

# FX Model Portfolio Update

Global Rates, FX &amp; Commodities Strategy

27 October 2021

▶ CANADA

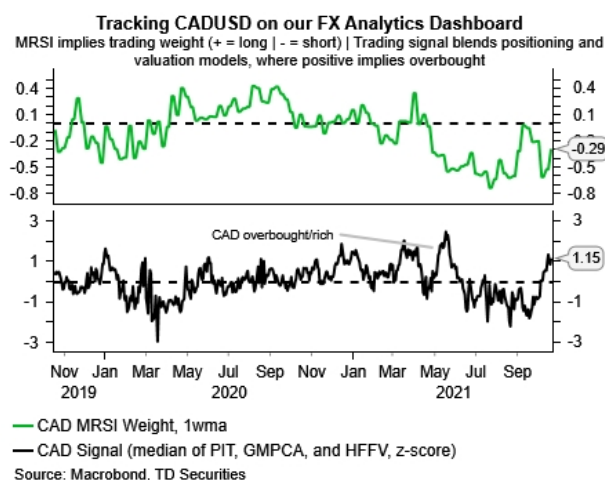
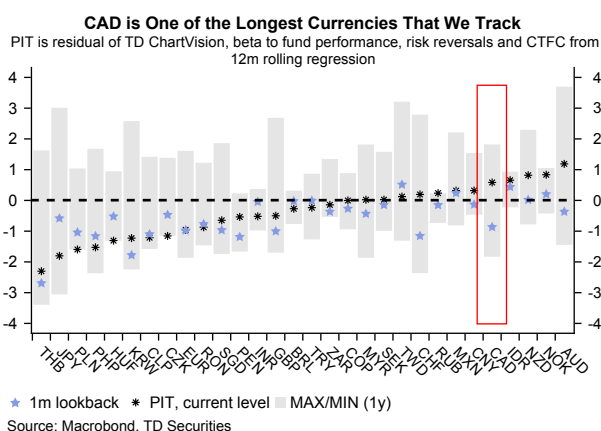
▶ FX

▶ GLOBAL MARKETS

Position	Entry Level	Target Level	Stop-Loss	Trade Size	Expected Horizon
Buy USDCAD	1.2413	1.2750	1.2200	\$1mn	1-2m

## Buy USDCAD

We add a long USDCAD position to our FX Model Portfolio and target a move to 1.2750. A lot of good news appears in the CAD price. Since the September Fed meeting, the CAD has registered one of the largest builds on our positioning tracker. This has helped to drive a discount on our cross-asset FV measure (approximately 1.25) and an even larger discount on our implied level derived from just global growth expectations and risk sentiment (1.27). Technicals also suggest sufficient signs of a bottom in the pair (such as the MACD). Our rates team also believes the global front-end repricing has matured. Looking at the OIS curve, we think risk/reward is unappealing to price in more tightening at the April 2022 meeting (which is already a rather heroic assumption in our view) or for 3 hikes by July of next year. While CAD's oil beta has appreciably tightened in recent weeks, the terms of trade boost may be well advanced as our commodity team expects WTI oil to average \$86 this quarter. We also expect a firmer USD in the weeks ahead, driven by outperformance against the low yielders and sticky Fed pricing as well as a seasonal boost that tends to occur in November.



This report is a marketing communication. It has not been prepared in accordance with legal requirements, as outlined in the UK FCA's COBS, designed to promote the independence of investment research and is also not subject to any prohibition of dealing ahead of the dissemination of investment research, although as a matter of policy TD Securities requires its employees not to deal ahead of the dissemination of this report.

