

Will Employment Numbers put Canada onto a Different Path

than US ? -Canadian Net Change in Employment and Unemployment Rate for August, will be released at 12:30 GMT today. The US Initial Jobless Claims released yesterday fell to 259K, from the previous figure of 263K, marking the 79th straight week of claims below 300K. The Continuing Jobless Claims fell slightly to 2.144 million, from the previous figure of 2.151 million. The positive figures indicate the US labour market remains sound. The Fed's Beige Book released on 7th September stated that the US economy is expected to grow at a moderate pace in the coming months. The dollar index rebounded yesterday from 94.445 to 95.135, a 0.73% rise, after testing the significant support line. **USDCAD** has turned bearish since 1st September, when the US ISM figure underperformed. Yet the level at 1.2800 is a significant support line. USDCAD has rebounded since 7th September, after the Bank of **Canada announced rates** remain unchanged at 0.5%. According the **CME Group's** FedWatch tool, the chance for a rate hike in December is 45.7%. Whereas, this depends on whether the subsequent economic data shows enough positive signals to convince the Fed to raise rates. The interest rate in Canada is expected to remain steady until next year to grapple with the overheated housing market. Therefore, if the US economic data in the following months shows a healthy economic outlook, then the US dollar will likely strengthen against the Canadian dollar. In comparison with the **US labour market** growth, the Canadian labour market appears to be underperforming. The Canadian Net Change in

Employment for July plummeted to -31.2K, hitting the lowest level since the end of 2015. Canadian inflation was close to the Bank of Canada's target, yet the economic growth has been slowing down. Industrial capacity utilization rate declined in Q2, fell to its lowest level since 2010. Industrial capacity accounts for 80% of the production capacity. Despite the oil prices rally yesterday, helped by the substantial drop of crude inventories, the prospects for oil prices are likely to be more bearish, as a result of oversupply. The investment in energy sector in Canada has fallen due to the drop in oil prices. The commodity prices slump has posed a downside risks on the **Canadian economy**. Canadian exports climbed 3.4% in July, lowering the trade deficit. However, subsequent data is needed to examine the sustainability. USDCAD has formed a consolidation pattern since the end of July. The 1.2910 resistance level was broken yesterday. The bullish momentum continues this morning, it is currently testing the resistance level at 1.2940. The next significant resistance level is at 1.3000. The support line is at 1.2910, followed by 1.2850, 1.2830, and 1.2800. The 4 hourly Stochastic Oscillator is above 80, be aware of a retracement. With better-than-expected Canadian employment numbers, USDCAD will likely retrace and test the support line at 1.2910. With weaker-than-expected readings, USDCAD will likely rally and test the resistance level.

Today's important market news

Time: GMT

08:30 Consumer Inflation Expectations
12:15 Housing Starts s.a (YoY)
12:30 Participation rate
12:30 Net Change in Employment
12:30 **Unemployment Rate**
17:00 Baker Hughes US Oil Rig Count

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