BofA SECURITIES

Canada Viewpoint

Canada Year Ahead 2024: Weak economy to drive BoC cuts in 2024

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Economics
Canada

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CORRA: Canadian Overnight Repo Rate Average

Key takeaways

- We expect GDP growth to decelerate to 0.9% in 2024 from 1.1% in 2023 following high interest rates and weak US growth.
- We expect inflation to converge towards the 2% target, which will allow the BoC to cut 125bp in 2024 starting in 1H.
- USD/CAD: Lower in 2024 on bearish USD view. CA rates: Market prices a slow cutting cycle. Equity: TSX bouncing off the lows.

Economics: Weak economy to drive BoC cuts in 2024

We expect GDP growth to decelerate to 0.9% in 2024 from 1.1% in 2023 following high interest rates in Canada and a US growth slowdown. We see downside risks to growth as households' income could be more sensitive to high interest rates, but low unemployment and high oil prices are buffers. The unemployment rate is likely to keep rising. We expect inflation to decelerate near the target in 2024, which should allow the Bank of Canada (BoC) to cut rates to 3.75% by end-2024, starting in June 2024. Risks are for an earlier start to the cutting cycle, even more cuts, or both.

FX strategy: Expect USD/CAD to grind lower in 2024

Our fair value estimates suggest USD/CAD spot was around 2% overvalued in November. We see 1.34–1.35 as the fair value range for USD/CAD in H1 2024 on growth recoupling, with more downtrend to form in H2 once the Fed cutting cycle begins. Our official forecast has USD/CAD falling to 1.30 by year-end 2024. Risks to our baseline view would be a much later than expected start to the Fed cutting cycle vs BoC, and the macro backdrop turning bullish for the USD on a variety of shock scenarios.

Rates strategy: market prices a slow cutting cycle

We believe markets are currently underpricing BoC cuts and therefore underpricing front-end CA performance vs US. Additionally, while the BoC may continue QT until they have returned the balance sheet to its steady state, we see risk of early QT end with the first rate cut in June '24. We expect CORRA to continue to face upward pressure, but an earlier end to CAD QT will leave more excess liquidity in the system and likely limit further cheapening.

Equity strategy: Bouncing off the lows

The TSX index lagged the S&P 500 by 14ppt YTD, representing a bottom 11th percentile year since 1927. The lack of Tech exposure was the main culprit – compared to the equal-weighted S&P 500, the TSX performed in line. Our new indicator, the Canada Cycle Indicator, is showing some signs of a bottom, and 3Q marked the first earnings beat in a year. While continued disinflation poses risk to the TSX vs. SPX, growth convergence between Canada and the US in 2024 and a higher inflation regime of the 2020s vs. the last decade is a tailwind for the TSX, in our view.

Economics: Weak economy to drive cuts

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Weak economy to drive BoC cuts in 2024

- We expect GDP growth to decelerate to 0.9% in 2024 from 1.1% in 2023 following high interest rates and a slowdown in US growth.
- We see downside risks to growth as households' income could be more sensitive to interest rates, though low unemployment and high oil prices are buffers.
- We expect inflation to decelerate to 2.3% by end-2024, which should allow the BoC to cut rates more than consensus expects. We expect the BoC at 3.75% by end-2024.

The Canadian economy decelerated a bit less than expected in 2023

Canada's economic activity has decelerated less than what we expected a year ago. We expected growth at 0.8% for 2023 and it is heading for 1.1%, although risks are to the downside (Exhibit 1). After a strong 1Q (2.5% qoq saar), the economy decelerated in 2Q (1.4% qoq saar) and contracted in 3Q (-1.1% qoq saar). The main drivers to the downside in 3Q were exports and inventory accumulation, but investment is also showing the impact of high interest rates. Indeed, we believe that the ultimate cause of the deceleration was tight monetary policy, as the transmission mechanism in Canada is faster than in other countries (e.g. the US). The latter due to the structure of the Canadian mortgage market, with about two-thirds of mortgages having short duration (up to 10 years) and about a third having a variable rate. However, core inflation remains sticky despite the economic slowdown. Sticky core inflation prompted the Bank of Canada (BoC) to surprise markets by hiking the policy rate twice mid-year after a pause. We expected the policy rate to end 2023 at 4.5% but it is at 5.0%.

Canada is flirting with a (technical) recession

We expect the Canadian economy to remain weak in the following quarters, not only due to the weakness induced by tight monetary policy but also as the US decelerates. The third quarter was weak (-1.1% qoq saar), however Canada avoided a technical recession due to the revision of 2Q at 1.4% qoq saar (formerly -0.2%). Looking forward, in our forecasts the economy avoids a recession but remains weak (Exhibit 2). We expect growth at 0.9% in 2024 with downside risks if the BoC hikes more. Another downside

Exhibit 1: Macroeconomic outlook
% year-on-year growth rate, unless otherwise indicated

	2023	2024	2025
Real GDP growth	1.1	0.9	2.0
CPI inflation (eop)	3.4	2.3	2.0
Bank of Canada overnight rate (eop)	5.00	3.75	3.00
CAD (eop)	1.36	1.30	1.30
Brent crude oil ($bbl average)	85.5	90.0	80.0
US real GDP growth	2.4	1.4	1.3
US Fed Funds rate (upper limit, eop)	5.50	4.75	3.75

Source: BofA Global Research
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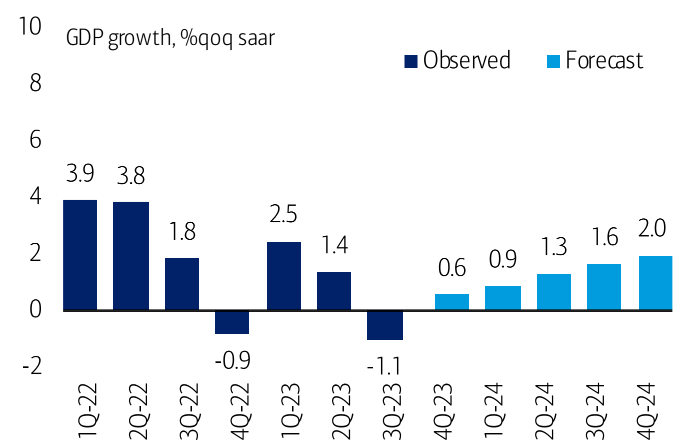
Exhibit 2: GDP growth forecasts
We expect Canada to flirt with a technical recession in 2H 2023



Source: BofA Global Research estimates, Haver
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risk is further deceleration in the housing sector. We see low unemployment and high oil prices as supporting the economy.

Migration is helping balance the Canadian economy

The COVID-19 pandemic caused the Canadian economy to have a supply-demand imbalance, as it did in other economies. In Canada, supply contracted as a direct effect of the pandemic, interrupting supply chains, and forcing people out of the labor force. Demand increased as the government provided a large fiscal support and the BoC provided a large monetary stimulus. The result was inflation well above the target. The BoC has been trying to restore balance by tightening monetary policy to bring demand down, while supply recovers. But in Canada, migration has helped as the increase in population has increased labor supply, which seems to be topping the impact of more people on consumption, helping restore balance (Exhibit 3). This should allow the BoC to cut rates more than the US, in our view.

Inflation is coming down slowly

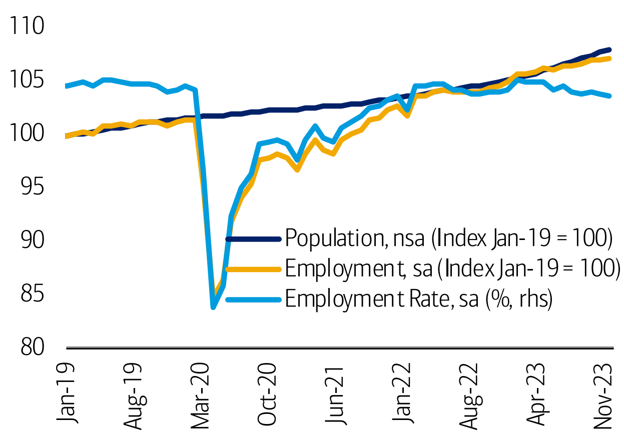
We expect headline inflation to accelerate slightly to 3.4% yoy by end-2023 from 3.1% in October, but to decelerate further to 2.3% by end-2024. The October inflation print showed a slowdown in inflation driven by transportation prices, accounting for its second decrease in a row, while food merchandise inflation continued to fall. Core inflation gave signs of a downward trend in October as well, by falling to 3.5% yoy from 3.8% in September (Exhibit 4). Goods inflation fell below the 2% target in October (1.6% yoy), but services' is still considerably above (4.6% yoy). Services inflation is of concern given that it has not shown downward momentum: even though it fell to 3.9% in September, it is now around May 2023 levels (4.6%). On the other hand, the labor market keeps softening (see Canada Watch), but wage growth remains too high to achieve the inflation target: while unemployment increased to 5.8% in November from 5.7% in October, wage growth remains sticky at 5.0%.

We expect the BoC to begin its cutting cycle in 1H 2024

We expect the BoC to have reached the terminal rate of its hiking cycle at 5.00% and to remain on hold for some time. We believe it could start a cutting cycle in 1H 2024 (baseline for first cut: June) and to leave the rate at 3.75% by end-2024. We see balanced risks to the timing and pace of the cutting cycle, as economic activity is already in contraction and the labor market is showing signs of easing, and although inflation remains above the target, core inflation is now showing a downward trend. We expect the BoC to end 2024 with a lower policy rate than the US Fed (3.75% vs 4.75%) because the Canadian economy is weaker than the US economy.

Exhibit 3: Employment and population

Population has been steadily increasing, helping the supply of labor



Source: BofA Global Research, Haver

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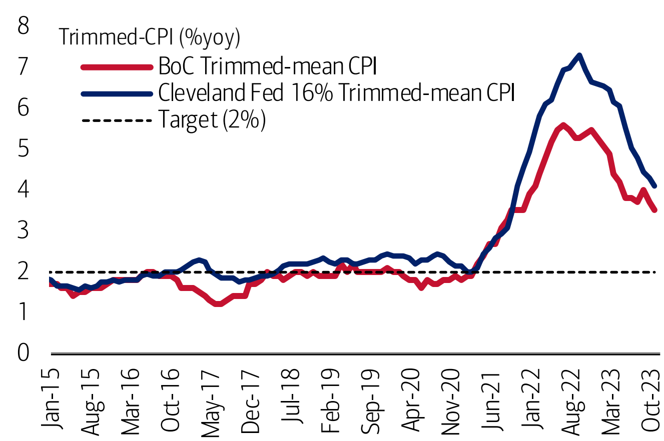
Exhibit 4: Trimmed CPI comparison

Inflation is lower in Canada, but the US shows more downward momentum



Source: BofA Global Research, Haver

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Risks are balanced

We see balanced risks to our outlook. The economy could do better than expected if inflation keeps falling and the BoC can cut sooner and deeper than we expect. On the contrary, the economy could decelerate more if the housing sector decelerates further. In terms of external risks, we think the main risk to the downside is a "no landing" scenario in the US in 2024 as that would leave core rates higher for longer and could create a "hard landing" in the US and in Canada in 2025.

FX strategy: USD/CAD was too overbought in 2023

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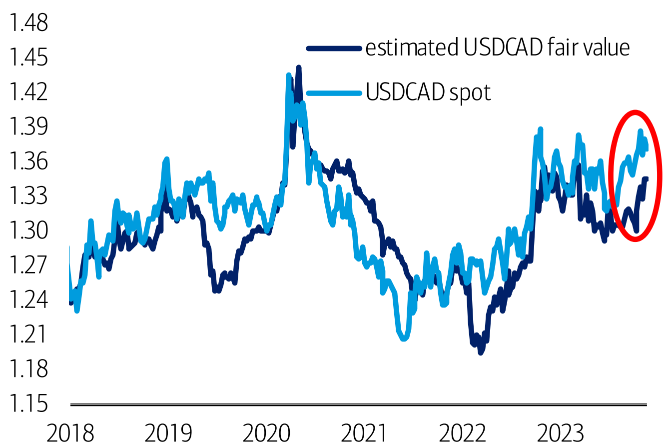
USD/CAD spot is too rich vs fair value after reaching 2023 high

After reaching a 2023 high on November 1, our fair value estimations show USD/CAD was too overvalued. Although the pair has retraced lower in November, Exhibit 5 shows current spot is still around 2% above the fair value implied by cross-asset factors. Exhibit 6, where fair value is calculated using a separate dynamic factor framework for FX (FX Quant/Vol Year Ahead: 21 November 2023), confirms the pair's richness.

Exhibit 5: USD/CAD spot is around 2% rich vs cross-asset factors estimated fair value
USD/CAD spot vs estimated fair value using cross-asset factors



Source: BofA Global Research, Bloomberg. We estimate fair value for USD/CAD by running 2y rolling regressions of logged exchange rate on US equity return, 2y US-CA rate differential, and crude oil price.

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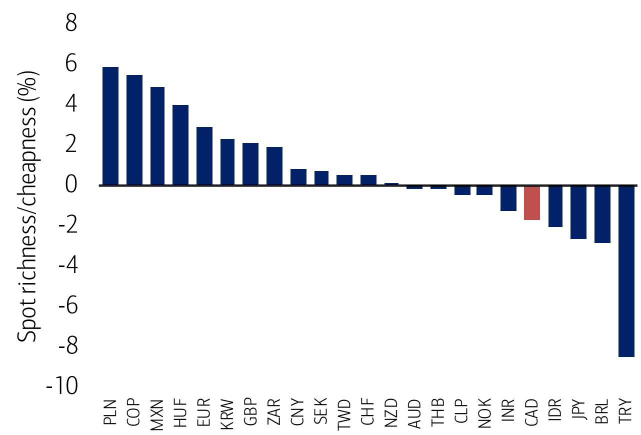
Exhibit 6: Dynamic factor model for FX also shows CAD is 1.7% undervalued vs the USD
Dynamic factor model for global currencies vs the USD



Source: BofA Global Research, Bloomberg. Chart shows each currency's % richness/cheapness vs the USD.

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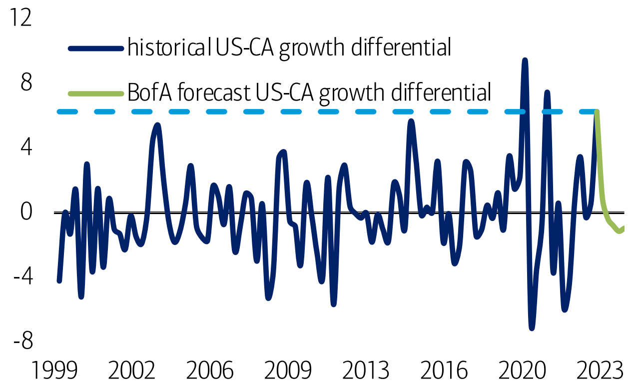
Expect USD/CAD to moderately fall in H1 2024 on growth convergence

The growth differential between Canada and the US widening to a historic level was the main cause of the USD/CAD rally after July 2023, in our view. The latest Q3 2023 US-Canada growth differential is more than 6%, a level that has not occurred outside of the peak pandemic years of 2020 and 2021 (Exhibit 7).

But the growth differential historically has not been sustainable at this level. Into 2024, our economists also expect US growth to converge down towards the rest of the world, including Canada. Recent softening of US economic data has already triggered a broad-based USD selloff. With USD/CAD spot still trading above the 200d SMA and given the fair value estimates for the pair, CAD should have more room to rally, in our view. For the first half of 2024, as a baseline, we expect USD/CAD to moderately fall to a 1.34-1.35 range on US-Canada growth recoupling.

It should be noted there is risk that the macro backdrop could also turn out to be more like one of the alternative scenarios we have described in [G10 FX Year Ahead: (20 November 2023]). If any of the bearish risk scenarios (US real rate shock, oil supply shock on geopolitics, downside China growth shock) ensue, USD/CAD could also see elevated volatility and sharply rally before converging towards valuation.

Exhibit 7: Outsized US-Canada growth differential for Q3 2023 is historically rare and unsustainable
US-CA growth differential (QoQ saar)



Source: BofA Global Research, Bloomberg

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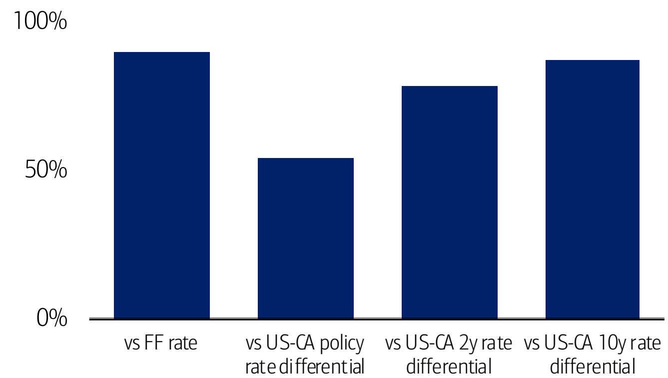
Exhibit 8: In this cycle, USD/CAD has had 90% correlation with the level of US Federal Funds rate
USD/CAD correlation with various rates measures since Fed turned hawkish in June 2021



Source: BofA Global Research, Bloomberg

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Starting of Fed rate cutting cycle will be a game changer for USD/CAD in H2
Into the second half of 2024, we believe USD/CAD could depreciate more materially once the Fed cutting cycle begins. Exhibit 8 shows that so far in this monetary policy cycle, USD/CAD spot has had a very strong +90% correlation to the level of Federal Funds rate, higher than measures of US-CA interest rate differential at various tenors. So, while the BoC could cut rates ahead of the Fed in 2024, we believe the Fed cuts that are to come would likely have a more pronounced effect on the exchange rate. The start of the Fed cutting cycle by mid-2024 along with US equity rallying to our 2024 target of 5000 (US Equity Strategy Year Ahead: 21 November 2023) should lead to CAD rallying to 1.30 vs the USD by year-end 2024, in our view. The risk would be a later than expected start for the Fed cutting cycle in 2024.

Rates Strategy: Market prices a slow cutting cycle

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Markets underpricing dovish BoC: Long CA 2y vs US 2y
Real growth and employment data have cooled in Canada faster than in the US, likely due to Canada's higher sensitivity to interest rates. Our economists expect Canadian real growth will have been half of US growth in '23 and again in '24. They also believe that Canada is showing signs of already being in recession.

Assuming inflation moves lower, which is the key to allowing central banks to envisage cuts, slower Canadian growth should allow faster cuts vs the US. Our economists expect the BoC and Fed to start cutting in June '24 but look for BoC to cut at each meeting rather than once per quarter. In 2H '24, we expect BoC cuts of 125bps vs 75bp of Fed cuts.

Market pricing, however, does not expect a rapid pace of BoC cuts. In fact, pricing of rate cuts in '24 is very similar for Canada and the US (~95bps of cuts implied for BoC, vs ~100bps for the Fed).

The divergence in our BoC and Fed rates forecasts drives our forecasts for CA rates. Due to the more aggressive path of cuts, we expect 2y CA rates to outperform US 2y and for the CA 2s10s curve to steepen. Due to our economists' expectations for BoC cuts, our rates forecasts are also more aggressive than the forwards. By year-end '24, we forecast the 2y yield will be flat to the BoC's terminal rate at 3% (Exhibit 9).

Exhibit 9: Government bond yield forecasts
We look for 10yr yields to remain around 3.1% through Q4 23

	Q1 24	Q2 24	Q3 24	Q4 24
2y	4.20	3.75	3.25	3.00
5y	3.75	3.70	3.65	3.60
10y	3.70	3.65	3.65	3.60

Source: BofA Global Research estimates

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Exhibit 10: Swap rate forecasts
We look for 10yr swap rates to remain around 3.55% though Q4 23

	Q1 24	Q2 24	Q3 24	Q4 24
2y	4.60	4.15	3.65	3.40
5y	4.10	4.05	4.00	4.00
10y	4.10	4.05	4.05	4.00

Source: BofA Global Research estimates

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While we expect the Canadian front end to lead the US front end, especially as signs develop that inflation risk is reducing, we believe Canadian long end rates might not rally as meaningfully vs the US given the already wide differential in the trough priced for the BoC cutting cycle (now 3%) vs the Fed cutting cycle (3.5%).

BoC QT likely to end with first rate cut in June '24

BoC settlement balances are currently around $140b and are projected to fall through most of 2024. Earlier this year, Deputy Governor Gravelle announced the BoC would likely end QT in late '24 or the first half of '25 when settlement balances are between CAD20b to 60b. However, we expect the BoC could end QT early with the first BoC cut in June '24, especially if prompted by a recession. Based on our forecasts, settlement balances would be roughly CAD100b, well above projected levels of settlement balance scarcity. We will continue to monitor CORRA for sustained upward pressure as indication of settlement balances becoming scarce.

Equity Strategy: Bouncing off the lows

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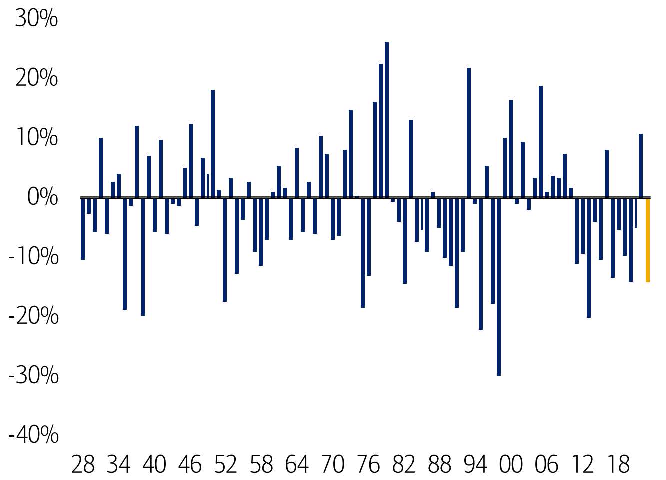
2023 YTD: Bottom 11th percentile year vs. S&P 500

The TSX index has lagged the S&P 500 by 14ppt so far in 2023, representing a bottom 11th percentile year since 1927. Following the underperformance, the TSX has now lagged by 6ppt since the end of 2020, reversing the lead from last year. The lack of Tech exposure was the biggest reason for underperformance – the Magnificent 7 drove 75% of YTD returns for the S&P 500. Compared to the equal-weighted S&P 500, the TSX performed in line.

Exhibit 11: 2023 YTD: TSX -14ppt vs. S&P 500, a bottom 11th percentile year
TSX annual return spread vs. S&P 500 (1927-2023 YTD)



Source: Bloomberg, BofA Global Research

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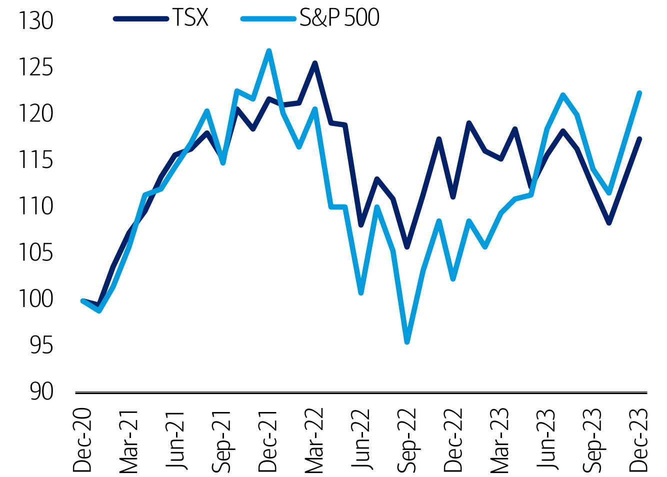
Exhibit 12: TSX has underperformed by 6ppt since the end of 2020
TSX vs. S&P 500 performance since 2020 (local currency; 12/20=100, as of 12/1/23)



Source: Bloomberg, BofA Global Research

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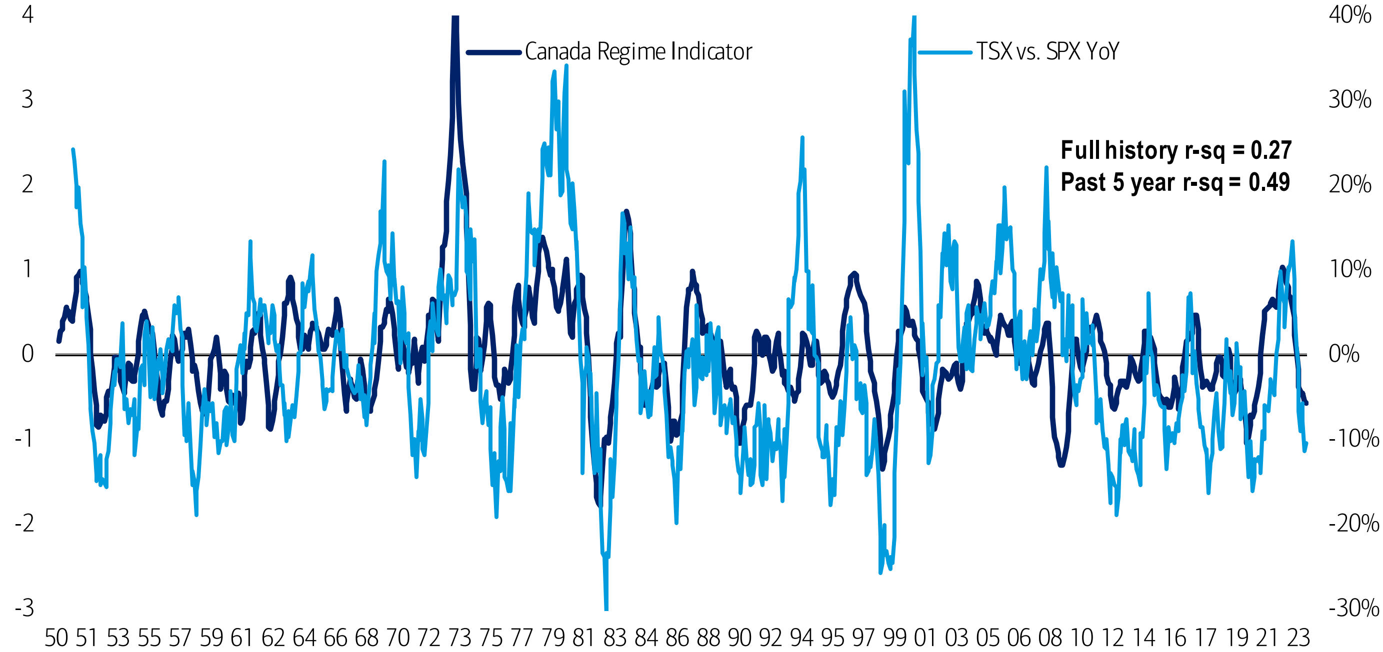
Canada Cycle Indicator: five variables that matter

We are introducing our Canada Cycle Indicator (CCI) to gauge the macro cycle for Canadian equities. It consists of five variables: 1) the risk-free rate spread vs. US, 2) the TSX's Earnings Revision Ratio vs. the S&P 500's, 3) CPI YoY in Canada, 4) OECD Canada leading indicators and 5) commodities – see full Methodology. The indicator has been a reliable coincident indicator for the relative performance of the TSX index vs. S&P 500 (r-sq: 0.27), especially in recent history (r-sq = 0.50 over the past five years; 0.72 with a 5-mo. lead) – Exhibit 13.

Some signs of a bottom, the worst may be over

The indicator (which takes the rolling 3-mo. avg.) fell m/m in November to -0.61, the lowest level since September 2020. But the more volatile 1-month ratio remains above the recent trough of -0.65 from September. A smaller YoY increase in rates in Canada vs. US and an improving earnings revision ratio for the TSX vs. SPX (highest since March 2023) suggest a potential near-term inflection in the indicator. The near-record growth differential between Canada and the US and our economists' expectation of growth convergence suggests the worst may be over for the TSX relative to the S&P 500.

Exhibit 13: Our Canada Cycle Indicator is a macro gauge for Canadian equities relative to US stocks
Canada Regime Indicator vs. relative performance of TSX vs. SPX YoY (1950-10/23)



Source: BofA Global Research, Bloomberg, FactSet, Global Financial Data
Disclaimer: The Canadian Cycle Indicator is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. The indicator was not created to function as a benchmark.

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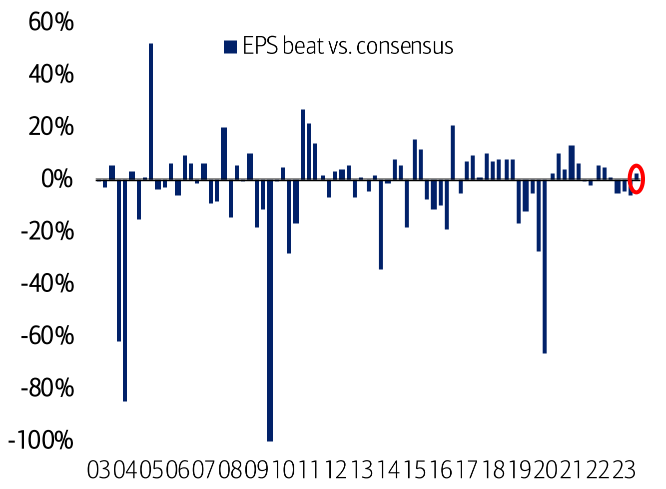
First earnings beat since 3Q22, comps get easier in 4Q

90% of TSX 60 companies representing 74% of index earnings have reported 3Q23 results so far. Earnings are tracking a 3% beat (-1% ex. Energy), representing the first beat since 3Q22. 3Q EPS is tracking -11% YoY, improving from -22% YoY (-5% ex. Energy vs. -9% in 2Q). For 4Q, consensus expects the first quarter of profit growth at +1% (-3% ex. Energy), helped by easier comps (+4% YoY in 4Q22 vs. +28% in 3Q22), ending the earnings recession over the past three quarters.

Exhibit 14: 3Q EPS is tracking a 3% beat, the first positive surprise in a year
% EPS beat vs. consensus (2003-3Q23)



Source: BofA Global Research, FactSet

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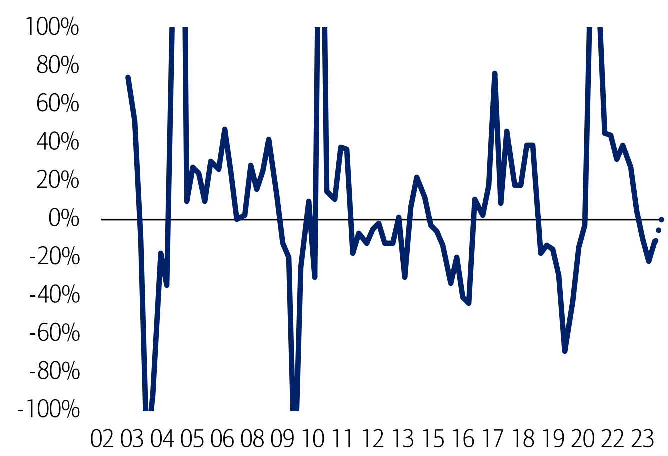
Exhibit 15: 3Q was better than 2Q. Consensus expects earnings to flip positive in 4Q
TSX 60 quarterly EPS YoY (2002-4Q23E)



Source: BofA Global Research, FactSet. Dotted line = consensus 4Q23 EPS YoY

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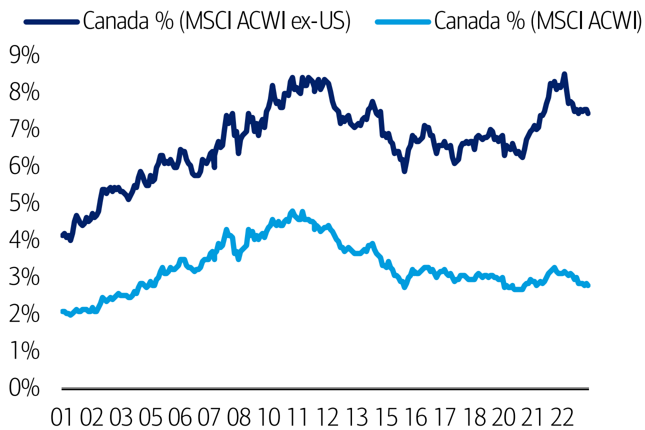
Active funds are underweight Canada

After underperforming both the US and Europe YTD, Canada's weight in global benchmarks have now dropped to 2021 levels, reversing last year's big outperformance. While global ex-US investors have not lowered their active exposure in Canada, global investors are 5% underweight Canadian equities vs. the MSCI ACWI index, compared to the 5-year average of 2% overweight. Active global ex-US funds are underweight Canadian equities by 35%.

Exhibit 16: After underperforming YTD, Canada represents a smaller portion of global indices
Canada weight % in MSCI world indices (2001-10/23)



Source: EPFR, Datastream, BofA Global Research

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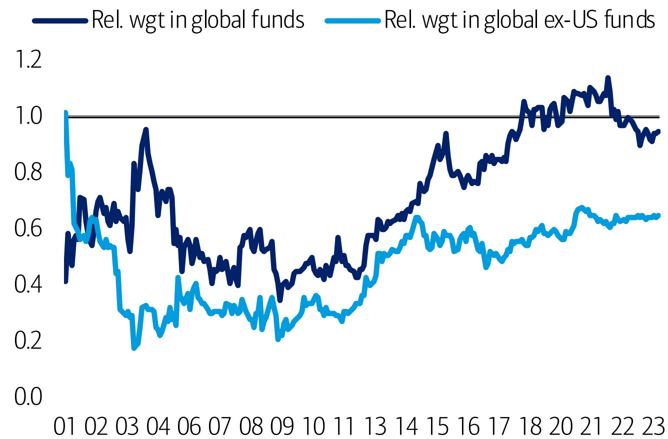
Exhibit 17: Global funds are underweight Canadian equities
Global equity funds' allocations to Canada relative to MSCI benchmarks (2001-10/23)



Source: EPFR, BofA Global Research

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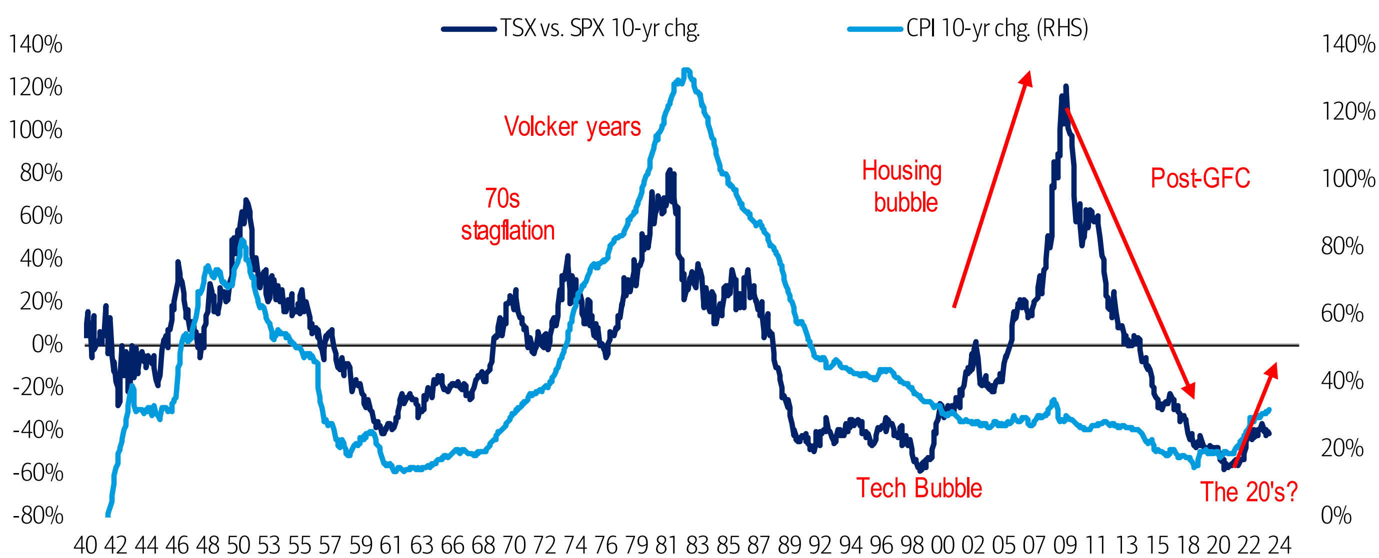
Follow the inflation/commodity cycle

The prior three upcycles in the TSX vs. SPX (50s, 70s and 2000s) were marked by either inflation or commodity upcycles (or both), and we continue to expect inflation and commodity prices to stay elevated in the 2020s, benefitting the TSX over the S&P 500.

Exhibit 18: TSX vs. S&P 500 follows the inflation cycle
10-yr returns of the TSX / S&P 500 vs. CPI (1940-present)



Source: Bloomberg, BofA US Equity & Quant Strategy

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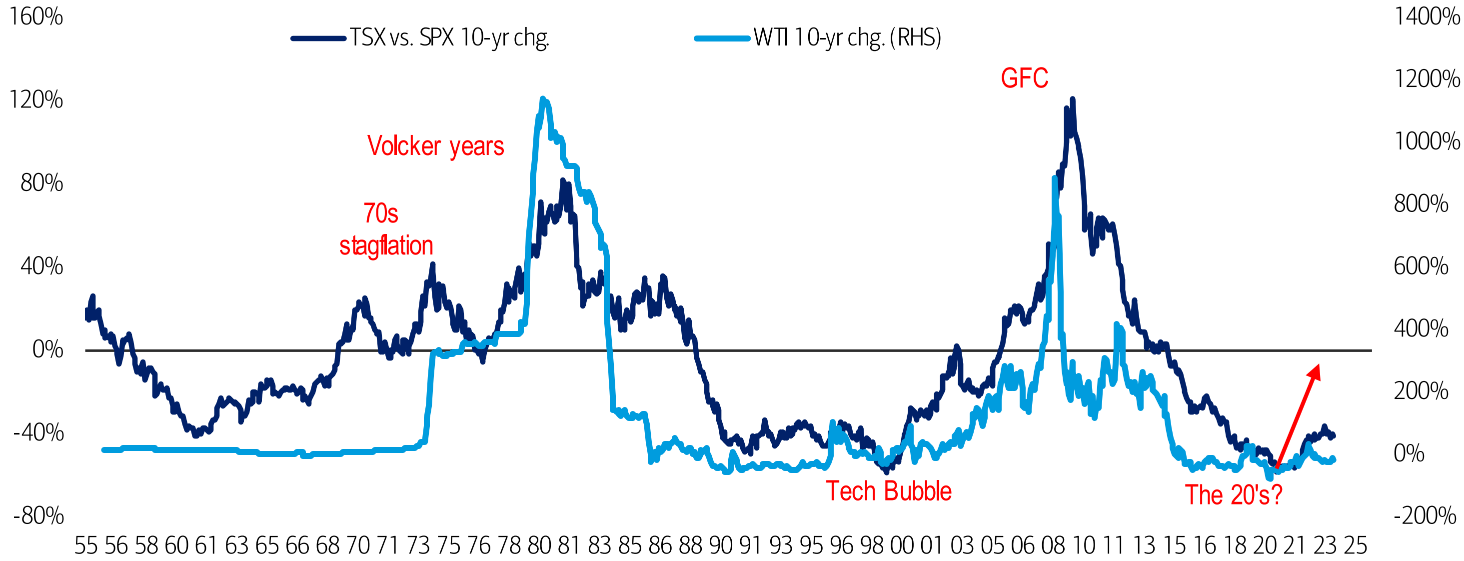
Exhibit 19: TSX vs. S&P 500 follows the commodity cycle
10-yr returns of the TSX / S&P 500 vs. WTI oil (1955-present)



Source: Bloomberg, Haver Analytics, Global Financials Data, BofA US Equity & Quant Strategy

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Methodology

Inputs for the Canada Cycle Indicator

Inputs for the Canada Cycle indicator include the following five macroeconomic or top-down variables listed below. We calculate the Z-score of each variable and compute the simple average.

- **10-yr Government Bond Yield (spread between the US and Canada)**: Calculated as the spread between the US 10-yr Treasury bond yield YoY and the Canadian Government 10-yr yield YoY in basis points. A lower yield in Canada implies a lower risk-free rate for the TSX vs. the S&P 500.

- **Earnings Revision Ratio (TSX vs. S&P 500):** Calculated as the ratio between the number of companies in the index for which consensus earnings estimates have been raised versus those that have been lowered. A rising ratio indicates an improving economic cycle. We then calculate the ratio of the TSX's ERR versus the S&P 500's ERR and compute the YoY change in the relative ratio.

- **Inflation:** The YoY change in CPI in Canada, represented as the Z-Score. Rising inflation indicates improving economic conditions, benefitting inflationary assets like the TSX.

- **Commodities:** The YoY change in the Bloomberg Commodity Index, represented as the Z-score. Rising commodity prices indicate improving economic conditions and benefit commodity-exposed companies, such as Energy and Materials companies. Energy and Materials represent ~30% of the TSX vs. just 7% for the S&P 500.

- **Canada Leading Indicators:** The YoY change in the OECD Canada Leading Indicators, represented as a Z-score. A rising Z-score indicates improving economic conditions in Canada.

For the historic period from January 1950 to November 1960, the Canada Cycle Indicator was based on three inputs that were available (rates, inflation, and commodities). The

Canada Leading Indicators Index was included from December 1960 and the Earnings Revision Ratio was included from April 2007.

Exhibit 20: Canada Economic Forecast Summary

Selected economic and financial indicators

Real Economic Activity, %SAAR	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	2022	2023	2024	2025
Real GDP	2.5	1.4	-1.1	0.6	0.9	1.3	1.8	2.0	2.1	2.1	1.9	2.1	3.8	1.1	0.9	2.0
% Change, Year Ago	1.8	1.2	0.5	0.8	0.4	0.4	1.1	1.5	1.8	2.0	2.0	2.0	3.8	1.1	0.9	2.0
Final Domestic Demand	2.9	1.2	1.3	-0.3	0.8	1.0	1.9	1.1	2.0	2.5	2.5	2.6	5.3	0.0	0.7	1.9
Household Consumption	5.3	-0.1	0.1	1.2	2.6	1.9	2.2	2.0	2.0	2.0	1.9	1.8	5.1	2.1	1.6	2.0
Residential Investment	-12.6	-4.2	8.3	5.0	0.2	2.0	3.0	4.0	3.0	4.0	1.2	4.0	-12.1	-9.6	2.7	3.1
Business Investment (non-res.)	5.6	8.4	-7.2	3.0	-5.0	-5.6	0.5	4.5	3.5	6.0	7.0	5.0	4.7	1.5	-1.9	3.7
Government	1.6	1.1	6.5	7.2	2.0	2.5	1.8	1.0	-0.3	0.3	1.0	2.5	3.3	2.5	3.4	0.8
Inventory change	31,831	31,181	25,399	3,981	563	-204	-1,090	-8,037	-5,674	-4,397	-3,469	-3,201	55,290	23,098	-2,192	-4,185
Exports	12.1	5.1	-5.1	3.0	1.7	0.8	1.3	5.0	4.5	4.0	3.3	4.6	3.2	4.7	1.3	3.7
Imports	4.0	4.4	-0.6	0.0	1.4	0.0	1.5	2.0	4.0	5.0	5.0	6.0	7.6	1.0	0.8	3.5
Nominal GDP (C$bn, SAAR)	2,838	2,859	2,904	2,931	2,959	2,989	3,020	3,051	3,083	3,114	3,143	3,175	2,813	2,883	3,005	3,036
% SAAR	-0.2	3.1	6.4	3.7	3.9	4.1	4.2	4.2	4.2	4.0	3.8	4.2	11.8	2.5	4.2	1.0
Key Indicators																
Unemployment Rate (%)	5.0	5.2	5.5	5.8	6.0	6.2	6.4	6.5	6.5	6.5	6.3	6.2	5.3	5.4	6.3	6.4
Goods Trade Balance (C$bn, SAAR)	1.6	-24.7	3.3	1.9	1.6	1.1	-0.5	0.5	0.0	-0.9	-1.9	-2.9	19.7	-4.5	-4.5	1.9
Current Account (% of GDP)	-1.0	-1.0	-0.4	-0.6	-0.6	-0.7	-0.7	-0.4	-0.9	-1.4	-1.9	-2.0	-0.4	-0.8	-0.6	-0.7
Inflation and Policy																
GDP Deflator (% SAAR)	-2.6	1.7	7.4	3.2	3.1	2.8	2.4	2.3	2.0	1.9	1.9	2.1	5.6	2.4	2.6	2.0
CPI (% Change, Year Ago)	5.2	3.5	3.6	3.1	3.0	2.8	2.4	2.2	2.0	1.9	1.9	2.1	6.8	3.9	2.6	2.0
Average of Core CPI (% Change, Year Ago)	4.8	4.0	3.8	3.3	2.8	2.5	2.2	2.1	2.0	2.0	2.0	2.0	4.9	4.0	2.4	2.0
Bank of Canada Overnight Rate (eop)	4.50	4.75	5.00	5.00	5.00	4.75	4.25	3.75	3.25	3.00	3.00	3.00	4.25	5.00	3.75	3.00
FX (eop)																
USDCAD	1.35	1.36	1.33	1.36	1.35	1.34	1.32	1.30	1.30	1.30	1.30	1.30	1.36	1.36	1.30	1.30

Source: BofA Global Research estimates

Note: Shaded regions represent BofA Global Research forecasts

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