Canadian dollar slides to near five-month low amid plunging oil prices

By Fergal Smith
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The Canadian dollar weakened to a nearly five-month low on Tuesday against a broadly stronger greenback, as oil prices tumbled and a senior Bank of Canada official made comments that some market players considered dovish.

The rise in interest rates "is resulting in difficult adjustments in the finances of many," Bank of Canada Senior Deputy Governor Carolyn Wilkins said in a speech.

The central bank has hiked by a total of 125 basis points since July 2017 to leave its benchmark interest rate at a level of 1.75 per cent. Money markets expect another hike by March.

The loonie was pressured by a combination of "pretty dovish comments from Wilkins," a stronger U.S. dollar and lower oil prices, said Christian Lawrence, senior market strategist at Rabobank.

Oil, one of Canada's major exports, was caught in a broader Wall Street sell-off that was fed by rising concerns about slowing global economic growth.

U.S. crude oil futures settled 6.6 per cent lower at $53.43 a barrel.

At 3:53 p.m. (2053 GMT), the Canadian dollar was trading 1 per cent lower at 1.3304 to the greenback, or 75.17 U.S. cents, its largest decline since Feb. 2.

The currency touched its weakest intraday level since June 28 at 1.3318.

The U.S. dollar rallied as a sell-off in world stock markets spurred safe-haven bids and investors worried about slowing global growth.

Canadian government bond prices were mixed across the yield curve with the two-year down 1 Canadian cent to yield 2.217 per cent and the 10-year rising 7 Canadian cents to yield 2.349 per cent.

The 10-year yield touched its lowest intraday since Sept. 13 at 2.332 per cent.

The gap between Canada's 10-year yield and its U.S. equivalent widened by 1 basis point to a spread of 71.2 basis points in favour of the U.S. bond.