

FX markets

- FX markets were uneventful WoW, with the USD index essentially unchanged.
- CAD strengthened slightly to 1.4281, lingering near the bottom of the range it has been in since mid-December when potential US tariffs on imports went from theoretical to real.
- EUR and GBP also posted modest gains. That said, both remain largely within the ranges they have been in since the start of March.
- Two currencies that have grabbed attention recently are SEK and NOK. Since the end of February, SEK is up by 7.0% versus USD, while NOK is up by 6.9%. It has not been central bank policy that has led to these gains. Sweden's Riksbank has been lowering its policy rate, while Norges Bank has left its policy rate unchanged. That said, potential reductions in the policy rate of either central bank have decreased recently. Instead, both seem to be benefiting from recent EU-centric policy pronouncements including a focus on military spending.

FX Positioning

- FX positioning also showed little change in the week, though recent trends continued. For example, USD net shorts increased among speculators and asset managers, while hedge funds cut their net long positions to their lowest level since mid-October. USD hedge fund net longs have declined from USD17.9bn at the end of January to just USD1.7bn. The shift among speculators has been even more

dramatic. From peak net long positions with a value of USD 34.4bn in mid-January, speculators are now net short USD2.7bn.

- Speculators, hedge funds, and real money accounts remain net short CAD, but those positions continue to slowly decline. Significant change in CAD positioning is unlikely so long as there is lingering uncertainty around US trade and tariff policy toward Canada. This week, the key focus will be on 2 April, or "Liberation Day" when US tariffs are set to be imposed on a wide range of countries, notably Canadian autos. The prospect of retaliatory tariffs from Canada, and potentially other countries, leaves markets on edge.

Global equity markets

- That said, global markets generally retain neutral to positive sentiment, though with notably weaker performances from US markets. The S&P500 this week tried to test its 200-dma from below but failed. Hence, it remains below that threshold as the 50-dma converges on the 200-dma from above. A Death Cross looms, as happened in the Russell 2000 index in mid-March.
- Few other equity markets show much downward pressure, though several have seen upswings that have stalled. Markets that have declined include Sweden's OMX and Australia's S&P/ASX 200. Markets in the UK, Germany, France, and Switzerland have paused after solid gains since the start of the year. Meantime, stock markets in Poland, the Czech Republic, and Estonia continue strong upswings.

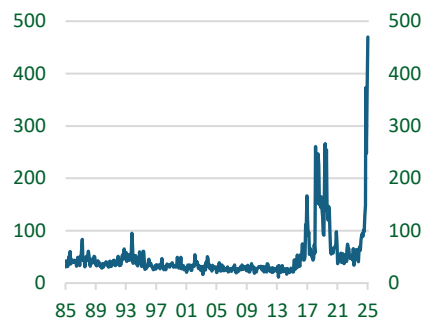
Tariff threats and the macro backdrop

- One of the key factors in focus for markets and the economic outlook is what Trump47 will do on “Liberation Day” — 2 April. Reflecting the potential risks that are already evident, the US Trade policy uncertainty index (TPUI) has spiked to record highs.
- This has led to a spike in the Canadian economic policy uncertainty index highlighting the cross-border effects of US tariff policies and the potential impact of retaliatory tariffs by Canada and other US trading partners.
- Reflecting the uncertainty regarding US trade policy, Canadian firms are again starting to worry about supply chain issues. The Canadian Federation of Independent Business Monthly Business Barometer shows that firms are reporting a notable increase in product distribution constraints (supply chains) as a limitation on increasing production. While some tariffs have been imposed, the threat has already created uncertainty and impact distribution supply chain challenges across North America.
- Most of the risks from heightened uncertainty are observed via “soft” data indicators. There are relatively few signs observed in hard data — yet. For example, despite the increased uncertainty, the NY Fed’s recession model puts the risk of a recession at just over 20%, despite the increased uncertainty that is reflected in weak US equity market performance.
- In Canada, we can highlight the risks to the economy via the CFIB survey. In the most recent survey for March, between 35% and 40% of firms indicated that current business conditions were good. This has remained effectively unchanged for the past several months. However, the outlook has deteriorated sharply. From readings of around 25%, the share of firms expecting a weaker economic performance over the next year surged to almost 60% in March.
- As a result, downside risks to economic outlooks are rising, and we look for hard data to deteriorate in the next few months.
- Much depends on what happens on tariffs. Over to you, Trump47.

Macrocharts

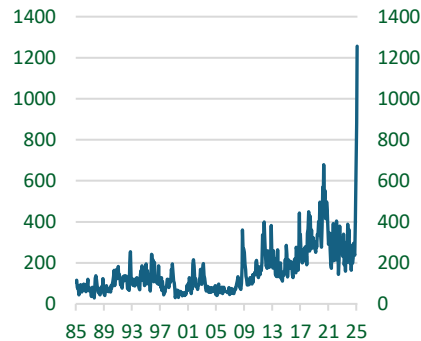
30 March 2025

Trade policy uncertainty index:
United States
(index)



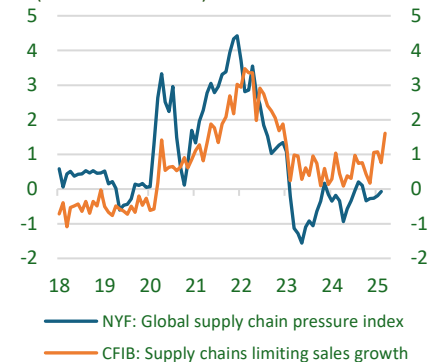
Source: Macrobond, Caldara, Iacoviello, Molligo, Prestipino, and Raffo

Economic policy uncertainty:
Canada
(Index)



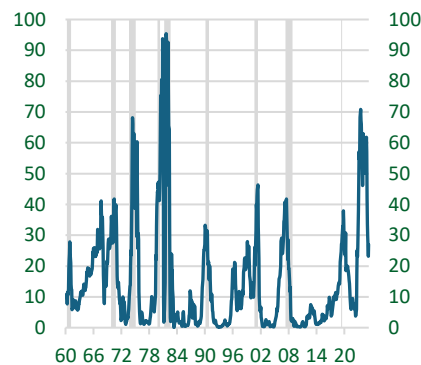
Source: Macrobond, Baker, Bloom, and Davis

Supply chain pressures
(standardized units)



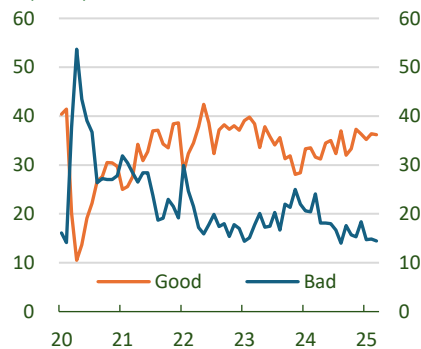
Source: Macrobond, NY Federal Reserve, Canadian F Independent Business

US recession probability
(%)



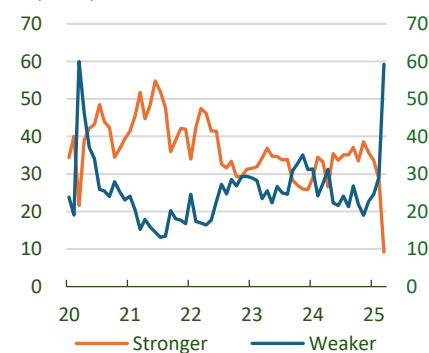
Source: FRBNY, NBER recessions

Current business situation
(Index)



Source: Macrobond, Canadian Federation of Independent Business

Expected performance in 12 months
(Index)



Source: Macrobond, Canadian Federation of Independent Business

Canadian dollar
(USD/CAD)



Source: Macrobond

Euro
(EUR/USD)



Source: Macrobond

Japanese yen
(USD/JPY)



Source: Macrobond

US Dollar
(index)



Source: Macrobond

Swiss franc
(USD/CHF)



Source: Macrobond

British pound
(GBP/USD)



Source: Macrobond

Swedish krona
(USD/SEK)



Source: Macrobond

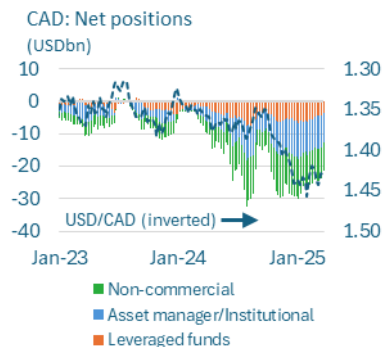
Norwegian krone
(USD/NOK)



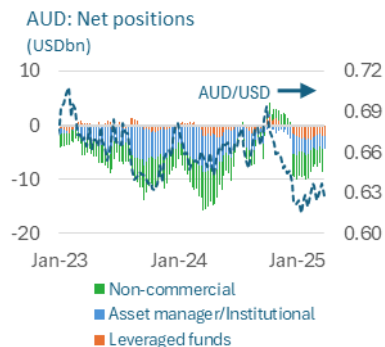
Source: Macrobond

FX positioning: Speculators, hedge funds, and real money accounts

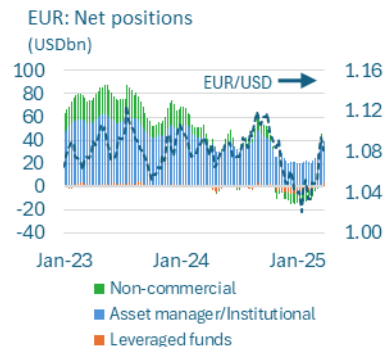
30 March 2025



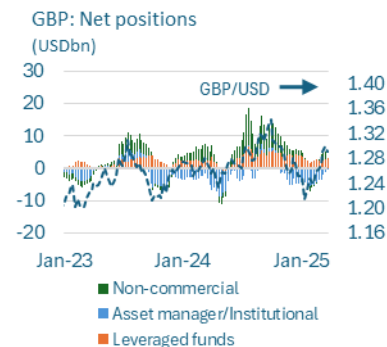
Source: Macrobond, CFTC



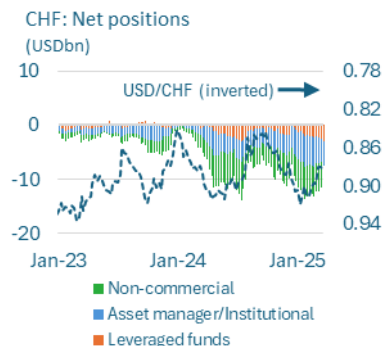
Source: Macrobond, CFTC



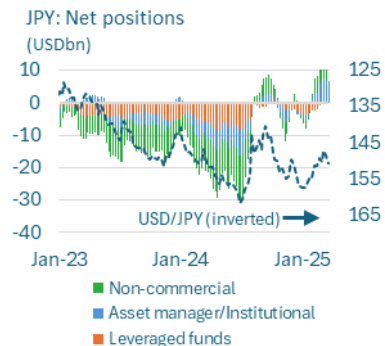
Source: Macrobond, CFTC



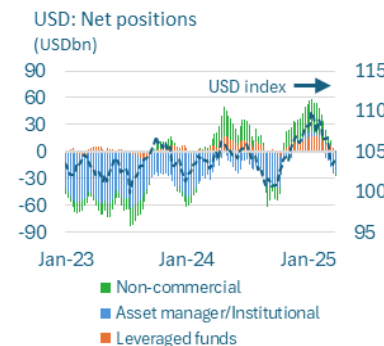
Source: Macrobond, CFTC



Source: Macrobond, CFTC



Source: Macrobond, CFTC



Source: Macrobond, CFTC

USD net position: Rotation continues, but changes are moderate

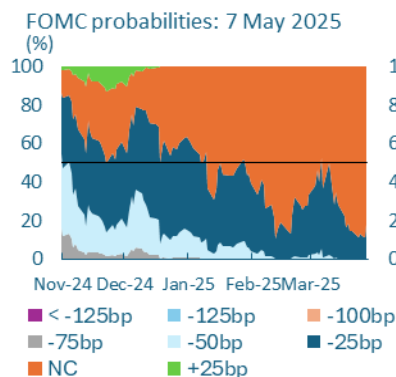
30 March 2025

Outstanding positions				
USD (billions)	Speculative Accounts	Real money	Hedge funds	Total
CAD	-9.0	-9.0	-3.5	-21.6
EUR	8.8	35.6	3.6	48.0
GBP	3.6	-0.4	3.3	6.4
AUD	-4.9	-2.4	-2.0	-9.2
NZD	-2.4	-2.3	-0.5	-5.1
CHF	-5.3	-4.5	-3.0	-12.8
JPY	10.4	6.6	0.0	17.0
MXN	1.5	0.5	0.3	2.3
USD	-2.7	-24.1	1.7	-25.0

Week-to-week change				
USD (millions)	Speculative Accounts	Real money	Hedge funds	Total
CAD	501.6	664.7	940.2	2,106.5
EUR	733.2	287.2	1,668.6	2,689.0
GBP	1,188.2	630.4	692.2	2,510.8
AUD	-372.5	-60.5	-54.5	-487.6
NZD	-26.3	-106.1	-189.2	-321.6
CHF	-439.1	-255.5	-589.0	-1,283.6
JPY	52.3	-123.7	516.4	445.0
MXN	63.6	-100.3	45.7	9.0
USD	-1,701.0	-936.2	-3,030.4	-5,667.6

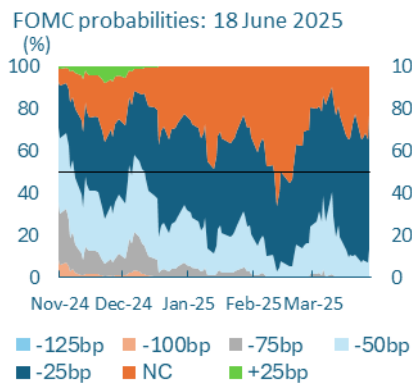
Federal Reserve and Bank of Canada policy outlooks

30 March 2025



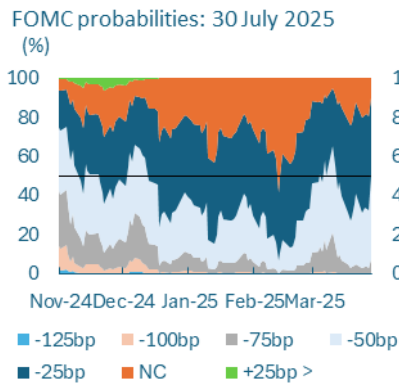
Source: Macrobond CME FedWatch

Probability Ease: 18.5%



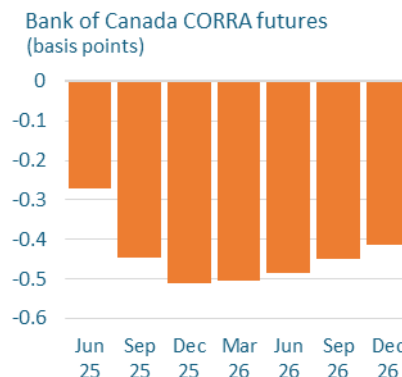
Source: Macrobond CME FedWatch

Probability Ease: 78.5%



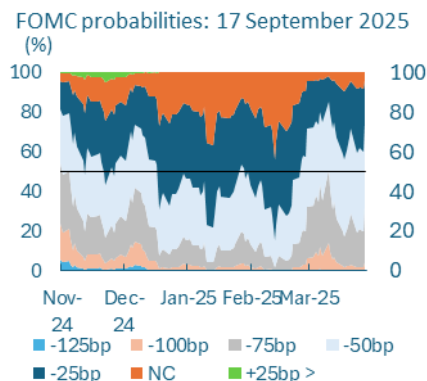
Source: Macrobond CME FedWatch

Probability Ease: 90.2%
Probability at least 50bp lower: 49.9%



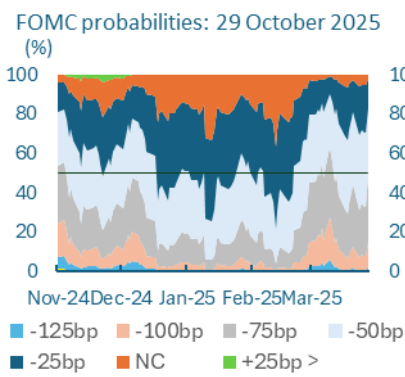
Source: Macrobond Toronto Stock Exchange

BoC still on an easing trajectory amid tariff policy uncertainty



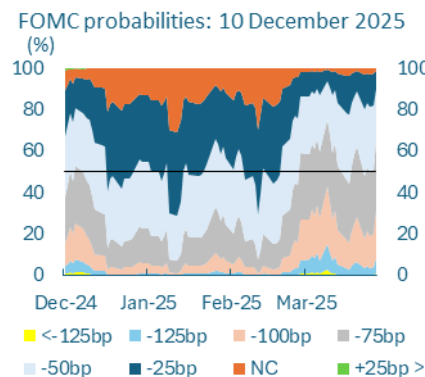
Source: Macrobond CME FedWatch

Probability Ease: 96.4%
Probability at least 50bp lower: 74.9%



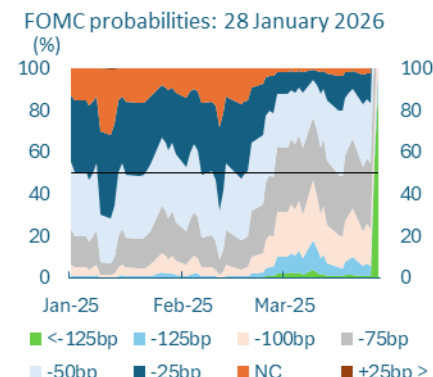
Source: Macrobond CME FedWatch

Probability Ease: 97.7%
Probability at least 50bp lower: 82.7%



Source: Macrobond CME FedWatch

Probability Ease: 98.8%
Probability at least 50bp lower: 90.2%
Probability at least 75bp lower: 65.8%



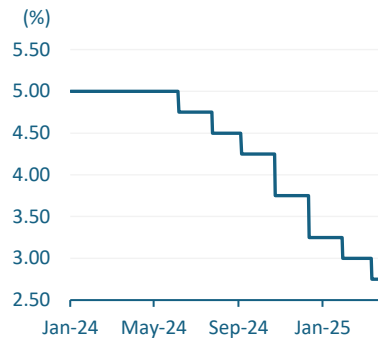
Source: Macrobond CME FedWatch

Probability Ease: 99.1%
Probability at least 50bp lower: 91.8%
Probability at least 75bp lower: 70.1%

Central bank policy rates

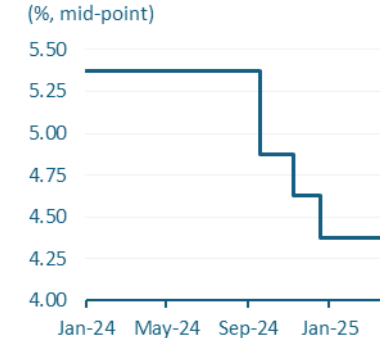
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BoC policy rate



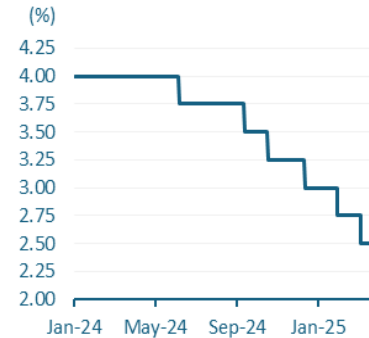
Source: Macrobond

Federal Reserve policy rate



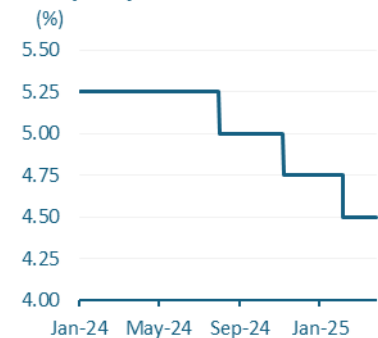
Source: Macrobond

ECB policy rate



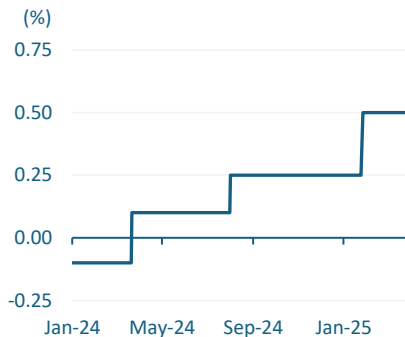
Source: Macrobond

BoE policy rate



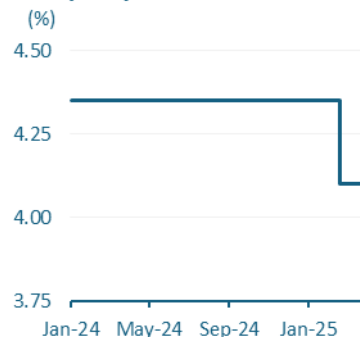
Source: Macrobond

BoJ policy rate



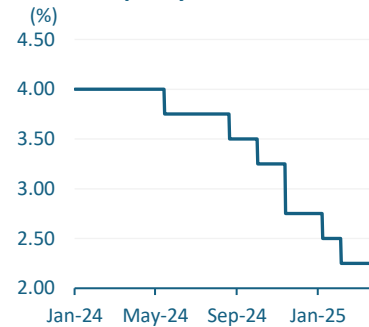
Source: Macrobond

RBA policy rate



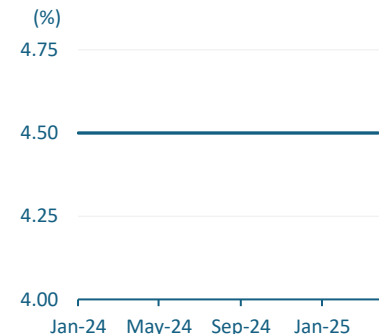
Source: Macrobond

Riksbank policy rate



Source: Macrobond

Norges Bank policy rate

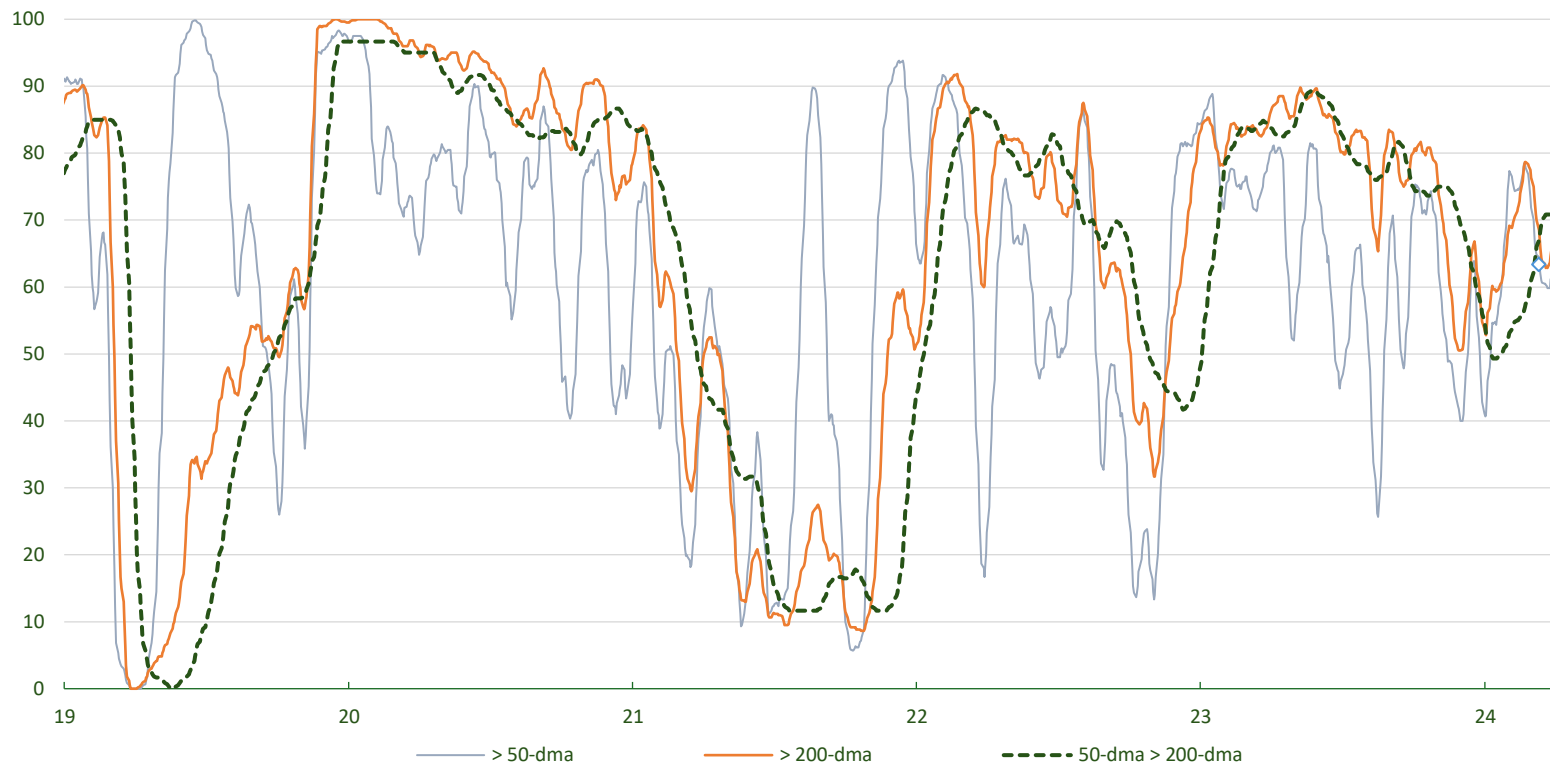


Source: Macrobond

Global market performance indicator

30 March 2025

Market performance indicator
(% of 60 global indices, 10-d ma)

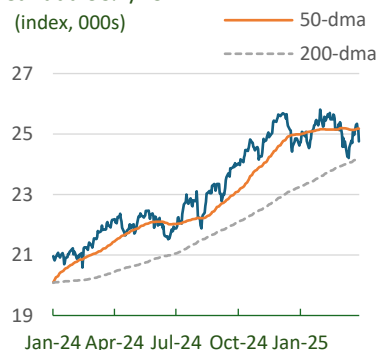


Source: Macrobond

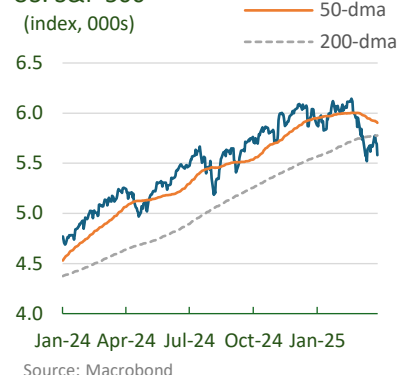
Global equity markets

30 March 2025

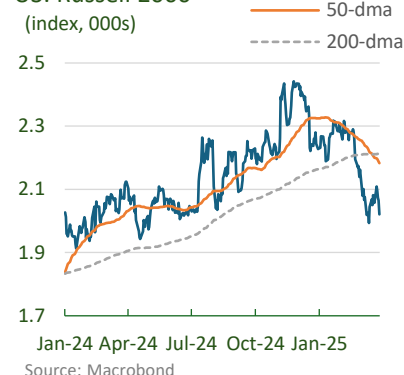
Canada: S&P/TSX
(index, 000s)



US: S&P 500
(index, 000s)



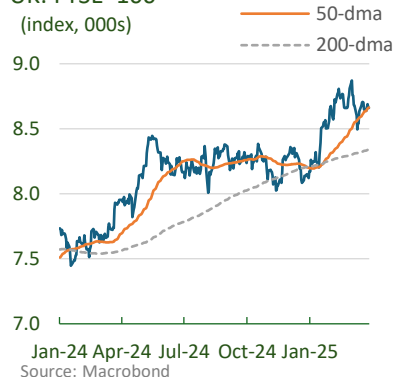
US: Russell 2000
(index, 000s)



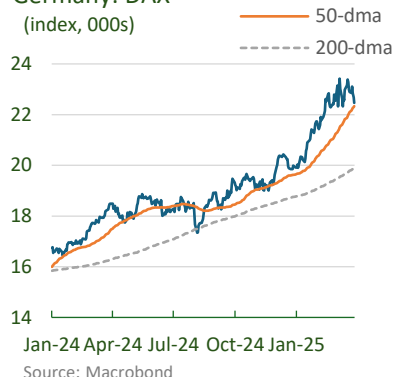
US: PHLX SOX
(index, 000s)



UK: FTSE 100
(index, 000s)



Germany: DAX
(index, 000s)



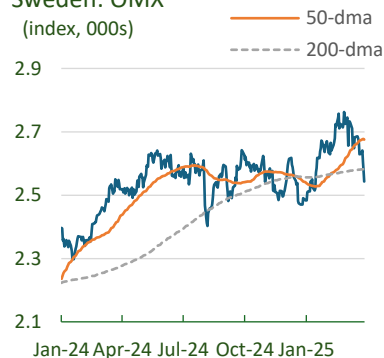
France: CAC
(index, 000s)



Switzerland: SMI
(index, 000s)



Sweden: OMX
(index, 000s)



Source: Macrobond

Czech: PX50
(index, 000s)



Source: Macrobond

Australia: S&P/ASX 200
(index, 000s)



Source: Macrobond

Shanghai Composite
(index, 000s)



Source: Macrobond

Poland: WIG 20 Index
(index, 000s)



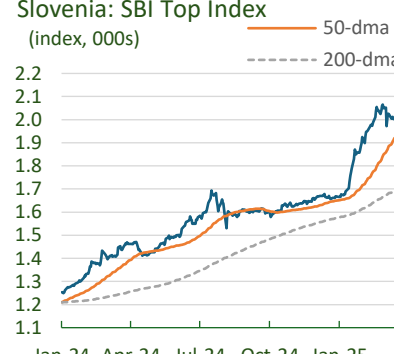
Source: Macrobond

Estonia: OMX Tallinn Index
(index, 000s)



Source: Macrobond

Slovenia: SBI Top Index
(index, 000s)



Source: Macrobond

Russia: RTS Index
(index, 000s)



Source: Macrobond

Fixed income: Yields and spreads

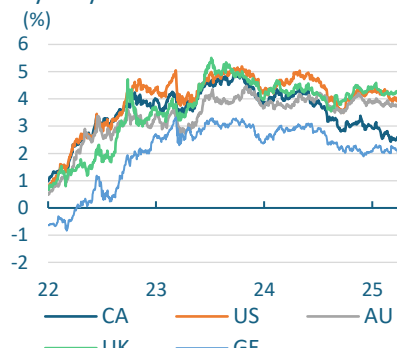
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US yields



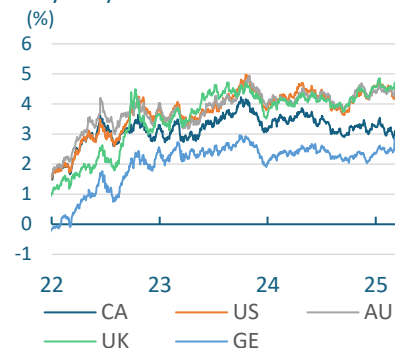
Source: Macrobond

2-year yields



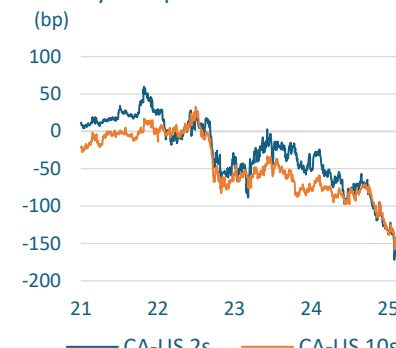
Source: Macrobond

10-year yields



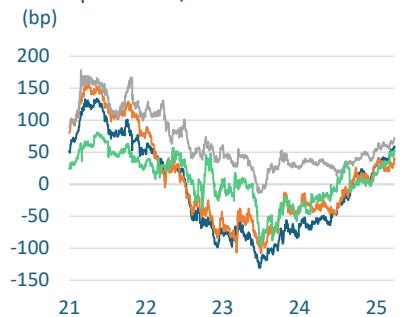
Source: Macrobond

CA-US yield spreads



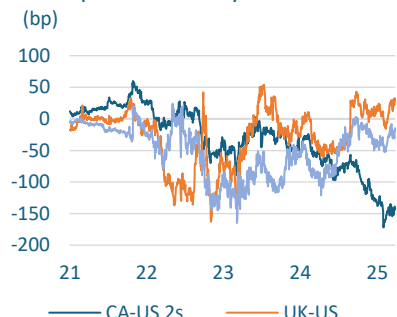
Source: Macrobond

Yield spread: 2s/10s



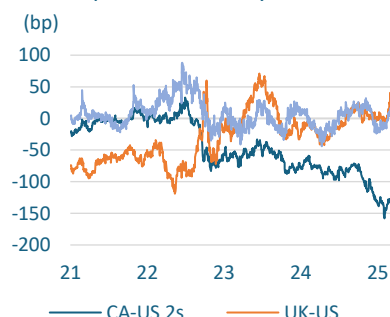
Source: Macrobond

Yield spread v US: 2 years



Source: Macrobond

Yields spread v US: 10-years



Source: Macrobond

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