

Minutes of the Canadian Foreign Exchange Committee Meeting

13:00 – 14:00
November 13, 2025
Virtual

Present: Stéphane Lavoie, (Bank of Canada, co-Chair)
Dagmara Fijalkowski (RBC GAM, co-chair)
Tobi Jungerman (Bank of America)
Manuel Mondedeu (CIBC World Markets)
Miro Vucetic (Citibank)
Sean Macdonald (CPPIB)
Mark Burnatowski (Scotiabank)
Edward Risk (BMO Capital Markets)
Tony Kim (RBC Capital Markets)
Lorne Gavsie (CI Investments)
Timothy De Leon (OTPP)
Dan Mazza (State Street)
Greg Debienne (TD Securities)
Rob Palladino (JP Morgan Chase)
Charles Perrault (Department of Finance)
Sebastian Sierotnik (CME Group)
Audra Scharf (LSEG)
Martin Legault (National Bank Financial)
Zahir Antia (Bank of Canada, Secretary)
Harri Vikstedt (Bank of Canada)

External speakers:
Eric Theoret (Scotiabank)

The meeting was conducted virtually.

1 Introduction

The co-chair welcomed members. He informed members that Harri Vikstedt will be retiring from the Bank of Canada (BoC) at the end of the year. Mark De Guzman, Director of the Market Analysis and Operations group at the BoC, will replace him on CFEC. The co-chair expressed his gratitude to Mr. Vikstedt for his contributions to various CFEC and GFXC initiatives, especially the development of the FX Global Code.

The Committee adopted the agenda as written.

2 FX market outlook

Eric Theoret, FX strategist at Scotiabank, presented his outlook for foreign exchange markets. He believes that the appreciation of the US dollar since September has been driven primarily by sentiment rather than traditional fundamental drivers such as interest rate differentials. Easing of trade tensions with China, uncertainty caused by the US federal government shutdown and a slight risk-off sentiment in equity markets have pushed the US dollar higher. Going forward, he expects the US dollar will depreciate as the Federal Reserve is expected to lower interest rates relative to other central banks as US economic growth slows.

Mr. Theoret believes the Canadian dollar's recent weakness has been driven by ongoing trade uncertainty, lower BoC policy rates, and a spike in market volatility through early November. However, he anticipates the Canadian dollar will appreciate against the US dollar next year, supported by interest rate differentials. He believes the BoC will not cut rates further and will likely need to raise rates by 75bps in the second half of 2026. This contrasts with an additional 75bps of easing expected by the Federal Reserve. Uncertainty around trade negotiations remains the main downside risk to the Canadian dollar. He noted that many Canadian exporters have not been hedging their US dollar exposures due to the on-going uncertainty around the trade outlook.

In contrast to the Canadian dollar, the Mexican peso has been one of the better performing currencies in 2025 against the US dollar. The peso has been supported by higher interest rate differentials and a more positive perception of trade negotiations with the US. However, he anticipates the peso will depreciate in 2026 as the Bank of Mexico cuts rates and uncertainty around CUSMA re-negotiations increases.

He expects the Euro will strengthen against the US dollar, reflecting a moderate pick up in growth in Europe and the ECB maintaining interest rates at current levels. He noted that the Japanese Yen has weakened since the appointment of Prime Minister Takaichi as investors believe the government will provide additional fiscal stimulus and the Bank of Japan will slow the pace of interest rate increases. However, he dismissed these concerns and believes the Bank of Japan will raise interest rates to counteract rising inflation, which should support the Yen in 2026.

3 Update on year-end funding conditions

Members discussed funding conditions in the FX swap market around year-end. They agreed that funding conditions in the FX swap market remain benign, with no indications of funding stresses around year-end. While implied funding costs are modestly higher around year-end relative to current levels, they are in fact lower than implied rates seen in previous years. One member noted that although bid-offer spreads are slightly wider for FX swaps around the end of the year, market functioning has been smooth.

Members noted that funding pressures have been more acute in US and Canadian repo markets recently than in the FX swap market. The spread of CORRA to the overnight target

rate had increased in September and again around Canadian bank year-end but has declined since. Funding pressures were also evident in the US repo market, evidenced by the increase in SOFR and increase bank borrowing from the Federal Reserve's Standing Repo Facility.

4 Update on IOSCO pre-hedging consultation

A representative from the BoC informed members that International Organization of Securities Commissions (IOSCO) has published its [final report on pre-hedging](#). IOSCO's guidance is meant for local securities regulators, and it will be up to the local regulatory bodies to determine how the guidelines will be used in their respective jurisdictions. He also noted that a CFIF roundtable on pre-hedging will be held in early December to discuss the potential implications of the guidance on Canadian financial markets.

5 Preview of December GFXC meeting

The CFEC Secretary provided a preview of the virtual GFXC meeting on December 4th and 5th. The various GFXC Working Groups will provide progress updates since the last meeting in July. There will also be a panel discussing FX market conditions and updates from local FX committees will be provided.

6 Other business

The co-chair reminded members that CFEC has established a small working group to discuss how to promote and increase Code adherence in Canada. The first meeting will be in late November.