



# MARKET WATCH

## FX NEWS

July 28, 2010

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The Canadian Dollar made a bold move higher against the U.S. Dollar on Tuesday, blasting through the 100-day moving average (1.0270), before giving back its gains, and then some. The U.S Dollar was at C\$1.0364 late Tuesday, from C\$1.0263 at 8:00 a.m. EDT (1200 GMT), and from C\$1.0323 late Monday.

Investors were gravitating toward riskier assets, including the Canadian dollar, early in the North American session, encouraged by better-than-expected euro-zone economic data and some strong earnings reports. Worse-than-expected U.S. consumer confidence data dampened that enthusiasm, reminding investors of their concerns about the pace of the U.S. recovery and sending them back to the perceived safety of the U.S. dollar. The data rekindles worries that a weak U.S. labor market is hindering consumer spending, considered a key driver of the economy.

"When you are the largest trading partner to the United States, and news comes out about the concerns that the U.S. consumers have about what's going on in the job market and what's going on with the development in the last couple of months, it's going to sting," said David Watt, at RBC Capital Markets.

Earlier in the year, Canada was in a vastly different position. "Everywhere else looked terrible, and the U.S. appeared set to carry the burden of global growth and the Canadian Dollar managed to benefit," Watt said. "Now the shoe is sort of on the other foot."

The euro had earlier risen to an 11-week high against the dollar before a better-than-expected reading in the S&P/Case-Shiller home price index for May helped the dollar recoup some of its losses. The dollar racked up more gains--this time because of its safe-harbor qualities, as opposed to its attractiveness based on U.S. fundamentals--after the slipping consumer confidence figures.

U.S. stocks dipped into negative territory after the consumer confidence figures, and have bobbed in and out of the red into the afternoon. Their slip sent higher-yielding currencies, including Canada's and Australia's, down against the greenback.

There were no domestic data releases Tuesday, and there are none on the calendar for Wednesday. In the U.S., durable goods orders for June are due, as well as the Fed's Beige Book in the afternoon.

**USD/CAD Technical Analysis:** The short term CAD technicals are bullish while the USD/CAD rate is below 1.0380. USD/CAD support between 1.0250-75 is formidable. If this level breaks the loonie should rally to 1.0130. For today, USD support is at 1.0295 and 1.0270 To the top, USD resistance is at 1.0340, 1.0360 and 1.0390.

Today's Expected Trading Range USD/CAD 1.0265 - 1.0365.

Today's Expected Trading Range EUR/CAD 1.3350-1.3450

Today's Expected Trading Range GBP/CAD 1.6025-1.6150

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