

## AUD/USD FUNDAMENTAL OUTLOOK

AUD/USD consolidated somewhat after the extreme sell-off seen during the third week of May which left the Aussie more than 6% lower versus the Greenback for that week alone.

This notable Aussie weakness was partly attributed to the sovereign debt problems in Europe, as well as to clear signs that RBA policy is now on hold. In his statement on the RBA's policy decision to leave its benchmark Cash Rate unchanged at 4.5% on June 1<sup>st</sup>, Governor Glenn Stevens wrote that "sovereign creditworthiness in several European countries have been a focus of financial markets." He also noted that equity and bond prices had declined outside of the countries most affected by the sovereign concerns, and that, "The Australian dollar fell sharply as part of this adjustment."

Also, the U.S. economy continues giving mixed signals, pointing more and more to a double-dip recession. Charles Evans, President of the Federal Reserve Bank of Chicago, said in Seoul on May 31<sup>st</sup> that he "wouldn't be surprised" if the Fed's policy of keeping rates low "gets extended just a little bit" due to the European sovereign debt crisis. Furthermore, a disappointing U.S. GDP number out last Thursday showed growth of only 3% versus the 3.5% expected, while Initial Jobless Claims continued indicating the weakness on the employment front still present in the U.S. economy.

Recent Australian data also shows mixed results, although the Australian economy seems to be expanding at a faster pace than that of most major Western nations. Also, the market now generally considers that the interest rate environment has stabilized in Australia for the near term, effectively neutralizing the outlook for AUD/USD. Traders will now look towards this Friday's U.S. Non-Farm Payroll numbers, where expectations center around 465K, as well as the mid-month U.S. Retail Sales and CPI numbers to get a clearer picture of the U.S. Fed's rate policy that may give AUD/USD a new direction.

## AUD/USD TECHNICAL OUTLOOK

AUD/USD took a serious beating last month, trading as low as 0.8066, before managing to stage a recovery to 0.8550. The renewed fall has now established a medium-term bearish outlook for AUD/USD after the rate broke its previous upwards channel that had contained price action since late 2008.

Furthermore, the slope of the rate's key 200-day Moving Average has now flattened out from its former positive slope, and AUD/USD is still trading well below that indicator's current level of 0.8976, having closed below it now for two successive down weeks. With respect to AUD/USD's 14-day RSI indicator, bullish divergence in oversold territory was seen at the 0.8066 low, supporting the rate's subsequent corrective upside activity. This allowed the indicator to return to neutral ground, with its current level now showing a reading of 39.

From an Elliott Wave perspective, the sharp downward move seems consistent with a falling five-wave C-Wave which began at the 0.9388 high reached on April 12<sup>th</sup> and fell to 0.8066 on May 25<sup>th</sup>. In the process, this wave extended almost to its 1:1.618 Fibonacci ratio of the preceding A-Wave that declined from 0.9405 to 0.8577 at 0.8048. Furthermore, the subsequent upward correction seen to 0.8550 seems to be an a-wave, with the b-wave now in progress that has thus far only gotten as low as 0.8281. Overall, this wave count scenario would argue for an initial choppy sell off toward the 0.8066 low in the near term. This dip could then present a good opportunity to buy AUD/USD with stops placed safely below 0.8066 for a c-wave rally toward and possibly above 0.8550 over the coming weeks.

MAJOR LEVELS		Current level 0.8335	
Resistance	0.8550	Support	0.8275
Resistance	0.8709	Support	0.8185
Resistance	0.9025	Support	0.8066

### ECONOMIC CALENDAR - Major Releases for June 2010

- June 1, 2010 – RBA Rate Stmt and Cash Rate, Aus. Retail Sales
- June 2, 2010 – Australian GDP, US Pending Home Sales
- June 3, 2010 – Australian Trade Balance, US ISM Non-Manuf. PMI
- June 4-5, 2010 – US Employment Report, G20 Meeting in Seoul
- June 10, 2010 – Aus. Employment Rpt, US Trade Bal. & Budget
- June 11, 2010 – US Retail Sales, & Prelim UoM Cons. Sentiment
- June 15, 2010 – Aus. MP Minutes, US TIC Long-Term Purchases
- June 16, 2010 – US PPI and Building Permits
- June 17, 2010 – US CPI and Current Account
- June 23, 2010 – US Rate Decision, New Home Sales

### AUD/USD – WEEKLY CHART



Contact **Jan Borgelt** at **OzForex** on **+61 2 8667 9103** or email [jan.borgelt@ozforex.com.au](mailto:jan.borgelt@ozforex.com.au)

#### DISCLAIMER

IMPORTANT: This information has been prepared for distribution over the internet and without taking into account the investment objectives, financial situation and particular needs of any particular person. OzForex Pty Ltd makes no recommendations as to the merits of any financial product referred to in its website, emails or its related websites. Please view our Product Disclosure Statement at: <http://www.ozforex.com.au/documents/pds.htm> Please view our Privacy Statement at: <http://www.ozforex.com.au/documents/privacy.htm> Please view our Dispute Resolution Policy at: <http://www.ozforex.com.au/documents/dispute.htm>