USDCAD is entering a third week of flat, sideways trading. There is no sign of the situation resolving itself via a directional range break out any time soon. We reiterate that weekly and daily price signals are tilted bearishly for the USD, suggesting that the technical odds favour a downside break out, however. The bearish weekly reversal (outside range signal) from the start of the month remains intact, as do the daily reversal signals that have congregated around the rejections of the 200-day MA and—late last week—the 40-day MA (outside range sessions). The lack of downside follow through and the weak trend strength signals on the short, medium and long term DMI oscillators leave a large question mark over the ultimate destination for the USD in the near term. From a technical perspective, the chart set up favours fading USD rallies but this is not a particularly high conviction call from our perspective.

EURCAD retains a weak undertone. The cross is testing support defined by the early Sep low near 1.4440 currently. The EUR has responded positively to the initial test of the low 1.44 area on the intraday chart but the strength of the underlying trend lower remains particularly powerful, judging by the bearish alignment of the intraday, daily and weekly DMI signals. We think near-term upside risks are limited to the 1.45 area (two week trend resistance). Previously, we noted that the EUR might be trying to base but that view looks in danger as the EUR has struggled to stabilize and the early Sep low (the base of a bullish key week reversal) looks in danger of being surpassed on a closing basis (invalidating the reversal). Additional losses below 1.4440 open the door for 1.41/1.42 potentially. Key resistance remains 1.4715.
GBPCAD is firmer on the session today but its near-term outlook has deteriorated since our last update a week ago. Persistent losses last week leave the cross testing key support defined by the consolidation/bear flag base and the 40-day MA on the daily chart (1.6290/1.6260 respectively). Moreover, heavy losses last week overall formed the third leg of a possible “evening star” reversal; net losses this week would serve as supporting evidence of a peak at 1.6690. Trend signals have aligned, albeit a little unevenly, against the GBP across a range of time frames again which could hamper GBP gains at the very least. Weakness below 1.6260 should indicate more losses for the GBP back towards 1.5950/00.

CADMXN has done nothing but rise over the past week, confirming the base that we thought was developing around 14.5650. Gains in CADMXN picked up significantly through 14.72 (a minor double bottom trigger), as we expected, and the CAD rally has surpassed the 14.88 target we outlined last week. The CAD has built a significant technical low now (bullish weekly morning star signal) which looks to be the possible platform for a deeper rebound of the 15.21/14.56 sell-off. We target a test of 15.00/05 and feel a return to 15.21 could follow.

AUDCAD has weakened further over the past week and loss of support at the base of the Aug/Sep consolidation (bear flag) rather suggests that the improved tone in the AUD seen through the middle of the month has reversed. Bear trend strength signals are picking up suggesting that key support around 0.8875/00 is under threat again. There is little—or no—support below this point until the 0.86 area. We were neutral last week but we think a break under 0.8875 on a daily close basis is a “go with” signal.
**GLOBAL FX STRATEGY | DAILY FX UPDATE**

**Monday, September 30, 2019**

**CADJPY** has proven to be a little more resilient than we expected, regaining the mid 81 area and testing resistance at 81.80 (potential bull break out signal). We think 81.80 might be significant from a technical point of view because of the trend line that has developed from mid-year. There is the hint of a Head & Shoulders reversal on the daily chart but we think the shoulders are too uneven for this to be considered a valid signal. Trend strength is relatively weak on the daily signal at this point but that means there is room for the move up to develop. 83.20 is the obvious objective above 81.80.

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