

### CAD Weekly Outlook

#### USDCAD Drifts, Upside Risks Remain

- CAD gains modestly on USD, risk sentiment remains influential.
- The CAD has made modest progress against a generally softer USD this week but the broader backdrop is unsettled and it is hard to draw too many conclusions about the near-term direction for the CAD from this. On the one hand, modest gains for crude prices are supporting Canadian terms of trade (and the CAD, by extension). On the other, the broader risk backdrop appears fragile following September's big reversal in stocks and with US equities perhaps vulnerable as US lawmakers dither on fiscal stimulus. Moreover, the prospect of meaningful relief (of the scale that markets have already largely factored in) is highly contingent now on a Democratic sweep in the elections as Republicans pivot towards fiscal restraint. Our correlation matrix highlights the still positive, if weaker, relationship between US stocks and the CAD, at the expense of most other variables we track, which suggests the risk tone will remain a primary driver of the CAD in the near-term.
- The coming week is likely to deliver more of the same; economic data are not influencing USDCAD significantly at the moment (mainly because there are no near – or even medium – term monetary policy implications to be drawn from developments but also because most economies are in the same or very similar positions and recent gains are leveling off amid second wave concerns). Focus will fall mainly on the risk environment and how political developments (or the lack of them) affect sentiment. The Bank of Canada policy meeting and MPR will provide Governor Macklem an opportunity to provide some colour on prospects but we doubt he will be too explicit, given prevailing uncertainties. There is no expectation of a rate cut and little sign of a desire to formally lift the pace of asset purchases. The BoC recently moved to wind down some of its liquidity support programmes, suggesting policy makers are much more comfortable with market functioning. Our week-ahead model again tips the USD for modest gains towards 1.32 within a wide 1.30/1.3385 range.
- Calendar highlights for the week ahead: -
  - The Canadian data calendar is very light in the coming week. The Bank of Canada policy decision is Wednesday. August

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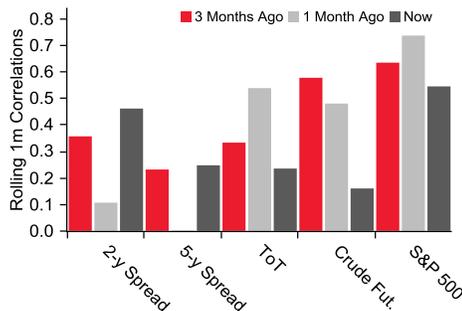
**Shaun Osborne**  
Chief FX Strategist  
416.945.4538

[shaun.osborne@scotiabank.com](mailto:shaun.osborne@scotiabank.com)

**Juan Manuel Herrera**  
FX Strategist  
416.866.6781

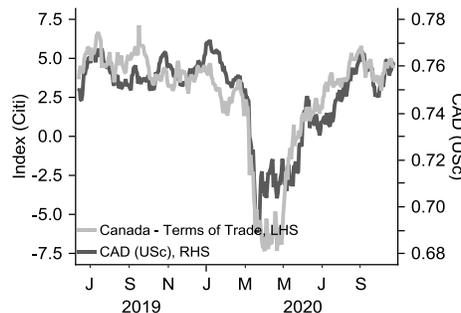
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**What's Influencing the CAD?**



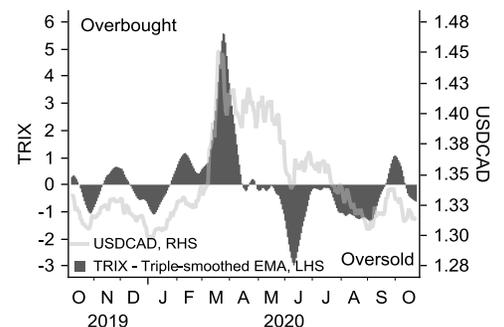
Source: Macrobond, Scotiabank FICC Strategy

**CAD Vs. Terms of Trade**



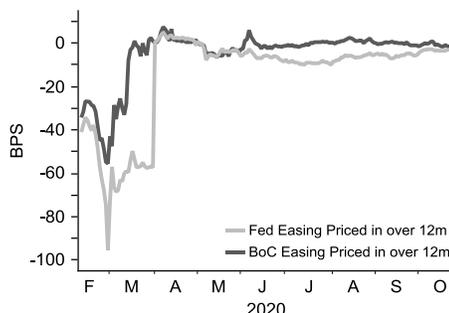
Source: Macrobond, Scotiabank FICC Strategy

**USDCAD Vs. Momentum Oscillator**



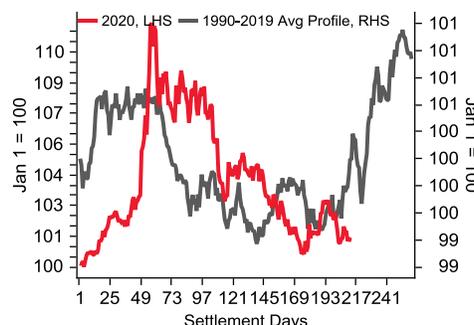
Source: Macrobond, Scotiabank FICC Strategy

**BoC/Fed Policy Expectations Converge**



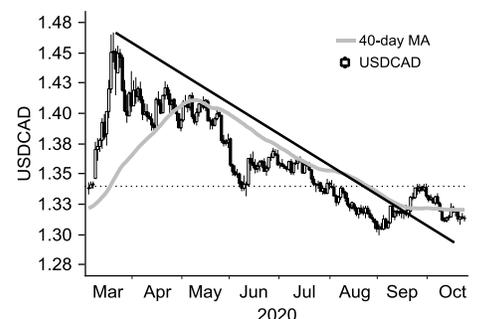
Source: Macrobond, Scotiabank FICC Strategy

**USDCAD Vs. Seasonal Profile**



Source: Macrobond, Scotiabank FICC Strategy

**USDCAD Cracks 40-day Moving Avg**



Source: Macrobond, Scotiabank FICC Strategy

GDP (and September flash estimate) data is released on Friday. And that's it. The early look at Sep GDP might be the most interesting piece of information we get.

- US data highlights next week include preliminary September Durable Goods (Tuesday), Initial and Continuing Claims (Thursday) and September Personal Income/Spending, the October Chicago PMI and the final U. Michigan Sentiment data for September on Friday (see calendar for full details).
- Technical signals are mixed; short-term trends are soft for the USD but Wednesday's squeeze higher, forming a bullish "hammer" signal, suggests that support at 1.3080/00 is pretty solid and should provide the platform for a squeeze higher. But the USD is struggling to gain any real upside traction and spot really needs to crack resistance at 1.3160/70 early next week to gain towards 1.32 zone (40-day MA at 1.3206 currently) and a slightly firmer technical profile. Above 1.32 targets 1.3250/75. Weakness below 1.3080 leaves 1.2995/00 exposed.

### NEXT WEEK'S NORTH AMERICAN CALENDAR

Day	Country	Release	Period	Consensus	Last
Mon	MX	Economic Activity IGAE MoM	Aug	--	5.69%
	US	Chicago Fed Nat Activity Index	Sep	--	0.79
	US	New Home Sales	Sep	1010k	1011k
	US	Dallas Fed Manf. Activity	Oct	13.5	13.6
Tue	MX	Trade Balance	Sep	--	6115.7m
	US	Durable Goods Orders	Sep P	0.5%	0.5%
	US	Durables Ex Transportation	Sep P	0.4%	0.6%
	US	FHFA House Price Index MoM	Aug	0.7%	1.0%
	US	S&P CoreLogic CS 20-City YoY NSA	Aug	--	3.95%
	US	Conf. Board Consumer Confidence	Oct	101.9	101.8
	US	Richmond Fed Manufact. Index	Oct	16	21
	MX	International Reserves Weekly	23-Oct	--	\$194029m
	Wed	US	MBA Mortgage Applications	23-Oct	--
US		Wholesale Inventories MoM	Sep P	--	0.4%
CA		Bank of Canada Rate Decision	28-Oct	0.25%	0.25%
Thur	US	Kaplan on Panel with Carney			
	US	Initial Jobless Claims	24-Oct	--	787k
	US	Continuing Claims	17-Oct	--	8373k
	US	GDP Annualized QoQ	3Q A	32.0%	-31.4%
Fri	US	Pending Home Sales MoM	Sep	3.5%	8.8%
	MX	GDP NSA YoY	3Q P	--	-18.7%
	CA	GDP MoM	Aug	--	3.0%
	CA	GDP YoY	Aug	--	-5.0%
	CA	Industrial Product Price MoM	Sep	--	0.3%
	US	Personal Income	Sep	0.3%	-2.7%
	US	Personal Spending	Sep	1.0%	1.0%
	US	Employment Cost Index	3Q	0.5%	0.5%
	US	PCE Core Deflator YoY	Sep	1.7%	1.6%
	US	MNI Chicago PMI	Oct	58	62.4
	US	U. of Mich. Sentiment	Oct F	81.2	81.2

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