

AUD/USD FUNDAMENTAL OUTLOOK

AUD/USD declined by -2.1% in February as both countries reported mixed economic data, with economic numbers out of the United States showing overall improvement. Australian numbers proved to be better than expected generally in February. Nevertheless, the slide in precious metals prices and other commodities as well as a lack of risk appetite in the forex market put pressure on the Australian Dollar.

Australian economic data indicated continued weakness in the housing sector, with Australian Building Approvals declining in February and in its latest March release. February's release of December data showed a -4.45 drop, versus an expected increase of +1.1%, while March's data had Building Approvals decline by -2.4%, again, versus an expected increase of +2.85. While the housing sector continues pressured, Australian employment numbers showed improvement in February with Australian Employment Change showing the economy had added +10.4K jobs in January, versus +5.8K expected. Also, the Aussie Unemployment Rate held steady at 5.4%, versus an expected increase to 5.5%.

The RBA left its benchmark Cash Rate unchanged at 3.0% at its February meeting and again at its March 5th meeting. Governor Stevens stated that, "During 2012, there was a significant easing in monetary policy. Though the full impact of this will still take more time to become apparent, there are signs that the easier conditions are having some of the expected effects. On the other hand, the exchange rate remains higher than might have been expected, given the observed decline in export prices, and the demand for credit is low, as some households and firms continue to seek lower debt levels."

U.S. economic data was mixed in February, with improvements in Retail Sales and the housing sector. New Home Sales rose to 437K, while Existing Home Sales rose to 4.92M. Employment numbers were softer in February, with the U.S. Unemployment Rate rising a notch to 7.9% from 7.8%. The Federal Reserve continued with its low interest rate policy, leaving Fed Funds at the historical low of <0.25%.

Due to continued risk aversion and softer commodity and precious metals prices, the outlook for the rate is neutral to lower in the near term, neutral in the midterm, but still positive in the long term.

AUD/USD TECHNICAL OUTLOOK

After AUD/USD made its historic high at 1.1080 in July of 2011, the rate has since made a series of generally lower highs, with the latest pair in the 1.0585/95 region seen in December and January. The 1.0345 neckline of those double peaks broke in early February, sending AUD/USD lower toward its double top objective in the 1.0100 region, with the rate trading as low as 1.0115 on March 3rd.

That double top formation immediately preceded a downside break in AUD/USD from its long term upwards channel that has persisted over the past five years since the 0.6007 low of October 2008. The rising lower line of that channel is now drawn at the 1.0547 line and currently provides resistance to the rate. The parallel upper channel line now appears pretty much unattainable at the 1.2854 level. AUD/USD has also been moving downwards recently within a medium term largely neutral triangular consolidation pattern that has contained the rate since it peaked at 1.1080 in July 2011. That pattern's declining upper resistance line is drawn at 1.0532 and its rising lower support line is now at the 0.9804 level. A break to the downside below that key support line — which is drawn through the key reversal lows at 0.9387 seen in October 2011 and 0.9580 seen in May of 2012 — would further sour the rate's soft tone.

Due to the recent sell-off, AUD/USD has been trading mostly below its 200 day MA since early February. That key indicator now reads at the 1.0342 level, although it has a mildly positive slope that yields a neutral medium term outlook for the rate. Furthermore, AUD/USD's key 14-day RSI is reading in the lower half of neutral territory at 42.2, which should not significantly impede a move in either direction. The RSI also failed to support the most recent low in AUD/USD at the 1.0115 level by making a higher low than it had attained earlier in the month at higher rates.

AUD/USD's outlook remains neutral to bearish, with good support seen at the 1.0115 level and the triangle's lower line at 0.9804.

MAJOR LEVELS	Current level 1.0237
Resistance 1.0345/95	Support 1.0115/77
Resistance 1.0517/98	Support 0.9926/1.0000
Resistance 1.0613/24	Support 0.9580/9663

ECONOMIC CALENDAR Major Releases

- 7th Australian Trade Balance, US Trade Balance
- 8th US Non-Farm Payrolls, Unemployment Rate
- 12th Aus. NAB Business Confidence, Westpac Consumer Sent.
- 13th Australian Home Loans, US Core Retail Sales, Retail Sls
- 14th Aus. Employment Change, Unemployment Rate
- 15th US Core CPI, CPI, Prelim UoM Consumer Sentiment
- 19th Aus. Monetary Policy Meeting Minutes, US Bldg Permits
- 20th FOMC Statement, Press Conf., Economic Projections
- 21st US Existing Home Sales, Australian CB Leading Index
- 26th RBA Financial Stability Review, US New Home Sales
- 27th US Pending Home Sales,
- 28th US Final GDP, Initial Jobless Claims
- 29th Australian HIA New Home Sales, Private Sector Credit

AUD/USD – WEEKLY CHART



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