

AUD/USD FUNDAMENTAL OUTLOOK

AUD/USD continued rising in June, gaining +0.46% for the month, although the Aussie failed to make another all time high versus the Greenback. The rate often reflected gold's fortunes, which also failed to make a new all time high in June and corrected as far down as 1,477.88 on July 1st before staging a fresh rally in early July with three big up days.

Despite the corrective downward move in commodity prices last month, Australian economic data was mixed, with declining employment and stronger retail sales numbers seen. ANZ Job Advertisements declined in June but showed an increase in July. The RBA Rate Decision for July left rates at 4.75% for the eighth month in a row. In the accompanying statement, RBA Governor Stevens questioned whether growth in the global economy can be sustained at the current pace. He also stated that, "Year-ended CPI inflation is likely to remain elevated in the near term ... However, as the temporary price shocks dissipate, CPI inflation is expected to be close to target over the next 12 months."

U.S. numbers were also mostly mixed, showing the U.S. economy continues struggling as lagging Core Durable Goods Orders and a dismal Non-Farm Payrolls number were released. The FOMC also left the Fed Funds rate at its historically low <0.25% level as the QE II stimulus measures expired at the end of June, apparently without plans for QEIII. Nevertheless, Fed officials indicated that further easing measures would be taken if warranted by economic conditions.

Despite some near term corrective price action lower, the Aussie continues to be favoured over the Greenback and should continue appreciating in the mid and long term. Traders will now focus on upcoming U.S. data including: Non-farm Payrolls on the 8th, Trade Balance on the 12th, FOMC Minutes on the 13th and Advance GDP on the 29th. For Australia, the focus will be on the Employment Report on the 7th, the RBA's Monetary Policy Minutes on the 19th, PPI on the 25th and CPI on the 27th.

ECONOMIC CALENDAR - Major Releases July 2011

- 7th – *Aus. Employment Numbers, U.S. ADP Non-Farm Emp. Ch.*
- 8th – *U.S. Non-Farm Payrolls and U.S. Unemployment*
- 11th – *Australian Home Loans*
- 12th – *U.S. Trade Balance*
- 13th – *U.S. FOMC Meeting Minutes*
- 14th – *U.S. PPI, Retail Sales, Initial Jobless Claims*
- 19th – *Aus. Monetary Policy Meeting Minutes, U.S. Bldg. Permits*
- 25th – *Australian PPI*
- 27th – *Australian CPI, U.S. Core Durable Goods Orders*
- 29th – *U.S. Advance GDP*
- 30th – *U.S. Pndg Hm Sales, Jobless Clms & Aus. Prv Sector Credit*

AUD/USD TECHNICAL OUTLOOK

After making a new post-1983 float high of 1.1012 on May 1st, AUD/USD then began a correction that has continued into late June. The rate traded as low as 1.0390 on June 26th but then bounced up to 1.0789 by June 30th before coming off to 1.0654 by July 5th.

Last month's price action saw AUD/USD correct lower initially within what appears to be a descending wedge pattern, before breaking out to the upside to potentially resume its longer term up trend that will be confirmed by observing a new high beyond the 1.1012 level. The rate's long term rally still seems to be trading within a theoretical upper resistance trend line currently drawn at 1.1775 that lies parallel to a well established rising lower support trend line now drawn at 0.9606.

Furthermore, the rate's 14-day RSI indicator has been rising since the 1.0390 low of June 26th and also seems to have broken out of a declining pattern. The indicator rose as far as the 61 level but has since come off, although it remains just above neutral at the 54 level where it should not impede a move in either direction. In addition, the rate's key 200-day Moving Average reads at 1.0196 — well below AUD/USD's current level — and has an upward slope that yields a bullish medium term outlook. Also, the rate's Bollinger Bands have now started to expand again as volatility increased after the recent wedge breakout.

Overall, the recent corrective decline from the 1.1012 high of May 1st now appears to have run its course, with another upside push now underway. The rate moving above 1.1012 would now be needed for the ongoing longer term rally in AUD/USD to reassert itself.

MAJOR LEVELS

		Current level 1.0677	
Resistance	1.0789	Support	1.0587
Resistance	1.0888	Support	1.0440
Resistance - psych	1.1012	Support	1.0389/90

AUD/USD – WEEKLY CHART



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