

Possible impact on the Canadian economy

The new President-Elect Donald J. Trump pulled off a stunning upset on November 8th winning the US Elections against all odds. He is likely to govern differently since he was elected without the backing of an establishment. The outside world, including Canada, could be at the mercy of dramatic swings in foreign and domestic US policies.

The USDCAD could see higher volatility than usual. At the moment, all Canadian Financial Institutions are seeing an appreciation of the US dollar against the Loonie in the short-term.

USDCAD forecast	Current	Q4 16	Q1 17	Q2 17	Q3 17	2017
NBF	1.3500	1.3700	1.3900	1.3500	1.3200	1.3100
All CA Banks		1.3450	1.3500	1.3600	1.3500	1.3300

*source: Bloomberg November 23, 2016

It is hard to tell what could be the direct impact on Canada with the lack of details about Trump's plans. For now, it is National Bank's understanding that his administration would push the "country of origin" label. This would be a problem for Canadian livestock exporters, ultimately leading to a trickle down impact on values primary producers receive. Significant, given that more than half of our agriculture exports go to the United States. The risks primarily come from Trump's legal authority to impose tariffs and quotas on any given sector without the approval of Congress. For Canada in particular, things could potentially get worse depending on how NAFTA provisions are tweaked; this is specifically notable for manufacturers. The preparation work that needs to start now for Canadian manufacturing companies is to consider options to minimize potential tariffs on items sold in the United States and / or develop new ties with trading partners and ultimately find new takers for our exports.

Another point to consider is the potential increase for Canadian domestic competition that could derive from Trump's protectionism. For example, by closing its border and restricting trade currently flowing from Mexico to the US, this could push Mexico to export more of their goods to Canada.

It is our duty to stay alert as new developments and stories unfold. Do consider speaking with a specialist to find out about solutions to protect your exposure in the United States. National Bank will be happy to work with you in the future.

The National Bank is host to a quarterly webinar. Please see below the link for the replay of our most recent webinar entitled: Post-election hangover for the Loonie:

<http://event.onlineseminarsolutions.com/r.htm?e=1288991&s=1&k=4FCB7073DC89561520F823DE80BD4D76>

