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**Calendar highlights for the coming week:**

**Canada**

**Weekly Nanos Confidence—Monday**

**US**

**Jul NFIB Small Bus. Optimism—Monday**

**Jul CPI—Wednesday**

**Jul PPI—Thursday**

**Jul Import Prices—Friday**

**Aug Prelim U. Michigan Sentiment—Friday**

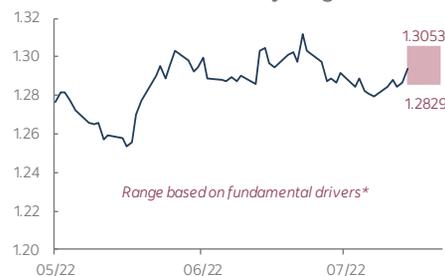
**CAD Weekly Outlook August 5, 2022**

**USDCAD: Daily Fundamental Value Model**



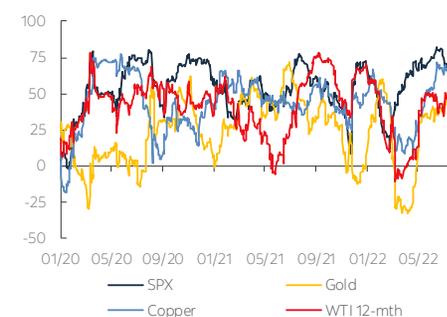
Source: Bloomberg, Scotiabank FICC Strategy.  
\* WTI, industrial metals price index, USD effective exchange rate, CA-US 2-yr and 5-yr spread, VIX index.

**USDCAD: Weekly Range**



Source: Bloomberg, Scotiabank FICC Strategy.  
\* 4-wk rolling avg weekly change in CAD fundamental value variables (WTI, industrial metals price index, USD effective exchange rate, CA-US 2-yr and 5-yr spread, VIX index).

**CAD Correlations**



Source: Bloomberg, Scotiabank FICC Strategy.

**CAD Weekly Outlook**

**CAD Outlook Softens After Jobs**

Weak jobs data in Canada versus a stronger-than-expected US non-farm payroll report for July leave the CAD trading on the defensive into the weekend and with a 1.2%-plus loss on the USD since Monday. The Canadian data were all-round poor—jobs fell 30.6k, there were full-time and part-time losses, total hours worked fell a hefty-ish 0.5% in the month (suggesting a soft start to GDP growth for Q3) and wage growth slipped to 5.4% y/y versus an expected gain to 5.9%. The US jobs report showed stronger-than-expected job gains and higher-than-expected wage growth, meanwhile, and bolstered market pricing for a 75bps hike at the September FOMC meeting. Weaker stocks (in response to higher US rates) compounded pressure on the CAD to some extent.

Despite the disparity in these two reports, it is not clear to us that the risk of a 75bps hike by the Bank of Canada has diminished significantly. From the Bank’s perspective, slower wage growth may be gratifying as they battle inflation and a couple of weak jobs reports may only marginally downgrade their broader characterization of “very, very tight” labour markets (especially as given the unemployment rate dipped to 4.9%). Inflation (due August 16th) is the more important data release from a BoC policy outlook perspective. US/Canada 2Y spreads narrowed around the twin jobs report to near flat but OIS pricing continues to reflect strong odds of an aggressive Bank of Canada policy hike next month (66bps of implied tightening) after the jobs dust settled. This may help limit pressure on the CAD in the short run although our fair value model continues to suggest upside risks for spot and our week ahead range estimator echoes that perspective. Soft and weakening correlations between the CAD and stocks and commodities perhaps tilt risks more towards choppy range trade in the near-term, with USDCAD gains perhaps restrained to the mid/upper 1.29s—where we anticipate USD supply may emerge. About the only thing we can conclude with anything near certainty right now is that scope for significant CAD appreciation remains extremely limited.

There are no major data releases or central bank events scheduled for Canada next week. The US data run is relatively light as well; the main focus for markets will be the Jul CPI report Wednesday (the early consensus calls for a 0.5% m/m gain but a deceleration in the y/y rate of inflation to 8.8%, from 9.1% in Jun). Another hot inflation report—following today’s monster US jobs numbers—will boost market expectations of a 75bps Fed hike in September. PPI data are out on Thursday and the preliminary Aug University of Michigan sentiment and inflation expectations report rounds out the week. Fed speakers include Evans, Kashkari and Daly.

The chart backdrop has turned more CAD-negative this week. After two weeks of USD losses, spot is set to close out the week with a gain and the range of the week lies outside last week’s extremes; in effect, this is an outside week range reversal and a bullish signal for the USD. Minor checks against the USD-bullish outlook are that intraday spot gains have failed to hold above the 40-day MA (1.2922) at writing and short-term (intraday) price signals look soft. However, technical risks are tilting towards the USD gaining a bit more ground again. Trend signals are tilting USD-bullish on the daily and weekly oscillators but remain weak in both cases. Intraday DMI signals are bullish. For the week ahead, the charts suggest the USD will remain well-supported on dips (to the low/mid 1.28s at worst). We expect the 1.2940/1.3075 congestion range from early July to slow USD gains on the topside.

## NEXT WEEK'S NORTH AMERICAN CALENDAR

Day	Country	Release	Period	Consensus	Last	
Mon	CA	Bloomberg Nanos Confidence	5-Aug	--	46.2	
Tue	US	NFIB Small Business Optimism	Jul	89.5	89.5	
	MX	CPI MoM	Jul	0.72%	0.84%	
	MX	CPI YoY	Jul	8.13%	7.99%	
	US	Nonfarm Productivity	2Q P	-4.5%	-7.3%	
	US	Unit Labor Costs	2Q P	9.5%	12.6%	
	MX	International Reserves Weekly	5-Aug	--	\$199480m	
	US	CPI MoM	Jul	0.2%	1.3%	
	US	CPI Ex Food and Energy MoM	Jul	0.5%	0.7%	
	US	CPI YoY	Jul	8.8%	9.1%	
	US	CPI Ex Food and Energy YoY	Jul	6.1%	5.9%	
Wed	US	Wholesale Inventories MoM	Jun F	1.9%	1.9%	
	US	Fed's Evans Discusses the Economy and Monetary				
	US	Monthly Budget Statement	Jul	--	-\$88.8b	
	US	Fed's Kashkari Discusses Inflation				
	MX	ANTAD Same-Store Sales YoY	Jul	--	7.9%	
	Thur	MX	Industrial Production NSA YoY	Jun	--	3.3%
	US	PPI Final Demand MoM	Jul	0.2%	1.1%	
	US	PPI Final Demand YoY	Jul	10.3%	11.3%	
	US	Initial Jobless Claims	6-Aug	--	260k	
	US	Continuing Claims	30-Jul	--	1416k	
Fri	MX	Overnight Rate	11-Aug	8.50%	7.75%	
	US	Fed's Daly speaks in interview on Bloomberg				
	US	Import Price Index MoM	Jul	-1.3%	0.2%	
	US	U. of Mich. Sentiment	Aug P	51.8	51.5	
	US	U. of Mich. 1 Yr Inflation	Aug P	--	5.2%	
US	U. of Mich. 5-10 Yr Inflation	Aug P	--	2.9%		



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