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USD/CAD Rises Toward 1.3750 as Markets Eye Bank of Canada Outlook Amid Trade Strains

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– Categories: Economics



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The US Dollar to Canadian Dollar (USD/CAD) currency pair rose toward 1.3750 in early Monday trading, as investors awaited the Bank of Canada's Business Outlook Survey and assessed intensifying US–Canada trade tensions. The pair's recent gains reflect a

weakening Canadian Dollar (CAD), which continues to face pressure from potential U.S. tariffs and uncertain economic outlooks tied to global oil markets.

Much of the current volatility stems from fresh warnings by President Donald Trump, who has signaled the imposition of a 35% tariff on Canadian steel and aluminum imports. Trump's hardline stance has reignited concerns over North American trade as the August 1 deadline for implementing the steel and aluminum tariffs approaches. Canadian Prime Minister Mark Carney has sent a trade envoy to Washington for urgent negotiations ahead of the August deadline. While details remain scarce, the envoy's presence suggests a possible deal could avert blanket tariffs on key Canadian exports.

U.S. Commerce Secretary Howard Lutnick over the weekend called suggestions that U.S.-Canada free trade is finished "silly." Lutnick emphasized that a large volume of Canadian goods still enters the U.S. duty-free under existing North American agreements, although these arrangements could face future revisions under a returning Trump administration.

The Canadian Dollar finds partial support from stable West Texas Intermediate crude oil prices, which remain near \$66 per barrel. As Canada is a major oil-exporting nation, CAD is traditionally sensitive to energy market movements. The resilience in oil prices follows the EU's 18th round of sanctions on Russia, which include a lower price cap on Russian oil and tighter financial restrictions on Russian banks.

While the broader market is digesting both energy developments and geopolitical signals, much attention remains focused on the BoC's Business Outlook Survey, which will offer critical insights into corporate sentiment, investment plans, and inflation expectations in Canada. Investors see this survey as a potential catalyst for short-term movement in the currency pair.

In the near term, upward momentum in USD/CAD could be capped if oil markets remain firm or if diplomatic efforts from Canada bear fruit in averting Trump's proposed tariffs. However, if talks fail and the tariff threat is realized, the Canadian Dollar may face deeper losses, potentially driving USD/CAD toward new highs.

As Washington reconsiders its global trade posture and oil markets remain under strain, the path forward for USD/CAD hinges on political negotiations, commodity stability, and central bank outlooks, each playing a pivotal role in the pair's performance in the coming weeks.