

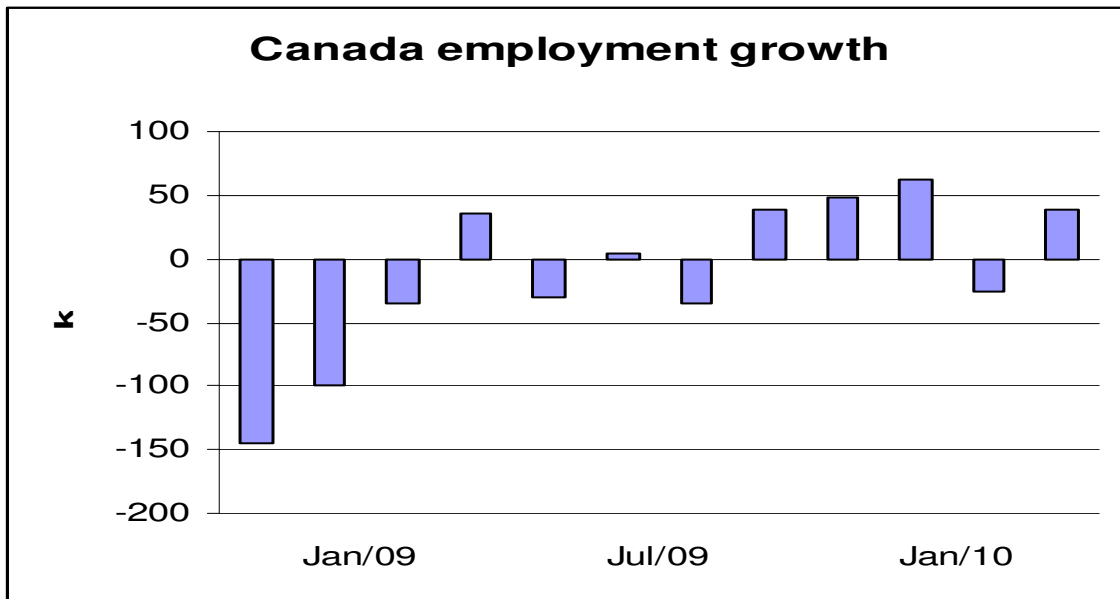
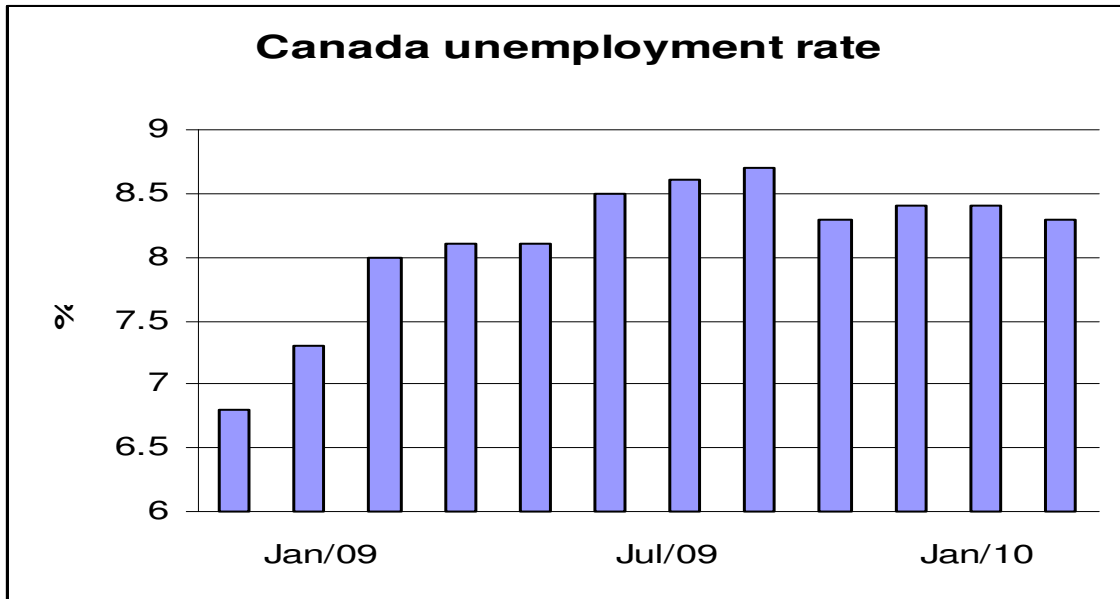
Canada's jobs growth likely slowed in February

The CAD is trading at a two month high versus the USD and has made substantial gains versus European currencies. The outperformance of the CAD is attributed to recent Canadian economic data that points to a stronger than expected Canadian recovery. Canada's Q4 GDP rose at its fastest space nine years reported at 5%. Canada also reported stronger than expected housing data, improvement in the manufacturing sector and rising employment. CAD is also supported by BOC policy outlook and rising price of crude oil.

CAD has been outperforming supported by last week's decision by the BOC to maintain steady monetary policy and signal a shift in its policy bias. In the BOC policy statement the BOC dropped reference to inflation risks being to the downside. This has encouraged speculation that the BOC may hike interest rates sooner than the Fed. The language of the Fed policy statement remains unchanged reaffirming commitment to low yields for an extended period. The BOC also reaffirmed its commitment to maintain low yields through June of 2010 but the change in its policy statement language opens the door for possible earlier BOC rate hike. A BOC rate hike could come as early as August. Canadian interest rate swaps widened to a two year high versus US last Wednesday. The widening of the swap spread reflects increased speculation that the BOC will hike interest rates before the Fed. The CAD rally is also attributed to the strong rebound in the price of crude. Crude prices are trading near \$82 a barrel. CAD price direction maintains a close correlation to the price of crude. CAD gains versus Europe are attributed to concern about sovereign debt risk in the UK and EU sparked by fallout from the Greek fiscal crisis and fear of a downgrade of the UK AAA debt rating.

Canada will release its February unemployment report on Friday, March 12th. February unemployment is expected unchanged at 8.3% with an employment growth expected at 18k compared to 43k last month. A strong February Canadian employment report would encourage speculation of an earlier than expected BOC rate hike and could fuel a CAD rally towards parity to the USD. A weaker report could pressure the CAD and deflate optimism about the Canadian recovery. Last month Canada reported a surprise 43k in new jobs created. Part of the gain in the employment growth was attributed to temporary jobs for the Winter Olympics. The January unemployment report may have overstated the improvement in Canada's labor market with manufacturing jobs reported down 15k. Canada's has lost manufacturing jobs for the last three months in a row. Most of the January employment growth was attributed to temporary hiring. According to the Canadian government the Canadian stimulus plan helped to create or maintain 130k in jobs with 60% of these jobs in the service industry. A Manpower survey states that 75% of Canadian employers plan to hold staffing levels steady in Q2 2010 with 17% expected to hire new staff and 6% expected to shed workers. Economists expect Canada to take one to two years to recover the jobs lost in the recession.

The January unemployment report confirms that the Canadian labor market has stabilized but the pace of jobs creation remains uncertain. The February unemployment report is expected to confirm that Canada continues to create new jobs but at a slower pace. Investors will be looking to see if Canada's job growth shifts to more full-time employment. This would confirm that the Canadian labor market has bottomed and increase speculation of an earlier than expected BOC rate hike.



By Michael J. Malpede,

Michael J. Malpede is Chief Market Analyst with Easy-Forex and has previously been featured on Bloomberg TV, Bloomberg radio, Reuters, MarketWatch, Wall Street Journal, Chicago Tribune, Chicago Sun Times, Toronto Star and Nikkei press. In analyzing the markets, he draws from 29 years of Foreign Exchange Research as a Foreign Exchange Analyst.

Please note that Forex trading (OTC Trading) involves substantial risk of loss, and may not be suitable for everyone. This report is provided by Easy-Forex™ for informative purposes only. In no way it is a recommendation by Easy-Forex™ for you to engage in any trade. It is your sole responsibility and you will have no claims with regards to this report against Easy-Forex™. If you do not agree to this, you are strongly advised not to use this report. Hence, Easy-Forex™ shall not be held responsible for any outcome of trading decisions, in regards with this report or similar reports.