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**Calendar highlights for the coming week:**

**Canada**

**Apr GDP—Thursday**

**US**

**May Durable Goods—Monday**

**Jun Dallas Fed Manuf. Index—Monday**

**Jun Conf Brd Consumer Conf—Tuesday**

**Jun Richmond Fed Manuf. Index—Tuesday**

**Powell Comments—Wednesday**

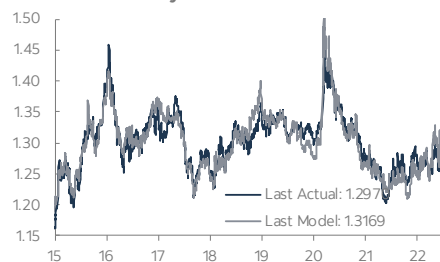
**May Personal Inc/Spdg—Thursday**

**Jun ISM Manufacturing—Friday**

**May Construction Spending—Friday**

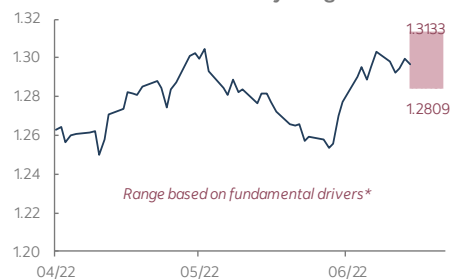
**CAD Weekly Outlook June 24, 2022**

**USDCAD: Daily Fundamental Value Model**



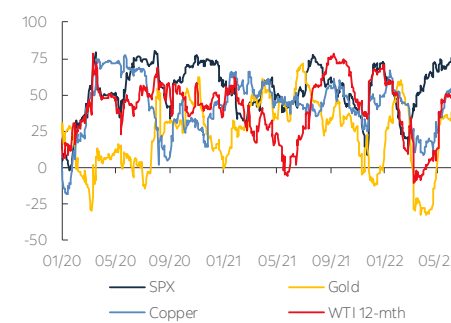
Source: Bloomberg, Scotiabank FICC Strategy.  
\* WTI, industrial metals price index, USD effective exchange rate, CA-US 2-yr and 5-yr spread, VIX index.

**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 Dragged Around by Risk Appetite**

The CAD is ending the week with a modest gain versus the USD, reflecting a relatively rare net weekly gain for US equity markets. The CAD's fortunes remain closely tied to the risk environment, although softer commodity prices should not be overlooked. The Bloomberg commodity index has eased back to its lowest level since March—but remains more than 30% higher over the past year. Copper prices have slumped around 20% so far in June, however, as global growth concerns mount. Crude oil prices have softened by around 7% over the same period. Our correlation matrix reflects a stronger correlation between the CAD and copper than the CAD and crude currently as global growth concerns mount. Recession risks may weigh on crude to some extent but tight supplies and limited scope to increase output plus concerns over energy security suggest crude prices may remain relatively elevated, even if recession fears mount further in the coming months.

We remain constructive on the CAD but the end Q2 forecast we have maintained for some time of 1.25 has clearly been put out of reach by the recent volatility in stocks. CAD positives, from our perspective at least revolves around the strong economy and the hawkish-leaning bank of Canada policy outlook. Strong Apr Retail Sales data this week, reflecting decent volumes and not just higher prices, help sustain solid growth dynamics in Q2 (tracking a little below 4%). Weaker housing market trends do suggest the potential for some consumer retrenchment later in the year but tight labour markets and rising compensation should backstop spending to some extent. Strong growth plus high inflation, which delivered another upside surprise for price measures this week, also rather suggest that the Bank of Canada will have to stick with its tightening plans for longer, and perhaps a little more aggressively than its peers in the coming months. Still, the CAD may not be able to reflect many, or any, of these positives until the broader risk backdrop settles down.

The data calendar is quite light next week and there is still very much a holiday feel to market participation. In Canada, the only data report of note is Apr GDP. Friday's Canada Day market closure brackets the weekend ahead of July 4th so liquidity and participation is very likely to remain on the light side. In the US, there are several important data points in the week ahead. We get more regional Fed activity data, a different look at June Consumer Confidence via the Conference Board and the June ISM Manufacturing data. Fed Chairman Powell takes part in the ECB's annual jaunt to Sintra on Wednesday.

The charts reflect some mixed signals for the CAD. On the one hand, the USD remains well-supported and is benefitting from firm trend strength signals on the daily and weekly DMI oscillators. On the other hand, the top of the trading range—roughly 1.29/1.30—has been solid over the past year or more and spot rejected the May peak last week, with a pinpoint retest of the 1.3075 top. Subsequent losses, while mild, suggest the top of the range will hold. Shorter-term trend momentum signals are less supportive for the USD and tilt near-term risks to the downside, we think. Downside pressure on the low 1.29 zone was easily snuffed out earlier this week and the bar to a clear CAD improvement is high. We spot initial support at 1.2905/10 and still rather feel that the USD breaking below 1.2865 is needed to signal more significant and sustained losses for USDCAD. Resistance is 1.3020 and—key—1.3075/80.

## NEXT WEEK'S NORTH AMERICAN CALENDAR

Day	Country	Release	Period	Consensus	Last
Mon	MX	Trade Balance	May	--	-1884.1m
	US	Durable Goods Orders	May P	0.1%	0.5%
	US	Durables Ex Transportation	May P	0.4%	0.4%
	US	Pending Home Sales MoM	May	-3.5%	-3.9%
	US	Dallas Fed Manf. Activity	Jun	--	-7.3
Tue	MX	Unemployment Rate NSA	May	--	3.03%
	US	Wholesale Inventories MoM	May P	--	2.2%
	US	FHFA House Price Index MoM	Apr	--	1.5%
	US	S&P CoreLogic CS 20-City YoY NSA	Apr	21.20%	21.17%
	US	Conf. Board Consumer Confidence	Jun	100	106.4
	US	Richmond Fed Manufact. Index	Jun	--	-9
	US	Fed's Daly Interview			
Wed	US	MBA Mortgage Applications	24-Jun	--	4.20%
	US	GDP Annualized QoQ	1Q T	-1.40%	-1.50%
	EC	Lagarde, Powell, Bailey, Carstens Speak			
	US	Fed's Mester Speaks on Panel			
	US	Fed's Bullard Introductory Remarks			
Thur	CA	CFIB Business Barometer	Jun	--	61.6
	CA	GDP MoM	Apr	--	0.7%
	CA	GDP YoY	Apr	--	3.5%
	US	Personal Income	May	0.5%	0.4%
	US	Personal Spending	May	0.4%	0.9%
	US	PCE Core Deflator MoM	May	0.5%	0.3%
	US	Initial Jobless Claims	25-Jun	--	229k
	US	Continuing Claims	18-Jun	--	1315k
	US	MNI Chicago PMI	Jun	58.8	60.3
	MX	Budget Balance YTD	May	--	-13.0b
Fri	US	S&P Global US Manufacturing PMI	Jun F	--	52.4
	MX	Remittances Total	May	--	\$4718.1m
	US	Construction Spending MoM	May	0.5%	0.2%
	US	ISM Manufacturing	Jun	55.4	56.1
	MX	S&P Global Mexico Manufacturing PMI	Jun	--	50.6

22/03/2021 - 24/06/2022 Weekly FX/Spot/TM/USDCAD 22/22 Hi: 1.3077 Lo: 1.2009 1.2966



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