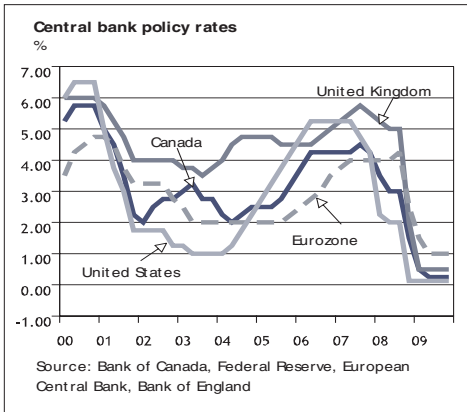


CENTRAL BANK WATCH

June 5, 2009



Short-term bias



The Bank of Canada left the policy rate at 0.25 basis points in June and noted that the sharp rally in the Canadian dollar could boost the downside risks to the growth projection if it persists.



The Fed will be assessing the recent improvement in financial markets and gauging the impact of its QE program on overall borrowing costs against a backdrop of rising longer-term yields.



The Bank of England continues to purchase gilts in increased size as announced in early May. Despite its efforts, yields have continued to rise. The downward revisions to the Bank's forecasts put the balance of risks toward increasing its purchases.



The ECB left its main refinancing rate at 1.0%, as was widely expected. At this month's press conference, President Trichet released further details regarding the bank's plans for the purchase of covered bonds.



The RBA left its Cash Rate at 3% in early June for the second meeting in a row. Continued stabilization in the global economy and stronger-than-expected Q1 growth mean that the end of the easing cycle is near, although we still see the odds favouring a 2.5% trough in the policy rate.



The RBNZ's next meeting is a close call. We expect the policy rate to be held steady as growth indicators have improved somewhat.

Central bank policy rates

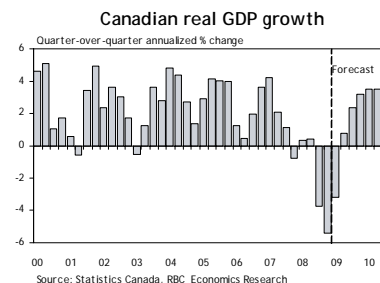
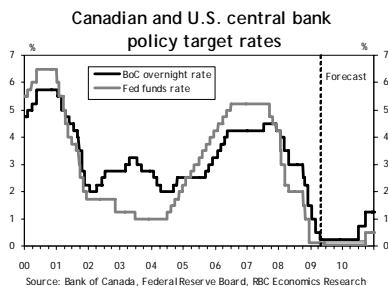
		<u>Current</u>	<u>Last</u>	
United States	Fed funds	0.0-0.25	1.00	Dec. 16, 2008
Canada	Overnight rate	0.25	0.50	Apr. 21 2009
United Kingdom	Repo rate	0.50	1.00	Mar. 5, 2009
Eurozone	Min. bid rate	1.00	1.25	May 7, 2009
Australia	Cash rate	3.00	3.25	Apr 8, 2009
New Zealand	Cash rate	2.50	3.00	Apr. 30, 2009

Dawn Desjardins
 Assistant Chief Economist
 416-974-6919
 dawn.desjardins@rbc.com

Central bank watch

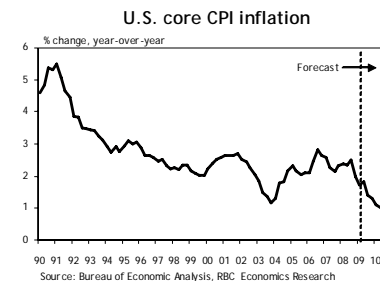
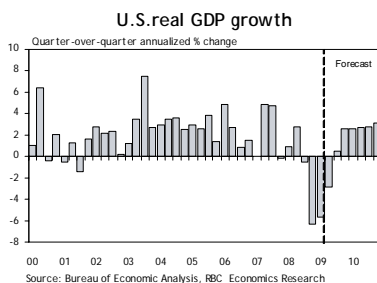
Bank of Canada

- The Bank of Canada held its overnight rate at 0.25% and kept a shift to quantitative easing in reserve.
- The risks to the Bank's forecast are still tilted to the downside and it is concerned that the strengthening C\$ will amplify the downside risks should the appreciation continue.



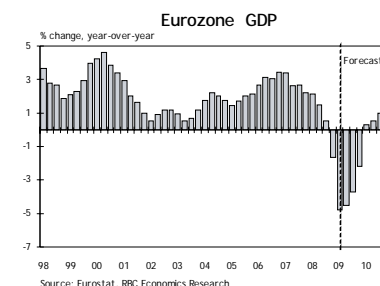
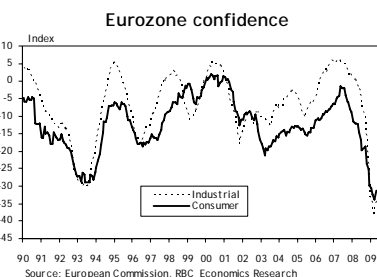
Federal Reserve

- The Federal Reserve has continued its credit easing program along with continued purchases of Treasuries and agencies, as it has announced.
- Although longer-dated yields have moved up in the past month, Chairman Bernanke appeared relatively sanguine about this development in his testimony earlier this week.



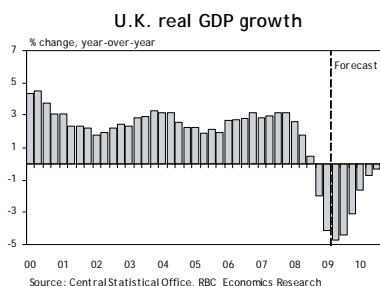
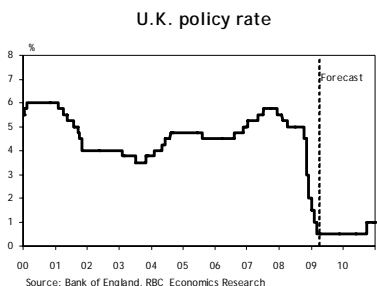
European Central Bank

- The ECB maintained its refi rate at 1.00% and announced further details on its covered bond purchases. President Trichet did not close the door to more cuts to the policy rate, but we think the odds of more easing are low.
- The central bank's quarterly staff forecast revised down its projections for growth.



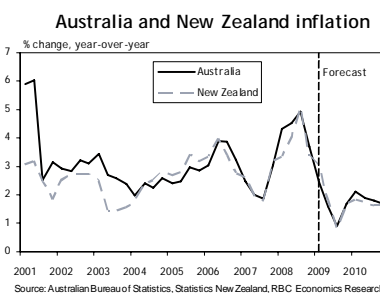
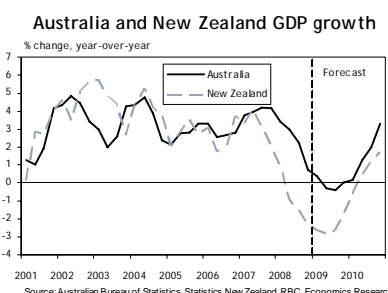
Bank of England

- The Bank of England stayed in a holding pattern at its June meeting with its target rate of 0.50% and £125 billion of asset purchases.
- The Bank's inflation report released in May revised down its growth projection and showed inflation at 1.2% in two years time.



Australia and New Zealand Reserve Banks

- The RBA left rates on hold at 3.00% in June citing continued stabilization of the global economy. First-quarter growth surpassed expectations of a 0.2% fall, instead rising 0.4%.
- Although New Zealand's economy continues to suffer, we have revised our June RBNZ call to unchanged on somewhat stronger domestic data.



The material contained in this report is the property of Royal Bank of Canada and may not be reproduced in any way, in whole or in part, without express authorization of the copyright holder in writing. The statements and statistics contained herein have been prepared by RBC Economics Research based on information from sources considered to be reliable. We make no representation or warranty, express or implied, as to its accuracy or completeness. This publication is for the information of investors and business persons and does not constitute an offer to sell or a solicitation to buy securities.