Scotiabank
Global FX Strategy

DAILY FX UPDATE
Thursday, October 1, 2026

Analyst Team

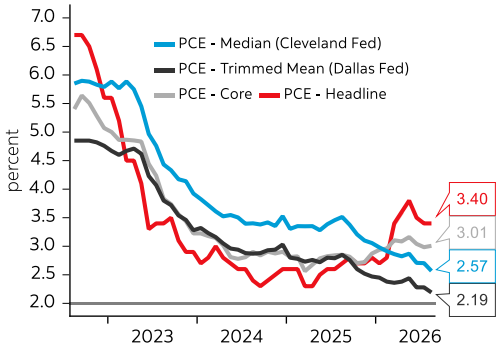
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Overview

- USD well supported despite softer PCE and nascent signs of Fed pushback.
- CAD weakening on wider spreads and trade-related sentiment; BoC risk 3pm.
- EUR soft markets soften expectations for ECB tightening, despite firm CPI.
- GBP steady and performing on crosses as markets eye gilt yields & fiscal risk.
- JPY underperforming as BoJ minutes push back on near-term hike risk.
- AUD flat, consolidating recent decline with limited reaction to weaker trade.
- MXN down nearly 1% as Banxico Gov. emphasizes independent rate path.

PCE - Disinflation in Trimmed, Median



Source: Macrobond, Scotiabank FICC Strategy

USD Remains Firm, Ignoring Soft PCE & Fed Pushback

FX Market Update—The USD is seeing broad strength into Thursday's NA session with gains delivering fresh 18-month highs in the DXY. Performance among the G10 currencies is varied with notable losses in the JPY, NZD, EUR, and GBP, while the CAD, AUD, and CHF are down modestly vs. the USD. The MXN is nearing a 1.0% decline on the day, clearing its March lows to reach levels last seen in December 2025 as market participants respond to Banxico Gov. Rodriguez's latest media interview in which she clearly emphasized policy divergence and an independent rate path (relative to the Fed). The USD's latest gains have been fundamentally driven, moving in tandem with interest rate differentials as expectations for Fed tightening have remained firm while the outlook for the Fed's developed economy peers (most notably the ECB) have softened somewhat. The broader market's tone is tentative, as US equity futures suggest marginal gains following a mixed session in Asia and broad weakness across European equity indices. Developed economy bond markets are mixed, with the US 10Y yield showing a potential bearish reversal signal as bund yields extend their (bearish) turn. Geopolitical concerns appear to be moderating and oil prices are trading accordingly with WTI testing the $90/bbl level while Brent has seen a more meaningful decline to the psychologically important $100/bbl threshold. The market's focus remains centered on oil prices and the central bank response, however recent Fed communication has pushed back on market expectations for tightening with notable jawboning from NY Fed President Williams earlier this week. Wednesday's PCE also provided a reprieve as the Fed's preferred inflation measure delivered a welcome decline across both headline and core with an extension of the disinflationary trends observed in the narrower trimmed mean and median measures previously championed by Fed Chair Warsh. Signals from the broader commodity complex are limited, as copper prices consolidate within their range from early August while gold attempts stabilization in the aftermath of Monday's notable decline. Price action in silver remains defensive overall, threatening the $60/oz level and testing levels last seen in early August. The focus for Thursday's NA session will balance both data and Fedspeak, as we look to the release of weekly jobless claims and the high-profile ISM manufacturing sentiment figures. There are 9 scheduled Fed speakers, offering a considerable amount of headline risk. Comments from Waller (BoG, voting), Jefferson (BoG, voting), Bowman (BoG, voting), Cook (BoG, voting), and Williams (NY, voting) will be key. We continue to feel that the DXY is trading at levels that have previously attracted considerable selling interest with resistance observed at/just below the 102 level. However we also acknowledge that the index continues to trade close to our fair value estimate based on 2Y spreads—currently at 101.4 vs. spot at 101.8.

USDCAD (1.4247) The CAD continues to trade defensively, hitting fresh lows and reaching levels last seen in April 2025. The outlook for relative central bank policy is dominating as Fed expectations remain firm while those for the BoC have softened somewhat over the past week or so. Wider US-Canada yield spreads remain a headwind for the CAD, and sentiment appears to be compounding the fundamentally-driven weakness as market participants express their concerns related to the continued deterioration in trade relations between the US and Canada. Domestic risk is elevated as we look to BoC Sr. Dep. Gov. Rogers' speaking engagement scheduled for 3:05pm ET. The speech topic is set to cover 'Canada's housing market' however there will also be a Q&A, offering the potential for broader comments touching on monetary policy. Our FV estimate is currently at 1.4121, and showing a widening divergence to spot.

USDCAD short-term technicals: Bullish/neutral—the rally in USDCAD has been impressive, marginally clearing the late June highs to reach levels last seen in April 2025. The RSI is significantly overbought at 79, suggesting caution at levels well above the 70 threshold. We see limited resistance ahead of 1.44 and note the absence of any meaningful support between current spot and 1.40.

TODAY'S CALENDAR

Time (ET)	Country	Release	Period	Consensus	Last
8:00	UK	BOE's Mann speaks			
8:30	US	Initial Jobless Claims		200k	197k
8:30	US	Continuing Claims		1725k	1719k
9:05	US	Fed's Barkin (nv), Collins (nv), Schmid (nv) speak			
9:30	CA	S&P Global Canada Manufacturing PMI	Sep	--	53.0
9:30	EC	ECB's Lagarde speaks			
9:45	US	S&P Global US Manufacturing PMI	Sep F	57.0	57.0
10:00	EC	ECB's Sleijpen speaks			
10:00	US	Fed's Waller (voting) speaks			
10:00	US	ISM Manufacturing	Sep	55.0	54.6
10:00	US	ISM Prices Paid	Sep	73.0	71.1
10:00	US	ISM New Orders	Sep	54.7	53.7
10:00	US	ISM Employment	Sep	52.0	51.2
10:50	UK	BOE's Pill speaks			
11:30	EC	ECB's Schnabel speaks			
13:30	US	Fed's Jefferson (voting) speaks			
15:00	US	Fed's Bowman (voting) speaks			
15:05	CA	BoC Senior Deputy Governor Carolyn Rogers speaks			
15:30	US	Fed's Cook (voting) and NY Fed's Williams (voting) speak			
19:20	US	Fed's Logan (voting) speaks			
19:30	JN	Tokyo CPI YoY	Sep	2.5%	1.9%
19:30	JN	Tokyo CPI Ex-Fresh Food YoY	Sep	2.3%	1.8%
19:30	JN	Tokyo CPI Ex-Fresh Food, Energy YoY	Sep	2.5%	2.0%
3:00	EC	ECB's Moulin speaks			
3:30	EC	ECB's Cipollone speaks			
3:30	EC	ECB's Rehn speaks			
4:15	EC	ECB's Sleijpen speaks			
5:00	EC	CPI YoY	Sep P	3.7%	3.2%
5:00	EC	CPI MoM	Sep P	0.5%	0.4%
5:00	EC	CPI Core YoY	Sep P	2.5%	2.4%
7:30	EC	ECB's Vujcic speaks			

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