

CAD Weekly Outlook

USDCAD Holds Range, Tracks Risk Backdrop

- Short-term CAD vols slide ahead of US Thanksgiving
- The CAD has progressed against the USD over the course of this week, frustrating our expectations for a modest bid for the USD. CAD gains are relatively limited, however, and the recent consolidation range remains more or less intact. What has been clear this week – and is reinforced by our correlation table – is that the risk backdrop remains the key driver of the CAD’s performance at the moment. This all feels very short-termist, with markets having little else to really focus on. But more reassuring for the CAD in the longer run is perhaps the rebound in commodity prices, reflected in the improvement in Canada’s terms of trade. Base metals prices are trading at a 2 ½ year high (Bloomberg index) which suggests some confidence in the global economy getting back on track in the coming year (helped by promising developments on the vaccine front). This augurs positively for the CAD in the longer run (we forecast USDCAD ending this year at 1.32 and heading to 1.28 in 2021).
- The week ahead is likely to see the short-term pattern of the CAD tracking US stocks closely repeated. Although we note that relative US-Canada data surprises have moved a little in the CAD’s favour again this week, fundamental factors are being overshadowed by resurgent virus cases and expectations that renewed lockdown measures will slow growth in the US and Canada again into the end of the year. There is still little sense that fundamental differentiation means much for investors right now or is contributing significantly to FX volatility. There are no major Canadian releases next week and while the US slate is quite full, we get most of the key reports Wednesday, before what is effectively a long weekend in the US for Thanksgiving. Sliding 1-week CAD vols (just under 6.1%, the lowest in a month) reflect waning market expectations for any significant spot moves in the near-term. Our week-ahead model continues to flag modest upside risks for the USD next week (1.3085) in a broad range two big figures either side of that point.
- Calendar highlights for the coming week: -
 - It’s back to watching outside developments for Canada for the most part. There is no top-tier data scheduled for Canada. The

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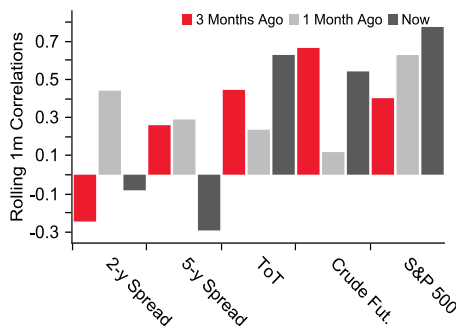
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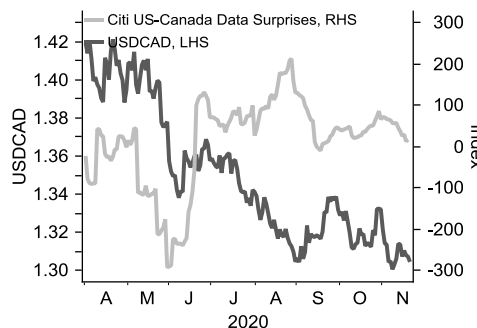
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What's Influencing the CAD?



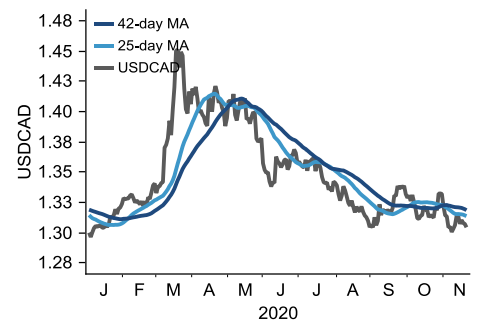
Source: Macrobond, Scotiabank FICC Strategy

USDCAD Vs. Relative Data Surprises



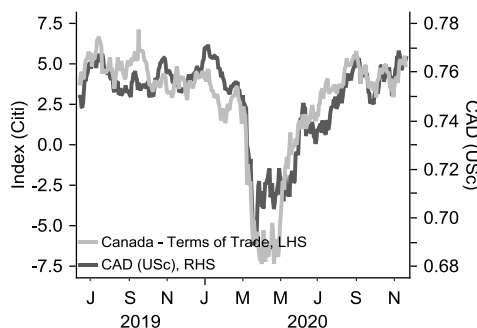
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USDCAD Vs. Moving Average Crossover



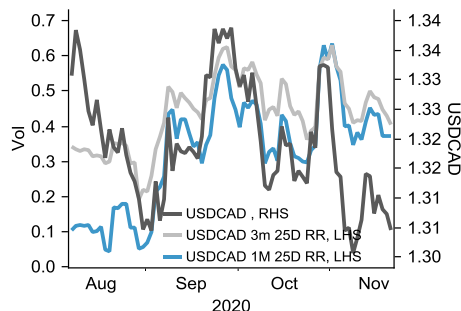
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CAD Vs. Terms of Trade



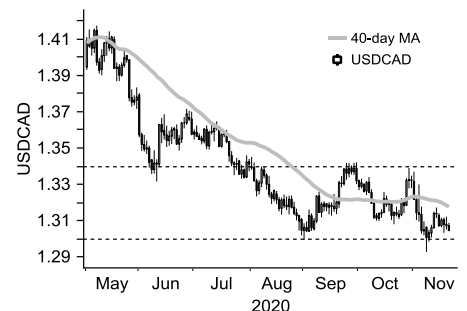
Source: Macrobond, Scotiabank FICC Strategy

USDCAD Vs. Risk Reversals



Source: Macrobond, Scotiabank FICC Strategy

USDCAD Holds Consolidation Range



Source: Macrobond, Scotiabank FICC Strategy

only calendar entry of note is BoC Deputy Governor Gravelle's speech Monday on the "assessment of risk to the stability of the Canadian financial system, including risks stemming from the COVID-19 pandemic"

- o US data releases next week include Nov Markit PMI data on Monday and Consumer Confidence and the Richmond Fed Index on Tuesday. Wednesday is the data dump ahead of the Thanksgiving holiday and extended weekend; we get weekly claims, Trade Balance, Wholesale Inventories, Q3 GDP (second read), Durable Goods, Personal Income and Spending, U. Michigan Sentiment, New Home Sales data and FOMC Meeting minutes.
- Technical signals are mixed; on the USD-bullish side of the equation, the last week's weekly bull "hammer" signal remains valid and intact which strongly suggests the broader range base should hold around (or a little below) 1.30. On the other hand, promising intraday signals for the USD failed to flourish this week and the USD is struggling to gain any significant upside momentum. Our optimized moving average study above indicates broader, downward pressure remains intense. We spot support at 1.3020/20 and (key) 1.2930 (last week's low). Resistance is 1.3020/30 and 1.3150/60. More choppy range trade, albeit with the USD's downside support looking fairly solid is the broad conclusion from the longer run chart.

NEXT WEEK'S NORTH AMERICAN CALENDAR

Day	Country	Release	Period	Consensus	Last
Mon	US	Chicago Fed Nat Activity Index	Oct	--	0.27
	US	Markit US Manufacturing PMI	Nov P	52.5	53.4
	US	Markit US Services PMI	Nov P	56	56.9
	US	Markit US Composite PMI	Nov P	--	56.3
	CA	Bank of Canada's Gravelle Gives Speech			
	US	Fed's Daly Discusses the Future of Cities			
	US	Fed's Evans Takes Part in Moderated Q&A on the			
Tue	MX	Unemployment Rate NSA	Oct	--	5.1%
	MX	Bi-Weekly CPI	15-Nov	--	0.16%
	US	FHFA House Price Index MoM	Sep	--	1.5%
	US	S&P CoreLogic CS 20-City YoY NSA	Sep	--	5.18%
	MX	International Reserves Weekly	20-Nov	--	\$194361m
	US	Conf. Board Consumer Confidence	Nov	98	100.9
	US	Richmond Fed Manufact. Index	Nov	--	29
	US	Fed's Bullard Discusses Monetary Policy Challenges			
Wed	US	MBA Mortgage Applications	20-Nov	--	-0.3%
	MX	Retail Sales YoY	Sep	--	-10.8%
	US	Initial Jobless Claims	21-Nov	--	742k
	US	Continuing Claims	14-Nov	--	6372k
	US	Advance Goods Trade Balance	Oct	-\$80.5b	-\$79.4b
	US	Wholesale Inventories MoM	Oct P	--	0.4%
	US	GDP Annualized QoQ	3Q S	33.1%	33.1%
	US	Durable Goods Orders	Oct P	1.0%	1.9%
	US	Durables Ex Transportation	Oct P	0.2%	0.9%
	US	Personal Income	Oct	0.1%	0.9%
	US	Personal Spending	Oct	0.5%	1.4%
	US	U. of Mich. Sentiment	Nov F	76.8	77
	US	New Home Sales	Oct	968k	959k
	MX	Mexican Central Bank Inflation Report			
	US	FOMC Meeting Minutes	5-Nov	--	--
Thur	MX	Economic Activity IGAE YoY	Sep	--	-9.45%
	MX	GDP NSA YoY	3Q F	--	-8.6%
	MX	Central Bank Monetary Policy Minutes			
Fri	MX	Trade Balance	Oct	--	4384.7m

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