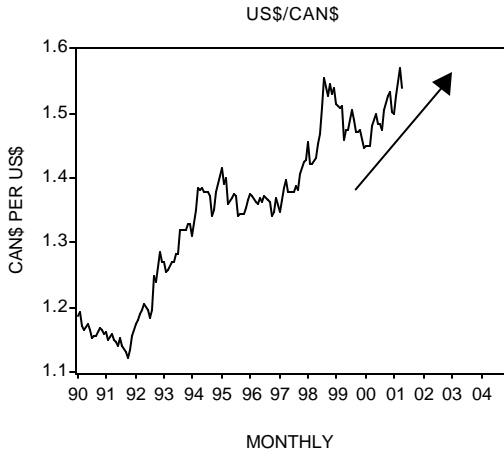
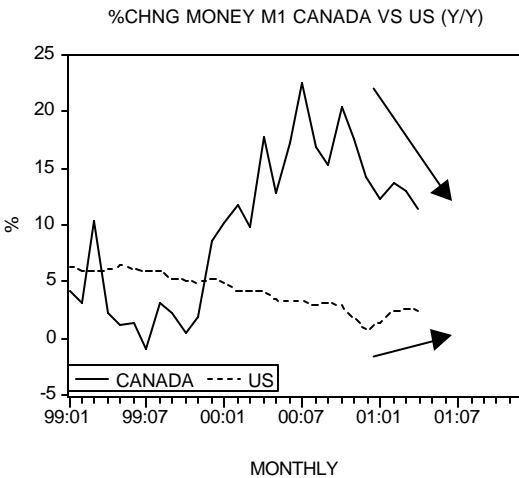


Prospects for US\$/C\$

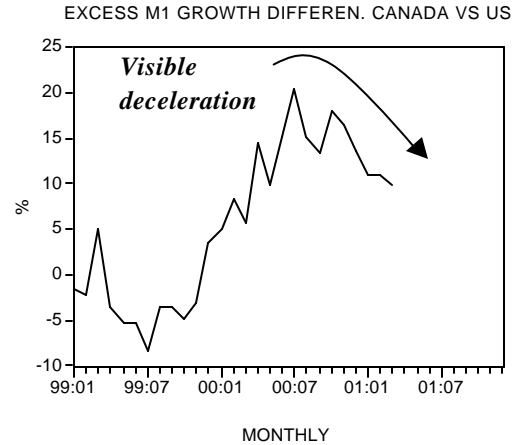
At the end of April the price of US\$ in terms of C\$ stood at C\$1.539 against C\$1.571 in March. Notwithstanding this strengthening, the Canadian dollar has been steadily depreciating against the US dollar since January 2000 (see chart).



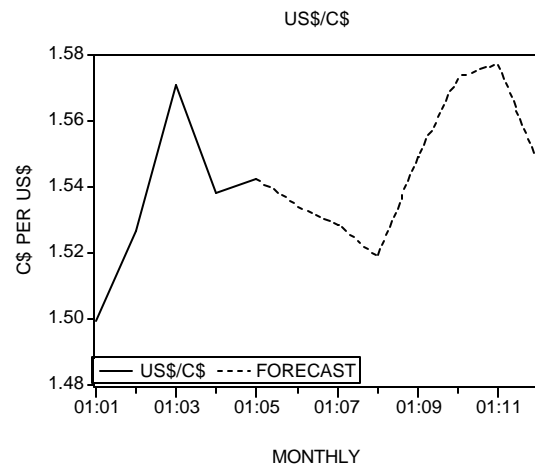
Year-on-year the rate of increase in Canada's money M1 eased to **11.5%** in April from **13%** in March and **20.5%** in October last year. As a result of this deceleration the gap between Canadian and US money growth narrowed visibly (see chart).



In terms of real GDP the yearly rate of growth in Canada stood at around **3%** in Q1 against **2.5%** in the US. Consequently, the excess money M1 growth differential between Canada and US fell to around **10%** in March from **18%** in October last year (see chart).



To invoke our econometric model for the C\$ we have assumed that the excess money growth differential will ease further. We also assumed that commodity prices in terms of the CRB price index will hover between **210** and **215** until the year-end. In the framework of these assumptions the C\$ is likely to fluctuate between **1.57** and **1.52** C\$ per US\$ until the end of the year (see chart)



Financial News

- Australian Q1 comp profits before tax fell **3.3%**.
- Japan Apr jobless rate **4.8%** vs **4.7%** in March
- Japan Apr industrial output fell **3.9%** y/y.
- Bank of Canada cut bank rate by **0.25%** to **4.75%**.
- US Apr savings rate **-0.7%** vs **-0.6%** in Mar.
- US cons confidence at **115.5** in May vs **109.9** Apr.

Thought for today

Success comes before work only in the dictionary.

Anonymous