

AUD/USD FUNDAMENTAL OUTLOOK

AUD/USD extended its previous month's losses, dropping another -4.7% in June, bringing its two month losses to -13%. This month's losses were mostly attributable to the U.S. Fed's intention to taper off QE by the end of the year and eventually end the program sometime in 2014. Economic numbers were mostly mixed for both countries, while commodity prices continued their steep decline, which put pressure on the Aussie.

Australian economic numbers had some key improvements in June, including Employment Change, which showed an increase of +1.1K jobs in May, versus an expected decline of -9.8K, while the Australian Unemployment Rate dropped to 5.5% from 5.6%. Other numbers showing improvement in June were the Current Account, showing a deficit of -8.5B, versus -8.9B expected, and Company Operating Profits, which rose +3.0% in the quarter, versus +1.6% expected.

On the negative side, Home Loans increased only +0.8%, versus +2.1% expected while Australian GDP grew by +0.6% in the quarter, versus an expected increase of +0.8%. The RBA left the benchmark Cash Rate unchanged at 2.75% in both June and at their latest meeting on July 2nd. Despite the recent decline in the Australian Dollar, RBA Governor Stevens thinks the currency continues overvalued stating, "It is possible that the exchange rate will depreciate further over time, which would help to foster a rebalancing of growth in the economy," he continued, "This is expected to continue in the near term as the economy adjusts to lower levels of mining investment."

U.S. economic numbers were mostly lower than expected in June, with the exception of a slight increase in last month's Non-Farm Payrolls, Durable Goods Orders and some housing numbers. The Unemployment Rate rose to 7.6%, while Final GDP increased only +1.8% q/q, versus +2.4% expected. The FOMC for its part, left the benchmark Fed Funds Rate at the historical low of <0.25% in June. Nevertheless, the overall gist of statements after the rate release indicated that the Fed would wind down QE by the end of the year, and, economic conditions permitting, end the stimulus program altogether sometime in 2014.

Due to continued weakness in both economies and the possibility of lower rates in Australia and higher rates in the United States, the Greenback is favoured over the Aussie in the near and mid terms, while neutral in the long term.

ECONOMIC CALENDAR Major Releases

- 5th US Non-Farm Payrolls, Unemployment Rate
- 8th Australian ANZ Job Advertisements
- 9th Australian NAB Business Confidence
- 10th US FOMC Meeting Min., Aus. Westpac Consumer Sent.
- 11th Australian Employment Change, Unemployment Rate
- 12th US PPI, Core PPI, Australian Home Loans
- 15th US Core Retail Sales, Aus. New Motor Vehicle Sales
- 16th RBA Monetary Policy Meeting Minutes, US Core CPI, CPI
- 17th US Building Permits, Housing Starts
- 22nd US Existing Home Sales
- 24th Australian CPI, Trimmed Mean CPI, US New Home Sales
- 25th US Core Durable Goods, Initial Jobless Claims
- 30th US CB Consumer Confidence

AUD/USD TECHNICAL OUTLOOK

AUD/USD has been falling from its April 7th 1.0582 peak throughout the rest of April, May, June and into early July. The rate has thus far reached a low point of 0.9036 on July 2nd from which only a modest bounce to 0.9181 has ensued to date.

AUD/USD's chart now shows strong resistance in the 1.0585/92 region and above that in the 1.1012/80 region. Furthermore, the strong downwards trend seen since 1.0582 has broken below the rate's 1.0115 to 1.0624 trading range that had been in place since July 2012. AUD/USD also broke the lower trendline of a relatively symmetrical long term triangle pattern that began with the historic 1.1080 high of July 2011 and the subsequent 0.9387 reaction low of October 2011. That pattern's lower trendline now offers rising resistance to AUD/USD, and it is now drawn at the 0.9907 level. The measuring objective set up by this key pattern's lower trend line's break is computed at 0.8174, which is obtained by subtracting the 0.1693 initial height of the triangle from the 0.9867 breakdown level of May 15th. Support for AUD/USD is now noted at 0.9036, just ahead of the psychological 0.9000 level, and below that at 0.8859, 0.8767 and 0.8633.

AUD/USD traded below its notably downward sloping 200 day Moving Average throughout the month of June. That key indicator now reads at the 1.0201 level, yielding a bearish outlook. Nevertheless, AUD/USD's 14-day RSI has been showing bullish regular divergence since June 19th by not making new lows at new price lows. Although not seen in oversold territory, this indicates waning downside momentum that could see a more substantial bounce occur as July progresses. The indicator has now stabilised in lower neutral territory, and it currently reads at the 34.47 level that could somewhat impede further downside moves.

Overall, AUD/USD's outlook for July remains moderately bearish toward the triangle pattern's breakout objective of 0.8174, although signs of a possible upward correction seem to be increasing.

MAJOR LEVELS	Current level 0.9149
Resistance 0.9326/87	Support 0.9036
Resistance 0.9528/80	Support 0.8859
Resistance 0.9665	Support 0.8767

AUD/USD – WEEKLY CHART



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