

WEEKLY COMMENTARY

Gold and the Loonie

By Mirza Shaheryar Baig, Foreign Exchange Strategist

Precious metals are on a tear. Gold prices are up 43% year to date, while silver has done even better, up 51%. Given Canada's role as a major exporter of precious metals, it begs the question: should the Canadian dollar be showing more strength?

Canada ranks as the world's fourth-largest gold producer. Gold and silver exports accounted for 3.5% of its total exports last year, but at current price levels, that share is projected to double in 2025. Gold mining companies account for about 12% of the Toronto Stock Exchange's market capitalization, making Canada second only to South Africa in terms of gold sector representation on a major stock index. Given this exposure, it would be reasonable to expect trade and investment flows to become increasingly supportive of the Canadian dollar.

Our analysis indicates that gold is becoming a bigger driver of the Canadian dollar, though it remains secondary to monetary policy. According to our factor decomposition model, gold prices currently explain about 12% of the weekly variance in USDCAD—far more than oil prices, but a distant runner-up to monetary policy, which explains roughly 25%.

Put another way, the loonie isn't ignoring gold prices, but their impact is being offset by interest rate expectations.

Rate differentials may continue to favour the US dollar for now. As [we highlighted](#), with both the Federal Reserve and the Bank of Canada cutting interest rates, the FX market will pay more attention to surprises relative to market expectations. While there are risks on both sides, we believe they are skewed towards the Fed doing a little less and the BoC doing a little more than

the market anticipates. This should keep the loonie on the back foot for now.

Commodity prices may be a larger tailwind for the loonie next year. A more broad-based rise in Canada's terms of trade, including higher energy prices, may help revive the loonie's "commodity currency" status. That outcome would also depend on whether higher prices and shifts in government policy stimulate domestic production—either through new capital investment or the activation of idle capacity. So far, gold production has remained stagnant despite higher prices.

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What to Watch For

UNITED STATES

*** Due to a possible federal government shutdown in the United States beginning October 1, some indicators may not be released as scheduled.**

TUESDAY September 30 - 9:00

July	y/y
Consensus	n/a
Desjardins	1.50%
June	2.14%

S&P/Case-Shiller home price index (July) – The US housing market has shifted dramatically. For the first time since the first quarter of 2023, existing home prices have decreased for four straight months. The total decline from February's peak to June was 1.1%, with San Francisco, Phoenix and Seattle suffering the largest contractions. We expect prices to have fallen further in July. A 0.2% drop would cut year-over-year growth to just 1.5%.

TUESDAY September 30 - 10:00

September	
Consensus	95.8
Desjardins	97.5
August	97.4

Conference Board Consumer Confidence Index (September) – After gaining 3.5 points in July, the Conference Board index lost 1.3 points in August. The index remains below its start-of-year level but above its April low. Indicators for September's print are rather mixed. The University of Michigan and TIPP indexes fell this month. Meanwhile, according to the Gallup poll, economic confidence stalled in September after deteriorating in August. However, the factors that influence confidence are a little more positive. The stock market has been rising since late August, gasoline prices have remained stable and mortgage rates have fallen. The labour market—where September's average weekly unemployment claims are outpacing August's—is clouding the picture. We therefore expect the Conference Board index to remain flat.

WEDNESDAY October 1 - 10:00

September	
Consensus	49.2
Desjardins	48.0
August	48.7

ISM Manufacturing index (September) – The ISM Manufacturing index has been relatively stable since the end of the first quarter, fluctuating between 48.0 and 49.0 since March. Look for the index to fall toward the lower end of this range in September, although regional indicators have been rather mixed so far. It'll be interesting to keep an eye on the index's various components, especially employment, which has been fairly sluggish in recent months.

FRIDAY October 3 - 8:30

September	
Consensus	50,000
Desjardins	40,000
August	22,000

Change in nonfarm payrolls (September) – Job creation has been weaker in recent months. We even saw a net decline in payrolls in June, a first since 2010 excluding the pandemic. While we did see gains in July and August, they were small compared to the trend at the start of the year. Higher unemployment claims in early September suggest further moderate jobs growth during the month. The employment components of the Conference Board Consumer Confidence Index and the ISM Manufacturing index will give us more information by Friday. For now, we expect 40,000 jobs to be added in September. The unemployment rate could fall to 4.2% due to a decline in the labour force after August's unexpected rise. At the time of writing, there was still no agreement between Republicans and Democrats to fund the federal government beyond September 30. If there is a shutdown, most indicators from federal agencies—including the monthly jobs report—may not be released.

FRIDAY October 3 - 10:00

September	
Consensus	52.0
Desjardins	51.7
August	52.0

ISM Services index (September) – After dipping close to 50.0 in July, the ISM Services index improved to 52.0 in August, its highest level since February. However, based on the regional indexes published during the month and the recent consumer confidence levels, look for the ISM Services index to have edged down again in September.

MONDAY September 29 - 21:30

September

Consensus

n/a

August

50.5

OVERSEAS

China: Composite PMI (September) – The composite PMI inched up from 50.2 in July to 50.5 in August. However, the sub-indexes continued to return mixed performances. While the services index posted a respectable 0.5-point increase, the manufacturing index edged up just 0.1 points and the construction index fell 1.5 points. These figures are a reminder that China’s economic situation remains fragile. The trade war with the United States continues to undermine foreign demand, while domestic challenges, including high debt and the property crisis, are holding back domestic demand. Recent data hasn’t been very encouraging, with average home prices, housing starts, investment and retail sales all disappointing in August. If September’s print underwhelms, this could be a sign of weaker-than-expected growth in China’s third-quarter real GDP.

Economic Indicators

Week of September 29 to October 3, 2025

Date	Time	Indicator	Period	Consensus		Previous reading
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UNITED STATES

* Due to a possible federal government shutdown in the United States beginning October 1, some indicators may not be released as scheduled.

MONDAY 29	7:30	Speech by Federal Reserve Governor C. Waller				
	10:00	Pending home sales (m/m)	Aug.	0.1%	n/a	-0.4%
	18:00	Speech by Federal Reserve Bank of Atlanta President R. Bostic				
TUESDAY 30	6:00	Speech by Federal Reserve Vice Chair P. Jefferson				
	9:00	Speech by Federal Reserve Bank of Boston President S. Collins				
	9:00	S&P/Case-Shiller home price index (y/y)	July	n/a	1.50%	2.14%
	9:30	Speech by Federal Reserve Bank of Chicago President A. Goolsbee				
	9:45	Chicago PMI	Sep.	n/a	43.0	41.5
	10:00	Consumer confidence	Sep.	95.8	97.5	97.4
WEDNESDAY 1	19:10	Speech by Federal Reserve Bank of Dallas President L. Logan				
	10:00	Construction spending (m/m)	Aug	-0.1%	-0.3%	-0.1%
	10:00	ISM Manufacturing index	Sep.	49.2	48.0	48.7
	---	Total vehicle sales (ann. rate)	Sep.	16,200,000	16,150,000	16,070,000
THURSDAY 2	8:30	Initial unemployment claims	Sep. 22–26	n/a	226,000	218,000
	10:00	Factory orders (m/m)	Aug.	0.1%	1.4%	-1.3%
	10:30	Speech by Federal Reserve Bank of Dallas President L. Logan				
FRIDAY 3	6:05	Speech by Federal Reserve Bank of New York President J. Williams				
	8:30	Change in nonfarm payrolls	Sep.	50,000	40,000	22,000
	8:30	Unemployment rate	Sep.	4.3%	4.2%	4.3%
	8:30	Average weekly hours	Sep.	34.2	34.2	34.2
	8:30	Average hourly earnings (m/m)	Sep.	0.3%	0.3%	0.3%
	10:00	ISM Services index	Sep.	52.0	51.7	52.0
	13:40	Speech by Federal Reserve Vice Chair P. Jefferson				

CANADA

MONDAY 29	---	---
TUESDAY 30	---	Bond markets closed (National Day for Truth and Reconciliation)
WEDNESDAY 1	13:30	Release of the Bank of Canada Summary of Deliberations
	14:05	Speech by Bank of Canada Senior Deputy Governor C. Rogers
THURSDAY 2	13:40	Speech by Bank of Canada Deputy Governor R. Mendes
FRIDAY 3	---	---

NOTE: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).  Desjardins Economic Studies forecast.

Economic Indicators

Week of September 29 to October 3, 2025

Country	Time	Indicator	Period	Consensus		Previous reading	
				m/m (q/q)	y/y	m/m (q/q)	y/y
OVERSEAS							
MONDAY 29							
Eurozone	5:00	Industrial confidence	Sep.	-10.5		-10.3	
Eurozone	5:00	Services confidence	Sep.	3.9		3.6	
Eurozone	5:00	Economic confidence	Sep.	95.3		95.2	
Japan	19:50	Industrial production – preliminary	Aug.	-0.8%	-0.9%	-1.2%	-0.4%
Japan	19:50	Retail sales	Aug.	1.2%	1.0%	-1.6%	0.3%
China	21:30	Composite PMI	Sep.	n/a		50.5	
China	21:30	Manufacturing PMI	Sep.	49.6		49.4	
China	21:30	Non-manufacturing PMI	Sep.	50.3		50.3	
TUESDAY 30							
Australia	0:30	Reserve Bank of Australia meeting	Sep.	3.60%		3.60%	
Japan	1:00	Housing starts	Aug.		-5.0%		-9.7%
Germany	2:00	Retail sales	Aug.	0.5%	2.5%	-1.5%	2.3%
United Kingdom	2:00	Real GDP – final	Q2	0.3%	1.2%	0.3%	1.2%
France	2:45	Personal consumption expenditures	Aug.	0.3%	-0.3%	-0.3%	-0.1%
France	2:45	Consumer price index – preliminary	Sep.	-0.9%	1.3%	0.4%	0.9%
Germany	8:00	Consumer price index – preliminary	Sep.	0.1%	2.3%	0.1%	2.2%
Japan	19:50	Tankan Large Manufacturers Index	Q3	14		13	
WEDNESDAY 1							
India	0:30	Reserve Bank of India meeting	Oct.	5.50%		5.50%	
United Kingdom	2:00	Nationwide house prices	Sep.	0.2%	1.8%	-0.1%	2.1%
Italy	3:45	Manufacturing PMI	Sep.	50.0		50.4	
France	3:50	Manufacturing PMI – final	Sep.	48.1		48.1	
Germany	3:55	Manufacturing PMI – final	Sep.	48.5		48.5	
Eurozone	4:00	Manufacturing PMI – final	Sep.	49.5		49.5	
United Kingdom	4:30	Manufacturing PMI – final	Sep.	46.2		46.2	
THURSDAY 2							
Eurozone	5:00	Unemployment rate	Aug.	6.2%		6.2%	
Japan	19:30	Unemployment rate	Aug.	2.4%		2.3%	
FRIDAY 3							
France	2:45	Industrial production	Aug.	0.3%	0.6%	-1.1%	1.3%
Italy	3:45	Composite PMI	Sep.	51.6		51.7	
Italy	3:45	Services PMI	Sep.	51.6		51.5	
France	3:50	Composite PMI – final	Sep.	48.4		48.4	
France	3:50	Services PMI – final	Sep.	48.9		48.9	
Germany	3:55	Composite PMI – final	Sep.	52.4		52.4	
Germany	3:55	Services PMI – final	Sep.	52.5		52.5	
Eurozone	4:00	Composite PMI – final	Sep.	51.2		51.2	
Eurozone	4:00	Services PMI – final	Sep.	51.4		51.4	
United Kingdom	4:30	Composite PMI – final	Sep.	51.0		51.0	
United Kingdom	4:30	Services PMI – final	Sep.	51.9		51.9	

Note: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).