FX Forecasts

Desjardins Economic Studies
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Gradual improvement to the economy should favour most currencies against the U.S. dollar

HIGHLIGHTS

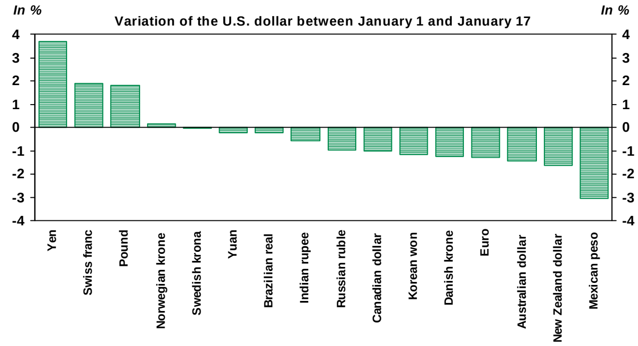
- It still seems too soon for a lasting weekening of the U.S. dollar. In fact, we believe that the year could feature three phases. First, we have to get through the first quarter, where the main issue is raising the debt ceiling in the United States. Next, the main issue should be economic growth in the euro zone. Lastly, once the economy starts to show gradual improvement in Europe and elsewhere in the world, the U.S. dollar should start to weaken for the long term.
- The euro could remain strong in the short term if investor optimism holds. However, it is very likely that strains will reappear in a near future. In this context, we expect the euro to experience further soft patches in the first half of 2013, occasionally returning to around US$1.30.
- Our scenario of weak growth by oil prices and moderate economic growth in Canada does not point to substantial gains for the loonie in 2013. The currency should end the year at around US$1.02 but, until then, a possible spike in financial strains and global economic uncertainty could bring it back to around US$1.00.

Contents

Editorial

Recent exchange rate movements give us a good idea of what could happen this year. The drop in risk aversion stemming from the avoidance of the fiscal cliff, encouraging data from China and the easing of the European sovereign debt crisis have reduced the greenback's appeal. It has pulled back against most of the currencies of advanced and emerging nations (graph 1). The yen, one of the few exceptions, stands out due to its sharp depreciation against the U.S. dollar, caused by the Japanese economy's weakness and anticipation of significant monetary easing.

Graph 1 – The U.S. dollar fell against several currencies at the beginning of the year



Sources: Datastream and Desjardins, Economic Studies

That said, it still seems too soon to see any lasting gains against the U.S. dollar. In fact, we believe that the year could feature three phases. First, we have to get through the first quarter, where the main issue is raising the debt ceiling in the United States. The U.S. dollar could continue retreating from now until an agreement is reached. Next, the second quarter, where the main issue should be economic growth in the euro zone. Unless growth recovers soon, worries could resurface, especially since reaching targets for deficit reduction will depend in part on increased GDP. We might have to wait until

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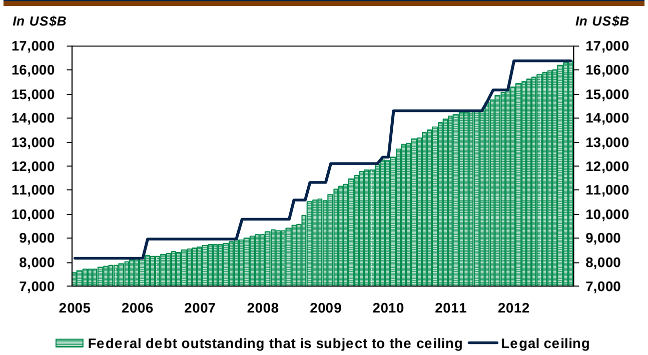
later in 2013 to see signs of lasting improvement in Euroland's economy. In the meantime, the U.S. dollar could regain some appeal. Lastly, once the economy starts to show gradual improvement in Europe and elsewhere in the world, the U.S. dollar should weaken for the long term. At that point, the monetary policy issue could become more important. It will be especially interesting to see how long the Federal Reserve (Fed) continues its unlimited quantitative easing.

THE DEBT CEILING, AGAIN

Once again, the U.S. government has borrowed the maximum amount authorized by law (graph 2), but temporary measures should allow the government to function normally until the end of February. The agreement reached on the fiscal cliff at the beginning of the year was only partial and did not deal with the debt ceiling or the automatic spending cuts. Of course, by avoiding a substantial tax increase, the U.S. government removed much of the uncertainty about economic growth in the short term. In comparison, the automatic cuts to spending would affect growth much less than the tax hikes that were originally planned. Refusing to push the debt ceiling higher creates a major risk, however: the U.S. government may default.

Graph 2 – U.S. government debt reached its legal ceiling at the end of 2012

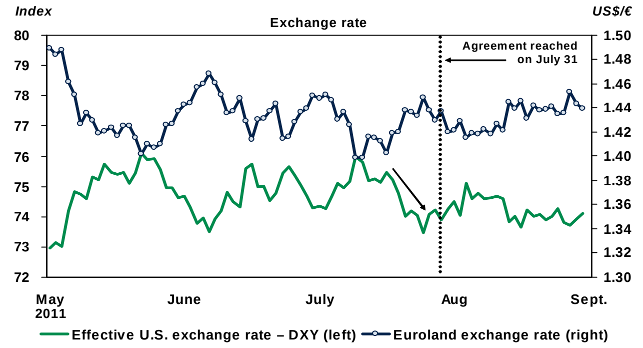


Sources: U.S. Treasury and Desjardins, Economic Studies

A default on payment by the United States would create a negative climate in the markets again. Furthermore, the default would not actually have to happen, it would just have to be heavily anticipated. Risk assets would be hurt the most, as they are in most times of strain. On the other hand, the greenback and U.S. Treasury securities probably would not benefit from the safe-haven effect, and could pull back.

The movements were not all that brutal in summer 2011, when tough negotiations also took place to raise the debt ceiling. An agreement was reached on July 31, two days before the August 2 deadline. The U.S. dollar posted only a slight drop during the last week of negotiations (graph 3). Remember, however, that at the same time, strains from the sovereign debt crisis were much higher than they are now, with substantial fears about the European financial sector. The U.S. dollar and the euro were both affected by unfavourable factors, whose effects on the exchange rate tended to cancel each other out.

Graph 3 – The U.S. dollar did not depreciate much during negotiations on raising the debt ceiling in 2011



Sources: Bloomberg, Datastream and Desjardins, Economic Studies

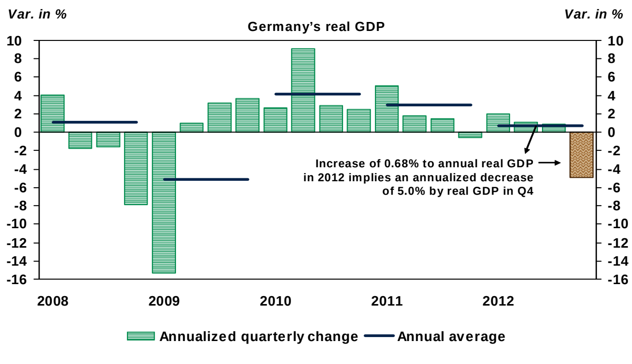
The fact that tensions in the euro zone are now much weaker opens the door to stronger depreciation by the U.S. dollar this time. Nevertheless, the drop could be limited by expectations that the default would only be partial and, above all, temporary. Among other things, not raising the debt ceiling between now and February could lead to a lack of agreement on budgetary appropriations allocated for the 2013 fiscal year. Interruptions to some of the government's operations at the end of March would free fiscal space required to make payments on the debt. This option was not available in summer 2011.

In our scenario, the latest negotiations do not point to a quick agreement, and as a result, tensions are forecast to rise between now and the end of February. Nevertheless, pressure from the markets should motivate politicians to find a solution to avoid default. The most logical option in these circumstances would be to raise the debt ceiling, and then to put more effort into the negotiations about budget appropriations. In the end, stabilizing the U.S. debt requires balancing revenue and spending.

THE SOVEREIGN DEBT CRISIS IS NOT OVER YET

This is not the first time that an upturn has been seen since the beginning of the European sovereign debt crisis. Although much progress has been made in the Old World, obstacles still loom on the horizon. Among them, weak outlooks for economic growth in euro zone nations remain very concerning. Germany has also been affected by economic difficulties. A first estimate for annual real GDP growth for 2012 suggests that Germany's economy contracted in the fourth quarter (graph 4 on page 3). The markets could soon worry

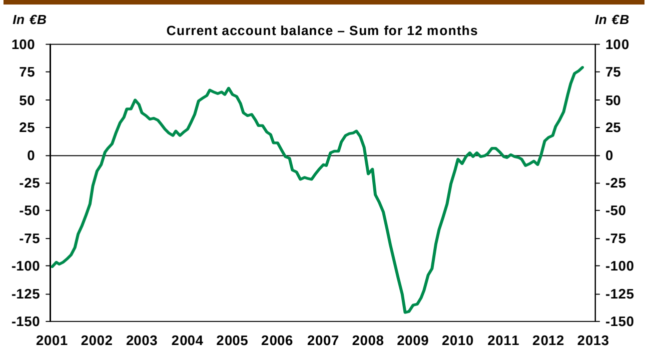
Graph 4 – Probable drop by German GDP at the end of 2012



Sources: Federal Statistical Office and Desjardins, Economic Studies

about growth if little improvement is seen in the coming months. What's more, if the euro were to appreciate too quickly, this could harm the economy by cutting short the advances recently made by the current account (graph 5).

Graph 5 – The euro zone's current account balance is in surplus



Sources: Datastream and Desjardins, Economic Studies

Besides growth, public finances should also occasionally fuel financial strains. Greece could need further aid measures, and Spain could once again begin having difficulties issuing. Any rebound by Spanish rates would be limited, however, by the threat of intervention by the European Central Bank (ECB) with its new tool, OMT (Outright Monetary Transactions). Lastly, elections will be held at the end of February in Italy and in September in Germany. In Italy, the issue will be the pursuit of austerity measures. For now, an alliance between the left and Mario Monti's centrist coalition seems likely, which is helping to reassure financial markets. For Germany, the elections could make some politicians less conciliating toward countries in trouble.

MONETARY POLICIES DIVERGE ONCE MORE

In 2012, the Bank of England (BoE) and the ECB were especially active, while the Fed focused on *Operation Twist* and the quantitative easing just began in September. This program was expanded in December, so the Fed is beginning 2013 with its foot on the gas. This is a major contrast from the year before, when the ECB and BoE stayed on the sidelines. This should put downward pressure on the U.S. dollar, unless expectations change. For example, the fact that not all Fed leaders were inclined to continue securities purchases until the end of 2013 helped the U.S. dollar appreciate briefly at the beginning of the year. Some days later, the ECB seemed to close the door to further interest rate cut and liquidity injections, which sustained the euro.

We believe the Fed should continue its easing until the end of the year, giving economic growth time to take root and the job market time to improve sufficiently. The ECB could act again if economic growth does not revive quickly enough and if financial strains return, further hindering transmission of monetary policy. In the end, the Fed will remain relatively more active, which will play against the U.S. dollar. The difference should be felt particularly in the second half of the year.

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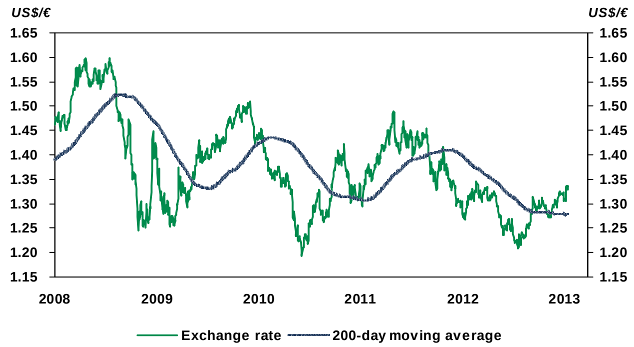
EURO (EUR)

Too early to declare victory

- The euro got 2013 off to a strong start, continuing the uptrend from the second half of 2012. For the first time since last spring, the common currency rose above US$1.335 following January's European Central Bank (ECB) meeting. Note that President Draghi adopted a surprisingly positive tone during this meeting, seeming to close the door on further monetary easing.
- The euro's recent appreciation seems justified. Financial strains have lessened dramatically since the ECB took action last summer to ensure the euro's survival. Spain and Italy have had several successful debt issues in recent weeks and their bond yields have dropped back to levels last seen in late 2010. The decline in strain even allowed Ireland to begin issuing bonds on the market once more. Several other indicators (capital inflows into the euro zone and banks of peripheral nations, the rise by the European stock markets, decreased bank dependence on the ECB, etc.) confirm that the financial situation in the euro zone has improved substantially. The ECB's decision to go on hold while the Federal Reserve and the Bank of Japan pursue aggressive quantitative easing is also a positive development for the euro.
- It is important to realize, however, that the euro zone's fundamental problems remain enormous. The improvement in financial conditions does not seem to have had an effect on the real economy. Everything suggests that the recession continued through Q4 2012. Declining economic activity in Germany may even result in a substantial pullback of the euro zone real GDP for this period. While some indicators have recently shown signs of stabilizing, nothing suggests that Euroland's economic cycle has reached a turning point. In this context, many euro zone countries will continue to have great difficulty reducing their budget deficits. Political issues may also reignite the crisis, as efforts to modernize European institutions remain timid and Italy's election at the end of February may result in a government that is less favorable to reforms.

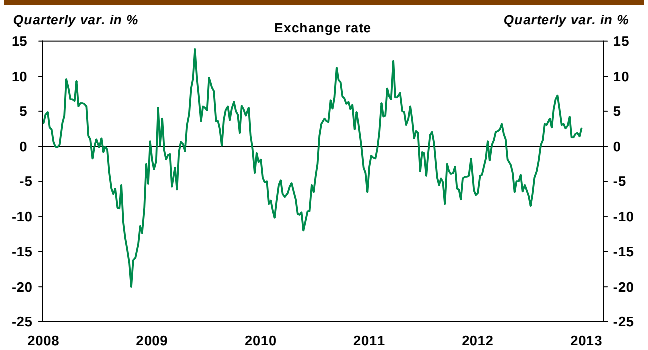
Forecasts: The euro could remain strong in the short term if investor optimism holds. However, it is very likely that the European crisis has not had its last word, and that strains will reappear in a near future. This would force the ECB to react quickly, and a final cut to its main key rate remains probable. In this context, we expect the euro to experience further soft patches in the first half of 2013, occasionally returning to around US$1.30.

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

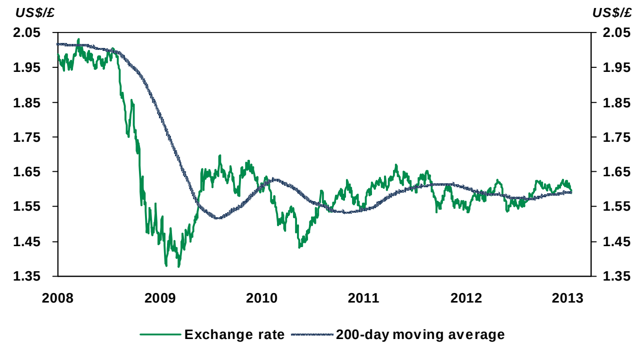
BRITISH POUND (GBP)

Is the recession really over?

- Last year was tumultuous but favourable for the pound. From the end of 2011 to the end of 2012, this currency appreciated 3.0% against the euro and 4.6% against the U.S. dollar. Easing European market tensions since the end of the summer and Britain's economy rebound in the third quarter contributed to the pound's solid performance. After starting 2013 at close to US$1.64, however, the pound quickly fell back to around US$1.60. The pound has also depreciated against the euro in the last few days, as the EUR/GBP pair recently climbed back above £0.83 for the first time since last spring.
- The 1.0% surge by Britain's real GDP in the third quarter was favourable to the pound in the second half of 2012. Recent economic data released in the United Kingdom has been disappointing, however, and a leading indicator for GDP is pointing to a 0.3% contraction by activity in the fourth quarter. Part of this pullback comes from the reversal of one-off effects that inflated growth this summer, especially those related to the Olympics. Falling industrial production and weaker purchasing manager indexes suggest that Britain's economy is still experiencing substantial difficulties, and that it is too soon to say that the recession is over. Besides economic statistics, the European Central Bank's adoption of a more optimistic stance, as well as some uncertainties about the Federal Reserve's desire to continue its quantitative easing over the long term, have also contributed to the pound's recent pullback.
- This time of pound weakness should not persist for long, however. The outlook for the British economy remains stronger than that for the euro zone. What's more, everything suggests the Bank of England (BoE) will be less active this year. Its quantitative purchasing program has been on hold since early November, and nothing indicates it will be reactivated soon, as inflation, at 2.7% in December, remains above the 2% target. Instead, the BoE seems to be counting on the Funding for Lending program to revive credit in the United Kingdom. The latest survey on credit conditions seems to confirm that the program has a substantial positive effect on the supply of credit to consumers and business. Also, keep an eye on Mark Carney's installation as the BoE's new governor in July, as this could change the situation a bit.

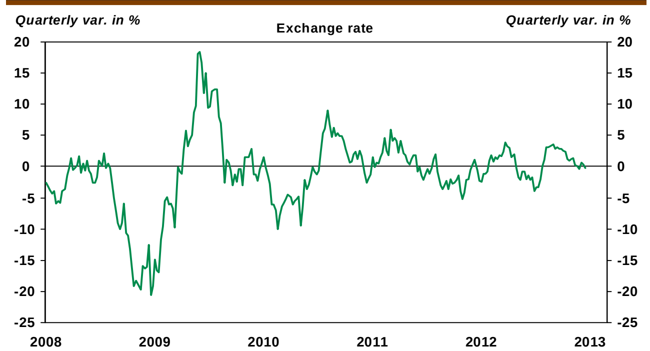
Forecasts: Some consolidation of the pound is not surprising, given its performance in 2012. Britain's currency remains well-positioned, however, and could appreciate slightly against the euro and U.S. dollar over the next few quarters. It may experience some soft patches, however, when international financial strains resurface.

British pound and trend



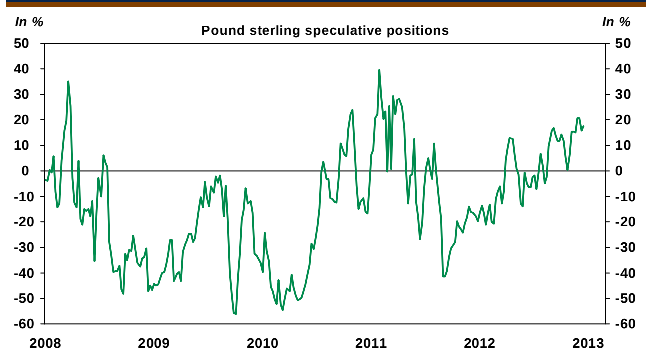
Sources: Datastream and Desjardins, Economic Studies

British pound: momentum



Sources: Datastream and Desjardins, Economic Studies

British pound: net speculative positions



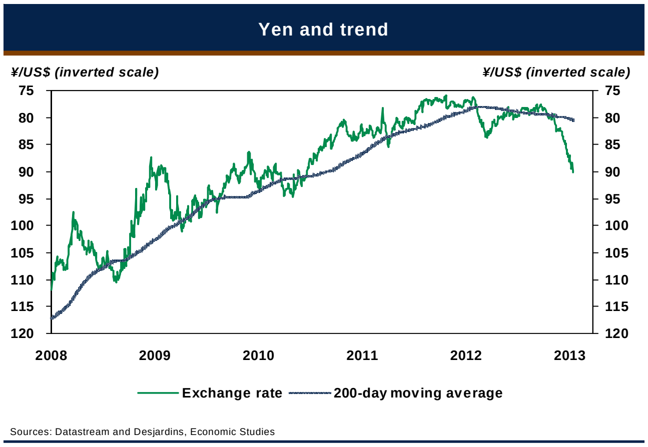
Sources: Chicago Mercantile Exchange and Desjardins, Economic Studies

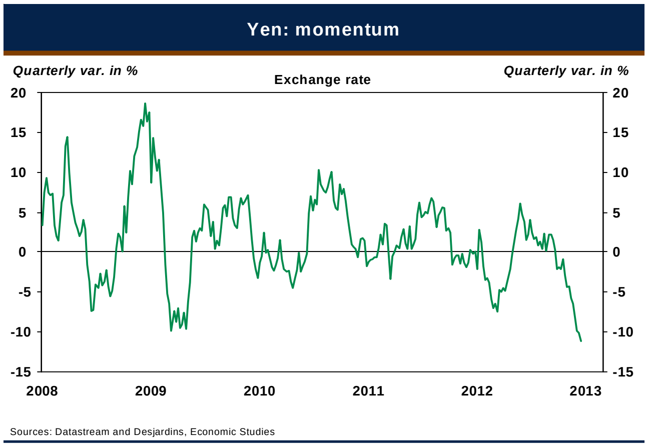
YEN (JPY)

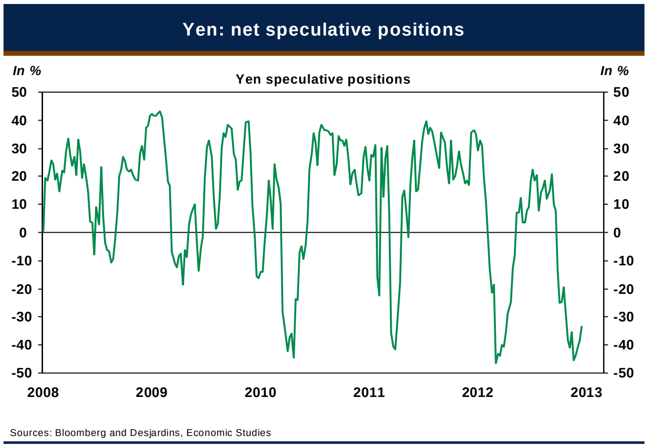
Depreciation continued at a fast pace

- Japan's exchange rate has gone from less than ¥78/US$ in September to more than ¥90/US$ in January. The yen has thus depreciated by 13%, mainly since mid-November. The rush election that swept the Liberal Democratic Party into power was decisive for the yen's trajectory, with the party in favour of even more monetary easing.
- From a market perspective, the speed with which the yen depreciated may seem exaggerated. The momentum is heavily in negative territory, and speculative positions have reached extremely low levels. The risk of a technical correction seems high.
- The yen's depreciation remains supported by several fundamental determinants, however. In addition to the recent change of government, Japan's soft economy clearly calls for a drop in value for the currency. The country has officially relapsed into recession, as the yen's prior strength and weaker global demand hurt Japanese exports. The current account surplus declined substantially in 2012. Unfavourable demographics and persisting deflation are also curbing domestic demand. In this context, a weak yen seems almost essential in kick-starting the economy.
- The new Japanese government promised to take broad action to put Japan back on track for growth. Until now, the government seems to be trying to deliver the goods, with the release of a ¥10,300B (US$115B) stimulus plan, among other things. On the other hand, this will increase public debt, which was already the highest among advanced nations.
- The government also wants the Bank of Japan (BoJ) to do more, even if it is theoretically independent from political influence. The BoJ nevertheless expanded its securities purchasing plan by ¥10,000B (US$112B) after the December election, and announced that it could revise its inflation target on January 22.

Forecasts: Markets could be disappointed by the BoJ in the short term. Even if it has to revise its inflation target, its securities purchasing program may only be increased slightly. We may have to wait until April, when a new governor arrives, to see the BoJ as active as the government wishes. In another vein, a spike in financial strains in Europe, and negotiations on the debt ceiling in the United States could somewhat support the Japanese currency in the short term. Over a longer period, the Japanese economy's weak fundamentals will keep the yen on a downtrend.







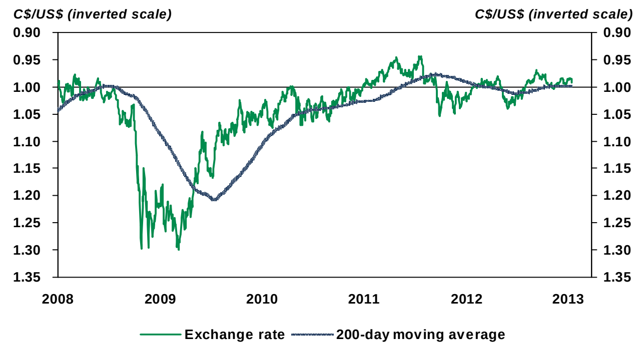
CANADIAN DOLLAR (CAD)

Potential for gains appears weak

- The Canadian dollar has recently fluctuated above the US$1.01 mark, after ending the year just above US$1.00. Like most currencies, the loonie appreciated against the greenback in early January, after the fiscal cliff was avoided. Strong oil prices, as well as the release of better-than-expected employment figures for Canada, also helped the Canadian currency.
- Market indicators show that the Canadian dollar remains on a fairly stable trend, with its momentum in neutral. Nevertheless, net speculative positions shot up to a very high level, historically speaking, a situation that could signal overly optimistic expectations for gains by the Canadian dollar. A readjustment of investor expectations, which would lead to a reversal of speculative positions, would involve a correction to the exchange rate.
- Fundamentally, the loonie's supports seem to be eroding, thus reducing the potential for gains. The upswing by oil prices should not last much longer, considering the weak rebound expected in demand for oil in 2013 and the fact that production capacity remains largely excessive. More specific to the Canadian economy, several indicators confirm a slowdown in economic activity, although others continue to perform well such as employment, wages and retail sales. One of the main weaknesses is the deteriorating trade balance. After that are cuts to government spending and investments and the pullback in residential construction.
- The Bank of Canada (BoC) has, in its stance on the monetary policy, maintained an upward bias for some time, but this seems less and less necessary. Above all, the BoC worries about household debt, which is largely concentrated in the real estate sector. However, with a slowdown being confirmed in this sector, its hawkish tone could disappear soon and weaken the loonie. What's more, as Canada's monetary policy is based on an inflation target, it is hard to picture a key interest rate hike in a context in which total inflation is hovering above the lower end of the target range. While inflation is expected to rise in the coming months, it will be several quarters before it reaches really worrisome levels.

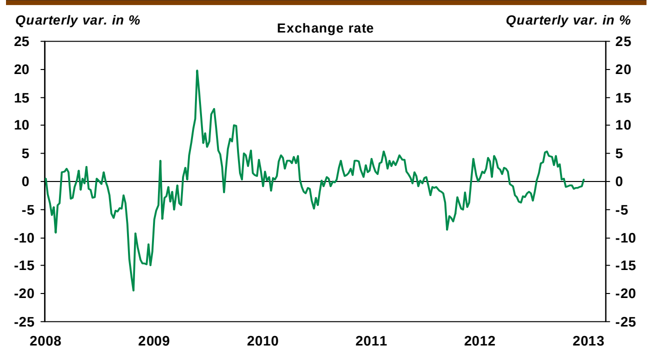
Forecasts: In the short term, the Canadian dollar's main source of appreciation could be the weak greenback. Our scenario of weak growth by oil prices and moderate economic growth in Canada does not point to substantial gains for the loonie in 2013. The currency should end the year at around US$1.02 but, until then, a possible spike in financial strains and global economic uncertainty could bring it back to around US$1.00.

Canadian dollar and trend



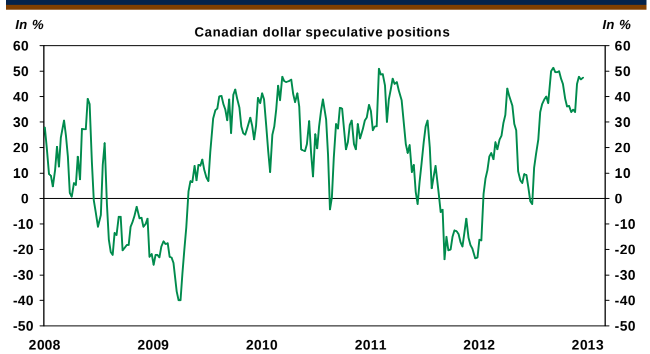
Sources: Datastream and Desjardins, Economic Studies

Canadian dollar: momentum



Sources: Datastream and Desjardins, Economic Studies

Canadian dollar: net speculative positions



Sources: Chicago Mercantile Exchange and Desjardins, Economic Studies

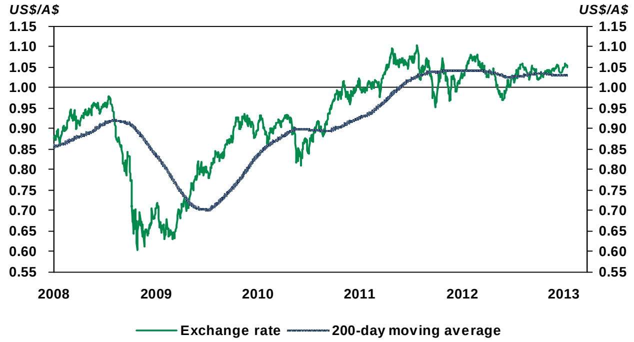
AUSTRALIAN DOLLAR (AUD)

Improved Chinese statistics are reassuring for Australia

- The Australian dollar finished the year at US$1.04, but benefited from the fiscal cliff being avoided in the United States, lowered strains in the euro zone, and the improved Chinese figures to come back to around the US$1.06 mark. The currency remains highly dependent on how risk-averse investors are. The state of China's economy has an especially powerful effect on the Australian dollar, given that China is the main buyer of Australian commodity exports. Chinese demand also helps support resource prices, which have a strong influence on Australia's terms of trade.
- On a market basis, we have been saying for several quarters that gains above US$1.06 were hard to maintain, and that a floor seems to have formed around US$1.02. The Australian dollar's 200-day moving average shows more extensive stability close to US$1.04. While momentum remains weak, net speculative positions are showing an increase in popularity for the aussie. A technical correction seems likely in the near term, but it should be rather minor.
- Fundamentally, the potential for gains seems weak for the aussie. Favourable developments in risk aversion and Chinese data are masking the negative effects of Australia's economic slowdown. Exports should gradually recover if global demand is up to par, but measures to clean up public finances and slowdown by investment should continue to rein in the economy. There is rising concern that the boom in the natural resources sector could plateau in 2013, leading to stagnation or even a pullback by investments in this key sector.
- The Reserve Bank of Australia (RBA) shares this opinion, which prompted it to lower its key interest rates again in December. At 3.00%, the cash rate is now at its 2009 low point. The flagging labour market and stabilization of the currency at high levels also influenced the RBA's decision. By easing monetary conditions, the RBA hopes to stimulate other economic sectors, which could take up the slack for the resources sector and ensure growth.

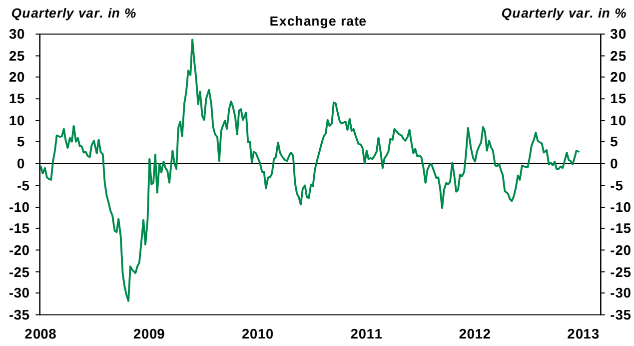
Forecasts: Until now, the aussie was barely affected by monetary easing, which was less pronounced than elsewhere in the world. The RBA could also take an extended break to allow time for previous rate cuts to have an effect and avoid creating too much inflation. Increased risk aversion could nonetheless trigger some currency correction in the short term. That being said, the potential for gains remains limited for 2013 and it will be hard to get above US$1.06 in a lasting fashion.

Australian dollar and trend



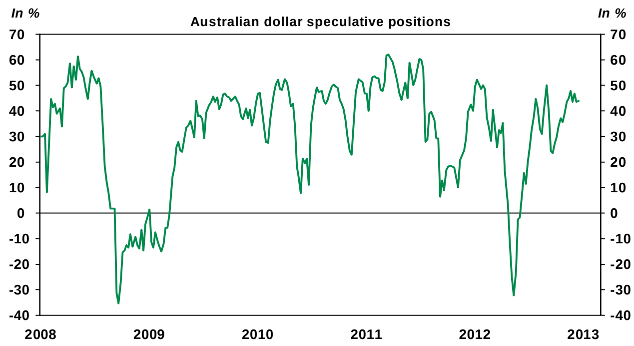
Sources: Datastream and Desjardins, Economic Studies

Australian dollar: momentum



Sources: Datastream and Desjardins, Economic Studies

Australian dollar: net speculative positions



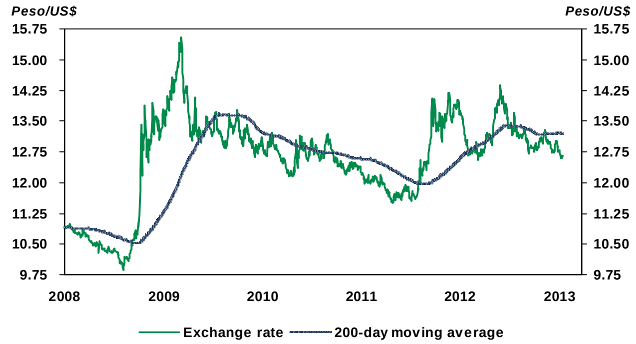
Sources: Datastream and Desjardins, Economic Studies

MEXICAN PESO (MXN)

The peso benefits from easing strains

- The last-minute agreement to avoid most of the fiscal cliff in the United States and the renewed optimism that followed were favourable for the currencies of most emerging nations. This is especially true for the peso, as Mexico's economy would have been directly affected by a U.S. demand slowdown. The USD/MXN pair, which climbed to around 13.05 pesos against the U.S. dollar at the end of 2012, dropped below the important technical level of 12.6 pesos in mid-January.
- The latest economic statistics for Mexico were also favourable for the peso, while indicators on household confidence and the overall performance of Mexico's economy rebounded sharply after a period of weakness. After jumping last summer, inflation fell back to 3.57% in December, which should convince the Bank of Mexico to keep its key rate at 4.5% in the coming months. After an 8.5 % gain against the greenback in 2012, the peso should generally continue to appreciate in 2013. The next few weeks could be more difficult, however, if negotiations on raising the debt ceiling in the United States revive financial strains.

Mexican peso and trend



Sources: Datastream and Desjardins, Economic Studies

CHINESE YUAN (CNY)

Revaluation should pick up slightly

- Yuan revaluation slowed substantially in 2012, but should accelerate in 2013, supported by the improved economic situation in China. Annual real GDP growth went to 7.9% in the last quarter, a rise from the quarter before. For 2013, growth should reach 8.2%. At this level, it should be enough to convince monetary authorities to let the yuan appreciate further, especially as exports show signs of recovery. Although deliveries to Europe may continue to be slowed by the sovereign debt crisis, demand should grow elsewhere in the world.
- China's growth could also come from within. China's new administration, led by Xi Jinping, seems to be trying to continue the reforms required to modernize the economy and reduce dependence on foreign markets. Finally, the major gap between U.S. and Chinese monetary easing will place additional pressure on the exchange rate. Rising inflation could even signal the need for tightening measures in China.

Chinese yuan and trend

Sources: Datastream and Desjardins, Economic Studies

Table 1
Currency market

Country – Currency*	Spot price Jan. 18	Percentage return since 1 month	3 months	6 months	1 year	Last 52 weeks Higher	Average	Lower
North America								
Canada – dollar	0.9938	0.5159	0.2977	-1.6333	-2.0019	1.0411	0.9981	0.9685
Canada – (CAD/USD)	1.0063	-0.5132	-0.2969	1.6604	2.0428	1.0325	1.0019	0.9605
Mexico – peso	12.6695	-0.7987	-1.4311	-4.6359	-4.2203	14.4463	13.1108	12.5884
South America								
Argentina – peso	4.9500	1.0204	4.5131	8.5824	14.5502	4.9510	4.5810	4.3188
Brazil – real	2.0428	-1.0079	0.7695	0.8865	15.7394	2.1108	1.9653	1.7005
Asia								
China – yuan renminbi	6.2154	-0.2376	-0.6140	-2.4836	-1.8724	6.3885	6.3047	6.2136
Hong Kong – dollar	7.7526	0.0335	0.0335	-0.0471	-0.0966	7.7696	7.7563	7.7500
India – rupee	53.7450	-2.0592	-0.1857	-2.8559	6.9978	57.1250	53.5074	48.6100
Japan – yen	90.0850	6.7611	13.5716	14.7726	17.0467	90.0850	80.4247	76.1900
South Korea – won	1,057	-1.6214	-4.1804	-7.3563	-6.7886	1,185	1,122	1,055
Europe								
Denmark – krona	5.6026	-0.5441	-2.1688	-8.4557	-2.5465	6.1688	5.7836	5.5216
Euro zone – (EUR/USD)	1.3291	0.4116	1.9990	9.2377	2.8794	1.3463	1.2878	1.2085
Norway – kroner	5.6017	0.8089	-1.0414	-7.6138	-5.5498	6.1228	5.7964	5.5034
Russia – ruble	30.2825	-1.3091	-1.8424	-5.4632	-3.3804	33.7117	30.9935	28.9975
Sweden – krona	6.5142	0.1307	-1.0165	-6.1936	-4.0088	7.2694	6.7517	6.4428
Switzerland – swiss franc	0.9354	2.5545	0.8137	-5.2232	0.1070	0.9938	0.9368	0.8953
United Kingdom – (GBP/USD)	1.5863	-2.4446	-0.9986	1.4745	2.1640	1.6284	1.5880	1.5336
South Pacific								
Australia – (AUD/USD)	1.0508	0.2469	1.7181	1.2505	0.2207	1.0807	1.0363	0.9704
New Zeland – (NZD/USD)	0.8363	0.2760	2.4672	4.5831	3.7217	0.8457	0.8120	0.7514

* 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		2012 Q3	2012 Q4	2013 Q1f	2013 Q2f	2013 Q3f	2013 Q4f	2014 Q1f	2014 Q2f	2014 Q3f	2014 Q4f
American dollar											
Canadian dollar	(USD/CAD)	0.9838	0.9922	0.9901	0.9901	0.9804	0.9804	0.9709	0.9709	0.9615	0.9524
Euro	(EUR/USD)	1.2865	1.3184	1.3100	1.3000	1.3100	1.3300	1.3400	1.3500	1.3500	1.3600
British pound	(GBP/USD)	1.6148	1.6255	1.6000	1.6100	1.6300	1.6600	1.6700	1.6800	1.6900	1.7000
Yen	(USD/JPY)	77.92	86.75	87.00	88.00	88.00	89.00	90.00	90.00	91.00	92.00
Australian dollar	(AUD/USD)	1.0376	1.0398	1.0400	1.0400	1.0500	1.0500	1.0600	1.0600	1.0600	1.0700
Mexican peso	(USD/MXN)	12.86	12.87	12.80	12.70	12.50	12.30	12.10	11.90	11.70	11.50
Chinese yuan	(USD/CNY)	6.28	6.23	6.20	6.15	6.10	6.05	6.00	5.95	5.90	5.85
Effective dollar*	(1973 = 100)	72.71	73.44	73.70	74.00	73.50	73.00	72.50	72.30	71.90	71.80
Canadian dollar											
American dollar	(CAD/USD)	1.0165	1.0079	1.0100	1.0100	1.0200	1.0200	1.0300	1.0300	1.0400	1.0500
Euro	(EUR/CAD)	1.2657	1.3081	1.2970	1.2871	1.2843	1.3039	1.3010	1.3107	1.2981	1.2952
British pound	(GBP/CAD)	1.5886	1.6128	1.5842	1.5941	1.5980	1.6275	1.6214	1.6311	1.6250	1.6190
Yen	(CAD/JPY)	79.20	87.43	87.87	88.88	89.76	90.78	92.70	92.70	94.64	96.60
Australian dollar	(AUD/CAD)	1.0208	1.0317	1.0297	1.0297	1.0294	1.0294	1.0291	1.0291	1.0192	1.0190
Mexican peso	(CAD/MXN)	13.07	12.97	12.93	12.83	12.75	12.55	12.46	12.26	12.17	12.08
Chinese yuan	(CAD/CNY)	6.39	6.28	6.26	6.21	6.22	6.17	6.18	6.13	6.14	6.14

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