

**AUD/USD FUNDAMENTAL OUTLOOK**

AUD/USD continued rising in March adding to February's +2.0% increase, making several new post float highs in the process. The rate gained +1.9% for the month and continues posting new post float highs in early April. While ongoing unrest in the Middle East spurred higher crude oil prices, contributing to the Aussie's impressive climb against the Greenback, other factors such as the price of gold making new all-time highs was also a factor.

The RBA's latest rate decisions on April 5<sup>th</sup> left its benchmark Cash Rate at 4.75%, as was widely expected. Australian interest rates remain the highest in the developed world, and continue being a contributing factor to the Aussie's rise. In the RBA's Monetary Policy statement after the rate release, RBA Governor Glenn Stevens affirmed that Australian national income "is growing strongly". Despite inclement weather and flooding in Australia over the summer months reducing output for coal production, levels for production should "recover over the months ahead, and there will be a mild boost to demand from the rebuilding efforts as they get under way."

In similar fashion, the FOMC left the benchmark Fed Funds rate at historical lows of <0.25% and its QE II debt repurchase program at \$600B through June at its March 15<sup>th</sup> meeting. The meeting's minutes, also released on April 5<sup>th</sup> indicated some members "remained uncertain about the benefits of the asset purchase program but judged that making changes to the program at this time was not appropriate."

The market will now be closely watching the upcoming Australian Employment reports on the 6<sup>th</sup> and Australian Monetary Policy Meeting Minutes on the 18<sup>th</sup>. Also important will be the U.S. Trade Balance on the 12<sup>th</sup>, U.S. Retail Sales on the 13<sup>th</sup>, and the FOMC Rate Decision due out on the 27<sup>th</sup>. All things considered, the Australian Dollar is still favoured both in the mid and long term over the U.S. Dollar, especially with the wide interest rate differential.

**AUD/USD TECHNICAL OUTLOOK**

After range trading in February, AUD/USD sold off in early March to a low of 0.9696 before then staging an impressive and impulsive rally to a fresh post-1983 float high of 1.0417 in early April.

Last month's price action saw the rate initially break down from its trading range, but then rise again to attain new highs. AUD/USD has also been trading within a long term ascending wedge pattern that is currently bounded by an upper line now drawn at 1.0567 and a lower line at 0.9685. This pattern seems to be dominating the current technical picture and is mildly bullish for the rate initially, but portends longer term weakness if its lower support line gives way that could ultimately leads to a significant reversal to the downside.

Nevertheless, the rate's key 200-day Moving Average still reads well below the current rate at 0.9662. That fact, combined with the indicator's current positive slope, yields a bullish medium term outlook for the pair. Also, AUD/USD's 14-day RSI indicator has been on a rising trend, but is starting to show some divergence versus the price action, although not in overbought territory. The indicator shows a current reading in the upper part of neutral territory at 62 that may impede a move to the upside in the near term. After contracting in February, the rate's Bollinger Bands expanded considerably during March as a response to the general increase in volatility.

Overall, the recent impulsive upside price action rising from the 0.8066 low of May 25<sup>th</sup> appears to have more to go before completion and a break above 1.0417 therefore appears likely in the coming month. Until then, the rate may trade correctively lower, but should not fall below the lower wedge support line.

MAJOR LEVELS		Current level 1.0332	
Resistance	1.0417	Support	1.0176/1.0254
Resistance - psych	1.0500	Support	0.9803
Resistance - line	1.0567	Support	0.9696

**ECONOMIC CALENDAR - Major Releases April 2011**

- 6<sup>th</sup> – Australian Employment Report and Unemployment
- 12<sup>th</sup> – Aus. Westpac Consumer Confidence, US Trade Balance
- 13<sup>th</sup> – Aus. MI Inflation Expectations, US Retail Sales
- 11<sup>th</sup> – US Retail Sales, Prelim. U. of M. Consumer Sentiment
- 14<sup>th</sup> – G-7 Meetings, US PPI, Initial Jobless Claims
- 16<sup>th</sup> – US CPI, G-20 Meetings
- 18<sup>th</sup> – Aus. Monetary Policy Meeting Minutes, MI Leading Index
- 20<sup>th</sup> – Australian PPI, US Existing Home Sales
- 26<sup>th</sup> – Aus. CPI, US CB Consumer Confidence
- 27<sup>th</sup> – US Fed Funds, FOMC Statement, US Durable Goods Orders
- 28<sup>th</sup> – US Adv. GDP, US Pend. Home Sales, Aus. HIA New Home Sl.

**AUD/USD – WEEKLY CHART**



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