



Canada: the multi-asset view

No excitement from the Fed overnight but it's now one week since the Bank of Canada became the first G7 central bank to signal an end to extraordinary monetary policy accommodation. How has the dust settled?

Model Name	ST/LT	Asset Class	Confidence(%)	Val Gap	Val Gap (σ)
AUDCAD	LT	FX	28%	-1.81%	-1.16
USDCAD	LT	FX	89%	-2.20%	-0.92
USD-CAD 1Y1Y Fwd	LT	Rates	56%	-4.38...	-0.73
CADNOK	LT	FX	52%	-1.31%	-0.65
CAD 2Y10Y Spr	LT	Rates	88%	-18.6...	-0.55
VSC CN	LT	ETFs	83%	-0.19%	-0.43
ZCM CN	LT	ETFs	86%	-0.39%	-0.26
XGD CN	LT	ETFs	92%	-3.02%	-0.26
CADRUB	LT	FX	52%	-0.61%	-0.23
CAD 5Y5Y Fwd	LT	Rates	95%	1.64...	0.03
XGB	LT	ETFs	94%	0.15%	0.05
USD-CAD 5Y5Y Fwd	LT	Rates	54%	0.56...	0.08
EURCAD	LT	FX	88%	0.17%	0.09
CADJPY	LT	FX	94%	0.82%	0.26
CAD 1Y1Y Fwd	LT	Rates	84%	3.41...	0.37
XIU	LT	ETFs	95%	2.43%	0.46

- **Equities.** The [TSX 60 ETF XIU](#) is in a strong regime & one where it is comfortable with **reflation**. Rising inflation, higher bond yields are all tailwinds – they currently reflect stronger growth, not tighter financial conditions. A FVG of $+0.4\sigma$ ($+2.2\%$) suggests a modest amount of this favourable scenario is already discounted.
- **FX.** Spot CAD has moved aggressively since the BoC last week but, on the whole, it is moving in line with macro fundamentals. Most models are within 0.5σ of fair value. The exception is [USDCAD](#) at -0.9σ (-2.2%). A 1 year low for the FVG & a level that back-tests well (72% hit rate, $+0.8\%$ average return).
- **Fixed Income.** Canadian credit ([VSC](#), [ZCM](#)) & Canadian rates are close to model value. Even with the BoC induced re-pricing of the front end, [1y1y CAD](#) is within 0.5σ of fair value. Most interesting is the [2s10s curve](#) – in regime & 18bp too flat versus macro. An attractive entry point for those who believe QT + issuance equates to a steeper yield curve.

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