

Comment on USD/CAD Exchange Rate

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USD/CAD

[Bloomberg Ticker: USDCAD:CUR]

Canadian Dollars per 1 United States Dollar

Graph Analysis and Fundamental Views

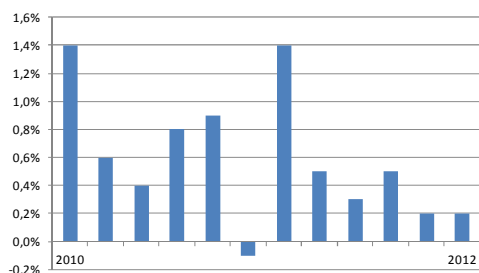
Our comment is based on USD/CAD graph analysis that spans the last 16 years. The scope of the graph analysis is to detect signs of significant long-term movements in the exchange rate that may initiate in the short to medium term horizon.

During the period 1996 – 2013 and looking at the time sequence of its major movements, the USD/CAD exchange rate climbed to the territory above 1.60, then corrected to the level of 0.90, and after that made a new rebound up to 1.30. It then corrected again to 0.90 and over the past several months is trading along the broader neighborhood of 1. The following chart presents the USD/CAD FX Spot Rate during the last 5 years.

US Dollar / Canadian Dollar FX Spot Rate (Last 5 years, Source: Exchange)



Canadian GDP Growth (Last quarters)



Source: Department of Finance Canada

Looking at the fundamentals that may determine expectations and consequently draw the future trading movements of the USD/CAD, the following points are highlighted for further consideration and analysis:

- The Canadian currency has been affected by low growth rates that have been recently realized in the domestic economy with expectations pointing towards further weakness in the next couple quarters. Monetary policy is more likely to focus on the weakening economic activity implying not significant interest rate increases during the first half of 2013.
- Data of manufacturing activity, wholesale sales and retail sales observed over the past quarters are not particularly encouraging.
- Capital outflows from the Canadian economy to foreign investment activities with a notable movement to the US market continued over the past months.

We will continue to look at the fundamental aspects surrounding the USD/CAD rate with the objective to contemplate whether the conditions of a long-term upward movement have been fulfilled.

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