

Dollar rises as global buyers invest in Canada Inc.

A good year for the dollar

Canada's dollar has been relatively strong in 2009 and is climbing toward parity with the U.S. dollar once again. Looking back a bit farther, the dollar has made a long trudge from the depths of a 62-cent loonie in 2002 to the short-lived \$1.07 dollar in 2007.



Most recent rise reflects Canada's relatively low debt compared to other countries battling out of recession

BY JOHN MORRISSY

OTTAWA — The rapidly climbing Canadian dollar added one cent US Wednesday as the fruits of a stellar performance during the financial crisis and a domestic economy strongly on the rebound continued to attract investors.

"To a large extent, the Canadian dollar is still basking in the glory of what was a pretty stellar jobs report last week," said Shaun Osborne, chief currency strategist at TD Securities, referring to September's 31,000-job gain.

"We've had a number of data points out of Canada recently on the employment front, on business confidence and on housing that suggest things here are perhaps improving and improving quite nicely in some sectors.

"As well, we also saw a lot of focus earlier in the year on how well the [Canadian] banks have held up in the credit

many countries around the world, Canada's debt to GDP level is going to be amongst the lowest if not the lowest of the major economies," Osborne said.

"So it's been an all-around positive story for the Canadian dollar over the past year or so."

That, combined with rising commodity prices and a tumbling U.S. dollar, helped lift the Canadian dollar by one cent US Wednesday to 97.48 cents US.

It has risen in each of the past five trading sessions and has gained almost 3.5 per cent over that stretch. It joins the euro, the Australian dollar and the Norwegian krone in reaching new 12-month highs against the weakening U.S. dollar, according to Scotia Capital currency strategist Camilla Sutton.

"On the back of a solid start to earnings season and strong trade and loan growth releases from China, investors are widely seeking risk today," Sutton said in a research note Wednesday.

"We are at an important crossroads

shadows further upside ahead and on-going U.S. dollar weakness," Sutton said.

In fact, Osborne said, further strength in so-called riskier assets — like commodities, equities and commodity-related currencies — could begin to build on itself.

"Some investors have sat back and watched this risk rally take place in the early part of the year and sat on the sidelines waiting for the pullback to come.

"I think as we move into the end of the year, there is a strong possibility that investors that are underweight risk — so underweight equities or overweight U.S. dollars — are going to have to start putting some of that money to work and chase this market higher.

"If you're an asset manager do you want to get to the end of the year and seem underweight equities and missed out on nine months of one of the best equity rallies that we've seen?"