Canadian dollar weakens as oil-price slide offsets domestic data

November 23, 2018 – *The Globe and Mail / Reuters*

The Canadian dollar weakened against its U.S. counterpart on Friday, as a further slide in the price of oil offset domestic data showing above target inflation and increased retail sales.

At 9:20 a.m., the Canadian dollar was trading 0.3 per cent lower at 1.3238 to the greenback, or 75.54 U.S. cents.

The currency, which on Tuesday touched its weakest in nearly five months at 1.3318, traded in a range of 1.3185 to 1.3259.

Canada's annual inflation rate remained above the central bank's target of 2 per cent for the ninth straight month in October, data showed, but markets saw few signs the Bank of Canada would hike interest rates next month.

Chances of a rate increase in December held at about 23 per cent after the data, the overnight index swaps market indicated.

In separate data, the value of Canadian retail trade rose by 0.2 per cent in September from August, while volumes increased by 0.5 per cent.

The price of oil, one of Canada's major exports, fell to its lowest in more than a year, on course for its biggest one-month decline since late 2014, even as oil producers considered cutting production to try to stem a rising global surplus.

U.S. crude prices were down 6.2 per cent at $51.25 a barrel.

Stocks were pressured by the slide in oil prices and investor nervousness ahead of U.S.-China trade talks at the G20 summit next week.

In addition to being a major oil exporter, Canada runs a current account deficit. Its economy could be hurt if the global flow of trade or capital slows.

Canadian government bond prices were higher across a flatter yield curve, with the two-year up 3.8 cents to yield 2.224 per cent and the 10-year rising 27 cents to yield 2.337 per cent.

The gap between Canada's 10-year yield and its U.S. equivalent widened by 1.2 basis points to a spread of 70.4 basis points in favour of the U.S. bond.