

MARKET CALL

- Back in January, we warned that the Bank of Canada might have to wait until July to have evidence that the economy was picking up enough to justify the next hike. That still looks like the right call, and we're betting on another extended pause after that. This is a central bank that will err on the side of caution given various headwinds to growth.
- The Canadian dollar retrenched after what we thought was an excessive climb, but that pull back largely reflected a general weakening in the US\$ globally. A monetary policy divergence with the US and lingering trade uncertainties will provide some made-in-Canada reasons for a further loonie slippage.
- We've modestly raised our long-term bond yield targets for the US and Canada. To the pressure we already had factored in from the combination of large US fiscal deficits and the unwinding of central bank balance sheets ahead, we added a touch more to allow for inflation expectations to nudge higher, as our forecast for oil prices made room for the disruption evident in Venezuela.

INTEREST & FOREIGN EXCHANGE RATES

END OF PERIOD:	2018				2019			
	27-Apr	Jun	Sep	Dec	Mar	Jun	Sep	Dec
CDA Overnight target rate	1.25	1.25	1.50	1.50	1.75	1.75	2.00	2.00
98-Day Treasury Bills	1.19	1.25	1.45	1.45	1.75	1.70	1.95	2.00
2-Year Gov't Bond	1.90	1.90	2.05	2.05	2.10	2.10	2.20	2.25
10-Year Gov't Bond	2.32	2.50	2.50	2.50	2.60	2.65	2.65	2.60
30-Year Gov't Bond	2.41	2.50	2.65	2.75	2.85	2.85	2.90	3.05
U.S. Federal Funds Rate	1.625	1.875	2.125	2.125	2.375	2.625	2.625	2.875
91-Day Treasury Bills	1.81	1.80	1.90	2.05	2.25	2.55	2.65	2.80
2-Year Gov't Note	2.49	2.40	2.45	2.50	2.60	2.70	2.70	2.80
10-Year Gov't Note	2.96	3.00	2.95	3.05	3.20	3.30	3.25	3.15
30-Year Gov't Bond	3.13	3.25	3.35	3.45	3.50	3.50	3.55	3.60
Canada - US T-Bill Spread	-0.62	-0.55	-0.45	-0.60	-0.50	-0.85	-0.70	-0.80
Canada - US 10-Year Bond Spread	-0.64	-0.50	-0.45	-0.55	-0.60	-0.65	-0.60	-0.55
Canada Yield Curve (10-Year — 2-Year)	0.42	0.60	0.45	0.45	0.50	0.55	0.45	0.35
US Yield Curve (10-Year — 2-Year)	0.48	0.60	0.50	0.55	0.60	0.60	0.55	0.35
EXCHANGE RATES								
CADUSD	0.78	0.77	0.76	0.76	0.78	0.78	0.76	0.77
USDCAD	1.29	1.30	1.32	1.31	1.28	1.29	1.31	1.30
USDJPY	109	105	103	102	102	102	101	100
EURUSD	1.21	1.25	1.27	1.28	1.29	1.29	1.30	1.32
GBPUSD	1.38	1.41	1.41	1.44	1.46	1.47	1.48	1.52
AUDUSD	0.76	0.76	0.77	0.80	0.82	0.83	0.84	0.85
USDCHF	0.99	0.94	0.93	0.93	0.92	0.93	0.93	0.92
USDBRL	3.47	3.26	3.40	3.45	3.40	3.50	3.52	3.58
USDMXN	18.7	20.1	19.5	19.0	18.8	18.8	18.5	19.0