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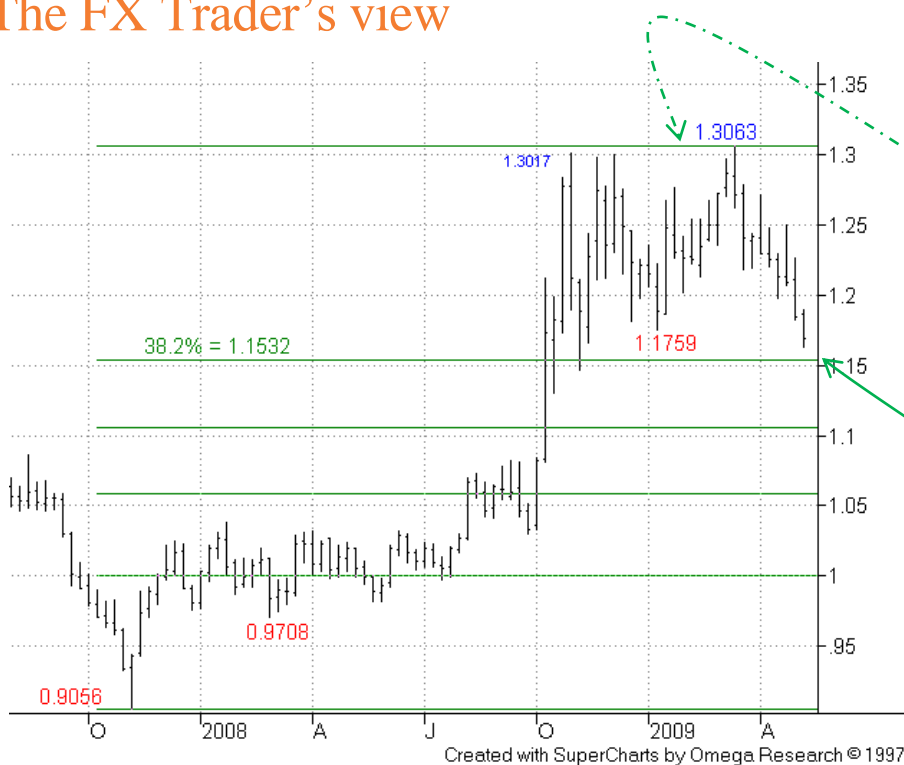
Market Update

08th May 2009

Limited Downside in USD/CAD?

After the failure to hold above the 1.3000 level in March USD/CAD has been slipping back (we have been bearish in the **FX Trading Guide** for several weeks), postponing any eventual move beyond that key area. S/term, however, the first main potential support on the longer term chart has been neared, suggesting limited downside.

The FX Trader's view



WEEKLY CHART:

The 1.3000 level has proved key resistance on several occasions.

After a thwarted attempt in March to break from the previous consolidation mode the market has now pulled back near to the first interesting support on the long term chart, the 38.2% 1.1532 level of the upmove from Nov-07 low.

Ideally this will hold if medium/long term bull momentum is to remain relatively strong.

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DAILY CHART:

Temporary support came from a shorter term 38.2% level around 1.2000.

With this and the 1.1759 06-Jan low now broken we would automatically look at lower retracement levels, such as the 1.1353 61.8% level.

However, it is worth noting a type of channel base projection at 1.1530 just now, which in fact nicely coincides with the 38.2% on the Weekly chart – *these channel projections can be very effective sometimes as support/resistance.*

We would not be surprised to see at least temporary support from around here.

First resistance lies at 1.2000 – any recovery/close above here would be a sign (though not conclusive) of weakening bear momentum.

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