



USD/CAD is in a free-fall, **down 8.27% since late March**. Support levels dating back 30-years are starting to come into play, and the power of these technical levels to put a base under the market is dubious at best. While some may point to RSI divergence as a sign that CAD strength is coming to an end, this is a dangerous proposition to cling to. Today's price action traced out an outside reversal to the downside. This continuation pattern shows a clear rejection of the topside. Furthermore, do not overlook the fact that this chart pattern comes at the bottom of the current trend. Additional new lows lie ahead. **Downside support is now marked at 1.0815, the current trend low, 1.0790, channel base and market high from August 1977, and finally 1.0575, April 1977 high.** Also important but further away is the August 1975 high at 1.0400. Relying on 30-year old technical levels is usually not recommended but at this time that's all there is. On the topside, **the spike low from May 2006 at 1.0930 should be the first price point to attract selling interest.** If the market can climb above this point, then look for **1.1035 to cap the market. This level marks both trend resistance and the 21-day moving average.** A break of trend resistance at 1.1035 should signal an end to this move lower and finally the Fibonacci retracement levels will come into play (1/3: 1.1185, 1/2: 1.1300, 2/3: 1.1415). However, there are no signs that a USD correction is imminent so USD sellers should not bank on a "sell on rallies" approach to their trading.



**CIBC**  
**World Markets**

**FX Currency Strategy**

**Adam P. Fazio**

212-856-6647

800-543-1059

05/23/07

## **Legal Disclaimer**

This publication is being distributed by (i) in Canada, CIBC World Markets Inc., a member of the Investment Dealers Association, the Toronto Stock Exchange, the TSX Venture Exchange and CIPF, (ii) in the European Union, CIBC World Markets plc, which is regulated in the United Kingdom by the Financial Services Authority, (iii) by CIBC World Markets affiliates in other jurisdictions in compliance with local rules and regulations (collectively, "CIBC World Markets"). This publication is provided for general informational purposes only to institutional and professional investors and does not constitute an offer or solicitation to buy or sell any specific securities or other investments discussed herein.

The information, opinions and statistical data contained herein has been prepared by CIBC World Markets solely for informational purposes based upon sources believed to be reliable, however, CIBC World Markets does not represent or warrant the completeness or accuracy of any such information, opinions and statistical data. Any opinions, estimates and projections contained herein are subject to change without notice, and are provided by CIBC World Markets in good faith but with no legal responsibility or liability whatsoever. Changes in assumptions may have a material impact on any returns detailed. The securities and other investments listed reflect indicative terms only and may change in price and yield and market conditions.

The securities and investments mentioned in this publication may not be suitable for all types of investors. This publication does not take into account the investment objectives, financial situation or specific needs of any recipient or particular client of CIBC World Markets. Recipients should consider this publication as only a single factor in making an investment decision and should not rely solely on investment recommendations contained herein, if any, as a substitution for the exercise of independent judgment of the merits and risks of investments. Nothing in this publication constitutes legal, accounting or tax advice, and recipients should independently evaluate the financial, market, legal, regulatory, credit, tax and accounting risks and consequences involved, and specific to the recipient's situation, before entering into a transaction.

Past performance is not a guarantee of future results, and no representation or warranty, express or implied, is made regarding the future performance of any security or investment mentioned in this publication. The price of the securities and other investment mentioned in this publication and the income they produce may fluctuate and/or be adversely affected by exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. CIBC World Markets accepts no liability for any loss arising from the use of information contained in this publication, except to the extent that liability may arise under specific statutes or regulations applicable to CIBC World Markets.

CIBC World Markets and its affiliates may have an investment banking or other relationship with some or all of the issuers mentioned herein and may trade in any of the securities and investments mentioned herein either for their own account or the accounts of their customers. CIBC World Markets and its affiliates may at any time deal as principal in or have a long or short position in any security or investment mentioned herein, or any option, future or other derivative based thereon. Any products or services mentioned herein are made available only in accordance with local legal and regulatory requirements. As a result, the securities and investments discussed herein may not be eligible for sale in some jurisdictions.

CIBC World Markets Inc., and CIBC World Markets plc are wholly owned subsidiaries of Canadian Imperial Bank of Commerce, ("CIBC"), but each is solely responsible for its contractual obligations and commitments. Any securities products offered or recommended to or purchased or sold in any client accounts (i) will not be insured by the Federal Deposit Insurance Corporation, the Canada Deposit Insurance Corporation or other similar deposit insurance, (ii) will not be deposits or other obligations of CIBC, (iii) will not be endorsed or guaranteed by CIBC, and (iv) will be subject to investment risks, including possible loss of the principal invested. The CIBC trademark is used under license.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC World Markets has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

© 2007 CIBC World Markets. All rights reserved. Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets is prohibited by law and may result in prosecution.