Foreign Exchange Outlook

European currency strength, heightened financial market volatility, asset diversification, US economic softness, credit-easing activity, renewed global risk aversion and delayed monetary tightening in core advanced economies continue to sway investment flows in foreign exchange markets.

The USD remains on the defensive, prompting weakness in the other NAFTA zone currencies. Fiscal consolidation needs and prolonged monetary easing weigh on the USD outlook. The CAD and MXN are also affected by weaker oil prices.

The EUR offers a relatively promising outlook in the near term. Improved economic performance, contained inflation and lower financial systemic risk led to improvements in other major currencies such as the GBP and the CHF.

The JPY remains an investor favourite in times of heightened risk aversion, market volatility and uncertain policy shifts. The CNY temporarily reversed its appreciating bias. Emerging-market currencies remain well bid based on growth/interest rate differentials and strong capital inflows.

Index

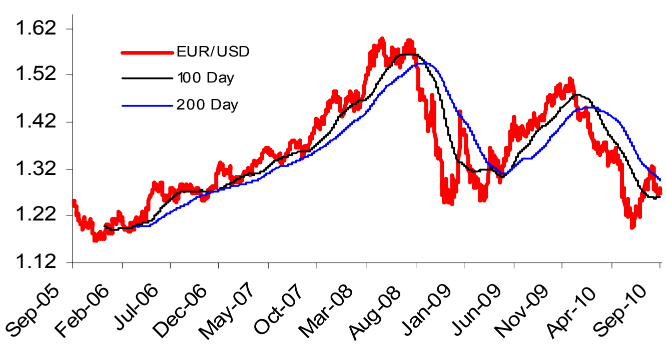
Scotiabank Group

Global Foreign Exchange Outlook

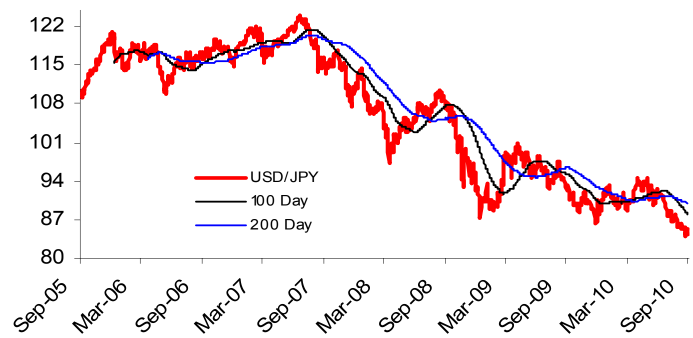
September 1, 2010		Actual	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12
Euro	EURUSD	1.28	1.25	1.29	1.32	1.34	1.36	1.38	1.40	1.42
	Consensus*		1.27	1.25	1.25	1.24	1.23	1.23	1.23	1.23
Yen	USDJPY	84.4	84.0	85	88	92	94	95	96	97
	Consensus*		88.5	90	92	93	94	95	96	97
Sterling	GBPUSD	1.55	1.55	1.57	1.60	1.62	1.65	1.69	1.71	1.73
	Consensus*		1.54	1.52	1.52	1.52	1.52	1.53	1.53	1.54
Canadian Dollar	USDCAD	1.05	1.06	1.05	1.04	1.02	1.00	0.98	0.97	0.96
	Consensus*		1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03
Australian Dollar	AUDUSD	0.91	0.88	0.90	0.91	0.92	0.93	0.94	0.95	0.97
	Consensus*		0.86	0.86	0.86	0.87	0.87	0.87	0.87	0.87
Mexican Peso	USDMXN	13.07	12.65	12.87	12.94	12.96	13.08	13.25	13.84	13.80
	Consensus*		12.58	12.44	12.45	12.46	12.53	12.73	12.94	13.14

Spot Price vs. 100 Day Moving Average vs. 200 Day Moving Average - (5yr Trend)

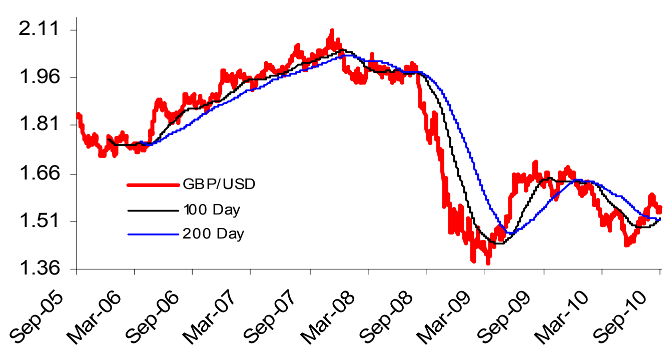
EURUSD



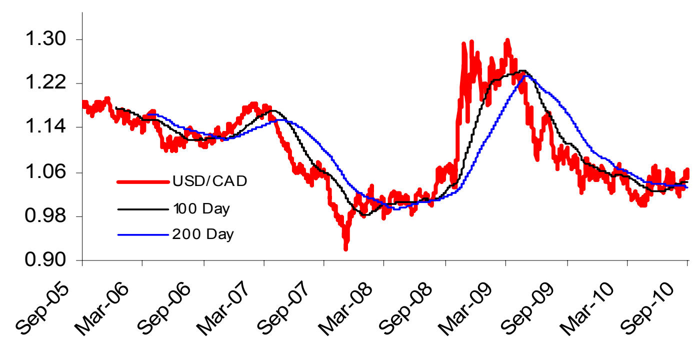
USDJPY



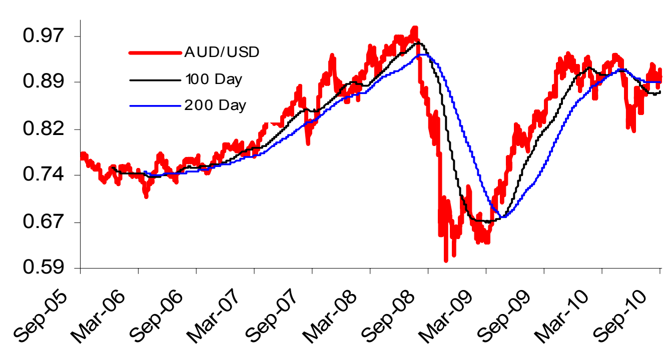
GBPUSD



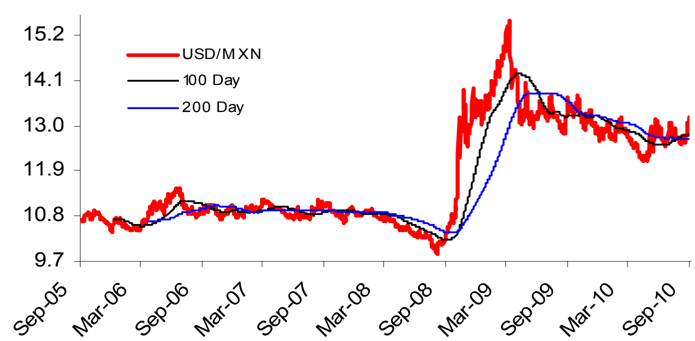
USDCAD



AUDUSD



USDMXN



(*) **Source:** Consensus Economics Inc. August 2010

Market Tone & Fundamental Focus

Pablo F.G. Bréard +1 416 862-3876
Camilla Sutton +1 416 866-5470

Persistent US economic softness, interest rate differentials amongst major advanced economies, uneven shifts in commodity market prices, renewed winds of global risk aversion, official intervention in securities and currency markets, sizable sovereign debt issuance activity and a generalized move towards (perceived) safe-haven assets are the primary drivers of capital flows in foreign exchange markets. Meanwhile, financial sector systemic risk materially declined in Europe.

The US dollar (USD) remains on the defensive. Evident softness in economic activity, persistently high unemployment and housing market weakness, policy uncertainties – somewhat linked to the approaching mid-term Congressional elections – and a gradual process of reserve management diversification continue to weigh on the near and medium-term USD outlook. Official rhetoric by Federal Reserve leaders point to prolonged monetary easing and to the need to speed the process of fiscal tightening; the US economy expanded at an annualized rate of 1.6% in the second quarter, down from 3.7% in Q1 2010. Renewed market attention on the economic (and fiscal) health of the US has injected a fragile tone on NAFTA zone currencies due to regional convergence and interdependence dynamics. The Canadian dollar (CAD) seems to be trapped in a volatile trading range vs. the USD with a weakening bias. While interest rate differentials are attractive in Canada, energy price adjustments and a weaker US outlook weigh on the CAD in the near term. However, in the medium term the outlook for CAD remains strong, based on widening interest rate differentials, a relatively strong sovereign position, a commodity-heavy economy and positive sentiment. The CAD's leverage to the US economy should see it underperform the other commodity and pro-cyclical currencies. The Mexican peso (MXN) has shown a strong alignment to the CAD and has adopted a weakening bias against the USD. The negative spillover effect from US economic softness, decelerating trade activity, slower remittance flows, adjusting energy prices and stable monetary conditions have introduced a fragile tone in the peso.

The euro (EUR) offers a promising outlook in the near term, as global investors redirect their focus towards fragile economic and uncertain monetary conditions in the US. The combination of low interest rates even at the long end of the yield curve and loose monetary policy is working favourably for the core euro zone economies. Economic sentiment indicators continue to show steady improvement, facilitating massive bond issuance activity by European sovereign borrowers to meet high deficit-financing needs. Successful containment of inflationary pressures points toward no immediate need to normalize monetary conditions. On a year-over-year basis, euro zone GDP expanded by 1.7% in the second quarter of the year (1% on a current quarter-to-previous quarter basis), injecting a more optimistic view into the economic outlook. Germany remains the engine of growth in the euro zone; its output increased by 3.7% (y/y) during the quarter. Investor concerns about sovereign debt sustainability have somewhat subsided, yet they remain in place; debt market metrics pointing to widening (yield) spreads between the weaker and stronger EU members highlight that not all has been 'fixed' and there are still vulnerabilities ahead. Elsewhere in Europe, the British pound (GBP) and the Swiss franc (CHF) have enjoyed a period of sustained strength. Economic conditions in the UK proved to be better than previously discounted by market participants and the CHF was a primary beneficiary of safe-haven trading activity during this recent period of volatile financial markets. Looking ahead, though, still weak housing markets and spending cuts in the UK may subtract momentum from the GBP.

The Japanese yen (JPY) continues to play a dominant role in global foreign exchange markets. Since May, the JPY has been steadily appreciating against the USD. The JPY is also benefitting from increasing diversification by China and by the recent spike in global risk aversion. A strong yen brought about by interest rate spreads, risk aversion, a shift in the carry trade and the longer term impact of deflation on the real value of the currency is expected to continue in the near-term. Moreover, recent policy announcements regarding a new fiscal stimulus package and an increase in liquidity through a lending facility of up to 30 trillion yen bode well for the JPY outlook. Although the risk of outright intervention by the government of Japan to moderate currency strength is still latent, there is no indication that such a policy option will be executed in the near term. Meanwhile, the JPY strength has also been mimicked by other floating currencies in the region. Finally, the performance of the Chinese renminbi (CNY) took a (perhaps temporary) turn and reversed a period of appreciation against the USD after touching the 6.76 mark in early August and weakened to 6.81 in one month; we now expect USDCNY to close the year at 6.75.

Emerging-market currencies remain sensitive to commodity price gyrations, widening growth differentials vis-à-vis developed economies and shifts in global risk appetite. In the Americas, the Brazilian real (BRL) is in strict consolidation mode. Market participants have incorporated the high probability that the central bank will pause the process of monetary tightening until the presidential elections (October/November 2010) are over. Strong growth, contained inflation and interest rate differentials still favour the BRL, somewhat mitigated by a widening current account deficit. Metals-sensitive currencies such as the Chilean peso (CLP), the Peruvian sol (PEN) and the South African rand (ZAR) remain well supported by favourable trends in gold and copper prices.

CANADA

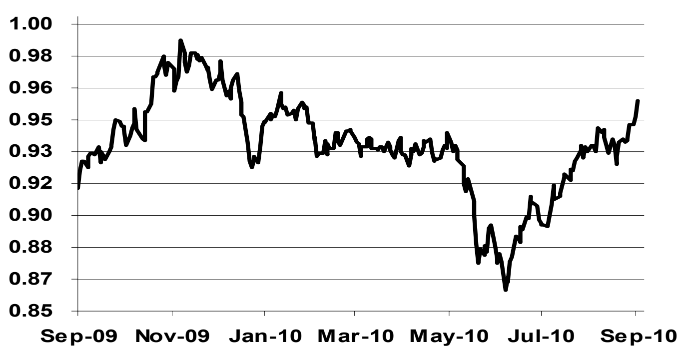
Camilla Sutton +1 416 866-5470
Sacha Tihanyi +1 416 862-3154

Since the beginning of 2010, CAD has traded in a tight 0.93 to 1.00 range, with the average closing level almost exactly the mid-point at 0.9652. CAD spent the first half of the year strengthening on the back of an improving global growth outlook, rising commodity prices, widening interest rate spreads and positive sentiment. However, as uncertainty over the strength of the global recovery has risen, so too has the back and forth pattern of CAD. Accordingly, the summer months have been marked by the currency making attempts at both the weaker and stronger ends of its range, but lacking a catalyst to push it through. As we look out to the end of the year, near-term risks have increased. This should see the currency trading more decisively in the weaker end of its range. We have revised our CAD forecast to reflect this, expecting the currency to close the year at 0.95 (equivalent to USDCAD at 1.05). Recent economic releases from the US confirm a slower growth trajectory than many had expected, unfortunately this is likely to spill into Canada. Global growth continues to recover, but at a slower pace as well. This has increased the risk of softer commodity prices and a weaker CAD. However, a catalyst to push the currency outside of this year's range has yet to emerge, which should leave CAD ranging between 0.93 and 1.00. Offsetting some of the bearish CAD develops are interest rate spreads, a broadly weaker USD, flow and sentiment. The case for tighter monetary policy in Canada has weakened, but remains intact, accordingly, the interest rate spread between the US and Canada is expected to widen further. This should prove supportive of the currency. In the medium-term, we expect significant downward pressure against the USD to re-emerge. The combination of the deterioration in US data, a dovish central bank, no evidence of a credible fiscal plan, fading bouts of risk aversion and negative sentiment should all pressure the USD lower. This should also help give CAD a lift. Currency flow also remains supportive as global interest in Canadian-based assets and CAD itself continues to be strong. The trend of central banks and investors looking increasingly outside of the G3 for investments (BHPs bid for Potash is a notable example) bodes well for CAD bulls. Accordingly, we have pushed our call for CAD parity out to 2011 and look for CAD to close this year at 0.95 (USDCAD at 1.05).

Currency Trends

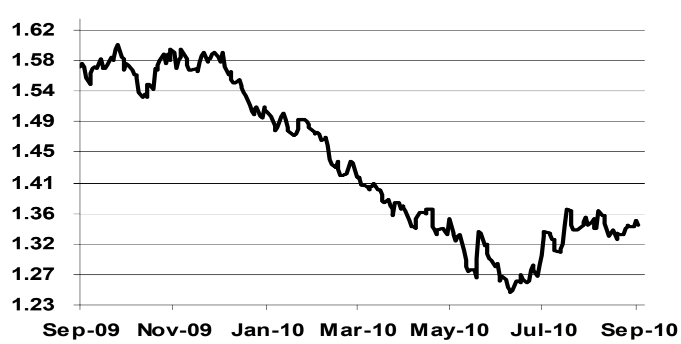
FX Rate	Going Back			Spot	Outlook			FX Rate
	12 m	6 m	3 m	1-Sep	3 m	6 m	12 m	
AUDCAD	0.923	0.942	0.884	0.957	0.948	0.949	0.936	AUDCAD
CADJPY	85.1	84.6	87.4	80.4	80.4	83.4	92.7	CADJPY
EURCAD	1.568	1.434	1.285	1.345	1.345	1.367	1.362	EURCAD
USDCAD	1.094	1.052	1.045	1.050	1.053	1.043	1.007	USDCAD

AUDCAD

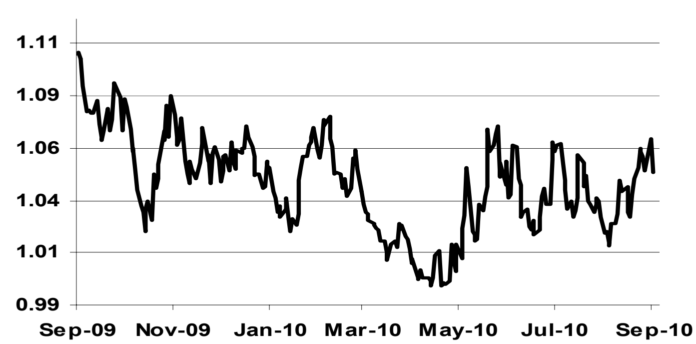


CADJPY

EURCAD



USDCAD



Canada and United States
Fundamental Commentary

Adrienne Warren +1 416 866-4315
Gorica Djeric +1 416 862-3080

UNITED STATES - The U.S. economy is slowing down. Outright contractions in GDP are not necessary to disappoint markets. What is necessary is a sharp disappointment to growth rates compared to what markets had priced in, and that is what we are getting so far, with our view that US growth would wane in the second half of 2010 and into 2011. The second round of revisions to second-quarter GDP shaved 0.8 percentage points off of the original headline gain of 2.4% q/q annualized, with the third quarter not shaping up to be stronger. The debate then rests upon the fourth quarter, and it is far too premature to judge which side of the ledger that quarter will fall upon, but we are assuming that a very soft Q2/Q3 backdrop will make for a firmer Q4. The risk is that the blows to confidence stemming from a renewed decline in US housing markets, wavering equities and ongoing labour market weakness do not bode well at this very preliminary juncture. The expectation of a 'V' – which called for the end of the US recession over the back half of 2009 and a major rally in the risk trades in front of it – expired this past spring, due to waning automatic stabilizer effects that had the initial growth phase lifted by inventory and production effects. Stimulus also played a role in boosting short-term growth, but mostly in sector-specific fashion and at the expense of frontloading demand. The main message here remains that a typical cycle was unrealistic to expect, in that the effects of deleveraging after a financial crisis will not get shaken off easily. We expect the U.S. economy to grow by 2.6% in 2010, followed by a 2.1% expansion in 2011.

CANADA - Canada's economic recovery has lost momentum. Real GDP growth slowed to a 2% annualized rate in the second quarter of the year, roughly half the advance recorded over the first three months of 2010. While a bit weaker than expected, a moderation in growth was inevitable after the post-recession surge in activity of the prior two quarters. The level of output (as of June) was just 0.5% below its pre-recession peak. There remains forward momentum heading into the second half of the year, with output in June up 0.2% m/m. The slowdown reflects in part a more cautious consumer. Despite the continued solid pace of job creation, unsettled financial markets and signs of moderating global growth have tempered consumer confidence and pushed the household savings rate to its highest level in close to a decade. Housing activity has likewise cooled off. Meanwhile, the earlier boost from government stimulus spending appears to be waning. And an easing in global economic momentum, particularly in the United States, has slowed (not stalled) export growth. But there are some bright spots as well, most notably business investment. Outlays on machinery & equipment as well as plants have ramped up, underpinned by healthy corporate balance sheets, rising capacity utilization rates and a strong Canadian dollar. We expect business investment to emerge as one of the key contributors to the expansion going forward. Meanwhile, still strong imports underscore the health of domestic demand. Final domestic demand – which strips out exports and inventory accumulation – posted a robust 3.5% annualized increase in Q2. On average, we expect output growth in the 1-2% range in the second half of the year. This represents a bit slower recovery than we had anticipated just a few months ago, but nonetheless keeps the expansion on track.

Monetary Policy Commentary

Derek Holt +1 416 863-7707
Gorica Djeric +1 416 862-3080

UNITED STATES - The Fed gave a token nod in the direction of market worries by committing to reinvest principal payments on agency debt and mortgage-backed securities back in to Treasury securities. This is not an outright expansion of QE as it leaves markets flat on net cash. But it does avoid what would have otherwise been the case by way of principal pay down that would have resulted in money coming back out of the economy and thus tightening monetary policy prematurely. By committing to a stable size of its overall balance sheet through reinvesting maturing principal proceeds to the likely tune of $400 billion over the next year, the Fed is saying it is unreasonable to expect hikes to the fed funds target for at least a year. We, therefore, do not expect the Fed to begin raising interest rates until very late next year at the earliest. That leaves the interim core challenge that of money demand not proving responsive to low interest rates, still a long way away from an environment where easy monetary policy is working to stimulate the economy.

CANADA - Markets have backed off pricing in a September 8th hike by the BoC by more than we are comfortable with. The uncertainty has risen, but the balance of the fundamentals remains supportive of a continued pace of tightening for a number of reasons. 1) The balance of recent macro readings has generally been stronger than interpreted by markets that have not dug beneath the headlines. 2) Lower bond yields and currency depreciation partly neutralize the effects of the recent hikes. 3) Within six months, Canadian households will be more heavily indebted than Americans on a debt-to-income basis. 4) While housing has softened, it is being replaced by business investment in machinery and equipment. 5) Should the BoC choose to tighten further, it can neutralize much of the impact of a 25bps hike by managing the bias toward greater global uncertainty. Finally, the commodities picture is uncertain, but supportive of continued capital investment. On balance, our call remains for a 25 bps hike on September 8th, and then for the BoC to remain on hold in October and December.

MAJOR CURRENCIES
Currency Outlook

Camilla Sutton +1 416 866-5470
Sacha Tihanyi +1 416 862-3154

EURO ZONE - Upside surprises in Q2 growth and PMI data leave euro zone economic momentum showing a buoyancy absent from equivalent US economic indicators. Risk aversion and increasing CDS spreads on the sovereign bonds of weaker euro zone members continue to hang over EUR, though speculators are less aggressive in shorting the currency, leaving EUR positioning fairly neutral. We look for EURUSD to bottom out at 1.25 in Q3 before staging a steady recovery on a resumption in USD weakness.

JAPAN - Limp-wristed attempts at verbal intervention on the part of Japanese policymakers have emboldened the market to push JPY to a 15 year high against the USD. A further expansion in monetary and fiscal policies at the end of August did nothing to stop the appreciatory trend. The compression of US-Japanese yields have also benefitted JPY and support a speculative push that has sent net JPY longs to near multi-year highs.

UNITED KINGDOM - Joblessness in the UK continues on a downwards trajectory while headline CPI remains above the 3% level. However, data that would normally be bullish for policy rate increases has been offset by a consistently dovish Bank of England Governor and less supportive monetary data, helping arrest GBPUSD's rebound. Despite important support at the 1.55 level giving way, speculators temporarily moved net long GBP for the first time since mid-2008, suggesting that GBP bears have been flushed out of the market.

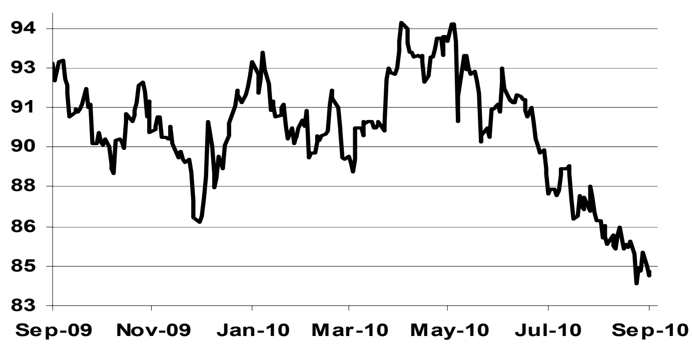
SWITZERLAND - CHF has continued to strengthen, pushing EURCHF to record lows below 1.29. The SNB seems resigned to a stronger CHF, despite deterioration in the pace of inflation. Bullish CHF speculative sentiment is currently strong, though the threat of central bank intervention has not entirely dissipated despite the SNB's assessment that the risk of deflation has largely disappeared. We are more bullish EUR in the medium term and target EURCHF at 1.32 and 1.35 by the end of 2010 and 2011 respectively.

Currency Trends

FX Rate	Going Back			Spot	Outlook			FX Rate
	12 m	6 m	3 m	1-Sep	3 m	6 m	12 m	
EURUSD	1.43	1.36	1.23	1.28	1.28	1.31	1.35	EURUSD
USDJPY	93	89	91	84	85	87	93	USDJPY
GBPUSD	1.63	1.52	1.45	1.55	1.56	1.59	1.64	GBPUSD
EURCHF	1.52	1.46	1.42	1.30	1.31	1.33	1.35	EURCHF

EURUSD

USDJPY



GBPUSD

EURCHF

MAJOR CURRENCIES
Fundamental Commentary

Tuuli McCully +1 416 863-2859
Oscar Sánchez +1 416 862-3174

EURO ZONE - The euro zone is well entrenched on a much better than anticipated growth trajectory. The economy experienced the fastest growth in four years in the second quarter of 2010 and outperformed the US, as output expanded by 1.0% q/q (1.7% y/y). Solid industrial orders together with purchasing managers' indices for both the manufacturing and services sectors confirm our view that the economic momentum of the second quarter of 2010 is continuing into the current quarter. The export-led recovery is beginning to spill-over to the domestic side; recovering credit flows and an improvement in consumer confidence are welcome developments for household spending prospects. We expect the euro zone economy to expand by around 1½% this year. While Germany remains the engine of growth in the euro zone (the economy is expected to expand by 3% in 2010), there are significant differences in economic performance between the core countries and the euro zone periphery, where tough austerity measures are adversely affecting economic performance. The regional outlook for 2011 remains challenging as growth dynamics – particularly in the export sector – will be affected by an economic slowdown in the US and China. Euro area output will likely expand by just over 1% in 2011. As inflationary pressures remain well contained (the CPI rose by 1.6% y/y in August), we expect the European Central Bank to keep the benchmark interest rate unchanged at 1.0% until the final quarter of 2011.

JAPAN - Export volumes out of Japan have yet to show the effects of record-high JPY. Total shipments continued to increase through July, rising during the month 2.4% over the average second-quarter level when they picked up at a 9% quarterly rate. Further confirmation of this trend has come from industrial output numbers which broke a downward spiral in July on the back of solid gains in vehicle output. The resilience of Japanese foreign shipments remains in stark contrast with yen strength. The JPY displayed mixed signals during the April-June period as it weakened vis-à-vis the euro and strengthened against the dollar; so far in the third-quarter it stands stronger on average against both currencies. Given the weight of Japanese shipments to China and the US – which account for 18.8% and 16.4%, respectively, while exports to Europe represent 9.2% of total foreign sales – a lagged response from exports to the rise in the value of the yen was to be anticipated, with recent currency trends further supporting a negative impact down the line. Meager second-quarter GDP growth was certainly affected by a negative contribution from net exports. However, that resulted mostly from a significant pickup in imports, pointing to an enhanced outlook for consumer spending that is so far supported by confidence indicators, growing labour market participation and rising bank credit flows to individuals. In our view this indicates that the still favourable external outlook continues to trickle down to the Japanese domestic market.

UNITED KINGDOM - The UK economy is in solid recovery mode; output expanded by 1.2% q/q (1.7% y/y) in the second quarter of the year, with details showing a broad-based expansion across the services, manufacturing and construction sectors. Moreover, the exports-driven recovery is being accompanied by a revival in private spending that returned to expansionary territory in the April-June period. We expect the UK economy to reach 1.4% growth in 2010 as a whole. Nevertheless, persistently weak housing markets and forthcoming fiscal consolidation in the form of tax increases and reduced government spending will likely dampen growth prospects in the medium-term; real GDP will likely expand by 1.2% in 2011. As the sustainability of the UK's ongoing robust economic recovery is uncertain, monetary conditions will likely remain unchanged for some time. We expect that the benchmark interest rate, the Bank Rate, will remain at 0.5% until the second quarter of 2011. While the Bank of England maintains its view that excess capacity in the UK economy should lower inflationary pressures, it notes that there are uncertainties regarding the extent to which inflation would moderate. Though headline inflation eased for a third consecutive month in July to 3.1%, it remains significantly above the official medium-term target of 2% y/y - and will jump higher once the 2½ percentage point hike in the value added tax is introduced in January 2011.

SWITZERLAND - Swiss monetary authorities face a demanding task in setting an appropriate policy stance. Recent appreciation of the Swiss franc (CHF) vis-à-vis the euro – the currency has gained almost 15% since end-2009 – is playing the role of monetary tightening, dampening inflationary pressures; consumer price inflation was 0.4% y/y in July compared with the 1.4% rate in April; on a monthly basis, prices declined by 0.7%. Increased uncertainty in the global financial markets leads to an appreciating bias of safe-haven currencies, such as the CHF. As the strong CHF is causing some renewed concerns regarding deflation and limiting export sector prospects, the authorities may opt to intervene in the currency markets again. However, excess liquidity stemming from the central bank's earlier interventions feeds credit growth and property prices at the time when the domestic economy (along with the external sector) is in a healthy footing, potentially leading to stronger inflationary pressures later on. The next quarterly monetary policy meeting is scheduled for September 16th; we expect the policymakers to maintain the benchmark interest rate target at 0.25% until the first quarter of 2011 when a cautious process of monetary normalization will likely begin. With government finances in a significantly better shape than the European norm (the Swiss 2009 budget was virtually balanced), Switzerland has no immediate need for embarking on fiscal consolidation efforts. The Swiss economy is set to grow by around 2% in 2010.

ASIA/OCEANIA/EUROPE
Currency Outlook

Camilla Sutton +1 416 866-5470
Oscar Sánchez +1 416 862-3174
Sacha Tihanyi +1 416 862-3154

AUSTRALIA - Strong Asian growth dynamics have kept AUD relatively insulated from the August bout of risk aversion. Australia's trade balance has improved sharply in recent months, helping the current account deficit reach its lowest level in years, an impressive result as the economy continues to expand faster than expected. Despite the RBA's freeze on the monetary policy front, rates remain relatively high and speculative sentiment is typically bullish, supporting an appreciatory trajectory over the coming quarters.

NEW ZEALAND - A perceptible deterioration in Q2 employment in New Zealand combined with a sharp deterioration in the outlook component of the country's manufacturing PMI has led to NZD weakness on a less robust growth outlook. We expect NZD to remain challenged in the near term, though expectations for greater rate support over the coming quarters should cap the downside in NZDUSD near the 0.70 mark.

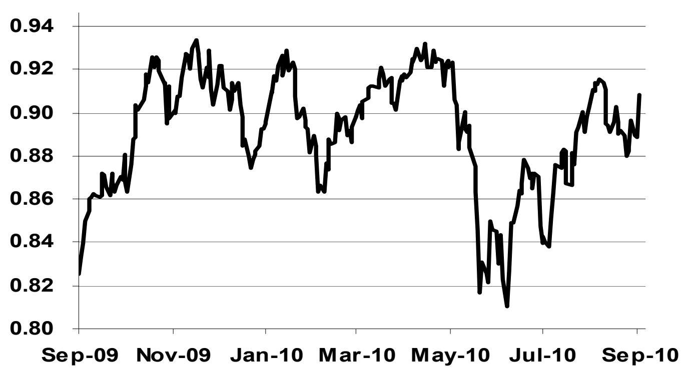
TAIWAN - The Taiwanese dollar (TWD) has recently followed the realignment with the Chinese yuan (CNY). Resilient export orders is bound to lead to strength in coming months as the country is well positioned to exploit its proximity to China and the recently adopted trade agreement with the mainland. The central bank already began a normalization of monetary conditions providing further support to the TWD.

NORWAY - NOK was the worst performing major in August, caught up in the risk trade as the rolling one-month correlation between USDNOK and global equities held at extremely elevated levels. Though the two month downtrend in USDNOK was violated in August, we look for USDNOK to stabilize and regain downside initiative, appreciating to 6.15 by the end of 2010 and 5.70 by the end of 2011.

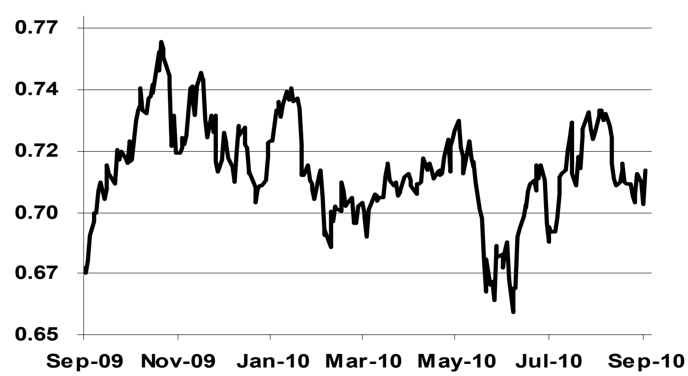
Currency Trends

FX Rate	Going Back			Spot	Outlook			FX Rate
	12 m	6 m	3 m	1-Sep	3 m	6 m	12 m	
AUDUSD	0.84	0.90	0.85	0.91	0.90	0.91	0.93	AUDUSD
NZDUSD	0.69	0.70	0.68	0.71	0.70	0.71	0.73	NZDUSD
USDTWD	32.9	32.1	32.0	32.0	31.3	30.7	30.0	USDTWD
USDNOK	6.02	5.91	6.46	6.19	6.18	6.08	5.85	USDNOK

AUDUSD



NZDUSD



USDTWD

USDNOK

ASIA/OCEANIA/EUROPE

Fundamental Commentary

Tuuli McCully +1 416 863-2859
Oscar Sánchez +1 416 862-3174

AUSTRALIA - Notwithstanding Australia's Labour party electoral setback earlier this month, the economy remains on a solid footing as second-quarter GDP advanced at the fastest pace in three years, with leading indicators continuing to display gains. Inflationary concerns have been tamed with evidence of wage deceleration leaving the door open for stable monetary conditions. Having manoeuvred swiftly around the Great Recession, with GDP failing to expand only in the final three months of 2008, the Reserve Bank of Australia has raised the benchmark interest rate 150 basis points since last October. Although the possibility of further overnight cash rate hikes continue to be underlined, the RBA has retained the status quo in the last three months; no change is expected following next week's meeting. Buoyant economic activity has supported consumer spending as retail sales picked up for the 5th consecutive month in July. Some effects of political swings onto the economy have been felt, as a contraction in investment spending in the first-quarter was matched by a sluggish contribution to GDP growth in the second. Corporate inaction follows disenchantment with Australian authorities' decisions to raise excise taxes and the government proposal of an extraordinary resource rent-tax on mining profits; the likelihood of implementation of the tax hung currently on the country's political balance. We expect Australia's economy to expand at a 3% yearly average rate during the 2010-11 period.

NEW ZEALAND - Inflationary pressures in New Zealand remain contained, as yearly inflation of 1.8% remains well within the official medium-term target range of 1-3%. However, non-tradable price growth accelerated once more in Q2, prompting the central bank to increase the official cash rate for a second time to 3% in July. We anticipate a further 25 basis point increase during the upcoming mid-September monetary policy meeting. Retail sales excluding motor vehicles and fuel climbed 0.9% q/q during the second-quarter correcting the sluggish tone depicted in Q1 when they recorded a 0.5% fall. Credit card spending remained solid through July, supporting the view that the household situation is resilient. Further signs of strength in consumer spending came from a persistent pickup in imports through July; the third straight monthly gain. Although rising fuel costs were in part to blame for the increase in the value of foreign purchases of goods and services, the rise in imports translated into the first trade deficit in seven months. Slowing exports explain part of the switch as farm output is usually strong during the first-half of the year. Domestic demand resilience has been supported by the downtrend in unemployment. The country's unemployment rate bounced back to 6.8% in Q2 in part as payback from the reduction in the previous three months to 6%, when it recorded the biggest quarterly fall on record. The jobless gauge remains below the 7.1% rate that prevailed at the turn of the year.

TAIWAN - Taiwan's economy continued to expand at a fast pace during the second-quarter. Having gained 13.3% y/y in the first three months of 2010, the fastest pace in more than three decades, GDP grew 12.5% – well ahead of expectations – in the April-June period on the back of surging exports. Export orders, an indication of future shipments, remain uninterrupted, rising for a 10th straight month in July, and have so far proved immune to slower momentum in Chinese economic growth and competitiveness losses in the European market. In fact, annual growth in orders during August remained close to expectations once again as external demand for Taiwan's electronic products picks up in advance of the start of the school year in September. Taiwanese exporters have been leaders in the economic recovery in Asia after being among the hardest-hit by the global economic downturn. Industrial output rose for the 11th straight month in July underpinned by persistent increases in manufacturing output. Production of electronic parts and computer equipment remain on an upward trend having grasped double-digit quarterly gains. Chinese demand for computer chips and televisions helped to stoke an over 12% expansion in the island's economy in the first-half of 2010, the fastest pace in more than three decades. The so-far resilient strength in exports and production has led to continuous gains in labour market indicators, with the jobless rate falling for the tenth straight month in July, as the seasonally adjusted unemployment rate reached 5.17%.

NORWAY - A gradual monetary tightening bias remains in place in Norway; regardless, following Norges Bank's Executive Board meeting on August 11th, the key policy rate was kept unchanged at 2.0%. The rate has been raised by 75 bps since October 2009, with the most recent increase taking place in early May. According to the official policy statement, monetary authorities seemed less concerned about household debt growth than in recent months; nevertheless, a potential build-up of future domestic economic imbalances stemming from very low interest rates suggests that normalization of monetary conditions in the coming months is required. The policymakers' strategy is to keep the key rate within the 1½-2½% range until the October 27th Board meeting when the new policy outlines will be published. The Norwegian economic outlook is relatively promising, as healthy government finances – the fiscal surplus will average 10% of GDP through 2011 – and a strong external position – the current account surplus will hover at 16% of GDP in 2010-2011 – provide a solid footing for economic recovery. Output of the mainland Norway expanded by 0.5% q/q in the second quarter of the year, following a 0.1% increase in the January-March period; we expect the economy to expand by around 1½-2% through 2011. The inflation rate − 1.9% y/y in July − remains below the central bank's 2.5% target.

DEVELOPING ASIA
Currency Outlook **Oscar Sánchez +1 416 862-3174**

CHINA - The Chinese Renminbi (CNY) has reversed most of the gains achieved through mid-August when it touched the 6.76 mark. Chinese authorities are likely to remain on monetary policy guarding mode given so far limited moderation in economic activity. We anticipate a resurgence of CNY strength toward the end of the year towards the 6.65 per US dollar rate.

INDIA - The solid domestic demand-based economic recovery in India combined with a central bank in monetary policy tightening mode will continue to provide support for the Indian rupee (INR). Although we expect the central bank to pause during its coming September monetary policy meeting, interest rate differentials remain a magnet to foreign capital in-flows. We expect the USDINR rate to close the year at 45.0.

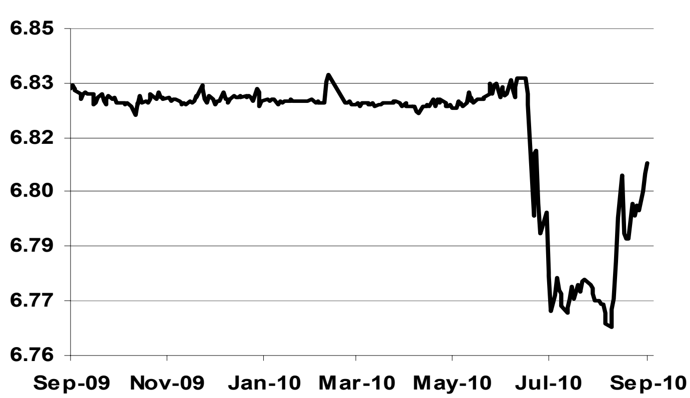
KOREA - The Korean won (KRW) will remain supported by a solid outlook for economic activity and due to the central bank's normalization monetary stance. The recently adopted upward inflationary trend keeps the central bank on guard auguring further rate hikes as domestic demand continues to recover. We expect the KRW to regain strength reaching 1120 per US dollar at the end of 2010.

THAILAND - Rising interest differentials will continue to provide strength to the Thai baht (THB). The exchange rate stands currently at 31.18 per US dollar, the strongest level in over two years. With the benchmark interest rate at 1.75%, further normalization on the part of the Bank of Thailand will continue to tilt the balance in favour of THB appreciation.

Currency Trends

FX Rate	Going Back			Spot	Outlook			FX Rate
	12 m	6 m	3 m	1-Sep	3 m	6 m	12 m	
USDCNY	6.83	6.83	6.83	6.81	6.77	6.71	6.58	USDCNY
USDINR	48.8	46.1	46.4	46.8	45.5	45.3	46.3	USDINR
USDKRW	1249	1160	1202	1185	1139	1108	1073	USDKRW
USDTHB	34.0	33.1	32.5	31.2	31.1	31.2	31.7	USDTHB

USDCNY



USDINR

USDKRW

USDTHB

DEVELOPING ASIA
Fundamental Commentary

Oscar Sánchez +1 416 862-3174

CHINA - The economic picture for China remains favourable as the reduction in the credit impulse implemented at the outset of 2010 seems to have effectively cooled-off demand pressures, opening the door for additional monetary stimulus. The modest loss of dynamism observed so far will turn into a more sustainable pace of expansion. High frequency data on economic activity within China comes mainly from two sources: fixed asset investment and retail sales. Latest figures continue to display moderation. A fall in infrastructure-related investment must be occurring given no fresh government stimulus during 2010. On the other hand, investment in housing seems to have peaked as a result of credit tightening measures and restrictions on speculative real-estate ventures. Although a continuation of the downward correction is anticipated, the push for public housing construction and for inland region urbanization will help sustain construction spending. Growth in manufacturing investment has picked up recently, consistent with firms' improved outlook and rising imports of machinery and equipment. The purchasing managers' index rebounded to 51.7 in August, auguring enhanced conditions for manufacturing output. In summary, tightening measures on credit and property market speculation will likely continue to slow fixed investment in the absence of further increases in public infrastructure spending. Housing price easing has eased the inflationary outlook, with falling producer price pressures supporting a downturn in inflation down the line.

INDIA - India's economy displayed a solid 8.8% yearly gain in the second quarter with output having expanded by 8.6% y/y in the first three months of 2010. Output gains accelerated at the turn of the year with convergence to a sustainable rate of expansion anticipated for the second-half of 2010. We expect GDP growth of 8.3% in 2010 to be followed by a 7% gain in 2011. Annual inflation finally budged. The closely watched wholesale price index (WPI) jumped at a 9.9% y/y rate in July, down considerably from the previous month's 10.5% print. A downward trend in food price gains evident since the beginning of the year, as well as decelerating manufacturing costs, were the main drivers of lower price pressures. Although fuel cost increases continue to pull overall inflation up after the abolition of gasoline subsidies last June, the one-off effect is bound to dissipate in coming months leading us to anticipate a downward trend in WPI inflation with a conversion towards the 6-7% range at the end of 2010. The Reserve Bank of India (RBI) has been in monetary tightening mode as it manages expectations preventing inflation from running astray. The RBI raised the benchmark rate after its last meeting in July, having already implemented four rounds of interest rate increases that have resulted in a lift of the repo and reverse-repo rates of 100 and 125 basis points respectively. In an implicit recognition of the effect of the elimination of fuel subsidies, the central bank made an upward revision to its forecast for FY2011 inflation to 6% from the original 5.5%.

KOREA - South Korean merchandise exports continued on an upward trend through the beginning of the third-quarter. Monthly sales of goods to China, where one-fourth of total foreign sales are directed, broke through the US$10 billion mark in July, while corresponding figures to the US and Japan continued to rise over-and-above average values for the first-half of 2010. The trend is confirmed by a 9th month consecutive increase in industrial output during July. Exports have been propelled as the average level of the KRW fell during the second-quarter. The effect remains so far through August, leading us to expect no disruption in the trend. Merchandise exports have been the major driver of the economic recovery, with the outlook for consumers improving as economic activity gains spill into the domestic market. Sales of consumer goods advanced 1.2% m/m in July, while investment spending continues to increase at double-digit yearly rates. Rising private sector employment numbers have accompanied a swelling labour force, with the gains in the latter exceeding job creation. This has compounded with a discontinuation of public sector economic support programs resulting in a small rise in the unemployment rate. The still favourable economic landscape for the country has already caused swift gains in investment spending, with a similar pickup anticipated for consumer outlays in coming months. We expect the Korean economy to expand at a 5.5% rate in 2010 followed by a return to trend growth of 4.5% in 2011.

THAILAND - The Bank of Thailand implemented a second monetary policy normalization move in August, raising the benchmark interest rate by 25 basis points to 1.75%. The central bank's decision came on the back of an acceleration in yearly inflation to 3.4% in July. The inflationary pickup comes as a backdrop to better than expected economic performance as the effects of the May political turmoil on investment, consumer spending and trade flows seem to have faded quickly. Economic activity during the turbulent April-June period was better than expected with GDP advancing at an 0.9% quarterly rate. THB strength – the volatile currency still managed to stand 1.6% higher on average during the second-quarter – failed to dent export momentum as shipment values reached pre-recession levels on the back of double-digit quarterly gains in sales to China. Although exports to that country represent only 12% of the total, they accelerated through the first-half inking an unprecedented US$2.2 billion monthly figure in June. On the domestic picture, a strong rebound in consumer confidence and rising automobile sales depict a much improved situation. Although the recovery in domestic demand accompanied by continued export strength remain the main economic drivers, tourism sector inflows have recently rebounded with a 15% y/y gain recorded in July on the basis of arrivals from China and the rest of Southeast Asia. We now expect Thailand's GDP to expand by 5.5% y/y in 2010 followed by a 4.5% gain in 2011.

DEVELOPING AMERICAS
Currency Outlook

Pablo Bréard +1 416 862-3876

BRAZIL - The Brazilian real (BRL) is in consolidation mode after a prolonged phase of steady appreciation. Strong growth, contained inflation and interest rate differentials still favour the BRL trade, somewhat mitigated by a widening current account deficit. The central bank will pause the process of monetary tightening until the presidential elections (October/November 2010) are over. We expect USDBRL to close the year at 1.80 and modesty weaken to 1.85 by the end of 2011.

MEXICO - The Mexican peso (MXN) has adopted a defensive bias on the back of deteriorating economic conditions in the US, declining crude oil prices and intensified global risk aversion. However, interest rate differentials and the quest for yield may inject a recovery tone into the MXN in the months to come. We expect USDMXN to close the year at 12.9.

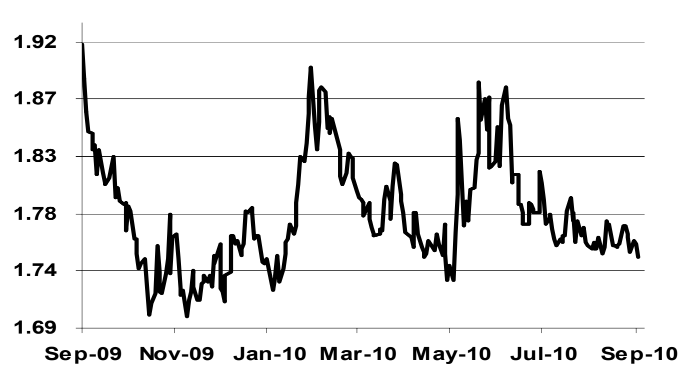
CHILE - The Chilean peso (CLP) is enjoying a positive momentum on the back of strong economic performance, favourable commodity market prices, major fiscal stimulus in response to the earthquake/tsunami of Q1 2010, positive spill-over effects from Brazil, and widening interest rate differentials. We expect USDCLP to close the year at 500.

COLOMBIA - The Colombian peso (COP) continues to enjoy a solid momentum. Following a steady period of appreciation versus the USD, the COP will be subject to consolidation activity in the near term. Stabilizing political conditions, improving growth conditions in the context of manageable and low inflation and sizable foreign capital flows have all been factors injecting a positive tone into the Colombian currency. We expect USDCOP to close the year at 1,840.

Currency Trends

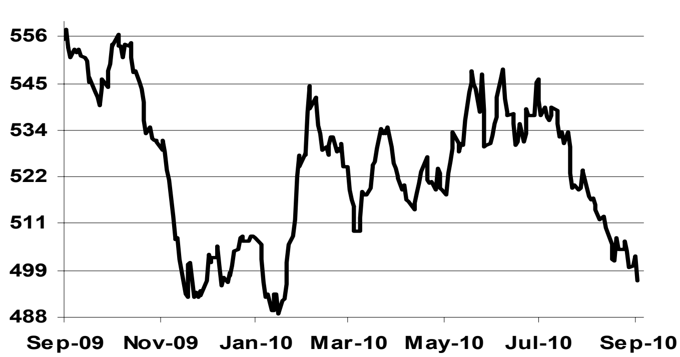
FX Rate	Going Back			Spot	Outlook			FX Rate
	12 m	6 m	3 m	1-Sep	3 m	6 m	12 m	
USDBRL	1.88	1.81	1.82	1.75	1.79	1.81	1.83	USDBRL
USDMXN	13.36	12.77	12.93	13.07	12.80	12.92	13.04	USDMXN
USDCLP	554	525	530	497	501	503	513	USDCLP
USDCOP	2060	1927	1972	1812	1837	1850	1880	USDCOP

USDBRL



USDMXN

USDCLP



USDCOP

DEVELOPING AMERICAS
Fundamental Commentary

Pablo Bréard +1 416 862-3876

BRAZIL - Brazilian financial markets remain relatively immune to the political developments linked to the approaching presidential elections. Market participants continue to discount policy continuity irrespective of the electoral outcome. The Brazilian real (BRL), a gauge of emerging-market sentiment in the Americas, is well entrenched in a consolidation phase despite intensifying volatility in NAFTA zone currency markets. Interest rate differentials also remain a highly supportive factor for local-currency securities. Indeed, the monetary policy rate spread of 1,050 basis points (bps) between Brazil and the US coupled with a 10-year UST bond yield of 2.6% is a major incentive for Brazilians to keep their funds at home. From a purist macroeconomic perspective, Brazil offers a promising growth outlook; the latest survey of economic projections conducted by the central bank points to a real GDP expansion of 7.1% in 2010, while inflationary pressures remain relatively well-contained. Consumer price inflation, which reached 4.6% in July (year over year), will remain below the 5% threshold over the next 12 months. The combined effect of stable price conditions and decelerating growth dynamics for the year 2011 has led to corrections in the expected monetary policy adjustments; in fact, market participants now discount that the authorities may increase the credit-sensitive SELIC rate by only 25 bps by the end of the year to 11% and thereafter resume a tightening cycle once the electoral process is completed.

MEXICO - Investor sentiment in Mexico is strongly influenced by economic and monetary developments north of the border. The mid-term congressional elections in the US will be conducted in the midst of persistently weak conditions in labour and housing markets. The already discounted deferral of interest rate normalization by the US Federal (Fed) Reserve may redirect flows away from US dollar (USD) assets. US stocks have been subject to downward adjustments since early August. As a result of a downshifting in economic growth expectations in the US, other NAFTA zone currencies such as the Canadian dollar and the Mexican peso (MXN) seem to be receiving the effect of asset reallocation shifts. Indeed, the MXN is now more influenced by directional swings in the USD rather than by developments in the Latin American leading currency, the Brazilian real. The MXN has adopted a defensive bias on the back of softening economic conditions in the US, declining crude oil prices and intensifying global risk aversion expressed in depreciating equity securities. Energy commodity price adjustments linked to a re-assessment of global growth conditions are also exerting negative pressure on the value of the MXN: the market-benchmark WTI crude oil price edged the US$70 per barrel mark at end-August, a sharp descent from the US$83 level earlier in the month. Local Treasury bond markets have also suffered from risk-re-pricing dynamics in Mexico with the Mexico-US spread widening to 375 bps.

CHILE - Chile presents a promising outlook. The South American economy has barely felt the transition to a new government administration following the election of Sebastian Piñera as the new president. The swift policy response to the dual shock of a decelerating global economy and devastating earthquake/tsunami earlier in the year is paying off. Following a well-coordinated fiscal and monetary impulse executed by the new government, real GDP is rapidly recovering as reflected in the 6.5% y/y expansion during the second quarter of the year. The local consensus points now towards a growth rate of 5% and 5.8% for 2010 and 2011, respectively. In response to intensifying economic activity, the country's monetary authorities are decisively embarked on a process of interest rate normalization: the central bank unanimously decided to lift the monetary policy rate by 50 bps to 2% on August 12th. The authorities sent a clear message that further tightening of monetary conditions is in sight until the process of interest rate normalization is completed. Widening growth and interest rate differentials in the context of persistently high metal prices have been key factors supporting a stable to appreciating environment for the Chilean peso (CLP) which has strengthened from 550 to 500 per USD over the past two months. Copper prices seem to be in consolidation mode at the current level of 335 US cents per pound, a sharp increase from 272 in early June.

COLOMBIA - Improved political conditions (President Juan Manuel Santos assumed the presidency on August 7th), major foreign capital investment plans (particularly in the energy and mining sectors), strengthening economic growth prospects (approaching a 4% rate of expansion in 2010 as a whole), a stable inflationary context (within the 2-4% official target range) and a sound domestic financial sector are all key issues driving a steady appreciation of the COP, which has gained 11.5% against the USD since early July. The Colombian currency performance has been second to none in the Americas, followed at a distance by the Chilean and Brazilian currencies. The global perception of sovereign credit risk has also received a major boost so far this year; in fact, the cost of insurance of government bonds measured though the credit default swaps (CDS) has also diminished markedly, trading at 132 bps by the close of the month. The country's creditworthiness continues to improve; indeed, Standard & Poor's upgraded the outlook of Colombia's BBB- rating to "positive" last month. On the inflation front, there are timid signs of increasing price pressures, yet the rate of consumer price inflation at 2.2% in July remains very manageable. The central bank has maintained its policy-setting interest rate unchanged at 3% since April 2010; however, we cannot rule out mild tightening before the beginning of 2011 if growth conditions improve markedly.

Developing Europe/Africa
Currency Outlook

Pablo F.G. Bréard +1 416 862-3876
Tuuli McCully +1 416 863-2859

RUSSIA - The Russian ruble (RUB) will likely resume a modest appreciating bias once energy prices stabilize. Foreign trade activity presents a better outlook as the Russian economy is sensitive to demand originating in the developed countries in Europe. Temporary global risk aversion may force the central bank to moderate, yet not eliminate, the ongoing process of interest rate normalization. We expect USD/RUB to close the year at 31.

TURKEY - Despite robust economic recovery and prospects for monetary policy normalization, the Turkish lira (TRY) will be adversely impacted by a delay in the planned fiscal reform. In addition, approaching parliamentary elections in the summer of 2011 may introduce periods of elevated volatility. We expect the TRY to close the year at 1.55 per USD.

SOUTH AFRICA - Wide interest rate differentials between South Africa and advanced economies continue to attract capital inflows into South-Africa, providing support to the South African rand (ZAR). Nevertheless, official rhetoric together with large current account financing needs point towards modest depreciation of the ZAR vis-à-vis the USD. We expect USD/ZAR to close the year at 7.50.

THE CZECH REPUBLIC - A new government and commitment to fiscal prudence should help prevent a contagion of risk aversion from neighbouring countries into the Czech Republic. We expect the CZK to remain relatively stable through 2011, hovering close to 25 per euro.

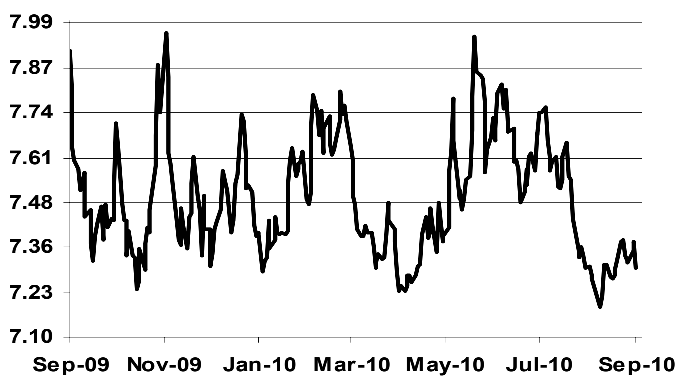
Currency Trends

FX Rate	Going Back			Spot	Outlook			FX Rate
	12 m	6 m	3 m	1-Sep	3 m	6 m	12 m	
USDRUB	31.8	29.9	30.9	30.7	31.0	31.2	31.7	USDRUB
USDTRY	1.50	1.55	1.57	1.52	1.54	1.57	1.62	USDTRY
USDZAR	7.78	7.72	7.67	7.30	7.47	7.57	7.76	USDZAR
EURCZK	25.47	25.93	25.52	24.71	24.94	25.00	25.00	EURCZK

USDRUB

USDTRY

USDZAR



EURCZK

DEVELOPING EUROPE/AFRICA
Fundamental Commentary

Pablo F.G. Bréard +1 416 862-3876
Tuuli McCully +1 416 863-2859

RUSSIA - The Russian currency seems to be subject to a process of consolidation, yet it remains inclined to resuming an appreciating bias once the adjustment of energy prices (to revised global economic conditions) is completed. The economy remains on the rebound: real GDP expanded at a rate of 5.2% on a year-over-year basis during the second quarter of the year, up from 2.9% in the previous quarter. The outlook for inflation has sharply improved. Consumer prices increased by just 5.5% y/y in July, a marked and sustained improvement from the 15% mark recorded in May 2008. Successful price stabilization has allowed the central bank to accelerate the process of interest rate normalization by reducing the refinancing rate to 7.75% from 13% over the past two years. Since June, the monetary authorities have been in pause mode as financial markets re-assess the global economic outlook. Moreover, since early August crude oil and natural gas prices have been subject to downward adjustments, having a direct impact on the value of the RUB which temporarily weakened from 29.7 to 31 per USD. The central bank has continued to accumulate foreign exchange reserves since early March 2009, reaching the current level of US$475 billion. The Russian economy remains sensitive to global energy (demand and pricing) market dynamics. The recent rebound in European economic activity is a positive development for the RUB.

TURKEY - Monetary conditions remain on hold in Turkey. Following the Monetary Policy Committee meeting on August 19th, Turkish policymakers maintained the policy interest rate, the one-week repo rate, at 7.0%. Monetary authorities noted that domestic demand is growing in a stable manner despite a still-high level of unemployment; nevertheless, employment conditions are improving with the jobless rate declining to 11% in May from 14.5% in January. The policymakers emphasized that risks regarding the global economic outlook remain significant and that there are signs of a "partial slowdown" in Turkey's external sector. The economy is set to expand by around 5½% this year; in 2011, somewhat slower global growth will be reflected in Turkish exports while gradual monetary tightening will start to impact domestic demand, causing output growth to slow to around 4%. Though we expect the central bank to start normalizing monetary conditions in the final months of 2010, by historical standards interest rates are set to remain at low levels for an extended period of time. The ongoing economic recovery accompanied by strong import growth will cause the current account deficit to widen to around 5% of GDP by end-2010 from 2.3% in 2009. Inflationary pressures continued to ease in July; the consumer price index increased by 7.6% y/y compared with 8.4% the month before. We expect inflation to hover near the current level at the end of 2010.

SOUTH AFRICA - The South African economy is on a moderate, though somewhat decelerating, recovery path; output grew by 3.2% q/q (annualized) in the second quarter of the year, following a 4.6% q/q increase in the January-March period. The manufacturing sector remains the engine of growth with production indicators, purchasing managers' indices and vehicle sales showing further gains. We expect the economy to expand by around 3% in 2010 followed by a modest acceleration to around 4% growth in 2011 as domestic remand rebounds. Despite the fact that high unemployment (the official jobless rate was 25.3% in Q2 2010) and high household indebtedness constrain consumer spending, early signs of a pickup are emerging with retails sales and private sector credit recording increases in the past few months. Inflationary pressures continued to ease in July with the CPI increasing by 3.7% y/y compared with a 4.2% rate the month before. Due to wage settlements and higher administered prices, inflation will likely start creeping higher in the coming months, though it will likely remain within the South African Reserve Bank's 3-6% inflation target range through 2011. Monetary policymakers have eased monetary conditions aggressively by cutting the benchmark interest rate, currently at 6.5%, by 550 basis points between December 2009 and March 2010; we anticipate one more rate reduction in 2010 before the monetary easing cycle comes to an end. The next Monetary Policy Committee meeting is scheduled for September 9th.

THE CZECH REPUBLIC - The export-oriented Czech economy is recovering gradually on the back of an industrial sector rebound; the country's output expanded by 0.8% q/q (2.2% y/y) in Q2 of 2010 following a 0.5% q/q (+1.1% y/y) growth in the January-March period; we expect the economy to grow by around 1½-2% through 2011. The Czech National Bank has kept the benchmark interest rate unchanged at 0.75% since May; the monetary easing cycle has likely reached its bottom. Consumer prices increased by 1.9% y/y in July, approaching the central bank's target of 2%; while monetary authorities expect further acceleration in inflation in the coming months, the rate should return to the target in 2011 as impacts of the January 2010 increases in indirect taxes fall out of the price index. Sovereign credit rating prospects of the Czech Republic are improving; Standard and Poor's (S&P) revised the outlook for the country's "A" long-term foreign currency rating to "positive", signaling that the country's credit may face a rating upgrade within the next two years. S&P highlights the nation's improving fiscal prospects as the new coalition government – that has a solid parliamentary majority – has proven strong commitment to improving government finances; in particular, a planned large pension reform would significantly ease public expenditure pressures stemming from the aging population. The country's fiscal deficit is set to narrow to around 4½% of GDP this year from the recession-triggered shortfall of 5.9% in 2009.

GLOBAL CURRENCY FORECAST (end of period)

			2008	2009	2010f	2011f	2010f Q1a	2010f Q2a	2010f Q3	2010f Q4	2011f Q1	2011f Q2	2011f Q3	2011f Q4
MAJOR CURRENCIES														
	Japan	USDJPY	91	93	85	95	93	88	84	85	88	92	94	95
	Euro zone	EURUSD	1.40	1.43	1.29	1.38	1.35	1.22	1.25	1.29	1.32	1.34	1.36	1.38
		EURJPY	127	133	110	131	126	108	105	110	116	123	128	131
	UK	GBPUSD	1.46	1.62	1.57	1.69	1.52	1.49	1.55	1.57	1.60	1.62	1.65	1.69
		EURGBP	0.96	0.89	0.82	0.82	0.89	0.82	0.81	0.82	0.83	0.83	0.82	0.82
	Switzerland	USDCHF	1.07	1.04	1.02	0.98	1.05	1.08	1.03	1.02	1.01	1.00	0.99	0.98
		EURCHF	1.49	1.48	1.32	1.35	1.42	1.32	1.29	1.32	1.33	1.34	1.35	1.35
AMERICAS														
North	**Canada**	USDCAD	1.22	1.05	1.05	0.98	1.02	1.06	1.06	1.05	1.04	1.02	1.00	0.98
North		CADUSD	0.82	0.95	0.95	1.02	0.98	0.94	0.94	0.95	0.96	0.98	1.00	1.02
North	**Mexico**	USDMXN	13.7	13.1	12.9	13.3	12.4	12.9	12.7	12.9	12.9	13.0	13.1	13.3
North		CADMXN	11.2	12.4	12.3	13.5	12.2	12.2	11.9	12.3	12.4	12.7	13.1	13.5
South	**Argentina**	USDARS	3.45	3.80	4.10	4.50	3.88	3.93	3.99	4.10	4.20	4.30	4.40	4.50
South	**Brazil**	USDBRL	2.31	1.74	1.80	1.85	1.78	1.80	1.77	1.80	1.81	1.82	1.84	1.85
South	**Chile**	USDCLP	639	507	500	520	524	546	502	500	505	510	515	520
South	**Colombia**	USDCOP	2249	2044	1840	1900	1920	1900	1830	1840	1855	1870	1885	1900
South	**Peru**	USDPEN	3.13	2.89	2.75	2.72	2.84	2.83	2.79	2.75	2.74	2.73	2.73	2.72
South	**Venezuela 1/**	USDVEB	2.15	2.15	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.30
ASIA / OCEANIA														
	Australia	AUDUSD	0.70	0.90	0.90	0.94	0.92	0.84	0.88	0.90	0.91	0.92	0.93	0.94
	China	USDCNY	6.83	6.83	6.75	6.50	6.83	6.78	6.80	6.75	6.69	6.62	6.56	6.50
	Hong Kong	USDHKD	7.75	7.75	7.75	7.75	7.76	7.79	7.77	7.75	7.75	7.75	7.75	7.75
	India	USDINR	48.8	46.5	45.0	47.0	44.9	46.5	46.5	45.0	45.5	46.0	46.5	47.0
	Indonesia 2/	USDIDR	11.12	9.40	9.25	9.50	9.10	9.07	9.10	9.25	9.31	9.37	9.44	9.50
	Malaysia	USDMYR	3.47	3.43	3.15	3.20	3.26	3.24	3.15	3.15	3.16	3.17	3.19	3.20
	New Zealand	NZDUSD	0.58	0.72	0.70	0.74	0.71	0.68	0.70	0.70	0.71	0.72	0.73	0.74
	Philippines	USDPHP	47.5	46.2	44.0	46.0	45.2	46.4	45.0	44.0	44.5	45.0	45.5	46.0
	Singapore	USDSGD	1.43	1.40	1.36	1.30	1.40	1.40	1.36	1.36	1.34	1.33	1.31	1.30
	South Korea	USDKRW	1260	1164	1120	1050	1131	1222	1179	1120	1102	1084	1067	1050
	Thailand	USDTHB	34.7	33.4	31.0	32.0	32.3	32.5	31.2	31.0	31.2	31.5	31.7	32.0
	Taiwan	USDTWD	32.8	32.0	31.0	29.5	31.8	32.1	31.8	31.0	30.6	30.2	29.9	29.5
EUROPE / AFRICA														
	Czech Rep.	EURCZK	26.9	26.4	25.0	25.0	25.4	25.7	24.8	25.0	25.0	25.0	25.0	25.0
	Iceland	USDISK	121	126	125	120	127	128	122	125	124	122	121	120
	Hungary	EURHUF	266	270	285	300	265	285	286	285	289	292	296	300
	Norway	USDNOK	6.95	5.79	6.15	5.70	5.94	6.50	6.25	6.15	6.04	5.92	5.81	5.70
	Poland	EURPLN	4.15	4.10	4.00	4.10	3.86	4.15	4.00	4.00	4.02	4.05	4.07	4.10
	Russia	USDRUB	29.4	30.0	31.0	32.0	29.4	31.2	30.9	31.0	31.2	31.5	31.7	32.0
	South Africa	USDZAR	9.53	7.40	7.50	7.90	7.29	7.67	7.41	7.50	7.60	7.70	7.80	7.90
	Sweden	EURSEK	10.94	10.25	9.35	9.00	9.75	9.54	9.15	9.35	9.26	9.17	9.09	9.00
	Turkey	USDTRY	1.54	1.50	1.55	1.65	1.52	1.58	1.53	1.55	1.57	1.60	1.62	1.65

a: actual; f: forecast; 1/ a new "strong bolivar" was announced on January 1st, 2008, equivalent to 1000 bolivars; 2/ in thousands

INTERNATIONAL RESEARCH GROUP

Pablo F.G. Bréard, Head
pablo_breard@scotiacapital.com

Tuuli McCully
tuuli_mccully@scotiacapital.com

Estela Ramírez
estela_ramirez@scotiacapital.com

Oscar Sánchez
oscar_sanchez@scotiacapital.com

CANADIAN & U.S. ECONOMIC RESEARCH

Gorica Djeric
gorica_djeric@scotiacapital.com

Derek Holt
derek_holt@scotiacapital.com

Adrienne Warren
adrienne_warren@scotiacapital.com

FOREIGN EXCHANGE RESEARCH

Camilla Sutton
camilla_sutton@scotiacapital.com

Sacha Tihanyi
sacha_tihanyi@scotiacapital.com

Scotia Economics

Scotia Plaza 40 King Street West, 63rd Floor
Toronto, Ontario Canada M5H 1H1
Tel: (416) 866-6253 Fax: (416) 866-2829
Email: scotia_economics@scotiacapital.com