

AUD/USD FUNDAMENTAL OUTLOOK

AUD/USD recovered most of September's losses in October, roaring back +8.1 percent on renewed risk appetite, more Australian and U.S. jobs and a falling Australian Unemployment rate. Nevertheless, the rate began selling off at the end of the month with a declining Trimmed Mean CPI and falling PPI numbers in Australia, while U.S. numbers were mixed to mostly lower on balance.

The RBA lowered its benchmark Cash Rate by 25 bps to 4.50% at their November 1st Monetary Policy Decision. In his customary statement made after the rate release, Governor Glenn Stevens noted that, "Information about the Australian economy suggests moderate growth overall. The terms of trade have now peaked and will decline somewhat in the near term, but they remain very high. In response, investment in the resources sector is picking up very strongly, with much more to come." Prime Minister Julia Gillard stated that the rate cut was a "welcome relief" for Australian families.

October economic numbers in the United States continued showing improvement in some areas, except the housing sector which is still showing some weakness. Consumer prices contracted somewhat, while producer prices began increasing, employment numbers showed marginal improvement with the Unemployment rate holding steady at 9.1% with a slightly improving October Non-farm payrolls number. The FOMC for its part, left the benchmark Fed Funds rate at the historically low level of <0.25% in October and begun a new round of stimulus measures. Nevertheless, the Fed revised its GDP growth estimates down from 3.3% to 2.5% for next year. No significant changes in Fed policy were announced at their November meeting on the 2nd of November.

Despite selling off in the first days of November, and a rate cut by the RBA, the Aussie continues to be favoured over the Greenback in the mid and long term. Traders will now look to the RBA's Monetary Policy Statement and the U.S. Non-Farm Payrolls number out on the 4th, Australian Employment numbers out on the 10th and the RBA's Monetary Policy Meeting Minutes on the 14th for further indications on AUD/USD. Traders will now be looking ahead to the key U.S. Non Farm Payrolls number on the Nov 4th, Australian Employment Report on the 10th, RBA Monetary Policy Meeting Minutes on the 15th, and US Preliminary GDP on the 22nd.

ECONOMIC CALENDAR Major Releases

- 3rd Australian Retail Sales, US ISM Non-Man. PMI
- 4th Australian RBA Mon. Policy Stmt. US Non Farm Payrolls
- 7th Aus. ANZ Job Advertisements
- 8th Aus. Westpac Consumer Sentiment, Trade Balance
- 9th Aus. MI Inflation Expectations, Home Loans
- 10th US Trade Balance, Aus. Employment Ch., Unemp.
- 15th Aus. Mon. Policy Meeting Minutes. US PPI, Retail Sales,
- 16th US CPI, TIC Long Trm. Purch., Aus. Wage Price Indx.
- 21st US Existing Home Sales, Aus. MI Leading Index
- 22nd US Prel. GDP FOMC Meetng. Min., Aus. CB Leading Indx.
- 24th Aus. Private Capital Exp., US Initial Jobless Claims
- 28th Aus. Company Operatng. Profits, US New Home Sales
- 30th Aus. Current Acct., Priv.Sector Cr., US Pend. Home Sales

AUD/USD TECHNICAL OUTLOOK

After falling sharply throughout much of August and September to reach a low of 0.9387 on Oct 2nd, AUD/USD staged an impressive rally throughout the rest of October. This notable upside reversal reached as high as 1.0753 on Oct 26th before the rate then came off to trade as low as 1.0202 by Nov 2nd.

From an Elliott Wave perspective, the latest sharp upward move from the 0.9387 low of Oct 2nd appears to have an impulsive nature. This means the up move seems more likely to be a first wave of a fresh up trend than a corrective B wave that typically shows choppy price action. On the other hand, should the subsequent declining wave fall below the key 0.9387 low before moving higher again to exceed the 1.0753 high, the odds would then favour an extended C wave move lower to 0.9060, which is the A=C wave equality objective obtained by projecting the length of the A wave drop from 1.1080 to 0.9387 downward off the 1.0753 B wave peak. Furthermore, while AUD/USD initially appeared to have broken its long term up channel, upside potential still exists due to the rate's substantial October bounce. Accordingly, the trend lines can be redrawn, with the lower line now providing support at 0.9479 and the upper line offering resistance at 1.1745.

On AUD/USD's most recent rise to 1.0753, its 14-day RSI indicator topped out at 69.6, showing bearish hidden divergence relative to the 68.5 RSI peak seen at the all time high of 1.1080 of July 26th. Such a bearish signal indicates that lower levels are more likely in the future. Since then, falling rates have sent the indicator back into central neutral territory and it currently reads 53.3, which should not impede a move in either direction. Furthermore, although the rate broke briefly back above its slightly rising 200-day Moving Average that now reads 1.0404, it has since fallen below it again to neutralize the medium term outlook.

Despite a mixed outlook, bearish hidden divergence signals lower.

MAJOR LEVELS	Current level 1.0360
Resistance 1.0753/65	Support 1.0202
Resistance 1.0888	Support 0.9926
Resistance 1.1080	Support 0.9387

AUD/USD – WEEKLY CHART



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