

## Canadian Trade Moderating Following Massive Gains

### Canada, International Merchandise Trade Balance, C\$ Billions, July:

Actual: -3.04

Consensus: -3.3

Prior: -3.76 (revised from -3.6)

- The key with the trade figures is to look through the high monthly volatility to the trend which I believe is how the BoC would look at it. Some moderation in Q3 after a torrid pace of growth is not cause to get all depressed over Canada's trade performance in the current quarter. CAD is largely shaking off the release ahead of the BoC and 2 year yields slightly declined by just under 1bps.
- The rise in Canadian export volumes in Q2 is now clocked at about 11% q/q at a seasonally adjusted and annualized pace with early tracking for Q3 looking at giving back just over half of that (-6.8%) leaving trend growth intact so far.
- Import volumes are tracking a decline of about 3% at a seasonally adjusted and annualized pace after they soared over the prior two quarters. Import volumes were up by about 19% q/q in Q1 and another 14% q/q in Q2.
- In dollar terms, exports fell by 4.9% m/m and imports fell by 6%. In volume terms, exports fell by 1% and imports fell by 2.3%. More of the decline in export and import values was therefore due to lower prices.
- Ignore the stale US trade data as the US trade deficit will blow out over coming months when port disruptions begin to bite across a region that typically runs trade surpluses. Canada's trade balance is unlikely to be affected.

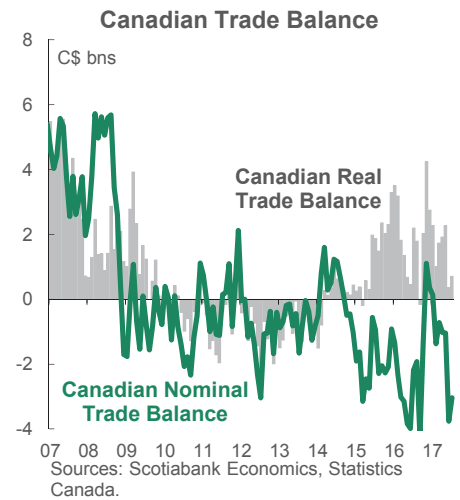
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