WEEKLY COMMENTARY

The US Dollar Breaks Out of Its Summer Rut

By Mirza Shaheryar Baig, Foreign Exchange Strategist

The widely followed DXY Index, which measures the US dollar's value against other leading currencies, has risen recently and is now flirting with its summer highs. USDCAD has rallied to its highest level since April. This week's US dollar strength is broad-based, with the greenback gaining ground across G10 and EM currencies. Several psychologically important levels have been breached, such as EURUSD falling below 1.15, AUDUSD below 0.65, and USDJPY and USDCAD settling well above 150 and 1.40, respectively.

The immediate catalyst for this breakout was last week's shift in tone from the Federal Reserve, which leaned more hawkish than markets had anticipated. While the Fed kept the door open to further cuts, its messaging reinforced the idea that rates will decline more slowly than the market expects, and that inflation risks remain asymmetric.

But beyond the Fed, US economic outperformance is the underlying driver of the greenback's strength. The US continues to outpace its peers when it comes to growth momentum, which is being supported by resilient consumption, stable labour markets, and robust investment, particularly in AI. This divergence in fundamentals is increasingly being reflected in FX markets.

Moreover, the greenback slowly clawed back its safe haven status over the summer. The clearest indication of this is the option risk reversal skew, which reflects traders' expectations about which side of the distribution (USD up versus USD down) is likely to see the larger moves. This indicator now favours a stronger US dollar against most currencies, including the Canadian dollar.

Moreover, the recent wobbles in stocks and precious metals have been correlated with a rising US dollar, which suggests that the greenback has reasserted its traditional safe haven status.

Canadian Dollar: Undervalued, but Not Ready to Recover

The Canadian dollar remains significantly undervalued on most fair value metrics. However, valuation alone is not enough. As we highlighted here, we expect CAD to remain weak over the next two quarters, on the back of softer domestic data, a relatively dovish Bank of Canada, and limited support from oil prices. While the loonie may eventually benefit from a narrower US-Canada growth differential in the latter half of next year, we expect no relief in the near term.

Bottom Line

The US dollar's breakout is both technically and fundamentally supported and may extend over the next few months. For CAD, undervaluation is a longer-term story—patience will be required before it can sustainably recover.

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What to Watch For

UNITED STATES

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

THURSDAY November 13 - 8:30

October	m/m
Consensus	0.2%
Desjardins	0.1%
September	**0.3%**

Consumer price index (October) – The consumer price index (CPI) report for September was released, unlike most economic indicators published by the federal government. But we don't expect the October data to be published this week. The White House has even stated that the October figures may never be released, as the government shutdown has prevented the Bureau of Labor Statistics from conducting its monthly survey. Despite this uncertainty, here's our forecast: Headline CPI in October likely edged up by 0.1% month over month, down from the 0.3% posted for September. The main reason for this deceleration was the 3% drop in gasoline prices. Meanwhile, food prices probably increased 0.2%, similar to September. Goods prices excluding food and energy likely rose another 0.2%, as the impact of tariffs is being increasingly felt. We expect the tariff effect to intensify in November. Services are expected to show a steady monthly increase in line with the 0.2% posted for September. All things considered, we see the all items index and core CPI ticking higher by 0.1% and 0.2%, respectively. 12-month growth in the all items index probably slowed somewhat to return to the August figure of 2.9%. Core inflation likely remained unchanged at 3.0%.

CANADA

FRIDAY November 14 - 8:30

September	m/m
Consensus	2.7%
Desjardins	2.8%
August	**-1.0%**

Manufacturing sales (September) – We expect September's manufacturing sales print to show an increase of 2.8%, in line with Statistics Canada's flash estimate. Higher sales of energy products and transportation equipment influenced this uptick. In real terms, manufacturing sales likely increased by 1.5%, as seasonally adjusted industrial product prices rose (1.3%).

OVERSEAS

THURSDAY November 13- 2:00

Q3 2025	q/q
Consensus	0.2%
Q2 2025	**0.3%**

United Kingdom: Real GDP (third quarter) – UK real GDP growth slowed between the first quarter (+0.7% on a non-annualized basis) and the second (+0.3%). We expect growth remained fairly weak in the third quarter. Monthly GDP growth of -0.1% in July was offset by +0.1% in August. In fact, for now, third-quarter carryover growth comes entirely from the 0.4% gain recorded for June, at the very end of the second quarter. Real GDP would have had to grow in September to lift the quarterly figure above 0.3%. Retail sales advanced 0.5% in September, offering some support, but likely not enough. In yesterday's Monetary Policy Report, the Bank of England estimated real GDP growth of 0.2% in the third quarter. This reflected weaker-than-expected growth in exports to the US and the disruption linked to a cyberattack in the auto sector.

THURSDAY November 13 - 21:00

China: Industrial production and retail sales (October) – China's economy continues to send mixed signals. On the one hand, domestic demand remains sluggish, as seen in the year-over-year growth in retail sales, which slowed recently. The 3.0% uptick in September was the weakest since summer 2024. The property market continues to struggle, and many non-manufacturing PMI components have dipped below 50, indicating contraction. On the other hand, industrial production's strength reflects the surprising resilience of the external sector, despite trade tensions with the United States and the weak manufacturing PMI. Year-over-year growth in industrial production even accelerated from August (+5.2%) to September (+6.5%). Retail sales and industrial production data for October will offer new insights into the strengths and weaknesses of the Chinese economy heading into the final quarter of 2025. Export and import data for October has already been released, showing declines.

Economic Indicators

Week of November 10 to 14, 2025

Day	Time	Indicator	Period	Consensus	Desjardins forecast	Previous reading
UNITED STATES						
* Due to the federal government shutdown in the United States, some indicators may not be released as scheduled.						
MONDAY 10	---	---				
TUESDAY 11	---	Markets closed (Veterans Day)				
	22:25	Speech by Federal Reserve Vice Chair M. Barr				
WEDNESDAY 12	9:20	Speech by Federal Reserve Bank of New York President J. Williams				
	10:00	Speech by Federal Reserve Bank of Philadelphia President A. Paulson				
	10:20	Speech by Federal Reserve Governor C. Waller				
	12:15	Speech by Federal Reserve Bank of Atlanta President R. Bostic				
	12:30	Speech by Federal Reserve Governor S. Miran				
THURSDAY 13	8:30	Initial unemployment claims	Nov. 3–7	n/a	n/a	n/a
	8:30	Consumer price index				
		Total (m/m)	Oct.	0.2%	0.1%	0.3%
		Excluding food and energy (m/m)	Oct.	0.3%	0.2%	0.2%
		Total (y/y)	Oct.	3.1%	2.9%	3.0%
		Excluding food and energy (y/y)	Oct.	3.0%	3.0%	3.0%
	12:15	Speech by Federal Reserve Bank of St. Louis President A. Musalem				
	14:00	Federal budget (US$B)	Oct.	n/a	n/a	198.0
FRIDAY 14	8:30	Producer price index				
		Total (m/m)	Oct.	n/a	n/a	n/a
		Excluding food and energy (m/m)	Oct.	n/a	n/a	n/a
	8:30	Retail sales				
		Total (m/m)	Oct.	n/a	n/a	n/a
		Excluding automobiles (m/m)	Oct.	n/a	n/a	n/a
	10:00	Business inventories (m/m)	Sep.	n/a	n/a	n/a
	10:05	Speech by Federal Reserve Bank of Kansas City President J. Schmid				
CANADA						
MONDAY 10	---	---				
TUESDAY 11	---	Markets closed (Remembrance Day)				
WEDNESDAY 12	8:30	Building permits (m/m)	Sep.	0.9%	0.5%	-1.2%
	13:30	Release of the Bank of Canada Summary of Deliberations				
THURSDAY 13	---	---				
FRIDAY 14	8:30	Manufacturing sales (m/m)	Sep.	2.7%	2.8%	-1.0%
	8:30	Wholesale sales (m/m)	Sep.	0.0%	0.0%	-1.2%

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 Standard Time (GMT -5 hours). Desjardins Economic Studies forecast.

Economic Indicators

Week of November 10 to 14, 2025

Country	Time	Indicator	Period	Consensus m/m (q/q)	Consensus y/y	Previous reading m/m (q/q)	Previous reading y/y
OVERSEAS							
MONDAY 10							
Japan	0:00	Leading index – preliminary	Sep.	107.9		107.0	
Japan	0:00	Coincident index – preliminary	Sep.	114.5		112.8	
Japan	18:50	Current account (¥B)	Sep.	2,256.3		2,463.5	
TUESDAY 11							
United Kingdom	2:00	ILO unemployment rate	Sep.	4.9%		4.8%	
Germany	5:00	ZEW Current Conditions Survey	Nov.	-78.0		-80.0	
Germany	5:00	ZEW Expectations Survey	Nov.	41.3		39.3	
WEDNESDAY 12							
Germany	---	Current account (€B)	Sep.	n/a		8.3	
Germany	2:00	Consumer price index – final	Oct.	0.3%	2.3%	0.3%	2.3%
Italy	4:00	Trade balance (€M)	Sep.	n/a		2,050	
Italy	4:00	Industrial production	Sep.	1.5%	-0.5%	-2.4%	-2.7%
Japan	18:50	Producer price index	Oct.	0.3%	2.5%	0.3%	2.7%
THURSDAY 13							
France	1:30	ILO unemployment rate	Q3	7.5%		7.5%	
United Kingdom	2:00	Trade balance (£M)	Sep.	n/a		-3,386	
United Kingdom	2:00	Construction	Sep.	0.0%	1.0%	-0.3%	1.0%
United Kingdom	2:00	Index of services	Sep.	0.1%		0.0%	
United Kingdom	2:00	Monthly GDP	Sep.	0.0%		0.1%	
United Kingdom	2:00	Real GDP – preliminary	Q3	0.2%	1.4%	0.3%	1.4%
United Kingdom	2:00	Industrial production	Sep.	-0.2%	-1.4%	0.4%	-0.7%
Eurozone	5:00	Industrial production	Sep.	0.8%	2.4%	-1.2%	1.1%
China	21:00	Industrial production	Oct.		5.5%		6.5%
China	21:00	Retail sales	Oct.		2.8%		3.0%
Japan	23:30	Tertiary Industry Activity Index	Sep.	0.2%		-0.4%	
FRIDAY 14							
France	2:45	Consumer price index – final	Oct.	0.1%	1.0%	0.1%	1.0%
Eurozone	5:00	Trade balance (€B)	Sep.	n/a		9.7	
Eurozone	5:00	Net change in employment – preliminary	Q3	n/a	n/a	0.1%	0.6%
Eurozone	5:00	Real GDP	Q3s	0.2%	1.3%	0.2%	1.3%

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 Standard Time (GMT -5 hours).