

## When will the greenback get back to fundamentals? Will the Bank of Canada have to step in to rein in the Canadian dollar's rise?

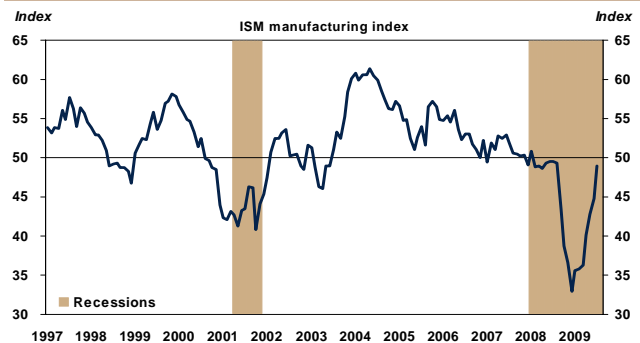
### HIGHLIGHTS

- **Editorial:** We are upholding our scenario, which does not call for any chaotic correction by the greenback. Pessimism regarding the currency is completely exaggerated and current conditions seem to be more in line with a return to fundamentals.
- The Bank of Canada (BoC) can intervene in the foreign currency market if extreme fluctuations jeopardize economic growth. However, it is unlikely that the BoC will be able to offset the impact of rising energy prices on the loonie. Seeing that the BoC did not step in when the USD/CAD pair fell to a historic low of CA\$0.9059 (US\$1.10) on November 7, 2007, when everything suggested that the oil market was subject to excessive speculation, any hope of BoC intervention at this point would seem futile.
- **USD/CAD:** In the very near term, the enthusiasm for the Canadian dollar could ease. However, the expected demand for commodities will continue to support the loonie.
- **EUR/USD:** In the near term, the euro should continue to oscillate between US\$1.40 and US\$1.45. After that, Euroland's currency could be hurt by a delayed economic recovery in the zone, which could prompt the European Central Bank to keep its key rate at its lower bound for a longer period.
- **GBP/USD:** Despite the signs of recovery by the British economy, everything suggests that the Bank of England will wait for some time before raising its key rate. The pound could thus oscillate close to current levels for several months.
- **USD/JPY:** In the near term, investor sentiment could continue to have a big influence on the yen's fluctuations. The medium-range trend will be yen depreciation, in our opinion, as the economic recovery could be quite soft in Japan and there is nothing to augur monetary policy firming.

### Editorial

The ongoing improvement in economic statistics has put pressure on the U.S. dollar in recent months. After the pendulum swung back on several fronts in June; July's results—particularly the stock market rally and the ISM manufacturing index closing in on 50 (graph 1)—fanned renewed appetite for risk, prodding investors to abandon safe-haven securities.

**Graph 1 – The ISM index shows that manufacturing could soon start to grow again in the United States**



Sources: Institute for Supply Management and Desjardins, Economic Studies

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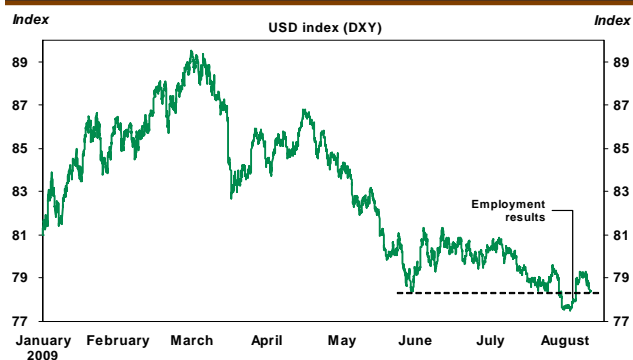
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In the wake of this, the U.S. dollar index hit a recent low of 78 in the first week of August before taking back some of the lost ground on July's favourable report on employment (graph 2). At this point, the employment results are especially important for future currency movement.

**Graph 2 – When will the greenback get back to basics?**



Sources: Datastream and Desjardins, Economic Studies

In general, it seems paradoxical that an improvement in U.S. economic statistics would put downside pressure on the greenback. The fact is that, in the current post-crisis context, the U.S. recovery is fostering renewed appetite for risk and, in turn, less of a need for safe-haven securities. However, the latest results for employment have changed the picture somewhat with respect to expected currency movements. The reason: a faster recovery by employment, an indicator that usually lags behind the economic cycle, could prompt the Federal Reserve (Fed) to raise its key rates more quickly than expected. As little change is expected in Europe, this would have the effect of narrowing the interest rate spread between the United States and the euro zone, a situation that would favour the greenback.

As a result, we are upholding our scenario, which does not call for any chaotic correction by the greenback. Pessimism regarding the currency is completely exaggerated (graph 3)

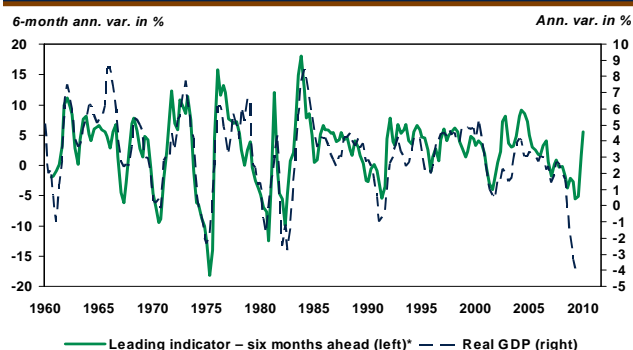
**Graph 3 – Pessimism about the greenback is getting more and more extreme**



\* Net non-commercial positions.  
Sources: Chicago Mercantile Exchange and Desjardins, Economic Studies

and current conditions even seem to be more in line with a return to fundamentals. Here, the leading indicator is clearly calling for a full recovery (graph 4), which could result in an upward correction by the greenback in the months to come. However, the conditions seem to be more propitious to consolidation.

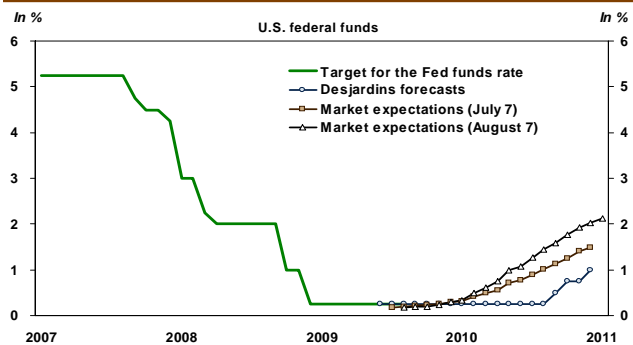
**Graph 4 – The U.S. economy is about to return to growth**



\* The final point assumes that the results for the third quarter are the same as June's.  
Sources: Conference Board, Bureau of Economic Analysis and Desjardins, Economic Studies

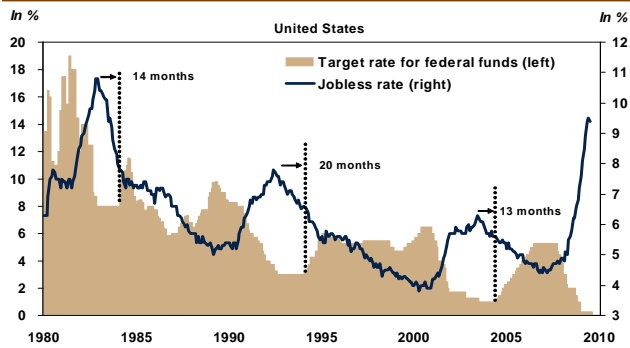
Employment is, of course, declining more slowly, but there are still many problems to deal with before returning to net job creation. Credit conditions remain tight, banks are still reluctant to lend and consumers are being cautious. Housing seems to be stabilizing, although the large inventory of unsold homes will rein in housing starts, while commercial real estate is collapsing. As a result, the situation is still compatible with job market deterioration. The jobless rate improved in July (from 9.5% to 9.4%), but this simply reflects a decline in the labour force—people discouraged by the vain search for work. Under these conditions, it is too early to talk about raising key rates. Since July's employment report, the market has started pricing in increases for the end of the year (graph 5), but the Fed's habit is to wait for more than a year after the jobless rate crests to initiate a monetary firming cycle (graph 6 on page 3).

**Graph 5 – The markets are anticipating earlier U.S. monetary policy firming**



Sources: Bloomberg and Desjardins, Economic Studies

**Graph 6 – The Fed does not usually raise its rates until the employment market improves substantially**



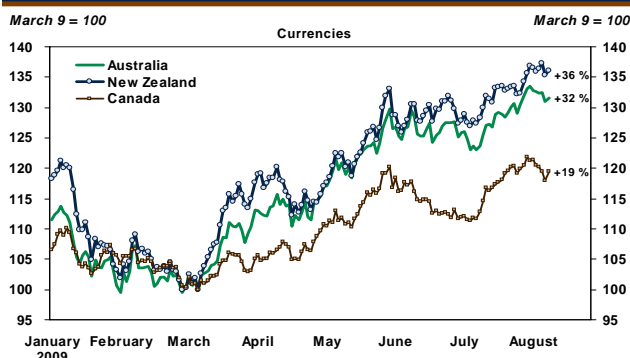
Sources: Bureau of Labor Statistics, Datastream and Desjardins, Economic Studies

Moreover, ex-energy price disinflation is also a concern. With consumers sidelined, production capacity utilization fell to a low of 68% this summer. As a result, there is almost no demand-based inflation. It is the same story for wages: with the jobless rate at a more than 25-year high, weekly wages have grown at the slowest pace ever recorded in the last three months. Money supply growth could be slightly more problematic if it were to end up creating new money but, in the immediate future, the conditions are not ripe for the banks to do more lending. The Fed has also already put out potential exit strategies for mopping up the last few quarters' quantitative easing.

**WILL THE BANK OF CANADA TACKLE THE LIVELY LOONIE?**

Currencies that are associated with commodity movements have benefited the most from the improving American and worldwide economic and financial situation. For Canada, this has already translated into 19% appreciation by the loonie since last March's trough. Although it is partly justified by the movement in oil prices (graph 7), the Canadian dollar's rise also reflects speculative movement in commodities and the greenback's widespread decline.

**Graph 7 – Big rebound by currencies associated with commodity movements**



Sources: Datastream and Desjardins, Economic Studies

The loonie's surge is worrisome in that it is a risk to both the Canadian economy's recovery and to inflation. In its latest *Monetary Policy Report* (July 2009), the Bank of Canada (BoC) stated that "the higher Canadian dollar, as well as ongoing restructuring in key industrial sectors, is significantly moderating the pace of overall growth. A stronger and more volatile Canadian dollar represents an important downside risk to output and inflation."

Since September 1998, the BoC has never, i.e. apart from through via moral suasion, intervened directly in the foreign exchange markets to limit fluctuation in the USD/CAD pair, but recent statements by Canadian Finance Minister Jim Flaherty are pointing in that direction.

"We are concerned with any rapid changes in the valuation of the Canadian currency vis-à-vis the U.S. currency. There are some steps that could be taken to dampen that if there are from time to time indications of some speculation in the Canadian currency which would not be justified in market terms."

In theory, it is easier to depreciate a currency than to support it. To support a currency, a central bank must offload international reserves to buy its local currency back from foreign markets. Reserves are quickly depleted and the impact of any intervention promises to be ephemeral. Conversely, there are almost limitless ways to depreciate a currency or limit its appreciation. Because what is involved is accumulating currencies by selling the local money, international reserves can easily be doubled or even tripled.

In a sense, this is the path taken by the Swiss National Bank (SNB) in recent months. On March 12, the SNB reported that:

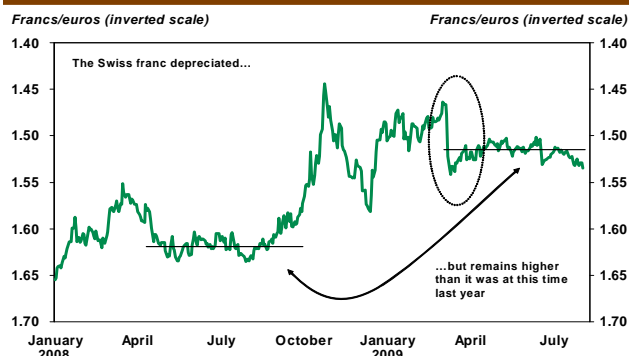
"The economic situation has deteriorated sharply since last December, and there is a risk of negative inflation over the next three years. Decisive action is thus called for, to forcefully relax monetary conditions. Against this background, the Swiss National Bank (SNB) is making another interest rate cut and acting to prevent any further appreciation of the Swiss franc against the euro. To this end, it will increase liquidity substantially by engaging in additional repo operations, buying Swiss franc bonds issued by private sector borrowers and purchasing foreign currency on the foreign exchange markets."

Using the proceeds from sales of its own U.S. dollar denominated securities to devalue the Swiss franc against the euro, the SNB took the value of its international reserves

from US\$43.3B at the end of February to US\$75.3B at the end of June, according to the International Monetary Fund (IMF).

The markets' initial reaction was a strong one and the franc depreciated by 5% on March 12 alone (graph 8). However, the impact was temporary and the EUR/CHF went from 1.54 francs at mid-March to about 1.50 francs at mid-June. The Swiss franc has depreciated somewhat since then, but it is still much higher (about 7%) than it was a year ago.

**Graph 8 – The SNB's monetary policy had a short-lived impact on the Swiss franc**



Sources: Datastream and Desjardins, Economic Studies

In our view, these mixed results prove that the BoC should not step in to limit the loonie's rise. First, it is not clear that the Swiss franc's depreciation or rather stabilization stems solely from their monetary policy. During the financial crisis, the Swiss franc was prized for its role as a safe-haven security. Now, the improved economic and financial conditions mean that demand has turned around on its own. Conversely, it is unlikely that the BoC will be able to offset the impact of rising energy prices on the loonie. We should also ask whether it would be a good thing for the BoC to try. It abandoned its systematic intervention policy in 1998 because it then deemed that interventions to combat movements caused by changes in fundamental factors were ineffective. It is not easy to distinguish between the sources of appreciation that are specific to the loonie (type 1), such as rising commodity prices, and sources that are external to the loonie (type 2), such as the greenback's widespread depreciation and speculation.

Canada now has a discretionary intervention policy that is only to be used under extraordinary circumstances. According to the BoC:

“Intervention might be considered if there were signs of a serious near-term market break-down (e.g. extreme price volatility with both buyers and sellers increasingly unwilling to transact), indicating a severe lack of liquidity in the Canadian dollar market. It might also be considered if extreme currency

movements seriously threatened the conditions that support sustainable long-term growth of the Canadian economy; and the goal would be to help stabilize the currency and to signal a commitment to back up the intervention with further policy actions, as necessary.”

If the BoC did not step in when the USD/CAD pair fell to a record low of C\$0.9059 (US\$1.10) on November 7, 2007, when everything suggested that the oil market was subject to excess speculation, it is unlikely that it will do so now.

In June, it said that it was concerned about the rising dollar when its projections had been built on a loonie at US¢80 (in April). But, despite the currency's appreciation, the BoC still upgraded its forecasts during the July exercise. Consequently, any wish for BoC intervention appears to be pious hope.

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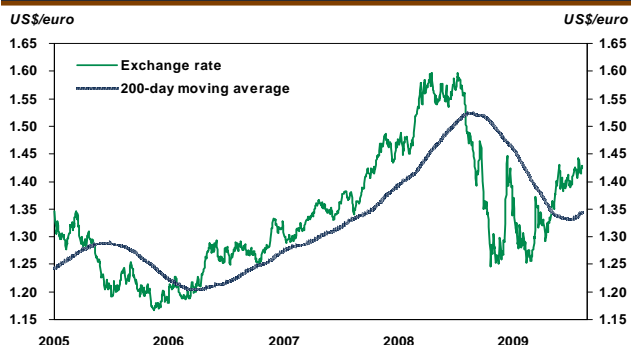
## EURO (EUR)

### A slower recovery in the zone could play against the euro

- Investors' renewed confidence has favoured the euro in recent months with the U.S. dollar's declining appeal as a safe-haven security. After consolidating its gains in June and early July, the EUR/USD went back on the ascent, reaching US\$1.4416 in early August, a peak for the year and a gain of about 15% since mid-February. The release of good economic statistics in the United States and renewed risk aversion benefited the greenback in the last few days, however, taking the euro back down to close to US\$1.40.
- After reaching extreme levels at the beginning of June, the euro's momentum has recently dropped. Net speculative positions on Euroland's currency are positive and have expanded in the last few months, but are not yet at levels that would augur an imminent correction. Overall, the market indicators are thus not pointing to any major technical movements by the euro.
- The recession continued in the euro zone last spring, but at a much slower pace, with the zone's real GDP down 0.1% after tumbling by a brutal 2.5% at the beginning of the year. The substantial comeback by the confidence indexes and activity indicators suggests that the situation continues to improve. The news from Germany is especially promising—manufacturing orders and exports rebounded in June.
- Although it has noted some positive developments, the European Central Bank (ECB) is being cautious as to the hopes of economic recovery. Note that credit conditions are still tough in the euro zone. In the statement issued following the August 6 meeting, the Bank said that «Recent data releases and survey information still suggest that economic activity over the remainder of this year is likely to remain weak, although the pace of contraction is clearly slowing down.» After a period of stabilization, a gradual return to economic growth is only expected at some point in 2010. This prudent economic scenario and very soft inflation pressure, with the annual price change at -0.7% in July, suggest that the key rate will remain where it is for some months.

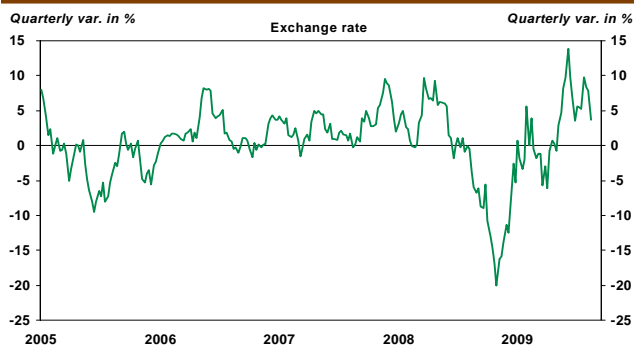
**Forecasts:** The euro's period of appreciation, resulting from easing financial strains, could be coming to an end. The relative performance of the economies and interest rate movements could once more become the main factors influencing the currencies. In the near term, the euro should continue to oscillate between US\$1.40 and US\$1.45. After that, Euroland's currency could be hurt by a weaker economic recovery in the zone, which could prompt the ECB to keep its key rate at its lower bound for a longer period.

#### Euro and trend



Sources: Datastream and Desjardins, Economic Studies

#### Euro: momentum



Sources: Datastream and Desjardins, Economic Studies

#### Euro: net speculative positions



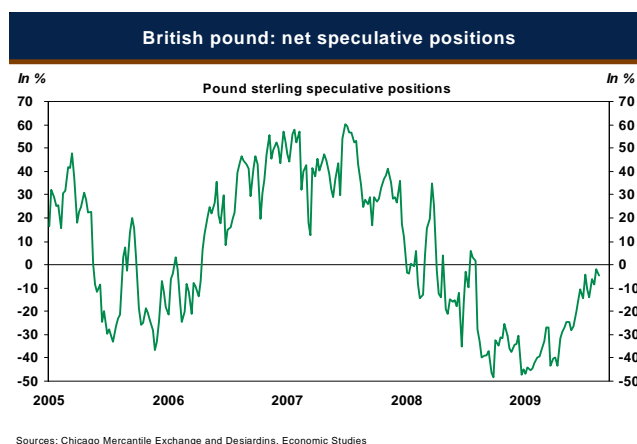
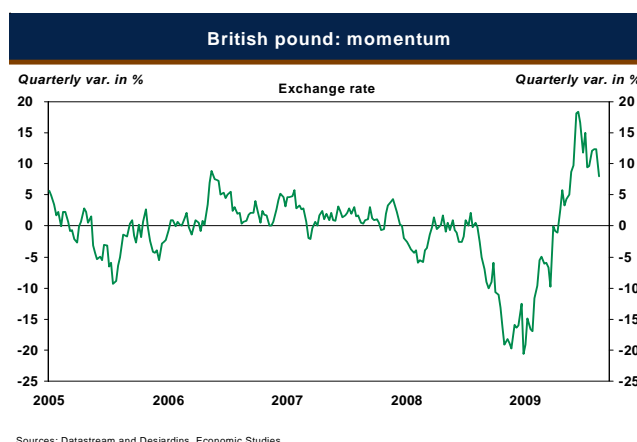
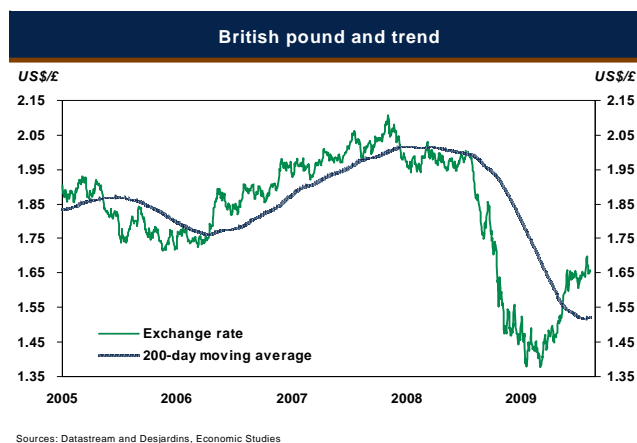
Sources: Chicago Mercantile Exchange and Desjardins, Economic Studies

# BRITISH POUND (GBP)

## The Bank of England's actions curb the pound's rise

- The pound sterling, whose value had collapsed last year when the financial crisis took a dramatic turn, has benefited extensively from the easing financial strains in the last few months. Following a period of consolidation, the pound jumped above US\$1.70 in early August, a more than 25% gain from last January's low. The pound has also risen against the euro, with the EUR/GBP pair going from close to parity early this year to about £0.85 today. The greenback's renewed strength and the Bank of England's (BoE) decision to expand its quantitative policy program have, however, taken the pound back below US\$1.65 in the last few days.
- The pound's major gains in recent months have driven the currency's momentum to a high level, which could indicate a risk of a technical correction. Speculative positions on the currency are still slightly negative, however, a less worrisome signal.
- In addition to being one of the major beneficiaries of the decline in financial strain due to the size of Britain's financial sector, the pound has been boosted by encouraging economic statistics in the United Kingdom. In particular, the Purchasing Managers Index points to renewed growth in the manufacturing sector, and more and more signs suggest that the real estate sector is turning around.
- The BoE is still being cautious about the signs of recovery and continues to show concern about the substantial slowing by money supply growth and restrictive credit conditions. In its August's Inflation Report, the BOE deems that activity could stabilize in mid-2009 and could then return to growth. However, "recovery could be slow and protracted," with adjustments to be made to bank, household and public administration balance sheets. The inflation rate could be volatile over the near term but, over the medium range, the primary risk is inflation below the 2% target until the end of 2012. This inflation scenario justifies the BoE's decision to expand its asset purchase program and suggests that the key rate will be at the 0.50% floor for a very long time.

**Forecasts:** In our view, the pound's strong appreciation could be almost over. The financial strains have eased substantially and the markets are now reflecting a looming end to the recession. Despite the signs of recovery by the British economy, everything suggests that the BoE will wait for some time before raising its key rate. The pound could thus oscillate close to current levels for several months.



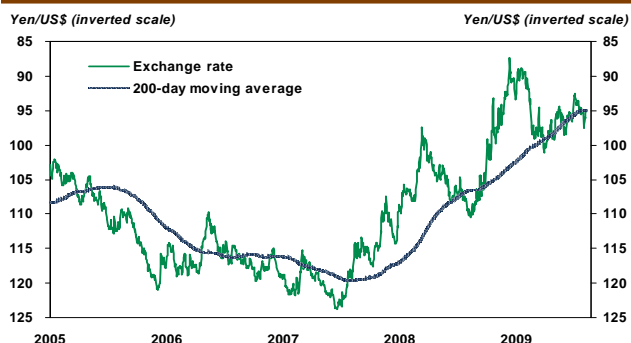
## YEN (JPY)

### The Japanese economy's rebound limited the yen's depreciation

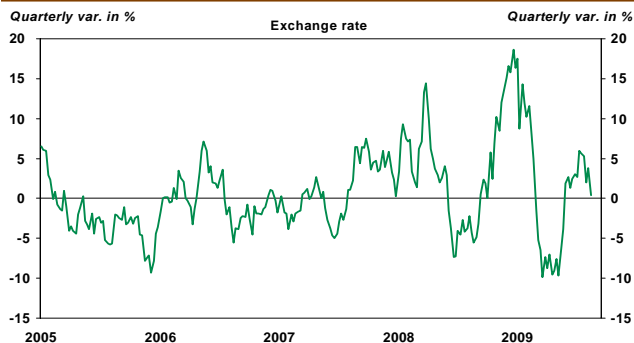
- Investor sentiment is still having a strong influence on the yen's value. After dropping slightly below 92 yen in early July, when the stock markets were undergoing a slight correction, the USD/JPY went back on an up trend when a fresh wind of optimism hit the markets. The yen even depreciated to 97.79 yen/US\$ on August 7, after better-than-forecast employment figures were released in the United States, then returned to around 95 yen.
- The yen's depreciation since mid-July has once again taken the USD/JPY pair below its 200-day moving average. If the movement does not turn around immediately this time, it could mean that the yen's long-term rising trend is winding down. The other market indicators are not sending a very clear message. At this point, the yen's momentum and net speculative positions are close to zero.
- In addition to the substantial drop in risk aversion, Japan's economic difficulties have played against the yen since the year began. The recession was especially harsh for this export-focused nation. However, the economic news has improved substantially in the last few months. After plunging by a brutal 11.7% (annualized) in the first quarter of 2009, Japan's economy advanced by 3.7% in the spring thanks to a rebound of exports. Renewed foreign demand is also affecting industrial production, which posted a fourth straight increase in June.
- However, there is nothing to show that Japan's economic performance will support the yen for long. The second quarter's rebound is essentially due to foreign trade getting back to normal after a spectacular tumble. As the Bank of Japan (BoJ) noted recently, "domestic private demand is likely to remain relatively weak," as businesses are still in trouble and the employment and income situation is deteriorating. The deflation issue is still very serious and the BoJ expects that price growth could be negative for quite some time. Japan's economy could thus underperform the other major economies over the next few quarters, which should put downside pressure on the yen.

**Forecasts:** In the near term, investor sentiment could continue to have a big influence on the yen's fluctuations. The medium-range trend will be yen depreciation, in our opinion, as the economic recovery could be quite soft in Japan and there is nothing to augur monetary policy firming. The USD/JPY pair should thus gradually rise toward 100 yen/US\$.

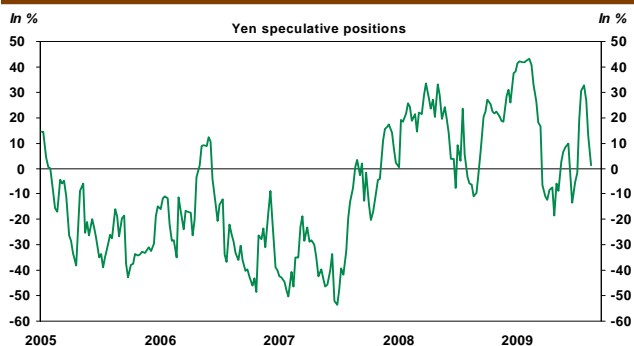
#### Yen and trend



#### Yen: momentum



#### Yen: net speculative positions

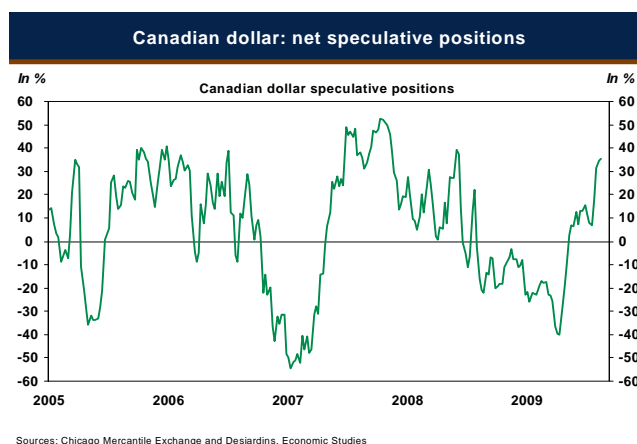
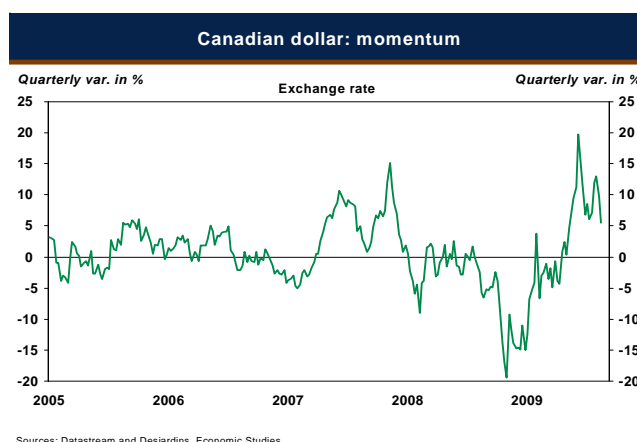
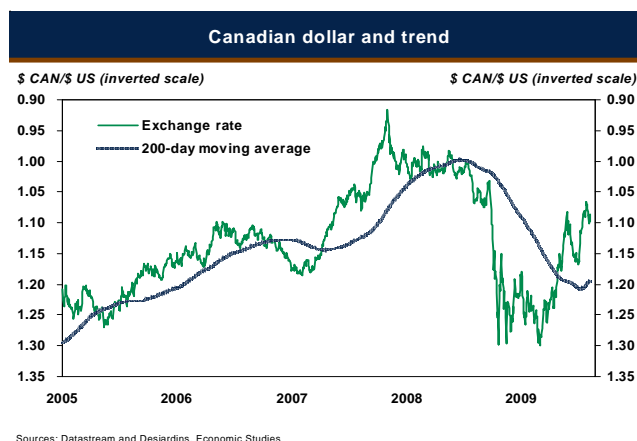


# CANADIAN DOLLAR (CAD)

## The loonie maintains its momentum

- After depreciating in May and June as forecast, in July, the Canadian dollar capitalized on easing risk in the markets and the resulting rise in commodity prices. The USD/CAD pair thus fell from C\$1.1725 in the initial weeks of July to a recent low of 1.0633, for a gain of 7% by the loonie. Enthusiasm for the Canadian dollar has faded somewhat subsequently, in conjunction with the slight dip in crude prices.
- On a market basis, the indicators are in line with a correction by the loonie. Long speculative positions are mounting apace and, in the last few weeks, momentum has reached unparalleled levels, although this partially reflects the USD/CAD's vitality at the end of 2008.
- On a fundamental basis, the latest statistics still point to ongoing improvement in Canada's economy, although no real gains have yet been recorded. Consumer confidence has risen for a fourth straight month and is now approaching its average for the last 20 years. The leading indicator is now compatible with economic growth in the third quarter. However, July's 47,000 layoffs show that the Canadian economy still has soft patches. Aside from the job market, housing starts were broadly disappointing. Moreover, the inventory correction cycle has barely gotten started and will remain a drag on growth for the next few quarters.
- In July, the Bank of Canada (BoC) decided to keep its key rate to a historic low of 0.25%. It is, moreover, maintaining its commitment to keep the rate at this lower bound until June of 2010. The BoC has upgraded its growth forecast for Canada's GDP for 2009 and 2010, offset by moderating the strong growth forecast for 2011. However, this should not be read as a signal that key rates will come up soon. The BoC judges that the economic recovery is nascent and that accommodating policies are still critical. Moreover, given the substantial excess supply in the economy, inflation could remain below the 2% target until mid-2011; the BoC continues to think that the risks to this projection are slightly tilted to the downside.

**Forecasts:** In the very near term, the enthusiasm for the Canadian dollar could ease, but the expected comeback by demand for commodities will continue to support the loonie.



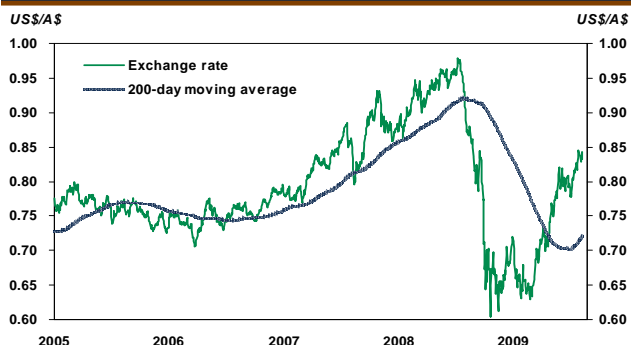
# AUSTRALIAN DOLLAR (AUD)

## The aussie continues to skyrocket

- After stabilizing at around US\$0.80 in June and early July, the Australian dollar blithely capitalized on the markets' renewed enthusiasm for risk. The aussie thus closed in on the US\$0.85 mark in the early weeks of August, a gain of more than 35% since February 2.
- Technically, momentum is very high, but the slight dip that occurred in the last few weeks could allow the Australian dollar to keep rising. Speculative positions are large and call for caution, but levels that have historically been compatible with a correction have not yet been reached.
- Relatively speaking, the Australian economy's fundamentals are in much better position than most of the other industrialized economies. After tumbling by an annualized 2.2% in the last quarter of 2008, the country avoided a recession with a 1.5% gain in the first quarter of 2009. It is unlikely that growth will continue at this pace. Among other things, consumer spending (+0.6%) may have declined due to the deterioration in the job market and reduced impact of the government's recovery program. The country is still in good position to benefit from the Chinese recovery.
- The current performance by the economy and inflation prompted the Reserve Bank of Australia to stay on the sidelines. The key rate has thus remained at 3.00% since April. The door is open to other rate cuts, if needed, but the likelihood is now quite low. Monetary authorities are still concerned about inflation. While the total annual index has fallen to a low of 1.5% due to the correction by commodity prices, prices ex-energy (+3.9%) are still rising at a faster pace than the target range, which is 2% to 3%.
- Clearly, the aussie's upcoming movement will be influenced by the direction of commodity prices. The looming comeback by economic growth will have a substantial impact on demand for commodities and should support prices. The marked easing of financial strains also prompts appreciation by risky assets such as stock and commodities, along with depreciation by the U.S. dollar, another development that favours resource prices.

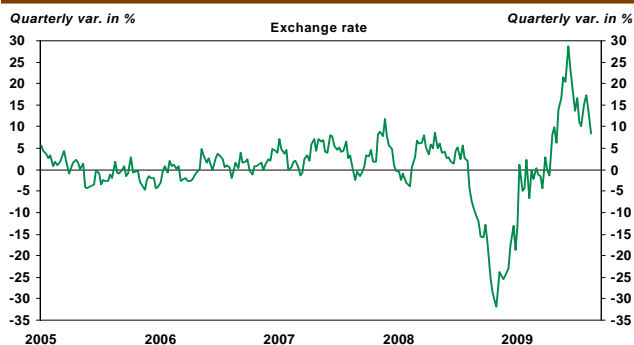
**Forecasts:** Enthusiasm for the Australian dollar seems a little overblown in some regards but, unless a substantial negative shock puts risk aversion back at centre stage, positions favourable to the economic recovery will keep finding takers. Under these conditions, it would not be surprising for the aussie to keep rising, although at a slower pace.

### Australian dollar and trend



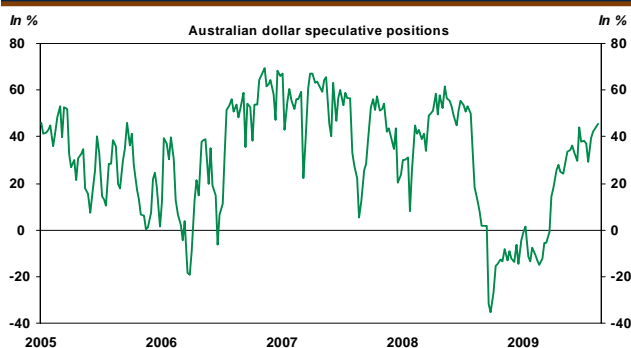
Sources: Datastream and Desjardins, Economic Studies

### Australian dollar: momentum



Sources: Datastream and Desjardins, Economic Studies

### Australian dollar: net speculative positions

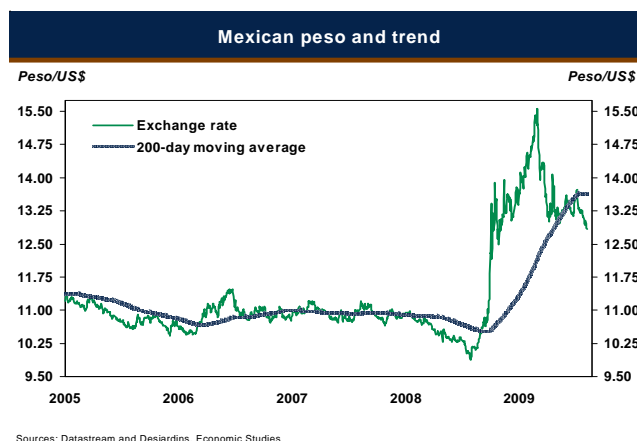


Sources: Datastream and Desjardins, Economic Studies

## MEXICAN PESO (MXN)

### The peso is back on the rise

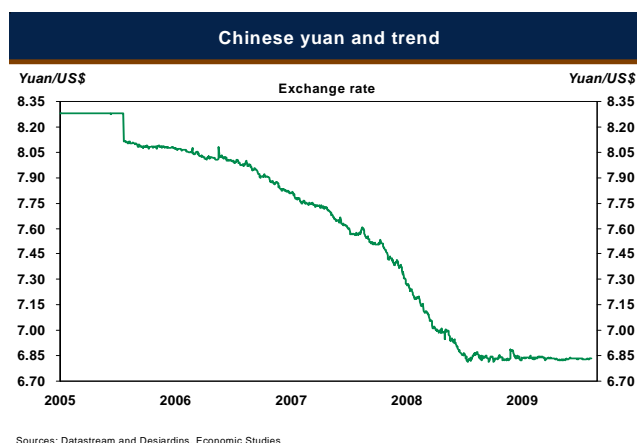
- The peso has been relatively stable in recent months. Since the spectacular rebound that took the USD/MXN pair from a high of 15.58 pesos on March 9 to close to 13 pesos in mid-April, Mexico's currency has stayed in a tight channel between 13 and 14 pesos. It recently crossed the bottom of the range when easing economic and financial risks allowed Mexico's peso to rise.
- The real GDP fell by an annual 8.2% in the first quarter of 2009, partially reflecting an annual drop of almost 14% in manufacturing output, including a 48% decline in the transportation equipment sector.
- The Bank of Mexico (BoM) lowered its key rate by 25 basis points to 4.50% on July 17. It took some time for inflation to adjust to the slower economic pace. However, measures to freeze prices for oil and some public services, combined with pressures on income (particularly from transfers from Mexican workers in the United States) should give rise to a wave of disinflation. The BoM claims that the down cycle is coming to an end, but the door is open to another cut.



## CHINESE YUAN (CNY)

### Stability is the order of the day

- The yuan has been quite stable over the last four months, ending a period of volatile activity. The lull in the Chinese foreign currency market brings an end to the currency's period of rapid appreciation, which lasted almost a year.
- Although, at this level, those who call for a stronger yuan continue to criticize the trade inequality caused by an undervalued Chinese currency, the statistics show that China has also been caught up on the global economic difficulties. Of course, annual GDP growth jumped to 7.9% in the second quarter, but this primarily reflects the increased capital spending tied to the government's infrastructure assistance plan. Conversely, the slowdown of global trade pushed Chinese exports down. Deflation also seems to have settled in, with prices down for a fifth straight month.
- The yuan is expected to remain relatively stable for the next few months. The global economic recovery and impacts of the substantial Chinese fiscal plan (which should make itself fully felt by the end of this year and next year) could put the yuan back on track for modest growth.



**Table 1**  
**Currency market**

Country – Currency*	Spot price		Percentage return since				Last 52 weeks		
	Aug. 16	1 month	3 months	6 months	1 year	Higher	Average	Lower	
<b>North America</b>									
Canada – dollar	1.0924	-2.26	-6.54	-12.12	2.61	1.3001	1.1763	1.0333	
Canada – (CAD/USD)	0.9155	2.32	7.00	13.79	-2.54	0.9678	0.8501	0.7692	
Mexico – peso	12.8920	-5.17	-2.41	-11.28	26.18	15.3835	13.1306	10.0898	
<b>South America</b>									
Argentina – peso	3.8405	0.84	3.00	9.89	26.80	3.8405	3.5083	3.0225	
Brazil – real	1.8342	-5.39	-11.51	-19.18	12.04	2.5935	2.1205	1.6120	
<b>Asia</b>									
China – yuan renminbi	6.8344	0.05	0.12	0.12	-0.53	6.8860	6.8367	6.8137	
South Korea – won	1,239.10	-2.10	-1.40	-13.18	19.18	1,570.65	1,308.99	1,039.70	
Hong Kong – dollar	7.7506	0.01	-0.01	-0.04	-0.81	7.8135	7.7581	7.7499	
India – rupee	48.2000	-0.87	-2.25	-1.27	12.59	51.9835	48.3563	42.8105	
Japan – yen	94.94	1.20	-0.29	3.54	-14.12	110.54	97.14	87.36	
<b>Europe</b>									
Denmark – krona	5.2405	-0.46	-4.97	-10.01	3.21	5.9827	5.5069	5.0076	
Euro zone – (EUR/USD)	6.0808	-4.51	-6.86	-11.60	12.08	7.2360	6.5199	5.3208	
Norway – kroner	1.6531	0.61	8.34	16.07	-11.28	1.8759	1.5741	1.3669	
Russia – ruble	31.6590	-0.01	-1.25	-9.96	28.70	36.3638	30.4120	24.3032	
Sweden – krona	7.1940	-7.61	-9.09	-15.91	13.05	9.3156	7.7783	6.2814	
Switzerland – swiss franc	1.0714	-0.35	-3.02	-7.65	-2.29	1.2247	1.1264	1.0412	
United Kingdom – (GBP/USD)	1.4236	0.86	4.71	11.24	-3.09	1.4898	1.3554	1.2449	
<b>South Pacific</b>									
Australia – (AUD/USD)	0.8326	3.38	11.14	28.05	-3.93	0.8796	0.7244	0.6036	
New Zealand – (NZD/USD)	0.6781	4.66	15.89	30.92	-4.06	0.7207	0.5914	0.4924	

\* 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	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
<b>American dollar</b>										
Canadian dollar (USD/CAD)	1.0630	1.2189	1.2630	1.1628	1.1111	1.0753	1.0753	1.0526	1.0000	1.0000
Euro (EUR/USD)	1.4047	1.3901	1.3277	1.4027	1.4400	1.4200	1.4000	1.4000	1.3800	1.3600
British pound (GBP/USD)	1.7825	1.4378	1.4334	1.6469	1.6500	1.6500	1.6500	1.6500	1.7000	1.7500
Yen (USD/JPY)	106.00	90.74	98.91	96.33	98.00	100.00	100.00	100.00	100.00	100.00
Australian dollar (AUD/USD)	0.7700	0.6500	0.6910	0.8000	0.8200	0.8300	0.8300	0.8500	0.8700	0.9000
Mexican peso (USD/MXN)	10.80	12.50	14.17	12.00	11.50	11.00	11.00	11.00	11.00	11.00
Chinese yuan (USD/CNY)	6.82	6.82	6.83	6.80	6.70	6.60	6.40	6.25	6.00	6.00
Effective dollar* (73 = 100)	76.13	79.41	83.23	77.70	75.00	75.00	75.00	76.00	77.00	78.00
<b>Canadian dollar</b>										
American dollar (CAD/USD)	0.9407	0.8204	0.7918	0.8600	0.9000	0.9300	0.9300	0.9500	1.0000	1.0000
Euro (EUR/CAD)	1.4931	1.6943	1.6769	1.6309	1.6000	1.5269	1.5054	1.4737	1.3800	1.3600
British pound (GBP/CAD)	1.8947	1.7525	1.8103	1.9149	1.8333	1.7742	1.7742	1.7368	1.7000	1.7500
Yen (CAD/JPY)	99.71	74.44	78.31	82.85	88.20	93.00	93.00	95.00	100.00	100.00
Australian dollar (AUD/CAD)	0.8185	0.7923	0.8727	0.9302	0.9111	0.8925	0.8925	0.8947	0.8700	0.9000
Mexican peso (CAD/MXN)	10.16	10.26	11.22	10.32	10.35	10.23	10.23	10.45	11.00	11.00
Chinese yuan (CAD/CNY)	6.42	5.60	5.41	5.85	6.03	6.14	5.95	5.94	6.00	6.00

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

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