

# Outside influences on flax markets



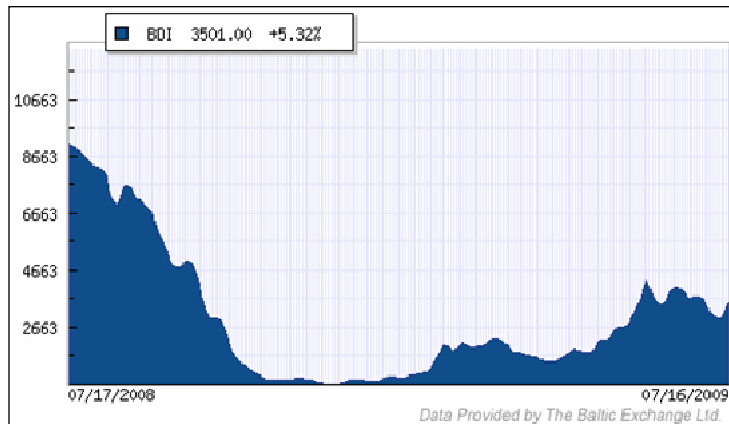
**Canadian Dollar:** Canada's dollar will weaken to \$1.13 by the end of the third quarter and \$1.14 by year-end, according to the median forecast of 35 economists surveyed by Bloomberg News. The Bank of Canada is scheduled to meet July 21 on interest rates. The key rate has been at a record low of 0.25 percent since April. Bank Governor Mark Carney halved the key rate to a record low of 0.25 percent in April. In June he said at least twice the "rapid rise" of the nation's currency, which gained the most in May since 1950, could threaten the economy.  
**OUTLOOK FOR FLAX: Neutral**



**TSX:** As markets rally and positive second-quarter earnings continue to roll in, North America's best-known bears are starting to show signs of cracking. "Confidence is returning to the markets," said Elvis Picardo, analyst and strategist at Global Securities in Vancouver. "A lot of the enthusiasm is based on some of the earnings reports that we're seeing come out of the U.S., not so much Canada. That seems to be lending credence to the theory that we are coming out of the recession here." Surprisingly strong growth in China in the second quarter made it the best-performing major economy and reinforced hopes it may lead the world out of its deepest economic downturn in 80 years.  
**OUTLOOK FOR FLAX: Positive**



**Crude Oil:** Demand for crude remains fragile despite increased signs of a global economic recovery. Crude futures have bounced back above 60 dollars on official data pointing to economic recovery in the United States and China, the world's two biggest energy consuming nations. Dealers noted that overall crude demand worldwide remained weak and supplies were plentiful despite a drop in US energy inventories. The Department of Energy said US crude oil reserves had sunk by 2.8 million barrels in the week ended July 10 as refineries stepped up production.  
**OUTLOOK FOR FLAX: Negative**



**Baltic Dry Index:** Bloomberg reported that the line of Capesize ships waiting outside Chinese ports for berths dropped 20% in less than a month slashing earnings from the vessels. Seven analysts, traders and fund managers surveyed July 3rd to 7th the Baltic Dry Index a measure of commodity-shipping costs will fall this quarter after jumping almost fivefold, the most since at least 1985 in the prior six months. The gauge will average 2,950 points for the period, their median estimate shows compared with 3,757 points at the end of June.  
**OUTLOOK FOR FLAX: Negative**