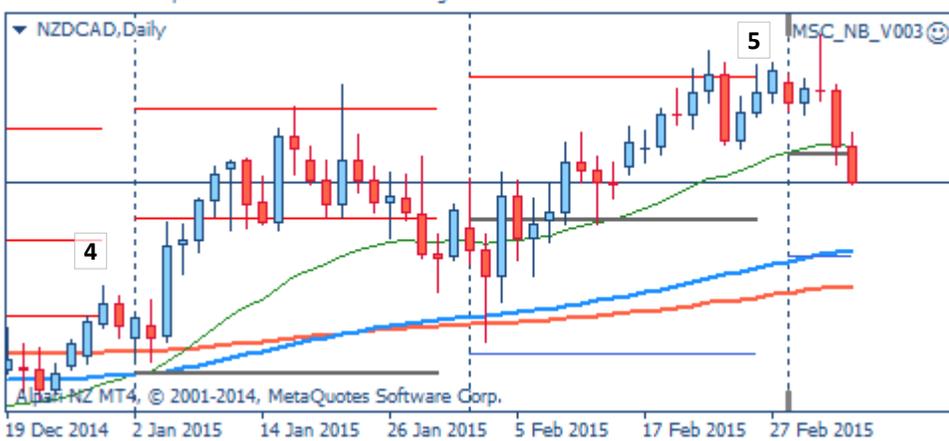
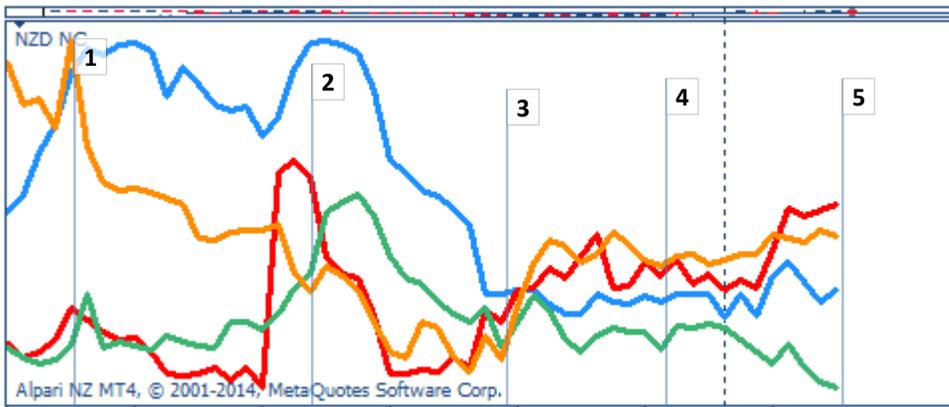


NZDCAD Thursday, 6th of March 2015



(1) The same as on other CAD pairs, bears tried to make the last push but failed and market reversed against them, giving a strong bullish signal for CAD. However, we can see that NZD traders are also bullish and NC cross is expected to be pulled in different directions.

(2) CAD shorts still reducing and the longs started to grow. On NZD we have extremely strong selling that we looked at before. Note also that NZD longs have reached their previous level, while the price is much lower (NU hardly managed to reach the previous high, stalling at it). Combined with situation on CAD we expect the market to start a strong bearish trend if it is unable to go higher. After the bearish candle closes next week we start looking for shorts. The price then stalled below 20 EMA, absorbing all the selling, but the premise remained the same, so we just wait for it to continue.

(3) By the time the price reached here both NZD and CAD traders became neutral, with their shorts and longs pretty much cancelling each other out. The trend has not yet reversed but we could see this as an early signal that it is running out of strength. Yet, with no signals of strong reversal, we expect sideways correction, absorbing the selling in the past couple months.

(4) The premise changed to slightly bullish for NC: notice the distance between CAD shorts and longs compared to that of NZD. While both are net short, NZD is close to neutral.

After the price breaks above the range and 20 EMA we start looking for buys. As it retraces back to the EMA, unable to break below, the opportunity is there. Coming down to Daily we can see the price breaking above 100 (blue) and 200 (red) EMAs, then retracing back to 200 on two consecutive days, each day rejected and closing above.

(5) NZD selling has increased, but CAD is still net short, with the longs bailing out. The price action suggests down on NC cross, as we see the price rejected from the new high 3 days ago and then coming down strongly, breaking 20 EMA and the pivot.

Ideally we want to see one of the sides – NZD or CAD – to start bailing out, accepting their losses. As we look at USD pairs – NU and UC – we can see that there are bearish for both NZD and CAD, indicating that being net short is still profitable for large speculators. Accordingly, the trend on NC is only fueled by the imbalance of strength with which these two currencies push the cross in different directions.

Our expectation is to see a sideways correction and try to find if there is a clear sign that one currency is stronger than the other before taking any trades.