

A weaker American dollar, but not immediately

HIGHLIGHTS

- The colossal increase in the U.S. government debt will eventually pressure the greenback but, in the immediate future, the situation still seems propitious to a firm dollar.
- The three main themes to watch are as follow:
 1. The Fed's quantitative easing is not inflationary.
 2. The financial and economic situation is still fragile.
 3. The U.S. is already in the storm; Europe is about to brink.
- Risks remain tilted downward for European currencies: the euro more than the pound.
- Commodities prices are oversold, but it is too soon for a rise in the loonie. The USD/CAD pair could re-test C\$1.30 in the near term.

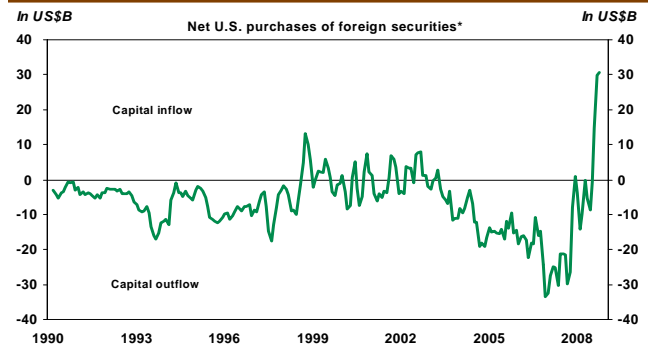
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Editorial

The greenback's vitality last fall reflected the popularity of safe haven securities due to the financial strains; it was not a reflection of the U.S. economy's fundamentals. Following the Lehman Brothers' resounding collapse, the hedge funds and mutual funds capitulated, encouraging substantial repatriation of capital to the United States (graph 1). Demand for U.S. Treasury securities was spectacular. With all market indicators pointing to an imminent correction, players were only waiting for the volatility to fade a little to push the American dollar down.

Graph 1 – Capital repatriation was important recently



* Three-month moving average.
Sources: Datastream and Desjardins, Economic Studies

While November's peak seemed unsustainable, the subsequent correction appears exaggerated, however (graph 2). Of course, it was propelled by the darkening economic outlook, which quickly reminded us that the planet's difficulties largely stem from the United States. A consensus quickly developed for the scenario of a deep recession, with forecasters expecting a net deterioration in employment, a persisting collapse by real estate and a substantial contraction in consumer spending.

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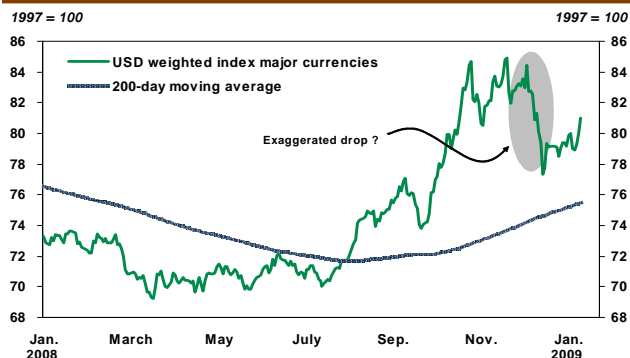
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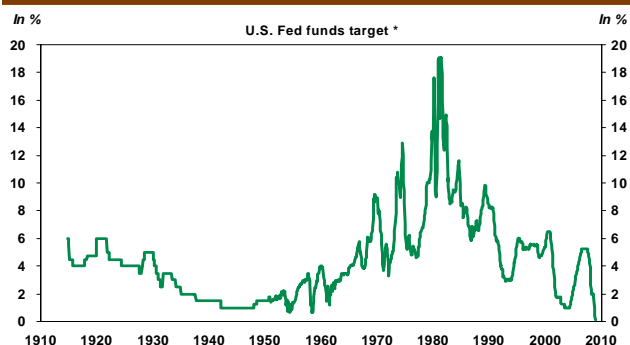
Graph 2 – The U.S. dollar is not capitulating just yet



Sources: Datastream and Desjardins, Economic Studies

However, this prompted the Federal Reserve (Fed) to take one more step with regard to reflation, forcing it to lower its key rate target to a range of 0.00% to 0.25%, the lowest levels ever recorded (graph 3). The depletion of traditional monetary easing tools opened the door to unorthodox “quantitative” policies, i.e. actions designed to increase injections of liquidity into the financial system by expanding the Fed’s balance sheet.

Graph 3 – U.S. Fed funds rates have never been this low since the modern era



* Discount rate before 1950.
Sources: Federal Reserve, Global Financial Data and Desjardins, Economic Studies

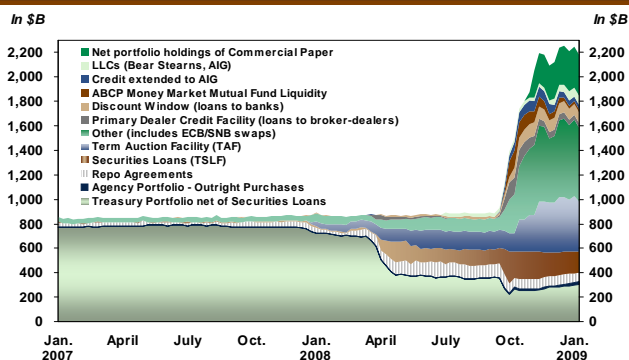
Efforts by U.S. monetary authorities, combined with the Paulson plan and the Obama administration’s anticipated recovery plan, have prompted a number of players to hope for an economic recovery in the second half of 2009. This helped the greenback gain back some altitude from the end of December to now.

Over the longer range, the colossal increase in the American government’s debt will put downside pressure on the greenback but, in the immediate future, the situation still seems propitious to holding the American dollar up. The three main themes to watch are as follows:

1. The Fed’s quantitative policy is not inflationary

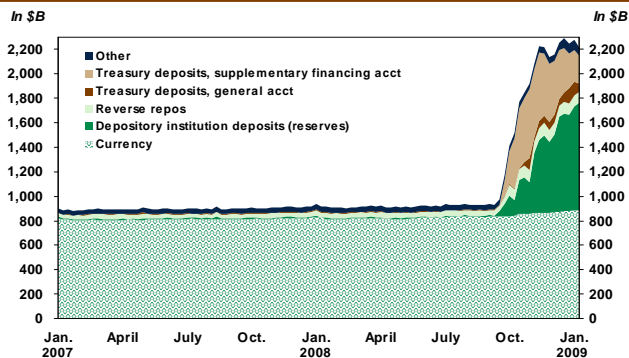
For some, the Fed’s rapidly expanding balance sheet is evidence that it is using the money printer, an action that is inevitably inflationary over the medium range. In fact, nothing is less certain. First, the degree to which the Fed is using the printing press to finance its credit action is unclear. According to the Fed, the various credit facilities set up in the last few months have led to a considerable increase in financial institutions’ excess reserves (graphs 4 and 5). However, it is hard to pinpoint the source of the funds used to finance its operations. It could be that, as a precaution, banks prefer to take advantage of the Fed’s remuneration policy rather than lending their excess funds to other financial institutions or their clients. In this case, the Fed is simply playing its role as a lender of last resort by redistributing funds to where it can help make the markets run smoothly again.

Graph 4 – Fed assets : credit extended to financial institutions



Sources: Federal Reserve Board and Desjardins, Economic Studies

Graph 5 – Fed liabilities



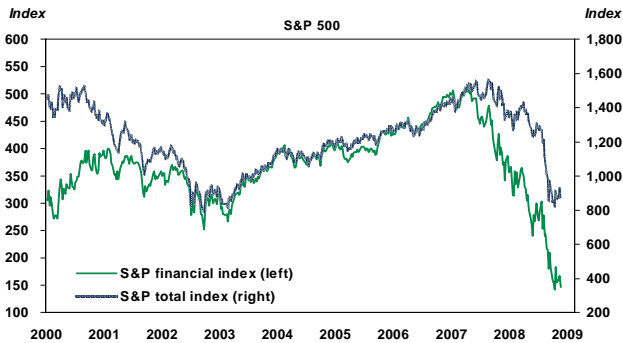
Sources: Federal Reserve Board and Desjardins, Economic Studies

Given the speed at which the Fed's balance sheet is expanding, it is clear that it will increasingly be resorting to the money printer. In any regard, what we must remember is that, for now, the Fed's policy is not inflationary. The growth of excess reserves has swollen the monetary base—the reserves plus currency in circulation—but it is unlikely that this will have any influence on the broader money supply. The reason for this is that the tightening of credit conditions by financial institutions interferes with the normal money creation process and has an effect on the amount of money available in the economy.¹ Banks prefer not to use their excess reserves and largely leave them deposited with the Fed, with the result that growth by the monetary aggregates such as M1 and M2 has been much smaller than the monetary base's growth. Moreover, it is normal for the demand for money to be stronger during a crisis, as savers prefer to keep more of their money liquid, as a precaution. However, this has no influence on inflation.

2. The financial and economic situation is still fragile

With few indications that the banking sector is stabilizing, the financial and economic uncertainty will keep benefiting the greenback due to its status as a safe haven security (graph 6).

Graph 6 – Banks remain hard hit

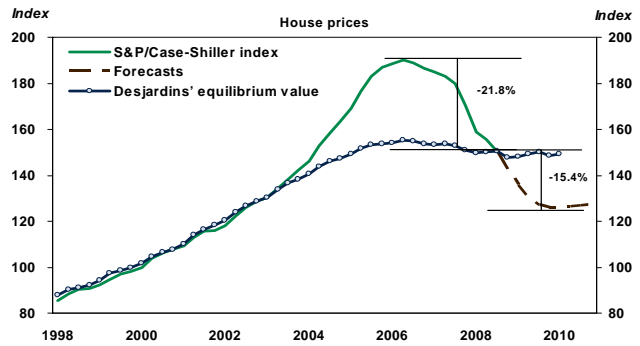


Sources: Bloomberg and Desjardins, Economic Studies

The American real estate market, the source of the planet's woes, is still deteriorating, and huge job losses are likely to drive home prices to even lower levels (graph 7).

¹ For more details, please see our January 15, 2009 *Economic Viewpoint*, "Is the Fed's rapidly expanding balance sheet an inflation threat?"

Graph 7 – According to our estimates, house prices could fall close to 15% below the equilibrium level



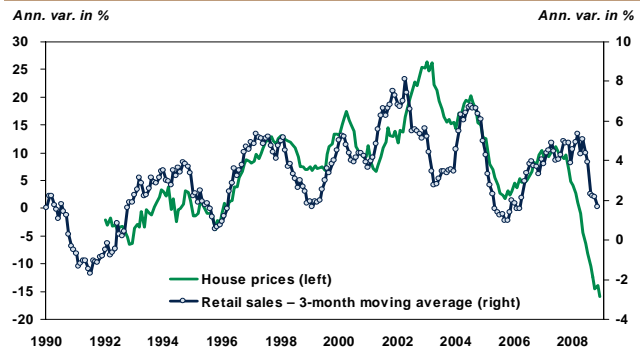
Sources: Datastream and Desjardins, Economic Studies

3. The United States is already in the eye of the storm; Europe is about to tip

We must also take the American economy's relative performance into account. 2008 was a tough year for the United States; the first half of 2009 promises to be critical, especially in terms of the economy. However, American monetary and government authorities are largely ahead of the curve in terms of monetary and fiscal easing. As a result, the United States is likely to emerge from the crisis more quickly than some other industrialized countries, although without much fanfare in relation to previous recoveries.

Under these circumstances, European currencies are at risk. The low pound sterling shows that the market has largely priced in the monetary and fiscal easing required to combat the British economy's problems. However, consumers are at a crossroads, especially given the net deterioration in that country's real estate market (graph 8), and the pressure on the pound is still tilted to the downside.

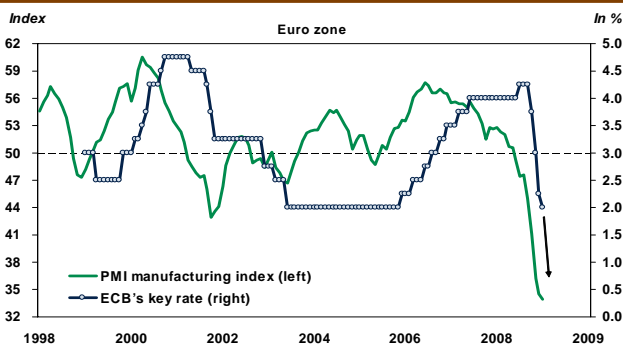
Graph 8 – The drop in home prices will continue to hurt consumption



Sources: Nationwide, Datastream and Desjardins, Economic Studies

The euro, the most popular currency for shorting the American dollar, is at even greater risk in the near term. The European Central Bank (ECB) is maintaining the highest key rates of the G7 economies, and the ECB's leaders are not showing much enthusiasm about lowering rates more aggressively. In fact, the economy is on the edge and a strong euro is not doing anything to help. The ECB is in monetary easing mode, but the rapid slide by market indicators shows that there is still a lot to do in terms of reflation (graph 9). Key rate convergence, possibly below 1% in the first half of 2009, would take the euro close to its 2008 low.

Graph 9 – The ECB has further to run to kick start the euro zone economy

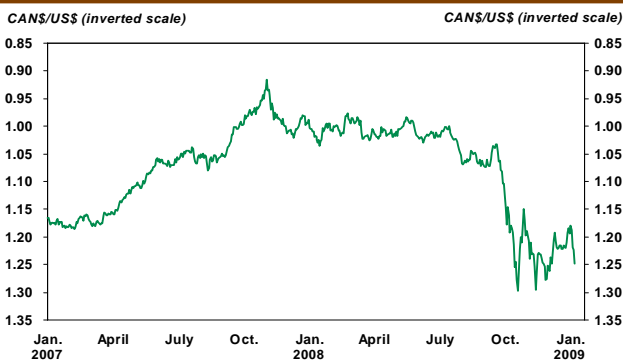


Sources: Datastream and Desjardins, Economic Studies

THE LOONIE IN POOR POSITION IN THE NEAR FUTURE

The possibility of a strong American dollar does not augur well for the loonie over the next few months. In the context of a limited supply, oil prices could be close to a cyclical low, but there is a risk that collapsing global demand for black gold could push crude prices to even lower levels. Under these conditions, the USD/CAD pair could once again test C\$1.30 by the end of the first quarter (graph 10).

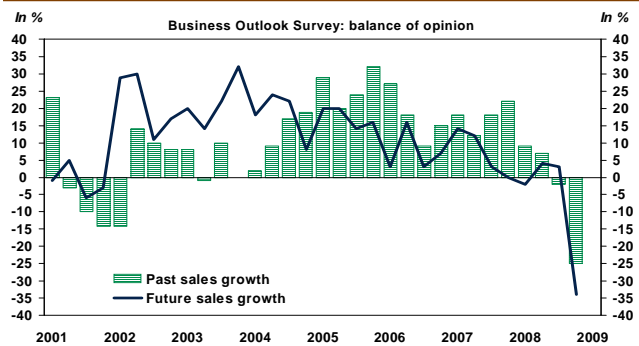
Graph 10 – Pressure remains on the downside for the loonie



Sources: Datastream and Desjardins, Economic Studies

What happens next will essentially depend on two things. The first is Canada's economic recovery, while the second is the evolution of demand for raw materials. In terms of the economy, the statistics that were released last week show that the country is not doing well. Relatively speaking, Canada lost almost as many jobs as the United States in the last two months of 2008. Moreover, the Bank of Canada's quarterly surveys show that the outlooks have deteriorated sharply for both future sales growth and employment (graph 11).

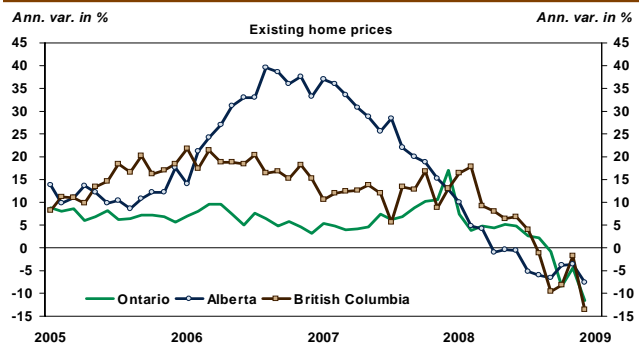
Graph 11 – Business sales slow



Sources: Bank of Canada and Desjardins, Economic Studies

Western Canada seems to be especially hurt by the collapse by commodity prices, with the sharp tumble by home prices providing us with a good illustration of that (graph 12). Under the circumstances, the BoC will have no choice but to move ahead with relaxing its monetary policy, a situation that does not favour the loonie.

Graph 12 – House prices are falling sharply in parts of the country



Sources: Datastream and Desjardins, Economic Studies

All is not lost for Canada's dollar in 2009. The financial strains will continue to slowly resolve over the coming months, which will allow industrialized nations' monetary policies to have more impact on the economic recovery. With energy



and non-energy resource prices at very low levels, demand growth could translate into rapid increases in prices for natural resources. This could only be intensified by the many infrastructure economic recovery plans being put forward around the world.

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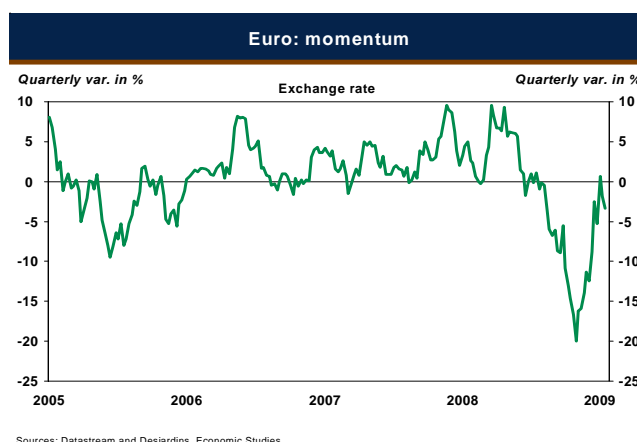
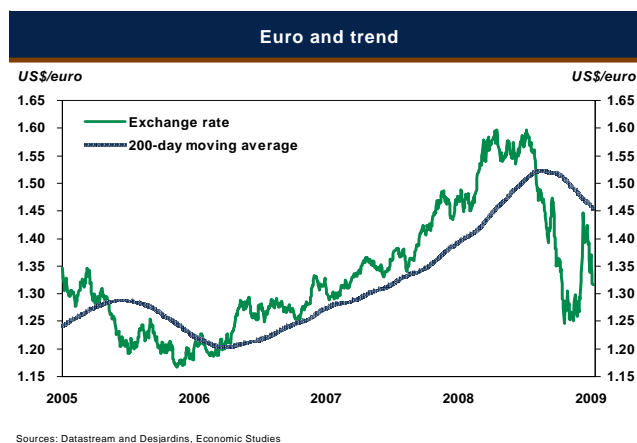
Senior Economist

EURO (EUR)

The euro's rise was short-lived

- After having fluctuated close to US\$1.25 between the end of October and the beginning of December, the euro then shot up as financial strains eased and American key rates were lowered to almost zero. Taking full advantage of its status as the main alternative to the American dollar, Euroland's currency jumped by over 15% in just a few days, even temporarily going back over US\$1.47 on December 18. The surge was temporary, however. Renewed pessimism in the markets and the realization that the European Central Bank (ECB) would have to keep lowering its key rate took the euro back down to almost US\$1.30.
- Technical factors played a role in the euro's December rebound. The euro's over 20% tumble from July to November had made the currency highly oversold, with very negative momentum and speculative positions. Today, the market indicators have returned to close to neutral and thus do not augur any sharp upward or downward movement.
- For the euro, the fundamentals remain negative in the near future. The latest statistics confirm that the recession, which began in the spring of 2008, will be painful. Retail sales and industrial production are pulling back on a year-over-year basis. Nothing points to any improvement, as the household and business confidence indexes continue to slide. The decline in economic activity and collapse of resource prices have completely wiped out the inflation pressure. Inflation thus went from 4.0% in July to 1.6% in December.
- In this context, the ECB has all the leeway it needs to continue with monetary easing. The ECB's leaders have tried several times to rein in market expectations about rate cuts, which may have contributed to the euro's strength at the end of 2008. However, serious economic problems are increasingly evident and, clearly, the main risk is now inflation that is too low, or even negative. The key rate should thus quickly go to 1.50% in the euro zone, if not lower. This will make the spreads with American rates narrow.

Forecasts: The euro could continue to depreciate in the short term as the tough financial context will keep favouring the greenback. Euroland's currency could thus swing back to around US\$1.25 in the next few months. Over the longer range, downside pressures on the American dollar should, however, foster a rise by the euro.



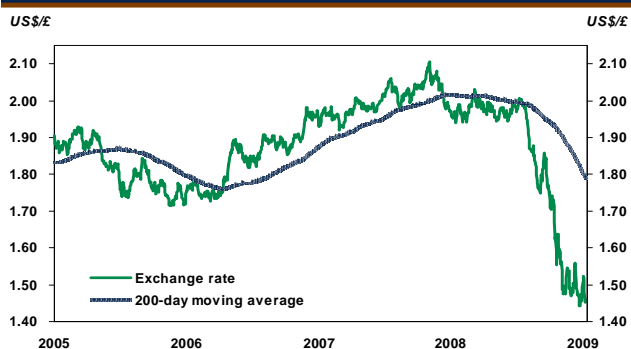
BRITISH POUND (GBP)

The pound brushed parity with the euro

- As we expected, the pound sterling oscillated in a range focused around US\$1.50 in the last few months. The American dollar's mid-December weakness did not help the pound for long; it fell below US\$1.44 at the end of December, a more than six-year low. European currencies' diverging movements at year's end pushed the EUR/GBP pair over 0.98 euro. However, parity between the euro and pound was not achieved, and the pair has come back down to around 0.90 euro in the last few days.
- Market indicators show that the pound is still oversold. Net speculative positions fell back to close to their troughs lately, and the momentum is highly negative. In theory, the conditions for a technical rebound by the pound are in place, but the economic situation limits the chances of a strong surge.
- Given the financial sector's importance and impact of the real estate correction on households, the outlook for the economy is especially grim in the United Kingdom. The latest figures show that industrial production's year-over-year decline stood at 6.9% in November and, in December, the annual decline by home prices was 15.9%. To date, the annual inflation rate was still a high 4.1% in November. A quick return toward the Bank of England's target of 2.00% is inevitable, however, and the risk of deflation in the United Kingdom is growing.
- To no one's surprise, the BoE moved ahead with monetary easing, lowering its key rate to 1.50% in January. Even though the British government (which temporarily cut the sales tax by 2.5%) and the BoE have already done a lot to buoy Britain's economy, it does not seem to be enough. The key rate should thus be lowered by at least another 50 basis points in the next few months. Like the Federal Reserve, British authorities could, more and more, look to increasing the credit extended to the financial sector to support their economy.

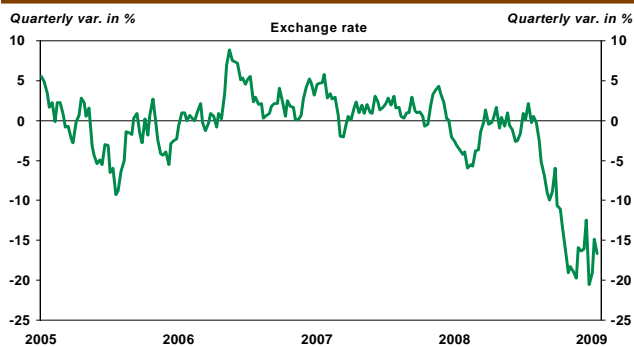
Forecasts: The United Kingdom's tough economic situation will continue to be a drag on the pound in the short term. However, the pound's extreme weakness already reflects a lot of bad news, and the market indicators are showing that there is not much potential for further decline. In this context, the pound should keep fluctuating around US\$1.50 over the next few months. Proactive interventions by British authorities could help the pound gradually climb back toward more normal levels against the greenback and euro as of mid-2009.

British pound and trend



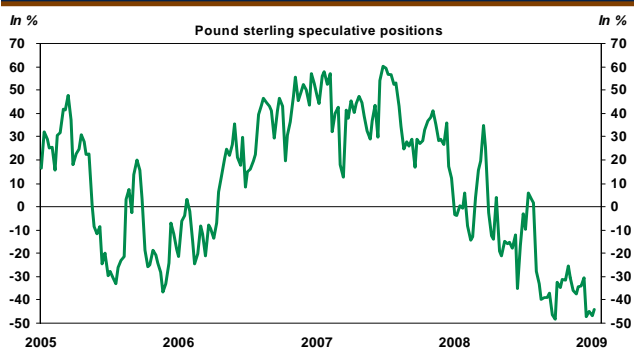
Sources: Datastream and Desjardins, Economic Studies

British pound: momentum



Sources: Datastream and Desjardins, Economic Studies

British pound: net speculative positions



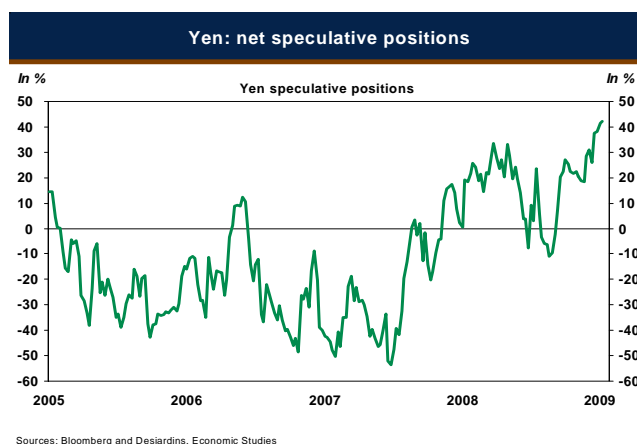
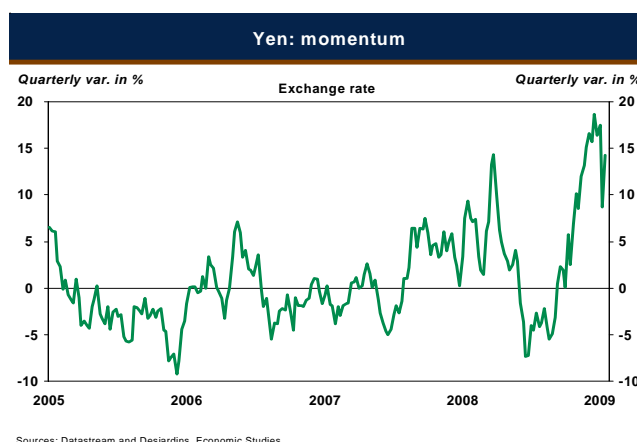
Sources: Chicago Mercantile Exchange and Desjardins, Economic Studies

YEN (JPY)

The yen makes more gains

- Japan's currency is maintaining its strength in the face of the strains that are characterizing the financial markets. The yen seems to be comfortably settled below the 100 yen/US\$ mark, even venturing beyond 90 yen/US\$ for the first time in 14 years. It reached a cyclical trough of 87.15 yen/US\$ on December 17, in the wake of bad economic news in the United States and the Federal Reserve's decision to put its key rate between 0.00% and 0.25%. The Bank of Japan (BoJ) also kept pace with the Fed, lowering its rate to 0.10%.
- From a market perspective, net speculative positions and momentum are both at historically high levels, signalling a potential yen correction in the near future. Still, Japan's currency should remain resilient in the face of trend change as long as the financial strains in the markets remain intense and carry trade positions continue to be unwound.
- The yen's appreciation contrasts with Japan's economic problems. In recession since Q2 of 2008, the country is not poised to see the situation improve. For a long time, Japan's economic growth has relied on a positive contribution from foreign trade, which is being hurt by the sharp drop in global demand. A strong currency will only make the problem worse. Moreover, the decline in motor vehicle sales being recorded almost worldwide is also hitting Japanese automakers—in November, their national output was 20% below where it was a year earlier. Lastly, weak consumer and business confidence are still making the outlook for consumption and investment gloomy.
- The economic situation and yen's appreciation have pressured the BoJ, which cut its main key rate twice last fall, taking it from 0.50% to 0.10%. With these cuts, the BoJ is also striving to keep deflation from coming back. In November, the annual inflation rate was 1.0%. With the change in prices for energy and fresh food excluded, the rate goes to 0.0%. As a number of central banks are easing their monetary policy steeply, movement by interest rate spreads favours the yen.

Forecasts: As long as the markets remain very edgy, the exchange rate should hold close to 90 yen/US\$; December's low could even be crossed. The narrowing of interest rates spreads between Japan and the major industrialized nations is providing more support.

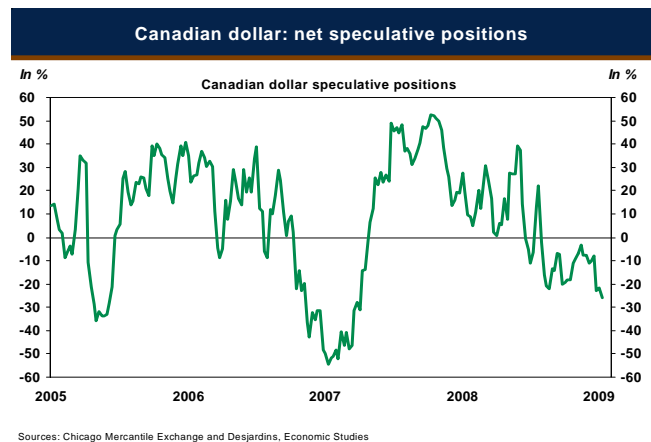
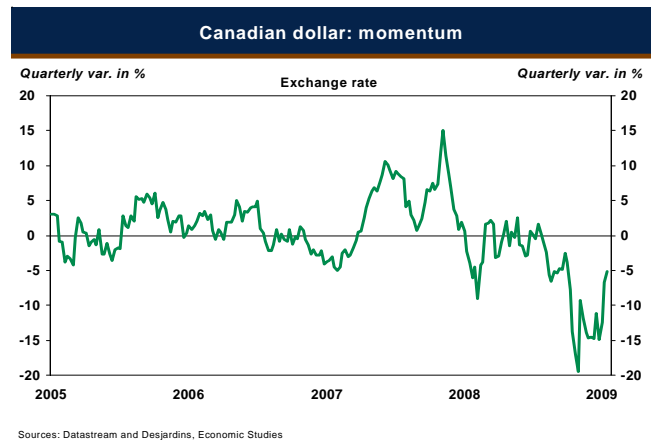
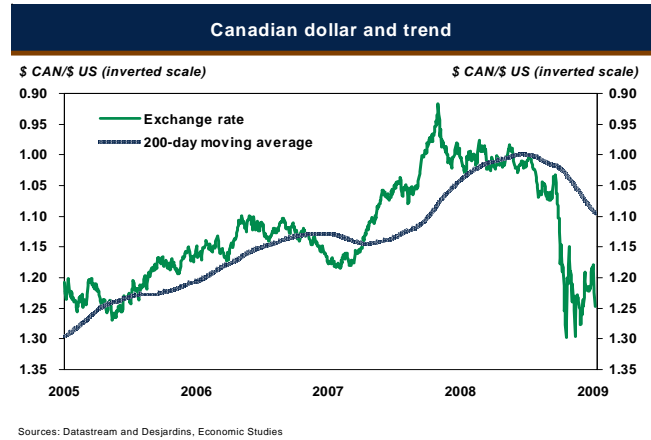


CANADIAN DOLLAR (CAD)

The loonie could test its November low

- Due to the greenback correction, and then the climb by oil prices, the loonie was able to keep its head above water at the end of December and in early January; now, the wind seems to be changing for Canada's dollar. After hitting a recent low under C\$1.18 on January 6, the USD/CAD pair is back on the ascent, now evolving near C\$1.25.
- On a market basis, the recent correction has taken the Canadian dollar far enough below its long-term trend (more than 30% of the November 2007 peak) to generate attractive long-term opportunities. However, the fundamentals are not yet in place to justify substantial appreciation by the currency. Moreover, there is not much enthusiasm for the loonie, which is more a signal of maintaining the current level than of a major change in direction.
- Over the short term, for the loonie, the risks are still tilted to the downside. With a recession having clearly begun, the Bank of Canada (BoC) accelerated its monetary easing in December, lowering its target rate by 75 basis points to just 1.50%. The door is also open to further rate cuts. We now believe that the BoC will have to ease its monetary policy more than the markets anticipate in order to limit the risk of a severe recession here. Rates could hit a historic low of 0.75% by January 2009.
- Monetary measures will likely be combined with a fiscal plan. The federal Finance Minister is now planning the biggest budget in Canada's history, with a deficit of almost C\$40B.
- And, although oil prices seem to be at excessively low levels, soft global demand for commodities and the growing risk of a severe global recession remain a heavy drag on crude prices. The International Energy Agency (IEA) slashed its outlook for oil demand growth and now expects it to decline by 0.1% in 2008 and 0.9% in 2009.
- Over the longer range, however, the financial turmoil will largely have resolved and, potentially, an increase in demand could translate into rapid increases in prices for natural resources. This could only be intensified by the many infrastructure economic recovery plans being put forward around the world. Expectations that oil prices will be back near US\$75/barrel by the end of 2009 should allow the loonie to come back up.

Forecasts: The pressure is still to the downside, and the greenback could easily come back to almost C\$1.30 shortly.

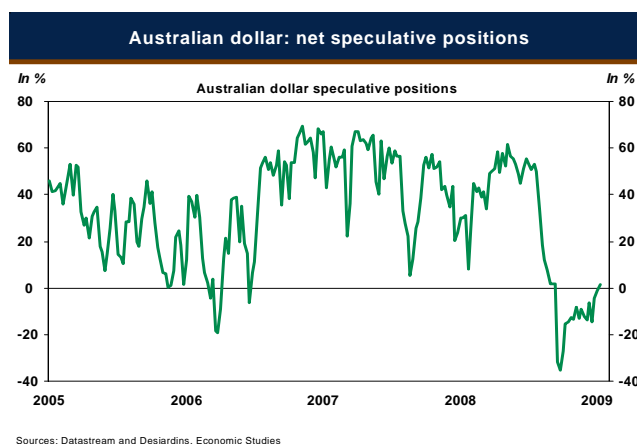
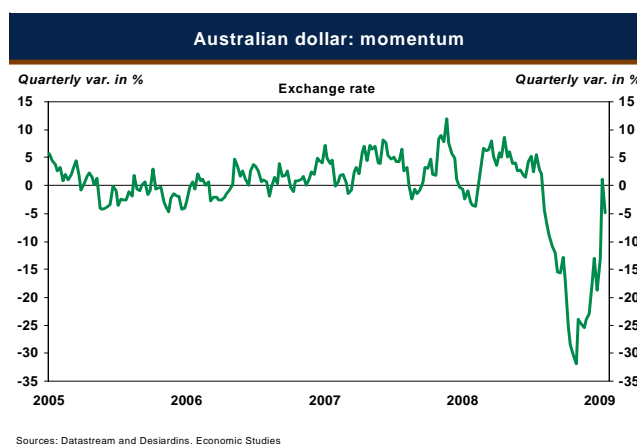
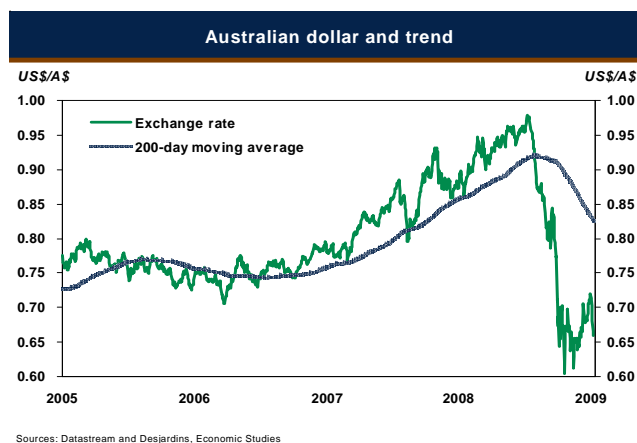


AUSTRALIAN DOLLAR (AUD)

Waiting for commodity prices to rebound

- The Australian dollar is still one of the currencies that is the most affected by low commodity prices. Australia's dollar neared parity with the American dollar early last summer, then lost almost 40% of its value in just a few months. Recently, it regained some of the lost ground and even started the year over the US\$0.70 mark. It seems to want to stabilize close to this level.
- On a market basis, the Australian dollar's value is sustainable. Net speculative positions and momentum did not point to any undervaluation or overvaluation of the currency, as was the case a few weeks ago.
- The key factor that could really sustain Australian dollar appreciation is still a rebound by commodity prices, which collapsed on the impact of the decline in demand. Even Chinese demand, which seemed insatiable just a little while ago, is showing signs of flagging. Australia and its currency could still benefit from the numerous government economic support plans, especially in China and the United States, which should result in enormous investments in infrastructure and heightened demand for base products. To date, Australia's economy has avoided a recession, but its growth has slowed markedly. The labour market is no longer as lively, although it is not yet contracting. Low consumer and business confidence is more worrisome, as is the loss of wealth and reduction in lending.
- Given the growing economic risks, the Reserve Bank of Australia opted to lower its key rate by 100 basis points in December, in addition to the 200 basis points in cuts ordered since September. The decision was influenced by the fact that no further monetary policy meetings were scheduled for two months. At 5.0 % in September, the inflation rate is still high and should not go back to its target before the end of 2010, according to the Reserve Bank of Australia's projections. It would be surprising to see interest rates go as low as in the other industrialized nations, which should favour Australia's currency.

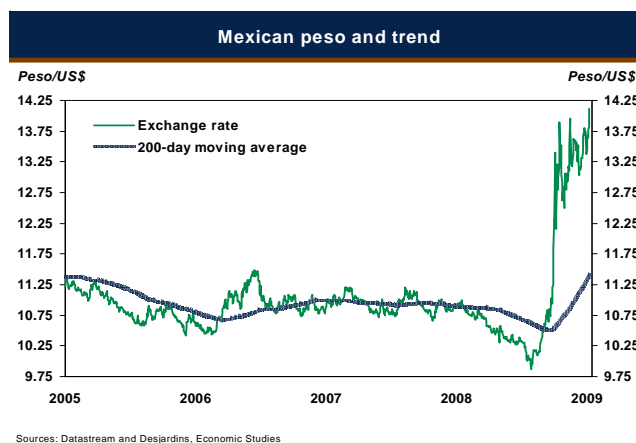
Forecasts: In the short term, Australia's dollar should hold at between US\$0.65 and US\$0.70, unless there is substantial movement by the greenback. The Reserve Bank of Australia has already stepped in several times to support its currency. The prospects of longer-term gains remain attractive if we think of the anticipated comeback by base product prices and favourable interest rate spreads.



MEXICAN PESO (MXN)

The peso softens further

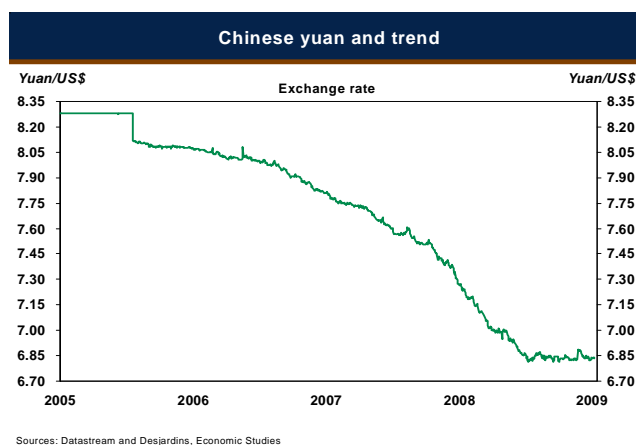
- As anticipated effects on Mexican efforts of the Obama plan quickly dissipated, and oil prices are back on a down trend, the USD/MXN pair neared the peak of 14.31 pesos reached on October 8.
- The financial risks and flight to safe haven securities should maintain downside pressure on the peso over the next few months. Because of stunningly high inflation in the fall (6.2% in November), Mexico's central bank kept its key rate at 8.25% in December. However, this seems to have exacerbated the markets, which are watching high rates substantially increase the chances of a sharp downturn in Mexico.



CHINESE YUAN (RMB)

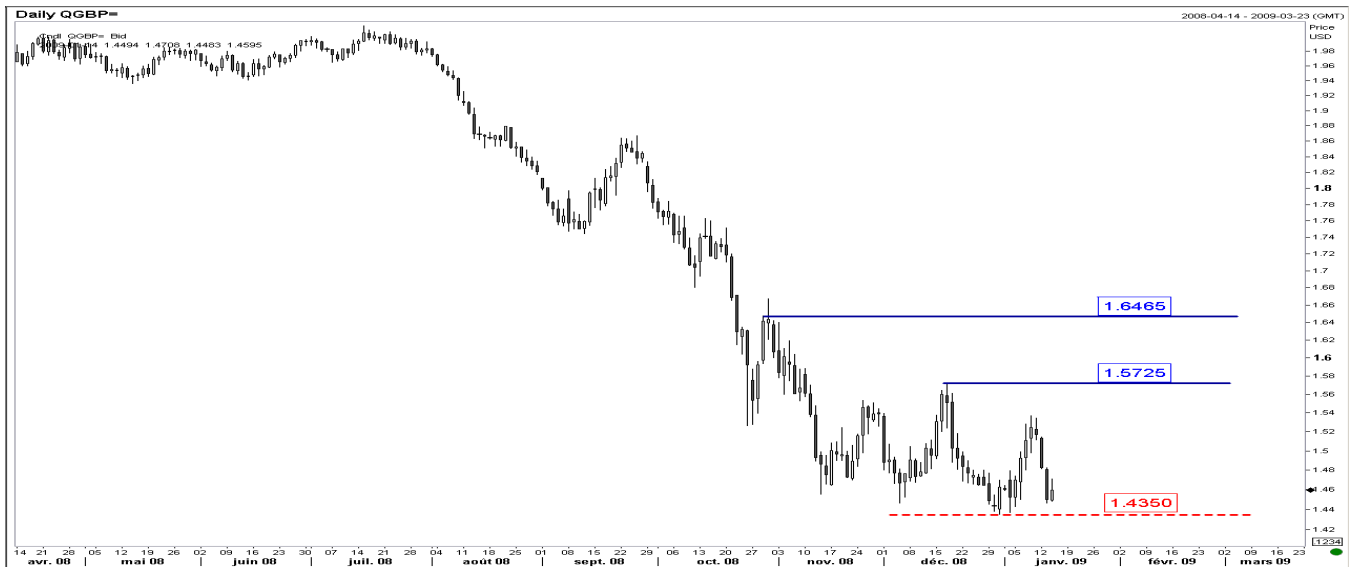
The tough economic context is delaying yuan appreciation

- In 2008, China's currency appreciated 6.6% against the American dollar, about the same as in 2007. If it hadn't been for the strong greenback, the financial crisis and the recession that is spreading worldwide, China's authorities would probably have tolerated greater yuan appreciation. Since last summer, the value of China's currency has fluctuated between US\$6.80 and US\$6.90.
- China does not seem to be immune from this crisis; its growth should drop to under 8%, although we had gotten used to a pace of more than 10% in the last few years. Declines in production in the electricity and steel sectors are already being noted, as is a drop in exports. Monetary authorities and the government have announced measures to sustain the economy, including interest rate cuts, a cut to financial institutions' mandatory reserve rate and an economic stimulus plan worth about US\$600B. The yuan's stability is likely to last for some time yet, to help the Chinese economy. Over the longer range, renewed international political pressure should result in stronger yuan appreciation.



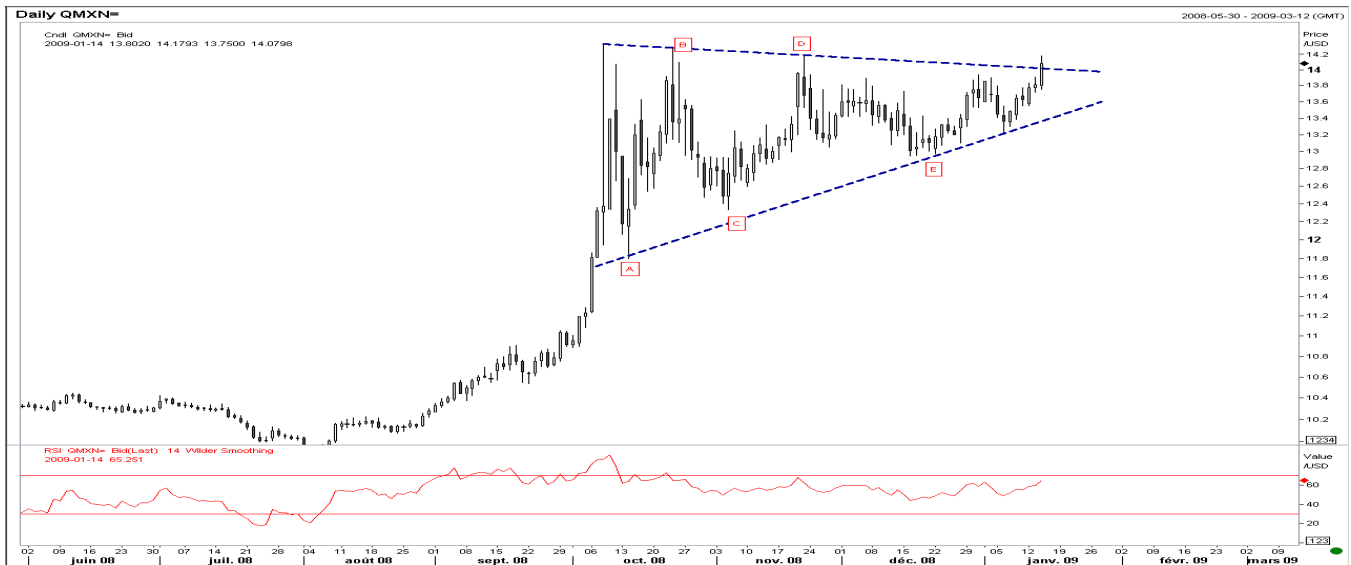
GBP/USD

As long as the pair remains above 1.4345, it should correct some of the decline from 2.1166. A retracement toward 1.5725 and then 1.6465 could occur in the next few weeks before a return to the down trend over the longer range.



USD/MXN

The pair's movement has contracted since October and seems to have created a triangle formation. A daily close above 14.00 would target 16.50 over the medium term. However, if the pair drops back below 13.20, it would invalidate this scenario.



**Table 1
Currency market**

Country – Currency*	Spot price	Percentage return since					Last 52 weeks		
	Jan. 15	1 month	3 months	6 months	1 year	Higher	Average	Lower	
North America									
Canada – dollar	1.2649	2.45	7.53	26.71	24.40	1.3001	1.0757	0.9737	
Canada – (CADUSD)	0.7906	-2.39	-7.00	-21.08	-19.61	1.0270	0.9297	0.7692	
Mexico – peso	14.2475	5.91	11.08	37.97	30.48	14.2475	11.2732	9.9169	
South America									
Argentina – peso	3.4538	0.58	7.80	14.22	9.95	3.4738	3.1761	3.0130	
Brazil – real	2.3757	0.45	8.58	49.06	35.83	2.5935	1.8584	1.5590	
Asia									
China – yuan renminbi	6.8375	-0.19	0.08	0.23	-5.60	7.2503	6.9336	6.8119	
South Korea – won	1,392.15	1.87	12.42	38.07	48.80	1,517.35	1,116.58	935.60	
Hong Kong – dollar	7.7591	0.11	0.00	-0.49	-0.51	7.8146	7.7844	7.7500	
India – rupee	48.9205	2.32	0.79	13.62	24.62	50.2585	43.8228	39.2105	
Japan – yen	89.90	-0.78	-10.00	-14.10	-15.93	110.54	102.61	87.36	
Europe									
Denmark – krona	5.6718	4.31	2.44	21.00	12.58	5.9827	5.1135	4.6644	
Euro zone – (EURUSD)	7.1245	3.56	8.13	41.04	33.37	7.2360	5.7177	4.9583	
Norway – kroner	1.4566	-5.18	-16.57	-27.35	-26.12	2.0309	1.8321	1.4378	
Russia – ruble	32.3663	17.12	23.69	40.01	33.16	32.3663	25.1280	23.1169	
Sweden – krona	8.2514	2.92	9.96	38.50	29.32	8.4056	6.6636	5.8368	
Switzerland – swiss franc	1.1259	-2.79	-0.71	12.05	3.29	1.2247	1.0824	0.9860	
United Kingdom – (GBPUSD)	1.3064	-4.44	-3.81	-18.20	-12.05	1.5979	1.4657	1.2449	
South Pacific									
Australia – (AUDUSD)	0.6682	-0.31	2.17	-31.71	-24.19	0.9786	0.8263	0.6036	
New Zealand – (NZDUSD)	0.5411	-2.29	-9.13	-29.86	-30.29	0.8175	0.6924	0.5227	

* 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	2008		2009				2010			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
American dollar										
Canadian dollar (USDCAD)	1.0630	1.2189	1.2987	1.2500	1.1628	1.1364	1.1111	1.0870	1.0526	1.0000
Euro (EURUSD)	1.4047	1.3901	1.2500	1.2200	1.2500	1.3000	1.3250	1.3580	1.3910	1.4240
British pound (GBPUSD)	1.7825	1.4378	1.4500	1.5000	1.5500	1.6000	1.6500	1.7000	1.7500	1.8000
Yen (USDJPY)	106.00	90.74	90.00	95.00	102.00	100.00	105.00	108.00	100.00	98.00
Australian dollar (AUDUSD)	0.7700	0.6500	0.6700	0.7200	0.7500	0.7800	0.8000	0.8400	0.8700	0.9000
Mexican peso (USDMXN)	10.80	12.50	12.20	12.00	11.50	11.00	11.00	11.00	11.00	11.00
Chinese yuan (USDCNY)	6.80	6.80	6.90	6.80	6.70	6.60	6.40	6.25	6.00	6.00
Effective dollar* (73 = 100)	75.00	84.00	85.00	84.00	82.00	80.00	80.00	78.00	76.00	74.00
Canadian dollar										
American dollar (CADUSD)	0.9407	0.8204	0.7700	0.8000	0.8600	0.8800	0.9000	0.9200	0.9500	1.0000
Euro (EURCAD)	1.4931	1.6943	1.6234	1.5250	1.4535	1.4773	1.4722	1.4761	1.4642	1.4240
British pound (GBPCAD)	1.8947	1.7525	1.8831	1.8750	1.8023	1.8182	1.8333	1.8478	1.8421	1.8000
Yen (CADJPY)	99.71	74.44	69.30	76.00	87.72	88.00	94.50	99.36	95.00	98.00
Australian dollar (AUDCAD)	0.8185	0.7923	0.8701	0.9000	0.8721	0.8864	0.8889	0.9130	0.9158	0.9000
Mexican peso (CADMXN)	10.16	10.26	9.39	9.60	9.89	9.68	9.90	10.12	10.45	11.00
Chinese yuan (CADCNY)	6.40	5.58	5.31	5.44	5.76	5.81	5.76	5.75	5.70	6.00

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

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