

# Cross-Asset Regime Transition

## Rates, Oil, CAD & Liquidity Positioning Framework

### Current regime

#### Late-cycle inflation shock / policy divergence

House view: markets still underprice rates-vol persistence and liquidity fragility. Oil supports CAD, but USD/rates-vol transmission can overwhelm simple commodity beta.

Market	Latest	Desk read
Fed / BoC	3.63% EFR / 2.25%	US front-end carry > CAD
USD/CAD	1.3752	CAD not fully monetizing oil
WTI	\$105.42	terms-of-trade support, inflation tax
US 2s10s	+47bp	term premium risk reloaded
CAD CFTC	-58.8k	short squeeze optionality

### Tactical positioning view

Bias	Expression	Rationale
Duration	own belly convexity, avoid pure carry	growth shock payoff > front-end carry bleed
Curve	conditional 2s10s / 5s30s steepeners	term premium repricing cleaner than outright shorts
CAD	prefer CAD crosses vs USD/CAD shorts	USD/rates-vol channel still caps oil beta
Oil	event gamma / call-spread tails	supply shock has nonlinear CPI impulse
Risk	vol-adjusted gross exposure	liquidity premia reprice fastest

### Market pricing snapshot

Fig. 1: US curve has re-steepened

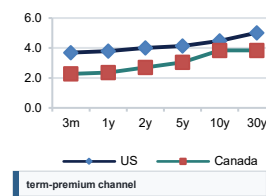
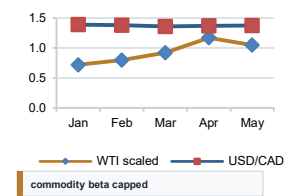


Fig. 2: Oil beta vs USD/CAD



### Macro drivers and catalyst calendar

Timing	Catalyst	Transmission / desk relevance
Jun 10	BoC decision	CAD rates front-end; divergence vs Fed
Jun 17	FOMC	USD, front-end rates, volatility compression risk
Weekly	EIA inventory / geopolitics	WTI -> breakevens -> CAD beta
Weekly	CFTC COT	position squeeze risk in CAD / crude / rates
Monthly	US + Canada CPI	inflation persistence, policy path repricing

### Risk dashboard

Factor	State	Positioning implication
Inflation	sticky	bearish duration if oil pass-through persists
Liquidity	fragile	vol clusters around data / auctions
CAD	short IMM	asymmetric squeeze if oil + BoC hawkishness align
Risk assets	sensitive	USD strength can dominate commodity CAD beta

### Inflation and volatility regime

Fig. 3: CPI impulse re-accelerating

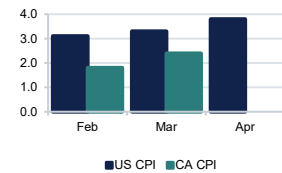
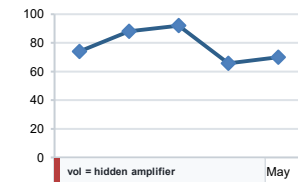


Fig. 4: Rates vol still sets regime



### Regime deltas: what changed?

Delta	Signal	Desk implication
Term premium	10Y > 2Y by c.47bp	long-end supply / inflation risk now matters again
CAD beta	oil support not translating cleanly	commodity impulse is being taxed by USD + vol
Vol / liquidity	MOVE off stress high, not benign	compression creates negative-convexity risk

### Executive synthesis

Question	Current answer
What is mispriced?	rates-vol/liquidity transmission is still underweighted.
Where asymmetry?	Short CAD + long oil leaves squeeze risk if BoC turns less dovish.
What breaks it?	Oil reversal or growth shock that overwhelms inflation premium.
Desk process	Track data -> pricing -> positioning -> liquidity -> vol feedback.

rates vol underpriced

liquidity fragile

USD dominant

oil beta unstable

CAD conditional

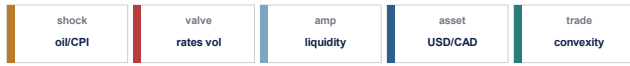
### Market conflict and tactical trigger grid

Conflict	Mispricing / asymmetry	Trigger to act
Oil bullish CAD / bearish duration	CAD gains fade if inflation shock lifts USD and rates vol	WTI > \$110 + MOVE > 85 = hedge CAD longs
Sticky CPI / growth slowdown	front-end repricing conflicts with belly convexity	CPI beat + weak PMI = receive belly via options
Short CAD / fragile liquidity	crowding creates squeeze risk; stop-losses cluster above spot	USD/CAD > 1.39 = reduce; < 1.36 = add CAD crosses
Vol compression / event density	carry cheap until auction/data windows reprice gamma	own CPI/FOMC/BoC event convexity, trim after spike

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## Rates, Oil, CAD & Liquidity Positioning Framework

Core framework: trade the transmission path, not the headline. House view is that rates vol and liquidity fragility remain underpriced: the same oil shock can be CAD-positive through terms of trade, CAD-negative through USD/rates-vol channels, and duration-negative through inflation credibility.



### Rates / FX / oil sensitivity

Fig. 5: US 2s10s repricing

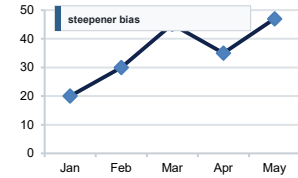
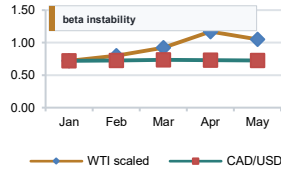


Fig. 6: CAD/oil co-movement unstable



### Positioning and volatility diagnostics

Fig. 7: CAD speculative positioning

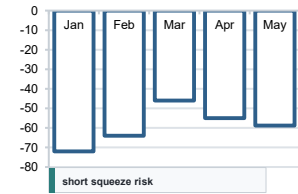
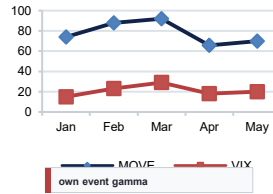
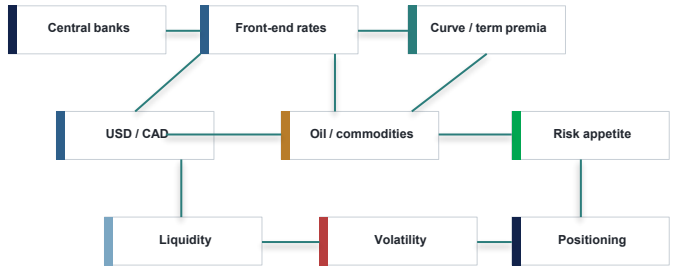


Fig. 8: MOVE/VIX signal



### Cross-asset transmission framework



Second order: oil lifts CAD terms-of-trade but can harden inflation expectations; higher rate vol can invert the signal by strengthening USD and widening liquidity premia.

### Macro sensitivity matrix

Shock	Rates	CAD	Vol	Risk
Sticky CPI	payer / light duration	mixed	higher	lower beta
Oil up	breakevens higher	CAD + / USD offset	higher	dispersion
Growth scare	receive belly	CAD lower	higher	de-risk
Liquidity drain	term premia wider	USD bid	higher	correlation +
Risk-on reflation	bear steepener	CAD stronger	lower	cyclical +

### Desk read-through

Signal	Interpretation
Short CAD	use CAD crosses; avoid unhedged USD/CAD shorts while vol elevated
Curve steepening	conditional steepeners cleaner than outright duration shorts
Vol + USD/CAD	own event gamma; USD channel caps commodity beta

### Correlation instability: regime dependence

Regime	Oil-CAD	Rates-CAD	Rates-risk	Desk implication
Supply oil shock	+ then -	hawkish	negative	CAD beta fades; use crosses + oil vol hedges
Risk-on reflation	+	bearish	positive	CAD crosses outperform; keep payer-spread hedge
Growth scare	-	bullish	negative	USD/CAD squeezes higher; receive belly via options
Liquidity tightening	unstable	wider premia	negative	cut gross; replace delta with optionality

### Process overlay for FICC Strategy / eTrading

Input	Metric	Actionable desk use
Rates	2Y/10Y, FedWatch, GoC curve	map policy path; express via conditional steepeners / belly convexity
FX	USD/CAD, CEER, CFTC CAD	separate commodity beta from USD squeeze; prefer CAD crosses
Commodities	WTI/Brent, EIA inventories	stress CPI pass-through; hedge tails with oil optionality
Liquidity	CORRA, funding spreads, vol	scale exposure by vol/liquidity; watch squeeze mechanics

### Market-structure layer: liquidity, gamma and squeeze mechanics

Microstructure signal	Transmission path	Tactical interpretation
Auction tails / supply concessions	term premium -> curve beta -> USD channel	avoid stale longs into supply; add after concession clears
Options expiry / dealer gamma	spot pinning can hide latent break risk	treat low realized vol as conditional; buy event gamma selectively
Stop-loss clusters in USD/CAD	FX break -> CTA / macro de-risk -> vol impulse	use CAD crosses until USD channel softens
Front-end liquidity stress	funding premium -> basis / rates vol -> risk-off	cut gross; replace delta with convexity
COT crowding reversal	position squeeze -> CAD / crude / belly rates	scale into triggers, monetize after vol impulse

Sources: Federal Reserve H.15; Bank of Canada Daily Digest / MPR; EIA; CFTC COT; CME FedWatch; ICE BofA MOVE; CBOE VIX; role alignment from CIBC Global Markets associate posting.

# Cross-Asset Regime Transition

## Rates, Oil, CAD & Liquidity Positioning Framework

### Probability-weighted scenario matrix

Scenario	Prob.	Rates	CAD	Oil	Vol	Tactical stance
Sticky inflation	30%	payer spreads / light duration	mixed / USD bid	firm	higher	own event vol; avoid carry-only risk
Growth slowdown	25%	receive belly / bull steepen	lower vs USD	lower	higher	buy belly convexity; reduce beta
Commodity shock	20%	breakevens wider	CAD + vs crosses	higher	higher	CAD crosses; oil call-spread tails
Liquidity tightening	15%	term premia wider	USD bid	unstable	higher	cut gross; replace delta with convexity
Risk-on reflation	10%	bear steepen	CAD stronger	stable	lower	add cyclicals; hedge front-end with payers

### Asymmetry framework

Setup	Payoff asymmetry	Break point
CAD short squeeze	positive convexity if oil + BoC repricing align	USD broad bid / risk-off dominates
Duration belly	growth-shock convexity > front-end carry bleed	sticky CPI forces higher terminal path
Oil tail hedge	call-spread tails hedge CPI and CAD terms-of-trade impulse	supply normalization / demand hit
Vol carry	short gamma fragile around data, auctions and expiry	MOVE remains contained below stress threshold

### Regime-monitor checklist

Monitor	Trigger
Fed / BoC path gap	front-end repricing >25bp over 2 weeks
WTI -> CPI impulse	oil >\$110 sustained
CAD positioning	shorts >60k contracts
Rates vol	MOVE re-breaks above 85
Liquidity	CORRA / funding dislocation

### Catalyst sequencing and positioning implications

Sequence	Catalyst	Primary channel	Positioning read-through
1	CPI / inflation expectations	front-end rates + breakevens	duration and USD impulse
2	BoC / FOMC meetings	policy divergence	CAD front-end and USD/CAD beta
3	EIA / geopolitics	oil and inflation risk premia	CAD crosses, breakevens, vol
4	CFTC / options expiry	crowding and gamma	squeeze risk, stop-loss clusters

### Strategist conclusion

Base case: the regime is not a clean CAD-oil bullish setup; it is a policy-divergence and liquidity-sensitive regime where rates vol is the dominant transmission valve. Best expression is conditional: CAD crosses over outright USD/CAD shorts, conditional steepeners over blunt duration, and event gamma over carry-only exposure.

### Desk-ready implementation summary

Horizon	Expression	Risk control
Tactical	CAD crosses on oil/BoC alignment	stop if USD broadens + MOVE rises
Rates	conditional steepeners + belly convexity	cap delta into CPI/FOMC
Vol	own event gamma selectively	monetize into liquidity spikes
Risk	vol-adjusted exposure sizing	watch funding / stop-loss breaks

**Bottom line: our dominant house view is that markets still underprice rates-vol persistence and liquidity fragility; oil can support CAD, but also harden inflation, strengthen USD and force liquidity premia higher.**

Question	Strategist answer
What regime?	late-cycle inflation shock with policy divergence and fragile liquidity
What is mispriced?	rates-vol/liquidity transmission and one-direction CAD/oil mapping
Where asymmetric?	short CAD positioning, belly duration convexity, event-vol tails
What breaks setup?	oil reversal, broad USD squeeze, or growth shock that dominates inflation

### Execution breakpoints and risk monitors

Positioning leg	Add / reduce trigger	Risk monitor
CAD crosses	add if oil + BoC repricing align; avoid naked USD/CAD shorts	USD/CAD 1.36/1.39; CAD COT shorts
Belly duration	add via options on growth downside; reduce into CPI/FOMC repricing	2Y path, 2s10s, auction tails
Event convexity	own CPI / BoC / FOMC / EIA gamma; monetize into vol spike	MOVE >85, VIX beta, liquidity screens