



20.12.2021

Lower crude, risk off = long USDCAD?

- RETINA™ is signalling a bearish divergence pattern on USDCAD. The recent leg higher has not been supported by macro.
- [USDCAD](#) is now 1.4 sigma (2.3%) rich to model in Qi FVG terms. That's toward the top end of recent ranges.



- The dominant drivers are highly intuitive. CAD bulls need stronger commodities, a “risk on” environment (low VIX, tight credit spreads) & for the BoC to hike rates quicker than the Fed.
- So, given the renewed sell-off in equity & energy markets, USDCAD should be rallying right? Looking at the independent pattern between the entire macro environment & USDCAD actually shows fair value is essentially flat-lining. Spot has overshot relative to the aggregated macro backdrop. It needs still lower crude / higher VIX to justify current levels.
- Back-testing the efficacy of a +1.4 sigma FVG as a sell signal since 2009 reveals a 70% hit rate & +1.01% average return. The sample size is small – only 10 instances when USDCAD is in regime – & an average trade duration of 9 business days makes it more tactical than strategic.
- Still, a reminder that simplistic assumptions about macro relationships come with a health warning. Qi gives a holistic, empirical snapshot of macro fair value in real time.

