



Zoom on AUD/USD

09.10.2012



While the AUD/USD has been largely driven by the EUR/AUD last couple of months, it is interesting to focus our attention on the large scale pattern "governing" directly the Aussie. Since its rocket rally end 2010/early 2011, where it scored an all-time high at 1.1080, the currency pair **moved inside a contracting range pattern**, called by market technician a contracting triangle pattern.

Elliott Wave theory recognizes triangle after the completion of 5 legs. We would assume at this stage the pair entered in its fifth leg - the E leg - that has a downside bias. The support triangle base - connecting A and C leg - lies around 0.9650 these days. Recent attempt in summer to pierce the upside resistance line - connecting the B and D leg - has not been a success for the bulls. In fact, **they leave behind a double top**, scored back with the August highest peak and the September highest peak (respectively 1.0615 & 1.0625). Last week, price broke support base at 1.0165, activating this double top pattern. From a pure mathematic point of view, the distance from the top to the bottom of this pattern represents 450 pips (1.0615 - 1.0165). Therefore, the estimated target is set at 0.9715 (1.0165 - 0.0450).

It would come as no surprise that **current downside move is supported by our BullBear index**. It turned negative last Friday (05.10.2012) when the bar chart swapped to the red status. Also of notice, the index displays a [1:9], which is a good sign bears are in control. Final confirmation should see our *Trend Odds* indicator swapping to the red status. We would sell future rally on this currency pair, ideally around 1.03/1.04, for the above mentioned target (0.9715). This scenario stays alive as long as September's peak (1.0625) is not taken out.