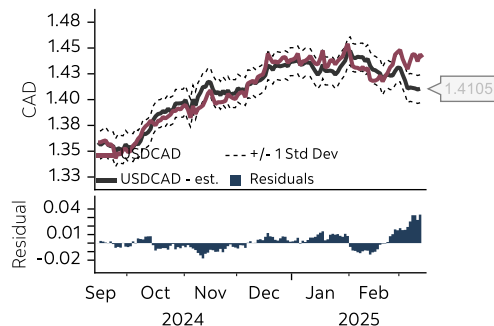


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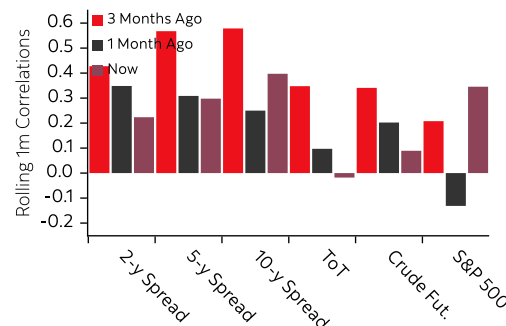
CAD Weekly Outlook March 14, 2025

USDCAD Vs. Estimated Fair Value



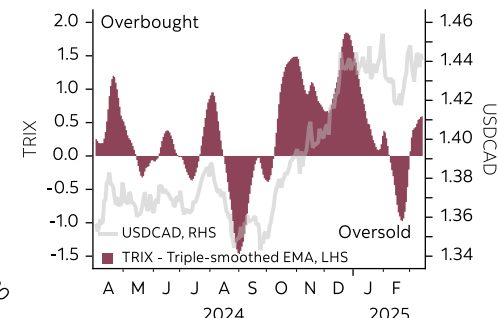
Source: Macrobond, Scotiabank FICC Strategy

What's Influencing the CAD?



Source: Macrobond, Scotiabank FICC Strategy

USDCAD Vs. Momentum Oscillator



Source: Macrobond, Scotiabank FICC Strategy

CAD Weekly Outlook

CAD Undervalued but Range Trade to Extend

The CAD is down modestly in the week against a mixed to somewhat softer USD. The significant narrowing in US/Canada spreads over the past month has helped steady the CAD despite the still aggravated tone of trade rhetoric. The 2Y and 10Y cash bond spreads narrowed around 25bps since early February; compression has been a bit more marked in the belly of the curve (5Ys down 30bps). Equity market volatility—note the pickup in the CAD's correlation with US stocks—and tariff risks are preventing the CAD from taking advantage, however. USDCAD is sitting at its most overvalued levels since 2022 this week, by our measure, with the estimated equilibrium (1.4105 today) holding about two standard deviations above spot. Our TRIX oscillator indicates firm, but possibly slowing, bullish momentum behind USD gains.

There's a new sheriff in town as of today. It should not be too hard for PM Carney to have a better relationship with President Trump than Trudeau did and perhaps build on the tentative détente that has developed between Ontario Premier Ford and Commerce Sec. Lutnick. Trade wars and tariff uncertainty are stoking market volatility and getting in the way of business deals, such as IPOs and M&A, in the US. Pressure may be building for the White House to find an off ramp and refocus on issues that resonate more strongly with an increasingly disgruntled base—tax cuts, deregulation and reducing the size of government. It may not be until early April that we get a clearer sense of the tariff regime we are facing in Canada, however. Our week-ahead model anticipates a 1.4297/1.4516 range for funds next week (with 75% confidence). That equates closely to the recent trading range for spot and more sideways trading for the CAD may lie ahead next week.

There is plenty of US data to focus on in the coming week as well as the Fed policy decision Wednesday. We get a look at early March activity via the NY and Philly Fed surveys (Monday and Thursday respectively) which may give more of a sense of whether tariff uncertainty is hurting confidence materially. There is a raft of housing data as well as February Retail Sales (Monday) and Leading Indicators (Thursday). TIC flows data often goes overlooked these days; the December data reflected strong overall net inflows but the largest net outflow from US assets by official accounts on record. The FOMC is expected to result in a policy hold at 4.50%. Updated forecasts will give some insight—perhaps—on the Fed's thinking on tariff effects. In Canada, CPI and Retail Sales data (Tuesday and Friday, respectively) will be the primary focus for traders. There are only a handful of estimates available for CPI at this point but a (potentially hefty) pick up in prices in the month is inevitable as the recent tax holiday expires. Scotia expects CPI to rise 1.1% in February and push inflation up to 2.2% in Y/Y terms (from 1.9%). The Bank will look through these swings and continue to monitor broader price trends for signs of any second-round inflation impact from tariffs.

Technical signals are mixed. On the one hand, price moves this week indicate a short-term top/reversal (bearish “evening star” candle pattern) developed around Tuesday's spot high. Firm resistance sits at 1.4515/20 now and a little higher still at 1.4545/50. However, the USD enjoys the support of solidly bullish trend momentum across the intraday, daily and weekly charts now which will bolster support around 1.4340/50 (40-day MA and this week's low). A push under 1.4350 may see spot ease back to 1.4225/50.

Calendar highlights for the coming week:

Canada

Jan Int'l Securities Transaction—Monday

Feb CPI—Tuesday

Feb IPPI—Thursday

Jan Retail Sales—Friday

US

Mar Empire Survey—Monday

Feb Retail Sales—Monday

Feb Industrial Production—Tuesday

FOMC decision—Wednesday

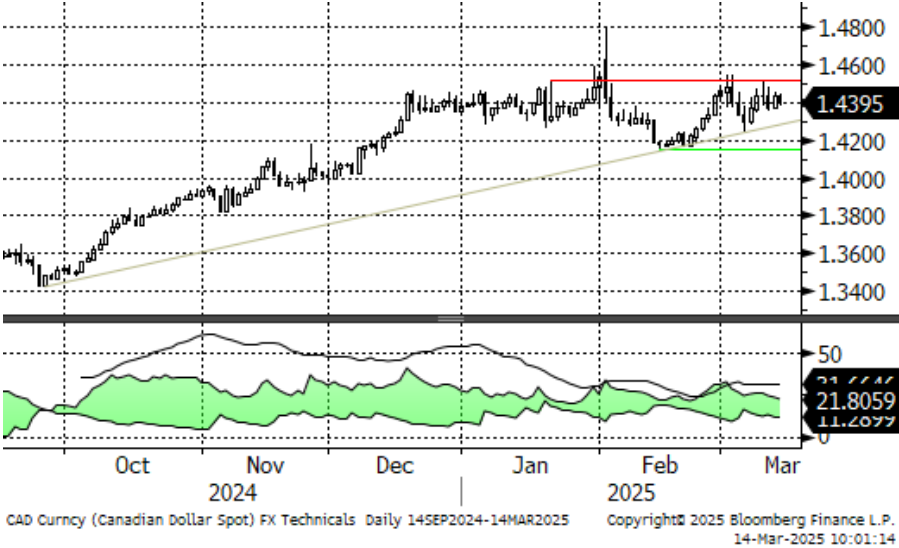
Jan TIC Flows—Wednesday

Mar Philly Fed Survey—Thursday

Feb Leading Index—Thursday

NEXT WEEK'S NORTH AMERICAN CALENDAR

Day	Country	Release	Period	Consensus	Last
Mon	CA	Housing Starts	Feb	247.6k	239.7k
	CA	Int'l Securities Transactions	Jan	--	14.37b
	US	Empire Manufacturing	Mar	-2	5.7
	US	Retail Sales Advance MoM	Feb	0.7%	-0.9%
	US	Retail Sales Ex Auto MoM	Feb	0.4%	-0.4%
	CA	Existing Home Sales MoM	Feb	--	-3.3%
	US	Business Inventories	Jan	0.3%	-0.2%
	US	NAHB Housing Market Index	Mar	42	42
Tue	CA	CPI NSA MoM	Feb	--	0.1%
	CA	CPI YoY	Feb	--	1.9%
	US	Housing Starts	Feb	1383k	1366k
	US	Building Permits	Feb P	1450k	1473k
	US	Import Price Index MoM	Feb	-0.1%	0.3%
	US	Industrial Production MoM	Feb	0.3%	0.5%
Wed	US	FOMC Rate Decision (Upper Bound)	19-Mar	4.50%	4.50%
	US	FOMC Median Rate Forecast: Current Yr	19-Mar	--	4.38%
	US	FOMC Median Rate Forecast: Next Yr	19-Mar	--	3.88%
	US	FOMC Median Rate Forecast: +2 Yrs	19-Mar	--	3.38%
	US	FOMC Median Rate Forecast: Long-Run	19-Mar	--	3.00%
	US	Net Long-term TIC Flows	Jan	--	\$72.0b
Thur	CA	Industrial Product Price MoM	Feb	--	1.60%
	US	Current Account Balance	4Q	--	-\$310.9b
	US	Initial Jobless Claims	15-Mar	--	220k
	US	Continuing Claims	8-Mar	--	1870k
	US	Philadelphia Fed Business Outlook	Mar	12	18.1
	US	Leading Index	Feb	-0.1%	-0.3%
Fri	US	Existing Home Sales	Feb	3.92m	4.08m
	CA	Retail Sales MoM	Jan	--	2.5%
	CA	Retail Sales Ex Auto MoM	Jan	--	2.7%
	US	Fed's Williams Speaks in Bahamas			



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