Foreign Exchange Outlook

A global growth deceleration and heightened European financial stress remain the two largest risks to foreign exchange markets. Central banks' policy response and shifts in investor sentiment combined with global risk appetite will also sway flows in global currency markets. A focus back to macroeconomic fundamentals is a welcomed development.

The USD's path remains complicated driven by monetary and fiscal policy shifts and swings in risk appetite. The outlook for CAD is relatively strong, supported by a hawkish central bank, a strong sovereign credit profile and positive investor sentiment. MXN will rebound from its lows following recent elections; however, the appreciation pace will slow materially.

Progress on the European front has temporarily eased market strains; however, EUR will trend lower due to poor investor sentiment, central bank policy intervention and Europe's failure to adequately balance austerity and growth. The rest of the European currencies, except CHF, should outperform EUR.

A more moderate growth profile for China is weighing on the Asian currency block; however, with the exception of fundamental-driven weakness in INR (and also JPY), most currencies will appreciate versus the USD into year-end. The Australian outlook has brightened, but the AUD is likely to fall victim to repeated bouts of risk aversion.

Index

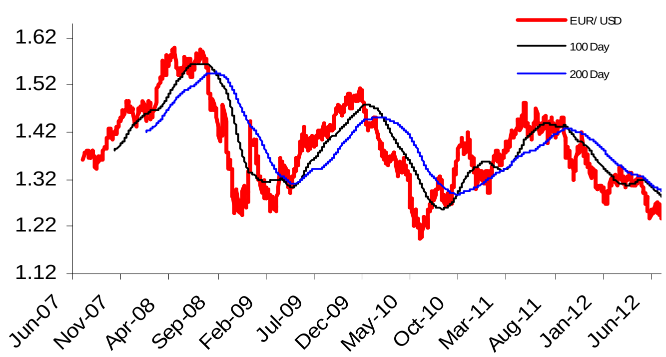
Foreign Exchange Outlook is available on: www.scotiabank.com and Bloomberg at SCOE

Global Foreign Exchange Outlook

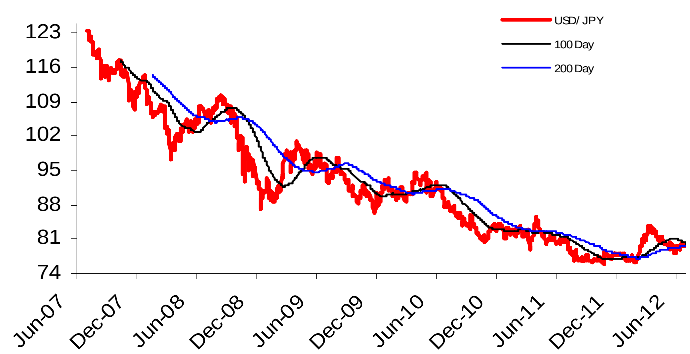
July 5, 2012		Actual	Q1a 12	Q2a 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13
Euro	EURUSD	1.24	1.33	1.27	1.23	1.23	1.22	1.22	1.21	1.21
	Consensus*				1.25	1.25	1.25	1.25	1.26	1.26
Yen	USDJPY	79.9	83	80	81	83	84	85	86	87
	Consensus*				80	81	82	82	83	84
Sterling	GBPUSD	1.55	1.60	1.57	1.59	1.60	1.62	1.63	1.64	1.64
	Consensus*				1.56	1.56	1.56	1.56	1.57	1.57
Canadian Dollar	USDCAD	1.01	1.00	1.02	1.02	0.99	0.98	0.97	0.97	0.97
	Consensus*				1.01	1.01	1.00	1.00	1.00	1.01
Australian Dollar	AUDUSD	1.03	1.03	1.02	0.99	1.02	1.04	1.04	1.05	1.05
	Consensus*				0.99	0.99	0.99	1.00	0.99	0.98
Mexican Peso	USDMXN	13.41	12.81	13.36	13.27	13.11	13.20	13.06	13.13	13.33
	Consensus*				13.16	13.03	12.90	12.77	12.88	12.99

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

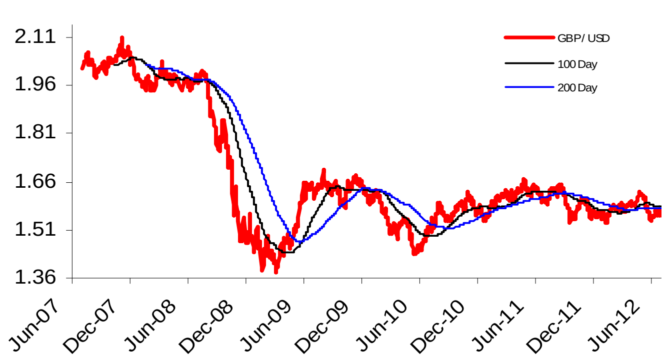
EURUSD



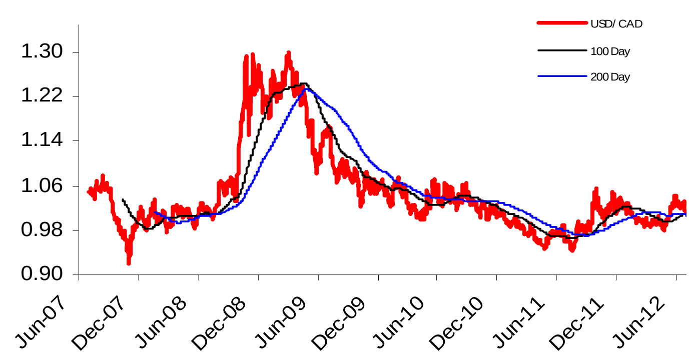
USDJPY



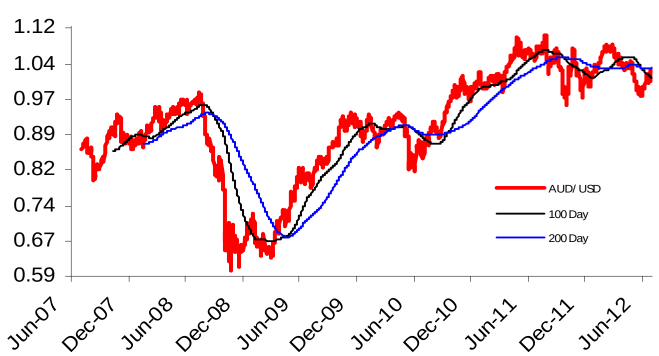
GBPUSD



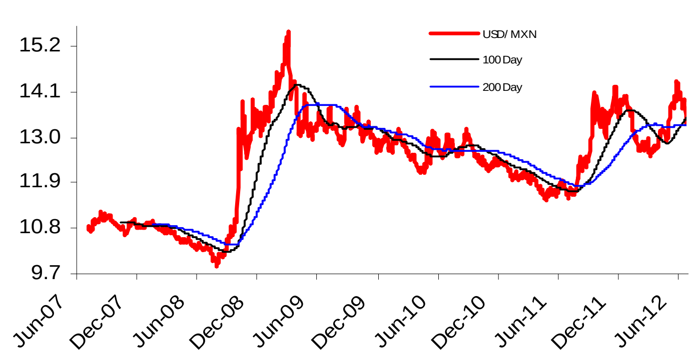
USDCAD



AUDUSD



USDMXN



(*) Source: Consensus Economics Inc. June 2012

Market Tone & Fundamental Focus

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A welcomed partial easing in financial market stress is the core theme driving foreign exchange markets into the summer. This has come on the back of three important themes: the first is progress in Europe that has dissipated the immediate threat of a partial currency union break-up. The second is the completion of the re-pricing of a lower global growth trajectory. Finally, and potentially most important, has been the ongoing central bank commitment to collectively ease strains and protect financial market stability. Risk appetite has improved, opening the door for a partial retracement of the spring US dollar (USD) rally. The most significant risk to the FX outlook is also embedded in the above noted themes: an escalation in the European crisis, a downward revision to global growth and inadequate central bank policy responses.

As foreign exchange markets move away from European induced risk aversion, fundamental analyses are proving the most valuable tool for valuation. The US recovery is moderate and fragile, with economic data somewhat uneven. From the viewpoint of the US Federal Reserve, the labour market and the housing sector remain weak and inflationary pressures have eased. Combined with developments on the global front, the door has been left open to another round of asset purchases (QE3). On the fiscal side, uncertainties as to the magnitude of the post-election 'fiscal cliff', combined with the lack of a credible long-term deficit resolution plan remain a significant concern. Accordingly, the combined monetary and fiscal dynamics in the US will limit the ability of the USD to sustain a rally, absent another spike in risk aversion. However, the path of the USD is far from uniform and the currency is likely to rally against some, including the euro (EUR) and Japanese yen (JPY), but weaken against others.

The non-USD NAFTA zone currencies have retraced more than 50% of their spring losses, which for USDMXN has meant a drop from 14.60 to 13.35, an impressive 9% move. The impact on the Canadian dollar (CAD) has been less dramatic. With subsiding risk aversion, both CAD and MXN will be driven by macroeconomic fundamentals, including US economic developments, global growth deceleration, central bank policy and risk appetite. These measures suggest the road ahead for both CAD and MXN will prove bumpy but should extend recent gains into year-end. For CAD, its triple-A sovereign rating status should prove an added benefit that drives the currency back through parity, though its longer-term prospects should be affected by the softer outlook for commodity prices and export earnings. Within Latin America, the Brazilian real (BRL) appears to have stabilized close to 2.0 per USD. However, with a weakened growth outlook and an ongoing central bank easing cycle, its outlook pales in comparison to the other regional options like the Chilean peso (CLP) and the Peruvian sol (PEN).

The euro (EUR) failed to rally in June, instead trading within a relatively tight range, as authorities continued to make progress. However, hurdles on both the European growth and structural fronts remain and repeated bouts of market uncertainty are likely to recur into 2013. This will drive EUR towards 1.23 by end-2012, closing 2013 at 1.21. For the Swiss franc (CHF), the EURCHF 1.20 floor is viewed as credible and we do not expect markets to test it. The EURSEK has been pushed to multi year lows (and through our year-end 8.80 forecast) as the relative economic, monetary and fiscal valuations have shifted against EUR. The fundamentals for the United Kingdom are typically associated with a weakening currency; however, the combination of the country's triple-A status, well-defined fiscal plan and its role as an inter-European diversification investment compensate for some of the negatives, thus improving the GBP outlook. The largest threat to the European complex of currencies is further disappointment on global growth, particularly European.

The Asian currencies offer a mixed outlook. As risk aversion has (at least for now) faded, the Japanese yen (JPY) has returned to a more stable trading pattern. We maintain our view that deterioration in sovereign debt and fiscal conditions, combined with loose monetary policy and a fragile economic backdrop, will weigh on the currency in the medium term. The Indian rupee (INR) will continue to underperform the rest of the emerging-Asian block on the back of weak economic and monetary conditions. The Chinese Yuan (CNY), as USD strength has abated, has retraced some of its recent losses, a trend we expect to continue into year-end. The appetite for aggressive CNY strength has faded in tandem with a more moderate growth profile. We hold a year-end USDCNY forecast of 6.25. A downshift in China's expected 2012 growth is likely to dampen the appreciating trend of many of the other Asian currencies; however, with relatively stronger fundamentals, the South Korean won (KRW), Taiwanese dollar (TWD) and Thai baht (THB) are all expected to move higher over the quarter. For Australia, with some evidence of stabilization in growth and a less aggressive RBA stance, the outlook for AUDUSD has brightened; however, it remains vulnerable to periods of weakness driven by risk aversion or further pressure on global growth.

CANADA

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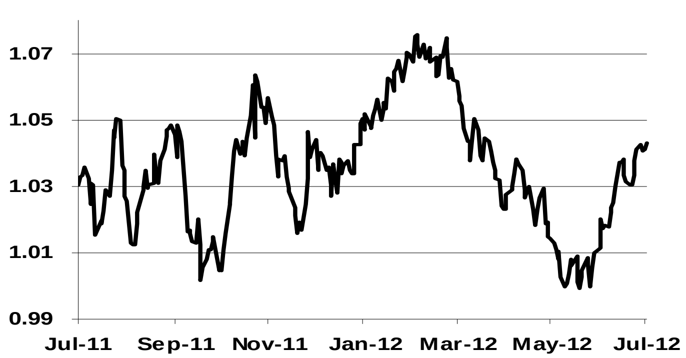
The Canadian dollar (CAD) has traded between 0.9573 and 1.0204 in the first six months of 2012 and is less than 1% above where it closed 2011. Looking out to the second half of the year, we expect a bias for a stronger CAD, but for the currency to follow a similar pattern to the first half of the year, where it struggles to break materially and sustainably away from parity. For CAD, it is the relative valuation that matters and judged against its peers it shines, even as the absolute story has faded. The themes that have shaped FX trading in the first half of 2012 have been: 1) an escalation in the European crisis; 2) a shift in the outlook for global growth; and 3) the central bank response. For CAD the most direct consequence of Europe has been the pressure it has put on risk aversion and the potential negative impact on global growth. As risk aversion rose in May, CAD weakened; however, even as markets continue to feel risky, volatility and other measures of risk have dropped back to subdued levels, allowing CAD to stabilize and begin to retrace some of its late spring weakness. On the back of Europe, the outlook for global growth has deteriorated. CAD is a pro-cyclical currency, doing well in periods of strong global growth and struggling in periods of weakness. Accordingly, ongoing downward revisions to European and BRIC growth are a concern. However, with a Chinese government that is publically committed to a soft landing and a market that has re-priced a lower global growth trajectory, the downside from here is likely more limited than some are calling for. The domestic fundamentals in Canada are not as strong as they once were. The most significant concerns are the ongoing fragility of the US economy and potential spikes in risk aversion on the back of Europe. Oil prices have drifted from their highs; but more concerning for Canada is the historically wide spread between Canadian Western Select (the export price) versus Brent (the price where most of the petrol imports are derived from). However, on a relative global basis there are few investment opportunities that offer a solid triple-A rating, a country rich in natural resources, a stable government and a central bank that is arguably the most hawkish among the advanced economies. Accordingly the outlook for CAD into year-end remains favourable; we expect CAD to close the year at 1.01 (or in USDCAD terms 0.99).

Currency Trends

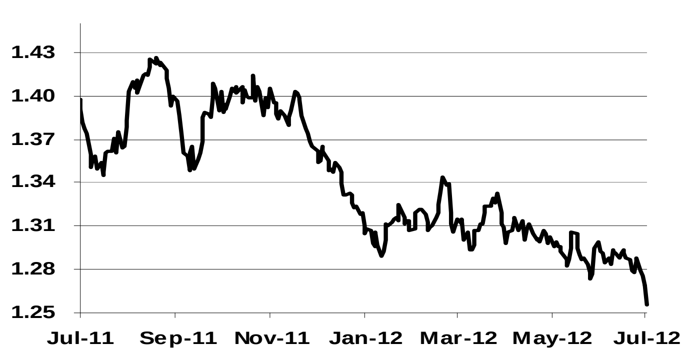
FX Rate	Going Back 12 m	6 m	3 m	Spot 5-Jul	Outlook 3 m	6 m	12 m	FX Rate
AUDCAD	1.03	1.05	1.02	1.043	1.01	1.01	1.01	AUDCAD
CADJPY	84.14	75.61	82.94	78.83	82.62	82.17	82.45	CADJPY
EURCAD	1.39	1.30	1.30	1.256	1.25	1.22	1.18	EURCAD
USDCAD	0.96	1.02	0.99	1.014	1.02	0.99	0.97	USDCAD

AUDCAD



CADJPY

EURCAD



USDCAD

Canada and United States

Fundamental Commentary

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UNITED STATES - The US recovery has lost some momentum. Real GDP growth likely advanced around a 2% annual rate in Q2, unchanged from the first three months of the year and down from a 3% increase during the final quarter of 2011. Consumers were a significant contributor to first-quarter growth, but have tempered their spending in recent months. Retail sales fell in April and May, mirroring declining confidence readings, though auto sales have remained relatively solid. Softening employment conditions and weak income growth will keep US consumers in a cautious mood in the latter half of the year, even as lower gasoline prices and moderating food inflation provide support to household purchasing power. Job growth in April and May slowed to its weakest pace in almost a year, as renewed euro zone debt concerns and uncertainty over domestic fiscal policy temper hiring plans. Even so, business capital outlays remain reasonably healthy, underpinned by solid corporate balance sheets. Meanwhile, weakening European and emerging market demand is tempering US export sales and industrial production. Manufacturing activity contracted in June for the first time since the 2009 recession. Home sales are gradually edging up off historic lows, but demand remains restrained by high unemployment and continued tight mortgage lending conditions. Tightening rental markets have sparked a pickup in apartment construction, though overall residential investment remains weak. The timing and extent of federal fiscal consolidation, including the expiration of payroll tax cuts, the phasing out of extended unemployment benefits and the implementation of sequestration cuts scheduled for the start of 2013, adds considerable uncertainty to the projected profile for US growth. Moderate growth and excess capacity will continue to restrain inflation and wage pressures.

CANADA - Muted household spending, public sector restraint and slowing global industrial production are restraining Canadian growth. Real GDP in the second quarter appears to have expanded at just under a 2% annual rate for a third consecutive quarter. Business investment remains the biggest contributor to growth, with outlays on machinery & equipment and non-residential construction supported by solid corporate balance sheets, favourable financing conditions and heightened competitive pressures.

However, European debt concerns and global financial market volatility are beginning to weigh on business sentiment, and point to some moderation in the pace of capital expenditures and hiring in the second half of the year. The recent softening in commodity prices also is consistent with more subdued profit expectations and investment intentions. Meanwhile, household spending growth is expected to remain relatively restrained. Consumer confidence dropped sharply in June, primarily reflecting growing concern over the employment outlook. Employment growth stalled in May, albeit after near-record job gains in the prior two months. Housing activity remains buoyant, supported by historically low interest rates. Nonetheless, home sales dipped modestly in April and May. The latest tightening in mortgage insurance rules by the Federal government, effective early July, will also act to dampen housing demand. Public sector restraint is expected to remain a drag on domestic demand through 2013. Meanwhile, the sluggish pace of US growth, the loss of economic momentum overseas and a still strong Canadian dollar will remain hurdles to a faster recovery in export and manufacturing activity. Overall, we expect Canadian output growth to average about 2% this year and next. With the economy growing at, or slightly below, trend, income growth and inflationary pressures are likely to remain subdued.

Monetary Policy Commentary

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UNITED STATES - The Fed extended its duration maturity program (‘Operation Twist’) during June, and there is a risk that it will add to its outright asset purchases during H2 contingent on a) global developments, and b) the performance of the economy and particularly the jobs market. The US economy looks weaker halfway through the Q2 data release cycle than it did during Q1. Consumption data have come in weak and jobs numbers have disappointed. The bright spots have been capital goods shipments, which are growing above trend, and residential investment, which is also picking up. Sentiment indicators that cover the manufacturing sector have been unexpectedly weak. The net is that the range of likely GDP outcomes for Q2 remains skewed towards a weak performance. CPI has exhibited a strong disinflationary trend due to lower gasoline prices (a positive development from a medium-term perspective but one which has negative ramifications for output in the short run).

CANADA - Canada’s economic situation has deteriorated since the April Monetary Policy Report was released: a) the economy grew at 1.9% SAAR in Q1 with consumption slowing markedly (although April GDP was strong), b) oil prices have fallen both in terms of WTI and various grades that Canada exports, c) CAD has weakened, d) Canadian equities have sold off, and e) Canada’s housing sector has shown signs of cooling. Markets are now pricing very slight odds of the Bank of Canada (BoC) easing this summer, which we think is rather unlikely barring a global liquidity and funding crisis – a risk that has abated somewhat since the European Summit in late June and by no means our base case. We expect the BoC to revise its growth projections lower in the July MPR (due out on July 18) and to remain on hold at least until mid-2013 with the risks tilted towards a longer hold period as recent changes to housing regulations have provided effective tightening targeting the housing sector.

EUROPE
Currency Outlook

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EURO ZONE - After losing 7% in the month of May, the euro (EUR) stabilized in June as authorities made progress on the future path of the European Monetary Union. In an effort to boost growth and confidence, the ECB has cut interest rates to a new historical low of 0.75%; however, European growth and confidence remain the most significant risks for EUR. According to the CFTC, the EUR short position has been pared back from its record of $33bn to $24bn. EUR should avoid a collapse, supported by value in Germany, the looming US fiscal cliff and repatriation flows into EUR; however, the currency is expected to trend lower, closing the quarter at 1.23.

UNITED KINGDOM - Sterling retraced 2% of its spring losses in June and has stabilized into July, even as the BoE initiated another round of asset purchases, bringing the total size of the program to £375bn. As we look out to quarter end, we expect GBP to retrace more of its spring losses as it benefits from flows driven from its triple-A status and intra-European diversification. The CFTC reports that net position on GBP is flat; while technicals suggest the currency is likely to trade within a range. We hold a quarter end forecast of 1.5900.

SWITZERLAND - The Swiss National Bank (SNB)'s EURCHF 1.20 floor is seen as credible and accordingly CHF has moved in tandem with EUR during June. As long as deflationary pressure persists, we expect the SNB to maintain and potentially raise the floor. Accordingly we hold a year-end target of 1.25 in EURCHF.

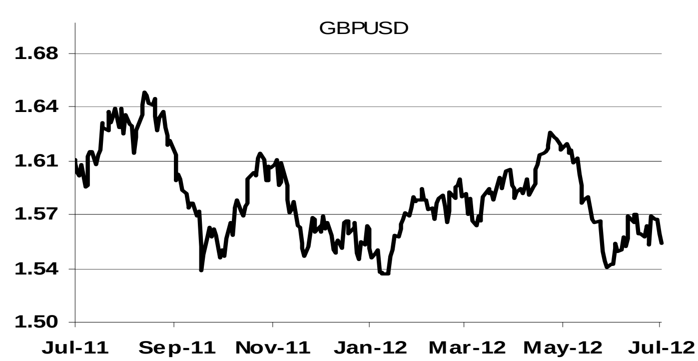
SWEDEN - EURSEK reached a new multi year low after the Riksbank shifted from a dovish to a neutral bias and traders continued to seek out Sweden's triple-A rated rating. Technicals suggest further appreciation is in store for SEK. We expect the currency to remain historical strong, some retracement of recent gains is likely in Q3; accordingly we have a quarter end target of 8.90.

Currency Trends

FX Rate	Going Back			Spot	Outlook			FX Rate
	12 m	6 m	3 m	5-Jul	3 m	6 m	12 m	
EURUSD	1.44	1.28	1.31	1.24	1.23	1.23	1.22	EURUSD
GBPUSD	1.61	1.55	1.58	1.55	1.59	1.60	1.63	GBPUSD
EURCHF	1.21	1.22	1.20	1.20	1.25	1.25	1.25	EURCHF
EURSEK	9.07	8.87	8.82	8.63	8.90	8.80	8.75	EURSEK

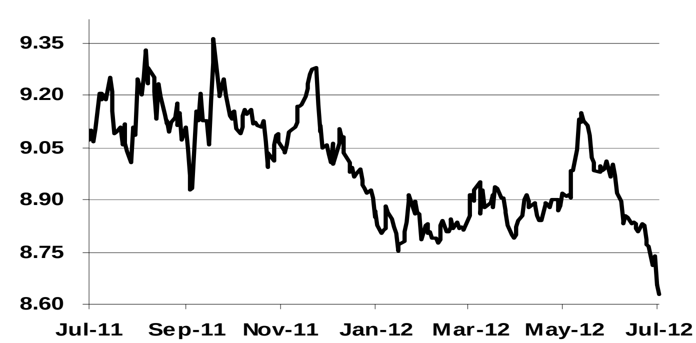
EURUSD

GBPUSD



EURCHF

EURSEK



EUROPE
Fundamental Commentary

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EURO ZONE - Notwithstanding some positive policy developments in recent weeks, the future of the European currency union remains uncertain. The second quarter has seen a deterioration in confidence and output across the euro area, including in Germany, the region's erstwhile growth engine (after improving slightly in the first quarter, the German manufacturing PMI in the three months to June reached its lowest level in three years). Moreover, with stated fiscal targets in certain member states looking increasingly unattainable under existing plans, additional austerity measures may be necessary to appease financial markets. Worsening conditions across the euro zone have prompted us to trim our growth projections for the aggregate economy to -0.7% this year and 0.5% in 2013. With inflation on a steady downward trajectory, on July 5th the European Central Bank (ECB) joined the renewed push by central banks globally to support their flagging economies. The bank cut by 25 basis points the benchmark refinancing rate to a record-low 0.75% and the interest rate on the deposit facility to 0.0%. Little indication was given as to the potential for further non-standard policy measures, such as another long-term refinancing operation (LTRO) or a resumption of the Securities Markets Purchases (SMP) program. The move followed the proposals at the June EU Summit to establish a single supervisory mechanism in the euro area banking sector and to use EFSF/ESM funds to recapitalize banks directly as necessary.

UNITED KINGDOM - The UK economic outlook weakened further over the last month, and we have lowered our growth forecast through 2013. The final estimate of first-quarter GDP was revised down, from -0.1% y/y to -0.2%. We now expect a negative GDP print in the second quarter (given the drag from a lost working day and abnormally poor weather), implying average growth of 0.2% in 2012 and 1.5% in 2013. The domestic recovery is being obstructed by spillovers from the euro zone crisis, with sapping confidence affecting the real economy. The closely watched PMIs have deteriorated anew, with the manufacturing and construction indices dropping below the neutral 50-mark, and the services PMI reaching its lowest level since October. The outlook (including the inflation picture) has weakened enough to prompt the monetary and fiscal authorities to step in with more accommodative policy. The Mansion House speech in mid-June included a joint government-Bank of England (BoE) scheme known as "funding for lending", whereby banks will be provided with multi-year funds (as much as GBP 80 billion) at below market rates, conditional on them subsequently lending to the non-financial sector. The BoE then announced an expansion of its quantitative easing (QE) program with an additional GBP 50 billion in bond purchases, bringing the total to GBP 375 billion. These measures are unlikely to boost growth materially in the near term, but should counteract some of the destabilizing contagion from the euro crisis.

SWITZERLAND - The Swiss economy and the effectiveness of the central bank's exchange rate floor remain susceptible to the prevailing uncertainties related to the euro crisis. Though the growth outlook is largely unchanged, several official and private sector forecasts have been revised higher of late, given the economy's surprisingly strong performance in the last quarter of 2011 and first quarter of this year (real GDP advanced 0.7% q/q in the first three months). Both the Swiss National Bank (SNB) and the government nearly doubled their expectations for growth in 2012 in recent weeks. We remain less optimistic, though we have lifted our projection to ¾%. Domestic demand is the current economic engine, with household incomes supported by low unemployment and wage growth (notwithstanding consumer price deflation). Retail sales grew by a robust 6.2% y/y in May, while both the PMI and KOF leading indicator recorded improvements in June. The external sector, though buffered by the exchange floor, remains constrained by the still strong level of the franc and weakness in Switzerland's trading partners. Growth should accelerate modestly to around 1½% in 2013, contingent upon some semblance of recovery in the rest of Europe. Deflation shows little sign of relenting, with the consumer price index falling 1.0% y/y for the third month in a row in May. The SNB has repeatedly pointed to growing imbalances in the Swiss mortgage and property markets, a factor which could relieve some of the pressure on the franc over the medium term.

SWEDEN - After registering a modest rebound in the first quarter (output grew 0.8% q/q following a 1.0% loss in the prior quarter), the Swedish economy will lose momentum in the remainder of the year. The unexpected first-quarter result was underpinned by resilient domestic demand - particularly fixed investment – though net exports also contributed to the gain, notwithstanding the downturn in most of Sweden's trading partners (two thirds of Sweden's exports are destined for Europe). We have lifted our 2012 growth forecast slightly, from 0.4% to a still subdued 0.6%. Growth should then quicken to around 2% in 2013. Inflation continues to recede on the back of falling cost pressures and kronor strength, with the headline rate slipping to 1.0% y/y in May, almost half the rate seen as recently as February. As such, there is some scope for further monetary easing by the Riksbank later this year should the situation in the euro zone worsen (the policy interest rate was reduced by a cumulative 50 basis points between December and February). The central bank's recently released Financial Stability Report notes that Swedish banks are well capitalized by international standards and points to the relatively low exposure of the financial sector to the most distressed and indebted nations in Europe. Nevertheless, certain structural issues remain of concern, including elevated household debt, a softening housing market, and the large size of the major banks in relation to the economy (bank assets measured 400% of GDP by the end of 2010).

ASIA/OCEANIA
Currency Outlook

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JAPAN - As risk aversion has subsided and volatility measures have dropped back towards their March lows, the yen has retraced some of its spring rally. In tandem, the CFTC reported that traders have flattened out their long yen positions; while technicals suggest a period of stability with USDJPY trading between 78 and 81. We expect that loose monetary policy, a fragile economy and shifting sentiment will support USDJPY (yen weakness) and hold a quarter end forecast of 81.

CHINA - As USD strength has faded in tandem with a drop in risk aversion, the yuan has begun to retrace some of its spring weakness. The Chinese current account surplus has narrowed and on several measures the currency is approaching more reasonable levels. Forward markets are pricing in a 0.2% depreciation into year-end; however, we feel this is too one sided. We hold a Q312 USDCNY forecast of 6.30.

AUSTRALIA - As we enter July, the Australian dollar (AUD) has retraced over 50% of its spring losses. The shift has come on signs of stabilization in Chinese growth, a less dovish RBA and a flattening out of the net short AUD position (CFTC). The currency's high beta status leaves it vulnerable to any spikes in risk aversion and is likely to dampen its appreciating trend. We hold a Q312 forecast of 0.99.

NEW ZEALAND - Like AUD, NZD has retraced more than 50% of its spring losses and on a year-to-date basis is the best performing commodity currency. The CFTC reports a small net long NZD position of $0.4bn; however, traders have recently shifted from a net short to a net long position, which is bullish. We hold a Q312 target of 0.75, but expect the trend to be an appreciating one later in 2013.

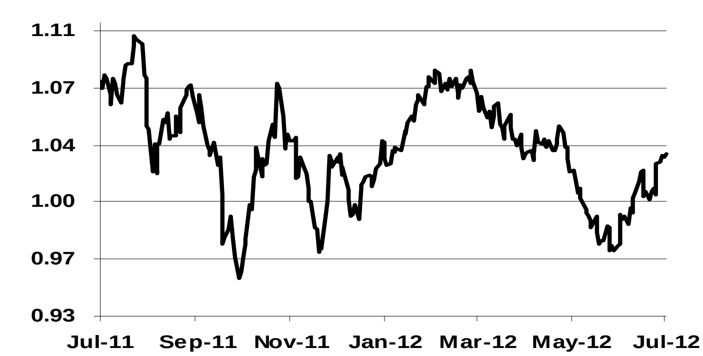
Currency Trends

FX Rate	Going Back			Spot	Outlook			FX Rate
	12 m	6 m	3 m	5-Jul	3 m	6 m	12 m	
USDJPY	81.07	77.12	82.37	79.9	81.00	83.00	85.00	USDJPY
USDCNY	6.47	6.30	6.31	6.36	6.30	6.25	6.20	USDCNY
AUDUSD	1.07	1.03	1.03	1.03	0.99	1.02	1.04	AUDUSD
NZDUSD	0.83	0.78	0.82	0.80	0.75	0.76	0.78	NZDUSD

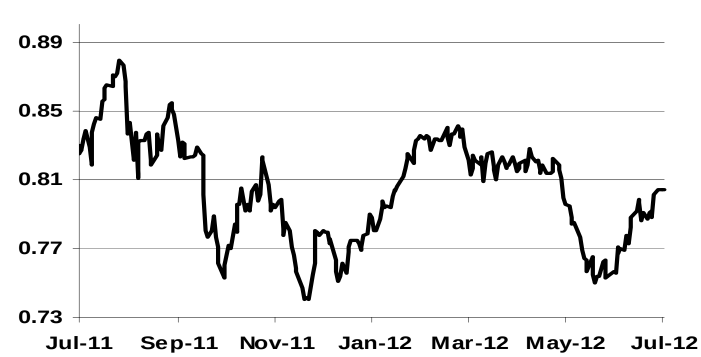
USDJPY

USDCNY

AUDUSD



NZDUSD



ASIA/OCEANIA
Fundamental Commentary

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JAPAN - The Japanese yen (JPY) stabilized in June, following an appreciation phase provoked by heightened euro-related financial market stress and a corresponding surge in safe haven flows. Nevertheless, a historically strong yen poses a challenge for exporters amid a slowing global economy and likely prompting further intervention by the Bank of Japan (BoJ) to counteract the currency's rise. Although the nation's debt profile remains weak, the outlook for 2012 has improved, underpinned by buoyant private consumption. The final GDP report for the first quarter was revised upward to 1.2% q/q from 1.0%. There are indications that the second quarter result will also prove better than expected, given the recent improvement in both consumer and business sentiment. We anticipate average GDP growth of slightly under 2% over the next 18 months. Annual inflation was positive for a fifth straight month in May, though the pace slowed from 0.4% y/y to 0.2%, and the core measure fell 0.1%. In fact, despite the better growth outlook, the BoJ's 1% inflation target looks less tenable than it did just a few months ago, and an enlargement of the bank's asset purchases is quite probable. In an encouraging fiscal development, the Lower House of the Diet recently approved a doubling of the consumption tax rate to 10%. The bill's passage prompted the resignation of 50 members of the ruling Democratic Party of Japan, weakening Prime Minister Noda's majority in parliament and destabilizing the political balance.

CHINA - The outlook for China is one of the most relevant factors shaping growth prospects in the global economy, the degree of risk appetite/aversion in high-risk/high-yield investment portfolios and, of course, price gyrations in commodity markets. We retain our view that a soft landing is materializing and that the Chinese economy may expand at or slightly below the 8% rate this year before advancing a bit faster in the year 2013. Nevertheless, there are risks to the downside in our forecast, in principle connected to potential erosion in growth dynamics in both the United States and the Euro zone. Another factor of relevance affecting our view on the Chinese Yuan (CNY) is related to potential changes to increase the flexibilization of the existing currency regime. Although there is increasing rhetoric in favour of using the CNY as a world (or at least regional) reserve currency, the preeminent role enjoyed by both the USD and the EUR remain firmly in place. Meanwhile, the Chinese authorities clearly advocate – through policy actions – their preference to ease monetary conditions through lower interest rates and reserve requirements to sustain a relatively high rate of economic growth. On the back of a healthy sovereign debt profile and hefty international reserves (US$3.3 trillion), the central bank has all the necessary ammunition to guide the exchange rate weaker as a policy option to boost export activity (which is showing signs of decelerating growth).

AUSTRALIA - Stronger economic data have buoyed the Australian dollar (AUD) over the last month, though the currency remains below its early-2012 levels. The first-quarter GDP report portrayed a resilient domestic economy; output advanced 1.3% q/q, lifting the yearly growth rate to 4.3% y/y, the fastest pace since 2007Q3. The robust performance was driven largely by the mining sector, which propelled business investment up 20.6% y/y in the quarter. Australia has benefitted from the rebound in activity – particularly, in demand for commodities – throughout Asia following a string of natural disasters and supply chain disruptions in 2011. However, the outlook shows external demand fading as the global slowdown and prior monetary tightening catches up with the region. Australia's trade balance shifted from a surplus to a deficit position in early 2012, causing the current account deficit to widen. The economy and the AUD remain at risk of an intensification of the euro crisis, which would undermine risk appetite and likely pressure commodity prices lower. On a positive note, the decline in the housing market may finally be leveling off; building approvals surged by a record 27.3% m/m in May, resulting in the first positive year-over-year print since December 2010. The Reserve Bank of Australia (RBA) assumed a more neutral tone in July, leaving the cash rate unchanged after cutting by a cumulative 75 basis points at its previous two meetings. We continue to expect further monetary easing by year-end.

NEW ZEALAND - The economic outlook for New Zealand is relatively promising. An investment boom provoked by the government's reconstruction efforts following the earthquakes of late 2010 and early 2011 is at the core of an acceleration of growth this year and next. Intensifying policy convergence and economic integration with Australia will also improve the country's mid-term outlook. The economy, though, remains strongly influenced by the direction of commodity prices in the metal and forestry markets, as well as by the degree of global risk appetite for high yielding commodity-linked assets. Beyond these macroeconomic issues, other factors shaping investor demand for the New Zealand dollar (NZD) include the balance of payments position and the outlook for interest rate differentials with alternative high-grade-rated economies. The widening current account deficit (approaching 4% of GDP) is a major issue weighing on the country's exchange rate outlook at a time when global investors are beginning to differentiate amongst non-European investment options. Nevertheless, improved growth conditions and the potential inflationary impact of the recovery (as a result of massive fiscal stimulus) may prompt the central bank to raise its administered interest rate, a development that may induce foreign capital inflows into NZD-denominated assets over the coming years. The political and institutional environment remains stable and investor-friendly, allowing the authorities to continue to inject stimulus for reconstruction (worth US$15 billion).

DEVELOPING ASIA

Currency Outlook

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INDIA - The rupee came under renewed pressure through the month of June, as the RBI's inability to cut rates in the face of still elevated price pressures hampered sentiment towards the currency. The Q1 current account deficit of 4.55% of GDP underscored the driver of INR depreciation as the external deficit hampered the ability of INR to hold against elevated global risk aversion. A calming in global markets should benefit the rupee, but the fundamental picture is still weak. We expect USDINR to end Q4 2012 at 55.50.

KOREA - USDKRW managed to retrace away from early June weakness as the won strengthened, to set up the first break of the pair's 200-day moving average since early May. Foreign portfolio flows rebounded to some degree in June, buffeting the won from global market volatility. Better than expected May production and June export data were KRW-supportive, as was a solid May current account balance, driven by a record services surplus. We expect KRW to benefit most from a risk rebound in the market. We forecast USDKRW to close Q4 2012 at 1160.

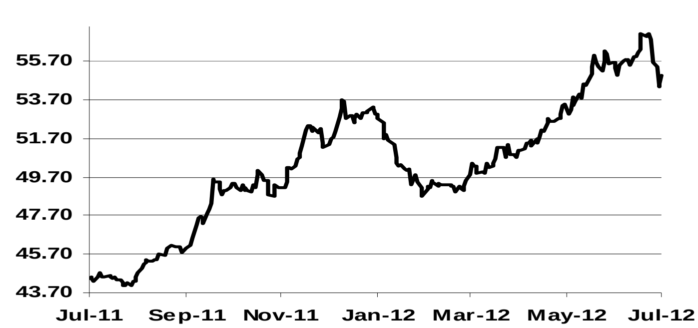
THAILAND - THB was a mid performer over a rather volatile month of June, however the pair nearly tested its 1-year low against the USD as European sovereign issues continued to drag on the currency. A recent weakening in Thailand's external accounts explains a good deal of THB weakness against a volatile global financial backdrop, but the hope is that a settling in markets at the outset of July will help bring THB gains as foreign portfolio flows rebounded towards the end of the June. We expect USDTHB to close 2012 at 31.00.

TAIWAN - USDTWD generally maintained a range of 29.80 through 30.00 for the lion's share of June, with TWD holding as one of the least volatile Asian currencies thanks to official management. Economic data in Taiwan continues to come in on the underwhelming side as exports, new export orders and production continue to contract on a Y/Y basis. Indeed, the slipping back below the 50 mark in the manufacturing PMI indicates that policymakers are unlikely to tolerate aggressive TWD strength before the economy turns. We expect USDTWD to close 2012 at 29.30.

Currency Trends

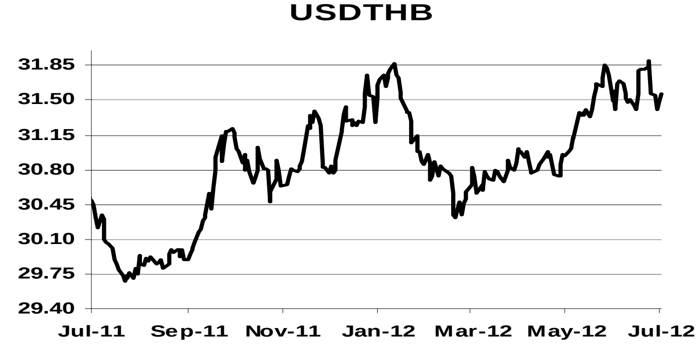
FX Rate	Going Back			Spot	Outlook			FX Rate
	12 m	6 m	3 m	5-Jul	3 m	6 m	12 m	
USDINR	44.44	52.99	51.11	54.96	56.00	55.50	55.00	USDINR
USDKRW	1066	1153	1127	1135	1170	1160	1138	USDKRW
USDTHB	30.49	31.65	30.99	31.57	31.50	31.00	30.50	USDTHB
USDTWD	28.78	30.25	29.50	29.87	29.50	29.25	28.88	USDTWD

USDINR

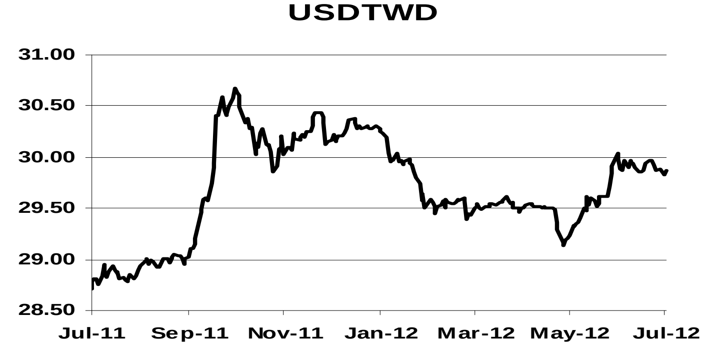


USDKRW

USDTHB



USDTWD



DEVELOPING ASIA
Fundamental Commentary

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INDIA - Deteriorated macroeconomic fundamentals continue to weigh on the Indian currency outlook. The renewed calm in global financial markets following recent developments in Europe helped stabilize the value of the Indian rupee (INR), which has been under constant devaluation pressure since February. The steady contraction in economic activity in the context of widening twin (fiscal and current account) deficits prevents global investors from adopting a bullish view on India. Hence, the Indian authorities will intensify interventionist measures to place the economy back onto a faster growth trajectory. We revised our 2012 GDP growth forecast downward to 6% last month. With US$250 billion in foreign exchange reserves and an eroding sovereign debt/fiscal profile, the Indian government does not have at its disposal (relative to China and Brazil) ample financial resources to fight a speculative attack against the currency. In fact, a devalued INR may be a welcomed development for the export sector. We are of the view that the Reserve Bank of India will maintain an accommodative stance through the end of 2013 and that the so-far-adverse inflation scenario will begin to improve during the second half of the year. The current Prime Minister has taken the Finance Ministry portfolio; the current leaders continue to advocate a preference for 8-8.5% growth rates for the next five years. In brief, currency markets show incipient stabilization, although we maintain a cautious approach regarding the country outlook.

KOREA - The trade-intensive South Korean economy is showing evidence of steady improvement on many fronts, despite the adverse impact from an extremely fragile economic and debt situation in Europe and sluggish US economic recovery. The South Korean won (KRW) has been in steady appreciating mode since early June, recovering in just one month the value lost (versus the USD) since the beginning of the year. At the core of such impressive recovery lies a major boost in foreign capital inflows. In fact, government data shows that foreign direct investment (FDI) totaled US$7.1 billion during the first half of the year, an increase of 32% against the same period last year. It is worth highlighting that Japan's FDI into South Korea, which has amounted to US$2.6 billion year-to-date, represents an annual increase of almost 200%, whereas FDI from China (only US$187 million in the first half) declined by 18% from the previous year. Clearly, Japan-Korea economic ties are deepening. On another positive note, employment growth remains robust whereas headline inflation was 2.2% y/y in June. Despite uncertainties regarding the outlook in high-income developed countries, manufacturing production and exports as well as retails sales are expanding in South Korea. Government authorities acknowledge the need to stabilize prices even further and to manage the external market headwinds in order to sustain the current pace of economic growth. In sum, both the near-term economic and currency outlooks are positive.

THAILAND - The exchange rate environment in Thailand is stabilizing after three consecutive months of depreciation since late February. Renewed calm in European financial markets, most likely to be temporary, has permitted global market participants to reassess current trends, and the Thai Baht (THB) has begun a range-trading phase. The growth outlook continues to improve and inflationary expectations are receding; in fact, the central bank now expects the headline rate to close the year at 3.3% y/y. Also, the government has recently revised its 2012 growth projection upwards to 6.2% based upon supporting data provided by strengthening export and manufacturing activity. Moreover, industrial production recorded the first year-on-year increase in May (up 5.5%) following the devastating floods of last year. Of utmost relevance to the currency view is the sharp decline in energy prices which is always a wild card for Thailand's economic prospects. So far, the monetary authorities have joined forces with the government to reinforce a stimulus-driven policy; however, the strong recovery currently in place may raise concerns as demand-side inflationary pressures develop during the second half of the year. For 2013, we should expect the beginning of a monetary tightening cycle. Despite the heightened financial market volatility experienced during the second quarter of the year, the Thai economic cabinet has stressed that an exchange rate of USDTHB 31 is currently adequate to support the country's export sector.

TAIWAN - The trade-intensive Taiwanese economy is strongly influenced by China's growth outlook and by recent developments in Asia which caused a multi-year appreciation of the Japanese yen (JPY). The economy is well positioned to grow by 2.5% this year before accelerating to a higher rate (of around 4-4.5%) in 2013. The Taiwanese export sector is suffering from weakening demand from OECD countries, yet the most recent month-to-month data highlights a big jump in vehicle and electronics production activity. Taiwan, together with South Korea, has been a major beneficiary of the combined effect of JPY strength and Japanese supply-chain disruptions. Japanese manufacturers have increased their production activity in both countries as a consequence of these developments. Still, industrial production when measured on a year-over-year basis has contracted by 3% y/y during the first five months of the year. On the monetary front, inflation is no longer an issue of policy concern, as shown in the recent 1.7% y/y rate recorded in June. In the near term, we should not expect any change in the monetary policy stance, unless there is an escalation of financial stress in global markets. Looking ahead, increasing price pressures stemming from the elimination of subsidies and the recovery local demand may encourage the central bank to adopt a more restrictive monetary bias. The direction of the major regional currencies, the CNY and the JPY, will affect the TWD over the coming months.

DEVELOPING AMERICAS
Currency Outlook

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BRAZIL - The Brazilian real (BRL) has stabilized in a range of 1.97 - 2.09 against the US dollar (USD) since mid-May, as on one hand the central bank has been preventing the 2.10 level from being breached through "reverse swaps auctions", while on the other, the finance Minister, Mantenga, has reinforced that the government will continue to prevent the real from appreciating in order to support local manufacturing. With the latest data from the manufacturing sector maintaining a downward trend, the government will likely attempt to avoid BRL gains. DI rates are pricing 100 basis points of additional rate cuts, on top of current all-time low yields, which represent a BRL headwind.

MEXICO - The Mexican peso (MXN) was the best performing Latin American currency during the month of June, boosted by a combination of expected inflows from InBev's US$20 billion acquisition of the remainder of Modelo, optimism over potential structural reforms, and continued strong economic performance. We maintain our view that USDMXN will close the year slightly above 13.10.

CHILE - After trading relatively detached from copper prices for much of June, the Chilean peso (CLP) now appears to be re-establishing its relationship with the red metal. The improvement we saw in China's manufacturing sector PMI, which moved back above 50, helped support copper prices as well as the CLP, allowing USDCLP to move back below 500. We believe China will experience a soft-landing, thus limiting CLP downside.

COLOMBIA - Authorities have intensified their verbal intervention in the Colombian peso (COP), leaving open the possibility of larger scheduled US dollar (USD) purchase amounts, unscheduled USD purchases, as well as extending the duration of the USD purchase program. The Finance Minister said he would like to see the COP trade in a 1750-1950 range against the USD, while the President suggested that a level closer to 2000 is desirable. We see strong commitment to defending the 1750 mark.

Currency Trends

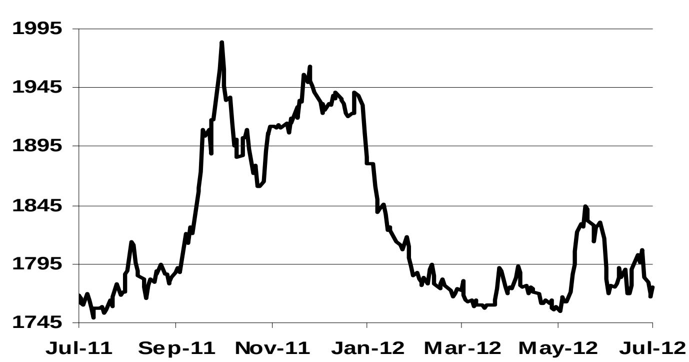
FX Rate	Going Back			Spot	Outlook			FX Rate
	12 m	6 m	3 m	5-Jul	3 m	6 m	12 m	
USDBRL	1.56	1.84	1.82	2.03	1.96	1.95	1.87	USDBRL
USDMXN	11.64	13.77	12.87	13.41	13.27	13.11	13.06	USDMXN
USDCLP	465	510	485	496	502	498	503	USDCLP
USDCOP	1769	1881	1775	1776	1780	1800	1820	USDCOP

USDBRL

USDMXN

USDCLP

USDCOP



DEVELOPING AMERICAS
Fundamental Commentary

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BRAZIL - After the disappointing GDP growth rate in the first quarter (0.8% y/y), recent indicators for the beginning of the second quarter do not show a clear rebound in the biggest economy in Latin America. The monthly economic activity indicator fell for the first time in more than three years, decreasing by 0.02% y/y in April. Additionally, industrial production shrunk for the ninth consecutive month in May, showing the biggest contraction (-4.3% y/y) since 2009. Manufacturing data and retail sales continued to show a downward trend in recent months. Authorities maintain a protective tone and continue to implement measures to support the Brazilian industry, mainly the labour-intensive auto sector. We expect these measures to start having a stronger impact in the economy by the end of the second quarter of the year, when we expect signs of a rebound. Rhetoric about the exchange rate continues to point to a weak currency, boosted also by a loose monetary policy stance and a higher presence of the central bank in the foreign exchange market. We maintain our view that the central bank will further reduce the reference rate in the coming months. The next announcement is scheduled for July 11th, where we anticipate another easing of 50 basis points to bring the rate to a new record low of 8.0%. Headline inflation has stabilized close to the 5.0% mark in recent months.

MEXICO - The presidential election in Mexico has attracted much the attention in recent weeks. The Partido Revolucionario Institucional (PRI) candidate, Enrique Peña Nieto was elected for a six-year term by 38% of the vote. However, the PRI was unable to secure a majority in any of the parliamentary chambers and will have to negotiate with the opposition parties. After 12 years in the office, the Partido Acción Nacional (PAN) will be the minor opposition party in the lower chamber and the second force in the Senate, playing a decisive role in the negotiations ahead. We anticipate that some of the reforms proposed by Peña Nieto could be in Congress as early as this year. On the economic front, the Mexican economy remains on a solid path, with the monthly activity indicator expanding by 4.7% y/y in April, a higher reading than the 3.5% of the previous month. However, headline inflation has shown some signs of acceleration, increasing to 3.85% y/y in May. A smooth political election and strong economic fundamentals remain supportive for local assets. The 10-year-bond-yield recently reached a record low of 5.2%, narrowing the spread over US Treasury bonds. Additionally, the MXN recovered 7% vis-à-vis the US dollar in the last month, returning to the 13.20-13.40 range. However, Mexican assets remain vulnerable to episodes of higher volatility, as risks of European distress remains high.

CHILE - The Chilean peso (CLP) appreciated 3.7% vis-à-vis the US dollar in June, the second biggest gain among the major currencies in the region; however, in recent days it has stabilized around 500. Concerns over an Asian slowdown and copper prices remain the main factors for our CLP view. The Chilean economy shows strong local demand, favourable employment conditions and decreasing inflation, which have offset the negative impact from weaker external demand. Recent indicators suggest that the economy maintains a solid economic growth profile. The economic activity index grew by 5.3% y/y in May, slightly above the previous reading of 4.8% but significantly higher than the rates observed in the second half of 2011. The central bank has highlighted that the local economy remains healthy but risks to the downside are increasing. On one hand, if China decelerates faster than initially anticipated (or any other Asian trade partners), then this will weigh on copper prices and Chilean exports. Additionally, uncertainties regarding European sovereign debt problems and the banking sector bailout in Spain remain of concern. The central bank has maintained stable monetary conditions, leaving the reference rate at 5.25% since January. Also, headline inflation and inflation expectations have decelerated recently, supporting the central bank's monetary policy stance. We maintain our view that the central bank will keep monetary conditions stable at least until the third quarter of the year.

COLOMBIA - In the first half of the year, the Colombian peso (COP) gained 6.7% against the US dollar (USD), posting the best performance within the developing Americas. During the most recent episode of global foreign exchange volatility and low risk appetite, the COP reaction vis-à-vis the USD was less aggressive than other currencies in the region and its subsequent recovery has been faster. The Colombian economy remains strong; however it has shown signs of moderation. Solid domestic demand, a high employment rate, stable inflation and strong credit growth remain supportive of Colombian assets. Nevertheless, exports have suffered from slower external demand and lower energy prices; while industrial production, with the exception of mining, has decelerated in recent months. In the last central bank announcement, the authorities voiced greater concern over the impact of decelerating foreign demand - particularly that from the US - and the European debt crisis. We maintain our view that the Colombian economy will expand at an average rate of 5.0% in 2012-13. The inflationary outlook remains stable, with headline inflation lingering around 3.5% y/y, supporting the central bank's neutral monetary policy stance. However, official rhetoric over the strength of the currency persists. We estimate that the COP will remain subject to intervention and will close the year at 1,800 per USD.

DEVELOPING EUROPE/AFRICA
Currency Outlook

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RUSSIA - Following a sharp weakening in May on the back of the 15% drop in oil prices, the Russia ruble (RUB) has stabilized in a range around 32.5 per US dollar (USD). We do not expect the RUB to return to the levels seen earlier in 2012 over the next six months, and we note the downside risks associated with political unrest and heavy capital outflows. We look for an end-year USDRUB rate around 32.

TURKEY - The Turkish lira (TRY) remains volatile, reflecting swings in global financial market sentiment and unconventional policy moves by the central bank. The lira was generally stronger in June against the US dollar on the back of positive developments in the euro crisis and a sovereign credit rating upgrade by Moody's. Nevertheless, we continue to expect Turkey's large current account deficit to weigh on the currency, and we hold a year-end target of 1.85 per USD.

HUNGARY - The Hungarian forint (HUF) adopted an appreciatory tone in June, buoyed by the government's agreement to changes to its central bank law, the reversal of a prior suspension of EU cohesion funds after revisions to fiscal reform plans, and the generally improved climate in global financial markets. We do not expect this trajectory to persist, however, given lingering bailout uncertainties and a deteriorated growth profile. We expect EURHUF to close the year at 295.

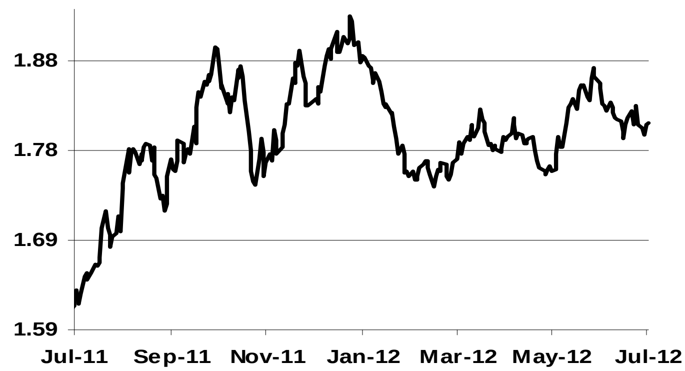
SOUTH AFRICA - After falling 10% versus the US dollar alongside the drop in commodity prices in May, the South African rand (ZAR) has recovered roughly 6%. Periodic bouts of investor risk aversion, domestic socio-political unrest and a widening current account deficit will weigh on the currency through year-end, though an expected stabilization in oil prices should provide some support. We expect USDZAR to end the year around 8.12.

Currency Trends

FX Rate	Going Back			Spot	Outlook			FX Rate
	12 m	6 m	3 m	5-Jul	3 m	6 m	12 m	
USDRUB	27.86	32.05	29.46	32.49	32.21	32.00	32.08	USDRUB
USDTRY	1.63	1.88	1.79	1.81	1.83	1.85	1.84	USDTRY
EURHUF	264.96	318.90	295.41	286.29	290.50	295.00	293.33	EURHUF
USDZAR	6.75	8.18	7.84	8.14	8.14	8.12	8.14	USDZAR

USDRUB

USDTRY



EURHUF

USDZAR

Developing Europe/Africa

Fundamental Commentary

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RUSSIA - Continued public backlash to President Putin's administration (accompanied by huge capital outflows), lower oil prices and volatile demand for riskier emerging-market assets are weighing on the outlook for the Russian ruble (RUB). The RUB lost nearly 15% in May vis-à-vis the USD, and is only 3% stronger a month later. The economic outlook is little changed; we continue to expect growth to average between 3½% and 4% in 2012 and 2013, bolstered by robust domestic demand and still high commodity prices. In a recent budget address, President Putin voiced concern about the large size of the non-oil and gas revenue deficit and asserted his commitment to the diversification of the Russian economy away from raw materials. Putin's administration also announced a contingency reserve worth roughly US$15 billion to be set aside over the next two years for use in case of an escalation of the euro crisis, funds which could be used to recapitalize private sector banks. S&P confirmed the nation's "BBB" rating with a "stable outlook" last month, citing the offsetting factors of low debt levels and vulnerability to commodity price swings. There is a possibility that the government's Reserve Fund could be tapped this year to cover any budget shortfalls if the price of oil does not recover appreciably in the months ahead (this year's budget breakeven oil price is US $117/bbl). Inflation, currently at 4.3% y/y in June, will accelerate in the months ahead, though we do not anticipate any monetary tightening until next year.

TURKEY - The first-quarter GDP report confirmed that the Turkish economy is decelerating. Output expanded 3.2% y/y in the first three months of the year, down from a pace of 5.2% in the final quarter of 2011. Continued softness in the industrial sector (industrial production advanced just 1.8% y/y in April, versus 8.8% in April 2011) indicates that the slowdown will continue in the coming quarters. While domestic demand has begun to moderate, exports have held up surprising well; year-to-date exports have grown 20.3% y/y, despite a drop in shipments to the EU. As a result, the current account deficit has trended lower, falling almost US$10 billion from a peak in October to $69.2 billion as of April (on a cumulative 12-month basis). We expect an eventual slowdown in exports to limit overall growth to around 2¼% this year, picking up to 4½% in 2013. The IMF judges that the Turkish economy is experiencing a soft landing, facilitated by a gradual tightening of macroprudential policy since mid-2011. Should downside risks to the outlook materialize, the Fund believes that there remains some room for countercyclical fiscal measures. Meanwhile, on June 20th Moody's Investors Service raised the nation's sovereign credit rating one notch to "Ba1", pointing to improved public finances and policy steps to address external imbalances, and maintaining a "positive" outlook on the rating. Inflation remains well above target, at 8.87% y/y in June, and with both upside and downside risks prevailing, the central bank will remain in wait-and-see mode over the near term.

HUNGARY - Hungary's growth prospects have weakened alongside the economic deterioration in Europe and the lack of progress on talks for a €15 billion credit line from the EU and IMF. A deep drop in output in the first quarter (-0.7% y/y) prompted the central bank to slash its growth forecast for 2012-13. We have also lowered our expectations, from -½% to nearly -1% this year, and from 1½% to 1% for 2013. Meanwhile, the government maintains a more optimistic profile in its budget plans, projecting growth rates of 0.1% and 1.6% this year and next. These unrealistic expectations, combined with the risk of inadequate implementation of slated fiscal consolidation measures over the coming months suggest a slim chance of achieving the official budget deficit target of 2.2% of GDP in 2013. However, with the inclusion of a precautionary 'general reserve' worth roughly HUF 200 billion in the budget, the fiscal shortfall should stay below the 3% of GDP limit mandated by the EU's excessive deficit procedure. Hungary continues to experience one of the highest inflation rates in the EU, though the headline pace did moderate in May to 5.3% y/y from 5.7% in the prior month. Boosted by tax increases, forint depreciation and other external cost shocks, inflation is likely to stay well above the central bank's 3% target through year-end. At the most recent central bank meeting, the Monetary Council indicated that a rate cut would be forthcoming if a notable improvement materializes in the outlook for inflation and risk premiums.

SOUTH AFRICA - After slowing considerably in the first three months of the year, available data indicate that the South African economy continued to lose momentum in the second quarter. Most visibly, persistent political uncertainty, sluggish external demand, and high labour and electricity costs continue to weigh on production in the mining industry, with output dropping 10.6% y/y in April (the tenth straight month of decline). In the manufacturing sector, the Kagiso PMI fell into contractionary territory in May (to 48.2) for the first time since December, with widespread weakness across the sub-indices. In the household sector, the effects of increasing unemployment (at 25.2%) and moderating wage growth in the first quarter are becoming apparent, with retail sales growth declining from 6.7% y/y to 1.0% in April. We have revised slightly lower our GDP forecast for this year to 2½%, and we maintain our expectation for growth of around 3¾% in 2013. South Africa's widening current account gap is an area of concern for investors; the deficit grew to a three-year high of 4.9% of GDP in the first quarter, up from 3.6% in the prior period, as a result of dwindling exports to Europe. The nation's reliance on volatile foreign portfolio flows to finance the deficit will likely pressure the rand lower over the medium term. Inflation eased to 5.7% y/y in May, its lowest rate since September and now within the central bank's 3-6% target range. The bank judges the risks to the outlook as balanced to the downside for growth and slightly on the upside for prices.

GLOBAL CURRENCY FORECAST (end of period)

			2010	2011	2012f	2013f	2012f				2013f			
							Q1a	Q2a	Q3	Q4	Q1	Q2	Q3	Q4
MAJOR CURRENCIES														
	Japan	USDJPY	81	77	83	87	83	80	81	83	84	85	86	87
	Euro zone	EURUSD	1.34	1.30	1.23	1.21	1.33	1.27	1.23	1.23	1.22	1.22	1.21	1.21
		EURJPY	108	100	102	105	111	101	100	102	102	104	104	105
	UK	GBPUSD	1.56	1.55	1.60	1.64	1.60	1.57	1.59	1.60	1.62	1.63	1.64	1.64
		EURGBP	0.86	0.83	0.77	0.74	0.83	0.81	0.77	0.77	0.75	0.75	0.74	0.74
	Switzerland	USDCHF	0.94	0.94	1.02	1.03	0.90	0.95	1.02	1.02	1.02	1.02	1.03	1.03
		EURCHF	1.25	1.22	1.25	1.25	1.20	1.20	1.25	1.25	1.25	1.25	1.25	1.25
AMERICAS														
North	**Canada**	USDCAD	1.00	1.02	0.99	0.97	1.00	1.02	1.02	0.99	0.98	0.97	0.97	0.97
North		CADUSD	1.00	0.98	1.01	1.03	1.00	0.98	0.98	1.01	1.02	1.03	1.03	1.03
North	**Mexico**	USDMXN	12.34	13.94	13.11	13.33	12.81	13.36	13.27	13.11	13.20	13.06	13.13	13.33
North		CADMXN	12.37	13.65	13.24	13.74	12.83	13.14	13.01	13.24	13.47	13.46	13.54	13.74
South	**Argentina**	USDARS	3.98	4.30	6.00	6.50	4.38	4.53	5.26	6.00	5.83	6.08	6.33	6.50
South	**Brazil**	USDBRL	1.66	1.87	1.95	1.90	1.83	2.01	1.96	1.95	1.92	1.87	1.88	1.90
South	**Chile**	USDCLP	468	520	498	510	488	501	502	498	500	503	506	510
South	**Colombia**	USDCOP	1908	1939	1800	1850	1789	1784	1780	1800	1810	1820	1840	1850
South	**Peru**	USDPEN	2.81	2.70	2.61	2.55	2.67	2.67	2.65	2.61	2.62	2.58	2.58	2.55
South	**Venezuela**	USDVEF	4.29	4.29	5.15	5.15	4.29	4.29	4.72	5.15	5.15	5.15	5.15	5.15
ASIA / OCEANIA														
	Australia	AUDUSD	1.02	1.02	1.02	1.05	1.03	1.02	0.99	1.02	1.04	1.04	1.05	1.05
	China	USDCNY	6.61	6.30	6.25	6.10	6.30	6.35	6.30	6.25	6.25	6.20	6.15	6.10
	Hong Kong	USDHKD	7.77	7.77	7.75	7.75	7.77	7.76	7.75	7.75	7.75	7.75	7.75	7.75
	India	USDINR	44.7	53.1	55.5	54.3	50.9	55.6	56.0	55.5	55.3	55.0	54.8	54.3
	Indonesia	USDIDR	8996	9069	9400	9200	9146	9433	9500	9400	9350	9325	9250	9200
	Malaysia	USDMYR	3.06	3.17	3.10	3.02	3.06	3.18	3.11	3.10	3.07	3.06	3.04	3.02
	New Zealand	NZDUSD	0.78	0.78	0.76	0.82	0.82	0.80	0.75	0.76	0.77	0.78	0.80	0.82
	Philippines	USDPHP	43.8	43.8	42.5	41.5	42.9	42.1	43.0	42.5	42.3	42.0	41.8	41.5
	Singapore	USDSGD	1.28	1.30	1.25	1.21	1.26	1.27	1.25	1.25	1.25	1.24	1.23	1.21
	South Korea	USDKRW	1126	1152	1160	1110	1133	1145	1170	1160	1150	1138	1125	1110
	Thailand	USDTHB	30.1	31.6	31.0	30.0	30.8	31.6	31.5	31.0	30.8	30.5	30.3	30.0
	Taiwan	USDTWD	29.3	30.3	29.3	28.5	29.5	29.9	29.5	29.3	29.1	28.9	28.7	28.5
EUROPE / AFRICA														
	Czech Rep.	EURCZK	25.0	25.6	24.8	24.2	24.8	25.5	25.2	24.8	25.0	24.7	24.4	24.2
	Iceland	USDISK	115	123	118	116	127	125	121	118	119	118	117	116
	Hungary	EURHUF	279	315	295	285	294	286	290	295	298	293	288	285
	Norway	USDNOK	5.82	5.98	5.75	5.30	5.69	5.96	5.90	5.75	5.60	5.50	5.40	5.30
	Poland	EURPLN	3.96	4.47	4.25	4.00	4.15	4.22	4.24	4.25	4.33	4.21	4.08	4.00
	Russia	USDRUB	30.54	32.1	32.0	32.5	29.3	32.4	32.2	32.0	31.8	32.1	32.3	32.5
	South Africa	USDZAR	6.63	8.09	8.12	8.25	7.67	8.16	8.14	8.12	8.08	8.14	8.21	8.25
	Sweden	EURSEK	8.99	8.92	8.80	8.65	8.83	8.77	8.90	8.80	8.80	8.75	8.70	8.65
	Turkey	USDTRY	1.54	1.89	1.85	1.76	1.78	1.81	1.83	1.85	1.88	1.84	1.79	1.76

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Foreign Exchange Strategy

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