

USDCAD's Strength Looks To Target The 1.3483 Level.

With persistent strength seen since decisively breaking out of its 8-month rectangle pattern in August'08,USDCAD now looks to build on that strength targeting its .618 Ret(1.6186-0.9058 decline) at 1.3483 and possibly the 1.4005 level, representing its May'04 high.

Figure 1: Weekly Chart



USDCAD had for most part of 2007 weakened and continued its long term decline off the 1.6188(Jan'2002 high) to a low of 0.9058 before a bottoming process initiated by a hammer candle pattern halted downside weakness and strengthened upmove for six consecutive weeks between early Nov'07 and Mid-Dec'08. Failed closes above the 1.0379 level, its Jan 22'08 high put the pair into a sideways trading range forming a rectangle pattern for the next eight months that followed until a clean break and close occurred in early August'08 pushing the pair to a high 1.0821(Sept 11'08 high) and meeting about 75% of its range

breakout price target (established by measuring the height of the range and projecting from the breakout point) at 1.1025. A corrective pullback ensued pushing the pair back down below its range high (1.0379) and holding above its daily 200 ema at 1.0289 ahead of a strong rally reversing the said losses and cutting through its Sept 11'08 high at 1.0821 to hit a new high at 1.2121 on Oct 10'08.

Figure 2: Monthly Chart



With the continuation of its medium term uptrend hitting 1.2843 high the past week supported by its 29.54% YTD and 21.64% month-to-date gains, USDCAD has its psychologically important level at 1.3000 to overcome to trigger further upside acceleration towards its .618 Ret at 1.3483 and then the 1.4005 level. Alternatively, pullbacks should target the 1.2734 level, its May'05 high initially ahead of the 1.2121 level, its Oct 10'08 high. These level are expected to contain declines if seen and turn the pair higher again. We maintain a bearish medium term outlook on the pair and set the 1.3483 and 1.4005 as our MT price targets. This is view is informed on its pattern of high highs and lows, maintaining above its major emas and breaking and holding above key resistance levels at the 1.1877 (Feb'07 high) and 1.2734 zones. In short, while these mentioned features dominate, USDCAD's medium term uptrend started at the 0.9058 looks to head further higher.

Charts: Courtesy of ProRealtime.

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