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TWO THIRDS OF CANADIAN INVESTORS EXPECT USMCA TO BE RATIFIED WITHIN A YEAR

Nearly two thirds (64%) of Canadian institutional investors expect the USMCA trade agreement to be ratified within a year, according to new research from Record Currency Management ("Record"), the UK-based specialist currency manager.

However, of the 29% of investors who predict a Conservative victory next week, 88% expect Canada not to ratify the USMCA in its current form. While this fits with the Conservative rhetoric of dissatisfaction with the deal, it hasn't been widely reported as consensus, likely due to the majority expectation of continued Liberal government. Additionally, just under two thirds (61%) of participants believe that neither party will secure a majority.

A further 83% of respondents expect interest rates to fall by June 2020, as the global slowdown is likely to start affecting the Canadian economy.

The findings are part of an analysis of Canadian institutional investor sentiment and their views of the Canadian economic environment, ahead of the Canadian federal elections on 21 October 2019, and highlight the risk to consensus views from an unexpected outcome.

For the most part, the results supported consensus views around monetary policy, exchange rate volatility, and election outcomes. However, this finding itself highlights the risk of alternative outcomes confounding expectations, potentially leading to marked shifts in markets.

Commenting on the survey, Record's Research and Strategy Director, John Floyd, said, "We are actively engaging with investors who are considering the positioning of their portfolios in case of any surprise outcome to the election and sharp market moves, as well as the overall Canadian macro-economic framework. On the back of unexpected outcomes in the US election and UK Brexit referendum in 2016, coupled with relatively sanguine markets, investors are absolutely right to prepare for unexpected results and to consider the broader global macroeconomic and geopolitical backdrop." Floyd, based in New York, is actively involved with the currency specialist's North American client base.

Survey participants cover a range of Canadian investment professionals spanning asset owners, asset managers, consultants and economists, including from Record's clients.

The full report is available from Record upon request.

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Notes to Editors

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The Group has four principal reporting lines:

- Passive Hedging, where Record seeks to eliminate fully or partially the economic impact of currency movements on elements of clients' investment portfolios that are denominated in foreign currencies;
- Active Hedging, where Record seeks to eliminate the impact of currency movements on elements of clients' investment portfolios that are denominated in foreign currencies when these movements are expected to result in an economic loss to the client, but not to do so when they are expected to result in an economic gain;
- Currency for Return, in which Record enters into currency contracts for clients with the objective of generating positive returns; and
- Multi-Product, where the client mandate includes combined hedging and return-seeking objectives.

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