

## Apr 9<sup>th</sup> 2014 - CANADA FX DEBT- C\$ strengthens to near a two-month high

By Leah Schnurr

TORONTO: Apr 9 (Reuters) - The Canadian dollar strengthened against the greenback on Tuesday to hit its highest level in nearly two months, benefiting from broad risk appetite and signs of health in recent economic data.

A round of disappointing housing market figures on Tuesday trimmed some of the loonie's gains but failed to break its momentum. Housing starts in Canada fell more than expected in March, while building permits slumped in February.

"Part of it is the ability for the market to put some risk back on today," said Amo Sahota, director at Klarity FX in San Francisco. "They feel like they've been squeezed in certain places, so we've seen some broad-based currency strength as a result of that, and the loonie has been part of it."

In Quebec, the federalist Liberal Party won a majority government in provincial elections, eliminating the threat of an impending referendum on independence from Canada.

The election result reassured investors, though the runup to Monday's vote had not had much impact on the currency.

Since touching a 4-1/2 year low in late March, the loonie has bounced higher. A robust employment report last week propelled it through the C\$1.10 level, which had represented significant resistance. On Tuesday, the loonie hit a session high of C\$1.0912, its highest level since mid-February.

"It's playing a reverse role from what it was doing several weeks ago when no matter what happened, if it had an opportunity to weaken out, it would weaken," Sahota said. "Now it seems like if it has the opportunity to strengthen, it's taking the bull by the horns."

The Canadian dollar ended the North American session at C\$1.0922 to the greenback, or 91.56 U.S. cents, stronger than Monday's close of C\$1.0969, or 91.17 U.S. cents.

The currency is likely to see further gains heading into the Bank of Canada's policy announcement on April 16 and potentially in the weeks after, said Greg Moore, senior currency strategist at Royal Bank of Canada in Toronto. "In the next couple weeks, we could probably dip down into the C\$1.08 area," he said. "Broadly speaking, we're looking at the low C\$1.09s to C\$1.12 sideways trend to continue for the next few months."

Canadian government bond prices were higher across the maturity curve, with the two-year up 0.2 Canadian cents to yield 1.081 percent and the benchmark 10-year up 1 Canadian cent to yield 2.462 percent.