

Follow The Big Red Line

eResearch Corporation is pleased to provide an article by Keith Richards of **VALUETREND**.

In this article, Mr. Richards provides his opinion on where the value of the Canadian Dollar might go: bullish short-term; bearish longer-term.

The article is reproduced below, beginning on the next page, or you can go directly to it at the following link: <http://www.valuetrend.ca/follow-big-red-line/>

You can also visit the **VALUETREND** website at the link below:
<http://www.valuetrend.ca/>

eResearch Corporation was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, its Subscribers (subscription is free!!!) benefit by having written research on a variety of small- and mid-cap, under-covered companies.

eResearch also provides unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis.

eResearch complements its corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals.

eResearch provides its professional investment research and analysis directly to its extensive subscriber network of discerning investors, and electronically through its website: www.eResearch.ca.

eResearch does not manage money or trade with the general public, provides full disclosure of all fee arrangements, and adheres to the strict application of its Best Practices Guidelines.

Bob Weir, CFA: Director of Research

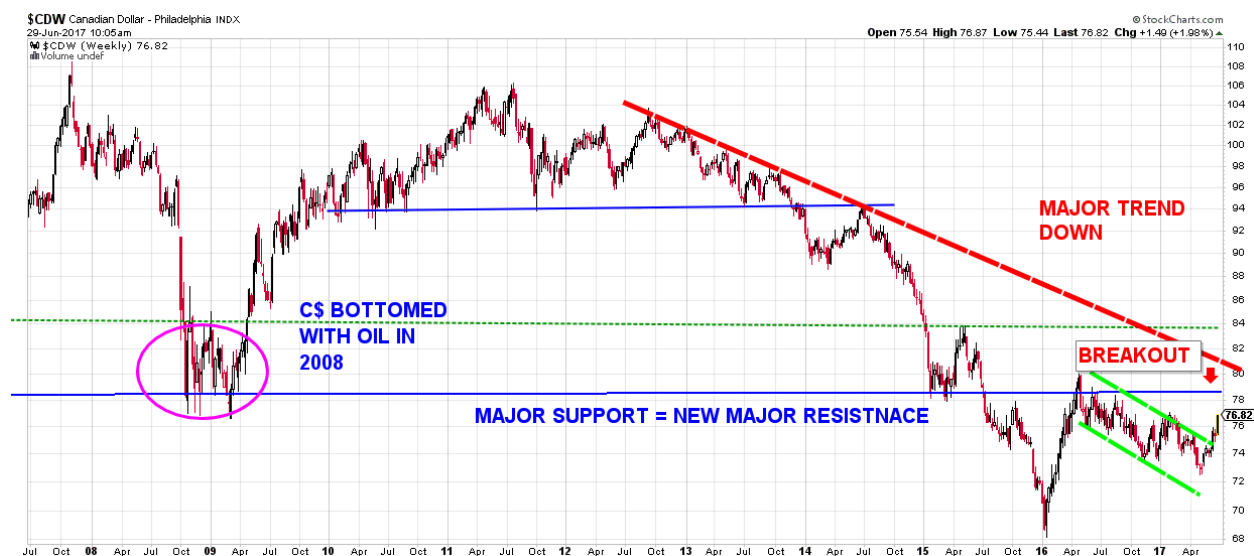
Note: All of the comments, views, opinions, suggestions, recommendations, etc., contained in this Article, and which is distributed by eResearch Corporation, are strictly those of the Author and do not necessarily reflect those of eResearch Corporation.

Friday, June 30, 2017

Follow The Big Red Line

By: Keith Richards (bio at end)

The dominant trend for the loonie has been indisputably down since 2011. Follow the big red line on the chart below.



This downtrend, BTW, coincides with the 2011 commodity peak and steady decline. As most of you are probably aware – the loonie has a very positive correlation in price movement to oil in particular, and other major commodities that we export.

Near-Term Picture

The Canadian dollar has broken out of the near-term price channel noted on this blog in the past. This break-out provides a temporary bullish target for the loonie back to its old major point of support – which now represents its major point of resistance. That support, originally established in the 2008/2009 oil crash, was tested successfully one last time in early 2015.

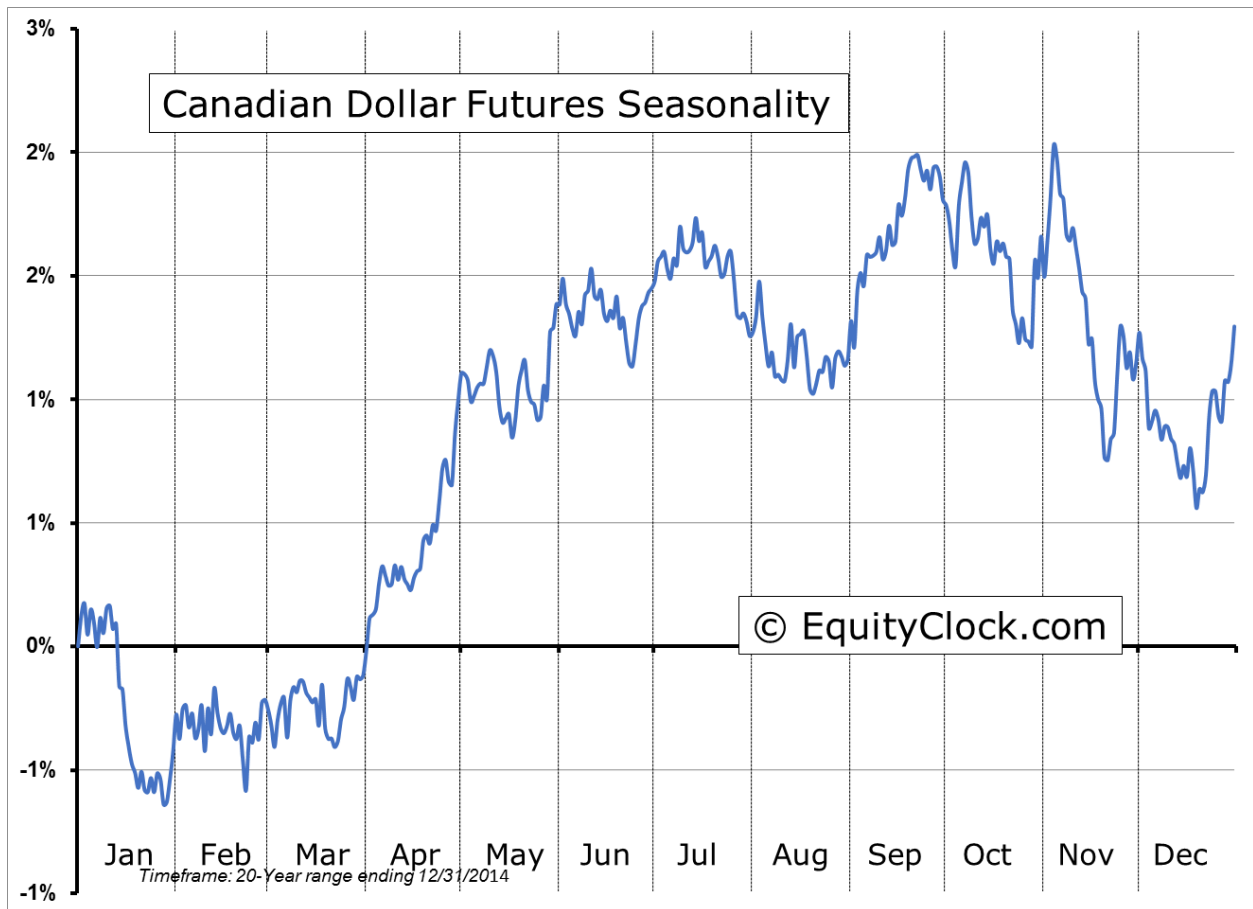
In mid-2015, that \$0.79 support level was cracked. By October 2015 and then again in early 2016, as oil attempted to rally, the loonie tried a run at breaking above \$0.79 (now resistance) – unsuccessfully.

My target for the loonie is for a revisit of the \$0.78 – \$0.79 area. I would give a very thin chance of it reaching the dominant downtrend line at \$0.80. I would be willing to bet that we will **not** see a test of \$0.84 resistance as noted on the horizontal dashed green line on the chart.

If you held a gun to my head and made me guess – I suggest that, after a brief test in the \$0.79 area, we will see a return to the dominant down-trend. My strong opinion is that the current upside is a counter-trend rally, not a new beginning for the loonie.

Again, with the gun to my head, I would guess that the loonie will hit that peak price by early fall.

Note on the seasonal chart below (equityclock.com) that most of the strength for the loonie is in the spring, with a brief last hurrah possible into the September – November time period.



I'm putting my money where my mouth is. I expect to convert some personal capital to USD for a property I am building in Florida as/if/when we see around \$0.79. It is my belief that the potential for a move beyond that level is low – and the potential for a break-down from \$0.79 will be significant.

#####

INVESTMENT ANALYSIS | WEALTH MANAGEMENT | PORTFOLIO MANAGEMENT
LIMIT YOUR RISK. KEEP YOUR MONEY.

See **About The Author** on the following page.

ABOUT THE AUTHOR



ValueTrend Founder and Owner, Keith Richards, has been in the securities industry since 1990. ValueTrend manages over \$100 million through a discretionary investment service for high-net-worth clients.

Keith Richards has been in the securities industry since 1990 and is a highly regarded member of the small, exclusive community of Chartered Market Technicians in Canada. Mr. Richard's articles appear regularly in INVESTORS DIGEST, MONEYLETTER, GLOBE AND MAIL, and the TORONTO STAR newspapers.

His appearances on BNN Television have inspired producers to acknowledge him as **“one of [our] most accurate technical analysts.”** Mr. Richard's first book, SMARTBOUNCE: 3 ACTION STEPS TO PORTFOLIO RECOVERY, is available in bookstores and directly through his blog page www.valuetrend.ca/blog/. His second book, SIDEWAYS: USING THE POWER OF TECHNICAL ANALYSIS TO PROFIT IN UNCERTAIN TIMES was released in late 2011. He has been critical of the commission-based, follow-the-pack approach to investing – where brokers succeed regardless of performance.

#####