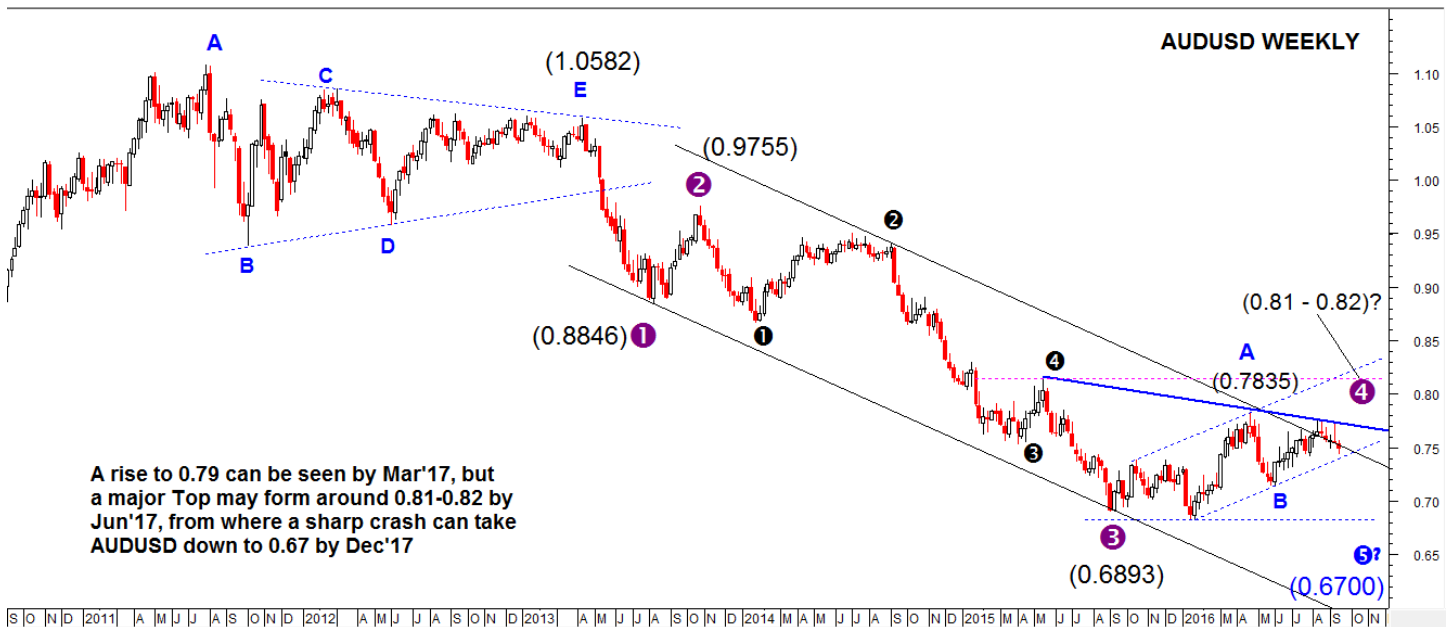


EXECUTIVE SUMMARY:

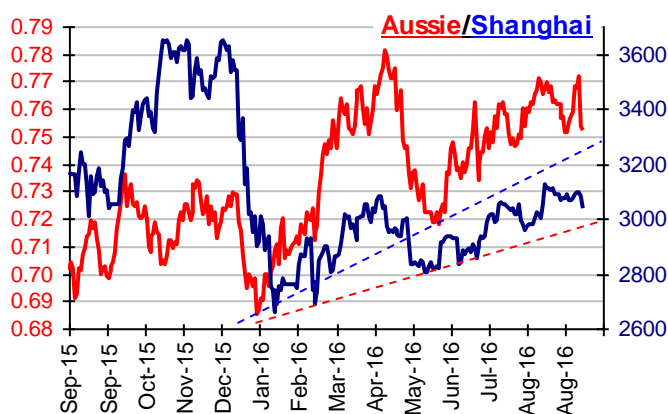
Aussie has been oscillating in the band of 0.7500-0.7750 for the last 5 weeks but the lack of selling pressure at the higher levels and the shallow corrective phase have boosted the chances of the alternate possibility of the rise from 0.7145 (blue B) extending further and a major top formation around 0.81-82. The probability of our immediate bearish stance is placed much lower at 35-40% now.



Last month two distinct possibilities were discussed, among which the probability of the current bounce from 0.7145 (blue B) rising to 0.81-0.82 (Purple 4) looks stronger at the moment though confirmation is required in the form of a break above 0.7760. A successful break above 0.7760 may take AUDUSD to 0.8090 or 0.8150-60 by Jun'17 quarter, where a major top can form. Then the top around 0.81-0.82 may be followed by a sharp decline for 0.67 by Dec'17, the final capitulation by the bulls.

This scenario of a rise to 0.81-0.82 followed by a deep cut will weaken if AUDUSD drops below 0.7400-0.7380 before rising above 0.7760. In which case, the alternate bearish scenario (previously preferred) of the bounce from 0.7145 ending below 0.7835 may return to consideration on a break below 0.7380 but that probability looks weak now.

Please note, the expected date of top formation and the following decline goes beyond the scope of our projection, which shows the expected prices for the next 3 quarters, i.e. till Mar'17. So neither the highs of 0.81-0.82 nor the lows of 0.67 are present in the current quarterly projections in the next page.

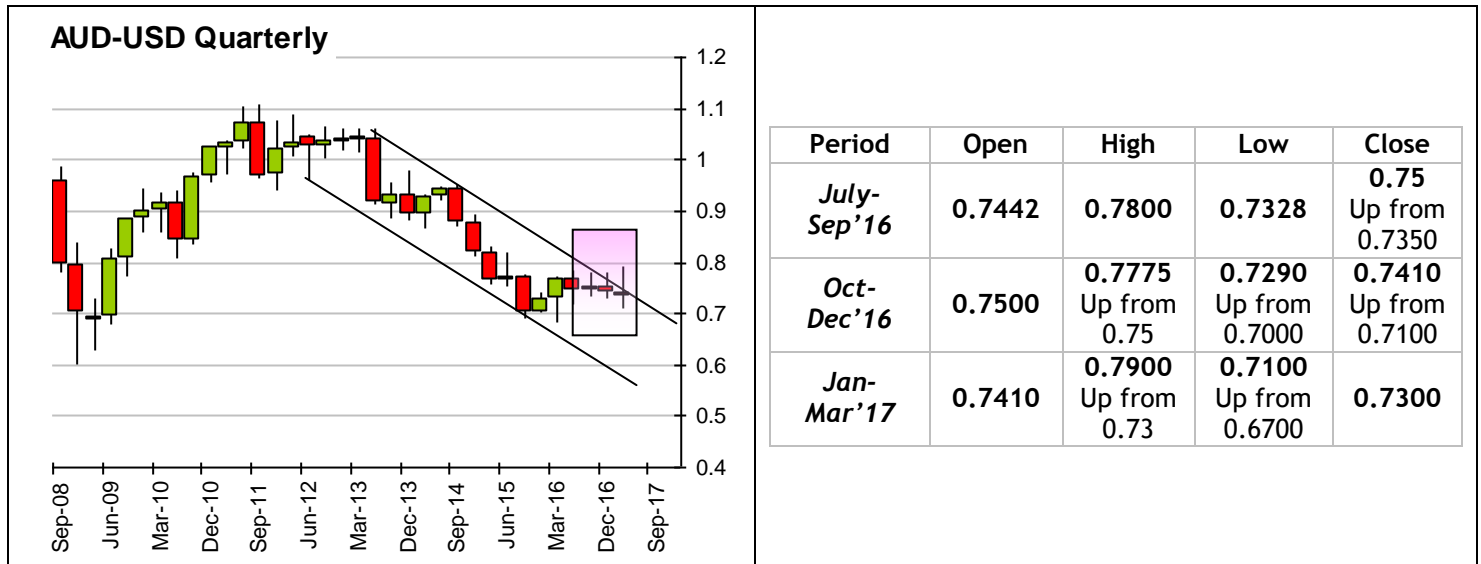


Correlation between Aussie and Shanghai

In the last 12 months, the correlation between Aussie and Shanghai has strengthened, reflecting the increasing dependence of the Australian economy on the China. Hence, the state of the Chinese economic health is of great concern, especially to the Australian exports.

At this point, if Shanghai finds support around 2950-30, then the chances of Aussie holding above 0.7500-7450 will increase further, opening up the path to 0.81-0.82 later on.

Quarterly Projections



The expected rejection from the long term downtrend channel is missing and hence the alternate scenario (the current bounce from 0.7145 extending to 0.81-0.82 before a major top formation) looks more probable now.

But the current projection shows an amalgamation of both the scenarios, indicating the still indecisive state of the currency. The candles perfectly show the dilemma, where all the next 3 quarterly candles create Doji pattern, a classic pattern suggestive of indecision of the market. (The box on the chart marks the 3 projected quarterly candles)

As discussed in the previous report, the declining chances of a Fed rate hike supports Aussie strength and the latest poor reading of US the NFP data bolsters the case of a stronger Aussie. RBA has maintained the status quo in the September meet and there was no hint of any impending rate cut in the statement. The commodities have been stable overall and upbeat Chinese manufacturing data coupled with better than expected Australian export and Trade deficit data makes it difficult for the Aussie bears.