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FX NEWS

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The Canadian Dollar made modest gains against the U.S Dollar early Wednesday, only to give them back again and end the day lower. The Canadian currency began trimming gains ahead of the stocks opening in North America, as another piece of disappointing U.S. economic data fueled fears that the U.S. recovery was faltering. The U.S Dollar was at C\$1.084 late Wednesday, from C\$1.0315 at 8:00 a.m. EDT (1200 GMT), and from C\$1.0364 late Tuesday.

The pair traveled within a tight range through the rest of the session, with the Canadian Dollar rising above day-earlier levels and slipping back again. The Canadian dollar's moves largely followed the fluctuations in the stock market, consistent with the tendency of late.

"It's a little bit of risk-on and risk-off, depending on what stocks are doing," said Jon Gencher director of foreign exchange sales at BMO Capital Markets in Toronto. "If you tell me what stocks are going to do, I'll tell you what the Canadian dollar's going to do."

Stocks, and the Canadian dollar, slipped early in the session, following U.S. durable goods data, which showed orders fell in June for a second consecutive month, a sign the manufacturing sector's expansion is slowing. Durable-goods orders fell by 1%; economists had expected a 1.1% gain.

Then later, the Fed's latest beige book report of economic conditions showed improvement in most of its 12 regional districts, but with only modest advances in retail sales and weak numbers in housing and construction. Bank lending, meanwhile, was still tight. The report gives a hint of what to expect at the central bank's next policy-setting meeting on Aug. 10. "Today's beige book report implies some easing in the pace of growth," RBC Capital Markets said.

"The market is really struggling to find direction overall. It seems that it can't really decide between the double dip or global recovery, at the moment, or whether risk is on or risk is off," said Shaun Osborne, chief currency strategist at TD Securities in Toronto.

Investors look now to U.S. second quarter real gross domestic product data, and Canada's May real GDP data, both due Friday, to provide that direction, Osborne said. Friday will also bring Chicago Purchasing Managers' Index for July and the University of Michigan-Reuters consumer sentiment index.

USD/CAD Technical Analysis: The short term CAD technicals are mixed. CAD bears expect US support between 1.0250-75 to hold, for a bounce back through 1.0380 to 1.0480. CAD bulls view the recent bounce of the 1.0250-75 support area as merely corrective. The bulls are looking for a move through 1.0250 to extend to 1.0135. For today, USD support is at 1.0300, 1.0250 and 1.0210. Resistance is at 1.0340, 1.0380 and 1.0420. On its own, the Canadian dollar looks well positioned to extend its recent gains back through parity. Unfortunately being a second tier currency, the CAD\$ is vulnerable to selling pressures, particularly against EUR and GBP. EUR/CAD short term technicals are bullish looking for a move to 1.3700.

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