

How Much Upside Left In The Loonie?

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

In this article, Mr. Richards provides commentary on his projection for the value of the Canadian Dollar.

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/much-upside-left-loonie/>

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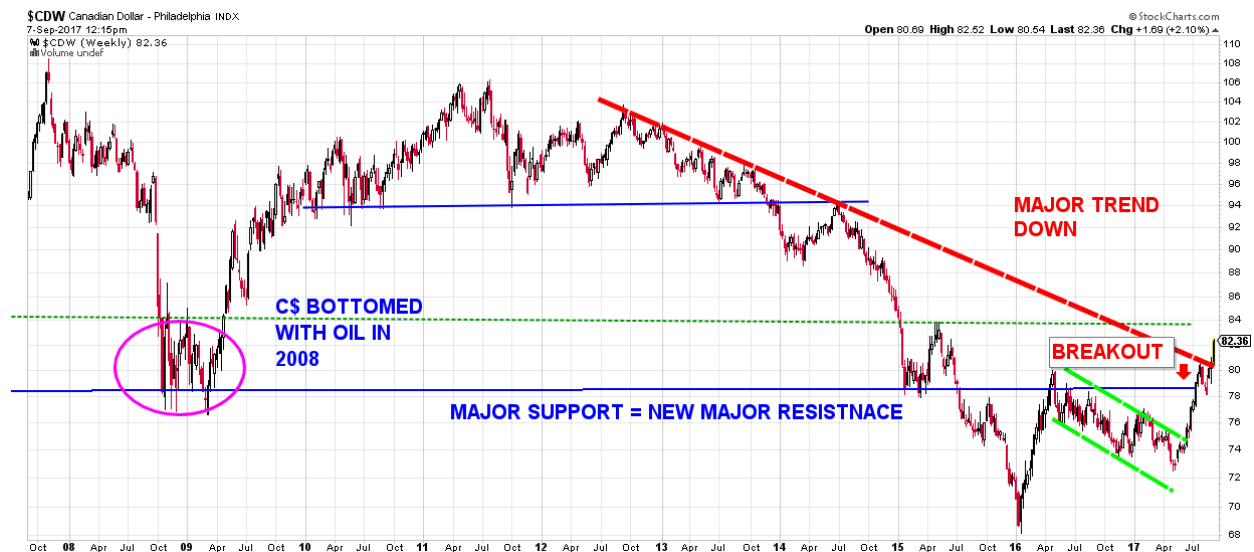
Thursday, September 7, 2017

How Much Upside Left In The Loonie?

By: Keith Richards (bio at end)

Below is a chart of the loonie that I have been tracking for some time. You will notice the big trend has been down since 2011. However, it looks like it has been broken.

There is massive resistance at just under \$0.84 (dotted green line). I noted this in a blog quite some time ago and suggested a target of 0.80-0.81 for the loonie, but if that was blown through, we could see that ultimate 0.84 level. Looks like we will see that 0.84 (ish) level, now that 0.81 has been broken!!

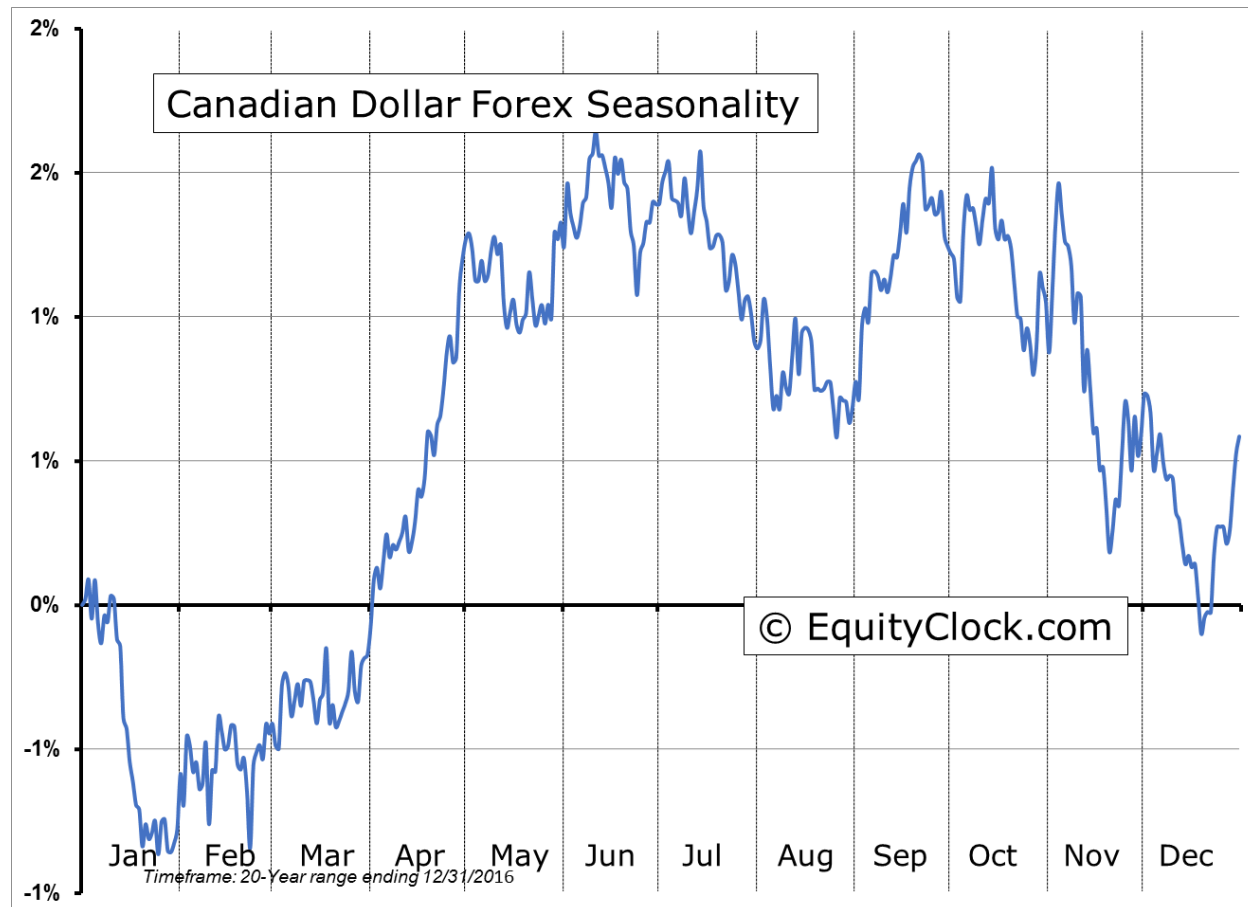


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Below is the seasonal chart for the loonie.

You will see that even in non-rate-rising years, there are seasonal trends to drive the loonie higher through the summer. But the peak often occurs in late September.

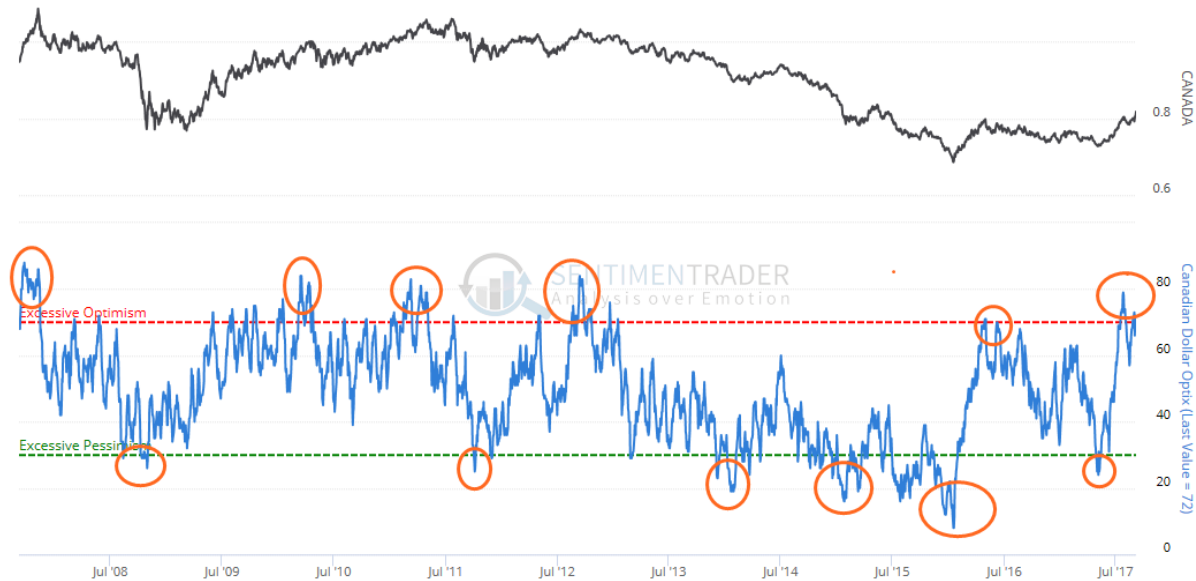
The pattern suggests a bit of chop though the fall into winter before the seasonal decline for the loonie begins in November. So, given that nothing is precise (seasonal data are a tendency, not an absolute), we may have a window of September-November to see the loonie hit that 0.83-0.84 potential high.



Finally, sentimentrader.com provides an optimistic reading by currency traders on the loonie.

Sentiment went from overly pessimistic, which is when the loonie bottomed early this year, to overly optimistic recently. I have circled on the next-page chart the times when those extremes have been reached. Note how the extremes do tend to signal a turn for the loonie. Too much optimism is usually a sign of a short-term or significant top for the loonie, and visa versa.

Currently, the optimism level is over 70 on this indicator. This has happened some 23 times since 1990, says [sentimentrader](http://sentimentrader.com). Only 5 of those times led into further gains.



Some of you may be looking to convert some loonies into USD's on the recent strength. Perhaps you are looking at a major purchase in the USA, such as real estate. I am in that situation, and here is what I did and am doing.

I converted half of the amount I wanted to convert about a month ago with the idea of 0.80 as the first point of resistance. I decided to hold off on the other half on the potential for a breakout—which has now happened. I will do the other half anywhere at or over the 0.83 area (pigs get slaughtered, so I don't know that I will hold out waiting for 0.84). I noted an upside potential for the USD on [this blog](#) in July.

The timing on my currency conversion will likely be in the next two or so months, as per some of the above factors.

Could The Loonie Extend Past \$0.84?

Not likely, in my opinion. Beyond the strong technical factors, we still have oil near \$50 (vs \$90 just a few years ago) and we have rising debt in Canada thanks to a spend-happy government. True, we are seeing growth, but with other pressures, such as wildfires in B.C. that will eventually affect the broad economy, ongoing trade talks with the USA, unfavorable capital gains taxes on savers/investors, and arguable business tax and wage policies potentially to be implemented, it will be hard-pressed to see growth ramping up much more. Thus, there is only so much the GOC can raise rates, and only so far the USD can fall.

Moreover, if the proverbial poop hits the fan in the East (N. Korea), assuming no impeachment of Trump, it is likely that the USD and Euro will be the go-to currencies, not the loonie! So, there are many risks that might slow the upside beyond a few more pennies on the loonie.

BNN Appearance

The clip to last night's show on BNN is [here](#).

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See **About The Author** below.

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.

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