



FINANCIAL MARKET FORECASTS

July 2, 2008

Interest rates (% , end of quarter)

	Actual						Forecast						Annual		
	Q107	Q207	Q307	Q407	Q108	Q208	Q308	Q408	Q109	Q209	Q309	Q409	2007	2008	2009
Canada															
Overnight rate	4.25	4.25	4.50	4.25	3.50	3.00	3.00	3.00	3.25	3.25	3.25	3.50	4.25	3.00	3.50
3-month T-bills	4.17	4.43	3.97	3.84	1.88	2.50	2.70	2.80	2.85	3.50	3.65	3.75	3.84	2.80	3.75
2-Year GoC bonds	3.98	4.61	4.12	3.74	2.55	3.22	3.50	3.60	3.70	3.75	3.80	3.80	3.74	3.60	3.80
5-Year GoC bonds	4.02	4.58	4.24	3.87	2.89	3.43	3.65	3.70	3.75	3.85	4.00	4.10	3.87	3.70	4.10
10-Year GoC bonds	4.13	4.59	4.35	3.99	3.42	3.71	3.90	4.00	4.20	4.25	4.30	4.40	3.99	4.00	4.40
30-Year GoC bonds	4.21	4.51	4.44	4.08	3.94	4.06	4.30	4.40	4.60	4.55	4.55	4.65	4.08	4.40	4.65
Yield Curve (2's-10's)	15	-2	23	25	87	48	40	40	50	50	50	60	25	40	60
United States															
Fed Funds rate	5.25	5.25	4.75	4.25	2.25	2.00	2.00	2.00	2.00	2.00	2.25	2.75	4.25	2.00	2.75
3-month T-bills	4.92	4.69	3.64	3.10	1.30	1.68	2.00	2.10	2.25	2.35	2.50	2.80	3.10	2.10	2.80
2-Year bonds	4.60	4.93	3.94	3.08	1.62	2.64	2.90	2.75	2.65	2.85	3.05	3.50	3.08	2.75	3.50
5-Year bonds	4.55	4.97	4.19	3.46	2.46	3.33	3.60	3.60	3.50	3.60	3.90	4.25	3.46	3.60	4.25
10-Year bonds	4.65	5.06	4.53	4.03	3.42	3.96	4.30	4.50	4.60	4.70	4.50	4.55	4.03	4.50	4.55
30-Year bonds	4.83	5.16	4.79	4.46	4.30	4.51	4.90	5.10	5.20	5.25	5.05	5.05	4.46	5.10	5.05
Yield Curve (2's-10's)	4	14	60	95	180	132	140	175	195	185	145	105	95	175	105
Yield Spreads															
3-month T-bills	-0.75	-0.26	0.34	0.75	0.58	0.83	0.70	0.70	0.60	1.15	1.15	0.95	0.75	0.70	0.95
2-Year	-0.62	-0.32	0.18	0.65	0.93	0.58	0.60	0.85	1.05	0.90	0.75	0.30	0.65	0.85	0.30
5-Year	-0.53	-0.39	0.06	0.41	0.42	0.10	0.05	0.10	0.25	0.25	0.10	-0.15	0.41	0.10	-0.15
10-Year	-0.52	-0.47	-0.18	-0.04	0.00	-0.26	-0.40	-0.50	-0.40	-0.45	-0.20	-0.15	-0.04	-0.50	-0.15
30-Year	-0.63	-0.65	-0.35	-0.39	-0.36	-0.45	-0.60	-0.70	-0.60	-0.70	-0.50	-0.40	-0.39	-0.70	-0.40

Exchange rates (% , end of quarter)

	Actual						Forecast					
	Q107	Q207	Q307	Q407	Q108	Q208	Q308	Q408	Q109	Q209	Q309	Q409
Australian dollar	0.81	0.85	0.89	0.88	0.91	0.97	1.02	1.00	0.97	0.96	0.95	0.92
Brazilian real	2.06	1.93	1.83	1.78	1.76	1.62	1.70	1.80	1.87	1.90	1.93	1.95
Canadian dollar	1.15	1.07	0.99	1.00	1.03	1.02	1.03	1.06	1.08	1.10	1.12	1.13
Chinese renminbi	7.73	7.61	7.51	7.30	7.01	6.80	6.60	6.50	6.45	6.40	6.35	6.30
Euro	1.34	1.35	1.43	1.46	1.58	1.50	1.50	1.38	1.36	1.34	1.32	1.30
Japanese yen	118	123	115	112	100	107	109	110	111	112	112	112
Mexican peso	11.04	10.81	10.94	10.91	10.64	10.40	10.75	10.85	11.10	11.20	11.35	11.30
New Zealand dollar	0.71	0.77	0.76	0.77	0.79	0.77	0.73	0.69	0.67	0.66	0.66	0.65
Swiss franc	1.22	1.22	1.16	1.13	0.99	1.07	1.05	1.12	1.12	1.13	1.15	1.17
U. K. pound sterling	1.97	2.01	2.05	1.98	1.98	1.88	1.84	1.73	1.74	1.74	1.74	1.73

Note: Rates are expressed in currency units per US\$ except the Euro, UK pound, A\$ and New Zealand dollar, which are expressed in US\$ per currency unit.

Source: Bank of Canada, Federal Reserve Board, Reuters, RBC Economics Research forecasts

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