

The Canadian dollar's quiet milestone

By Michael Babad

July 20, 2016 – *The Globe and Mail*

The Canadian dollar has hit a milestone of sorts: For the first time in more than three years, the loonie is above where it was a year earlier.

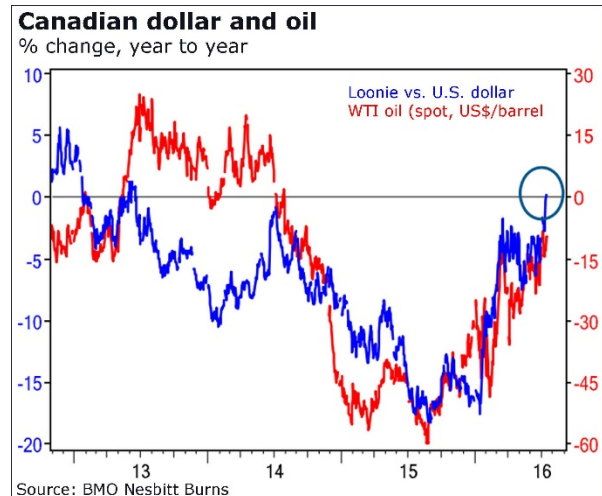
Not only that, says BMO Nesbitt Burns chief economist Douglas Porter, who spotted the move, the loonie has been “notably calm” over the past few months, trading in a range of about 3 cents since the close of the first quarter.

“Notably, this period of relative stability has helped it quietly climb above year-ago levels,” said Mr. Porter, highlighting the blue line in his chart.

“This marks the first time in more than three years that the Canadian dollar is higher than a year ago, dating all the way back to when Stephen Poloz took the reins at the Bank of Canada (June 2013).

The currency's fortunes are, of course, tied to the price of oil, though other factors have been at play, and it stands now at about the 76.5-cent U.S. mark.

Oil prices have suffered recently, which is “no friend” to the Canadian dollar, Mr. Porter said.



“But, note that oil took an even deeper slide around this time of year in each of the past two years,” he added.

“Meantime, the currency is being supported by some haven flows amid uncertainty/turmoil in many other economies.”

As other economists have also noted, this will change at some point, depending on when the Federal Reserve looks to raise interest rates again, as well as where oil prices head.