

Loonie Let-Down

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

In this article, Mr. Richards says that he is favouring the U.S. Dollar over the Canadian Loonie, despite seasonality positives for the Loonie over the next few months. \$0.76 might be the future top.

The article is reproduced below, beginning on the next page, or you can go directly to it at the following link: <https://www.valuetrend.ca/loonie-letdown/>

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Loonie Let-Down

By: Keith Richards (bio at end)

Lots of talk of a falling USD seem to be out there. I don't agree with the USD bears. Technically, the dollar seems to be heading towards \$100 on the world currency index comparative chart below. That is a good 4% higher than current levels. The USD has been sticking to the trend-line established in 2011 (black trend-line). It is not showing any sign whatsoever of deteriorating. So, when we view the Canadian loonie, we certainly should not bet on a falling USD to buoy our currency.

U.S. Dollar Index:



Now let us look at the loonie versus the USD.

I have posted the chart below, along with its trend-line and support/resistance levels, many times before. If I may blow my horn a bit: A quick search on this site for blogs where I cover the CDN\$ will uncover a fairly accurate series of calls on the direction of the loonie from yours truly. This comes from the loonie's clearly strong tendency to stick with trend channels and support/resistance levels. It is one of the more predictive charts I work with.



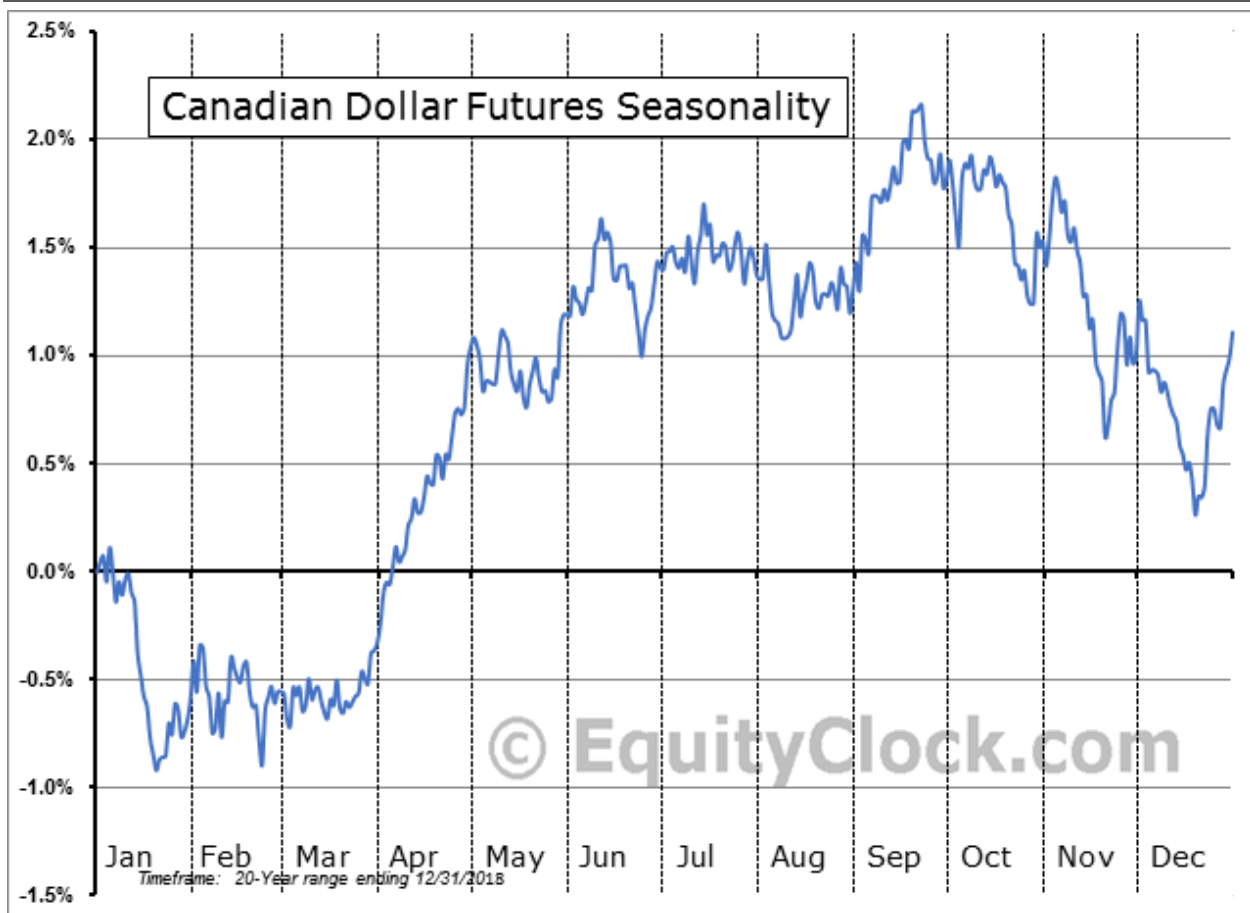
So what is the chart suggesting right now?

Well, if you take a quick glance at the green trend channel that I have noted in past blogs, you will see that the loonie hit the top of the channel, and – right on schedule–declined off of it. This is interesting, given the seasonal trends for our currency.

Normally, the loonie will experience some degree of strength from about now until late spring. Equity Clock’s seasonal chart, below, illustrates this tendency.

So, the loonie is fighting a strong USD, and a declining price channel. It has got positive seasonality in its corner, though.

<continued>



Offsetting seasonal positives is the slowdown in Canadian real estate sales, first in Vancouver and now in Toronto (*Monthly sales fell -7.7% on a seasonally adjusted basis; see chart on the next page*).

I am sure that the ongoing scandals, aka the illegal influencing of the Attorney General over the SNC case, and the Norman scandal (where the federal government's procurement department is thought to have leaked sensitive information about Canada's troubled shipbuilding program) – are causing a loss of faith in the Prime Minister and his government. These will not be over-riding factors against the loonie, but they are not helping the case either.



Perhaps the loonie might get one final run at \$0.76 in the coming months. But the trend is not your friend if you are hoping for much beyond that point. We are still buying USDs, despite a potential for a small seasonal reprieve for the loonie.

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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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