



June 17, 2013

# Canadian Dollar Morning Comment

## A Calm Start to the Week

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## Overnight Trading Activity and Key Support/Resistance Levels

### USD/CAD Holds Above Support at 1.0150 Overnight

USD/CAD remained above daily support at 1.0150 during the overnight session, with little in the way of material deal flow. There were no flows of note during a quiet Asian trading session, with USD/CAD trapped in a 1.0155-1.0179 range as the consolidation theme overlapped from late last week. AUD was one of the noted FX outperformers during the session, allowing AUD/CAD to advance from 0.9732 to 0.9777. On the flip side, JPY was a noted underperformer, allowing CAD/JPY to recoup some of its recent losses.

**Fund offers noted near 1.0160 during the London session.** The London session was quiet as well, with real money fund offers near 1.0160 unable to push the pair below daily support at 1.0150.

**Event risk is limited to begin the week, with the June US Empire Manufacturing data the pick of the day.** RBC is forecasting a below consensus outcome of -5.0, (cons. 0.0 – see page 3 for details). The main domestic event risks are back-loaded to Friday, with the May CPI and April retail sales data scheduled for release. RBC is above consensus for core CPI (1.3%/y, cons. 1.2%/y) while in line with expectations for retail sales (0.2% m/m).

### Medium-Term Support and Resistance: USD/CAD and CAD Crosses

		USD/CAD	EUR/CAD	GBP/CAD	CAD/JPY	AUD/CAD	NZD/CAD
<b>Resistance</b>	Third	1.0312	1.3761	1.6203	97.76	1.0163	0.8548
	Second	1.0284	1.3705	1.6114	95.80	1.0014	0.8417
	First	1.0199	1.3635	1.6054	93.67	0.9927	0.8302
	<b>Spot</b>	<b>1.0156</b>	<b>1.3554</b>	<b>1.5963</b>	<b>93.32</b>	<b>0.9772</b>	<b>0.8212</b>
<b>Support</b>	First	1.0150	1.3546	1.5917	92.57	0.9732	0.8197
	Second	1.0059	1.3438	1.5817	91.22	0.9641	0.8091
	Third	0.9934	1.3372	1.5751	89.96	0.9552	0.7967
<b>Trend</b>		<b><u>Bullish</u></b>	<b><u>Bullish</u></b>	<b><u>Bullish</u></b>	<b><u>Bearish</u></b>	<b><u>Bearish</u></b>	<b><u>Bearish</u></b>

Source: RBC Capital Markets. Trends marked in italics denote a recent trend change.

Priced as of 7:30am ET, unless otherwise noted

### Yesterday's Range:

Toronto: 1.0137-1.0186

Close: 1.0169

### Overnight Ranges:

Asia: 1.0155-1.0179

London: 1.0150-1.0163

Today's Open: 1.0156

Expected Trading Range: 1.0125-1.0175

Source: RBC Capital Markets, Bank of Canada

## Medium-Term USD/CAD View: Correction to Continue Below 1.0150

Daily USD/CAD Candle Chart



Source: Trademate

### Close Below 1.0150 Would Expose Medium-Term Uptrend Pivot at 1.0059

A daily close below 1.0150 would sustain recent corrective pressure and expose support for the medium-term uptrend at 1.0059 next. USD/CAD struggled to sustain moves above the 1.0400 threshold in late May, as the formation of bearish study divergences from overbought levels served as a headwind for gains. With the subsequent return below 1.0284 triggering a more sustained retracement phase, we note that prices are now testing a support level at 1.0150. A daily close below here would sustain downside pressure, shifting the focus to key trendline support at 1.0056. *We stress that this level will have to hold on a daily closing basis in order to maintain the uptrend that has been in place since last September, along with our bullish view.* The probability of this level holding is now increasing as the daily studies move to oversold levels. Although initial resistance is located at 1.0199 and 1.0284, prices will have to close above 1.0312 in order to trigger a bullish breakout that would signal the end of the retracement phase. Additional resistance is located at 1.0446 and 1.0524 in this regard. Our medium-term technical price target is located at 1.0350.

## Short-Term Outlook and Trading Strategy: Support at 1.0153 in Play

Our bearish short-term view remains intact to begin the week as the hourly studies are displaying downward momentum from neutral valuation levels. Resistance at 1.0189 and 1.0220 is expected to attract selling interest in this regard, with an hourly close below key quadruple support at 1.0153 upholding our view. This would then shift the focus down to 1.0115, followed by 1.0085. Retain 1.0249 as a stop loss for our bearish strategy from last week.

### Key Moving Averages

5-Day	20-Day	40-Day	100-Day	200-Day
1.0176	1.0280	1.0211	1.0184	1.0038

Source: Bloomberg



## Economic Calendar: US Empire Manufacturing on Deck

FIC Strategy & Market Economics, RBC Economics

### Canadian Economic Releases

	RBC	Exp'd	Previous
07:45 Treasury Board President Clement Speaks at Economic Club			
08:30 Int'l Securities Transactions Apr		3.00B	1.19B
09:00 Existing Home Sales MoM May			0.6%

Source: Bloomberg, RBC Capital Markets estimates

Canadian releases for the day ahead are second tier in nature and are not expected to have major market impact.

### U.S. Economic Releases

	RBC	Exp'd	Previous
08:30 Empire Manufacturing Jun	-5.00	0.00	-1.43
10:00 NAHB Housing Market Index Jun	42	45	44
11:00 U.S. Fed to Purchase Notes			
11:30 U.S. to Sell 3-Month Bills			
11:30 U.S. to Sell 6-Month Bills			

Source: Bloomberg, RBC Capital Markets estimates

NY Empire kicks off the week and we expect this index to provide little new information. Empire has lagged ISM manufacturing by one month recently and should follow that metric lower. Homebuilder confidence likely slipped on the month as higher mortgage rates (which are problematic for the marginal buyer) and falling equity prices in the builder space weighed on sentiment.



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