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AUDUSD: Correction With Upside Bias

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AUDUSD: Correction With Upside Bias

AUDUSD strengthened for eight months in a roll the past month building on its medium term uptrend triggered in late April'09. With this uptrend coming on the back of a base forming process in Oct'08 and Feb'09 and a subsequent break higher in late April'09 occurring, AUDUSD rallied to a high of 0.8262 in early Jun'09 before backing off to begin corrective pullbacks. That correction pushed the pair to a low of 0.7700 in July'09 where a rally ensued driving the pair through its former high at 0.8262 and printing a new high of 0.8476 in Aug'09. It lost upside momentum at that level and declined for another two weeks until a halt in that weakness at the 0.8155 level on Aug 17'09 pushed it higher again resuming its medium term uptrend in early Sept'09 to rally sharply to as high as 0.8857 before price hesitation set in the past week. AUDUSD closed lower the past week printing a rejection candle which is also consistent with its previous week price action. This development is suggestive of corrective pullbacks and with the pair's inability to surpass its recent high at 0.8857, further correction of its recent medium term run to the upside is now envisaged. In such a case, immediate support lies at its MT rising trendline currently at the 0.8608 level which should provide support as it did last week. A clearance of there will however expose two other key supports at the 0.8476 level, its July 14'09 high and its Sept 02'09 low at 0.8238. We believe that a combination of these levels should provide stronger support if tested. On the other hand, the 0.8787 level must give way to invalidate out corrective downside scenario and open up upside risk towards the 0.8950 level, Aug 10'08 high with a clean penetration of there allowing further upside targeting the 0.9000 level, its big psycho level. **On the whole, while consolidation to corrective pullbacks looks to take hold on the pair, we believe it still maintains its broader medium term bullish structure**

All charts courtesy of www.ProRealTime.com. FXTechstrategy recommends ProRealTime charts.

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