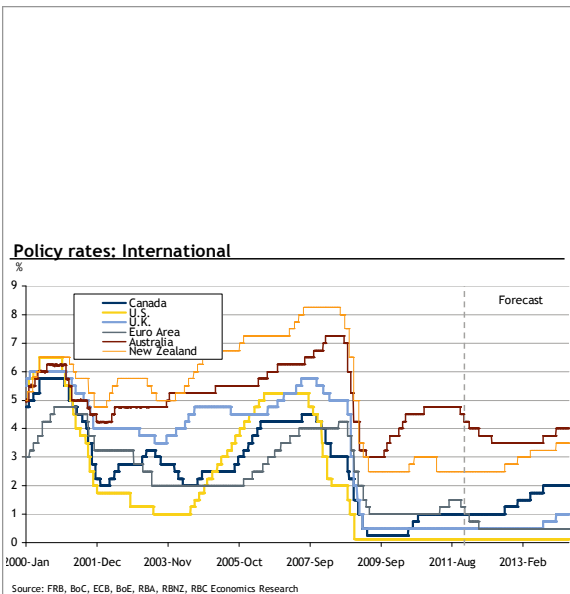


CENTRAL BANK WATCH

January 19, 2012



Short-term bias



The BoC is expected to leave rates unchanged at its January rate meeting as downside external risks outweigh recent growth numbers coming in stronger than forecast by the Bank.



The January FOMC meeting will see policymakers' report projections of the level of the Fed funds rate target deemed consistent with growth estimates.



The January MPC meeting did not result in any changes to the BoE's monetary policy stance. We expect that the Asset Purchase Target will be increased by £50 billion to £375 billion in February.



After two consecutive rate cuts, the ECB left the refi rate unchanged at 1.0% in January. We expect a 25bp rate cut to be announced in February.



Evidence of benign inflationary pressures should give the RBA more confidence that it can afford to adopt a stimulative monetary policy stance, and we expect a 25bp cut in the OCR in February.



The RBNZ will maintain its accommodative stance until growth gathers meaningful momentum.

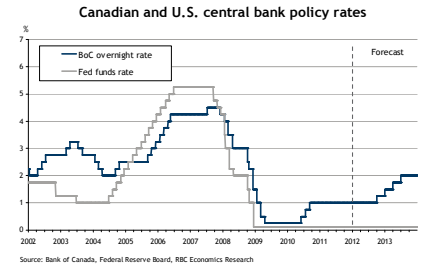
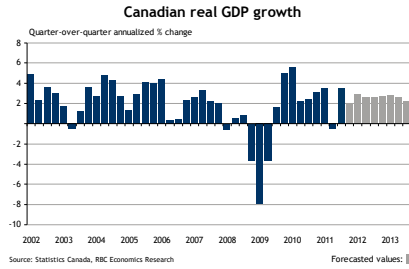
Central Bank policy rates

		Current	Last	
United States	Fed funds	0.0-0.25	1.00	Dec. 16, 2008
Canada	Overnight rate	1.00	0.75	Sep. 8, 2010
United Kingdom	Bank rate	0.50	1.00	Mar. 5, 2009
Eurozone	Refi rate	1.00	1.25	Dec. 14, 2011
Australia	Cash rate	4.25	4.50	Dec. 7, 2011
New Zealand	Cash rate	2.50	3.00	Mar. 10, 2011

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

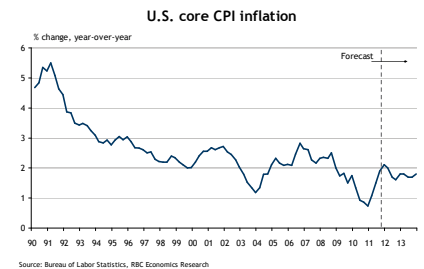
Bank of Canada

- The Canadian economy geared down a notch in October with real GDP holding steady in the month although output was 2.7% higher than in October 2010.
- The BoC will stay focused on mitigating the effect of external risks to the domestic economy through accommodative monetary policy.



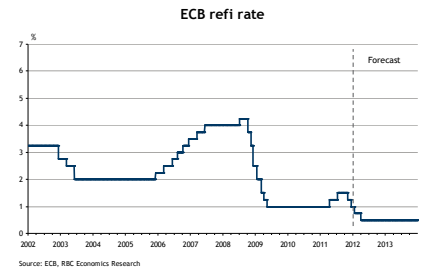
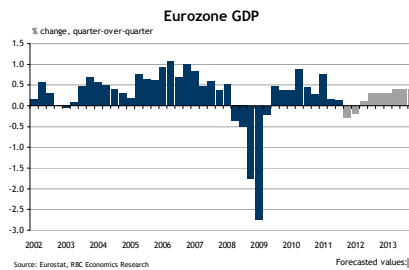
Federal Reserve

- US real GDP growth was revised down to an annualized 1.8% in Q3/11, but the run of better than expected activity data suggest that growth accelerated to close out 2011.
- The January FOMC meeting will see the Fed unveil its new communications policy tool through which policymakers will seek to improve transparency by providing interest rate forecasts.



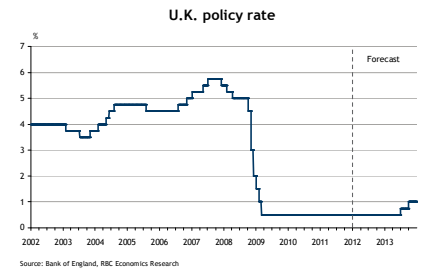
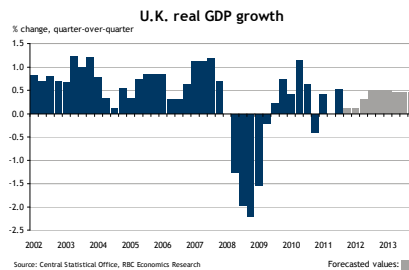
European Central Bank

- Economic releases out of the euro area continue to be consistent with a contraction in output in Q4/11, and a near-term recession appears likely.
- The ECB left the refi unchanged at 1.0% at its January meeting. Against a backdrop of a weakening economy, we expect a 25bp rate cut to be announced in February.



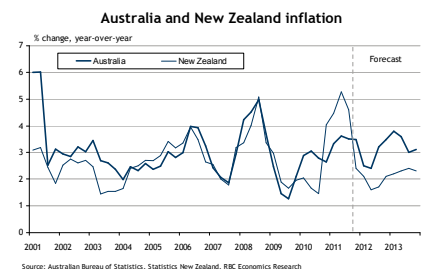
Bank of England

- UK PMIs surprised on the upside in December and continue to point to positive, albeit modest, growth in Q4/11.
- The MPC left its policy stance unchanged in January, but we continue to expect that the risks to the economic outlook will result in a further £50 billion in assets purchases announced in February.



Australian and New Zealand Reserve Banks

- Risks to the domestic economy emanating from deteriorating global growth prospects will likely prompt the RBA to adopt a more stimulative policy stance, and a 25bp rate cut is expected in February.
- The RBNZ is expected to hold the OCR at 2.50% at its January rate meeting. The first move to unwind last March's emergency rate cut is unlikely to come until Q4/12.



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.