Saturday, March 13, 2010

## *The Aussie Dollar seems...."off".*

While the rest of the world seems to be pushing the AUD higher, and giving praise for its strengths, I have started to notice some things that I don't like about it.

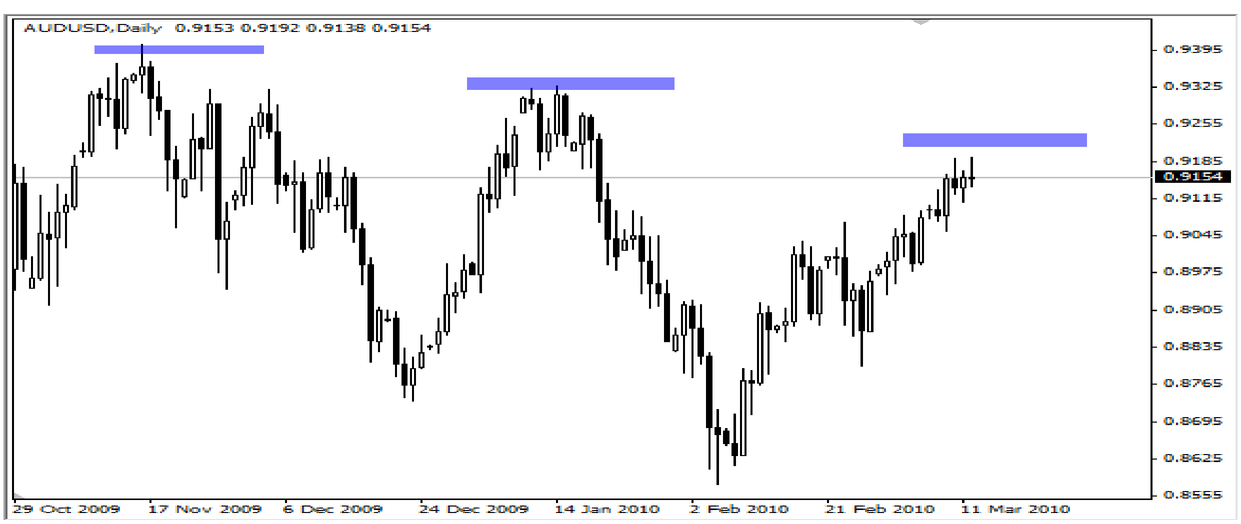
Recently, we have had some odd reactions in the AUD to what has been fairly good news. While most Western economies suffer, the Aussies have the benefit of exporting raw materials to Asia. Gold, Copper, and Iron aren't bad things to have at the moment.

For example, I would direct your attention to February 10th of this year, when the Australian Employment Change came out at +52.7k jobs, when it was forecasted to only add 15.1k. As expected, the AUD surged in reaction. What was interesting is that it couldn't hold above .90 to the USD. It seemed to just hit a brick wall. It was March 2nd before we closed above that level again.

On that same day, Unemployment rate fell to 5.3%, when it was expected to be 5.6%. Again, the Aussie Dollar hit a wall. Things like this are to be noticed by the good traders.

On March 3rd, we had the Australian Trade Balance come out at a better than expected negative 1.18B, as opposed to the estimated negative 1.57B. *While we did eventually get above the .90 handle again, we first fell and have since been "grinding" higher.* It seems that it is having to earn every pip on the way up. Hardly what I would call a "robust" currency.

*The AUD/USD daily chart:*



## *So why could this be happening?*

At the end of the say, it really doesn't matter why. It's the *what that matters.* However, when I see things that don't makes sense, it is prudent to try and at least make a little sense of the scenario.

One of Australia's biggest issues is quite frankly, the rest of the world. As the Aussies are sending out commodities to the Asian powerhouses, the West is almost non-existent when it comes to stockpiling metals and the like.

China is starting to pressure it's banks to slow down on lending. It appears that the PBC, (People's Bank of China) China's Central Bank, is actively telling the banks what to lend, and to whom. Remember, this is a Communist country, and as such, they will certainly do as they please. The banks *will* fall into line no matter what.

There is a growing consensus that the PBC will raise interest rate soon, and some think as early as next week. If they are starting to try and cool down the economy, there could be some ugliness hiding in China. It turns out real estate prices are skyrocketing in the major cities and Hong Kong. (Any of this starting to sound familiar?)

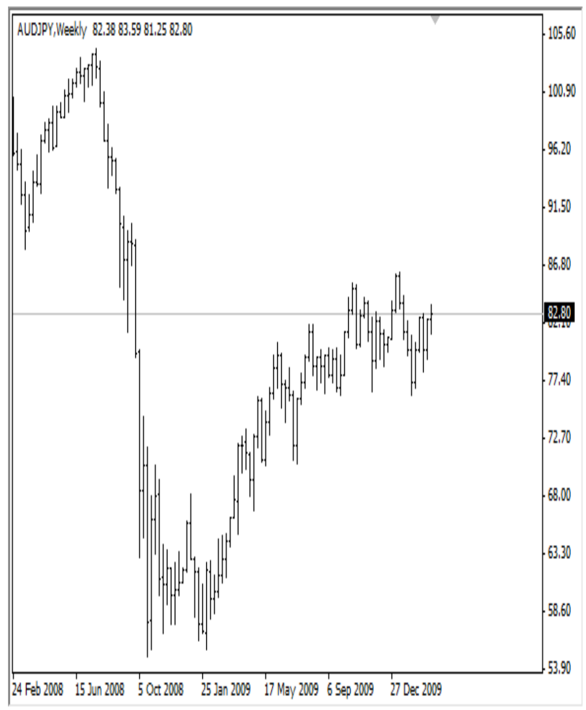
Australian meanwhile, relies on China and India (Who, by the way - are also close to raising rates.) for an economy. The Aussies simply do not have the population to buy enough things to keep the economy humming along. One of the lessons from the last meltdown is to diversify, and since our Antipodean cousins in Australia and New Zealand are so dependent on others buying exports, they could be in for a bad patch soon.

That's my thesis anyway. As usual, we will let the technical pattern lead the way.

## *Another look at the AUD.*

While one could make the argument that the USD might just be a "safe haven" possibility in the near future, there are some other signs pointing in a lower AUD.

*The AUD/JPY weekly chart:*




While I would have a hard time telling you there is a sell signal on this chart, notice how it seems "stuck", and we are certainly still well off the highs from 2007. In fact, we are bouncing between the 50% and 61.8% Fibonacci levels from the drop. Just something I have noticed. You "box traders" have probably been cleaning up in this pair for a while.

Also, there are other signs of trouble. One of Australia's biggest money makers is Gold, and the Gold market has been struggling as of late. The trend is certainly up in that market, but it has been showing signs of weakness as of late. (I am looking for long positions at the $1,000 USD mark myself. A level it seems to want to return to.)

### *A long Euro set up? No, it's short Aussie Dollar!*

While I am not keen on going long the EUR, I prefer to think of this one as an anti-AUD position. This would be a long-term position, and only for those that have the courage to be patient, as this trade will certainly require. Take a look at this video.


I should also note that the GBP/AUD chart is almost identical to the EUR/AUD. I love it when things line up.

As I write this, I would like to thank all of you that have given me feedback, and served as "Guinea Pigs". I am going to start sending these out to the members of the private forum every week, as an added value to the site. You can also just sign up for the newsletter for significantly less on the site. As I said before, thank you so much for taking the time to read this little newsletter. Hopefully, it serves a good purpose to all of you. I will still continue to post in the public forums just as often, as I believe that not all things need to come back to the almighty Dollar.

Until next time!

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