2012: A decisive year for the euro

The U.S. dollar should continue to benefit from the slump in Europe

HIGHLIGHTS

- The euro is likely to slide below US$1.20 in the coming months. The efforts made by the European Central Bank and governments should, however, end up convincing investors that the common currency will survive.
- The U.S. dollar should continue to benefit from its safe haven role and gain some points in the first half of the year.
- The extension of the Bank of England's quantitative measures and the euro's ongoing retreat over the next few months should prompt the pound to depreciate against the greenback.
- Japan's currency should remain strong in the near term, but potential exchange market interventions will cool investors' enthusiasm.
- The loonie could lose a few cents in the near term against the backdrop of concerns in Europe and the strong greenback. It will be hard to achieve a lasting return to parity against the greenback before the end of 2012.

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Editorial

2011 ended against the backdrop of worries about the euro's survival. In our opinion, the chances of a complete meltdown by the euro remain slight, but a number of tough decisions lie ahead to ensure its longevity. The odds of a partial dismantling are higher. Standard & Poor's recent downgrade of European sovereign notes is a warning. The new fiscal compact reached by European leaders on December 9 was a step in the right direction, but the hardest part of the job is yet to come. The good intentions must now be turned into concrete results to give investors lasting reassurance and soothe concerns about the common currency. This process will likely take some quarters, which suggests the euro should continue to depreciate in the near term.

The U.S. dollar should continue to benefit from its safe haven role and gain some points in the first half of the year. The yen, which is still trending up against the U.S. dollar, is also benefiting from international financial strains. The stronger interventionism displayed by Japanese monetary authorities when it comes to the exchange rate should nonetheless manage to limit the yen's appreciation. Commodity currencies like the Canadian dollar should tend to depreciate initially with the ongoing downside pressure on commodity prices. An uptrend could materialize half-way through the year for these currencies.

THE NEW EUROPEAN FISCAL COMPACT IS NOT A PANACEA

With the new fiscal compact, European leaders once again proved their commitment to repairing governments' financial credibility. Among other things, the pact is intended to achieve and maintain a budget balance in which the structural deficit[1] will not exceed 0.5% of nominal GDP. It also aims to strengthen

[1] The structural deficit is the deficit adjusted for situational effects.

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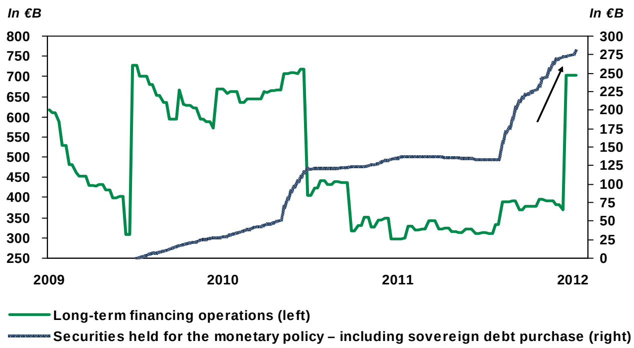
the rules governing the procedure for extreme deficit. There will be automatic consequences for countries with a deficit of more than 3% of nominal GDP.

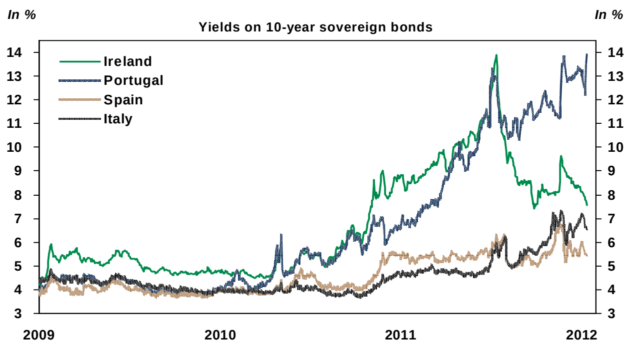
The news of the fiscal compact did not really lessen the pressure on interest rates on sovereign bonds. Too many questions have gone unanswered, particularly regarding the financing of bailout and stabilization mechanisms which is to accompany it. It was primarily the latest actions from the European Central Bank (ECB) that had an effect on the financial markets (graphs 1 and 2). The ECB widened the array of securities accepted as collateral and decided to offer longer-term liquidity to the financial institutions. In turn, these measures encouraged sovereign bond purchases.

Graph 1 – The ECB* increased its long-term financing operations



* European Central Bank.
Sources: European Central Bank and Desjardins, Economic Studies

Graph 2 – The financing costs of some struggling European nations ticked down recently



Sources: Datastream and Desjardins, Economic Studies

To rebuild investor confidence on a lasting basis and ensure the euro zone's viability, other major announcements and actions are expected. These include a final agreement on a second bailout plan for Greece, valued at €130B (US$164B), which should be concluded in the coming weeks. The agreement should, among other things, confirm the loss that private holders of Greek sovereign bonds will take. Overall, governments will also have to take the necessary measures to achieve their respective targets for cleaning up their public finances. Additional rigorous austerity plans can be expected. Lastly, in the near term, even if governments cut their expenses or increase their revenues, sufficiently powerful bailout and stabilization mechanisms must be available to cope with investor flip-flops and recapitalize financial institutions. For now, the European Financial Stabilization Facility's limited capacity means it cannot bail out Spain or Italy if the situation there were to deteriorate. More resources must be found and greater participation from the International Monetary Fund (IMF) would be welcome. Here, European nations recently agreed to lend €150B (US$190B) to the IMF to expand its capacity to intervene.

Given the magnitude of the work to be done, it is hard to see how financial strains could disappear quickly. Our base scenario forecasts that they will persist for several more quarters and will probably be stronger in the first half of the year. Simultaneously, the euro will remain under pressure. The worst is yet to come for the economy as well. The results for growth in the final quarter of 2011 and first quarter of 2012 should confirm a recession in the euro zone. The dismal economic performance will result in putting more pressure on public finances and the currency in the near term. The implementation of a precise plan that can deliver concrete results is thus even more urgent.

MOST CENTRAL BANKS ARE IN EASING MODE

While a number of central banks opted to firm up their monetary policy in 2010 and 2011, very few should go that way in 2012, starting with the ECB. Concerned about inflation growth last year, the ECB had chosen to raise its primary key rate twice in the first half of 2011. Rate hike expectations had made a big contribution to the euro's appreciation (graph 3). In a context in which financial strains will remain elevated and Euroland's economy will go into recession, the euro is not expected to benefit from this kind of stimulus in 2012. The ECB has already put its target for the overnight

Graph 3 – Interest rate spreads are no longer favouring the euro

Sources: Datastream and Desjardins, Economic Studies

refinancing rate back at 1.00% and could announce additional cuts to put it at a new historic low of 0.50%. Simultaneously, the ECB is expected to increase its non-traditional measures to avoid a tightening of credit conditions and support Europe's banking system.

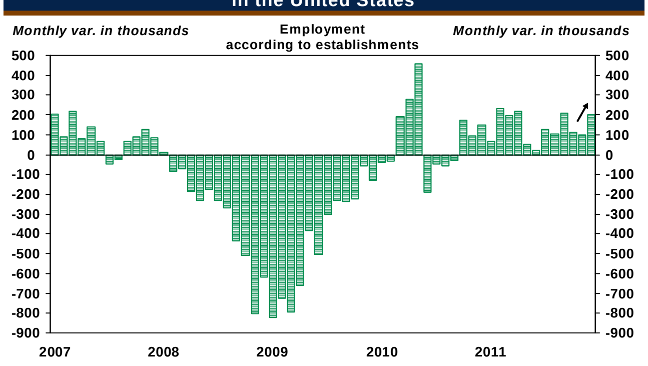
Across the Channel, the Bank of England will complete its government bond purchase plan and could announce another extension in February. The Bank of Japan will pursue a similar path. The People's Bank of China should also contribute to the easing of global monetary conditions as inflation pressures wane and Chinese growth slows. The Bank of Canada's status quo will almost be exceptional. There is still not much of a hurry to lower interest rates in Canada. The target for the overnight rate is close to its historic low and Canada's financial system is still running smoothly enough to provide substantial monetary stimulus.

The fact that most central banks are in easing mode could give the U.S. dollar additional help. In the first half of 2011, the greenback had been hurt by the Federal Reserve's (Fed) pursuit of a second quantitative easing program (QE II). The latest Fed action was Operation Twist, announced last fall, but this operation does not increase the liquidity provided to the financial system. A third quantitative easing program (QE III) would increase the liquidity and could reduce the greenback's appeal, or at least put the brakes on its upward momentum of the last few months.

QE III LESS CERTAIN IN THE UNITED STATES?

The likelihood of QE III has decreased in light of the recent U.S. economic statistics, which have been more encouraging. According to the establishment survey, 200,000 jobs were created in the United States in December (graph 4). The private sector created 212,000 jobs, with several segments contributing to the rise. Mail and courier services stood out, up by 42,200. Job creation combined with a decline in the labour force pulled the jobless rate down to 8.5%, its lowest point

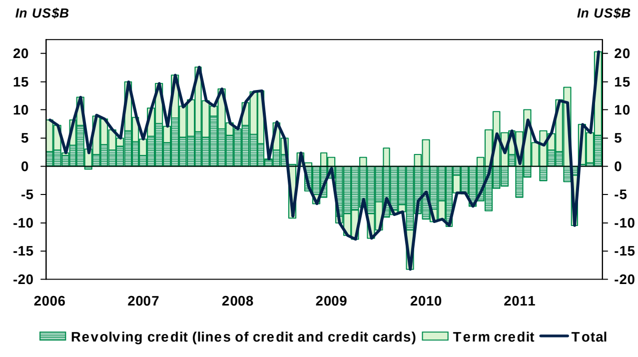
Graph 4 – Employment growth picked up steam in December in the United States



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

since February 2009. Another surprise was delivered by consumer credit growth, which jumped in November, particularly because of lines of credit and credit cards (graph 5).

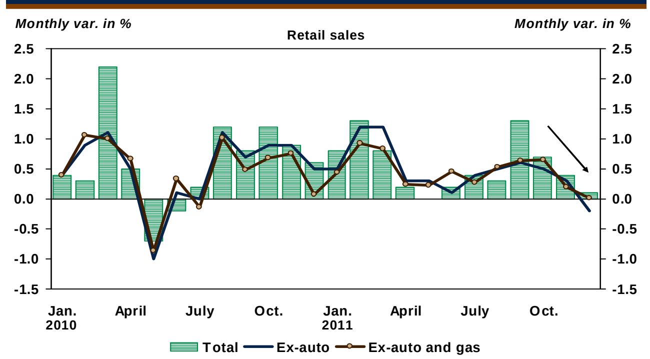
Graph 5 – U.S. consumer credit posts a substantial gain in November



Sources: Federal Reserve Board and Desjardins, Economic Studies

However, it still seems too early to upgrade the growth scenarios for the United States. The U.S. economy is still facing a number of difficulties and December's weak growth in retail sales was a reminder of this (graph 6). Structural adjustments, such as gradual household deleveraging, selling off the surplus homes on the market, and repairing the public finances will continue to hurt real GDP growth. What's more, the growing phenomenon of online purchasing could explain some of the recent good employment and credit figures. The reported rise in online sales on Thanksgiving weekend may have stimulated the use of credit cards in November and created jobs in shipping firms in December.

Graph 6 – The latest U.S. retail sales figures were disappointing



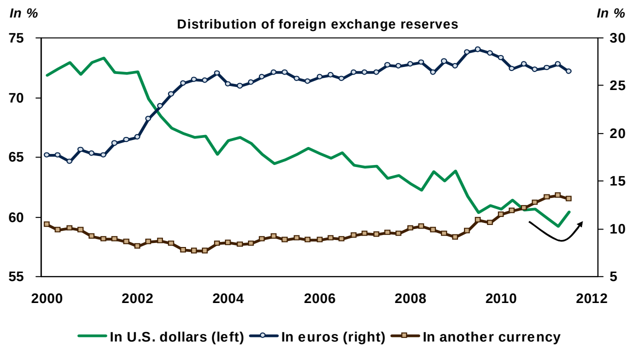
Sources: U.S. Census Bureau and Desjardins, Economic Studies

As a result, a third round of quantitative easing still seems probable. The U.S. economy will have to show more strength and consistency to get the monetary authorities to stay on the sidelines. The Fed could nonetheless decide to buy securities other than government bonds like securities related to real estate market.

THE U.S. DOLLAR IS STILL NOT IN JEOPARDY OF LOSING ITS STATUS AS THE PRIMARY INTERNATIONAL CURRENCY

In closing, 2012 will certainly not be the year in which the U.S. dollar loses its status as the primary international currency. It will keep its safe-haven role. The latest IMF statistics show that the greenback has increased its share in the foreign exchange reserves (graph 7). The gains were primarily made at the euro's expense. This is understandable, given the events that are unfolding in the common currency area. It seems increasingly clear that the euro does not have the capability to replace the U.S. dollar on the international stage. However, another candidate is emerging: the yuan.

Graph 7 – Financial strains are stimulating U.S. dollar holdings in foreign exchange reserves



Sources: International Monetary Fund and Desjardins, Economic Studies

China's currency could become a serious threat, but that will not happen overnight. In recent years, China has allowed yuan denominated transactions beyond its borders, particularly in Hong Kong, where a yuan-denominated bond market has emerged. Recently, an agreement was also reached to make London an offshore center for trading yuans. However, although yuan can exit China more freely, it is not yet easy for them to get back in. The flow of capital has not been liberalized and the exchange rate remains under Chinese monetary authorities' jealous control. There are still some major steps to be taken and, even once that occurs, it will take many years or even decades for the yuan to carve a major place for itself on the international stage, particularly in the foreign exchange reserves.

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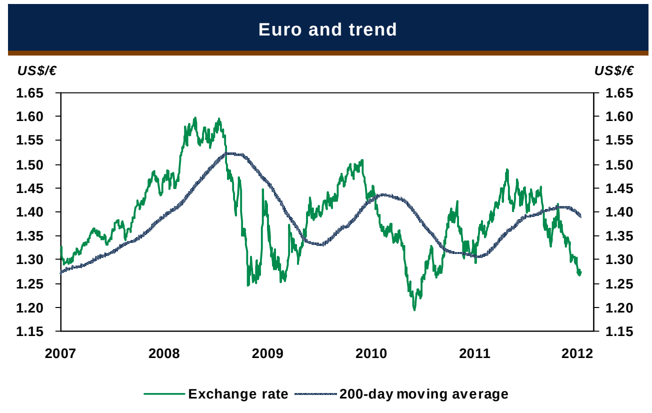
EURO (EUR)

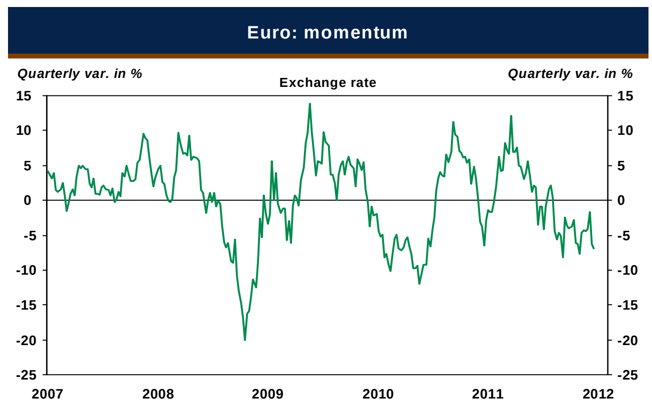
The euro could continue to tumble

- After holding up well throughout most of 2011, the euro plunged recently, dropping from just over US$1.42 at the end of October to less than US$1.27 in early 2012. The drop of just over 10%, which has taken the euro to its lowest point since August 2010, is not surprising. In November, we pointed out that the euro was in the process of losing all of its support and that a decline by the euro could be expected given that European authorities seemed to be unable to find a solution to the sovereign debt crisis and the euro zone's economic outlook was deteriorating quickly.
- Market indicators confirm that investors have taken a very negative view toward the euro in the last few months. Net speculative positions on the euro have never been as negative as they are at the start of 2012. In this context, we cannot rule out some technical rebounds in the near term.
- Beyond short-term movements, the euro could keep trending down in the coming months as the sovereign debt crisis continues to dominate the news. Although it was fairly predictable, the downgrades of a number of European countries (including France) in mid-January represent another negative development for the euro. Efforts by European governments could once again disappoint the markets, as no one seems to want to put in the resources required to create a fund with enough firepower to bail out major nations such as Spain and Italy. Although it refuses to finance governments directly, note that the European Central Bank (ECB) has taken decisive action to stabilize the European banking system. This does not solve the fundamental problems in European public finances, but it reduces the risks of a financial crisis in the near future.
- In addition to offering greater financing to banks, the ECB also lowered its key rate twice at the end of 2011. After taking a break in January, the ECB should continue with monetary easing over the coming months as the data will confirm another recession in the euro zone. The ECB's key rate should thus drop to 0.50% within the next few months, which will increase the downside pressure on the euro.

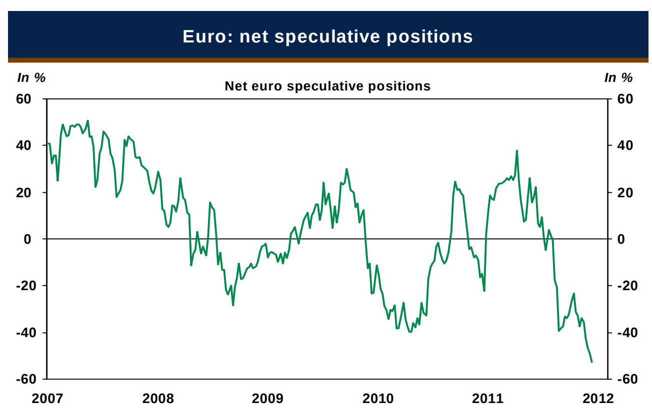
Forecasts: Downside pressure on the euro will remain very heavy in early 2012; any technical rebound could be short-lived. The euro is likely to slide below US$1.20 in the coming months. The efforts made by the ECB and governments should, however, end up convincing investors that the common currency will survive and thus allow the euro to rise somewhat in the second half.



Sources: Datastream and Desjardins, Economic Studies



Sources: Datastream and Desjardins, Economic Studies



Sources: Chicago Mercantile Exchange and Desjardins, Economic Studies

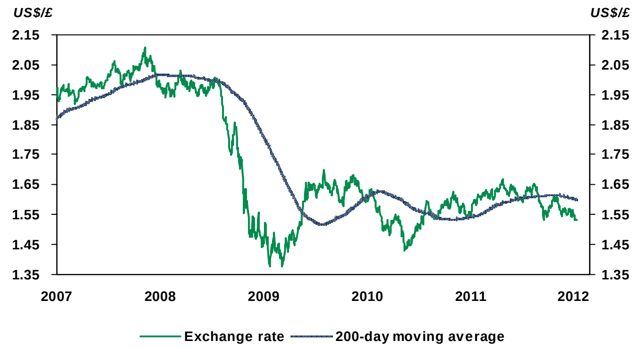
BRITISH POUND (GBP)

The pound is still oscillating between the euro and greenback

- The pound has depreciated somewhat against the greenback in the last few months, dropping from US$1.60 in early November to just under US$1.55. This decline is very slight in a context of the greenback's popularity with investors. The pound has thus continued to rise against the euro and the EUR/GBP pair hit £0.8237 in early January, its lowest point since the summer of 2010. Over all of 2011, the pound was nearly stable against the greenback but rose nearly 3% against the euro.
- Market indicators seem to be pointing to some investor ambivalence about the pound. Net speculative positions remain negative, but much less so than last fall, and the pound is not showing any real momentum.
- As for the economy, the situation in the United Kingdom does not appear to be much better than it is for its partners on the European continent. Britain's economy has already been struggling for some time, with real consumption pulling back for the last five quarters. Industrial output also retreated in October and November and is now down 3.1% from November 2010. The slowdown in the euro zone's economy and ongoing financial strains could easily tip the United Kingdom into recession. In this context, the Bank of England (BoE) should decide to continue with quantitative easing for several months, especially as inflation should moderate quickly in 2012.
- Despite that, the pound is still being buoyed by a better financial environment than is the case for the euro. The United Kingdom is apparently no longer in danger of losing its AAA credit rating and demand for British bonds remains very strong, with yields for 10-year gilts dropping below 2%. The United Kingdom appears to be an appealing destination for investors who want to get money out of the euro zone.

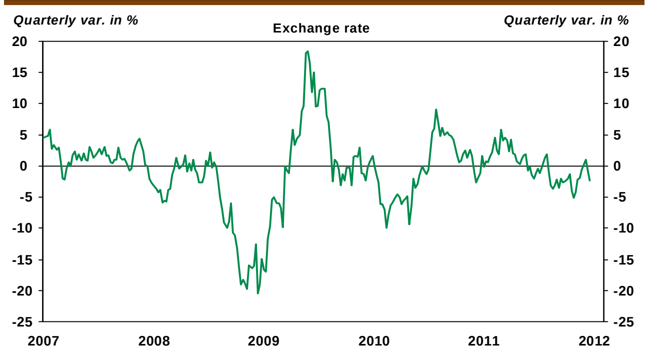
Forecasts: The extension of the BoE's quantitative measures and the euro's ongoing retreat over the next few months should prompt the pound to depreciate against the greenback. It should then subsequently recover against the U.S. dollar and end the year close to where it is now. The pound should continue to rise against the euro over the near term.

British pound and trend



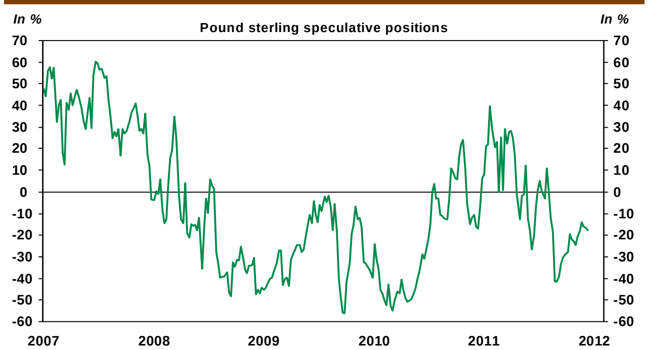
Sources: Datastream and Desjardins, Economic Studies

British pound: momentum



Sources: Datastream and Desjardins, Economic Studies

British pound: net speculative positions



Sources: Chicago Mercantile Exchange and Desjardins, Economic Studies

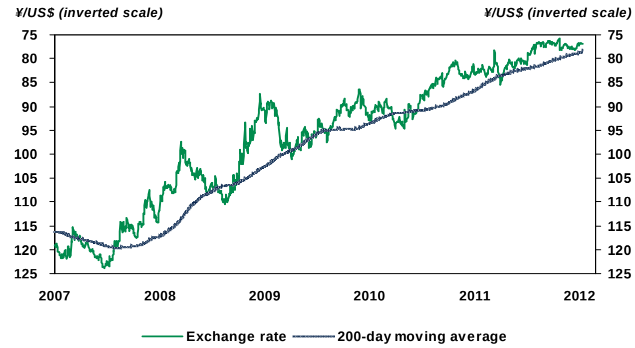
YEN (JPY)

The threat of additional exchange market intervention limits the yen's appreciation

- Japan's monetary authorities are being more interventionist in combating the yen's appreciation. They seem reluctant to have the exchange rate fall substantially below ¥77/US$. The latest action dates back to the end of October, when just over ¥9,000B (US$117B) were sold to bring Japan's currency down. While the long-term effectiveness of exchange market interventions is often limited, they at least seem to have reined in the yen's appreciation and reduced its volatility. Japan's exchange rate essentially stayed between ¥77/US$ and ¥78/US$ in November and December, then dropped below ¥77/US$ at the start of this year.
- From a market perspective, the recent rise by long positions on the yen is consistent with its slight upswing early in the year. Its 200-day moving average is still rising, but momentum has been weak for several months now. The yen's appreciation movement shows signs of flagging, but investors may still want to test the tolerance threshold of monetary authorities. Prior to the last exchange market intervention, Japan's exchange rate had hit a historic low of ¥75.57/US$.
- Fundamentally, Q3's robust economic growth and the positive current account balance argue in favour of a strong Japanese currency. However, the economic performance primarily results from the renewed production and rebuilding efforts that followed last winter's disaster in Japan. Indicators are already showing that growth slowed in Q4; there is still a 4% gap between current production and the peak hit in the first quarter of 2008. The strong yen is not making things any easier, reducing the competitiveness of Japanese exporters. While Japan is posting a current account surplus, it is dwindling. A negative balance could quickly worsen Japan's financial situation; the country would then need a net inflow of foreign capital to finance its public debt, which is in excess of 200% of GDP.
- The Bank of Japan will be prompted to continue with easing in the coming quarters. Japan is also the only industrialized country that is grappling with a deflation problem. The annual change to consumer prices excluding fresh food and energy is holding at around -1.0%.

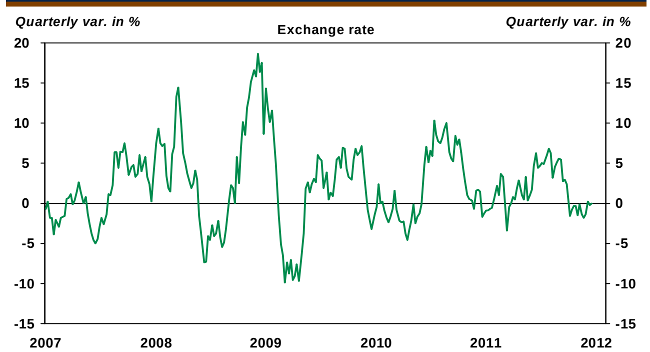
Forecasts: Japan's currency should remain strong in the near term. Financial market strains could stimulate its safe haven role, but potential exchange market interventions will cool investors' enthusiasm. Over the longer term, the yen is expected to start trending down, reflecting Japan's structural weakness.

Yen and trend



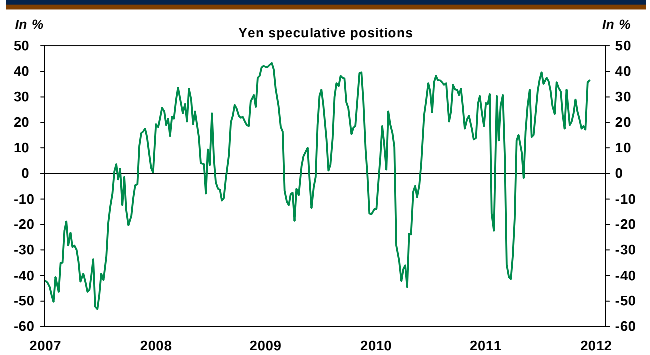
Sources: Datastream and Desjardins, Economic Studies

Yen: momentum



Sources: Datastream and Desjardins, Economic Studies

Yen: net speculative positions



Sources: Bloomberg and Desjardins, Economic Studies

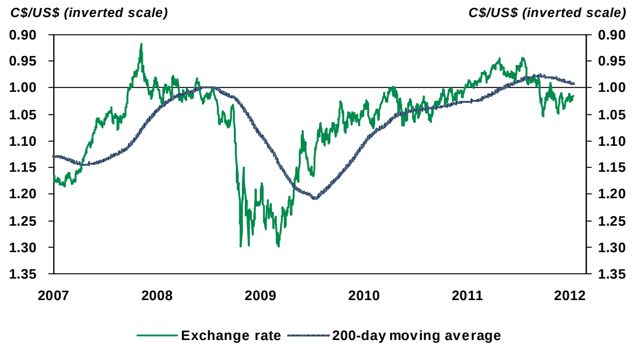
CANADIAN DOLLAR (CAD)

Below parity for much of the year

- The Canadian dollar is currently oscillating around US$0.98, down about 8% from last summer's cyclical peak. High oil prices did not keep the Canadian dollar from falling below US$1.00. The long-term relationship with crude prices has proven weaker lately. In the last few years, parity with the U.S. dollar tended to be sustainable once oil prices were around US$90 a barrel. Declines in prices for other commodities could explain why the loonie has not been dogging oil prices as closely. Canada's dollar has also been hit by greater investor risk aversion. When financial strains are intense, demand for U.S. securities tends to rise, favouring the greenback to the detriment of the other currencies.
- Technically, for several months, the currency has been oscillating below its 200-day moving average and another downtrend has emerged. The loonie has lost momentum and net speculative positions are now in negative territory. The fact that the currency is oversold seems normal in the context of elevated international financial strains.
- The loonie's loss of altitude can also be justified from a more fundamental perspective. While Canada's economy returned to strong growth in the third quarter, domestic demand is showing signs of weakness, with slowing consumer and government spending. Moreover, last summer's big rise in exports should only be temporary. Nothing appears to be certain for businesses either. Two surveys published by the Bank of Canada (BoC) revealed that businesses are less optimistic about their sales growth and that credit terms are starting to tighten. This translates into weak job creation in Canada; the unemployment rate is back at 7.5%.
- Despite some gloomier signals, there is still no hurry to lower Canada's interest rates. The target for the overnight rate is close to its historic low and Canada's financial system is still working well enough to provide for a substantial level of monetary stimulus. International strains would have to become more considerable and threaten to take Canada into recession to get the BoC to act; this is not part of our base scenario.

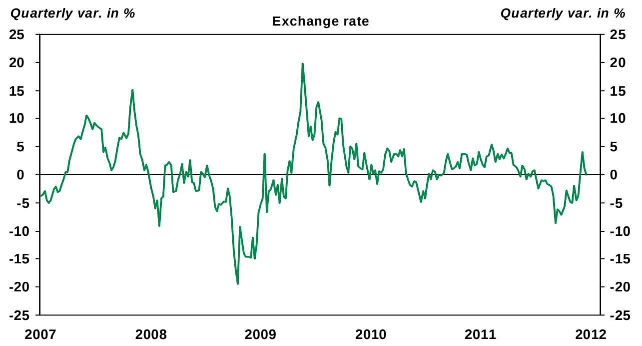
Forecasts: The loonie could lose a few cents in the near term against the backdrop of concerns in Europe and the strong greenback. It will be hard to achieve a lasting return to parity against the greenback before the end of 2012, with a number of risks and obstacles still on the horizon.

Canadian dollar and trend



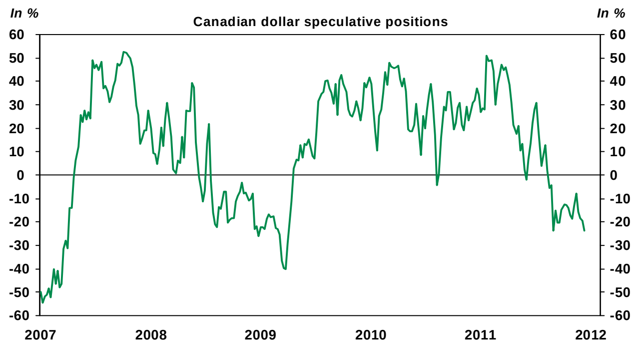
Sources: Datastream and Desjardins, Economic Studies

Canadian dollar: momentum



Sources: Datastream and Desjardins, Economic Studies

Canadian dollar: net speculative positions



Sources: Chicago Mercantile Exchange and Desjardins, Economic Studies

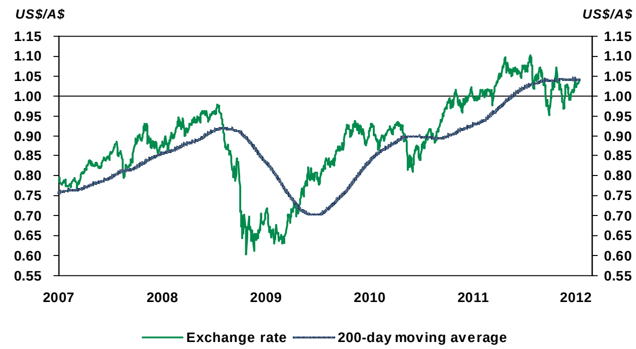
AUSTRALIAN DOLLAR (AUD)

The currency seems more influenced by the Chinese economic situation

- After depreciating sharply in August and September, the Australian dollar oscillated around parity against the U.S. dollar. Australia's dollar is sensitive to the evolution of risks to the global economy. The upswing strains in the euro zone temporarily hurt the aussie in the second half of 2011; however, it is primarily the Chinese economic situation that is apparently dictating the Australian dollar's trajectory. Chinese growth is the main bulwark supporting global demand and commodity prices. The aussie maintains its core support as long as Chinese demand holds up. The fact that Chinese economy continued to grow at a steady pace last quarter and the relaxing credit terms in China have helped the Australian dollar.
- On a market basis, the Australian dollar recently gained some momentum, but this is still not being reflected in its 200-day moving average. Net speculative positions on the currency have also gone up in the last few weeks, without signalling exaggerated enthusiasm. The likelihood of a technical correction seems slight for now, but resurgence in concerns about the Chinese economy could be enough to discourage investors positioned in Australian dollars.
- Fundamentally, the Australian economy grew by an annualized 3.9% in Q3 of 2011. Australia's performance is largely explained by huge investments in the commodity sector. Past improvement to the terms of trade has also introduced a substantial wealth effect. Other sectors of activity are being hurt by the strong dollar and high Australian interest rates, however.
- These weak pockets, combined with fears about the global economy, prompted the Reserve Bank of Australia (RBA) to lower its main interest rate by a quarter of a point in November and December, putting it at 4.25%. The RBA still believes that the inflation rate (currently 3.5%) will continue to drop. The rise in risks and deterioration in the economic situation also reduce inflation pressures.

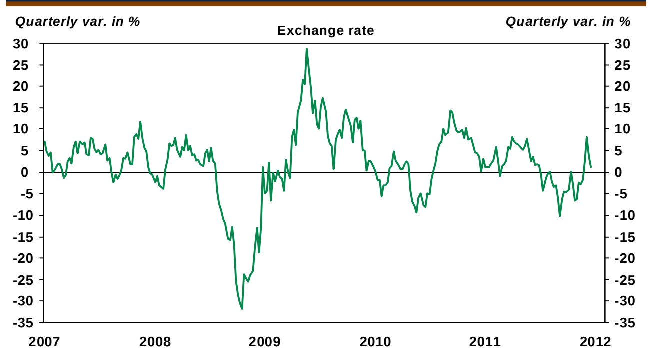
Forecasts: Risk aversion is not expected to decline on a lasting basis in the coming months, so the aussie will remain volatile. New fears concerning China and demand for commodities could arise, but we do not anticipate a sharp slowdown in Chinese demand. The Australian dollar should thus be able to remain close to parity against the greenback in 2012. Even if the RBA were to announce additional interest rate cuts, the impact on the currency will be limited, as the spread with the other central banks will remain sizable.

Australian dollar and trend



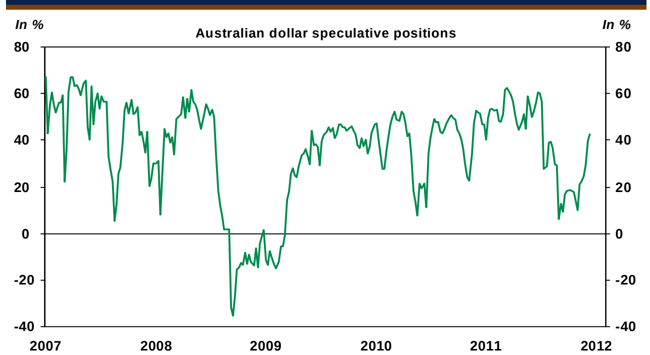
Sources: Datastream and Desjardins, Economic Studies

Australian dollar: momentum



Sources: Datastream and Desjardins, Economic Studies

Australian dollar: net speculative positions



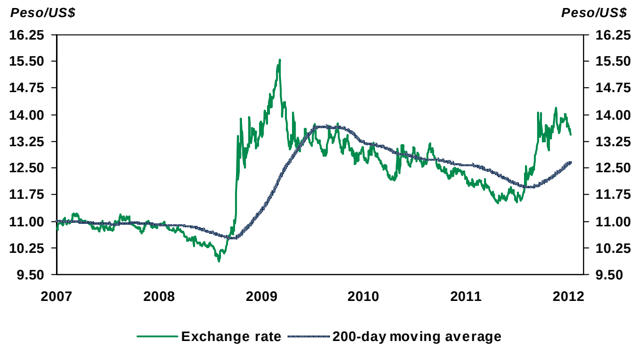
Sources: Datastream and Desjardins, Economic Studies

MEXICAN PESO (MXN)

The peso should appreciate if the U.S. economy holds up

- The second half of 2011 was especially hard for the Mexican peso, which depreciated nearly 20% against the greenback. The tumble was mainly due to the surge in investor anxiety, which prompted investors to opt for the U.S. dollar over riskier currencies. The USD/MXN pair ended the year at about 14 pesos. 2012 got off to a better start with the publication of encouraging statistics in the United tates, which is a critical export market for Mexico, taking the pair to around 13.50 pesos.
- Mexico's economy is still doing fairly well. The auto sector stands out, with vehicle output up 13% in 2011 to a record 2.56 million units. Inflation, for its part, has edged up slightly in the last few months. Although the Bank of Mexico does not seem to be overly concerned about it, a key rate cut now seems unlikely, a positive development for the peso. The outlooks thus seem generally favourable for the peso in 2012. An additional upswing in financial strains could, however, lead to some temporary dips for the Mexican peso in the coming months.

Mexican peso and trend



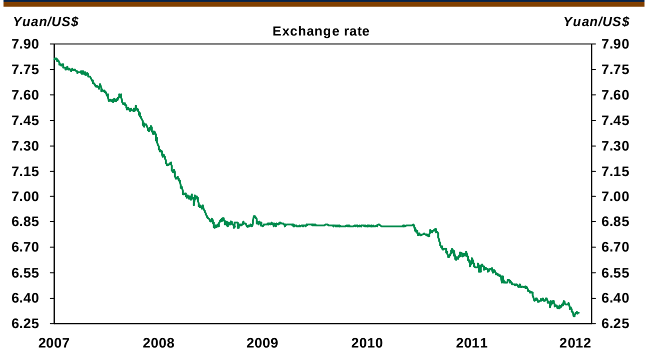
Sources: Datastream and Desjardins, Economic Studies

CHINESE YUAN (CNY)

The revaluation of China's currency temporarily accelerated in December

- China's exchange rate ended the year close to 6.29 yuan/US$, up 1.3% from the rate posted at the end of November. This is a big gain by the Chinese currency compared with previous months. We have to look back to September 2010 to see higher monthly growth. For 2011 as a whole, Chinese authorities allowed the yuan to appreciate by 4.7%, a little more than 2010's 3.6%.
- However, the trend at the start of the year is different from December's trend, with the Chinese exchange rate taken back above 6.30 yuan/US$. Persisting strains in Europe and the global economy's slowdown could prompt China's monetary authorities to rein in the pace of the yuan's appreciation, at least in the first half of the year. China's inflation rate, which is down, is also providing some leeway to keep monetary conditions flexible and likely to stimulate growth. The yuan should nonetheless continue to appreciate against most of the other currencies. During times of uncertainty, the greenback strengthens and the yuan is automatically taking the same path.

Chinese yuan and trend



Sources: Datastream and Desjardins, Economic Studies

Table 1
Currency market

Country – Currency*	*Spot price* Jan. 17	*Percentage return since* 1 month	3 months	6 months	1 year	*Last 52 weeks* Higher	Average	Lower
North America								
Canada – dollar	1.0142	-2.1090	-0.3096	6.0213	2.8653	1.0624	0.9906	0.9436
Canada – (CAD/USD)	0.9860	2.1544	0.3106	-5.6794	-2.7854	1.0598	1.0095	0.9413
Mexico – peso	13.4655	-2.5940	1.1960	14.7724	11.8114	14.2122	12.5041	11.5004
South America								
Argentina – peso	4.3155	0.6237	2.1722	4.7134	8.4637	4.3185	4.1438	3.9788
Brazil – real	1.7768	-3.9569	1.5953	12.7451	5.5328	1.8870	1.6809	1.5328
Asia								
China – yuan renminbi	6.3139	-0.5434	-0.8822	-2.2919	-4.2369	6.6050	6.4499	6.2940
Hong Kong – dollar	7.7638	-0.2890	-0.1813	-0.3920	-0.1530	7.8074	7.7839	7.7635
India – rupee	50.8000	-3.2381	3.7688	14.1188	11.7343	53.6100	46.9465	44.0700
Japan – yen	76.8250	-1.2278	0.0065	-2.9068	-7.1377	85.4750	79.4521	75.8200
South Korea – won	1,146	-1.1306	0.4472	8.2699	2.5055	1,194	1,110	1,050
Europe								
Denmark – krona	5.8365	2.3929	7.7213	10.7474	4.0894	5.8717	5.3655	5.0293
Euro zone – (EUR/USD)	1.2737	-2.3760	-7.4615	-9.8170	-4.1465	1.4891	1.3900	1.2666
Norway – kroner	6.0385	1.2984	7.1378	8.6608	2.9784	6.0626	5.6132	5.2440
Russia – ruble	31.6293	-1.0192	2.3023	12.5097	5.5559	32.7250	29.4719	27.2860
Sweden – krona	6.9270	0.0751	3.9248	6.8512	3.1019	7.0087	6.5022	6.0145
Switzerland – swiss franc	0.9493	1.4535	5.7245	16.3429	-1.5351	0.9722	0.8867	0.7275
United Kingdom – (GBP/USD)	1.5355	-1.1110	-2.6810	-4.7399	-3.4763	1.6704	1.6026	1.5285
South Pacific								
Australia – (AUD/USD)	1.0380	4.1107	2.2318	-2.5017	4.4584	1.1027	1.0332	0.9519
New Zeland – (NZD/USD)	0.7999	5.1996	1.0639	-5.4316	3.5597	0.8791	0.7913	0.7188

* 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		*2011* Q3	Q4	*2012* Q1f	Q2f	Q3f	Q4f	*2013* Q1f	Q2f	Q3f	Q4f
American dollar											
Canadian dollar	(USD/CAD)	1.0501	1.0197	1.0526	1.0417	1.0204	1.0000	0.9901	0.9804	0.9709	0.9615
Euro	(EUR/USD)	1.3417	1.2981	1.1800	1.2000	1.2200	1.2500	1.2700	1.3000	1.3200	1.3400
British pound	(GBP/USD)	1.5578	1.5541	1.4700	1.5000	1.5200	1.5500	1.5600	1.5800	1.6000	1.6200
Yen	(USD/JPY)	77.07	76.96	77.00	77.00	78.00	79.00	80.00	82.00	84.00	85.00
Australian dollar	(AUD/USD)	0.9663	1.0222	0.9700	0.9800	1.0000	1.0200	1.0300	1.0400	1.0500	1.0500
Mexican peso	(USD/MXN)	13.90	13.95	14.25	14.00	13.60	13.30	13.10	12.90	12.80	12.70
Chinese yuan	(USD/CNY)	6.38	6.29	6.25	6.20	6.10	6.00	5.95	5.90	5.85	5.80
Effective dollar*	(1973 = 100)	72.81	73.33	78.00	77.00	76.00	74.70	74.00	73.20	72.60	72.00
Canadian dollar											
American dollar	(CAD/USD)	0.9523	0.9807	0.9500	0.9600	0.9800	1.0000	1.0100	1.0200	1.0300	1.0400
Euro	(EUR/CAD)	1.4089	1.3237	1.2421	1.2500	1.2449	1.2500	1.2574	1.2745	1.2816	1.2885
British pound	(GBP/CAD)	1.6358	1.5846	1.5474	1.5625	1.5510	1.5500	1.5446	1.5490	1.5534	1.5577
Yen	(CAD/JPY)	73.39	75.48	73.15	73.92	76.44	79.00	80.80	83.64	86.52	88.40
Australian dollar	(AUD/CAD)	1.0147	1.0423	1.0211	1.0208	1.0204	1.0200	1.0198	1.0196	1.0194	1.0096
Mexican peso	(CAD/MXN)	13.24	13.69	13.54	13.44	13.33	13.30	13.23	13.16	13.18	13.21
Chinese yuan	(CAD/CNY)	6.08	6.17	5.94	5.95	5.98	6.00	6.01	6.02	6.03	6.03

f: forecasts; * Trade-weighted against major U.S. partners.
Sources: Datastream, Federal Reserve Board and Desjardins, Economic Studies