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#### Calendar highlights for the coming week:

##### Canada

**Markets Closed — Monday**

**Aug Manufacturing Sales — Thursday**

**Aug Wsale Trade, Sep Exist Home Sales — Friday**

##### US

**Aug JOLTS, Sep NFIB — Tuesday**

**Sep CPI, FOMC Meeting Mins — Wednesday**

**Sep PPI, Jobless Claims — Thursday**

**Sep Retail Sales, Oct U Mich — Friday**

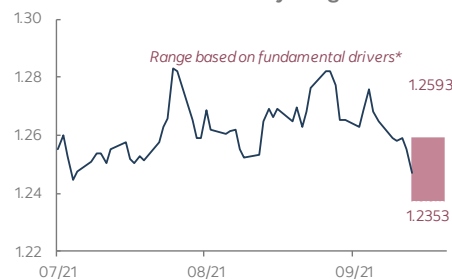
### CAD Weekly Outlook October 8, 2021

#### USDCAD: Daily Fundamental Value Model



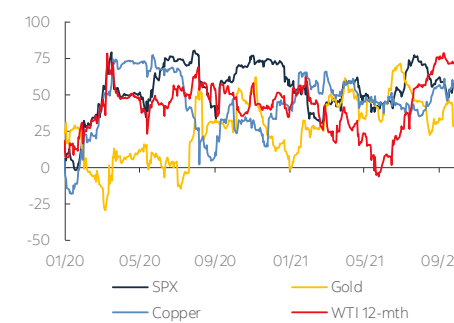
Source: Bloomberg, Scotiabank FICC Strategy.  
\* 24-mth WTI, industrial metals price index, CA-US 2-yr and 10-yr spread.

#### USDCAD: Weekly Range



Source: Bloomberg, Scotiabank FICC Strategy.  
\* 4-wk rolling avg weekly change in CAD fundamental value variables (oil, 2 and 10-year US-CA spread, industrial metal prices index).

#### CAD Correlations



Source: Bloomberg, Scotiabank FICC Strategy.

### CAD Weekly Outlook

#### CAD Outperforms Again; September Jobs Support QE End

CAD Strengthens with Strong Crude Oil and Widening Rate Differentials

The CAD again led the majors for the week against the USD with a ~1.5% gain as it continues to gather support from solid energy prices and generally improving rate differentials against all of the key currencies. With OPEC+ choosing to stick to its November supply increase plans, crude oil prices extended their rise for a fifth consecutive week with WTI crude inching just above \$80/bbl mark—a level the benchmark had not touched since November 2014—as the energy markets imbalance continues and high natural gas prices prompt gas-to-oil switching in energy generation. Global equities also recovered some ground this week as the US Senate voted to extend the country's debt limit to early-December and markets seemed relatively unfazed by financial troubles in China's real estate sector.

Canadian 2-year yields rose to their highest level since March 2020 (though are still 80bps+ below pre-pandemic levels) with a 17bps increase in contrast to the 4bps increase in their US counterparts and practically no change in 2-yr German Bunds. With markets looking ahead to the beginning of the BoC's tightening cycle in the second half of next year, the Canada-US 2-yr spread climbed to its highest level since early-2015 when the BoC cut rates to counteract the economic damage from the collapse in oil prices.

Friday's September LFS report saw a 157k increase in Canadian employment against a median expected increase of 60k and combined with a headline disappointment in the US's NFP (though underlying details were decent), USDCAD fell to the mid 1.24s to its strongest level since late-July. From a technical perspective, the cross may struggle to detach itself from the 1.2450-1.2500 zone but a convincing decline opens up USD losses to the 1.24 mark with 1.23 following with relative ease.

We expect that the BoC will announce at its October 27 meeting that it is switching to the reinvestment phase of its quantitative easing program. Despite disappointing Q2 GDP data and a weak start to Q3 on the retail and industry side, more recent figures (particularly on the employment side) suggest that the mid-year doldrums were only temporary and the BoC's updated outlook in its October MPR should be relatively unchanged from its July iteration—and so the bank should still signal rate hikes in the second half of 2022.

The CAD outlook next week hinges on external developments given a relatively uneventful domestic calendar—note that Canadian markets are closed on Monday for Thanksgiving. Overbought conditions on the RSI against the EUR and JPY may prevent further broad gains in the CAD to thus have it enter a consolidation phase, but the BoC's hawkish stance in contrast to the ECB's and BoJ's ultra-dovish outlooks suggests that the CAD will continue to strengthen against these currencies. Against the USD, the CAD will have to resist Fed tapering bets ahead of its November meeting and 2022 hike calls will likely act as a tailwind for the dollar through year-end. On the other hand, there's no quick solution in sight for the global energy crunch that should keep the CAD supported by stronger crude prices.

## NORTH AMERICAN CALENDAR

Time	Country	Release	Period	Consensus	Last	
Mon	US	Fed's Evans Gives Introductory Remarks at Award Ceremony				
Tue	US	NFIB Small Business Optimism	Sep	99.50	100.10	
	MX	Industrial Production NSA YoY	Aug	--	7.30%	
	US	JOLTS Job Openings	Aug	10942k	10934k	
	US	Fed's Bostic Speaks on Inflation at Peterson Institute				
Wed	US	Fed's Barkin Interviewed for an NPR Podcast				
	US	CPI MoM	Sep	0.3%	0.3%	
	US	CPI YoY	Sep	5.3%	5.3%	
	US	CPI Ex Food and Energy YoY	Sep	4.1%	4.0%	
	US	FOMC Meeting Minutes	-			
	US	Fed's Brainard Speaks at Fed Listens Event				
	US	Fed's Bowman Discusses the Economy and Monetary Policy				
Thu	CA	Manufacturing Sales MoM	Aug	0.3%	-1.5%	
	US	Initial Jobless Claims	-	328k	326k	
	US	Continuing Claims	-	2700k	2714k	
	US	PPI Final Demand MoM	Sep	0.6%	0.7%	
	US	PPI Final Demand YoY	Sep	8.7%	8.3%	
	MX	Central Bank Monetary Policy Minutes				
	US	Fed's Bostic Takes Part in Panel on Inclusive Growth				
	US	Fed's Barkin Gives Speech				
	US	Fed's Harker Discusses the Economic Outlook				
	Fri	US	Empire Manufacturing	Oct	25	34.3
		US	Retail Sales Advance MoM	Sep	-0.3%	0.7%
US		Retail Sales Ex Auto MoM	Sep	0.5%	1.8%	
CA		Wholesale Trade Sales MoM	Aug	0.5%	-2.1%	
CA		Existing Home Sales MoM	Sep	--	-0.5%	
US		U. of Mich. Sentiment	Oct P	73.8	72.8	
US		Fed's Williams Takes Part in Monetary Policy Panel				

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