

Chart of the Day – CAD/JPY

(Chart courtesy of FX Solutions' FX AccuCharts. Price on 1st pane, Slow Stochastics on 2nd pane; downtrend lines in red; horizontal support/resistance line in yellow; 50-period simple moving average in light blue.)

2/12/2008 – CAD/JPY – Even though it is one of the less frequently traded crosses, CAD/JPY, the daily chart of which is shown, displays some vital technical characteristics. For one, the lower red downtrend line has proven itself as almost a pinpoint-accurate representation of long-term resistance and support since at least August 2006. Since then price has respected this line numerous times on both sides of the line. And as of this writing, price has just bumped up against two other resistance lines. One is the short yellow horizontal line that has previously acted as support and now acts as resistance after breakdown of the line in January. Another resistance factor is indicated by the upper red trendline which represents the current downtrend in the pair. Additionally, the 38.2% Fibonacci retracement level (the high-to-low retracement span being measured from the swing high on 12/27/2007 to the last swing low on 1/23/2008) is also acting as a current resistance factor. And finally, oscillators like the displayed Stochastics are pointing down after having recently emerged from overbought. So barring any fundamentally-driven breakout to the upside, with all of this technical resistance placing downward pressure on the pair the next major support to the downside resides around the 104.75 region, and then at the aforementioned lower red line.

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