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Australian Dollar Faces Pressure as 200-Day SMA Approaches

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The Australian Dollar (AUD) remained under pressure on Thursday, with AUD/USD sliding toward two-month lows near the 0.6400 support level. This marked the fourth consecutive daily decline, driven largely by a strong US Dollar (USD).

Traders are also factoring in ongoing geopolitical tensions and concerns about the Federal Reserve's independence ahead of Chair Jerome Powell's scheduled speech at the Jackson Hole Symposium on Friday. While Australia's inflation continues to ease, the decline remains gradual rather than steep. The Q2 Consumer Price Index (CPI) rose 0.7% quarter-on-quarter and 2.1% year-on-year, while June's monthly CPI indicator dipped slightly to 1.9%.

Economic data outside inflation shows resilience. Advanced August purchasing managers' indices (PMIs) revealed manufacturing activity extending its recovery above the 50-mark to 52.9, services improved to 55.1, and retail sales rose 1.2% in June. Australia's trade surplus also strengthened, rising to A\$5.365 billion in July from A\$1.604 billion in May.

The labor market remains robust. Unemployment for July fell to 4.2%, with 24,500 jobs added, and the participation rate was steady at 67%. Earlier this month, the Reserve Bank of Australia (RBA) trimmed the Official Cash Rate (OCR) by 25 basis points to 3.60%, aligning with market expectations. The RBA also lowered its end-2026 forecast to 2.9% from 3.2%, and 2025 growth projections were revised down to 1.7% from 2.1%, citing global economic headwinds. Unemployment and core inflation forecasts for late 2025 remain unchanged at 4.3% and 2.6%, respectively.

Governor Michele Bullock emphasized that monetary policy remains “data-dependent, not data-point dependent,” resisting calls for a larger half-point cut. Markets are now pricing in a further 25-basis-point easing by the November 5 meeting.

China’s economic performance remains mixed. Q2 GDP grew 5.2% year-on-year, and industrial output rose 7%, but retail sales failed to reach the 5% target. The People’s Bank of China left both one- and five-year Loan Prime Rates unchanged at 3.00% and 3.50%. Manufacturing and non-manufacturing PMIs slipped to 49.3 and 50.1, respectively, while Caixin readings pointed to similar softness. July trade data showed a surplus narrowing to \$98.24 billion, with exports up 7.2% and imports up 4.1%. Inflation remained subdued, highlighting ongoing deflationary pressures.

Market positioning favors the bears. Commodity Futures Trading Commission (CFTC) data through August 12 showed net shorts rising to nearly 88,000 contracts, the heaviest since April 202, while open interest climbed to 171,300, marking a multi-week high.

Technically, AUD/USD faces resistance at the 2025 ceiling of 0.6625 and the November 2024 high of 0.6687, with the psychological 0.7000 level the next major target for bulls. Support is layered at the August low of 0.6414, the 200-day Simple Moving Average at 0.6384, and the June floor at 0.6372. Momentum indicators remain subdued, with the Relative Strength Index near 38 and the Average Directional Index at 19, suggesting a slowly strengthening trend.

The Australian Dollar’s near-term outlook remains cautious as traders weigh domestic economic data, RBA policy, and international developments.