Foreign Exchange Outlook

Improved global financial market conditions, active re-pricing activity in favour of the EUR, intensified central bank intervention through large-scale asset-purchase programs, prolonged global liquidity injection and renewed pursuit of high-yielding assets are the factors shaping sentiment in global currency markets.

The USD remains stable in trade-weighted terms as a result of coincident EUR strength and JPY weakness. Commodity-linked primary currencies such as the CAD and the AUD remain in demand despite mild shifts in expected monetary policy direction. Despite favourable momentum, the EUR will regain a softening path once the technical adjustments are completed.

The combined effect of JPY correction (factored in our new forecast) and only gradual CNY appreciation may fuel the risk of competitive currency alignments within developing Asia. In the developing Americas, both the BRL and the MXN regained an appreciating tone as the US maintains an ultra-low monetary context and China's growth accelerates.

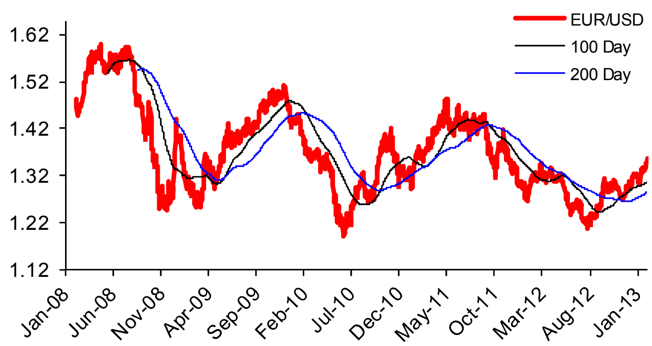
Index

Global Foreign Exchange Outlook

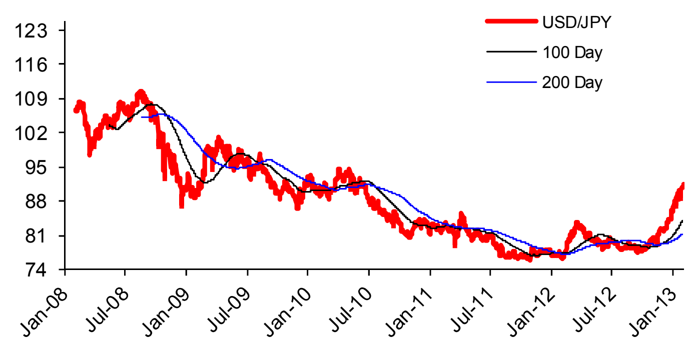
January 31, 2013		Actual	Q3a 12	Q4a 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14
Euro	EURUSD	1.36	1.29	1.32	1.34	1.30	1.28	1.27	1.26	1.26
	Consensus*				1.30	1.29	1.28	1.27	1.27	1.27
Yen	USDJPY	91.4	78	87	92	93	94	95	95	96
	Consensus*				86	86	87	87	87	88
Sterling	GBPUSD	1.59	1.62	1.63	1.59	1.61	1.63	1.64	1.65	1.65
	Consensus*				1.59	1.58	1.58	1.57	1.57	1.57
Canadian Dollar	USDCAD	1.00	0.98	0.99	0.98	0.97	0.97	0.96	0.96	0.96
	Consensus*				0.99	0.99	0.99	0.99	0.99	1.00
Australian Dollar	AUDUSD	1.04	1.04	1.04	1.05	1.06	1.07	1.08	1.08	1.09
	Consensus*				1.03	1.03	1.02	1.01	1.00	1.00
Mexican Peso	USDMXN	12.71	12.86	12.85	12.83	12.63	12.64	12.77	12.72	12.72
	Consensus*				12.68	12.63	12.57	12.52	12.51	12.54

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

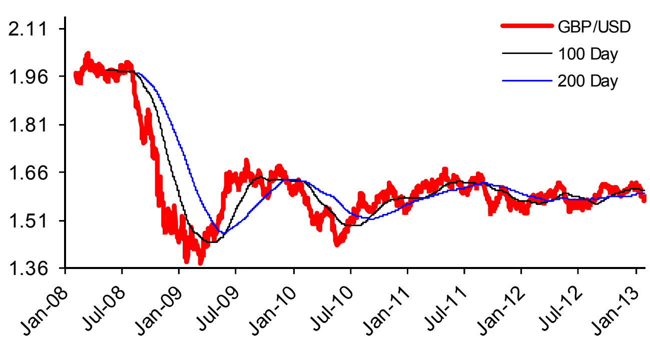
EURUSD



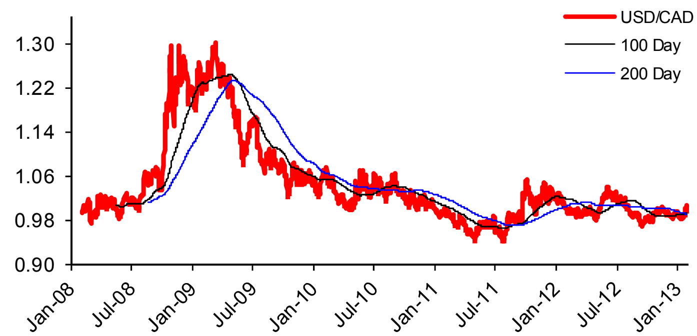
USDJPY



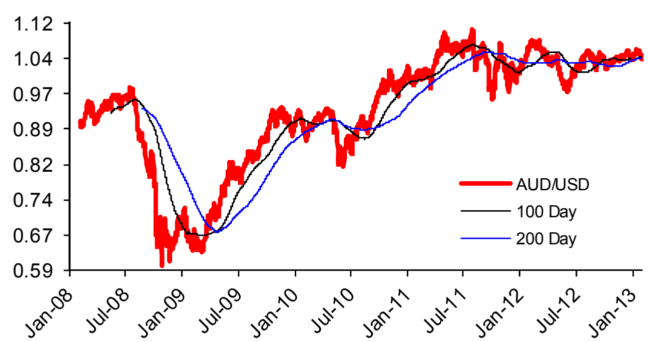
GBPUSD



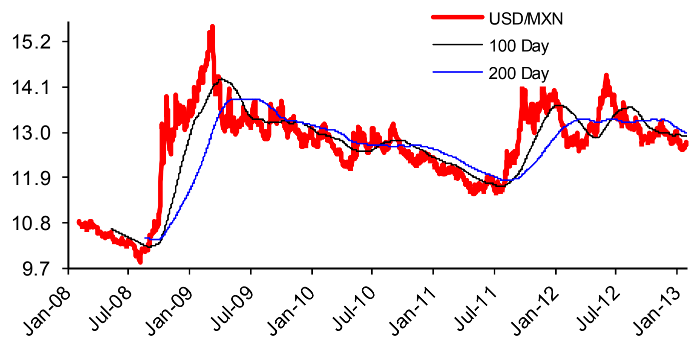
USDCAD



AUDUSD



USDMXN



(*) Source: Consensus Economics Inc. January 2013

Market Tone & Fundamental Focus

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Increasing stabilization of financial market conditions in Europe together with less fiscal-related tension in US markets and ongoing signs of economic recovery in China have contributed to a moderation in risk aversion globally. Material risk-repricing activity is taking place in global currency markets as investors regain modest confidence in the management of the euro zone debt and fiscal crisis. Intensified activism by major central banks through large asset-purchase programs in the US and Japan remains a key factor driving capital flows in global currency markets. Emerging-market economies with floating currencies in Asia and the Americas continue to benefit from the ongoing quest for high yield. Currency war rhetoric has increased materially, though there has yet to be a unified voice. Meanwhile, the flight to triple-A rated assets, a key development in 2012, is in the process of being unwound.

The US dollar (USD) remains in a relatively stable trading range as measured by the trade-weighted DXY index. In fact, increasing evidence of recovery in employment and housing markets has helped to moderate the negative effect from the fiscal cliff-related adjustment under way. US equity securities have been on a strengthening trend since mid-November 2012. We do expect that the fiscal drag will be frontloaded this year and that the rate of economic expansion will accelerate in the year 2014 (please review our recently released Global Forecast Update – February 2013). Meanwhile, increasing 10-year UST bond yields also imply an improving growth scenario and mild yield curve steepening pressures, even as they risk proving a complication for the Federal Reserve (Fed), which remains committed to injecting of liquidity through a prolonged low-interest rate environment and the accumulation of US Treasury and mortgage backed securities.

The Canadian dollar (CAD), trading at virtual parity against the USD, has been relatively stable despite the repricing dynamics under way and evidence of widening growth differentials between the US and Canada. The CAD remains influenced by the US credit and monetary cycles as well as by the direction of commodity prices (primarily in the energy sector). As the Bank of Canada has eased its hawkish stance, the currency recently struggled, but over the long term, Fed policy combined with improving global growth and an ongoing risk rally should support the CAD. Elsewhere in the Americas, other currencies such as the Brazilian real (BRL) and the Mexican peso (MXN) have benefitted from increasing global risk appetite and from forward guidance that the US monetary outlook will remain unchanged for the time being. We are of the view that Mexico offers an attractive investment potential for the coming year now that a new leadership is in place for the next six years.

The euro (EUR) is experiencing a surprising rebound (edging towards the 1.36 mark at the end of January) on the back of improved confidence in the region's economic recovery prospects and the ongoing commitment of the European Central Bank to purchase sovereign debt assets if need be. We expect the EURUSD rate to close the quarter at 1.34 and regain a defensive tone through the remainder of the year once technical repricing is completed. The EUR has sharply appreciated versus virtually all major currencies. We are concerned that the market is getting ahead of itself and that a rising EUR will only complicate what is already a challenged European path. Accordingly, we expect EURUSD to fall into year-end, closing at 1.27. The GBP has been subject to negative forces, due to growing uncertainty over the European Union/United Kingdom relationship, general political uncertainty, soft growth, a dovish Bank of England and material GBP selling as last year's triple-A trading dynamics are unwound.

The Japanese yen (JPY) has been the most prominent currency in the global re-pricing activity taking hold at present; indeed, against the USD, the JPY has lost 15% since September 2012. The Japanese authorities are committed to using fiscal and monetary tools to stimulate economic activity, proof of which is the ongoing purchase of assets as well as raising the inflation target to 2%. We are of the view that the JPY will maintain a weakening trend (but a more contained year-over-year depreciation of 10%) and close the year at 95 per USD. The AUD, like CAD and GBP, has failed to rally early in 2013; however, as growth in China improves, the Reserve Bank of Australia is unlikely to cut interest rates further, leaving the AUD as a high yielding and attractive investment vehicle.

The Chinese economy is recovering with manufacturing activity indicators showing signs of gradual improvement; in fact, after growing by 7.9% in 2012, we expect real GDP to expand by 8.1% in 2013. The Chinese renminbi (CNY) is also influenced by the activist stance adopted by other central banks in the region to instill currency-linked competitiveness into their economies. The CNY is consolidating gains achieved over the past three months, before initiating another phase of gradual appreciation: we expect the USDCNY to close the year at 6.10, implying a yearly gain of just 2%. Elsewhere in the developing Asia region, performance presents a mixed outlook. While currencies such as the Thai baht (THB) and the Indian rupee (INR) regained a strengthening bias as intra-regional trade flows improve and the Europe-related concerns subside, others such as the Korean won (KRW) have been subject to policy-related shifts to control speculative capital inflows.

CANADA

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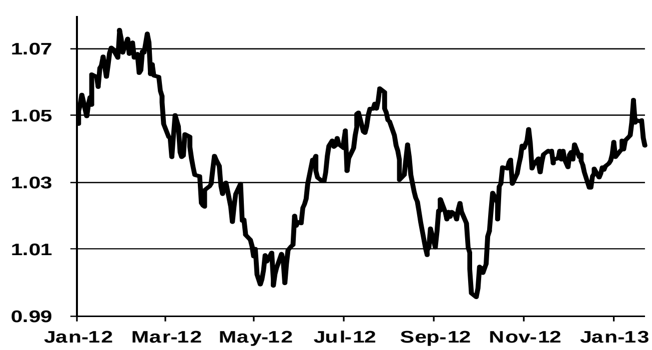
Central bank policy has been a key driver of currencies over the last year, a trend we expect to be repeated in 2013. Accordingly, as the Bank of Canada (BoC) turned to a less hawkish stance in January CAD struggled. The intriguing part is that Federal Reserve policy is notably loose and its asset purchase program (termed QE3) is USD negative. Accordingly, even as the Bank of Canada has pared back expectations for rate hikes in Canada on a relative basis its policies still support a strong CAD. Domestically the biggest risk for the BoC is the threat that household leverage poses to financial stability, with rates at record low levels we are not yet convinced that this issue has passed. Global economic developments have turned in favour of the growth sensitive CAD as China is poised to record a growth rate of 8.0% and the US outlook has improved materially. This environment is typically positive for CAD. However domestically, economic data in Canada has been uneven, with some encouraging trends in labour and an improvement in manufacturing and wholesale sales offset by weak trade, an output gap and below target inflation. While developments in the global energy sector have become an important driver for CAD traders, with the focus shifting from the price of WTI oil to the spread between Brent and Western Canada Select (WCS), the difference between where Canada imports and exports oil. This spread reached a record high in December 2012, in turn weighing on Canada's terms of trade and CAD; however the spread narrowed in the second half of January and is expected to tighten further as North American bottlenecks begin to ease. The longer term issue is how increased US domestic production will impact Canadian exports – this is a long term issue that could have significant impacts for CAD. An important driver of CAD strength in 2012 was large flows into the Canadian bond market in search of Triple-A rated sovereigns. January was marked by speculation that these flows were unwinding. The euro rallied to a fresh 13-month high in January, as CAD weakened fueling further speculation of the Triple-A trade unwind. We do not believe that this trade is being fully reversed but we do expect it to prove a less important driver of CAD strength this year. We view CAD weakness in January as temporary but have pared back our first quarter CADUSD target to 1.02.

Currency Trends

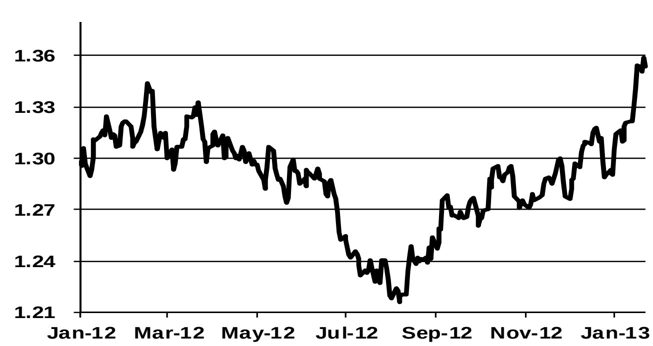
FX Rate	Going Back			Spot	Outlook			FX Rate
	12 m	6 m	3 m	31-Jan	3 m	6 m	12 m	
AUDCAD	1.06	1.05	1.04	1.041	1.03	1.03	1.04	AUDCAD
CADJPY	76.07	78.00	80.41	91.64	94.54	96.22	98.96	CADJPY
EURCAD	1.31	1.23	1.29	1.353	1.30	1.25	1.22	EURCAD
USDCAD	1.00	1.01	1.00	0.997	0.98	0.97	0.96	USDCAD

AUDCAD



CADJPY

EURCAD



USDCAD

Canada and United States

Fundamental Commentary

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UNITED STATES - The US economy stalled in the final quarter of 2012. However, the weaker-than-expected performance was primarily attributable to a steep decline in volatile government defense spending as well as a sharply reduced inventory accumulation as Hurricane Sandy temporarily disrupted production. Weaker exports also weighed on output. More encouragingly, most areas of domestic demand showed further signs of improvement, including consumer spending, residential construction and business capital investment. Inventory adjustments, the impact of expired tax cuts and looming sequestration cuts suggest continued output volatility in the near-term. However, as fiscal uncertainty dissipates, the US recovery should gradually gather momentum by the second half of 2013 and into next year. Consumers, supported by moderate but steady job growth and low borrowing costs, are beginning to unleash pent-up demand, most notably for big-ticket purchases such as motor vehicles. Home sales, while still below historical norms, have increased steadily over the past year, supported by record housing affordability. This in turn is stabilizing home prices and prompting a pickup in new home construction. Business capital orders also are firming up. Given strong corporate balance sheets and favourable financing conditions, business investment is poised to ramp up strongly. At the same time, US exporters, despite improved competitiveness, will be constrained by weak demand among major trading partners, most notably Europe. Combined with rising US import demand, net trade is unlikely to add significantly to growth. Meanwhile, federal fiscal restraint is expected to impose a significant drag on growth through 2014. US GDP is expected to average just under 2% this year and 2¾% in 2013. Significant excess capacity in labour and product markets will continue to restrain inflation and wage pressures.

CANADA - The Canadian economy lost considerable momentum in the second half of 2012, with real GDP growth slowing to around a 1% annual rate. The deceleration reflects in part several temporary factors that restrained activity in the nation's large energy sector. More fundamentally, however, the sluggish pace of the US and global recovery, the persistent strength in the Canadian dollar and relatively low domestic energy prices are weighing on manufacturing output, export earnings and investment. Despite a continued large surplus in commodities trade, growing deficits in manufactured goods and services have pushed Canada's current account shortfall to around $70 billion, or 4% of GDP. Meanwhile, concern over high household debt burdens has contributed to a moderation in consumer spending and household borrowing, despite continuing robust gains in employment growth. Home sales have slowed steadily since the spring as high prices and a further tightening in mortgage rules erode affordability, notwithstanding generationally low borrowing costs. This in turn has begun to cool the pace of new homebuilding and big-ticket durables spending. Federal and provincial public sector restraint also continues to subtract from growth. Looking ahead, the Canadian economy is expected to post moderate growth of 1.7% in 2013, picking up to 2.4% in 2014 as strengthening US demand bolsters manufacturing production and exports. Business investment also is expected to gradually pick up, supported by strong corporate balance sheets and heightened competitive pressures, though household spending will likely remain on a modest growth trajectory. Headline and core inflation, currently testing the lower boundary of the Bank of Canada's 1-3% target range, will remain well-contained by modest wage growth, limited retail pricing power and Canadian dollar strength.

Monetary Policy Commentary

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UNITED STATES - We expect the Fed to continue with its current pace of asset purchases (US$85/bn per month) through 2013, although in light of Chairman Bernanke's statement that the Fed will adjust the monthly pace of purchases in response to economic data and economic conditions – including fiscal policy developments – it is fairly difficult to have policy certainty with respect to Fed asset purchases over a medium-term horizon. Similarly, we expect markets will view the Fed's interest rate thresholds based on employment and inflation criteria as consistent with its earlier date-based guidance over the coming months; however, there is risk that this could erode (and add confusion into markets over time), particularly if the Fed stops publishing the expected date of policy firming of the FOMC participants in its economic projections. We see risk that the size of the Fed's monthly purchases could begin to impact market liquidity if the current pace of buying continues into 2014.

CANADA - Scotiabank expects the Bank of Canada (BoC) to be on hold throughout our full forecast horizon spanning 2013 and 2014. This BoC's current guidance sees the economy returning to full capacity in H2 2014 and therefore implies that interest rate hikes are unlikely to be required until at least that point. We expect weaker economic outcomes than the BoC, more persistent softness in the consumer price index, and finally, we think that loose monetary policy on a global basis will condition the BoC's flexibility. Consistent with this view, the BoC's January 23rd rate statement surprised markets by stating that while rate hikes will eventually be required, "the timing of any such withdrawal is less imminent than previously anticipated." It attributed its more dovish stance to "constructive" developments with respect to household imbalances (i.e. slow consumer loan growth), very low inflation, and a widened forecast for the output gap – all trends that we see persisting.

EUROPE
Currency Outlook

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EURO ZONE - The EUR outperformed in January, gaining over 3% against the USD. Initially, the collapse in the JPY supported the EUR as investors repositioned portfolios. In addition, there was an aggressive build in risk appetite as perception that the euro-crisis had peaked, US fiscal fears eased and ECB policy was perceived as less dovish. Investors redeployed assets that had been shielded in triple-A sovereigns like Canada and Australia into the EUR, accelerating the strong EUR trend. By late January, CFTC data highlighted declining EUR short and rising long positions. We believe that the worst is indeed behind us but that there are significant hurdles, particularly politically, still ahead. This should limit EUR gains. We hold a Q1 2013 forecast of 1.34.

UNITED KINGDOM - January was a challenging month for sterling, which lost over 2.5% against the USD. An important theme was investors' desire to redeploy investments into euro, which generated significant selling of GBP. In addition, a still dovish BoE, weak domestic data and a deteriorating in sentiment all weighed on the GBP. We expect that the BoE will ultimately prove less aggressive than the Fed and that investors will continue to seek exposure to the UK, even as its economy struggles to recover. Accordingly, we hold an optimistic view of the GBP, targeting 1.59 by Q1 2013.

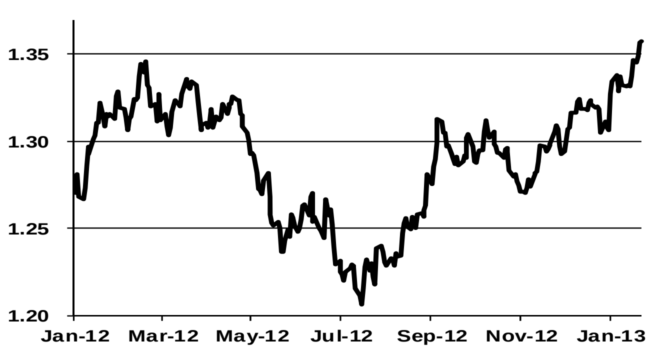
SWITZERLAND - EURCHF had a dramatic start to the year, moving violently off its 1.20 floor and towards 1.25. The shift came as investor perception that the euro-crisis had peaked eased pressure on safe haven assets. We have not noted a change in SNB policy. We hold a Q1 2013 EURCHF target of 1.25.

NORWAY - The NOK proved a mid-performer in January, as it was supported by investment flows back into Europe, a relatively hawkish central bank and an important USDNOK technical break below support. We expect the NOK to appreciate into year-end, however, the near-term risk is an easing in appreciating pressure. We hold a Q1 2013 target of 5.60.

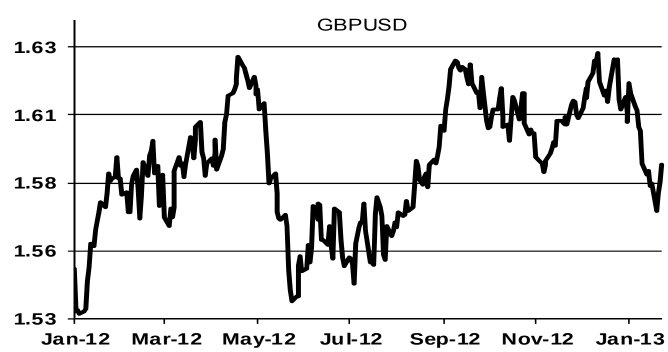
Currency Trends

FX Rate	Going Back			Spot	Outlook			FX Rate
	12 m	6 m	3 m	31-Jan	3 m	6 m	12 m	
EURUSD	1.31	1.22	1.29	1.36	1.33	1.29	1.27	EURUSD
GBPUSD	1.58	1.55	1.61	1.59	1.60	1.62	1.64	GBPUSD
EURCHF	1.20	1.20	1.21	1.24	1.20	1.21	1.22	EURCHF
USDNOK	5.86	6.04	5.68	5.47	5.57	5.47	5.29	USDNOK

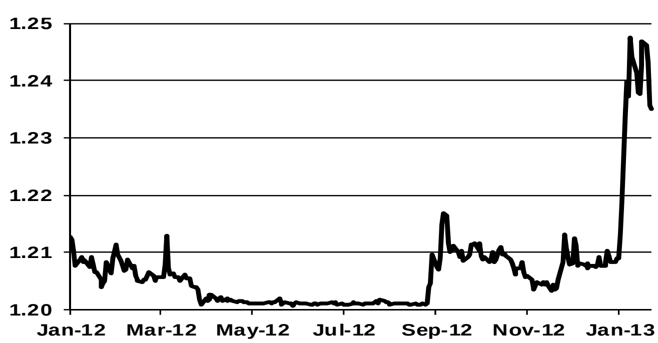
EURUSD



GBPUSD



EURCHF



USDNOK

EUROPE

Fundamental Commentary Sarah Howcroft +1 416 862-3174

EURO ZONE - January saw a further improvement in euro area survey indicators accompanied by a continued reduction in regional financial market fragmentation. The flash January composite PMI edged up to a 10-month high, while the expectations component of the ZEW survey jumped to its highest level since May 2010. Nevertheless, signs of a meaningful real economic recovery remain to be seen. Private sector bank lending contracted for an eighth straight month in December, with loans falling 0.7% y/y due primary to weak confidence-affected demand rather than tight credit conditions, according to the European Central Bank (ECB). Minor downward adjustments have tipped the 2013 aggregate growth forecast for the euro zone economy slightly deeper into the red to -0.2% (from -0.1%). We continue to assess that 2012Q4 marked the low-point of the current cycle and envision a slow, gradual return to growth later this year, marked by periodic bouts of financial volatility and political/policy uncertainties. The recovery (albeit subdued) will be supported by reaccelerating activity in key emerging markets (particularly China), continued financial market stabilization and improving confidence, as well as the backstop provided by the ECB's government bond purchase program. The activation of the single supervisory mechanism is crucial, as it should help to sever the link between banks and sovereigns. With little to significantly alter the ECB's growth and inflation projections, the bank will likely remain in wait-and-see mode for the foreseeable future.

UNITED KINGDOM - The outlook for the UK has weakened. Some payback from the Olympics-driven boost in the third quarter was inevitable, however, the fourth-quarter real GDP performance was worse than anticipated. The economy contracted 0.3% q/q, down from +0.9% in the July-September period. A 1.8% q/q drop in industrial production (due to maintenance-related disruptions in North Sea oil activity) was accompanied by a subdued 0.3% gain in the construction sector (despite comparatively favourable weather conditions in December), and a flat performance in the services sector. Moreover, on exclusion of temporary factors, it appears that the underlying q/q growth rate was close to zero (versus roughly ¼% in January-September), suggesting that the recovery in 2013 could be weaker than we earlier envisioned, even with the likely rebound in industrial production. We have lowered our growth forecasts to 0.9% and 1.4% in 2013 and 2014, respectively. A second output decline in the first quarter cannot be entirely ruled out, particularly in light of the fall in the services PMI in December to below 50, though this recessionary scenario is not our base case. Notably, another strong labour report this month saw a further decline of 12.1 thousand jobless claims in December, and a drop in the 3-month unemployment rate to 7.7% in November (its lowest since April 2011). In spite of sticky inflation (2.7% y/y in December), the Bank of England is unlikely to restart the asset purchase program, given improving financial conditions.

SWITZERLAND - Available data for the fourth quarter of 2012 continue to suggest a deceleration from the robust 1.4% y/y growth pace registered in the prior three months. Nevertheless, there are signs that point to a modest recovery, including the recent easing of pressure on the Swiss franc, the upturn – though still in the early stages – in euro zone survey and financial market indicators, and an improved economic outlook for China (which should buttress activity in Switzerland's main advanced-economy trading partners). We anticipate average growth of around 1⅓% in 2013-14, following an estimated 0.8% expansion in 2012. In mid-January the franc reached a 20-month low of 1.2474 versus the euro, aided by a rally in the euro and relaxation in global risk sentiment. This lessens the burden on the Swiss National Bank, with the rate of foreign reserves accumulation likely to remain manageable (FX reserves were essentially flat from October-December) while the minimum exchange rate policy remains credibly in place throughout this year. The manufacturing PMI rose to 49.5 in December, a shade under the neutral mark and its highest level since last March. On the other hand, the KOF leading indicator has been trending lower since September, most recently dropping to 1.05 (from 1.29), suggesting that the economy will remain subdued through the early part of this year. In particular, exports—which amount to half of GDP—continue to struggle. Deflationary concerns persist; the CPI fell 0.4% y/y in December (the same pace as in November).

NORWAY - Although growth will likely moderate this year, the Norwegian economic outlook remains comparatively solid, underpinned by continued strong investment in the oil and gas industry. An average expansion of roughly 2½% in total GDP in 2013-14 (2¾% in mainland output) will likely follow an above-3% advance in 2012. The Norges Bank – the nation's central bank – estimates that the economy is currently operating above capacity and that this will cause the inflation rate to gradually pick up. The bank expects to begin raising interest rates sometime before the end of 2013. Inflation has indeed accelerated in recent months, rising to 1.4% y/y by end-2012 from just 0.2% in July. Underlying inflation remains subdued, reflecting enduring krone strength and softer economic conditions. The unemployment rate rose from 3.1% to 3.2% in October, while the manufacturing sector struggled as a result of the euro crisis and other external uncertainties (monthly manufacturing production declined for a third straight month in November). Exports performed reasonably well in 2012 despite lower demand from key euro zone trade partners, advancing 4.2% in krone terms (versus a 1.5% gain in imports) thanks to record-high natural gas shipments (mainland exports were roughly unchanged from the 2011 level). With 2013 being a parliamentary election year, a small boost in government spending can be expected. Nevertheless, Norway will maintain a strong fiscal position, with a budget surplus in excess of 10% of GDP through 2014.

ASIA/OCEANIA
Currency Outlook

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JAPAN - A new government and new expectations for the BoJ combined with an aggressive shift in sentiment has seen a violent re-pricing of the JPY, which has lost 15% since November. Sentiment is clearly bearish. To date international rhetoric has been contained but as the JPY weakens there is rising risk that there is a coordinated verbal response. The USDJPY technical trend is strong. We hold a Q1 2013 forecast of 92.00.

CHINA - As FX markets have undergone a major re-pricing in January, the CNY has been notably stable. Forwards are not pricing in the same modest appreciation we are in 2013; however, we expect that a slow steady pace of appreciation is the most likely route for Chinese authorities. We hold a USDCNY Q1 2013 target of 6.22.

AUSTRALIA - The AUD failed to sustain its early January rally as investors turned to aggressive selling in the last half of the month. As the outlook for Europe improved, flows were diverted from the AUD and back to the EUR. This was aggravated by a weak inflation print that drove dovish RBA expectations. AUD sentiment is still bullish, with the CFTC reporting building long positions (reaching $10bn in late January). We do not expect RBA rate cuts, anticipate AUD positive flows to re-emerge (mainly on the back of carry) and we hold a positive outlook for China. Accordingly, we look for AUD appreciation and hold a Q1 2013 target of 1.05.

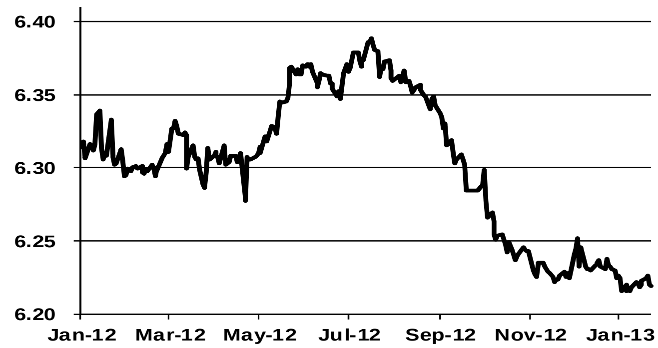
NEW ZEALAND - The NZD closed January on a strong note after a more hawkish than expected RBNZ statement and an easing in risk aversion. Sentiment is positive, with the CFTC reporting a relatively stable net long position close to $2bn at the end of January. Important resistance lies at the 2012 high of 0.8477, a break above would aggravate buying. We expect domestic and international themes to support the NZD into year-end and hold a Q1 2013 target of 0.84.

Currency Trends

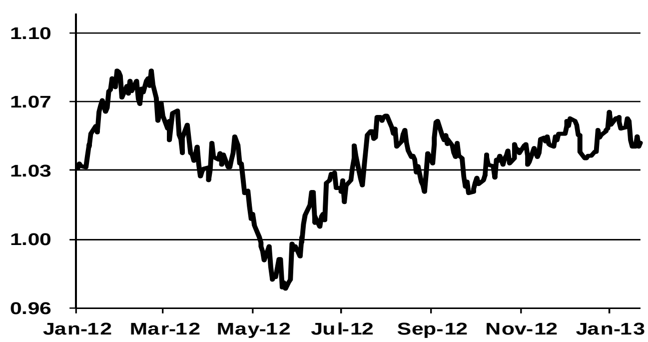
FX Rate	Going Back			Spot	Outlook			FX Rate
	12 m	6 m	3 m	31-Jan	3 m	6 m	12 m	
USDJPY	76.3	78.4	80.1	91.4	92.3	93.3	95.0	USDJPY
USDCNY	6.31	6.37	6.24	6.22	6.21	6.18	6.10	USDCNY
AUDUSD	1.06	1.05	1.04	1.04	1.05	1.06	1.08	AUDUSD
NZDUSD	0.83	0.81	0.83	0.84	0.84	0.84	0.85	NZDUSD

USDJPY

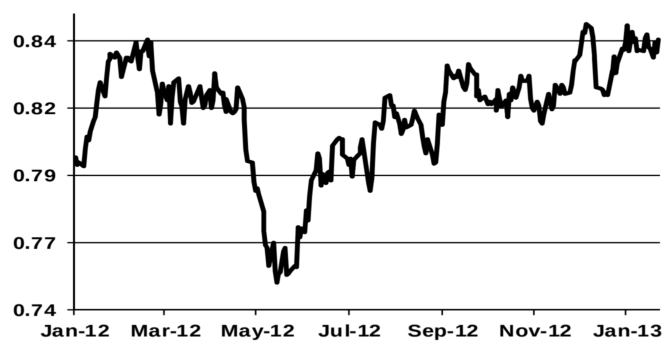
USDCNY



AUDUSD



NZDUSD



ASIA/OCEANIA

Fundamental Commentary

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JAPAN - Japanese authorities have embarked on a decisive fight against deflation, and confirmed their determination to bring the economy back to a positive growth trajectory. Following the January 21st-22nd policy meeting, the Bank of Japan (BoJ) took further steps to influence the cost of long-term funding and to inject liquidity into the economy by introducing an "open-ended asset purchasing method", effective January 2014. The BoJ commits to buying a certain amount of financial assets (around ¥13 trillion) every month without setting a termination date. The total size of the Asset Purchase Program for 2013 remained unchanged (at around ¥101 trillion), while it will be raised by around ¥10 trillion in 2014. In addition, the central bank increased its target for annual inflation from 1% to 2%, as forcefully advocated by Prime Minister Shinzo Abe. The monetary measures follow the Abe administration's ¥10.3 trillion (2.2% of GDP) economic stimulus package, unveiled on January 11th for the final few months of the current fiscal year (April-March). Deflationary pressures are persistent with consumer prices dropping from year-earlier levels since June 2012 (the headline inflation rate closed 2012 at -0.1% y/y). We anticipate that inflation remains dormant in 2013 before picking up slightly to around ½% y/y in 2014. Japanese real GDP will likely grow on average by 1% in 2013-14 as the tsunami-related reconstruction boom vanishes.

CHINA - The Chinese economy is rebounding; real GDP growth accelerated to 7.9% y/y in the final quarter of 2012 from 7.4% y/y in the July-September period. The revival is evident throughout the economy; a pick-up in vehicle and retail sales point to increasing momentum in household spending, while the external sector is on the mend with exports growing faster than imports. Investment continues to be supported by infrastructure projects, though a recovery in property sales will likely be positively reflected in real estate development in the coming quarters. Clear improvements in indicators related to the industrial sector (PMIs, industrial production, electricity and steel production, cargo at seaports) indicate that the pick-up in activity is not temporary in nature. Therefore, we have slightly adjusted our 2013 real GDP growth forecast for China, now expecting an expansion of 8.1%, followed by an 8⅓% gain in 2014. Inflation will likely continue to accelerate moderately from the end-2012 level of 2.5% y/y, reaching 3.3% y/y by the end of the year. Nevertheless, still-persisting deflationary pressures further up the distribution chain (producer prices dropped 1.9% y/y in December) alleviate any concerns regarding significant upside pressures on prices. We assess that the People's Bank of China's benchmark 1-year lending rate has reached its cyclical bottom at the current level of 6.0%. Monetary tightening is in sight in the first quarter of 2014, taking the policy rate to 6.6% by the end of that year.

AUSTRALIA - Australia is moving into election mode. Prime Minister Julia Gillard announced at the end of January that the next parliamentary election will take place on September 14th, 2013. At present, surveys of voting intentions indicate that support for the Labour Party and the opposition Liberal-National Coalition is virtually evenly split. Inflation will likely continue to climb moderately higher in the near future from the end-2012 level of 2.2% y/y; nevertheless, we expect the headline rate to remain within the Reserve Bank of Australia's (RBA) target range of 2-3% through 2014. In the context of still-weak global economic conditions and manageable inflation prospects, the RBA cut the benchmark interest rate by 175 bps between October 2011 and December 2012 to the current level of 3.0%. With the policy rate being the highest among major advanced economies, monetary policy space continues to represent a tool for Australian authorities to address any potential economic shocks. Nevertheless, in our view, the current easing cycle has now reached its bottom, with the central bank likely to begin to normalize monetary conditions in the final quarter of 2013. Despite the fact that the approaching peak in resource investment will slow Australian economic growth prospects, the nation will maintain relatively fast rates of economic expansion when compared to many other advanced economies, growing on average by close to 3% through 2014.

NEW ZEALAND - Further evidence of a pick-up in economic momentum in New Zealand is emerging. The housing market is recovering along with improving consumer confidence, while recuperating business optimism will likely provide support to the labour market. Domestic demand continues to be the main economic engine, fuelled by earthquake-related reconstruction investment; meanwhile, subdued external conditions will continue to weigh on the overall economic outlook as the country's exporters battle with still-weak global demand and an elevated currency. A pick-up in export sector activity will likely become more evident in the second half of 2013 along with the rebound in global demand. We expect New Zealand's real GDP growth to average 2½% in 2013-14. The Reserve Bank of New Zealand will likely maintain an accommodative monetary stance in the coming quarters, keeping the Cash Rate unchanged at a record low of 2.5% through 2013, before a gradual monetary normalization phase commences. An economic revival has yet to be reflected in inflationary pressures; the consumer price index increased by 0.9% y/y at the end of 2012, staying below the lower end of the RBNZ's 1-3% target range. Despite a large – and widening – current account deficit (averaging 5¾% of GDP in 2013-14), the New Zealand dollar remains at a historical high vis-à-vis the US dollar as the country continues to offer more attractive rates of return than most other advanced economies.

DEVELOPING ASIA
Currency Outlook

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INDIA - The RBI has started to ease monetary policy; however, currency-boosting inflows into equities and bonds on the back of rate cuts may be more restrained given the economic constraints on a more aggressive easing path. Further reforms to support current account funding are INR-supportive; however, the external deficit risks rising further, keeping India's currency fundamentals weak and INR subject to volatile external flows. We target USDINR at 53.80 by the end of Q2.

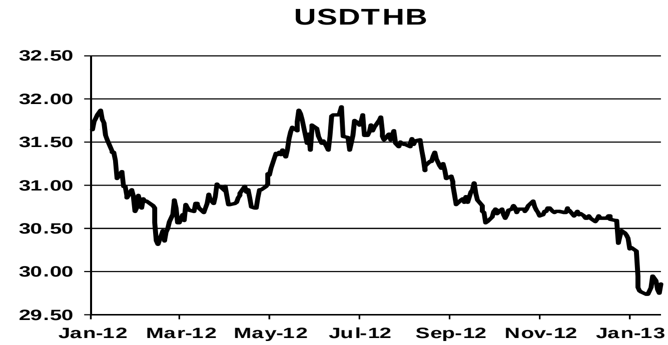
KOREA - The KRW was hampered by sharp profit taking towards the end of January, after months of very impressive outperformance. JPY depreciation and talk of currency wars has caused notable discomfort with policymakers, and the risk new measures to curb speculative KRW inflows is rising. We still see fundamental support for the KRW in play via a recovery in the current account, supporting the overall balance of payments. We see moderate KRW gains as fundamentally justified and reiterate our view for 1063 in USDKRW by the end of Q2.

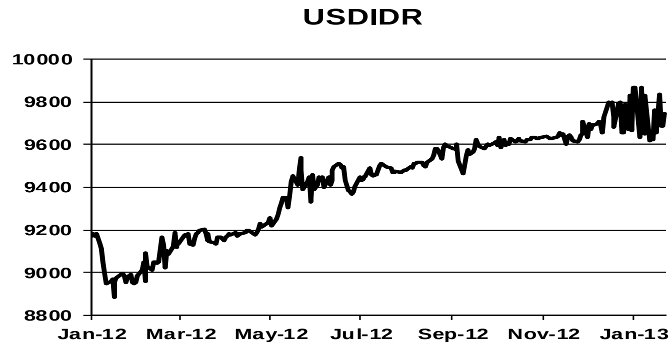
THAILAND - The government's tolerance of a stronger level in the baht has helped to push the currency to new one-year highs in January and boost confidence in unhedged equity and bond inflows. Through January the rates market priced in a more neutral stance for the Bank of Thailand, leaving a better policy-supported currency. However, we don't expect Thailand to be completely tolerant to persistent and/or speculative inflows should USDTHB fall below 29.50 in the near term. We target 30.40 in USDTHB by the end of Q2.

INDONESIA - Onshore IDR selling pressure continues to be problematic as the central bank has indicated a stepped up effort to provide USD liquidity, with the depreciatory pressure on the rupiah well evident in heightened intraday volatility. External flows will continue to be a challenge until robust domestic demand moderates, or external demand picks up significantly to help equilibrate the current imbalance. Should pressure intensify on the IDR, it is possible that we'll see a tightening in the (non-policy) FASBI rate in order to strengthen IDR demand. We target 9950 by the end of Q2 in USDIDR.

Currency Trends

FX Rate	Going Back			Spot	Outlook			FX Rate
	12 m	6 m	3 m	31-Jan	3 m	6 m	12 m	
USDINR	49.46	55.47	53.71	53.23	54.00	53.67	52.90	USDINR
USDKRW	1123	1127	1092	1089	1067	1060	1048	USDKRW
USDTHB	30.99	31.58	30.72	29.85	30.46	30.35	30.21	USDTHB
USDIDR	8998	9469	9622	9744	9897	9975	10075	USDIDR





DEVELOPING ASIA

Fundamental Commentary

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INDIA - A resumption of monetary easing in India is differentiating the country from most other emerging-market economies. The Reserve Bank of India loosened monetary conditions on January 29th, reducing the benchmark repo rate by 25 basis points to 7.75% (the first cut since April 2012), and lowering the cash reserve requirement from 4.25% to 4.0%. Monetary easing - intended to encourage investment, thereby supporting economic growth - seems viable on the back of favourable developments on two fronts: inflationary pressures (measured by the wholesale price index) eased from 8.1% y/y in September 2012 to 7.2% in December, while some promising economic reforms are underway. We expect further cautious rate reductions in the coming months, taking the policy rate to 6.75% by the end of the year. In addition to tight monetary policy, India's economic growth outlook is challenged by constrained fiscal room and subdued global demand conditions. We expect India's real GDP to advance by 6-6½% in 2013-14. Consumer spending growth remains muted relative to historical standards due to weak confidence, while investment is limited by structural limitations (such as poor infrastructure and a complex regulatory environment). Shifts in investor sentiment will continue to be reflected in the value of the rupee, as the country suffers from a large current account deficit, a negative sovereign credit rating outlook, weak government finances, and political instability.

KOREA - The South Korean economy is experiencing a modest recovery. Real GDP growth accelerated to 0.4% q/q (1.5% y/y) in the fourth quarter following a 0.1% q/q (1.5% y/y) advancement in the July–September period, taking the overall economic expansion in 2012 to 2.0%. Private consumption was a key factor behind the pick-up, helping to offset a subdued performance in the external sector. We expect the nation's output to advance by 2.8% and 3.0% in 2013 and 2014, respectively, reflecting gradually improving global demand conditions. Indeed, external sector prospects are highly significant for South Korea as real exports are equivalent to over 50% of real GDP. Inflationary pressures remain manageable; consumer price inflation decelerated to 1.4% y/y in December, remaining below the Bank of Korea's 2-4% target range. We expect inflation to remain under the 3% mark through 2014. The monetary easing cycle has likely reached its bottom, with the benchmark interest rate currently at 2.75%. A gradual process of interest rate normalization is expected to commence in the third quarter of 2013. Despite a recent correction, the Korean won has been one of the best performers since mid-2012 among the most-traded Asian currencies, supported by solid sovereign creditworthiness, accumulating foreign reserves, a current account surplus and healthy government finances. Park Geun-hye from the New Frontier party won the December 19th presidential election, taking office in February for a five-year term.

THAILAND - Thailand's economy continues to perform robustly as momentum in consumption and investment remains solid. In addition, Thai exports are showing signs of a broad-based recovery across different sectors. The country's output will likely expand by slightly over 4% in 2013-14 following an estimated gain of 5½% in 2012 (reflecting a flood-related reconstruction boom). Strong growth in private credit indicates that domestic demand will continue to be the economy's cornerstone in the coming quarters. Furthermore, government fiscal stimulus measures, increasing household incomes, supportive labour market conditions, improving consumer confidence, and an accommodative monetary policy stance bode well for the domestic economic outlook. Accordingly, we are of the view that the monetary easing cycle in Thailand has reached its bottom following a benchmark interest rate cut to 2.75% in October. In fact, we assess that this rate cut may need to be reversed more promptly than in other regional countries due to strong domestic demand conditions, should global downside risks not materialize. We anticipate that the Bank of Thailand (BoT) will start normalizing interest rates in the third quarter of 2013. Thailand's inflation outlook is manageable, with headline consumer price inflation likely hovering slightly above 3% y/y through 2013 (the CPI increased by 3.6% y/y in December). Core inflation, at 1.8% y/y in December, remains comfortably within the BoT's 0.5-3.0% target range.

INDONESIA - Indonesia's economic growth will remain strong through 2014. We expect real GDP to expand by 6⅓% this year, followed by a 6½% gain in 2014. Falling unemployment, rising real wages, and improving consumer confidence will likely remain supportive of household consumption, with solid private investment also underpinning domestic demand strength. Inflation will likely start picking up in the coming months following a period of moderate price pressures over the past 18 months. We expect consumer price inflation to accelerate from the end-2012 level of 4.3% y/y (comfortably within the central bank's 3½-5½% target range) to around 5½% by the end of this year. Any increases in subsidized energy prices would significantly add to price pressures. Favourable inflationary developments in recent quarters and weak global growth conditions have allowed Bank Indonesia (BI) to maintain a loose monetary policy stance, with the bank keeping the reference interest rate at a record low level of 5.75% since February 2012. In the context of the substantial depreciating bias of the Indonesian rupiah in 2012 (reflecting a weaker external position with the current account moving to a deficit position after 14 years of surpluses), we assess that the monetary easing cycle has reached a bottom, and expect BI to start normalizing conditions in the third quarter of the year as inflationary pressures emerge, taking the benchmark interest rate to 7.0% by the end of 2014.

DEVELOPING AMERICAS

Currency Outlook

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BRAZIL - We continue to see a very tough environment for the central bank's (BCB) attempts to balance the inflation / growth tradeoff. The BCB signaled that inflation has priority over a weaker Brazilian real (BRL) by rolling over US$1.58bn in currency swaps on January 28th, thus supporting the real. However, we believe this move also hints at an aversion to hiking rates as growth concerns linger. After the BCB's intervention pushed USDBRL below 2.0 (the lowest level since summer 2012), we see 1.95 as potential level.

MEXICO - The peso continues to enjoy positive sentiment due to domestic reform prospects, resilient growth, as well as the "hunt for yield". Expectations regarding potential structural reforms (fiscal, energy, social security) are running strong; nevertheless, we believe that securing fiscal resources for all of the elements of the "Pact for Mexico" will be extremely tough. An additional factor supporting the Mexican peso is Banco de Mexico's hands-off approach, which makes the peso attractive relative to other "more actively managed" regional currencies.

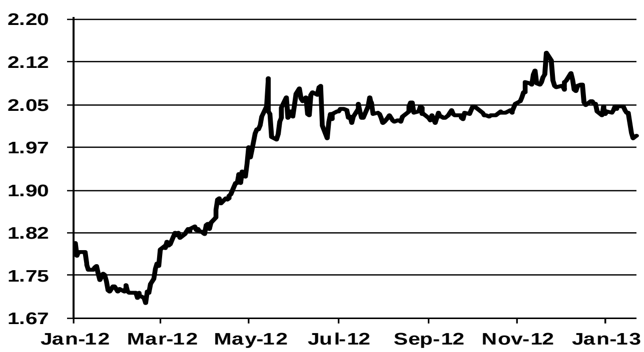
CHILE - Although USDCLP continues to range trade (470-475), the latest central bank meeting provided a somewhat reassuring message which we read as "the central bank is concerned about currency strength, but intervention is not imminent". After 470, we look for support at 468, followed by 466. A hands-off approach to the currency by authorities, strong growth, and the continued "hunt for yield" are all supportive factors for CLP, but risks of a re-introduction of daily USD purchases could rise if USDCLP heads into the 450 – 460 territory.

COLOMBIA - Following its latest monetary policy meeting, the central bank announced a stronger USD purchase program, taking daily USD purchases to no less than US$30mn per day, and monthly USD purchases from a US$500mn per month on average to "no less than US$750mn per month". The bank is looking to curb appreciation pressures triggered by the tax reductions for investing in government bonds.

Currency Trends

FX Rate	Going Back			Spot	Outlook			FX Rate
	12 m	6 m	3 m	31-Jan	3 m	6 m	12 m	
USDBRL	1.75	2.04	2.03	1.99	1.97	1.99	2.00	USDBRL
USDMXN	13.05	13.38	13.01	12.71	12.76	12.63	12.80	USDMXN
USDCLP	492	483	479	471	485	492	504	USDCLP
USDCOP	1810	1787	1825	1775	1813	1827	1853	USDCOP

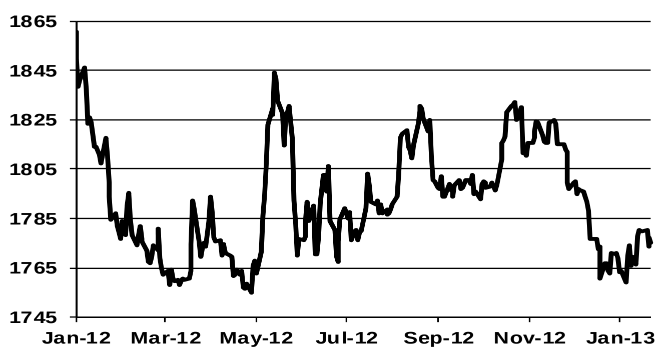
USDBRL



USDMXN

USDCLP

USDCOP



DEVELOPING AMERICAS
Fundamental Commentary

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BRAZIL - The Brazilian currency has left behind a bearish trend which peaked in late November 2012, and has been appreciating since. Macroeconomic performance indicators present a mixed picture. On the economic activity front, the Brazilian economy has somewhat disappointed, with real GDP growth decelerating sharply in 2012 to an estimated 1%. Looking ahead, domestic consumption and sales indicators point towards an improved domestic demand-led economic recovery; we expect the economy to expand by 3.3% this year. External trade performance has been less of a contributor due to a relatively strong currency and the structural diversification of foreign markets underway (in fact, the US accounts for only 10% of Brazilian external sales whereas Latin America takes 23% of exports). Although the prolonged ultra-low interest rate environment in the US is a major incentive to support BRL-denominated fixed-income assets, Brazilian equity securities performed quite poorly over the past 12 months. Intervention by the central bank, which has US$380 billion in foreign reserves, is the norm. We estimate that the pace of reserve accumulation will accelerate this year. So far, the BRL remains indifferent to the widening current account deficit, which combined with a declining primary fiscal surplus, has somewhat eroded the country's macroeconomic situation. On the monetary front, we expect the reference rate to remain unchanged throughout the year while the central bank keeps its "wide" inflation target (4.5% +/- 2%) in place.

MEXICO - The Mexican economic outlook remains solid, though moderating with respect to the first half of the year. The monthly economic indicator suggests that the country's output increased by 4.3% y/y on average in October and November, pointing to a still robust fourth-quarter real GDP expansion. Surprisingly, the inflation rate decelerated from 4.2% y/y in November to 3.6% in December, returning to within the central bank's tolerance range after being six months above it. As a result, the central bank changed its rhetoric towards a more dovish stance in the last monetary policy announcement (leaving the reference rate unchanged at 4.5%), stating that a rate cut may be considered in the future to face a moderation in economic activity and lower inflation. Nevertheless, we now expect the central bank to maintain the reference rate unchanged in the foreseeable future. In line with the rest of the emerging market currencies and, as a result of lower risk aversion in international financial markets at the beginning of the year, the Mexican peso (MXN) has been gaining ground against the US dollar (USD), reaching its strongest level in ten months in mid-January. We are revising our 2013 USDMXN year-end forecast rate to 12.8. With an optimistic view regarding the possible reforms that the new government could announce this year, the general sentiment towards Mexico remains optimistic. We maintain our view that the economy expanded by 3.6% y/y in the final quarter of 2012, taking the annual rate to 4.0%.

CHILE - The Chilean peso (CLP) has continued to range-trade since August 2012, strongly influenced by global recovery and foreign trade dynamics affecting the direction of relevant commodity markets. Indeed, copper prices – currently valued at US$3.73 per pound – continue to trade upwards following a steep correction which bottomed out last November, injecting a supporting factor for the CLP. Scotiabank estimates that copper prices will average US$3.5 per pound this year. Looking ahead, the improving economic prospects for China and a manageable fiscal drag on US economic performance will continue to benefit Chilean external sector prospects. Nevertheless, recent manufacturing indicators point to a consecutive two-month decline. Domestic sales and consumption continue to show a promising outlook despite the adverse figures in the manufacturing index. Real GDP expanded by 5.7% y/y in the third quarter of the year, in line with our estimate of a 5.4% expansion for the year as a whole (5.5% estimated by the central bank). Being aware of the still positive growth performance in an environment of manageable inflationary pressures, the monetary authorities will remain cautious observing domestic demand strength and tight labour markets. They will likely keep the benchmark reference rate unchanged at 5% through the first half of the year. On a cautious note, we observe a widening of the current account deficit (estimated at 5% of GDP by year end) which we believe will impact the value of the peso.

COLOMBIA - The Colombian economy expanded by a sluggish 2.1% y/y in the third quarter of last year, a significant reduction compared with the 4.9% y/y growth rate registered in the second quarter. A substantial contraction of 12.3% y/y in the construction sector and a mild 0.5% y/y increase in mining, were the main factors for the underperformance. Construction activity has been limited by the government's restricted investment and the new regulation in housing construction imposed by the capital's authorities. As a result, we have revised our 2012 and 2013 real GDP growth forecast from 4.5% to 3.7% and from 5.5% to 4.5%, respectively. Inflation decelerated to 2.4% y/y in December from a previous reading of 2.8% in November, marking the lowest rate since the end of 2010. In line with recent developments, the central bank cut the reference rate by 25 basis points in December and again in January, taking the rate to 4.0%. We anticipate that the authorities will continue to ease monetary conditions in the coming months aiming to boost economic activity under a low inflation environment. Despite weaker domestic economic conditions, and responding to high liquidity and risk appetite in international financial markets and the current, the Colombian peso (COP) reached its strongest level in more than 18 months at the beginning of the year, prompting the central bank to increase the USD daily purchase to at least US$30 million until May.

DEVELOPING EUROPE/AFRICA

Currency Outlook

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RUSSIA - The Russian ruble (RUB) has seen a lengthy appreciation phase since last June, reaching an eight-month high in early-January, and further strengthening since. Weakening pressures are expected to emerge in 2013-14, however, underpinned by the nation's heavy reliance on oil exports, uncertain business environment, above-target inflation and stagnation in economic reforms. We expect the RUB to close 2013 around 31.5 per US dollar.

TURKEY - Reflecting the improved tone in global financial markets since the US fiscal cliff agreement, strong capital inflows have supported continued strength in the Turkish lira (TRY) so far in 2013. The TRY is tracking the VIX market volatility index quite closely, and should continue to follow global developments throughout 2013, with a slight bias toward appreciation offset partially by an accommodative monetary stance. We expect USDTRY to close the year around 1.75.

HUNGARY - The Hungarian forint (HUF) is engaged in a correction phase, having weakened 6% versus the euro since mid-October on the back of local factors including high inflation, contracting output and a rating downgrade by S&P, which offset the recent improvement in the global risk environment. Continued near-term weakness is in store with a leadership change at the central bank likely to bring more monetary easing. We have raised our end-2013 EURHUF target to 288.

SOUTH AFRICA - Ongoing labour unrest, a deteriorated economic outlook, announcements of mine closures and another credit rating downgrade have sent the South African rand (ZAR) on a depreciating path in 2013. The currency touched above 9 per US dollar in late-January for the first time since April 2009. Some stabilization and, ultimately, correction is anticipated in the course of 2013, though the currency will remain volatile. We hold a year-end USDZAR target of 8.5.

Currency Trends

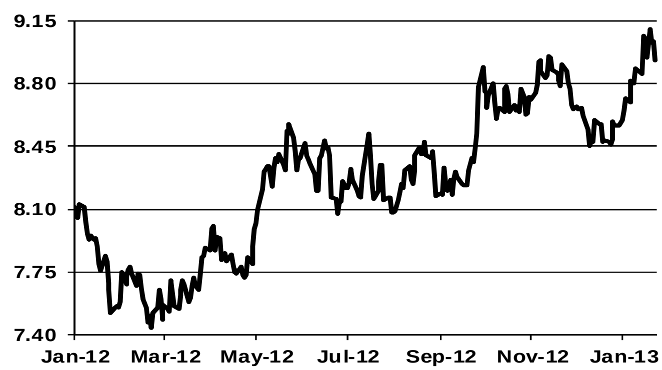
FX Rate	Going Back			Spot	Outlook			FX Rate
	12 m	6 m	3 m	31-Jan	3 m	6 m	12 m	
USDRUB	30.3	32.3	31.3	30.0	30.9	31.1	31.5	USDRUB
USDTRY	1.78	1.81	1.79	1.76	1.77	1.76	1.75	USDTRY
EURHUF	295	281	282	293	290	289	288	EURHUF
USDZAR	7.81	8.35	8.64	8.93	8.48	8.49	8.50	USDZAR

USDRUB

USDTRY

EURHUF

USDZAR



DEVELOPING EUROPE/AFRICA

Fundamental Commentary

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RUSSIA - Following a broad-based economic moderation in the second half of 2012 that will likely persist into early-2013, Russia is poised to regain momentum over the medium term. We anticipate a yearly expansion of around 3½% in 2013, followed by a slight acceleration to 4% in 2014 supported by buoyant domestic demand and relatively high oil prices. Inflation remained elevated through the end of 2012 (at 6.6% y/y in December), exceeding the official 5-6% target on the back of drought-affected food costs and regulated utility prices. Though core inflation is lower, the central bank has warned that inflation expectations may become unanchored if the headline rate stays above target for a prolonged period. Nevertheless, with the economy starting 2013 on a more modest course and inflation expected to moderate in the coming months, no further monetary tightening is anticipated at this time (following a quarter-point hike in September), as this could prompt further ruble appreciation and in turn constrict growth. The IMF has advised the central bank to remain on hold for now, highlighting the domestic risks posed by rapid credit expansion, while also being ready to take appropriate action to fend off price pressures should the need arise. The IMF has also recommended that the recently implemented oil price-based fiscal rule be strengthened so as to ensure the sustainability of the nation's fiscal position and facilitate the necessary rebalancing of the economy. The general government account is roughly balanced, while the non-oil deficit measures more than 10% of GDP.

TURKEY - Turkish monetary authorities are faced with the conflicting concerns of strong capital inflows, which have fuelled an uptick in domestic credit extension, a nascent recovery in domestic demand versus ongoing weakness in the global economy, an appreciating currency, and still high inflation and financial volatility. In this context, the central bank recently lowered the overnight lending corridor while simultaneously tightening banks' reserve requirements and stressing its commitment to maintain policy flexibility in both directions. Inflation continued its downtrend in December, falling to 6.2% y/y (a 15-month low). While the authorities expect the headline rate to rise in January due to tobacco price adjustments, the decline should resume thereafter. Nevertheless, we do not anticipate another reduction in the main policy rate (which was lowered by 25 basis points to a record-low 5.50% in December), though the bank may deliver additional modest easing through alternative means. After dropping from a pace of 35-40% y/y throughout much of 2011 to 15% as of October, yearly credit growth edged back up to 17% in January. If sustained, this risks financial instability (including lira volatility) as well as a setback in the process of current account deficit reduction. The central government registered a deficit of TRY 29 billion in 2012 (2% of GDP), up from 18 bn in 2011, and higher than the initial budget projection of 21 bn. However, the overall deficit will likely prove smaller, permitting further improvement in the public sector debt-to-GDP ratio (to around 38%).

HUNGARY - After finishing 2012 as the second-best performing emerging-market currency (after the Polish zloty) versus both the USD (up 10%) and EUR (8%), it is unlikely that the Hungarian forint will see a repeat performance in 2013. The economic outlook remains weak; a contraction of 1½% in 2012 is likely to be followed by a flat or slightly negative outturn this year, before growth resumes in 2014. Consumer spending will be constrained by high inflation and a focus by households on deleveraging. The public sector won't provide much support, with the government bent on achieving fiscal deficit targets of below 3% of GDP, which would permit an exit from the EU's Excessive Deficit Procedure and continued access to EU funds. To this end, a series of three austerity packages was introduced in the span of six weeks in the fall, including measures to raise taxes on companies in the banking and energy sectors. These measures, widely criticized as ad hoc and counterproductive over the medium-term, will likely weigh on bank lending, business sentiment and investment in the coming quarters. Moreover, the government has recently indicated its intention to return to international bond markets after an absence of nearly two years. In light of these developments, the prospect of securing a financing deal with the EU-IMF appears far off. The central bank has cut the benchmark interest rate by 150 basis points since August, and further easing is anticipated with the current governor – a vocal dissenter – to be replaced by a government appointee in March.

SOUTH AFRICA - Domestic economic and foreign currency conditions continue to deteriorate in South Africa, offsetting the effects of an improvement in the global risk environment in recent weeks. After recovering some earlier losses during the last month of 2012, the rand returned to a depreciating trend with the start of the New Year, with losses amounting to 5.3% year-to-date versus the US dollar, which makes it the worst-performer among both the major and emerging-market currency groups. Rand weakness will fuel inflationary pressures; consumer price inflation averaged 5.6% y/y in 2012, close to the top of the South African Reserve Bank's (SARB) 3-6% target range, and is expected to edge higher in 2013. The SARB has warned of a potential wage-price spiral, as increasing wage settlements add to firms' costs, risking a further deterioration in the unemployment rate (currently above 25%) in the context of low growth and industrial instability. We have lowered our GDP growth expectation for 2013 to 2⅔%. South Africa has witnessed a wave of credit downgrade activity in recent months, with Fitch being the latest major rating agency to lower the nation's sovereign debt rating (from "BBB+" to "BBB" with a "stable" outlook). International observers, as well as local monetary authorities, remain concerned about the lack of effective progress on policies and reforms to address persistently high unemployment, inequality and below-trend growth. As a result, current account deficit financing may prove increasingly difficult in 2013.

Global Currency Forecast (end of period)

			2011	2012	2013f	2014f	2012 Q4	2013f Q1	2013f Q2	2013f Q3	2013f Q4	2014f Q1	2014f Q2	2014f Q3	2014f Q4
MAJOR CURRENCIES															
	Japan	USDJPY	77	87	95	98	87	92	93	94	95	95	96	97	98
	Euro zone	EURUSD	1.30	1.32	1.27	1.25	1.32	1.34	1.30	1.28	1.27	1.26	1.26	1.25	1.25
		EURJPY	100	114	121	123	114	123	121	120	121	120	121	121	123
	UK	GBPUSD	1.55	1.63	1.64	1.66	1.63	1.59	1.61	1.63	1.64	1.65	1.65	1.66	1.66
		EURGBP	0.83	0.81	0.77	0.75	0.81	0.84	0.81	0.79	0.77	0.76	0.76	0.75	0.75
	Switzerland	USDCHF	0.94	0.92	0.96	1.00	0.92	0.93	0.93	0.95	0.96	0.98	0.98	1.00	1.00
		EURCHF	1.22	1.21	1.22	1.25	1.21	1.25	1.21	1.21	1.22	1.23	1.24	1.25	1.25
AMERICAS															
North	**Canada**	USDCAD	1.02	0.99	0.96	0.98	0.99	0.98	0.97	0.97	0.96	0.96	0.96	0.97	0.98
North		CADUSD	0.98	1.01	1.04	1.02	1.01	1.02	1.03	1.03	1.04	1.04	1.04	1.03	1.02
North	**Mexico**	USDMXN	13.94	12.85	12.77	12.99	12.85	12.83	12.63	12.64	12.77	12.86	12.72	12.78	12.99
North		CADMXN	13.65	12.96	13.30	13.26	12.96	13.09	13.02	13.03	13.30	13.39	13.25	13.18	13.26
South	**Argentina**	USDARS	4.30	4.92	6.50	7.50	4.92	5.31	5.71	6.10	6.50	6.75	7.00	7.25	7.50
South	**Brazil**	USDBRL	1.87	2.05	2.00	1.96	2.05	1.96	1.98	2.01	2.00	2.00	1.98	1.98	1.96
South	**Chile**	USDCLP	520	479	503	516	479	482	490	497	503	506	509	512	516
South	**Colombia**	USDCOP	1939	1767	1850	1890	1767	1810	1820	1840	1850	1860	1870	1880	1890
South	**Peru**	USDPEN	2.70	2.55	2.49	2.45	2.55	2.55	2.53	2.51	2.49	2.49	2.48	2.45	2.45
South	**Venezuela**	USDVEF	4.29	4.29	5.15	6.70	4.29	5.15	5.15	5.15	5.15	6.70	6.70	6.70	6.70
ASIA / OCEANIA															
	Australia	AUDUSD	1.02	1.04	1.08	1.10	1.04	1.05	1.06	1.07	1.08	1.08	1.09	1.09	1.10
	China	USDCNY	6.30	6.23	6.10	6.04	6.23	6.22	6.20	6.15	6.10	6.09	6.07	6.06	6.04
	Hong Kong	USDHKD	7.77	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75
	India	USDINR	53.1	55.0	53.0	51.8	55.0	54.1	53.8	53.4	53.0	52.7	52.4	52.1	51.8
	Indonesia	USDIDR	9069	9793	10100	9800	9793	9870	9950	10025	10100	10025	9950	9875	9800
	Malaysia	USDMYR	3.17	3.06	3.00	2.95	3.06	3.04	3.03	3.01	3.00	2.99	2.98	2.96	2.95
	New Zealand	NZDUSD	0.78	0.83	0.85	0.86	0.83	0.84	0.84	0.85	0.85	0.85	0.86	0.86	0.86
	Philippines	USDPHP	43.8	41.0	40.8	40.5	41.0	41.0	40.9	40.8	40.8	40.7	40.6	40.6	40.5
	Singapore	USDSGD	1.30	1.22	1.21	1.19	1.22	1.22	1.22	1.21	1.21	1.21	1.20	1.20	1.19
	South Korea	USDKRW	1152	1064	1050	1025	1064	1069	1063	1056	1050	1044	1038	1031	1025
	Thailand	USDTHB	31.6	30.6	30.3	29.8	30.6	30.5	30.4	30.3	30.3	30.1	30.0	29.9	29.8
	Taiwan	USDTWD	30.3	29.0	28.8	28.5	29.0	29.0	28.9	28.8	28.8	28.7	28.6	28.6	28.5
EUROPE / AFRICA															
	Czech Rep.	EURCZK	25.6	25.1	24.5	24.0	25.1	24.9	24.8	24.6	24.5	24.4	24.3	24.1	24.0
	Iceland	USDISK	123	128	122	120	128	127	125	124	122	122	121	121	120
	Hungary	EURHUF	315	291	288	283	291	291	290	289	288	287	286	284	283
	Norway	USDNOK	5.98	5.56	5.30	5.20	5.56	5.60	5.50	5.40	5.30	5.28	5.25	5.22	5.20
	Poland	EURPLN	4.47	4.08	4.00	3.92	4.08	4.06	4.04	4.02	4.00	3.98	3.96	3.94	3.92
	Russia	USDRUB	32.1	30.5	31.5	32.0	30.5	30.8	31.0	31.3	31.5	31.6	31.8	31.9	32.0
	South Africa	USDZAR	8.09	8.47	8.50	8.45	8.47	8.48	8.49	8.49	8.50	8.49	8.48	8.46	8.45
	Sweden	EURSEK	8.92	8.58	8.30	8.10	8.58	8.60	8.50	8.40	8.30	8.25	8.20	8.15	8.10
	Turkey	USDTRY	1.89	1.78	1.75	1.73	1.78	1.78	1.77	1.76	1.75	1.75	1.74	1.74	1.73

f: forecast a: actual

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