

# Exchange Rate Outlook

- **US Dollar**
  - **Most likely scenario: weaken over 3-6 months, then recover with GDP**
  - **Alt-1: continued weakening due to worries about inflation**
  - **Alt-2: holds at current levels if fiscal stimulus wanes worldwide**

# XR Outlook (Cont.)

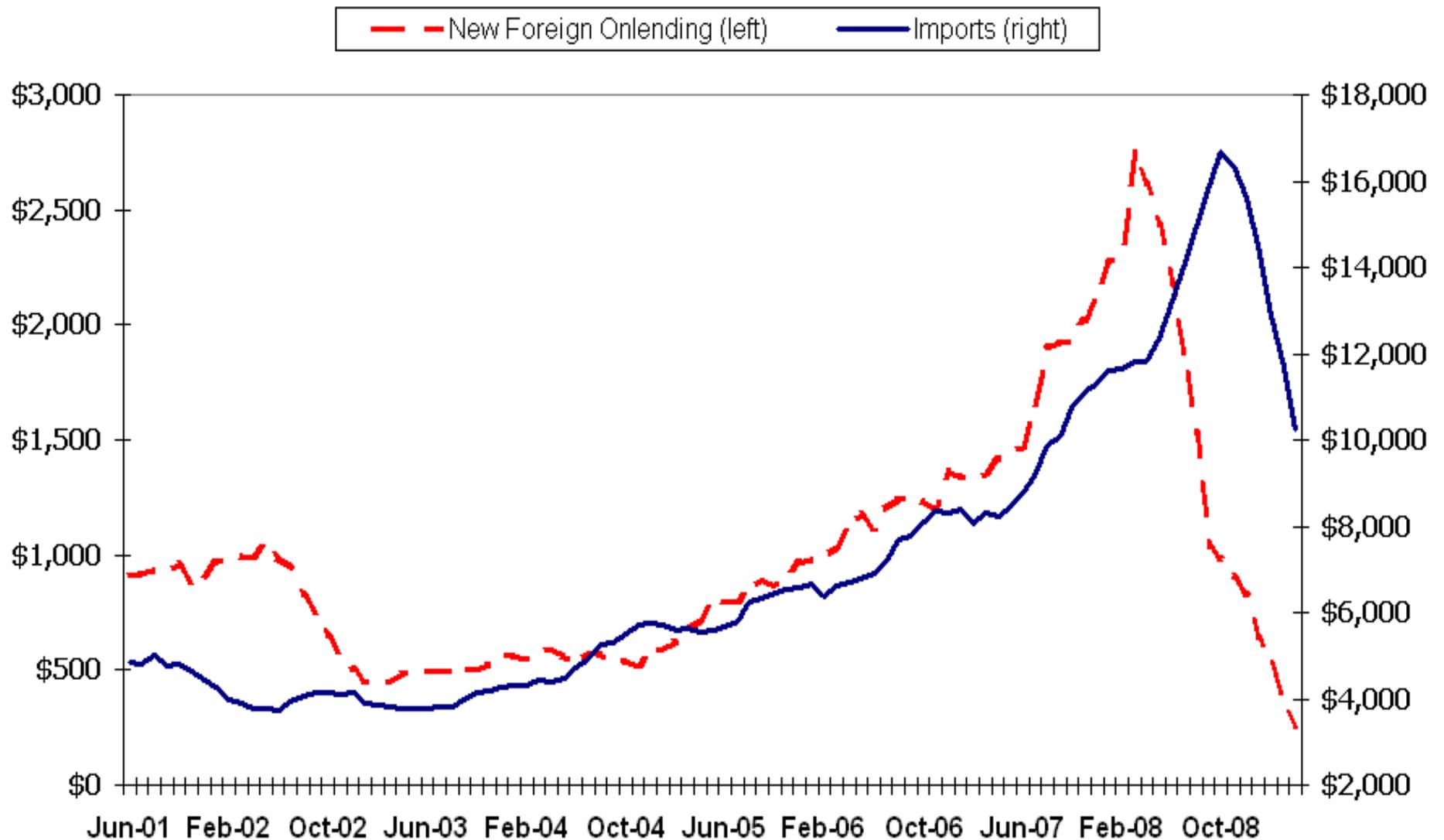
- **Euro: Fall to USD 1.3 as European recovery lags US and interest rates fail to rise with those of US**
- **Yen: Initially stay between 94 and 99/USD, then fall to JPY 110 as carry trade returns**
- **GBP: Need for prolonged support of UK economy will lead to weakening against USD in 4Q09 and 1H10**

# Trade Finance

- **The Availability of Trade Finance Dried up Last Year**
  - The cost of what funding was available rose, in some cases as much as 50%
  - No credit was available for riskier buyers

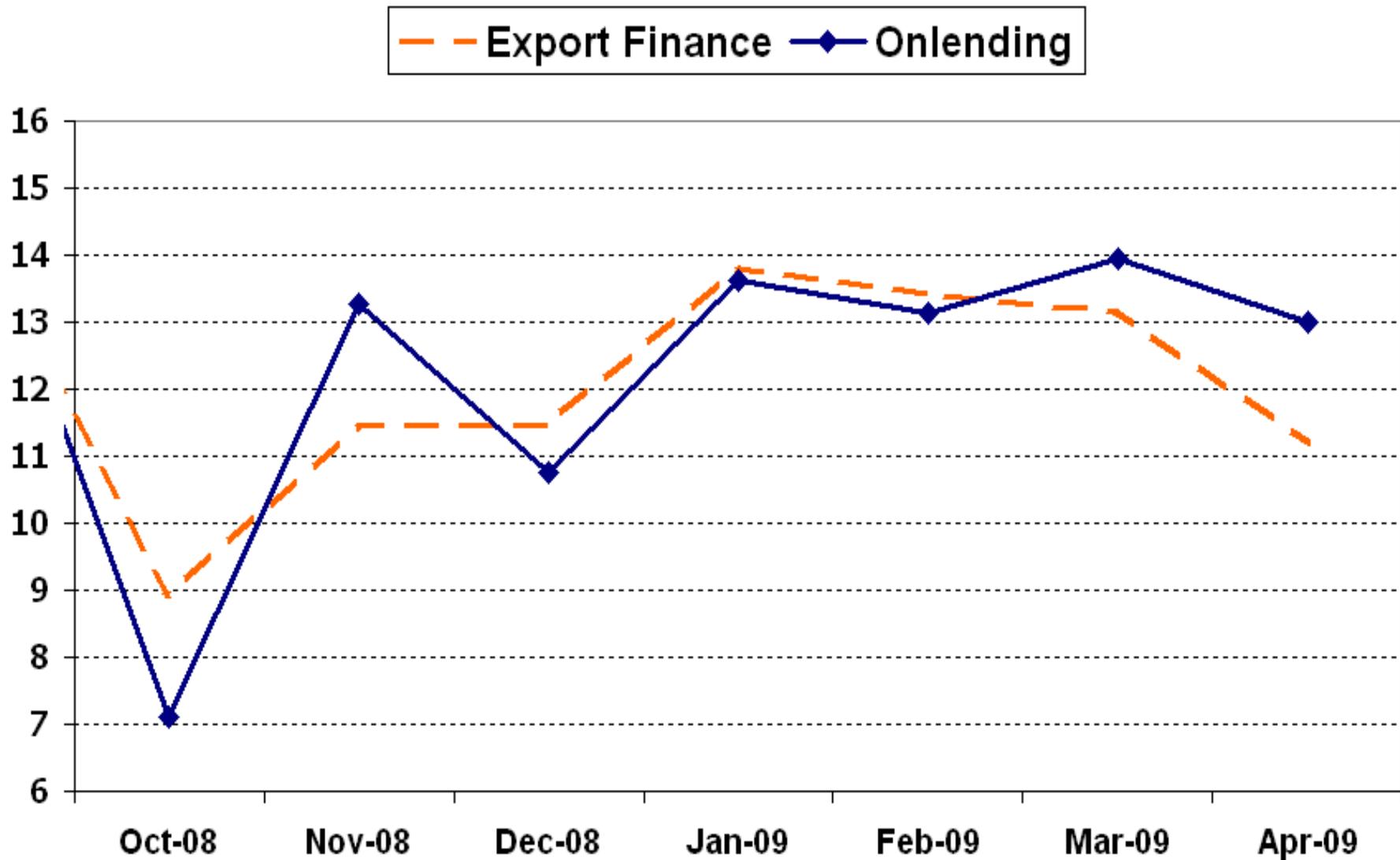
# Brazil: Trade Credit X Merchandise Imports

(6-month mov. avg., US\$MM)



## Brazil - Interest Rates on Trade Credit

(% per Year, devaluation expectation removed, Source: BCB)



# Trade Is Coming Back...and Trade Finance Will Follow

Baltic Dry Index

