

AUDUSD

Price

1.0700

12th May 2011

Resistance	1.0713	1.0728	1.0746	1.0775-80	1.0802	1.0835-55
Support	1.0663	1.0644	1.0619	1.0587	1.0536-60	1.0485

Bias While 1.0713 holds I feel there is room for losses to 1.0644 before another correction

The underlying MT direction is bearish while the daily bias is bearish. Therefore the main risk is lower. Ensure that key resistances levels hold. Note key support levels that would suggest continuation of the bearish move. Consider confirming this with a bearish set up pattern in price or an indicator. Only consider a possible larger reversal higher should key MT resistance break and is supported by a bullish set up in price or an indicator.

Consider buy set ups at: 1.0640-45 (if direct) or 1.0718

Consider sell set ups at: 1.0740-50 (after early dip)

THE DAY'S OUTLOOK:

I :

feel the downside has resumed

The rally stalled in the 1.0876-89 area but then dropped directly through 1.0840-50 to confirm the resumption of losses. The current situation is a little tricky as while 1.0713 caps there is still a risk that we could see losses extend below 1.0663 to reach 1.0644. If this is seen then we should see a correction from here that should move back above 1.0713 and into the 1.0736-46 area. If this early dip to 1.0644 is seen then the 1.0746 area should cap for another leg lower. Only directly below 1.0640 would maintain the downtrend for 1.0587 and a move closer to the 1.0536 low.

Any early failure for 1.0713 to cap that creates direct gains would risk a direct rally to 1.0746 and probably higher to 1.0775-02 at least... Also note the 1.0835-55 resistance...

THE MEDIUM TERM OUTLOOK:

I :

see the downside back...

12th May: The end was a little lower than I had anticipated but basically this is in line with the underlying view that we should see the larger corrective decline continue. I prefer for this to be quite direct with 1.0746 holding to extend losses below 1.0536. As this develops I can then begin to target the next possible stalling point.

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