

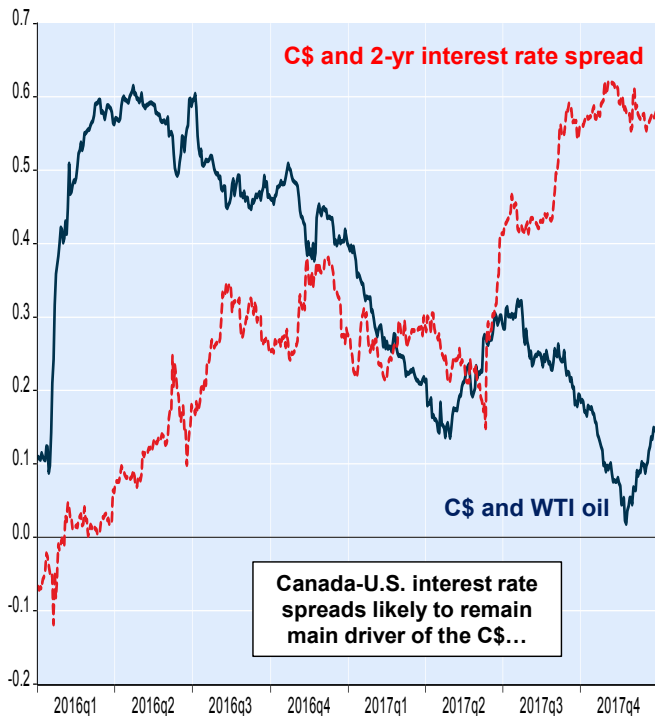
Canada Watch

The Canadian dollar is struggling, even though the WTI oil price is now at a multi-year high. Rumours/concerns about NAFTA are making a comeback, taking the currency for a spin via deteriorating Canada-U.S. interest rate spreads. As today's *Hot Charts* show, the C\$'s correlation with interest rate spreads has become stronger than with WTI oil. The latter's influence on the C\$ has diminished in part due to Keystone pipeline woes which caused the WTI-WCS price difference to widen to a 4-year high (see January's edition of *Forex* for more information). So, for the next little while, the loonie may continue to take its cue from Canada-U.S. interest rate spreads rather than WTI oil.

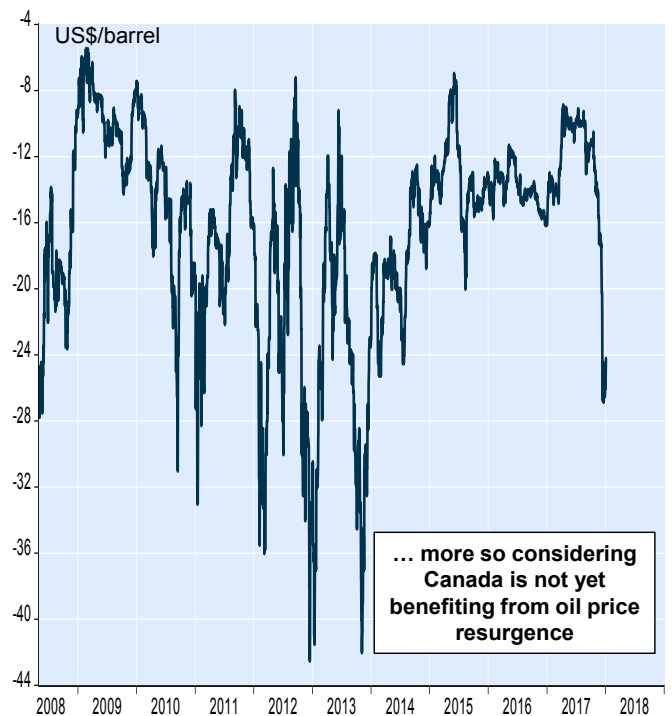
Krishen Rangasamy

Canada: Interest rate spreads driving the C\$

100-day moving correlation for changes in C\$ versus changes in WTI oil and Canada-U.S interest rate spread



Western Canada Select oil price minus WTI oil price



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