

EXCHANGE RATE MONITOR

A Comparison of forecasts for the Canada - U.S. Exchange Rate

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THE EXCHANGE RATE MONITOR , May 2009

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THE EXCHANGE RATE MONITOR is issued quarterly by **Market Data Group**, 204 Oxford Street West, London, Ontario N6H 1S4

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ABOUT THIS REPORT

The Canadian - U.S. exchange rate impacts significantly on a large number of businesses. Canada and the United States are each others single largest trading partners with more than eighty percent of Canadian exports destined for the U.S. annually.

Many business executives, planners, analysts and managers both in Canada and the U.S. whose business is affected by changes in the Canadian dollar rely on forecast information for their business plans and decisions. With fast changing global economics impacting on the Canadian dollar, it is necessary to keep well informed of changing conditions on an ongoing basis.

Every 3 months, Market Data Group compiles forecast information for the exchange rate from a cross section of financial and business organizations. The results are summarized in this report. To ensure that a cross section of views and perspectives are represented in the forecasts, the organizations referenced are from both Canada and the United States and include both large and small financial institutions and business associations. The Exchange Rate Monitor presents at a glance, a comparison of exchange rate forecasts, shows the range in the data and the average of the forecasters estimates.

The Exchange Rate Monitor is updated and issued four times per year. It is intended as a tool to assist executives, analysts and managers whose business decisions are sensitive to fluctuations in the exchange rate.

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HIGHLIGHTS

- * After declining in both February and March, the Canadian dollar strengthened in April gaining 5.6% against the U.S. currency. It ended the day on May 8 at 0.869 cents. Factors pushing the Canadian dollar upward included a strengthening in oil prices, continued strength in the U.S. dollar and the Bank of Canada policy announcement on April 21.
- * In the midst of weak economic performance and restrictive financial conditions, the Bank of Canada reduced the bank policy rate on April 21 by 25 basis points. It committed to keeping the rate at 1/4% until June of 2010.
- * In the U.S., the economy continues to struggle and weak economic activity is expected to continue in the near term. The U.S. currency has benefitted from its safe haven status and is expected to continue to do so in the near term.
- * The Canadian dollar is forecasted to remain strong in 2009 and to further improve in 2010. The consensus 2009 year end forecast is for the loonie to end the year at 0.830 cents U.S. This is up 1.5 cents or 1.8% from the consensus forecast reports in the February issue of this report. The range in the outlooks for year end 2009 is from a low of 0.73 cents (Merrill Lynch) to a high of 0.885 cents (Bank of New York Mellon).
- * Factors are expected to be more positive for the Canadian dollar in 2010. As the global economy recovers, commodity prices are expected to rebound. When recovery occurs, markets are expected to refocus on the massive U.S. fiscal deficit leading to a weakening in the U.S. currency. The consensus forecast for the Canadian dollar for year end 2010 is down minimally from that reported in the February issue of this report. The consensus forecast is for the loonie to end 2010 at 0.884 cents U.S. The range in the forecasts for 2010 is from a low of 0.806 cents (Wachovia) to a high of 1.00 (Desjardins).

	US cents/C\$	US cents/C\$
	<u>Annual Average</u>	<u>End of Period</u>
2008 Actual	0.938	0.821
2009 Consensus Forecast	0.811	0.830
2010 Consensus Forecast	0.825	0.884

- * The uncertainty as to how global economies will respond to unprecedented stimulus programs and policies from governments and central banks is expected to continue to contribute to volatility in currency and financial markets into 2010.

Canadian Dollar Forecasts - Annual

(U.S. cents/C\$)

	2008 Actual	2009 Forecast	2010 Forecast
Average for Period			
Canadian Sources			
Bank of Montreal/Nesbitt Burns	0.938	0.824	0.838
Conference Board	0.938	0.797	0.812
Consensus		0.811	0.825
Forecast Low		0.797	0.812
Forecast High		0.824	0.838
End of Period			
Canadian Sources			
CIBC World Markets	0.821	0.820	na
Desjardins	0.821	0.880	1.000
National Bank of Canada	0.821	0.847	0.870
Royal Bank	0.821	0.800	0.870
Scotia Bank	0.821	0.820	0.870
TD Bank	0.821	0.870	0.890
U.S. Sources			
Bank of New York Mellon*	0.821	0.885	na
Citigroup*	0.821	0.862	0.893
Merrill Lynch*	0.821	0.730	0.870
Wachovia/Wells Fargo*	0.821	0.781	0.806
Consensus		0.830	0.884
Forecast Low		0.730	0.806
Forecast High		0.885	1.000

*U.S. Sources

Canadian Dollar Forecasts - 2009 Quarterly

Forecast Sources

Exchange Rate Forecasts (U.S. cents/C\$)

	2008 Actual	2009Q1 Actual	2009Q2 Forecast	2009Q3 Forecast	2009Q4 Forecast	2009 Annual Forecast
Average for Period						
Canadian Sources						
Bank of Montreal/Nesbitt Burns	0.938	0.803	0.840	0.818	0.833	0.824
Conference Board	0.938	0.803	0.794	0.795	0.795	0.797
Consensus Forecast			0.817	0.807	0.814	0.811
Forecast Low			0.794	0.795	0.795	0.797
Forecast High			0.840	0.818	0.833	0.824
End of Period						
Canadian Sources						
CIBC World Markets	0.821	0.793	0.800	0.769	0.820	0.820
Desjardins	0.821	0.793	0.800	0.860	0.880	0.880
National Bank of Canada	0.821	0.793	0.820	0.833	0.847	0.847
Royal Bank	0.821	0.793	0.763	0.763	0.800	0.800
Scotia Bank	0.821	0.793	0.790	0.810	0.820	0.820
TD Bank	0.821	0.793	0.820	0.830	0.870	0.870
U.S. Sources						
Bank of New York Mellon*	0.821	0.793	0.854	0.862	0.885	0.885
Citigroup*	0.821	0.793	0.794	0.847	0.862	0.862
Merrill Lynch*	0.821	0.793	0.752	0.740	0.730	0.730
Wachovia/Wells Fargo*	0.821	0.793	0.806	0.787	0.781	0.781
Consensus Forecast			0.800	0.810	0.830	0.830
Forecast Low			0.752	0.740	0.730	0.730
Forecast High			0.854	0.862	0.885	0.885

*U.S. Sources

Note: 1. Consensus Forecast is the average of the forecast figures

Canadian Dollar Forecasts - 2010 Quarterly

Forecast Sources

Exchange Rate Forecasts (U.S. cents/C\$)

	2010Q1 Forecast	2010Q2 Forecast	2010Q3 Forecast	2010Q4 Forecast	2010 Annual Forecast
Average for Period					
Canadian Sources					
Bank of Montreal/Nesbitt Burns	0.842	0.851	0.860	0.870	0.838
Conference Board	0.804	0.809	0.814	0.820	0.812
Consensus Forecast	0.823	0.830	0.837	0.845	0.825
Forecast Low	0.804	0.809	0.814	0.820	0.812
Forecast High	0.842	0.851	0.860	0.870	0.838
End of Period					
Canadian Sources					
CIBC World Markets	0.862	0.877	na	na	na
Desjardins	0.900	0.920	0.950	1.000	1.000
National Bank of Canada	0.862	0.870	na	na	0.870
Royal Bank	0.820	0.840	0.855	0.870	0.870
Scotia Bank	0.820	0.830	0.850	0.870	0.870
TD Bank	0.870	0.880	0.880	0.890	0.890
U.S. Sources					
Bank of New York Mellon*	0.900	0.901	na	na	na
Citigroup*	0.870	0.877	0.885	0.893	0.893
Merrill Lynch*	0.751	0.800	0.826	0.870	0.870
Wachovia/Wells Fargo*	0.770	0.781	0.794	0.806	0.806
Consensus Forecast	0.843	0.858	0.863	0.886	0.884
Forecast Low	0.751	0.781	0.794	0.806	0.806
Forecast High	0.900	0.920	0.950	1.000	1.000

*U.S. Sources

Note: 1. Consensus Forecast is the average of the forecast figures

Consensus Forecasts - A Comparison

2007 FINALS

(U.S. cents/\$C)		
AVERAGE		0.930
YEAR END		1.010

2008 FINALS

(U.S. cents/\$C)		
AVERAGE		0.938
YEAR END		0.821

2009 Consensus Forecasts

(U.S. cents/\$C)

REPORT DATE	CONSENSUS FORECAST (Annual Average)	CONSENSUS FORECAST (End of Period)
February 2008	0.963	0.908
May 2008	0.975	0.933
August 2008	0.967	0.953
November 2008	0.887	0.874
February 2009	0.823	0.815
May 2009	0.811	0.830
<i>Change from previous forecast</i>	-0.013	0.015
<i>Percentage change from previous forecast</i>	-1.4%	1.8%

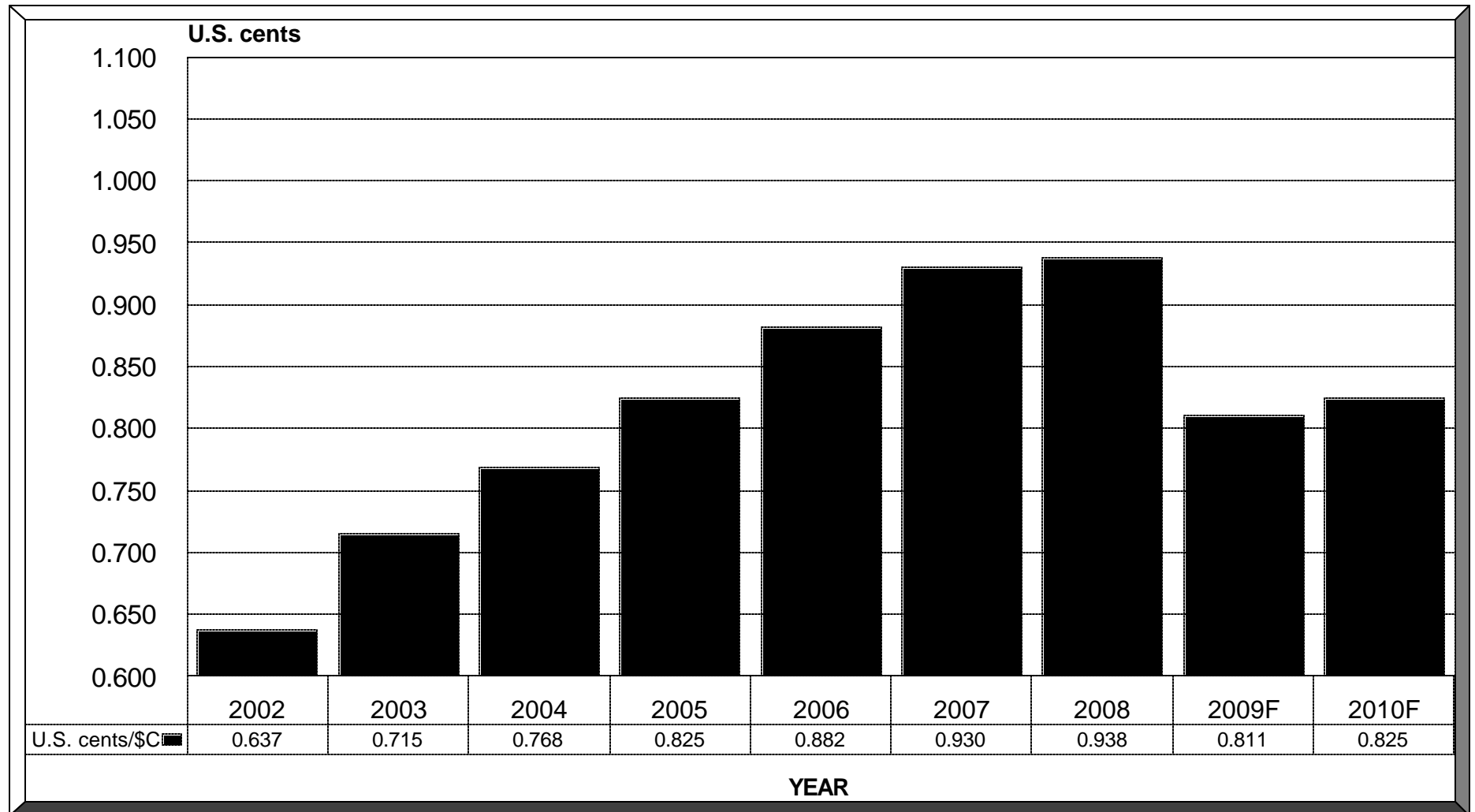
2010 Consensus Forecasts

(U.S. cents/\$C)

REPORT DATE	CONSENSUS FORECAST (Annual Average)	CONSENSUS FORECAST (End of Period)
February 2009	0.863	0.893
May 2009	0.825	0.884
<i>Change from previous forecast</i>	-0.038	-0.009
<i>Percentage change from previous forecast</i>	-4.4%	-1.0%

Canadian Dollar - The Last 5 Years

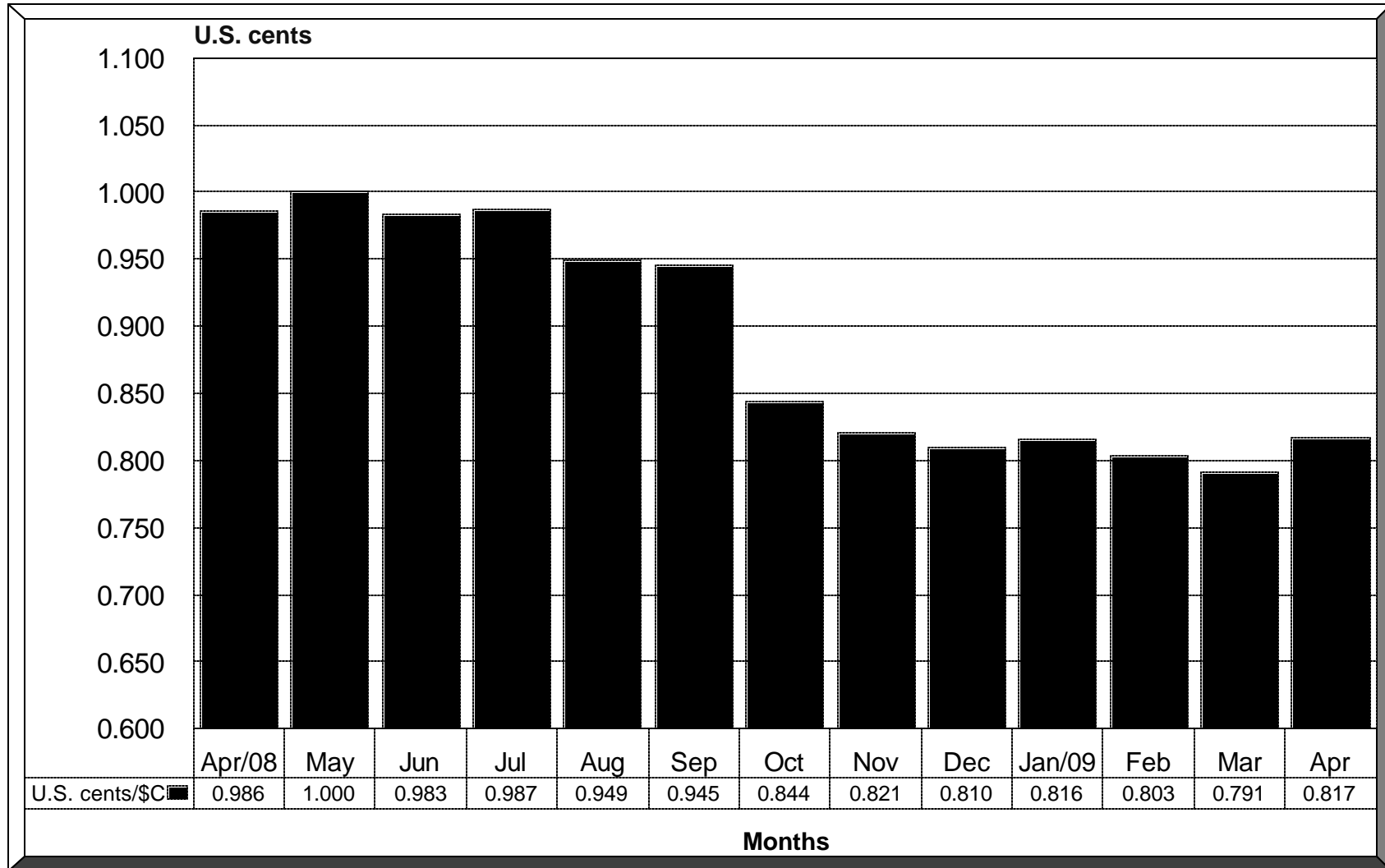
(Annual Average, U.S. cents/\$C)



Market Data Group - Exchange Rate Monitor, May 2009 - 2009F/2010F are the average of the forecasts shown on pages 6
Source: Bank of Canada

Canadian Dollar - The Last 12 Months

(Monthly Average, U.S. cents/\$C)

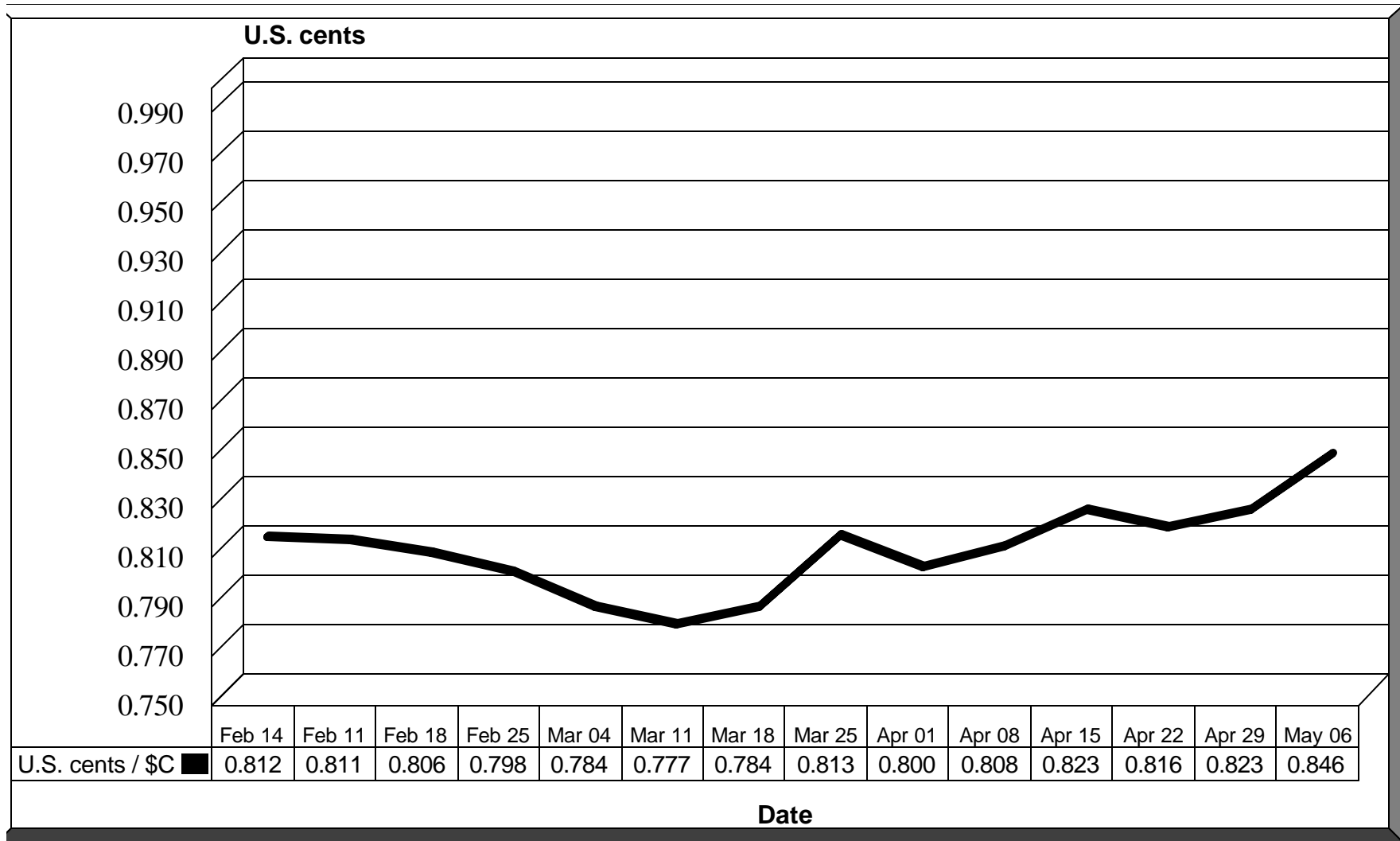


Market Data Group - Exchange Rate Monitor, May 2009

Source: Bank of Canada

Canadian Dollar - The Last 3 Months

(Average Noon Rate, U.S. cents/\$C)



Market Data Group - Exchange Rate Monitor, May 2009
 Source: Bank of Canada

The Canadian Dollar - Historical and Year to Date

Canadian - U.S. Exchange Rates
(U.S. cents per CAD, Average for the period)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Q1	Q2	Q3	Q4	ANNUAL
1999	0.658	0.668	0.659	0.672	0.684	0.681	0.672	0.670	0.677	0.677	0.681	0.679	0.662	0.679	0.673	0.679	0.673
2000	0.690	0.689	0.685	0.681	0.669	0.677	0.677	0.675	0.673	0.661	0.648	0.657	0.688	0.676	0.675	0.656	0.673
2001	0.665	0.657	0.642	0.642	0.649	0.656	0.653	0.649	0.638	0.637	0.628	0.634	0.655	0.649	0.646	0.633	0.646
2002	0.626	0.627	0.630	0.632	0.645	0.653	0.647	0.638	0.635	0.634	0.637	0.641	0.627	0.644	0.640	0.637	0.637
2003	0.649	0.661	0.678	0.686	0.722	0.740	0.724	0.717	0.734	0.756	0.762	0.762	0.663	0.716	0.725	0.760	0.715
2004	0.772	0.753	0.753	0.745	0.726	0.736	0.757	0.762	0.777	0.802	0.836	0.820	0.759	0.736	0.765	0.819	0.768
2005	0.816	0.807	0.822	0.809	0.796	0.806	0.818	0.831	0.849	0.849	0.847	0.861	0.815	0.804	0.833	0.852	0.825
2006	0.864	0.870	0.864	0.874	0.901	0.898	0.886	0.894	0.896	0.886	0.880	0.867	0.866	0.891	0.892	0.878	0.882
2007	0.850	0.854	0.856	0.882	0.913	0.939	0.952	0.945	0.975	1.025	1.034	0.997	0.853	0.911	0.957	1.018	0.930
2008	0.989	1.000	0.998	0.986	1.000	0.983	0.987	0.949	0.945	0.844	0.821	0.810	0.996	0.990	0.960	0.825	0.938
2009	0.816	0.803	0.791	0.817									0.803				

(CAD per USD, Average for the period)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Q1	Q2	Q3	Q4	ANNUAL
1999	1.519	1.498	1.518	1.488	1.462	1.470	1.489	1.492	1.477	1.477	1.467	1.473	1.511	1.473	1.486	1.472	1.486
2000	1.449	1.451	1.461	1.468	1.496	1.477	1.478	1.482	1.486	1.512	1.542	1.522	1.454	1.480	1.482	1.525	1.485
2001	1.503	1.522	1.559	1.558	1.541	1.524	1.530	1.540	1.568	1.571	1.592	1.578	1.528	1.541	1.546	1.580	1.548
2002	1.600	1.596	1.587	1.581	1.550	1.532	1.546	1.568	1.576	1.578	1.571	1.559	1.594	1.554	1.563	1.569	1.570
2003	1.541	1.512	1.476	1.485	1.385	1.352	1.382	1.396	1.363	1.322	1.313	1.313	1.510	1.529	1.380	1.316	1.402
2004	1.296	1.329	1.328	1.342	1.378	1.358	1.322	1.312	1.288	1.247	1.196	1.219	1.318	1.359	1.307	1.221	1.302
2005	1.225	1.240	1.216	1.236	1.256	1.240	1.223	1.204	1.178	1.178	1.181	1.161	1.227	1.244	1.202	1.173	1.212
2006	1.157	1.149	1.157	1.144	1.110	1.114	1.129	1.118	1.116	1.129	1.136	1.153	1.154	1.122	1.121	1.139	1.134
2007	1.176	1.171	1.168	1.134	1.095	1.065	1.050	1.058	1.025	0.975	0.967	1.003	1.172	1.098	1.044	0.982	1.075
2008	1.011	0.999	1.002	1.014	0.999	1.017	1.013	1.054	1.058	1.185	1.218	1.234	1.004	1.010	1.042	1.212	1.066
2009	1.226	1.245	1.265	1.224									1.245				

Source: Bank of Canada, Statistics Canada, average of the noon rates for the period

Closing Exchange Rate Summary

(U.S. cents/CAD unless otherwise indicated)

Past 12 Months

Low 9-Mar-09 \$0.770
High 21-May-08 1.016

Latest Closing

6-May-09 0.858

	Monthly Closing Exchange Rate- past 12 months	
	U.S. cents/CAD	CAD/USD
2008		
April	0.993	1.007
May	1.007	0.993
June	0.981	1.020
July	0.977	1.024
August	0.942	1.062
September	0.940	1.064
October	0.830	1.205
November	0.808	1.237
December	0.821	1.218
2009		
January	0.815	1.227
February	0.786	1.272
March	0.793	1.261
April	0.838	1.193

Source: Bank of Canada, Monthly Closing Rates

Note: CAD/USD equals the price of 1 U.S. dollar , in Canadian dollars

ABOUT THE FORECAST SOURCES

CANADIAN

BANK OF MONTREAL: Canada's oldest chartered bank . It owns Harris Bankcorp in Chicago and Nesbitt Burns, a Canadian investment dealer. With total assets as of Oct. 31, 2008 of \$350 billion, it ranks as Canada's fifth largest bank. The Bank of Montreal has almost 36,000 employees and 1,000 branches in Canada, the U.S. and around the world.

CONFERENCE BOARD OF CANADA: Is an independent , non-for-profit organization for business with affiliates in the U.S. and Europe. The objective of the organization is to help members anticipate and respond to the changing global economy.

CANADIAN IMPERIAL BANK OF COMMERCE: CIBC reported total assets as of Oct. 31, 2008 of \$354 billion. CIBC employs 40,400 people worldwide. CIBC World Markets is the investment banking, securities brokerage and asset management arm of the CIBC.

DESJARDINS: Desjardins Group is the largest integrated cooperative financial group in Canada and the sixth largest financial institution in the country. It has total assets of \$144 billion and 44,345 employees. It's network includes caisses and credit unions, some 20 subsidiary companies in life and general insurance, securities brokerage, venture capital and asset management. It's head office is located in Quebec.

NATIONAL BANK OF CANADA: Is 140 years old and the sixth largest chartered bank in Canada with assets in excess of \$129 billion as of Oct. 31, 2008. The bank is headquartered in Montreal and it provides services through 450 branches in Canada, primarily in Quebec. It employs 17,100 people and provides full service brokerage through its subsidiary, National Bank Financial.

NESBITT BURNS: Is one of North America's leading full-service investment banks employing 4,300 people in offices across Canada and the U.S. as well as in 10 international locations. The firm is an affiliate of the Bank of Montreal and is a leader in the areas of personal finance, investment research, investment banking, institutional equity and capital markets.

ROYAL BANK OF CANADA: Largest Canadian chartered bank operating under the brand name of RBC Financial Group with assets of \$615 billion as of Oct. 31, 2008. The bank's domestic network includes 1,500 branches employees 80,000 people and its international network includes offices in 30 countries.

SCOTIA BANK: Scotia Bank reported assets of \$507 billion as of Oct. 31, 2008. The bank has 970 domestic and more than 1000 offices in 50 countries. It employs close to 69,000 people. The bank's Scotia Capital group provides corporate and investment banking.

TD BANK: TD Bank Financial is Canada's second largest bank with assets of \$470 billion as of Oct. 30, 2008. TD Bank Financial consists of TD Bank and its subsidiaries TD Canada Trust, TD Waterhouse and TD Securities. TD Bank Financial Group has more than 51,000 employees and provides a full range of financial products and services to more than 14 million customers worldwide .

UNITED STATES :

BANK OF NEW YORK MELLON: Established in 2007 from the merger of Mellon Financial corporation and the Bank of New York, the Bank of New York Mellon had \$184 billion in assets as of Sept. 30, 2007. It is a leading asset management and securities services company with 40,000 employees and operates in 34 countries worldwide.

CITIGROUP: Smith Barney is the global private wealth management and research unit of Citigroup. With more 325,000 employees 500 offices, it offers a full range of investment services. Smith Barney has more than 200 million client accounts representing over \$900 billion in client assets. Citigroup is one of the largest financial services firms worldwide and the first U.S. bank with \$1 trillion in assets.

MERRILL LYNCH: Merrill Lynch is a financial management and advisory company with global presence in over 38 countries worldwide. It has recently been acquired by Bank of America. Together with Bank of America it is now the largest brokerage in the world with more than 20,000 advisors and \$2.5 trillion in client assets.

WACHOVIA/WELLS FARGO: Wachovia Corporation headquartered in Charlotte, N.C., the 4th largest bank in the U.S. has recently been acquired by Wells Fargo. Over the next three years the Wachovia brand will be absorbed by the Wells Fargo brand. Wells Fargo is a diversified financial services company with \$1.4 trillion in assets.

SOURCES :

CANADIAN

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1. Merrill Lynch, FX Weekly, May 1, 2009. The Market Economist, Weekly Guidebook for the Global Investor, May 1, 2009.
2. Wachovia, Monthly Economic Outlook, April 8, 2009; International Outlook, April 8, 2009.
3. Citigroup- Smith Barney, Global Economic Outlook and Strategy, April 22, 2009.
4. Bank of New York Mellon, Currency Forecast, May 6, 2009.

Notes

NOTES:

1. The historical exchange rates from the Bank of Canada are nominal quotations- neither buying nor selling rates and are intended to be used for statistical or analytical purposes. Rates available from financial institutions will vary.
2. Nominal exchange rate quotations from the Bank of Canada, are based on market rates in terms of U.S. dollars converted to Canadian dollars around noon Ottawa time.
3. Exchange rate expressed as AVERAGE FOR THE PERIOD- is calculated for the period, by averaging the noon rates by the number of days in the period. Example- the EXCHANGE rate for the month of January 2006, monthly average, of 0.864 cents U.S. is the average noon rate for 21 days.
4. Exchange rate expressed as END OF PERIOD - is the rate at a single point in time. The rate is the closing rate for the period specified.
5. The calculation to convert from an exchange rate expressed in U.S. dollars to that expressed in Canadian dollars is the reciprocal of the rate.

(1 divided by the rate) Example- If \$1.00 Canadian = 0.860 cents U.S. than $(1/0.860)$
\$1.00 U.S. Dollars = 1.16 cents Canadian