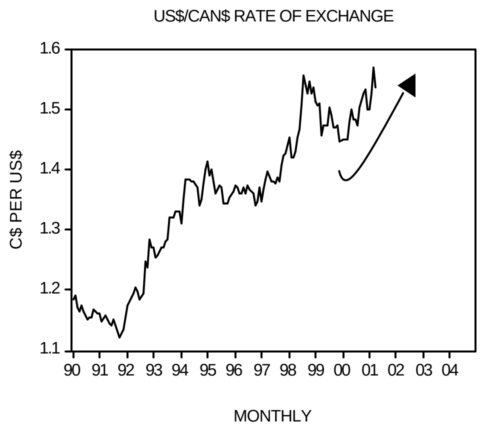
Dr Frank Shostak
Ord Minnett Jardine Fleming Futures
(612) 9220-1602
frank.e.shostak@ords.com.au

Daily Report

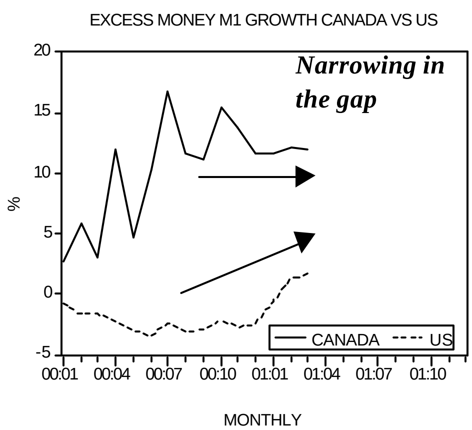
Thursday, 10 May, 2001

Prospects for the Canadian dollar

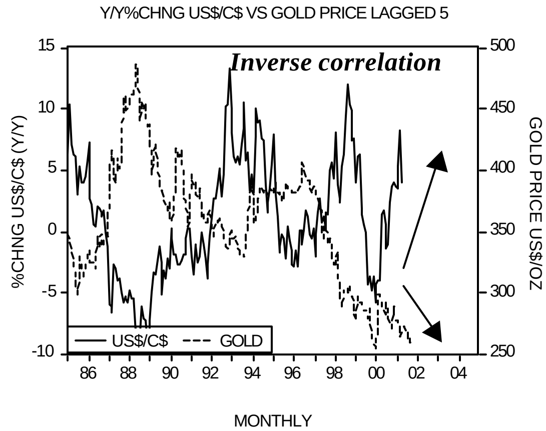
At the end of April the price of US$ in terms of C$ stood at C$**1.539** against C$**1.571** in March. Notwithstanding this strengthening, the C$ has been steadily depreciating against the US$ since January 2000 (see chart).



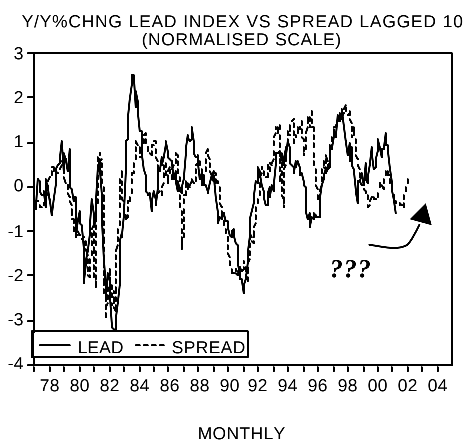
Year-on-year the rate of increase in Canada's money M1 eased to **12.9**% in March from **13.7**% in February and **20.5**% in October last year. As a result of this the excess money M1 growth differential between Canada and the US narrowed to **10.3**% in March from **10.9**% in February and **17.6**% in October last year. The narrowing in this gap bodes well for the C$ in the months ahead (see chart).



An important negative factor that weighs against the C$ is the continued weakness of the gold price (see chart), which is likely to undermine the benefits from the improved excess money growth differential.



Meanwhile the yearly rate of growth of the composite index of leading economic indicators fell to **1.8**% in March from **3.1**% in the previous month. Using the interest rate differential between the yield on the 30 year Canadian T-bond and the 3month T-.bill rate we can suggest that the momentum of the leading index is poised to strengthen all other things being equal (see chart). ***(We have estimated that the momentum of the leading index leads the momentum of real GDP by 3 months).***



Financial News

- Australian cons sentiment index rose **7.3**% in May.
- Australian leading jobs indicator fell in March.
- Japan's leading index fell to **25** in Mar vs **30** Feb.

Thought for today

Anyone who has never made a mistake has never tried anything new.

Albert Einstein