

CAD net shorts vulnerable due to USD/CAD decline through 1.37

9 June 2025

CAD shorts remain elevated even as CAD rallies v USD

Net positioning has not been keeping up with currency moves the past few weeks. Look at CAD. USD/CAD has fallen since mid-May reversing the sharp increase in the first half of the month. Yet, there has been little change in CAD positioning over the past few weeks. CAD net shorts linger near two-month highs.

Thus, even though USD/CAD has declined, falling below its early May low and back to early October levels, CAD net shorts remain well above early May levels. A few weeks ago, we hypothesized that even though CAD net shorts had been in decline since the start of the year, sentiment toward CAD was still cautious. As a result, bouts of CAD weakness could see CAD net shorts accumulate once again. This consistent with recent developments.

This might also explain the reluctance to reduce CAD net shorts even as USD/CAD moved sharply lower. There was a lack of conviction in the currency move. However, we would expect CAD shorts to be trimmed again in coming weeks given the ongoing decline in USD/CAD, which has moved below 1.37.

On the week, USD/CAD net positions were little changed, with net shorts rising by USD0.2bn. Most of this move came via an increase in speculative positions. Speculative CAD net shorts increased for the fifth week; a total increase of USD3.1bn to USD7.9bn outstanding, an eight-week high. The recent USD/CAD move suggests that speculative net shorts are likely to decline in coming weeks.

Hedge funds modestly increased their CAD short positions, which have increased by USD1.1bn over the past five weeks to USD3.5bn outstanding.

Speculative accounts represent almost two-thirds of the increase in value of CAD net shorts over the past five weeks and look vulnerable to a reduction.

Other currency positions

EUR net long positions increased by USD1.4bn last week. This was the second straight increase in EUR net longs, and it comes after a few choppy weeks, where changes in EUR net longs swung between positive and negative. Outstanding EUR net long positions remain near their highest levels since early September.

Notable regarding EUR net longs is that they have only changed modestly recently, even though EUR/USD rallied above 1.14.

Position-wise, hedge funds have trimmed EUR net longs to almost flat from USD4.8bn in early April. However, since then speculator EUR net longs increased by USD3.6bn. Real money accounts continue to account for the bulk of EUR net long positions. However, reflecting a change in sentiment toward EUR, speculative EUR net longs continue to rise. After having been net short EUR, speculators turned net long in early March, and their outstanding EUR net longs now amount to USD11.8bn.

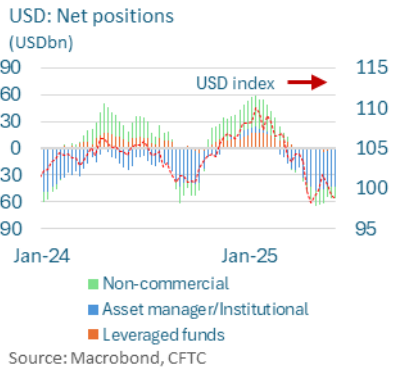
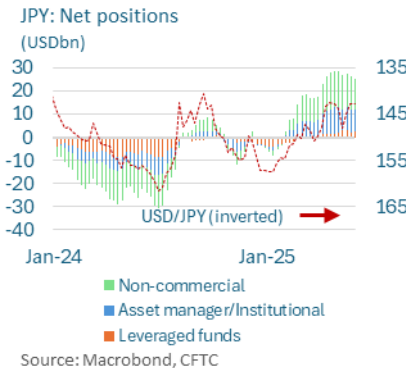
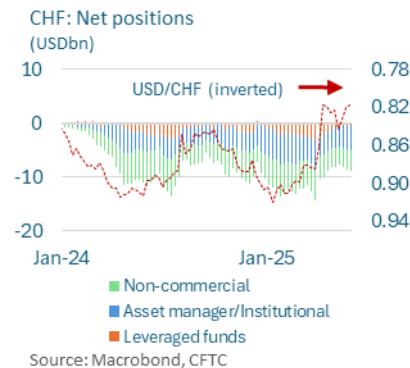
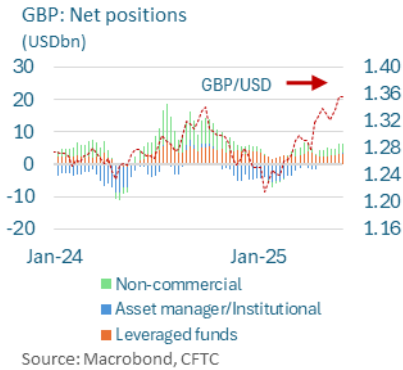
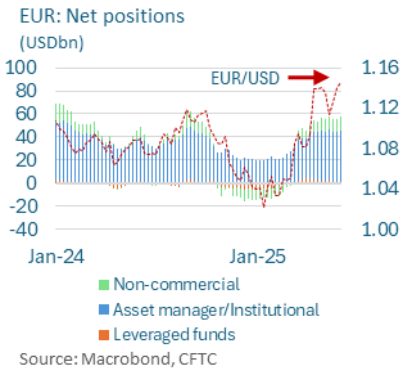
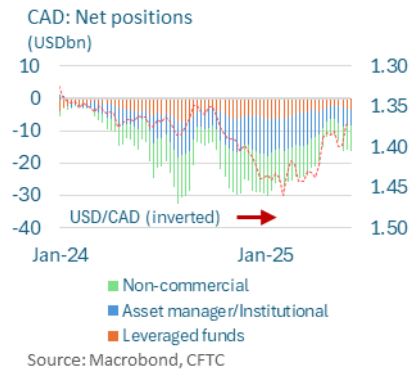
Even though EUR net longs have not seemingly responded to the upward move in EUR, market positioning, overall has remained long EUR.

GBP net positions have been quite curious since early April, remaining largely unmoved even as GBP/USD rallied from 1.277 to 1.355. Nonetheless, there have been important changes in position. First, speculative net longs have more than doubled from USD1.4bn to USD3.0bn. Second, real money accounts have moved from a net short position to being net long. Though barely perceptible, real money accounts have turned net long GBP for first time since mid-October.

Even so, the extent of GBP net longs are still far lower than those observed in fall 2024, when speculative net GBP longs were regularly over USD7bn.

Net positions

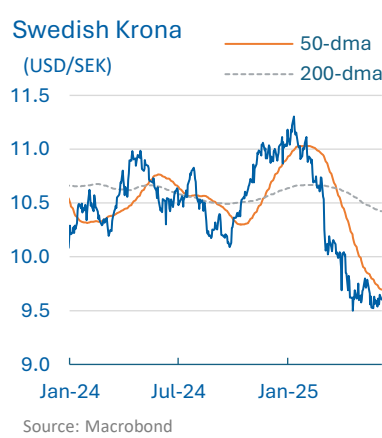
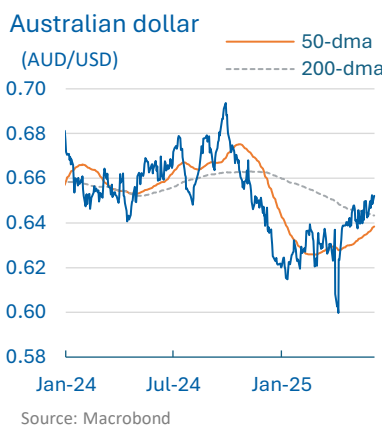
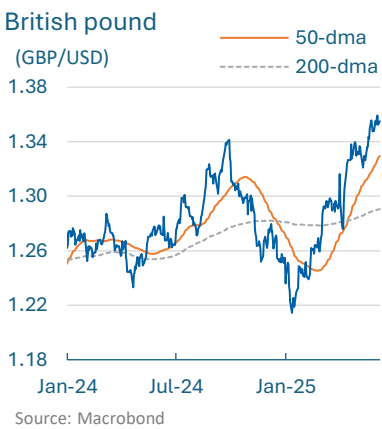
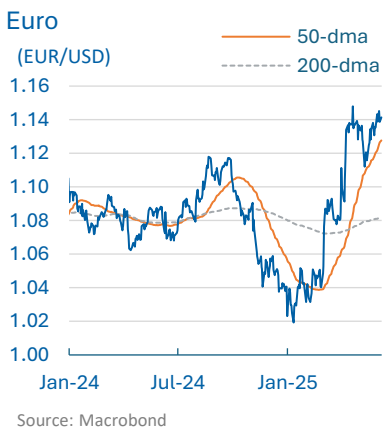
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Change (USD mns)	Speculative	Real money	Hedge funds	Total	4 Wk	3 M
CAD	-345.0	229.3	-122.0	-237.7	-4,691.4	8,340.0
EUR	520.6	1,069.2	-144.5	1,445.3	2,262.5	23,913.9
GBP	-15.1	238.8	55.0	278.7	1,624.9	3,881.2
AUD	-127.5	-21.6	-207.6	-356.8	-2,492.5	-465.1
NZD	36.6	33.6	-76.4	-6.2	-310.9	3,341.3
CHF	-103.9	-348.3	204.8	-247.4	-716.3	3,337.8
JPY	-1,123.4	-401.3	182.2	-1,342.5	-3,321.1	6,524.3
MXN	77.9	87.9	-6.3	159.6	18.0	1,650.9
USD	1,080.0	-887.6	114.7	307.0	7,626.8	-50,524.3

A negative reading implies a decline in net longs or an increase in net short positions

Positions (USD (bns))	Speculative	Real money	Hedge funds	Total
CAD	-7.9	-4.8	-3.5	-16.1
EUR	11.8	45.7	-0.3	57.3
GBP	3.0	0.1	3.3	6.4
AUD	-4.1	-2.1	-1.2	-7.4
NZD	-1.4	-1.1	-0.5	-3.0
CHF	-4.0	-4.8	-0.2	-9.0
JPY	13.2	9.6	2.3	25.1
MXN	1.7	1.0	-0.3	2.4
USD Aggregate	0.5	-43.7	0.3	-42.8



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