










City National Foreign Currency Quarterly Forecast

EURO (USD per EUR)		Key Drivers and Currency View
 EUR Bullish	FORECAST	The European Central Bank continues to take a guarded approach to excessive deficits and debt in contrast to the US Federal Reserve and thus the euro seems primed to continue its rise against the US dollar. Medium- to longer-term US dollar fundamentals remain weak as the US budget deficit and debt obligations continue to weigh on the currency. Extremely low US interest rates relative to other G7 countries is adding further upward impetus to the euro. Finally, Q4 seasonal flows have historically favored the euro and will encourage near-term momentum in the currency.
	Q4 '09 Q1 '10 1.5000 1.5300	
JAPANESE YEN (JPY per USD)		Key Drivers and Currency View
 JPY Bearish	FORECAST	The Japanese economy continues to remain very weak as it is heavily dependent on exports for growth and trade surpluses have continued to decline over the past year. The Liberal Democratic Party is no longer in power but it is unclear at this point how the new government will deal with the strengthening yen and its effect on corporate performance. The yen will continue to be caught in the cross-fire of the US dollar and carry trades. Given expectations for US dollar weakness, we see the yen following a broad, consolidative pattern and have a slight downward bias due to poor economic fundamentals.
	Q4 '09 Q1 '10 90.00 95.00	
BRITISH POUND (USD per GBP)		Key Drivers and Currency View
 GBP Bullish	FORECAST	The UK economy remains weak but there are growing signs that it is bottoming. The Bank of England's aggressive quantitative easing policy and overly dovish comments regarding the pound continue to keep the currency weak against other G7 currencies. PM Brown has weathered a political storm for now but the Labour Party is still likely to bear the brunt of voter discontent. In the near-term, the pound looks like it will continue to consolidate against the US dollar but will lose ground to the euro and other G7 currencies whose central bank monetary policies are not as dovish.
	Q4 '09 Q1 '10 1.6200 1.6000	
SWISS FRANC (CHF per USD)		Key Drivers and Currency View
 CHF Bullish	FORECAST	The Swiss economy is showing signs of bottoming but will continue to reflect what happens in the EU and eastern European countries. The Swiss National Bank continues to take a hawkish stance toward further Swiss franc appreciation (against the euro and US dollar) and has been intervening to weaken the franc as the strength of the currency has been hurting exports. Despite the SNB's stance, the franc will still reflect broad secular movements in the euro. Also, changes to banking secrecy laws could further hurt the franc. If the US dollar continues to weaken in the near future, we anticipate gradual appreciation in the franc.
	Q4 '09 Q1 '10 1.0000 .9800	
AUSTRALIAN DOLLAR (USD per AUD)		Key Drivers and Currency View
 AUD Neutral	FORECAST	Australia has some of the strongest fundamentals of the OECD bloc. With its abundant natural resources and close proximity to Asia, it is well-positioned for the eventual global recovery. The A\$ has rebounded strongly from its lows at the height of the crisis as China's demand for commodities remains solid and will continue to grow into the future. The A\$ has a strong correlation with global stock market performance and so it will be subject to near-term volatility as sentiment vacillates. The Reserve Bank of Australia was the first G7 country to raise interest rates and this will continue to support the A\$.
	Q4 '09 Q1 '10 .9000 .9200	
NEW ZEALAND DOLLAR (USD per NZD)		Key Drivers and Currency View
 NZD Neutral	FORECAST	The New Zealand dollar continues to perform strongly but lags behind the stronger Australian dollar. Similar correlations that affect other commodity-linked currencies apply to the New Zealand dollar and commodity price increases will help propel the currency to higher levels. Domestic economic indicators are showing strong signs of an economic recovery. The FX market is currently expecting the Reserve Bank of New Zealand to begin tightening monetary policy before the end of the year despite repeated warnings by RBNZ Governor Bollard regarding the negative effects of a strong currency on exports.
	Q4 '09 Q1 '10 .7600 .7800	
CANADIAN DOLLAR (CAD per USD)		Key Drivers and Currency View
 CAD Bullish	FORECAST	The Canadian dollar has been consolidating over the past three months and has lagged behind other commodity-linked currencies. The financial landscape and bank health in Canada are better than in the United States, helping flows into the Canadian dollar. However, recent dialogue from the Bank of Canada concerning their appreciating currency has the market pricing in dovish interest rate actions and is keeping the currency within tight ranges. Although the US remains Canada's biggest export market, we expect Canada to return to growth before the US.
	Q4 '09 Q1 '10 1.0500 1.0400	
MEXICAN PESO (MXN per USD)		Key Drivers and Currency View
 MXN Bullish	FORECAST	The Mexican peso continued to consolidate during Q3 as it did during Q2 and Mexico's economy has been dealing with the effects of the North American and global slowdown. Accordingly, the Banco de Mexico shifted gears and has been lowering interest rates in recent months. Domestic politics and drug violence are continuing to undermine investor flows toward Mexico. The peso will largely mirror general trends in the emerging market sector along with overall sentiment toward stock markets and the US dollar. We continue to look for further consolidation but maintain a slight bias toward a stronger peso in the near term.
	Q4 '09 Q1 '10 13.60 13.75	
CHINESE YUAN (CNY per USD)		Key Drivers and Currency View
 CNY Bullish	FORECAST	The yuan has been one of the most stable currencies against the US dollar since Q3 2008 after years of steady appreciation from 2005 onward. Recent US protectionist rhetoric and policies as well as increasing global political pressure will continue to exert force on the Chinese government to allow for an less-regulated currency. China is attempting to rebalance its domestic growth with exports and we anticipate the yuan will continue to appreciate as the global economy recovers.
	Q3 '09 Q4 '09 6.7800 6.7000	

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