

The global monetary firming cycle will primarily benefit commodity currencies

HIGHLIGHTS

- **Editorial:** The next countries to initiate monetary firming cycles will have to share characteristics with Australia. New Zealand, Canada and Norway, whose currencies are also tied to movements by commodity prices, are the most likely to jump on the bandwagon.
- **EUR/USD:** Negative sentiment on the greenback could easily put the euro over US\$1.50 shortly.
- **GBP/USD:** The potential for depreciation now appears to be limited and Britain's currency should consolidate around US\$1.65 over the next few months.
- **USD/CAD:** Negative greenback sentiment combined with oil prices that have finally crossed US\$75 a barrel should keep upward pressure on the loonie. However, we are maintaining our position: energy prices must go higher before the loonie settles into lasting parity against the greenback.

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Editorial

Although the world's economy appears to have closed a dark page in its history, several questions remain. These include the fact that the recovery's magnitude and sustainability are unclear. The debate on inflation is also still with us: Is the risk of deflation prompted by the widening output gap greater than the potential inflationary impact of the extraordinary quantitative measures deployed over the last year? One thing is certain: with a number of economies already growing or poised to do so, some of them will soon have to initiate a monetary firming cycle. The Reserve Bank of Australia has made the first move¹, so others will inevitably follow in the months to come. The consequences for these countries' currencies will be marked.

WHOSE TURN IS IT?

Apparently, as the crisis hit the globe's biggest industrialized economies the hardest, there is every reason to believe that they will be among the last to raise their interest rates. The United States was the source of much of the problems, so it is unlikely that the Federal Reserve (Fed) will begin to raise its key rates prematurely, particularly as it will have to factor in the fact that the Obama administration will sooner or later try to reduce the public debt. The consequences of a parallel tightening of interest rates and fiscal policy could take the American economy back into a recession. The minutes of the last FOMC (Federal Open Market Committee) meeting also showed that the expected growth will be too sluggish to absorb much of the production excess capacity, forcing the Fed to keep its interest rates exceptionally low for a long time.

In the euro zone, with low industrial capacity utilization, a net deterioration in the labour market and anaemic money supply

¹ In October, the Reserve Bank of Australia raised its key rate by 25 basis points to 3.25%.

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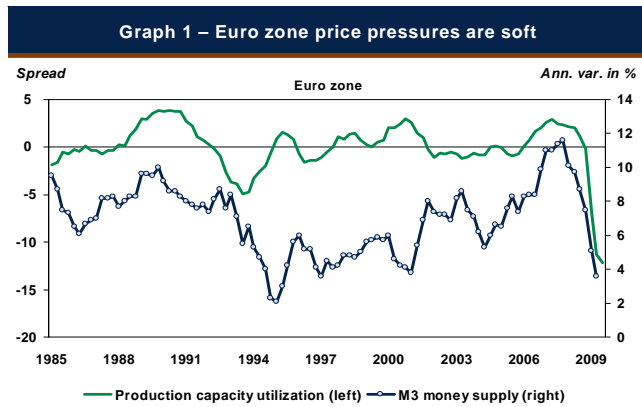
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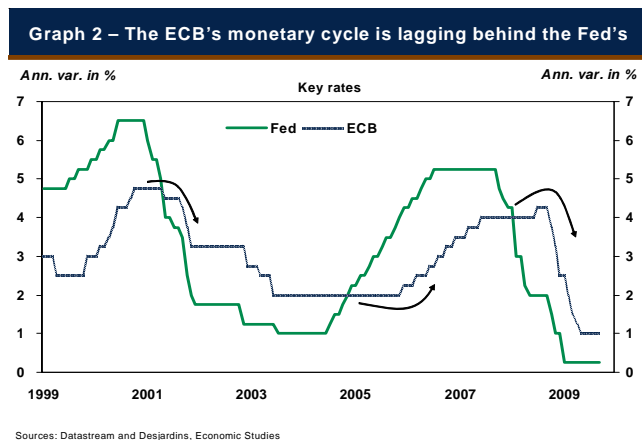
NOTE TO READERS: The letters **k**, **M** and **B** are used in texts and tables to refer to thousands, millions and billions respectively.

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growth, the European Central Bank (ECB) is clearly not in position to raise its rates shortly, either (graph 1).



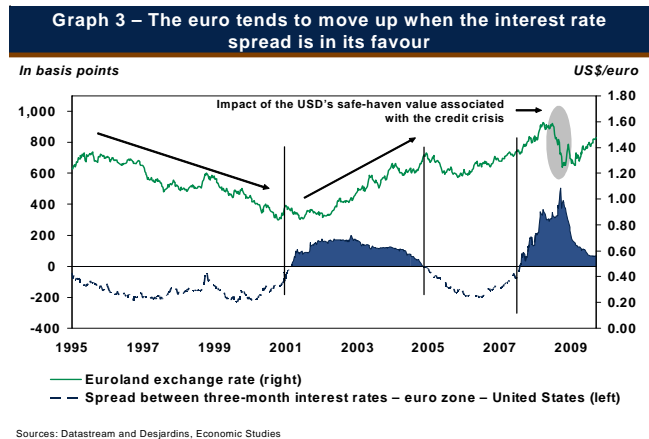
In fact, as the euro zone is about six months behind the U.S. cycle, the ECB, as in the 2001 recession, could only start to raise its interest rates after the Fed does (graph 2).



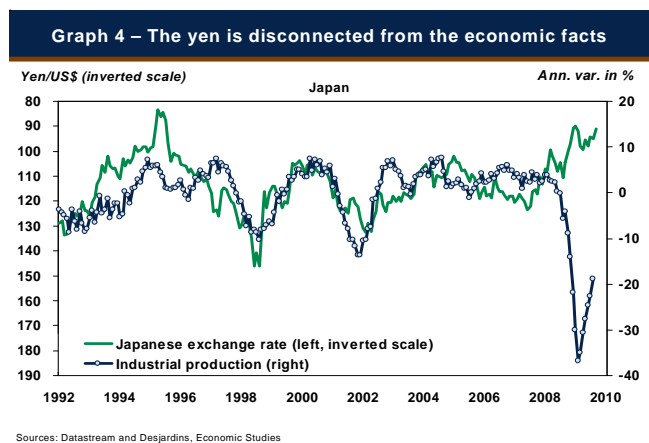
Nonetheless, the euro, the only real alternative to the greenback, will continue to benefit from negative US dollar sentiment over the coming months. With interest rates already 75 basis points higher than U.S. rates, the spread is still favourable to euro appreciation in the near term (graph 3).

The United Kingdom has deployed an unprecedented effort, and everything suggests there will be no monetary firming before the end of 2010. However, quantitative policies are starting to pay off and we can expect a change of tone in the next few months, which should enable the pound sterling to regain some altitude. Also, keep an eye on money supply growth and the real estate sector's recovery.

Japan being afflicted by chronic deflation and a dependence on foreign trade, the Bank of Japan will be unable to start



raising its interest rates for a long time. However, while the currency already seems to be overvalued (graph 4), this will not be enough to substantially rein in upward pressure on the yen.

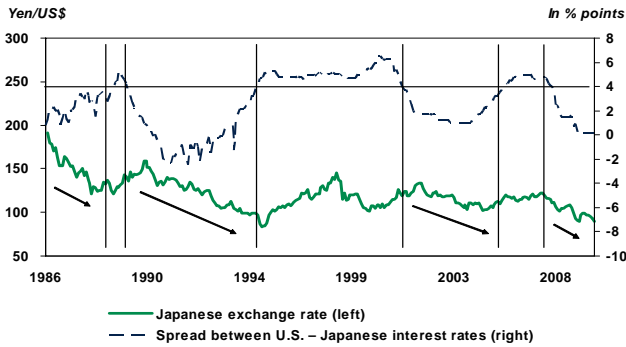


The latter continues to benefit from the American dollar's weakness, repatriation of capital to Japan and unparalleled low U.S. interest rates. On the latter point, previous decades have demonstrated that it takes a spread of close to 400 basis points in favour of the United States to turn the USD/JPY's momentum around (graph 5).

COMMODITY CURRENCIES ARE IN BETTER POSITION

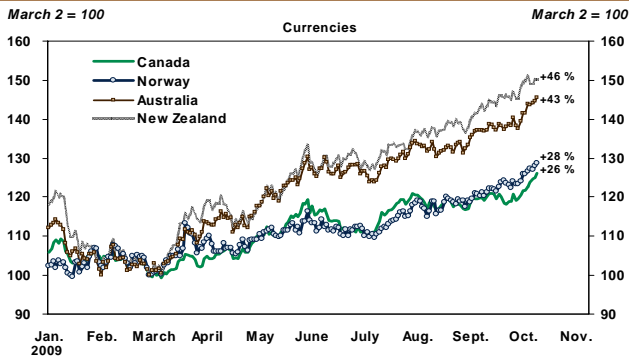
Apparently, the next countries to initiate monetary firming cycles will have to share characteristics with Australia. Since last March's stock market bottom, Australia's dollar has benefited substantially from the soft greenback, renewed enthusiasm for risk and subsequent rise by commodity prices. There is every reason to believe that New Zealand, Canada and Norway, whose currencies are also tied to movements by commodity prices, are the most likely to jump on the bandwagon (graph 6).

Graph 5 – To favour the greenback, the spread between U.S. and Japanese interest rates must be substantial



Sources: Datastream and Desjardins, Economic Studies

Graph 6 – Big rebound by currencies associated with commodity movements



Sources: Datastream and Desjardins, Economic Studies

Of them, Norway stands out. In September, it kept its key interest rate at 1.25% due to low inflation. However, the economy appears to be recovering more quickly than forecast. Monetary and fiscal easing, combined with the comeback by oil sector activity, has helped support demand for goods and services. According to the Bank of Norway, employment is stable and should lead to a much lower jobless rate than initially estimated, despite the lower activity in the manufacturing and construction sectors.

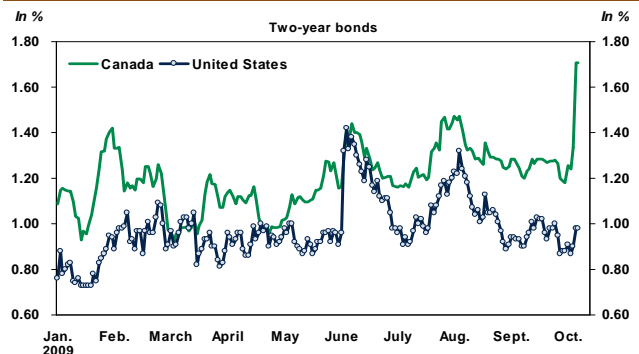
That said, low interest rates are helping buoy consumption, while intensified use of production capacity and low productivity could increase input costs, which could mean higher inflation. This, in turn, would prompt monetary authorities to raise interest rates more quickly than anticipated. It would not be surprising to see the Bank of Norway begin a monetary firming cycle before the end of the year.

New Zealand will not have the option to wait much longer. Unlike Australia, which is watching the impact of its currency appreciation on inflation with a kindly eye, New Zealand has demonstrated concern about the almost 50% rise by the New Zealand dollar. However, the strength of the economy in the

Asia-Pacific overall suggests that it should initiate a monetary firming cycle in the first half of 2010.

The repercussions of Australia's interest rate increase have even spread to Canada, forcing the markets to review their interest rate expectations (graph 7). True, the two economies have a number of things in common, but the factors that drove the Reserve Bank of Australia to raise its interest rates earlier than forecast are giving the Bank of Canada (BoC) the leeway to wait longer.

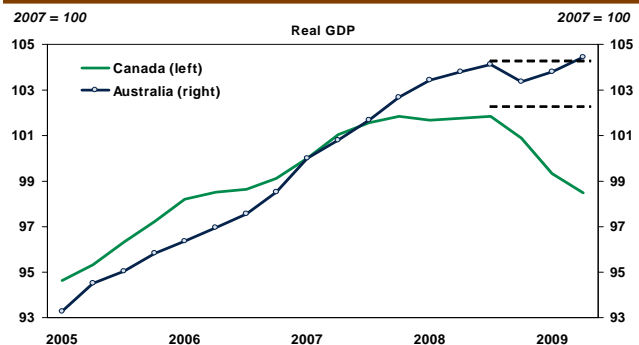
Graph 7 – The market is expecting key rate hikes soon



Sources: Datastream and Desjardins, Economic Studies

Relatively speaking, Australia, which has benefited from its proximity to China, has done much better than Canada, which has been hurt by the economic and financial strains in the United States. Australia's economic activity is already now higher than pre-crisis levels and the economy has lost almost no jobs (graphs 8 and 9). Moreover, ex-energy price disinflation is not as much of a concern as it is here (graph 10).

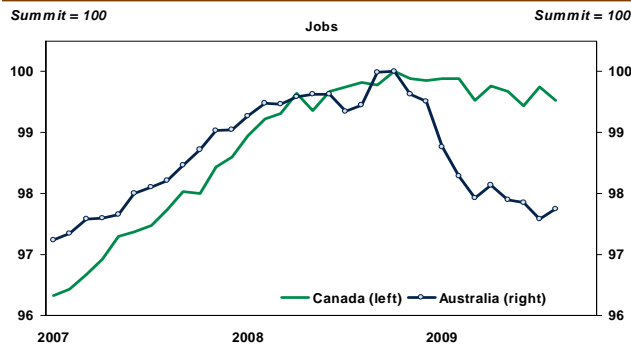
Graph 8 – The Australian economy's output is already larger than it was last year



Sources: Datastream and Desjardins, Economic Studies

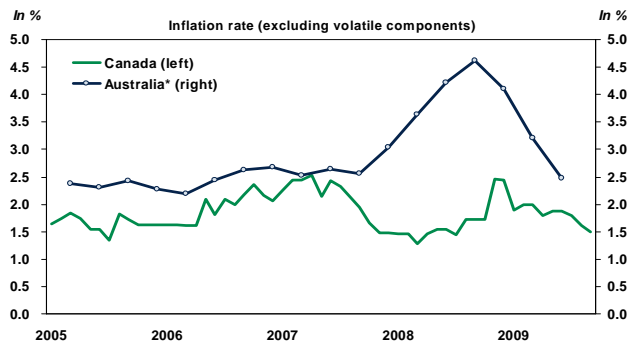
Under these circumstances, the BoC will be cautious in developing its monetary policy. It will be hard to close the widening output gap with soft growth, which will limit inflation pressure. Simultaneously, the lively loonie promises to be a

Graph 9 – The employment market is sounder



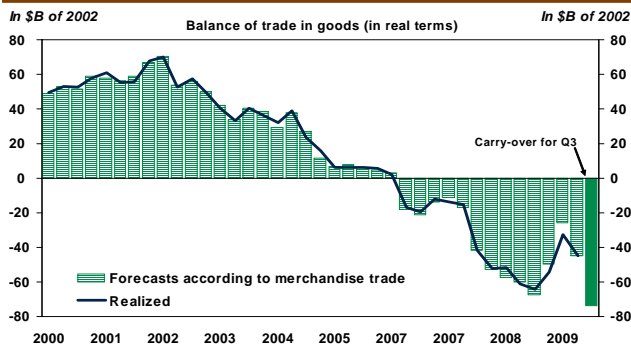
Sources: Datastream and Desjardins, Economic Studies

Graph 10 – Australia has higher inflation than Canada



*Quarterly data.
Sources: Datastream and Desjardins, Economic Studies

Graph 11 – Heading for another major deterioration by the trade balance in Q3?



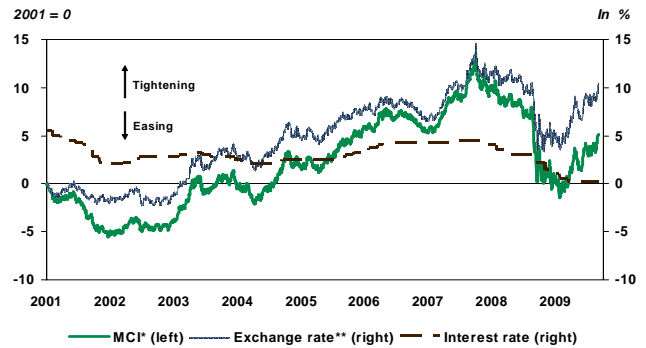
Sources: Statistics Canada and Desjardins, Economic Studies

problem for the recovery, with the export sector already hurting due to the anaemic American economy (graph 11).

It is unlikely that this will prompt the BoC to take action in the exchanges², but the Bank will want to make sure that Canada's economy can adapt to a higher loonie before it amends its

² See *FX Forecasts* issue titled "When will the greenback get back to fundamentals?" dated August 17, 2009.

Graph 12 – The loonie's rise is firming up monetary conditions substantially



* Monetary condition index; ** Equivalent percentage.
Sources: Datastream and Desjardins, Economic Studies

monetary policy (graph 12). A more upbeat stance, pointing to an early key rate increase, would probably make short work of catapulting the Canadian dollar above parity. Due to low core inflation and the shaky recovery, we still expect key rates to only be raised in the second half of 2010.

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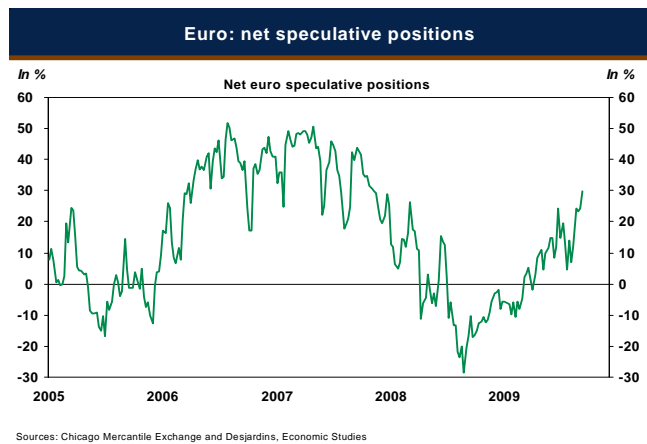
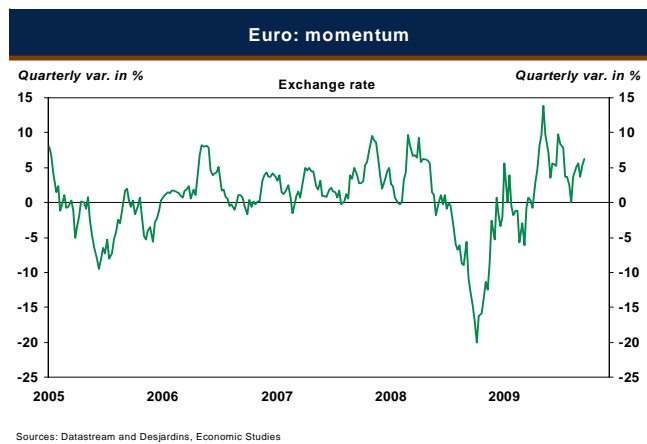
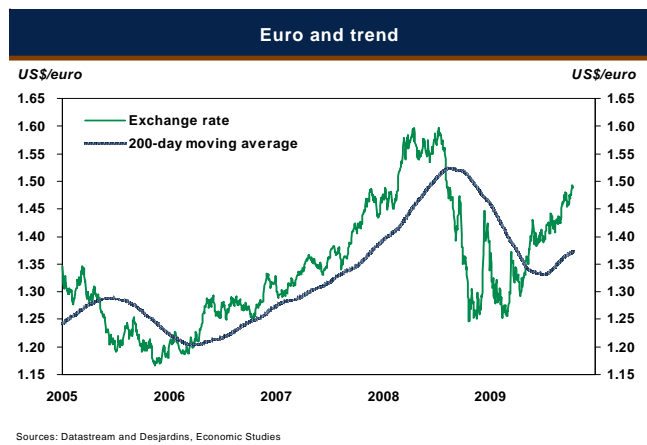
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EURO (EUR)

Doubts about the greenback drive the euro to a more than one-year high

- Investors who want to hedge against further greenback devaluation do not have many options. With gold, euro is thus one of the biggest beneficiaries of the U.S. dollar's struggles, as it is the only other currency that can aspire to an international role. The euro has thus appreciated by about 4% since September opened, going over US\$1.49 for the first time since August of 2008.
- Although not yet at levels that augur an imminent correction, market indicators show that the euro's rise is beginning to be drawn out. In particular, the euro's current value is about 20 cents higher than its 200-day moving average; net speculative positions are very high. Momentum is also relatively high, although not nearly as high as it was earlier this year.
- In the near term, the euro's fluctuations could still be primarily influenced by the U.S. dollar's movements. As in the other major economies, most of the economic statistics have improved substantially over the last few months. After the real GDP edged down in the second quarter of 2009, the zone's economy could well be growing again in the second half of the year. However, the increase in the jobless rate and substantial slowdown in money supply growth and private sector lending could hamper the recovery. The euro's appreciation is another risk factor for the euro zone's economic recovery.
- At its October meeting, the European Central Bank (ECB) remained highly cautious regarding the recovery, opting to keep referring to the Euroland economy's stabilization. It is concerned that the ongoing balance sheet adjustments in the financial and non-financial sectors will affect growth over the medium term. It therefore kept its key rate at 1.00% and nothing points to monetary firming as inflation pressure will continue to be low over the medium range. The ECB could thus be one of the last central banks to raise its key rates. Usually quite sparing in his comments on the euro's value, President Jean-Claude Trichet noted the importance of the strong U.S. dollar policy and stressed that the ECB had no strategy for promoting international use of the euro.

Forecasts: Negative feeling about the greenback could easily put the euro over US\$1.50 in the next few months. However, a more sluggish economic recovery than elsewhere in the world and a slight bounce back by the U.S. dollar's popularity should put downside pressure on Euroland's currency in 2010, taking it back under US\$1.40 at the end of the year.

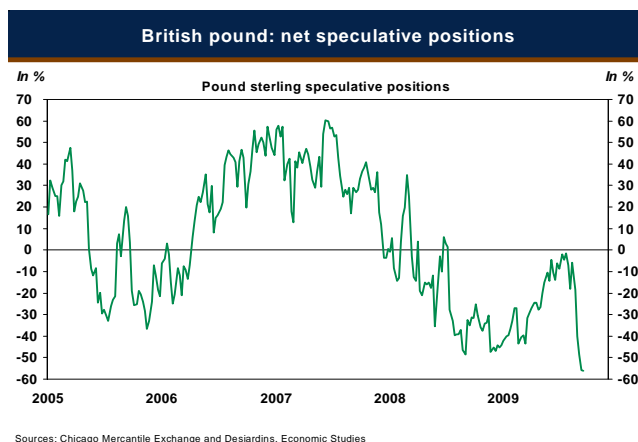
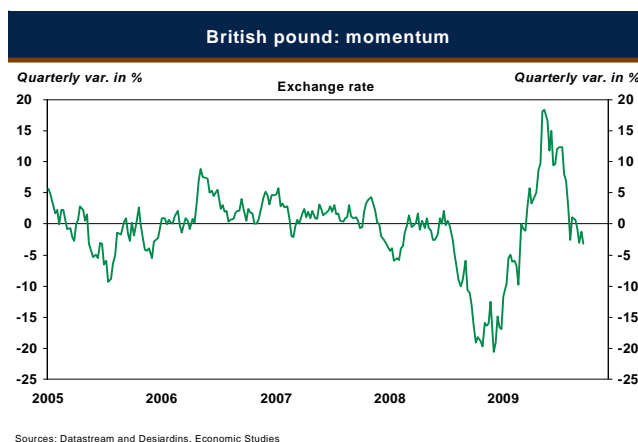
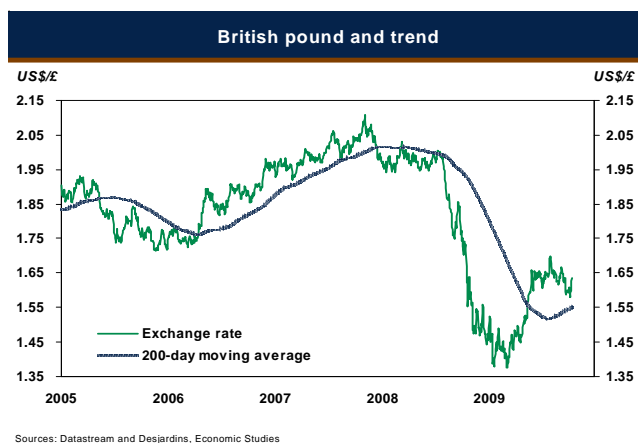


BRITISH POUND (GBP)

The pound is not benefiting from the American dollar's softness

- The pound's surge in the first half of the 2009 made way for consolidation at around US\$1.65 this summer. Some concerns about another expansion of Bank of England (BoE) quantitative measures even took the pound back temporarily below US\$1.60. The pound's softness has made the EUR/GBP pair jump from about £0.85 in mid-2009 to over £0.90. The sharp increase in the positive spread between German and British two-year rates since the summer could have played a role in the British currency's underperformance.
- The recent tougher months have put the pound's momentum back into slightly negative territory, as the currency's value has closed in on its 200-day trend. Net speculative positions have dropped into very negative territory, which could augur an upcoming comeback by the pound. Such a rebound seems to have started in the last few days.
- Overall, the U.K.'s economic outlook has not changed much in the last few months. The recession should end in the second half of 2009, as most of the economic statistics are posting substantial increases. The improvement in the housing sector is especially promising, with the trend for prices clearly on the upswing. Consumer confidence is still showing a substantial increase. The news is not all good, however: some activity indicators retreated in September and industrial output fell 2.5% in August.
- Uncertainty about the BoE's next few decisions could continue to have a major influence on the pound. In October, the BoE kept its key rate at 0.5% and made no changes to its £175B (US\$280B) quantitative policy program. As of October 8, a total of £162B (US\$259B) in asset purchases had already been made and the program should be completed at the beginning of November. With inflation down to 1.1% in September and contracting credit, the BoE could be prompted to expand its quantitative policy again. If this happens, the asset purchase program should see only a small increase, however. Over the longer run, the BoE's muscled action could bolster Britain's economy and the pound.

Forecasts: The possible expansion of the U.K.'s quantitative measures should keep the pound volatile in the short run. However, the potential for depreciation appears to be limited and Britain's currency should generally stay around US\$1.65 in the next few months. After having acted quite aggressively to support the economy, the BoE could opt to firm up its monetary policy a little more quickly than the other central banks as of mid-2010. This should drive the pound to around US\$1.75 by the end of next year.



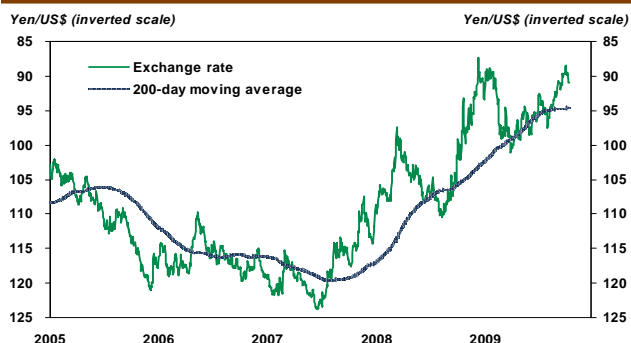
YEN (JPY)

The yen's strength is not compatible with the condition of Japan's economy

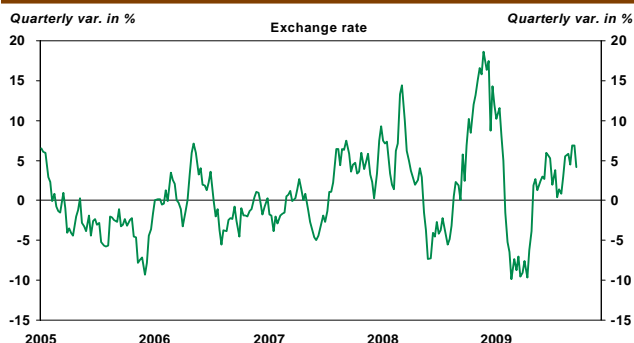
- The yen is currently defying the outlook that is based on the Japanese economy's fundamentals. Closing in on 88 yen/US\$, Japan's exchange rate recently came quite close to beating the 13-year low of 87.12 yen/US\$ reached earlier in January of 2009.
- On a market basis, the yen has crossed back above its 200-day moving average, but this does not guarantee that it will continue to appreciate for long. In fact, the momentum indicator and level of net speculative positions signal a probable correction of the currency in the near term.
- More fundamentally, the country's economic growth remains dependent on foreign trade, which also helped to bring the recession to an end in Q2. The recent annualized 2.3% jump by the real GDP seems quite small, however, beside the 7.9% gap that must be closed to get production back to where it was at the beginning of 2008. Soft domestic demand, impacted by income losses and an unfavourable labour market, will have a hard time resolving the situation. Of course, the Japanese government's recovery plan is making a sizeable contribution but, all in all, this can only be temporary.
- Foreign trade is therefore Japan's only way out and the yen's strength could compromise everything. Exporters, whose profits are melting, are on the watch and the Japanese stock exchange is substantially underperforming the globe's major indexes. For now, other factors have much more influence on the yen.
- The ultra-accommodative monetary policy, which should remain so until at least the end of 2010, is obviously not one of these factors. All of the other central banks will likely have initiated monetary firming before the Bank of Japan. However, short-term interest rates are still more favourable in Japan than in the United States, prompting more investors to opt for yen assets. A tax holiday allowing Japanese businesses to repatriate their foreign assets is also affecting the yen by increasing its demand. Lastly, the factors include the election of a new government that wants to reduce Japan's dependency on foreign trade and is more tolerant of a strong yen.

Forecasts: The yen should depreciate to better reflect the Japanese economy's fundamentals. An overly strong currency could even jeopardize the country's economic recovery. The factors that are currently guiding the currency's value should wane over the next few months, allowing the required adjustments to occur. A swing back toward 100 yen/US\$ early next year is likely.

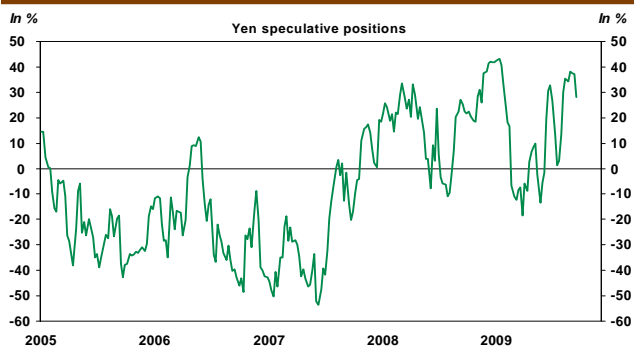
Yen and trend



Yen: momentum



Yen: net speculative positions



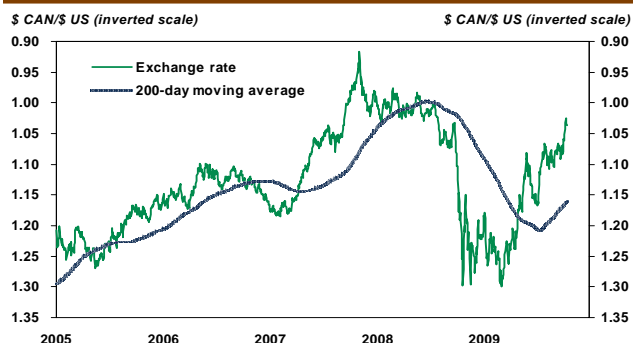
CANADIAN DOLLAR (CAD)

The loonie a hair away from parity

- The renewing appetite for risk that can be construed from the spectacular comeback by the main stock exchanges and commodity prices is continuing to benefit the loonie.
- The USD/CAD pair has continued to slide, going from about C\$1.10 in August to a low of C\$1.0207 on October 15, before recouping some of its losses in the following days.
- On a market basis, the indicators are painting a mixed picture, with, on one hand, very high speculative long positions and, on the other, positive but fairly low momentum.
- Fundamentally, the latest statistics continue to point to improving economic activity. The data on employment are especially encouraging, with two consecutive solid gains in August and September and a substantial drop by the jobless rate. However, the Canadian economy still has some weak points. These include foreign trade, which is still being pummelled by the soft American economy and strong loonie; it could make a very negative contribution to real GDP growth in Q3. Moreover, the benefits to the Canadian auto industry of the U.S. Cash for Clunkers program will reverse in Q4.
- Under these conditions, the Bank of Canada (BoC) should remain cautious. With inflation low and subdued, it will maintain the leeway it needs to keep its key rate at a lower bound of 0.25% until June 2010. In our opinion, the risks to growth and inflation are already tilted to the downside; bringing interest rates up too early would only exacerbate things. The loonie's current strength, which is partially a reflection of the shift in market expectations, will continue to be a source of concern for the Bank.

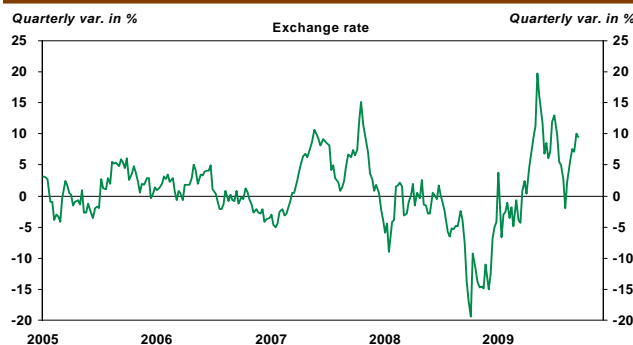
Forecasts: With high speculative positions on the currency, the loonie could correct at any time. However, conditions are still favourable to the Canadian dollar. Negative greenback sentiment combined with oil prices that have finally crossed US\$75 a barrel should keep upward pressure on the loonie. At the pace set in the last few weeks, we could see parity well before year's end. However, we are maintaining our position: energy prices must go higher before the loonie settles into lasting parity against the greenback.

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

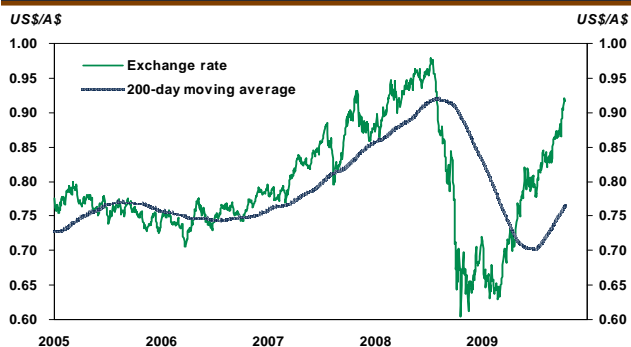
AUSTRALIAN DOLLAR (AUD)

The aussie is stimulated by the onset of monetary firming

- The Australian dollar has jumped by more than 50% in the last year, recently crossing the US\$0.92 mark. The Australian currency's incredible performance results from a number of favourable factors, including the Reserve Bank of Australia's decision to raise its interest rates earlier.
- On a market basis, however, the room left for the aussie to rise is shrinking. Momentum and net speculative positions are at levels that are consistent with a correction of the currency. It could be some time in coming, however, due to many pillars.
- The economic and financial crises that shook the globe did not hit Australia's economy as hard. Unlike the other industrialized nations, in fact, Australia only saw its real GDP decline for one quarter. Job losses were also smaller. There are currently 10,000 fewer jobs in Australia than there were in October of 2008. In September, 40,600 new jobs were created, doing a lot to close the gap that had opened up. In fact, there were symptoms of a slowdown in activity, but the proximity of the Chinese market, comeback by commodity prices and a financial sector that was in better position have helped keep the worst scenarios from materializing.
- Australian inflation has not come down as much as elsewhere, although the trend has been downward for about a year. Fearing that inflation would slide well below its official target, the Reserve Bank of Australia slashed its main key rate by 425 basis points from August 2008 to last April. With disinflationary pressure now easing, the central bank raised the cost of money by 25 basis points in September, putting it at 3.25%. The decision had been expected by the end of the year, but few analysts had anticipated it would come this soon. The Australian dollar jumped on the day of the announcement; the shock waves were felt worldwide as the news was seen as one more sign that the recovery was taking root and that other central banks would have to fall into step. A decrease in risk aversion, the greenback's weakness and rise by commodity prices, especially gold, have bolstered the aussie's appreciation.

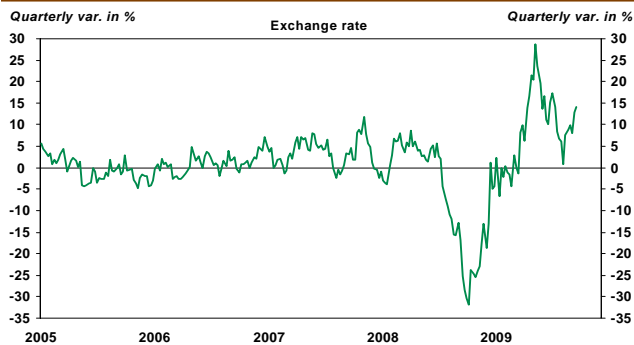
Forecasts: The Australian dollar's rise is based on a solid foundation, but the speed at which the changes occurred constitutes a risk of a correction in the near term. Moreover, the markets could once again focus on some weak points in the global economic recovery, which would have an impact on Australia's dollar. The currency will more likely consolidate close to current levels by year's end before making further substantial gains.

Australian dollar and trend



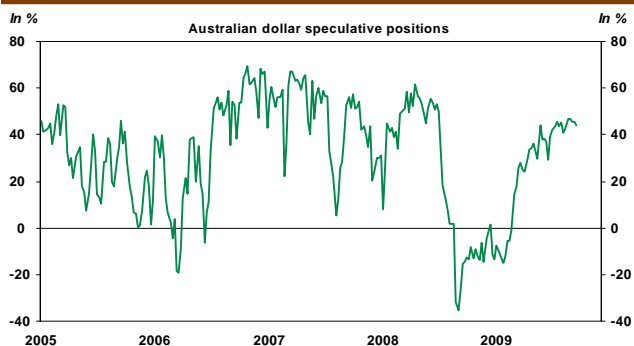
Sources: Datastream and Desjardins, Economic Studies

Australian dollar: momentum



Sources: Datastream and Desjardins, Economic Studies

Australian dollar: net speculative positions

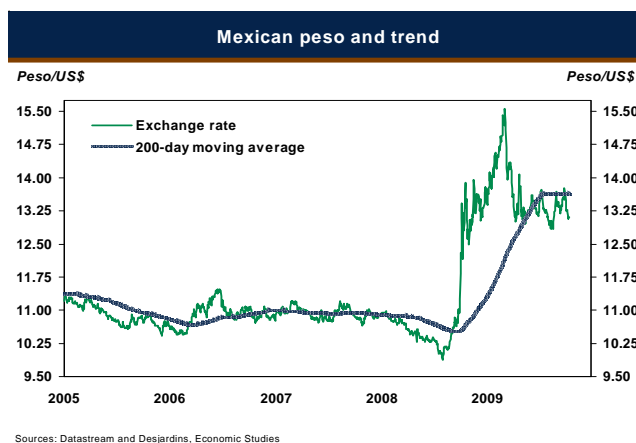


Sources: Datastream and Desjardins, Economic Studies

MEXICAN PESO (MXN)

The peso slides and recovers

- After edging down against the greenback in September, the peso appreciated in the early weeks of October, with the USD/MXN pair going from 13.76 pesos at the end of August to almost 13.25 pesos in mid-October.
- The first half of the year was tough for Mexico, but the latest statistics show that the economy is growing again. In July, manufacturing output jumped 4.5%, while auto production rose 4.3%.
- The monetary policy has not changed since the Bank of Mexico lowered its key rate by 25 basis points to 4.50% in July. Inflation is gradually adjusting but remains high. However, everything suggests that the downward cycle is over.



CHINESE YUAN (CNY)

The yuan could once again appreciate against the greenback

- Since July 2008, China's exchange rate has been kept artificially high at over 6.8 yuan/US\$, but this situation could change shortly. For now, Chinese authorities are striving to restrict collateral damage from the global recession on the country's exporters. An annualized 23.4% decline by Chinese exports was still recorded last August, but the situation seems to be attempting to stabilize. China has also started to stockpile foreign reserves at a sustained pace again (US\$178B in the second quarter compared with US\$8B in the first quarter), to keep the yuan from rising.
- In addition to stronger exports, inflation's return to positive territory and better than 10% economic growth are winning conditions for China allowing its currency to appreciate again; these conditions could be in place at around the New Year. Moreover, international pressure continues to encourage yuan appreciation. Wanting to stimulate domestic demand, China could find a strong yuan an ally. It will also have an easier time controlling monetary growth, a source of inflation over the medium term and, in turn, of real exchange rate appreciation.

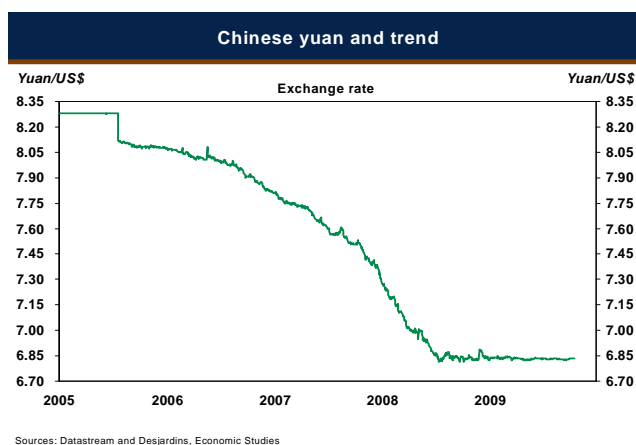


Table 1
Currency market

Country – Currency*	Spot price		Percentage return since				Last 52 weeks		
	Oct. 18		1 month	3 months	6 months	1 year	Higher	Average	Lower
North America									
Canada – dollar	1.0402		-2.84	-6.79	-14.42	-11.90	1.3001	1.1768	1.0286
Canada – (CAD/USD)	0.9614		2.92	7.29	16.85	13.51	0.9722	0.8498	0.7692
Mexico – peso	13.1475		-0.78	-2.31	-0.41	2.86	15.3835	13.5476	12.4680
South America									
Argentina – peso	3.8213		-0.39	0.38	3.80	19.09	3.8545	3.6362	3.2038
Brazil – real	1.7139		-5.01	-11.12	-21.78	-19.38	2.5935	2.1158	1.7048
Asia									
China – yuan renminbi	6.8268		-0.02	-0.07	-0.10	-0.12	6.8860	6.8347	6.8221
South Korea – won	1,164.00		-3.63	-7.58	-12.60	-12.78	1,570.65	1,319.45	1,155.40
Hong Kong – dollar	7.7500		-0.01	0.00	-0.01	-0.07	7.7599	7.7518	7.7499
India – rupee	46.2250		-3.72	-4.83	-7.16	-5.11	51.9835	48.7738	45.9750
Japan – yen	90.89		-0.44	-3.50	-8.32	-10.58	102.12	94.61	87.36
Europe									
Denmark – krona	4.9944		-1.26	-5.45	-12.57	-10.07	5.9827	5.4887	4.9808
Norway – kroner	5.6100		-4.47	-12.27	-16.20	-14.86	7.2360	6.5451	5.5409
United Kingdom – (GBP/USD)	1.6346		0.34	0.15	10.42	-5.27	1.7255	1.5440	1.3669
Russia – ruble	29.4466		-2.67	-7.33	-12.02	-11.91	36.3638	31.3402	26.3124
Sweden – krona	6.9536		1.26	-11.16	-17.71	-6.19	9.3156	7.8331	6.8118
Switzerland – swiss franc	1.0199		-0.85	-5.41	-12.47	-10.04	1.2247	1.1146	1.0134
Euro zone – (EUR/USD)	1.4877		1.05	5.43	14.05	10.59	1.4940	1.3597	1.2449
South Pacific									
Australia – (AUD/USD)	0.9165		5.65	14.22	26.95	32.75	0.9209	0.7330	0.6036
New Zealand – (NZD/USD)	0.7413		4.52	15.00	30.53	20.99	0.7447	0.5961	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
American dollar										
Canadian dollar (USD/CAD)	1.0630	1.2189	1.2630	1.1628	1.0692	1.0417	1.0417	1.0204	1.0000	1.0000
Euro (EUR/USD)	1.4047	1.3901	1.3277	1.4027	1.4617	1.5000	1.5000	1.4600	1.4200	1.3800
British pound (GBP/USD)	1.7825	1.4378	1.4334	1.6469	1.5994	1.6500	1.6500	1.6500	1.7000	1.7000
Yen (USD/JPY)	106.00	90.74	98.91	96.33	89.77	95.00	100.00	100.00	100.00	103.00
Australian dollar (AUD/USD)	0.7700	0.6500	0.6910	0.8000	0.8500	0.9200	0.9400	0.9500	0.9500	0.9200
Mexican peso (USD/MXN)	10.80	12.50	14.17	12.00	13.10	12.50	11.75	11.00	11.00	11.00
Chinese yuan (USD/CNY)	6.82	6.82	6.83	6.82	6.82	6.80	6.70	6.60	6.50	6.40
Effective dollar* (73 = 100)	76.13	79.41	83.23	77.70	74.31	72.00	72.00	74.00	77.00	78.00
Canadian dollar										
American dollar (CAD/USD)	0.9407	0.8204	0.7918	0.8600	0.9353	0.9600	0.9600	0.9800	1.0000	1.0000
Euro (EUR/CAD)	1.4931	1.6943	1.6769	1.6309	1.5628	1.5625	1.5625	1.4898	1.4200	1.3800
British pound (GBP/CAD)	1.8947	1.7525	1.8103	1.9149	1.7100	1.7188	1.7188	1.6837	1.7000	1.7000
Yen (CAD/JPY)	99.71	74.44	78.31	82.85	83.96	91.20	96.00	98.00	100.00	103.00
Australian dollar (AUD/CAD)	0.8185	0.7923	0.8727	0.9302	0.9088	0.9583	0.9792	0.9694	0.9500	0.9200
Mexican peso (CAD/MXN)	10.16	10.26	11.22	10.32	12.25	12.00	11.28	10.78	11.00	11.00
Chinese yuan (CAD/CNY)	6.42	5.60	5.41	5.87	6.38	6.53	6.43	6.47	6.50	6.40

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

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