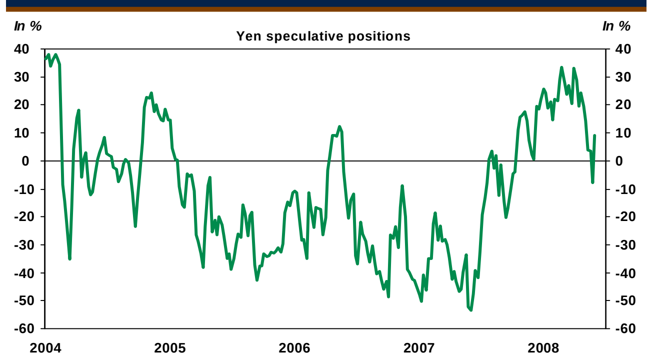
Sources: Datastream and Desjardins, Economic Studies

Yen: momentum



Sources: Datastream and Desjardins, Economic Studies

Yen: net speculative positions



Sources: Bloomberg and Desjardins, Economic Studies

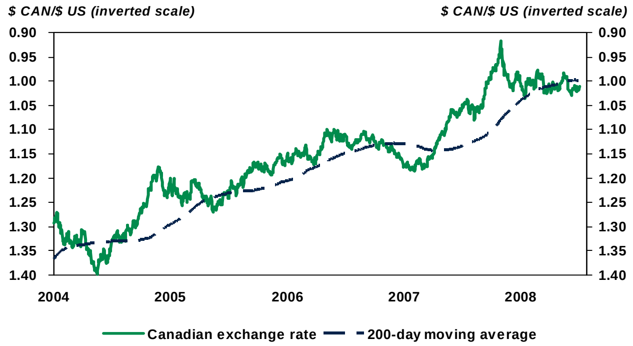
CANADIAN DOLLAR (CAD)

Loonie will continue to soften in the short term

- The loonie continues to be volatile and is currently trading within the corridor of CAD$0.98 to CAD$1.03/US$. After briefly falling below parity, the USD/CAD pairing has maintained an average of more than CAD$1.01 in the past few weeks.
- On a market basis, downward pressure will remain on the Canadian dollar in the short term. The ongoing correction, since hitting its peak in November 2007, has not brought the USD/CAD pairing sufficiently above its 200-day trend to drive the loonie higher. In fact, the momentum is currently “flat” and speculative positions on the loonie are not sufficiently in negative territory to create investment opportunities against current headwinds.
- In the short term, we are still anticipating a period of softness for the loonie. The unexpected status quo set forth in June by the Bank of Canada (BoC) showed that Canada’s monetary authorities are worried about inflation. As a result of rising energy costs, total inflation (2.2% in May) rose faster than expected into the upper reaches of the target range set by the BoC. However, with many uncertainties tied to difficulties in the U.S. economy, it would be surprising if the BoC decided to increase interest rates anytime soon. Despite a rebound of 0.4% in the industrial GDP in April, economic growth could remain weak in the second quarter. With a production capacity utilization rate already at a recessionary level and weak worker productivity, the pressures on underlying inflation will remain contained in the coming months.
- We are still somewhat more optimistic regarding our longer term view. On a relative basis, Canada’s domestic demand is still in good shape. At least 126 900 jobs were created in the first half of the year and real wages continue to advance at a good pace. The real estate market seems set to hit its ceiling, but the risk of a U.S.-style meltdown is not in the cards. In fact, if oil prices seem to be clearly over-valued, any correction could see the price of crude oil fall to an equilibrium level that is more in line with supply and demand. This correction could restore the historical connection between oil prices and Canada’s currency. Even at US$100 a barrel, the loonie’s current level is still under-valued.

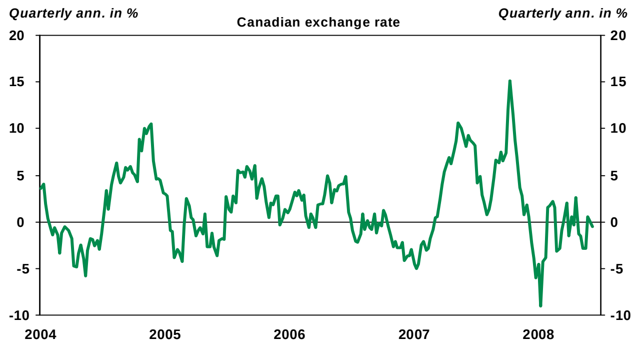
Forecasts: In the short term, the loonie’s advance will depend on the impact of the U.S. slowdown on Canada’s economy and interest rate expectations. In our opinion, the loonie should fall slightly by the first months of summer. As such, the greenback could soon rise to a high of CAD$1.05. We remain optimistic for the longer term, however, and this level appears to represent a good entry level to benefit from the loonie’s rise in value.

Canadian dollar and trend



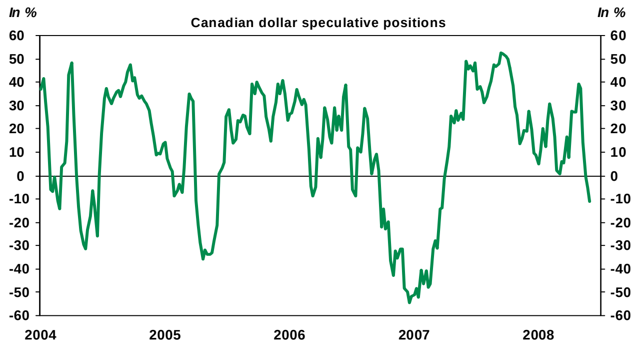
Sources: Datastream and Desjardins, Economic Studies

Canadian dollar: momentum



Sources: Datastream and Desjardins, Economic Studies

Canadian dollar: net speculative positions



Sources: Chicago Mercantile Exchange and Desjardins, Economic Studies

Desjardins Economic Studies

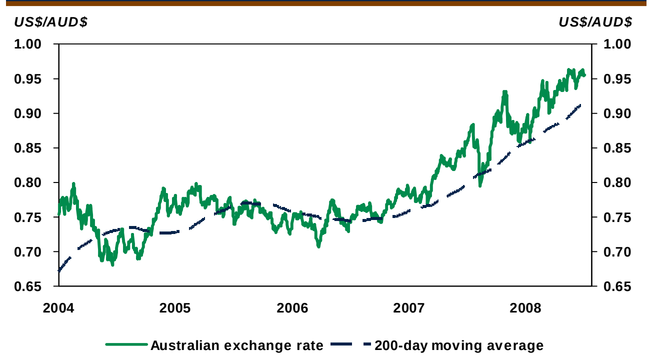
AUSTRALIAN DOLLAR (AUD)

Period of stability should continue for the Australian dollar

- The Australian dollar jumped significantly in May when the market started to anticipate another increase in interest rates in Australia. The psychological threshold of USD$0.95 was crossed on a more long-lasting basis. Since then, the exchange rate has fluctuated at around USD$0.96, hovering around USD$0.97 on several occasions.
- On a market basis, the exchange rate over the past few months has advanced above its 200-day moving average and could undergo a correction to move even closer to this average. However, the value of its momentum and net speculative positions, while high, are not quite compatible with a correction to the Australian dollar. Even if a correction did take place, the exchange rate would fall back to levels seen most recently. In addition to favourable rate spread expectations, the Australian currency benefits from strong demand for raw materials from Asian countries and improved trade terms in Australia.
- In its last quarterly report, the Reserve Bank of Australia expects inflation to reach 4.5% in 2008, or 1 percentage point higher than its forecast published in February. It appears increasingly likely that Australia's monetary policy will have to be tightened by a quarter turn at the next meeting scheduled for August 5. The statistics on inflation for the second quarter will be released before the next meeting. Of course, the Australian dollar will benefit from the interest rate spread with the United States, which is expected to widen.
- It bears mentioning that the central bank's decision is not that easy to take. Certain economic variables show that recent rate hikes have proven to be successful. In the past few months, we have noted a drop in mortgage loans and investment loans. Consumer confidence, and that shown by businesses, is down, which usually signals a slowdown in investment spending. High energy prices have no doubt contributed to these declines as they have around the globe. The Australian economy shows some encouraging data, however: the labour market is in good shape and the improved trade terms stemming from the high cost of raw materials are generating sizable increases in income.

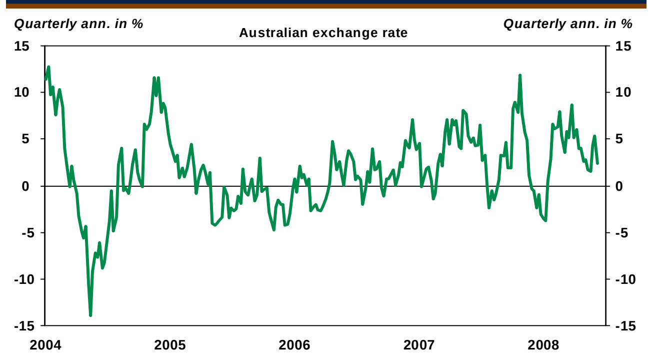
Forecasts: The risk of a short-term correction is there, but the overall stability we have seen over the past few weeks should continue for some time. If the central bank adopts a less hawkish tone in August or if there is an upsurge in financial market risks (reversal of carry trades), the Australian dollar could lose value. However, we remain optimist on the currency and suggest buying on weakness.

Australian dollar and trend



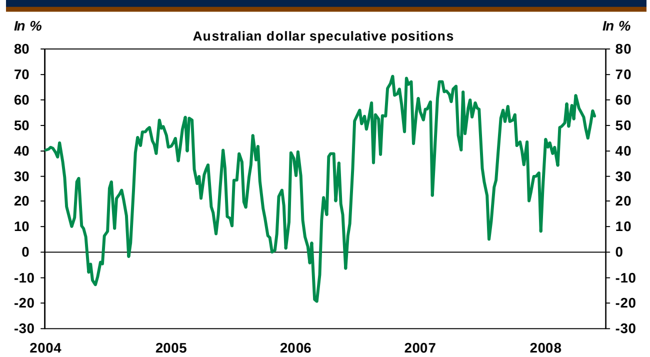
Sources: Datastream and Desjardins, Economic Studies

Australian dollar: momentum



Sources: Datastream and Desjardins, Economic Studies

Australian dollar: net speculative positions



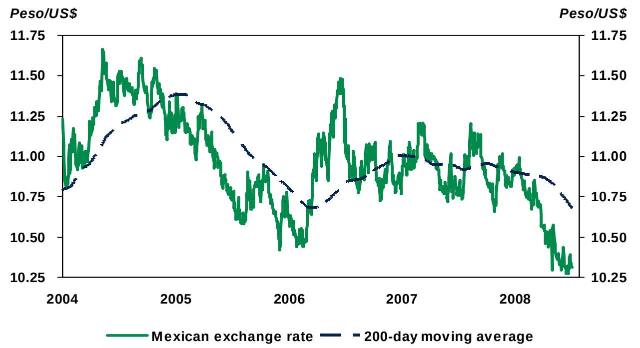
Sources: Datastream and Desjardins, Economic Studies

MEXICAN PESO (MXN)

The Mexican peso benefits from rate hikes

- The strength of the Mexican peso has been quite a surprise these past few weeks, with the peso reaching a 5-year peak. It now only costs 10.3 pesos to purchase one U.S. dollar, compared to 11.2 pesos last summer. The growth of the Mexican currency is mainly a reflection of interest rate expectations. A 25-basis point increase, to 7.75%, was implemented in June, and everything suggests that another increase will be needed during the third quarter. Inflation reached 4.95% in May, its highest level since December 2004.
- Fundamental analyses continue to show that recent gains could be reversed by the end of the year. Since the United States accounts for up to 85% of Mexico's export market, the slowdown in the U.S. economy does not bode well for Mexico. The Mexican economy is already feeling the pinch. The year over year GDP growth slowed to 2.6% in the first quarter, after reaching 4.2% at the end of 2007. The automobile sector, among others, is exerting significant pressure downward.

Mexican peso and trend



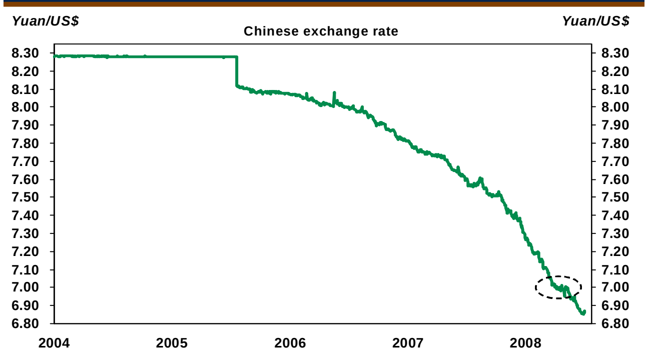
Sources: Datastream and Desjardins, Economic Studies

CHINESE YUAN (CNY)

Chinese currency on the rise after a brief pause

- After stalling for a period between the end of March and early May, the Chinese currency is once again moving upward. In June, the yuan gained more than 1 percentage point against the greenback. On July 10, the exchange rate hit a trough of 6.8421 yuan/US$.
- The yuan's brief pause could not last forever. In May, China's trade surplus jumped past the USD$20B mark. Inflation has calmed somewhat, to 7.7%, but inflation could start rising again in July when price increases on gas that were recently announced by Chinese authorities enter into effect. The State is doing its best to contain inflation by instituting various methods, such as raising the mandatory reserve ratio. This ratio is currently set at 17.5% vs. 11.5% a year ago. There are, however, limits to this type of measure, and it is becoming increasingly clear that the yuan needs to gain value to resolve China's macroeconomic problems as well as the larger imbalances around the world. The exchange rate could close at almost 6.80 yuan/US$ by the end of July.

Chinese yuan and trend



Sources: Datastream and Desjardins, Economic Studies

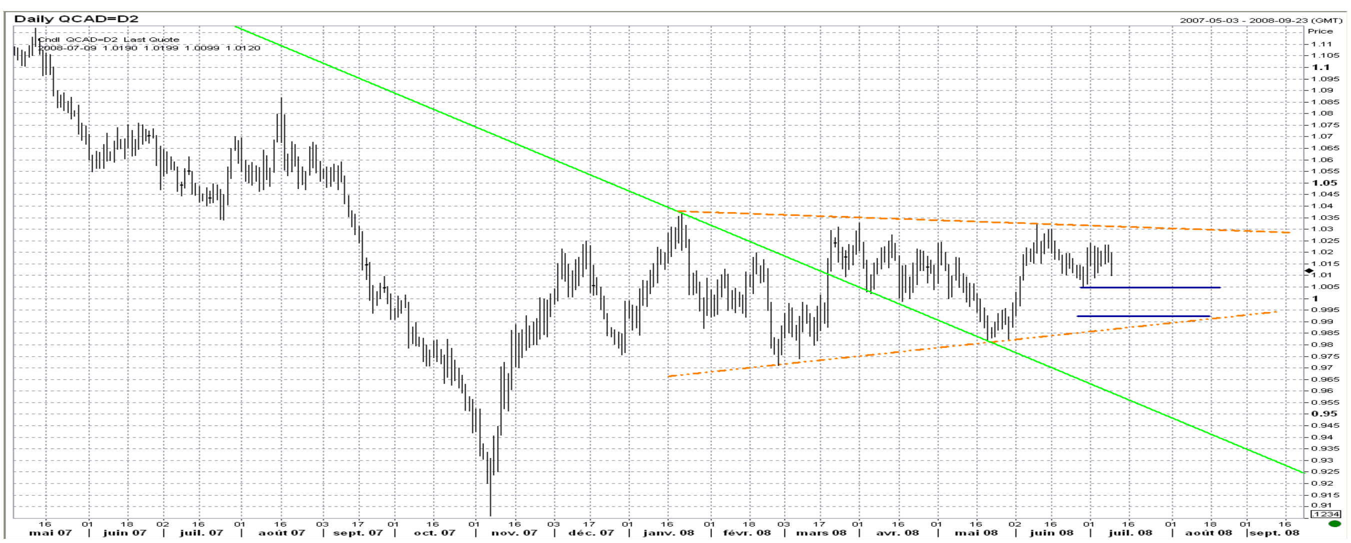
TECHNICAL ANALYSIS

USD INDEX

Since March 2008, the greenback has gained value against other main currencies. But given this timid growth, it is still trading below its 200-day moving average downward and this weakened momentum calls for caution. Our technical opinion remains positive as long as the threshold of 71.75 is not crossed downwards.

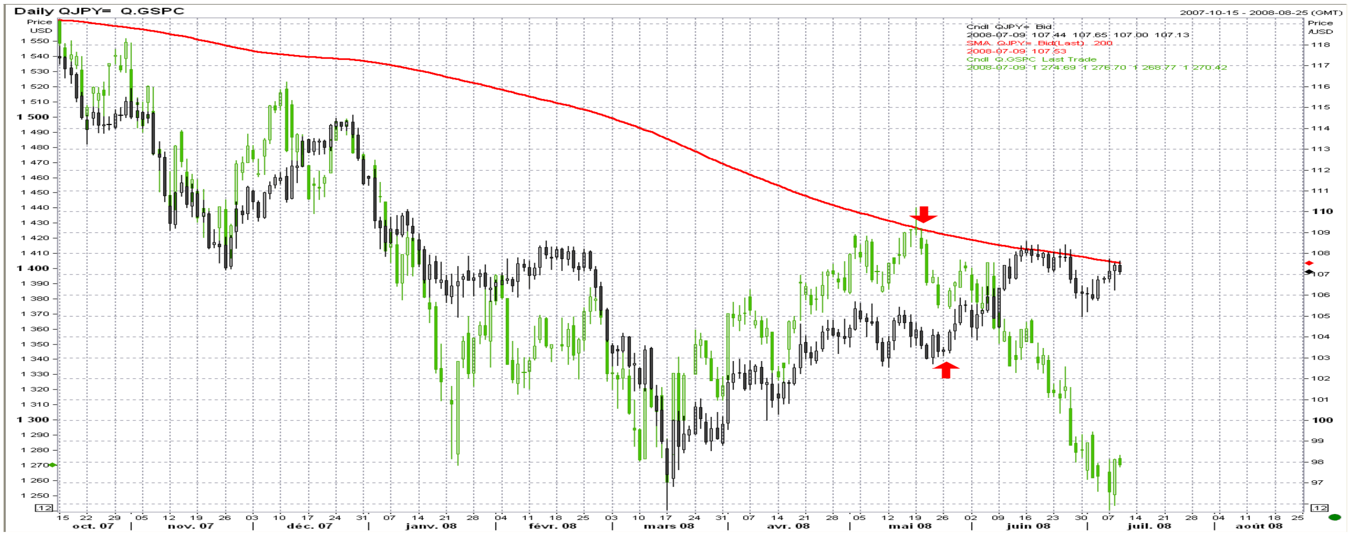
USDCAD

While still in consolidation mode, this pairing could present purchasing opportunities since a drop toward parity is expected next month. The zone between 1.0000/1.0050 is the "support" that would form a complete triangle (orange dotted lines). A break in the 1.0385 threshold would generate a shift upward toward 1.07-1.08 in the medium term. In fact, all movements since last fall strongly point to this type of gain.



USDJPY

Our technical opinion of this pairing remains negative (yen's advance) vs. crossing the threshold upward to 108.60. The relationship that existed between the S&P500 (green) and the USD/JPY pairing (black) has deteriorated recently, but it could get back on track. In addition, this pairing has not closed above its 200-day moving average since last summer, and currently sits at 107.50, representing major resistance.



AUDUSD

The Aussie is on the cusp of an upward wave that began last summer. This currency's advance has followed a diagonal path (blue lines) which is usually followed, theoretically, by an abrupt downward movement. However, our opinion on this pairing remains neutral as long as the 0.9325 threshold is not crossed.

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Table 1
Currency market

Country – Currency*	*Spot price* July 10	*Percentage return since* 1 month	3 months	6 months	1 year	*Last 52 weeks* Higher	Average	Lower
North America								
Canada – dollar	1.0085	-1.27	-1.09	-0.42	-4.07	1.0760	1.0094	0.9161
Canada – (CADUSD)	0.9916	1.28	1.10	0.43	4.24	1.0916	0.9906	0.9294
Mexico – peso	10.3120	-0.65	-2.24	-5.89	-4.51	11.2456	10.7494	10.2768
South America								
Argentina – peso	3.0163	-1.55	-4.43	-3.57	-2.90	3.1838	3.1365	3.0130
Brazil – real	1.6174	-1.15	-3.69	-8.27	-14.96	2.1025	1.7660	1.5905
Asia								
China – yuan renminbi	6.8439	-1.11	-2.13	-5.89	-9.73	7.6058	7.2593	6.8439
South Korea – won	1,002.95	-2.16	2.72	6.97	9.02	1,050.60	958.64	900.70
Hong Kong – dollar	7.8030	-0.09	0.19	0.00	-0.19	7.8299	7.7941	7.7507
India – rupee	43.0035	0.23	7.78	9.76	6.83	43.2855	40.3525	39.0755
Japan – yen	107.07	-0.26	5.20	-2.17	-11.73	122.40	109.84	97.39
Europe								
Denmark – krona	4.7261	-2.08	-0.27	-6.02	-12.52	5.5438	5.0597	4.6644
Euro zone – (EURUSD)	5.1035	-1.43	1.22	-3.33	-11.82	5.9703	5.3806	4.9583
Norway – kroner	1.9781	1.30	-0.03	1.05	-2.27	2.1082	2.0027	1.9406
Russia – ruble	23.3460	-1.44	-0.63	-4.38	-8.67	25.8757	24.4468	23.3314
Sweden – krona	5.9973	-1.02	0.53	-5.26	-10.00	6.9872	6.3351	5.8368
Switzerland – swiss franc	1.0261	-1.31	2.64	-7.35	-15.02	1.2185	1.1069	0.9860
United Kingdom – (GBPUSD)	1.5794	2.01	0.03	7.18	15.12	1.5979	1.4764	1.3402
South Pacific								
Australia – (AUDUSD)	0.9614	1.64	3.20	7.49	11.70	0.9634	0.8977	0.7950
New Zeland – (NZDUSD)	0.7587	0.84	-4.97	-3.34	-2.12	0.8175	0.7668	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* Q3	Q4	*2008* Q1	Q2	Q3f	Q4f	*2009* 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	1.5755	1.5500	1.5000	1.4200	1.3800	1.3600	1.3200
British pound	(GBPUSD)	2.0471	1.9865	1.9833	1.9936	1.9500	1.9300	1.9050	1.9000	1.8800	1.8500
Yen	(USDJPY)	114.80	111.69	99.91	106.09	108.00	106.00	104.00	102.00	100.00	98.00
Australian dollar	(AUDUSD)	0.8885	0.8755	0.9137	0.9582	0.9500	0.9000	0.8800	0.8700	0.8500	0.8500
Mexican peso	(USDMXN)	10.94	10.92	10.64	10.31	10.80	11.35	11.25	11.15	11.10	11.00
Chinese yuan	(USDRMB)	7.51	7.31	7.01	6.86	6.85	6.70	6.54	6.40	6.25	6.00
Effective dollar*	(73 = 100)	74.38	70.27	70.31	70.96	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	1.6243	1.5500	1.4634	1.4200	1.4082	1.3333	1.2571
British pound	(GBPCAD)	2.0357	1.9823	2.0346	2.0553	1.9500	1.8829	1.9050	1.9388	1.8431	1.7619
Yen	(CADJPY)	115.44	111.92	97.39	102.90	108.00	108.65	104.00	99.96	102.00	102.90
Australian dollar	(AUDCAD)	0.8836	0.8737	0.9373	0.9879	0.9500	0.8780	0.8800	0.8878	0.8333	0.8095
Mexican peso	(CADMXN)	11.00	10.94	10.37	10.00	10.80	11.63	11.25	10.93	11.32	11.55
Chinese yuan	(CADRMB)	7.5521	7.3254	6.8333	6.6497	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