

AUD/USD FUNDAMENTAL OUTLOOK

Overall, the fundamental outlook for AUD/USD remains bullish as currently attractive Australian interest rates continue to dominate other factors. Also, the RBA's continuing Cash Rate increases left its benchmark Cash Rate at 4.25% after another April 6th rise. RBA Governor Stevens noted that global financial markets were "functioning much better than they were a year ago and the extraordinary support from governments and central banks is gradually being wound back." Citing Australia's terms of trade rise and receding unemployment, he added, "output growth over the year ahead is likely to exceed that seen last year, even though the effects of earlier expansionary policy measures will be diminishing." He ended by observing that rates had been lower-than-average to most borrowers, and that "it is appropriate for interest rates to be closer to average."

Interestingly, Australian jobs data for April showed a stable Unemployment Rate of 5.3% and the economy adding only 19.6K jobs. Given a downward revision of -4.7K to the previous month, they do not indicate much more employment strength yet. The U.S. Unemployment Rate also held steady at 9.7%, and N.F. Payrolls showed a good rise of 162K. While 185K was expected, a +22K revision to the previous month compensated.

Furthermore, the FOMC minutes for the March 16th meeting showed it had discussed an exit strategy for the extraordinary economic support measures taken. No policy change decision was made, leaving the key Fed Funds Rate in the 0.0 to 0.25% range for an "extended period." Of special interest was that the phrase "extended period" was re-defined as "explicitly contingent on the evolution of the economy rather than on the passage of any fixed amount of calendar time." Also notable was that while almost all members agreed with the "extended period" wording, "one member believed that communicating such an expectation would create conditions that could lead to financial imbalances." This dissenting member could be hinting at the impending removal of that wording or even a rate rise.

ECONOMIC CALENDAR - Major Releases for Apr 2010

- April 1, 2010 – Australian Trade Balance
- April 2, 2010 – U.S. Employment Report
- April 6, 2010 – RBA Statement and Cash Rate, FOMC minutes
- April 7, 2010 – Australian Employment Report
- April 13, 2010 – U.S. Trade Balance
- April 14, 2010 – U.S. Consumer Price Index (CPI) & Retail Sales
- April 16, 2010 – U of M Consumer Confidence
- April 22, 2010 – U.S. Producer Price Index (PPI)
- April 27, 2010 – Australia Producer Price Index (PPI)
- April 28, 2010 – U.S. FOMC Statement, Fed Funds Rate & Aus. CPI
- April 30, 2010 – U.S. Advance GDP

AUD/USD TECHNICAL OUTLOOK

AUD/USD consolidated last month in the 0.8981-0.9251 range; however, the rate's positive outlook has been considerably strengthened by its April 6th break above a key medium-term declining trend line now drawn at 0.9219 that goes through the major 0.9405, 0.9328 and 0.9251 reversal highs. This break occurred on a rise in volume and a subsequent test of the line on April 8th held, and so seems confirmed. AUD/USD should now rise inside a well-established upwards-slanting channel with the top line drawn at 0.9410 and the bottom line drawn at 0.9104.

Furthermore, AUD/USD seems to have made a medium-term low at 0.8577 on Feb 5th and since the 0.9251 Mar 17th high has been bested, the rate's next big upside test will come at the Jan 14th 0.9328 high. A breach there should lead the rate higher to take a clear shot at the 0.9405 high last seen on Nov 16th, 2009. From there, the psychological 0.9500 level may offer some resistance, as should the cluster resistance region around 0.9650. Still, a break above those levels should see AUD/USD test the major Jul 14th 2008 high of 0.9848. On the support side, look for buying to emerge around the prevailing trend lines, as well as at the levels of the reaction lows of 0.9000, 8799 and 0.8755 seen on Mar 26th, Feb 25th and Feb 5th respectively.

Major technical indicators also confirm a medium-term bullish outlook since AUD/USD continues to trade above its rising 200-day MA now at 0.8832 and near the top of its upper Bollinger Band. Its 14-day RSI is at 63, so not yet overbought. In such a situation, consolidations and corrections above the key declining trend line will now generally present buying opportunities.

MAJOR LEVELS		Current level 0.9280	
Resistance	0.9328	Support	0.9000
Resistance	0.9405	Support	0.8799
Resistance	0.9848	Support	0.8577

AUD/USD – WEEKLY CHART



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