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The cycle of Protectionism

Canada 2026 Outlook

RaboResearch
Global Economics & Markets
knowledge.rabobank.com

Molly Schwartz
Cross-Asset Macro Strategist

Christian Lawrence
Head of Cross-Asset Strategy

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Summary

- The Canadian economy has deteriorated rapidly as it tries to adjust to a world dominated by protectionism, and new challenges posed by its southern neighbor. We expect both the direct impacts of American tariffs themselves, and the lagged effects of slowed investment in 2025, to contribute to weak growth in 2026.
- Headline CPI inflation has been relatively close to target, but CPI-Common remains a challenge, with some sustained pressure in services inflation. While we see CPI inflation (both headline and Common) converging to 2.0% in 2026 as weak activity constrains consumption, the current higher-than-preferred levels act as a buffer against further Bank of Canada cuts.
- The Bank of Canada also has no incentive to cut despite the deteriorating economic outlook, as "monetary policy cannot offset the effects of a trade war." We believe the Bank will maintain the rate of 2.25% in 2026.
- CAD has been under pressure, experiencing weakness due to what we have referred to as the "tariff premium." However, we believe that CAD weakness will be balanced out by the narrowing US-CA rate differential, and see USD/CAD trading sideways between 1.37 and 1.40 next year.

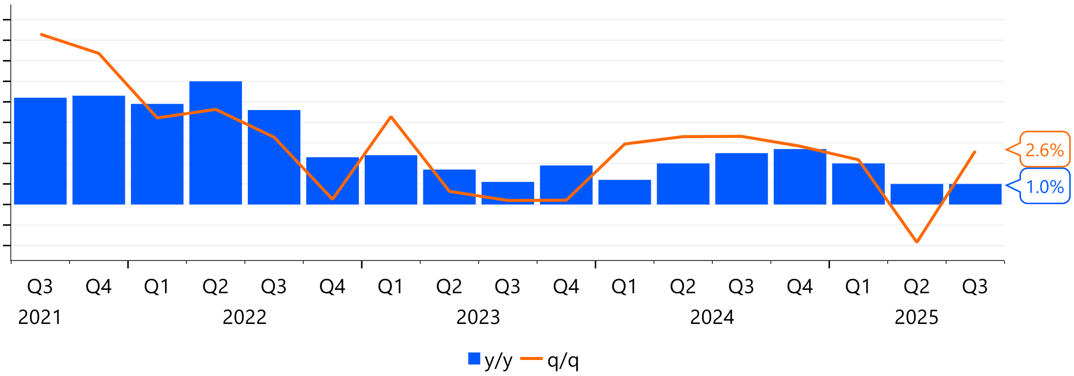
Rates & FX Views at a Glance

Rates and FX	*6 month*	*6-12 month*	*Commentary*
Bank of Canada	→	→	We believe that the Bank of Canada has reached a terminal rate of 2.25%, as inflation remains slightly above the Bank's preferred target of 2% and further cuts will not offset economic deterioration due to tariffs.
2yr yields	↓	→	We expect 2 year yields to continue to face some downward pressure due to their relationship with U.S. 2 year Treasury yields (which we expect to fall), but see the BoC rate of 2.25% as a floor.
10yr yields	↑	→	We expect 10 year yields to face some upward pressure due to the deteriorating fiscal outlook, but expect that trend to lose steam as trade relations between the U.S. and Canada are sorted in H2.
2s10s	↑	→	We see steepening of the curve as the short end falls in line with cuts in the U.S., while the long end feels pressure from the fiscal outlook, but see both 2s and 10s stabilizing around H2.
Swap spreads	→	→	We expect swap spreads to remain relatively flat in 2026. At the margin, we could see some widening at the longer end of the curve, but we view this as limited.
USD/CAD	→	→	We expect USD/CAD to remain range-bound between 1.37-1.40 as competing pressures balance out. The continued "tariff premium" will contirbute to a weaker CAD, but the narrowing US-CA rate differential subdues USD strength.

Economic activity

Headline economic activity in Canada tells a very different story than what we believe is happening in reality. Economic growth in Q2 painted a bleak picture, with the economy contracting by 1.8% on a quarterly annualized basis. At the time, we noted that this print was skewed to the downside in part due to base effects. In Q1, the economy grew at 2.1%—well above expectations—supported by U.S. firms frontloading Canadian exports. By Q2, those benefits vanished as tariffs began to bite, and the sharp q/q change exaggerated the decline in exports because of the base effect.

Figure 1: Canadian GDP growth



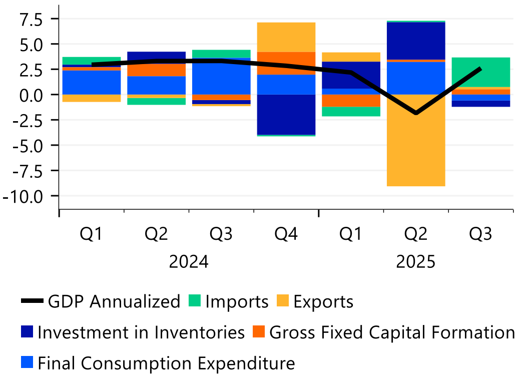
Source: RaboResearch, Macrobond, Bloomberg

But what about the recent rebound in Q3? To suggest a genuine recovery in Canada's economic health, we would need to see stronger activity in several key areas—most importantly, consumer spending. Yet Q3 consumer spending was disappointing: household consumption fell by 0.4% q/q annualized. Spending on goods dropped 2.0%, while services eked out only a 0.7% gain. Consumption overall has plateaued since the end of the pandemic.

The Canadian government's ambitious spending plan also cannot claim credit. Government consumption declined by 1.7%, and while government investment surged 12.2%, this metric is notoriously volatile, swinging between -15% and +20% quarter to quarter. By process of elimination, the pickup in Q3 growth appears to be driven by net exports.

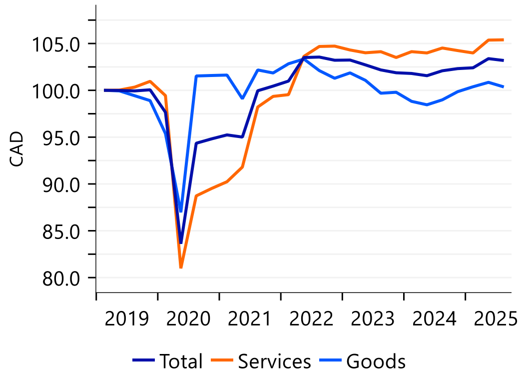
This should raise alarms, given that tariffs dominate the conversation. Exports in Q3 rose just 0.7% q/q, still weak by historical standards. Imports, however, plunged 8.6%—the steepest drop since the pandemic. The Canadian boycott of U.S. goods seems to be taking hold, mathematically lifting GDP. But we hesitate to call this a rebound. A sharp decline in imports likely signals further weakness in consumption.

Figure 2: Contributions to annualized GDP growth by component



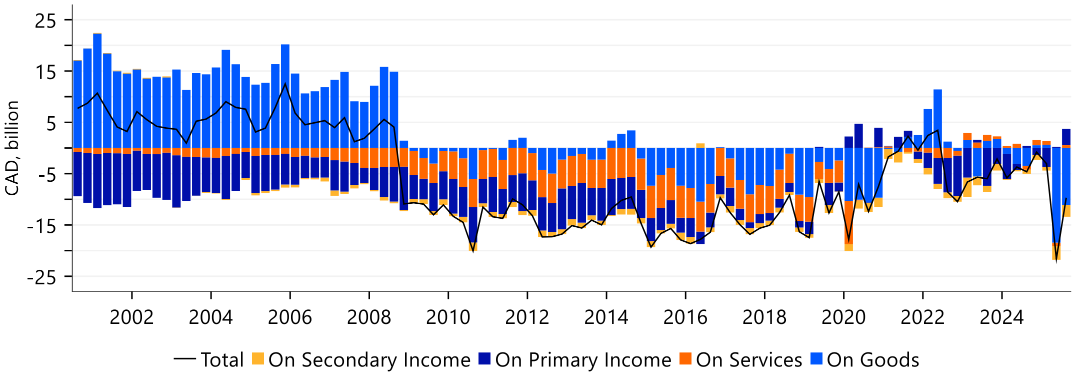
Source: RaboResearch, Macrobond, Bloomberg

Figure 3: Household consumption expenditure rebased to 2019=100



Source: RaboResearch, Macrobond

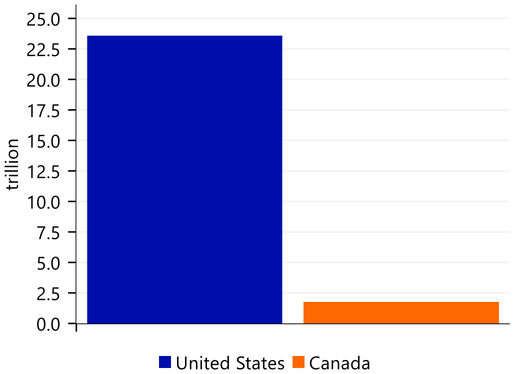
Figure 4: The current account balance has improved, but is still deep in a deficit



Source: RaboResearch, Macrobond, Bloomberg

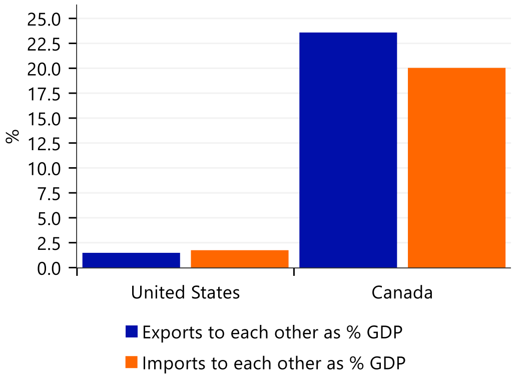
For activity to improve—despite persistent structural productivity issues—Canada needs better trade relations with the U.S. and relief from Section 232 tariffs weighing on manufacturing and natural resources. As we've noted, direct trade with the U.S. remains a central driver of Canadian growth. In 2024, exports to the U.S. alone accounted for roughly 24% of Canada's GDP growth. Yet Canada has struggled to manage the current trade conflict.

Figure 5: United States and Canada GDP



Source: RaboResearch, Macrobond, Bloomberg

Figure 6: Trade as a % of GDP in 2024

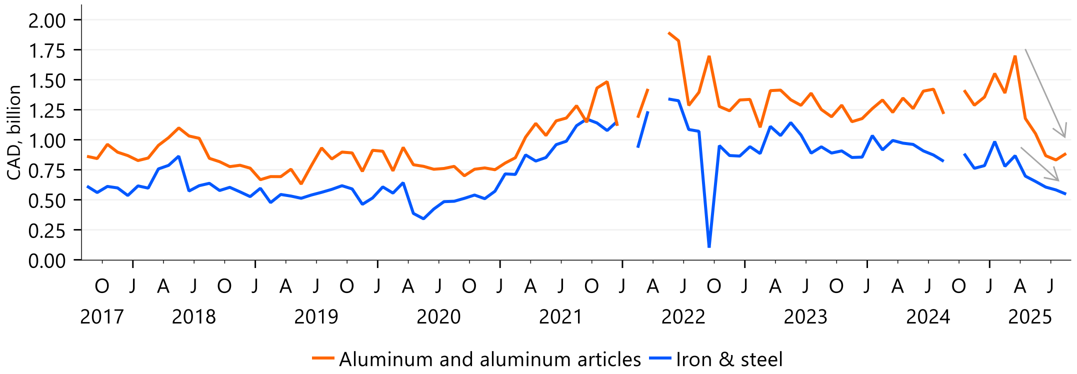


Source: RaboResearch, Macrobond, Bloomberg

Back in January, when the U.S. imposed sweeping 25% tariffs under IEEPA, Trudeau retaliated with tariffs and encouraged a boycott of U.S. goods. At that point, Trudeau was already a lame-duck Prime Minister, unlikely to face the consequences of his tactics. As Figures 5 and 6 show, the imbalance in GDP and trade dependence meant Canadian retaliation was largely symbolic. As Ed Devlin of Devlin Capital quipped on Bloomberg TV Canada: "[The U.S.] is punching us in the face, and we're slapping them on the wrist."

Since Carney's arrival in government, Canada's stance has shifted toward cooperation. Policies included repealing retaliatory tariffs and increasing dialogue with the Trump administration. By October, Carney announced a trade deal was "days away." However, shortly thereafter, Ontario Premier Douglas Ford's anti-tariff ad—featuring Ronald Reagan's likeness—infuriated Trump, prompting an additional 10% IEEPA tariff, raising the rate to 35%. While IEEPA tariffs are largely symbolic (most goods remain tariff-free under USMCA), the fallout was severe: all trade negotiations were indefinitely halted, leaving Canada subject to 50% Section 232 tariffs on steel and aluminum.

Figure 7: Aluminum and steel exports to the U.S. keep falling to Trump 1.0 levels...



Source: RaboResearch, Macrobond

This is problematic. Section 232 tariffs are the primary drag on Canada's economy, and failure to resolve them quickly spells trouble for 2026. Recently, one of Canada's largest steel mills announced 1,000 layoffs for March2026, citing tariffs as the cause. A spokesperson said the cuts were necessary "to protect Algoma's future in the face of these extraordinary and external market forces." This came after the Canadian and Ontario governments agreed to lend Algoma CAD 500 million, according to Bloomberg.

This is just a glimpse of what lies ahead if trade conditions do not improve. Even if tariffs are reduced, recovery from slowed production—especially in steel—will take time and capital. Shutting down a steel mill has ripple effects that depress output for years.

The economics of steel mills with Senior Energy Strategist, Joe DeLaura

A new greenfield steel mill costs between $1-4 billion and takes 24-36 months to set up and construct. Existing mills operate on a nearly continuous basis, as the slag in the bottom of a blast furnace must be constantly heated in order not to harden into the world's largest paperweight. Mills can adjust their output down by varying the addition times, but they cannot stop. The process of slowing down a single blast furnace for maintenance requires about 30 days, 34 operations, and $600,000 per day. Restarting the slowed furnace requires another 7-10 days after maintenance. A closed/cold steel blast furnace is virtually dead forever; the famous Bethlehem Steel's blast furnaces that closed down were found nearly impossible to tear down.

The point of the above to highlight that the impacts of slowing steel production has additional consequences beyond just the slowed production itself, while the ramifications of shutting down a steel mill can lead to decreased production for *years*.

But the slowed production in steel mills is just a small part of the picture. We expect trade and the broader impacts thereof to be turbulent next year.

Looking ahead to 2026, we expect trade to continue to be a driver of uncertainty. Not just because current negotiations between the U.S. and Canada have been halted, but next summer we also have the official USMCA review. We do not expect the USMCA to be renewed in its current form, however, we should be abundantly clear that this does not mean we expect the USMCA to be scrapped nor be rendered ineffective. Indeed, if the USMCA is not renewed, (which we do not think it will be), it will enter a year long review period. If it fails to be renewed after that period, it is reviewed for the following year again. At no point does the USMCA cease being effective—only it's status for renewal remains in limbo.

Mark Carney has recently announced that he does not expect to see a sectoral tariff deal emerge before the USMCA review period, but rather negotiating those tariffs will be a part of that process. This means that the original thought of some for of bi-lateral trade deals with the U.S. that would also accommodate the USMCA does not seem to be the game plan, and rather everything will be encompassed in the USMCA. However, there is potential that the Trump Administration may *threaten* bilateral trade deals as a part of the negotiation.

In the new USMCA agreement, we do not expect Trump's sectoral tariffs on steel and aluminum to go away, but we do expect them to be reduced substantially for Canada. At the same time, the U.S. will likely expect some carveouts or exceptions to Canada's tariffs on steel as well. But this does not mean that Trump will agree to easily. Indeed, we are still living in a world of Statecraft, and the leverage of having the USMCA hanging over Carney's head alone may be incentive enough for Trump to keep it in limbo for a significant portion of his tenure as President.

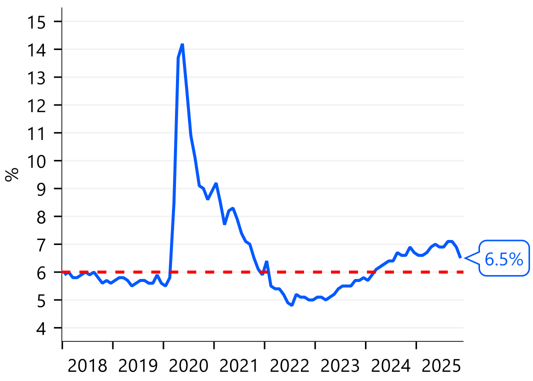
And we can see that even as it stands, the broader economy is reacting to the trade war, and it has impacted business planning for next year. [The Q3 Business Outlook Survey]() from the Bank of Canada proposes the following trends:

- Firms' outlooks and intentions remain subdued despite a gradual improvement in sentiment and a slight easing of perceived uncertainty.
- Expectations for growth in domestic and export sales remain soft due to concerns about the broad economic effects of trade tensions.
- Few firms reported binding capacity constraints or labour shortages, and most businesses do not expect to increase current staffing levels.
- Soft demand and uncertainty related to trade tensions persist in holding back investment intentions, with close to half of firms prioritizing routine maintenance over expansion.
- Businesses continue to expect cost increases due to tariffs and trade uncertainty. However, many said that weak demand is limiting their ability to pass these cost increases through to their selling prices.
- Firms' one-year-ahead inflation expectations are below the peak reached earlier in the trade conflict and are now only slightly above late-2024 levels.

The Canadian labor market tells a similarly complicated story. Indeed, the unemployment rate dropped sharply from 6.9% to 6.5% in November—the steepest monthly improvement since February 2022. Yet, with ongoing tariff uncertainty and subdued business investment, the question remains: who's doing all this hiring, and what's driving their confidence when the business outlook survey suggests anything but?

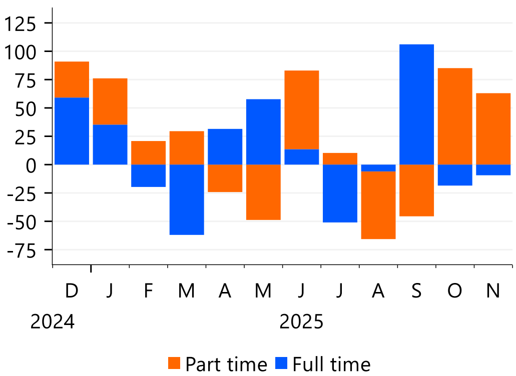
As with GDP figures, the headline masks important details. Over the past two months, the economy added more than 120,000 jobs on net. However, those gains were overwhelmingly concentrated in part-time work—up by roughly 148,000 positions—while nearly 28,000 full-time jobs were lost.

Figure 8: Unemployment has improved?



Source: RaboResearch, Bloomberg, Macrobond

Figure 9: But underemployment is worsening



Source: RaboResearch, Bloomberg, Macrobond

This imbalance highlights a structural challenge: underemployment. While total job creation looks strong, the quality of employment is eroding. Part-time roles generally come with lower pay, fewer benefits, and less security, leaving many workers underutilized relative to their skills. The trend suggests firms remain hesitant to commit to permanent hires, reflecting uncertainty around trade policy, investment conditions, and future demand.

The macroeconomic consequences are far-reaching. First, weaker income growth constrains household spending, a key engine of Canadian GDP. Second, persistent underemployment can weigh on productivity and potential output as skilled labor is misallocated. Over time, this dynamic risks reducing labor force participation, widening income inequality, and undermining confidence in the economy. In short, while headline labor data may signal resilience, the underlying composition reveals fragility that could further hinder growth.

Subdued outlooks and limited hiring in 2025 will dampen productivity in 2026, capping growth potential. We forecast Canadian GDP growth at less than 1% next year.

Table 1: Bank of Canada GDP projections

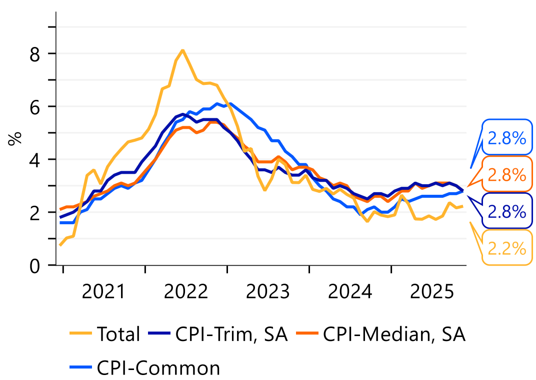
	2024	*2025*	*2026*	*2027*
Consumption	1.3	1.5	0.8	0.9
Housing	-0.1	0.1	0.2	0.1
Government	1.1	0.7	0.7	0.4
Business investment	-0.2	-0.2	0.0	0.3
Final DD	2.1	2.1	1.7	1.7
Exports	0.2	-1.2	-0.2	1.0
Imports	-0.2	0.3	-0.1	-1.0
Inventories	-0.5	0.0	-0.3	-0.1
GDP	**1.6**	**1.2**	**1.1**	**1.6**

Source: Bank of Canada

Inflation

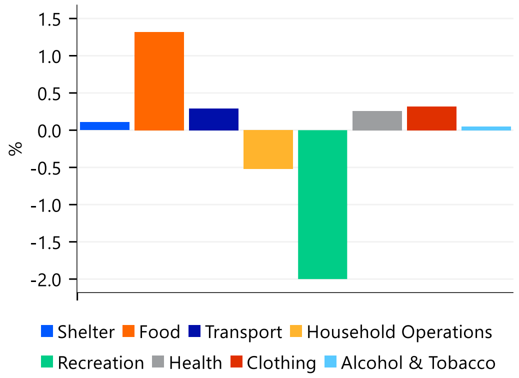
On the inflation side, things seem to be largely going in the right direction, even if the Bank of Canada isn't completely in the clear. As of the time of writing, headline CPI inflation is at 2.2% y/y—very close to the Bank's 2% target, and CPI common is at 2.8%—above the Bank's target, but still within the Bank's 2% +/- 1% tolerance band.

Figure 10: Canadian CPI inflation y/y



Source: RaboResearch, Macrobond

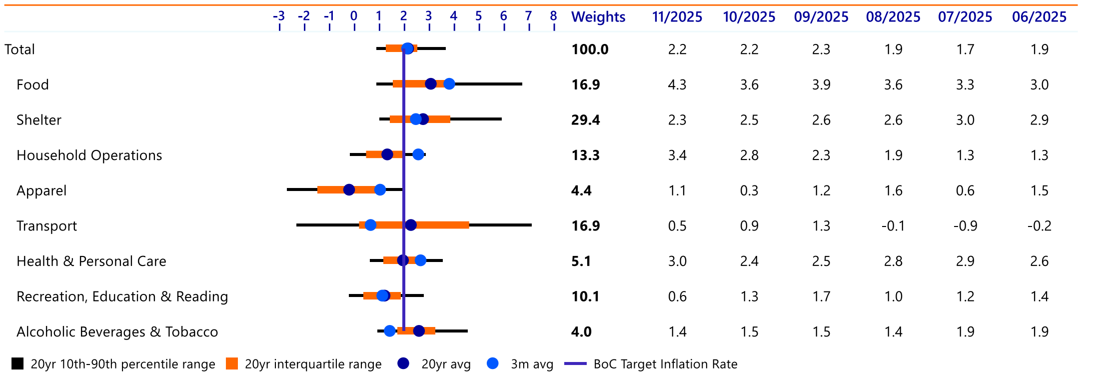
Figure 11: Contributions to CPI inflation m/m (November)



Source: RaboResearch, Bloomberg, Macrobond

In 2025, headline CPI inflation—which isn't generally the Bank of Canada's preferred measure of inflation anyway—was skewed to the downside after Prime Minister Carney removed the carbon tax. The effects of the removal of the tax will not be priced out of the headline until March of 2026, in which we can expect to see a significant jump in the headline due to base effects. In order to compensate for this, the Bank prefers to look at Common CPI inflation, which has registered its highest level since March 2024, and appears to be heading higher.

Figure 12: While inflation may still feel high, it is generally either at (or below) 20 year norms

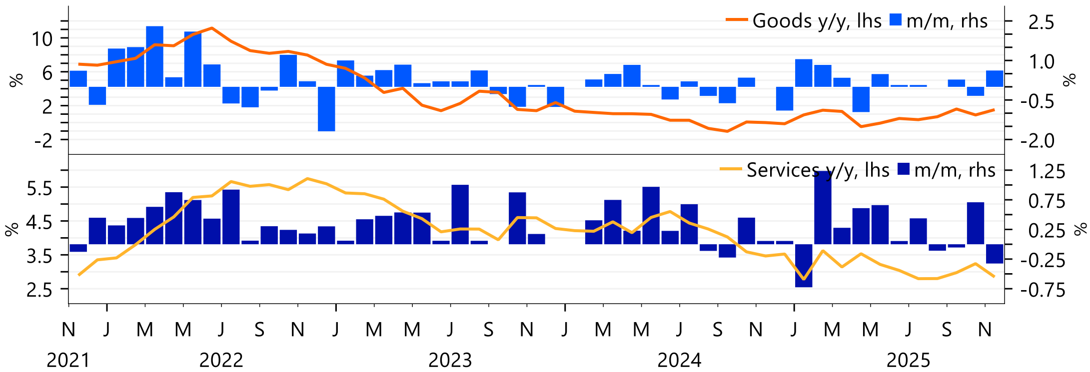


	Weights	11/2025	10/2025	09/2025	08/2025	07/2025	06/2025
Total	**100.0**	2.2	2.2	2.3	1.9	1.7	1.9
Food	**16.9**	4.3	3.6	3.9	3.6	3.3	3.0
Shelter	**29.4**	2.3	2.5	2.6	2.6	3.0	2.9
Household Operations	**13.3**	3.4	2.8	2.3	1.9	1.3	1.3
Apparel	**4.4**	1.1	0.3	1.2	1.6	0.6	1.5
Transport	**16.9**	0.5	0.9	1.3	-0.1	-0.9	-0.2
Health & Personal Care	**5.1**	3.0	2.4	2.5	2.8	2.9	2.6
Recreation, Education & Reading	**10.1**	0.6	1.3	1.7	1.0	1.2	1.4
Alcoholic Beverages & Tobacco	**4.0**	1.4	1.5	1.5	1.4	1.9	1.9

Source: RaboResearch, Macrobond

But overall, while core CPI inflation is still not quite at target, the headline is generally where it needs to be. Indeed, even if we look solely at the core components of inflation, many measures are either at or below the 20 year average, while the rest are within the interquartile range. Indeed, shelter inflation is currently at 2.3%, which is below the 20 year average of 2.8%. Currently, food inflation is elevated at 4.3% compared to the 20 year mean of 3.1%, but even then, it appears rare for food inflation to register below target.

Figure 13: Contributions to Headline CPI inflation m/m



Source: RaboResearch, Bloomberg, Macrobond

Services inflation, which has been sticky due to elevated costs of shelter, has finally come down from highs of 5.8% in last 2022 to 2.9% at the time of writing. On the other hand, goods inflation, which had previously contributed to slowing inflation pressures, may be starting to turn around, most recently printing at 1.5%, up from lows in late 2024 of -1.0%. Heading into 2026, we expect this divergence to persist, seeing further goods inflation as Canada furthers its own policies of protectionism in the wake of tariffs from the U.S., but declining services inflation as pressure on the Canadian consumer reduces spending.

Table 2: Bank of Canada inflation projections

% y/y	*'25 Q1*	*'25 Q2*	*'25 Q3*	*'25 Q4*	*2024*	*2025*	*2026*	*2027*
CPI	2.3	1.7	2.0	2.0	1.9	2.00	2.2	2.1
Core CPI	2.8	3.1	3.2	2.9	2.6	2.9	2.3	2.1

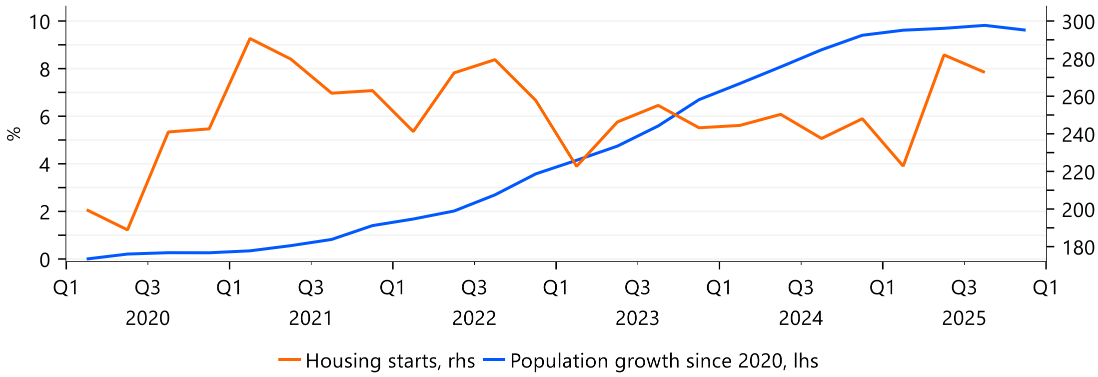
Source: Bank of Canada

Fiscal

Carney's government unveiled its first federal budget for the 2026–27 fiscal year under the banner "Canada Strong," outlining an ambitious plan to strengthen economic resilience and national security while maintaining fiscal discipline. The budget introduces two key fiscal anchors: balancing operating spending with revenues by 2028–29 and sustaining a declining deficit-to-GDP ratio. Despite these goals, the deficit is projected to rise sharply to CAD 78.3 billion—an increase of 116% from 2024—driven by significant investments in infrastructure, housing, defense, and innovation. These measures aim to address structural challenges such as housing shortages, trade vulnerabilities, and geopolitical risks, while positioning Canada for long-term growth.

Housing affordability remains a central focus, with the Build Canada Homes initiative receiving CAD 13 billion to double annual housing starts from 248,000 in 2024 to nearly 480,000. The program emphasizes factory-built housing, public land development, and partnerships with Indigenous communities, alongside measures like eliminating GST for first-time homebuyers on properties up to CAD 1 million. Complementary policies include a middle-class tax cut and targeted support for vulnerable populations through transitional housing projects. These efforts seek to alleviate persistent shelter inflation and rebalance Canada's housing market, which currently faces the highest price-to-income ratio among OECD countries.

Figure 14: Housing starts have stagnated while the population has grown



Source: RaboResearch, Bloomberg, Macrobond

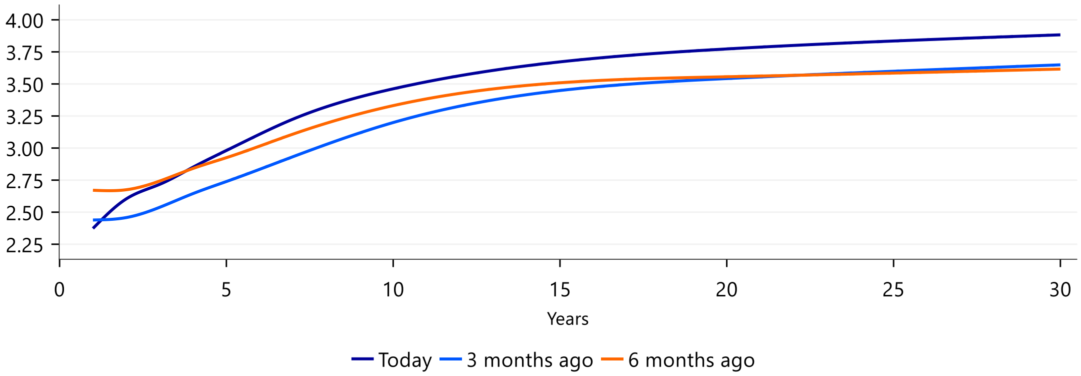
Defense and security commitments are ambitious as well, with CAD 81.8 billion allocated over five years to modernize the Canadian Armed Forces and meet NATO's 2% defense spending target ahead of schedule. Investments span personnel expansion, equipment upgrades, cyber capabilities, and Arctic infrastructure, supported by a new Defence Investment Agency to streamline procurement. The government also pledges to diversify defense partnerships beyond the U.S., while reinforcing domestic supply chains in critical sectors like aerospace and quantum technologies. These initiatives underscore the Government's intent to safeguard sovereignty and enhance global competitiveness amid rising geopolitical tensions.

On the fiscal side, the government plans to borrow CAD 594 billion in 2026–27, slightly below last year's level, with a reduced reliance on refinancing. Gross issuance will remain steady, favoring bonds over treasury bills, which could exert mild upward pressure on long-term rates. Despite the surge in spending, the Bank of Canada's monetary stance remains unchanged, with the policy rate expected to hold at 2.25% through 2026. Meanwhile, USD/CAD forecasts remain stable, supported by narrowing rate differentials and improving trade dynamics. Overall, the budget reflects a delicate balance between aggressive investment and prudent fiscal management, signaling confidence in Canada's ability to navigate economic uncertainty while pursuing transformative growth.

Interest Rates

After nearly four years of rate adjustments, the Bank of Canada (BoC) has settled on an overnight rate of 2.25%, signaling the end of its cutting cycle and a shift toward stability. Governing Council views this level as "just about right" to keep inflation anchored near target while guiding the economy through structural trade disruptions. Despite market pricing for a hike by late 2026, the Bank's tone suggests a prolonged hold, barring material changes in inflation or growth dynamics.

Figure 15: Evolution of the Canadian yield curve



Source: RaboResearch, Bloomberg, Macrobond

Economic activity appears stronger on the surface, with Q3 GDP rebounding to 2.6% annualized after a sharp Q2 contraction. Yet the headline masks fragility: growth was driven almost entirely by a collapse in imports rather than a broad-based recovery in consumption or investment. Household spending contracted, and business investment remains subdued amid tariff uncertainty. The Bank projects GDP growth of 1.2% in 2025 and 1.1% in 2026, with excess capacity persisting well into next year—underscoring a cautious policy stance.

Labor market data tell a similar story of resilience with caveats. The unemployment rate fell to 6.5%, its lowest since mid-2024, but job gains have been concentrated in part-time roles while full-time employment declined. This composition signals underemployment and structural weakness, limiting household income growth and weighing on consumption. Macklem acknowledged muted hiring intentions for 2026, reinforcing the Bank's reluctance to tighten further.

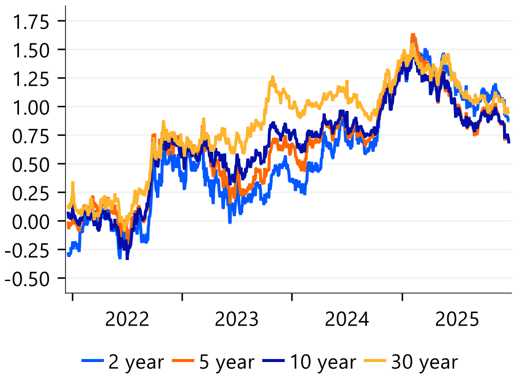
Headline CPI slowed to 2.2%, close to target, but CPI-Common—a preferred gauge of underlying pressures—held at 2.7%. Easing fuel and food costs, along with the removal of counter-tariffs, have helped temper price growth. Still, risks are two-sided: supply chain reconfiguration and currency depreciation could push costs higher, while weak demand and tighter global conditions pose downside risks. The Bank expects inflation to hover near 2% through 2026, assuming slack offsets cost pressures.

Bottom line: the BoC's strategy prioritizes stability over stimulus. With inflation near target and growth constrained by trade shocks, the Bank sees little justification for further cuts and limited scope for hikes. Policy will remain at 2.25% through 2026, while fiscal measures and trade negotiations shoulder the burden of supporting activity. In Macklem's words, the goal is clear: maintain confidence in price stability amid global upheaval.

Assessing the longer end of the curve indicates potential upward pressure on 10- and 30-year rates, as Canada remains under fiscal strain. Elevated government spending and weak productivity are dampening demand for Canadian Treasuries, though this softness is partly offset by a deteriorating global outlook, which suggests muted competition.

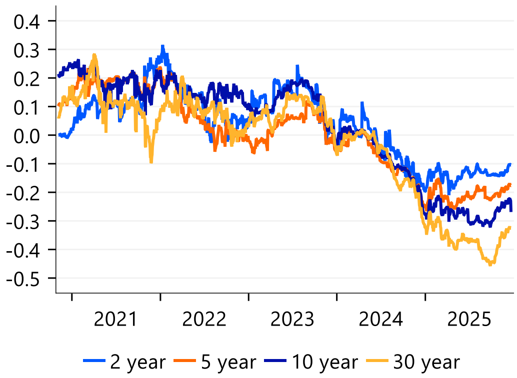
Meanwhile, our U.S. strategist, Philip Marey, forecasts three Fed cuts in 2026, to bring the U.S. overnight policy rate down from 3.75% to 3.00%. As we think the Bank of Canada will maintain its policy rate of 2.25%, this suggests narrowing of the US-CA rate differential from 150bp to only 75bp. We foresee a narrowing US-CA rate differential in the short end of the curve, but see the differential at the long end of the curve as remaining largely flat, as the both long ends face weak demand under fiscal pressure.

Figure 16: US-CA rate differential



Source: RaboResearch, Bloomberg, Macrobond

Figure 17: Swap spreads



Source: RaboResearch, Bloomberg, Macrobond

Table 3: RaboResearch rates forecasts

	Now	*1M*	*3M*	*6M*	*9M*	*12M*
BoC	2.25	2.25	2.25	2.25	2.25	2.25
1m	2.25	2.25	2.25	2.25	2.25	2.25
3m	2.25	2.25	2.25	2.25	2.25	2.25
6m	2.27	2.25	2.25	2.25	2.25	2.25
12m	2.33	2.25	2.25	2.25	2.25	2.25
2y	2.59	2.45	2.36	2.27	2.25	2.25
5y	2.97	2.76	2.72	2.67	2.62	2.61
10y	3.41	3.21	3.21	3.21	3.25	3.29
30y	3.87	3.67	3.67	3.67	3.69	3.72

Source: RaboResearch

USD/CAD

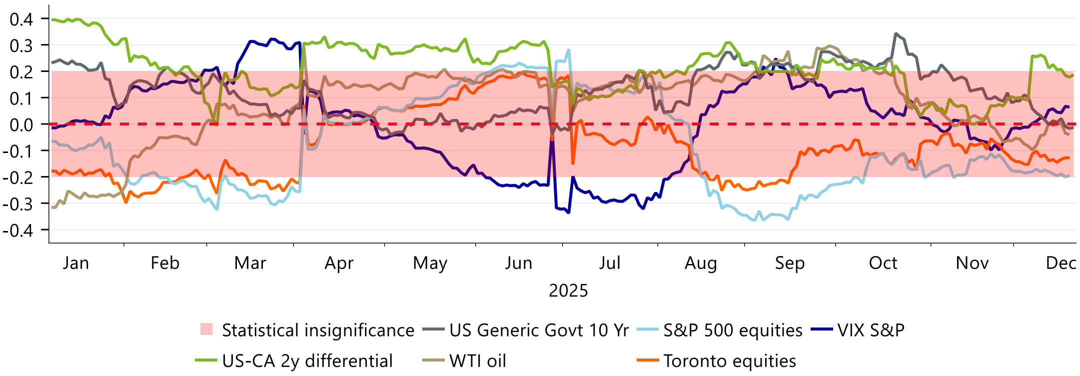
Figure 18: USD/CAD price action

Source: RaboResearch, Bloomberg

USD/CAD recently broke below the upwards channel it had been trading in throughout H2, having broken back to the 1.37-1.38 level.

Generally, there are several factors that influence the price of USD/CAD—these are things like equities prices, volatility, the price of oil, and the US-CA interest rate differential. While we maintain that many of these assets are still fundamental price drivers, namely the US-CA rate differential, 60D rolling correlations imply otherwise. Indeed, all of the drivers we track have treaded into the "band of insignificance," which suggests that USD/CAD overnight movement has become decorrelated from these other assets.

Figure 19: USD/CAD 60D rolling correlations

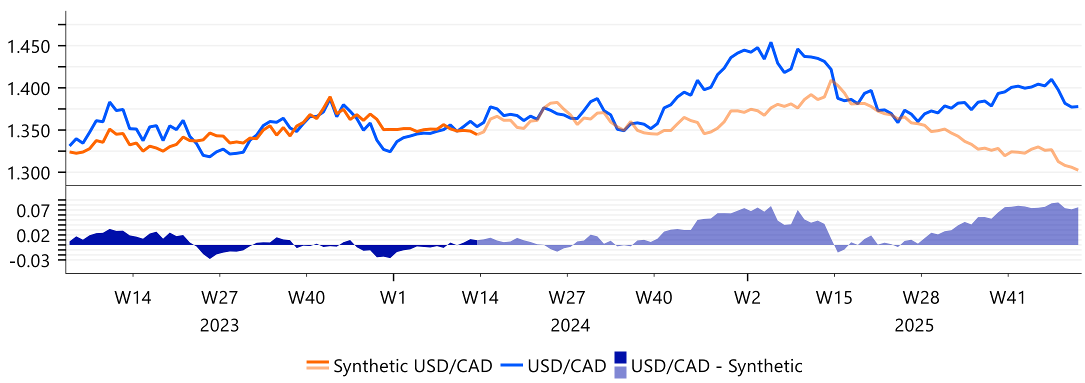


Source: RaboResearch, Bloomberg, Macrobond

What has emerged as a crucial driver instead is what we have referred to as either a "tariff" or a "fear" premium. We developed a synthetic value of USD/CAD by incorporating the US-CA interest rate differential, and the price of the TSX index, and found that historically, these factors tend to be very close estimators of USD/CAD's actual value. However, in November of 2024, USD/CAD peeled away from that fair value. This date perfectly aligning with that of the US election of Donald Trump is not a coincidence, especially as the "fear premium" peaked in February of 2025, after Trump announced and enforced 25% sweeping tariffs under the IEEPA.

While USD/CAD converged with its fair value again in April, when it was announced that both Canada and Mexico would be exempt from Trump's reciprocal tariff plan. However, once Trump's 50% tariffs on steel and aluminum under Section 232 started to take effect—and make a dent in the Canadian economy—USD/CAD started to diverge from its fair value once again, not due to the fear of tariffs, but due to the realized impact thereof.

Figure 20: USD/CAD "fear" and "tariff" premiums



Source: RaboResearch, Bloomberg, Macrobond

Going forward, we expect multiple factors to continue to influence USD/CAD, and its distance from the fair value. We believe that the US-CA rate differential will continue to narrow throughout 2026 from its current level of 150bp to only 75bp, reducing USD strength against CAD. While this would normally suggest downward pressure on USD/CAD, this force is counterbalanced by the continued uncertainty of trade, and the deteriorating economy.

While negotiations between Canada and the U.S. are temporarily halted, we expect negotiations to pick up once more, suggesting a somewhat more optimistic outlook for Canada. However, uncertainty is likely to come to a head in the lead in to the USMCA negotiations next year, where Trump is likely to use any leverage he has to eke out as much as he can in favor of the U.S.. These competing pressures suggest that we see USD/CAD trading around 1.37-1.40 in 2026.

Table 4: Rabobank FX Forecasts

	Now	*1m*	*3m*	*6m*	*9m*	*12m*
USD/CAD	**1.38**	**1.40**	**1.37**	**1.38**	**1.40**	**1.40**
EUR/CAD	1.62	1.63	1.59	1.61	1.64	1.65
EUR/USD	1.18	1.16	1.16	1.17	1.17	1.18

Source: RaboResearch

RaboResearch
Global Economics & Markets
mr.rabobank.com

Global Head

Jan Lambregts
+44 20 7664 9669
Jan.Lambregts@Rabobank.com

Macro Strategy

Global

Michael Every
Senior Macro Strategist
Michael.Every@Rabobank.com

Europe

Elwin de Groot
Head Macro Strategy
Eurozone, ECB
+31 30 712 1322
Elwin.de.Groot@Rabobank.com

Bas van Geffen
Senior Macro Strategist
ECB, Eurozone
+31 30 712 1046
Bas.van.Geffen@Rabobank.com

Stefan Koopman
Senior Macro Strategist
UK, Eurozone
+31 30 712 1328
Stefan.Koopman@Rabobank.com

Maartje Wijffelaars
Senior Economist
Italy, Spain, Eurozone
+31 88 721 8329
Maartje.Wijffelaars@Rabobank.nl

Leander Kalff
Macro Strategist
+31 88 723 8742
Leander.Kalff@Rabobank.nl

Americas

Philip Marey
Senior Macro Strategist
United States, Fed
+31 30 712 1437
Philip.Marey@Rabobank.com

Christian Lawrence
Head of Cross-Asset Strategy
Canada, Mexico
+1 212 808 6923
Christian.Lawrence@Rabobank.com

Mauricio Une
Senior Macro Strategist
Brazil, Chile, Peru
+55 11 5503 7347
Mauricio.Une@Rabobank.com

Renan Alves
Macro Strategist
Brazil
+55 11 5503 7288
Renan.Alves@Rabobank.com

Molly Schwartz
Cross-Asset Strategist
+1 516 640 7372
Molly.Schwartz@Rabobank.com

Asia, Australia & New Zealand

Teeuwe Mevissen
Senior Macro Strategist
China
+31 30 712 1509
Teeuwe.Mevissen@Rabobank.com

Benjamin Picton
Senior Macro Strategist
Australia, New Zealand
+61 2 8115 3123
Benjamin.Picton@Rabobank.com

FX Strategy

Jane Foley
Head FX Strategy
G10 FX
+44 20 7809 4776
Jane.Foley@Rabobank.com

Credit Strategy & Regulation

Matt Cairns
Head Credit Strategy & Regulation
Covered Bonds, SSAs
+44 20 7664 9502
Matt.Cairns@Rabobank.com

Bas van Zanden
Senior Analyst
Pension funds, Regulation
+31 30 712 1869
Bas.van.Zanden@Rabobank.com

Cas Bonsema
Senior Analyst
Financials
+31 6 127 66 642
Cas.Bonsema@Rabobank.com

Maartje Schriever
Analyst
ABS
+31 6 251 43 873
Maartje.Schriever@Rabobank.com

Lyn Graham-Taylor
Senior Rates Strategist
+44 20 7664 9732
Lyn.Graham-Taylor@Rabobank.com

Agri Commodity Markets

Carlos Mera
Head of ACMR
+44 20 7664 9512
Carlos.Mera@Rabobank.com

Charles Hart
Senior Commodity Analyst
+44 20 7809 4245
Charles.Hart@Rabobank.com

Oran van Dort
Commodity Analyst
+31 6 423 80 964
Oran.van.Dort@Rabobank.com

Andrick Payen
RaboResearch Analyst
+1 212 808 6808
Andrick.Payen@Rabobank.com

Energy Markets

Joe DeLaura
Senior Energy Strategist
+1 929 697 5584
Joe.DeLaura@Rabobank.com

Florence Schmit
Senior Energy Strategist
+44 20 7809 3832
Florence.Schmit@Rabobank.com

Client coverage

Wholesale Corporate Clients

Martijn Sorber	Global Head	+31 30 712 3578	Martijn.Sorber@Rabobank.com
Hans Deusing	Europe	+31 30 216 9045	Hans.Deusing@Rabobank.com
Neil Williamson	North America	+1 212 808 6966	Neil.Williamson@Rabobank.com
Adam Vanderstelt	Australia, New Zealand	+61 2 8115 3102	Adam.Vanderstelt@rabobank.com
Ethan Sheng	Asia	+852 2103 2688	Ethan.Sheng@Rabobank.com
Ricardo Rosa	Brazil	+55 11 5503 7150	Ricardo.Rosa@Rabobank.com

Financial Institutions

Short-term Interest Rates

Marcel de Bever	Global Head	+31 30 216 9740	Marcel.de.Bever@Rabobank.com

Bonds & Interest Rate Derivatives

Henk Rozendaal	Global Head Fixed Income	+31 30 216 9423	Henk.Rozendaal@Rabobank.com

Solutions

Sjoerd van Peer	Global Head	+31 30 216 9072	Sjoerd.van.Peer@Rabobank.com

Relationship Management

Rogier Everwijn	Global Head	+31 30 712 2440	Rogier.Everwijn@Rabobank.com
Rob Eilering	Banks	+31 30 712 2162	Rob.Eilering@Rabobank.com
Petra Schuchard	Insurers		Petra.Schuchard@Rabobank.com
Frank Dekkers	Asset Managers		Frank.Dekkers@Rabobank.com
Javier Alvarez de Eerens	MDB	+31 30 712 1015	Javier.Alvarez@Rabobank.com
Christel Kleinhaarhuis	Fintech		Christel.Klein.Haarhuis@Rabobank.com

Capital Markets

Laura Bijl	Global Head	+31 88 726 3254	Laura.Bijl@Rabobank.com
Christopher Hartofilis	Capital Markets USA	+1 212 808 6890	Christopher.Hartofilis@Rabobank.com
Joicy Dinh	Capital Markets Asia	+852 2103 2613	Joicy.Dinh@Rabobank.com
Adriana Gouveia	Capital Markets Brazil	+55 11 5503 7305	Adriana.Gouveia@rabobank.com
Willem Kröner	Global Head ECM	+31 30 712 4783	Willem.Kroner@Rabobank.com
Harman Dhami	DCM Syndicate	+44 20 7664 9738	Harman.Dhami@Rabobank.com
Crispijn Kooijmans	DCM FIs & SSAs	+31 30 216 9028	Crispijn.Kooijmans@Rabobank.com
Bjorn Alink	DCM Securitisation & Covered Bonds	+31 30 216 9393	Bjorn.Alink@Rabobank.com
Othmar ter Waarbeek	DCM Corporate Bonds	+31 30 216 9022	Othmar.ter.Waarbeek@Rabobank.com
Joris Reijnders	DCM Corporate Loans	+31 30 216 9510	Joris.Reijnders@Rabobank.com
Brian Percival	DCM Leveraged Finance	+44 20 7809 3156	Brian.Percival@Rabobank.com

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