

# Short USD/CAD as oil price keeps rising

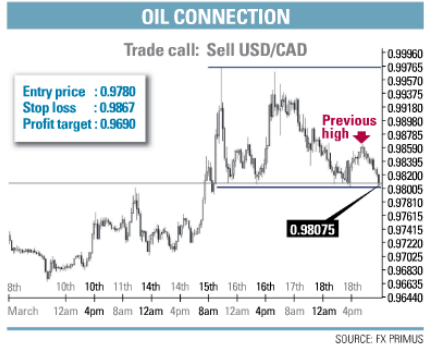
This is a new section in my paper where we explore the forex market and events that may influence trading



By MARIO SANT SINGH

IN LAST week's article, we discussed the two main reasons the yen strengthened in the wake of the crisis caused by the earthquake.

Last Thursday, the yen surged further, strengthening to an all-time high of 76.25 against the United States dollar. Prior to that historic level, the highest level recorded was 79.75 in 1995.



That prompted Japanese Finance Minister Yoshihiko Noda to request a coordinated intervention by the Group of Seven nations to stem the bleeding.

Within 24 hours, the USD/JPY currency pair shot up over 500 pips.

This was the first coordinated intervention by the G-7 since the year 2000, when the group stepped in to buy euros in an effort to curb its fall.

The Bank of Japan has also made it clear that this intervention will be unsterilised, which

means the money supply will be increased.

In another part of the world, US and British forces fired at least 110 Tomahawk cruise missiles into Libyan leader Muammar Gaddafi's air-defence sites, in a bid to create a no-fly zone.

Oil prices escalated after the airstrikes in Libya, with crude reaching above US\$103 (S\$131) a barrel, and Brent touching US\$115 a barrel.

#### TOP NEWS THIS WEEK

◆ US new-home sales, tomorrow. I expect numbers to come in at 295,000 (the figure was previously at 284,000).

◆ US unemployment claims on Thursday. Expect numbers to come in at 395,000 (it was previously at 385,000).

◆ Two-day European Union Economic Summit from Thursday to Friday.

#### TRADE CALL

◆ Sell USD/CAD at 0.9780

The price of oil should continue

heading upwards for two reasons: shortage of supply and speculation by traders and investors.

This should see the Canadian dollar (also known as the loonie) strengthen because it is highly correlated to the price of oil, Canada's biggest export item.

USD/CAD has been trading in a range of 175 pips with resistance located at 0.973 and support located at 0.9800. We will go short once the prices close convincingly below 0.9800.

Entry is taken at 0.9780 (20 pips below the support level) and our stop is placed a few pips above the previous high of 0.9863. We will have one profit target on this trade.

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Entry Price = 0.9780  
Stop Loss = 0.9867  
Profit Target = 0.9690

◆ The writer is the founder and chief executive of FXI Academy, which provides education in forex trading.