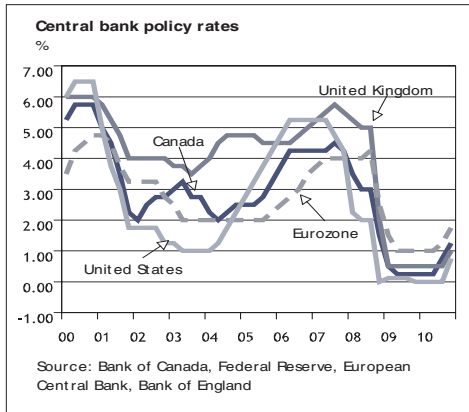


CENTRAL BANK WATCH

November 6, 2009



Short-term bias



The Bank of Canada left rates on hold at its October rate-setting meeting and reiterated its commitment to keep the overnight rate at 25 basis points until the end of the second quarter of 2010. We expect no changes to policy to be announced in the near-term.



On November 4, the Fed kept the policy rate unchanged and repledged to keep rates low “for an extended period.” We don’t expect the Fed to raise rates before the fourth quarter of 2010.



At its November meeting, the Bank of England increased its asset purchase program by £25 billion, bringing the total £200 billion. We expect weak growth in 2010, with the Bank of England leaving rates unchanged until the final quarter.



The main refinancing rate was left at 1.0% in November. With inflation tame and economic activity beginning to recover, the ECB will remain on hold until the third quarter of 2010 when the recovery is more firmly entrenched.



The RBA has begun tightening with two 25 basis-point rate increases so far. Ongoing improvements in economic activity should prompt the RBA to raise rates once again before the end of the year.



At its October meeting, the RBNZ maintained its OCR at 2.5%. Shedding its easing bias, it pledged to remain on hold until the second half of 2010.

Central bank policy rates

		Current	Last	
United States	Fed funds	0.0-0.25	1.00	Dec. 16, 2008
Canada	Overnight rate	0.25	0.50	Apr. 21 2009
United Kingdom	Repo rate	0.50	1.00	Mar. 5, 2009
Eurozone	Min. bid rate	1.00	1.25	May 13, 2009
Australia	Cash rate	3.50	3.25	Nov 4, 2009
New Zealand	Cash rate	2.50	3.00	Apr. 30, 2009

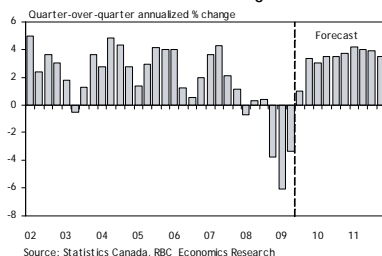
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Central bank watch

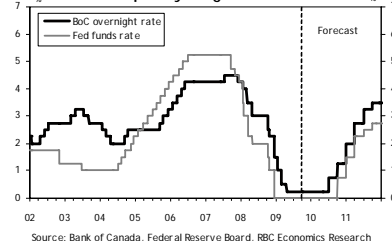
Bank of Canada

- While the Bank acknowledged favourable developments since July, it expects them to be more than offset by the rise in the currency.
- With the strong currency slowing growth and inflation, the Bank now expects inflation to return to target in the third quarter of 2011, one quarter later than previously projected. The currency has, however, since weakened.

Canadian real GDP growth



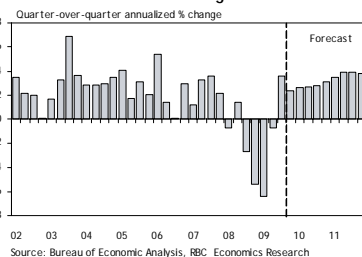
Canadian and U.S. central bank policy target rates



Federal Reserve

- With third-quarter GDP in positive territory, the U.S. recession is now over. The Fed is starting to unwind its non-traditional easing programs.
- Despite the good news, the labour market remains weak and core inflation tame. We anticipate Fed funds will be left in their current range until late next year to support the recovery.

U.S. real GDP growth



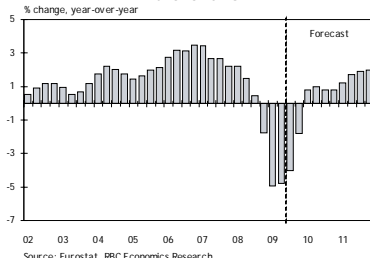
U.S. core CPI inflation



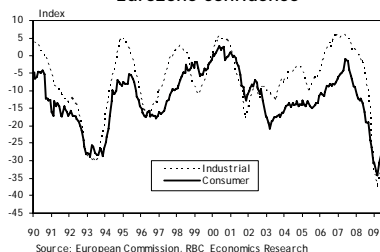
European Central Bank

- Both survey measures of activity and confidence in the Eurozone continued moving upward in October.
- The ECB left its policy rate on hold at 1.00% in November, while maintaining its 'unconventional' policy measures. With inflation remaining subdued, we expect the bank to remain on the sidelines until the third quarter of next year.

Eurozone GDP



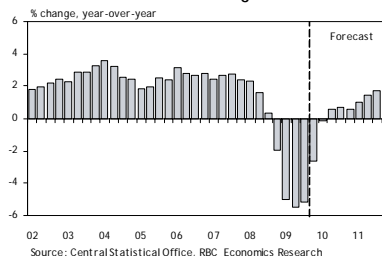
Eurozone confidence



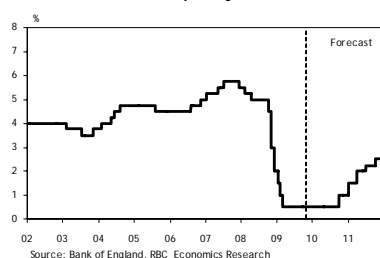
Bank of England

- The Bank of England maintained its policy rate at 0.50% in November, but increased its asset purchase program by £25 billion.
- Third-quarter growth surprised by declining. We expect a fourth-quarter bounce, but structural challenges suggest that the recovery will be weak in 2010 with the Bank of England on hold until the final quarter to support growth.

U.K. real GDP growth



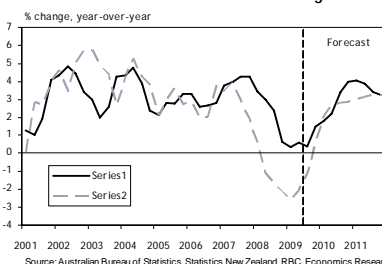
U.K. policy rate



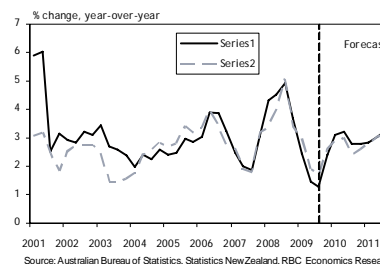
Australia and New Zealand Reserve Banks

- The RBA raised its Cash Rate by 25 basis points in both October and November, bringing it to 3.50%. We expect it to reach 5.00% by the end of next year.
- The RBNZ left rates on hold at 2.50% in October, and committed to hold rates steady until the second half of 2010. The improving economic news leads us to expect rate increases to begin sooner.

Australia and New Zealand GDP growth



Australia and New Zealand inflation



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