

[text] **Forex Market Analysis 4 ,May 2015** Source: [XM Markets](#)

The Australian dollar was attracting a lot of attention today, after data out of China, Australia's most important trading partner, was not performing as well as hoped for. The HSBC final manufacturing PMI for April came in at 48.9 versus 49.4 that was expected; dipping further into contraction territory. Data like this could lead to additional stimulus by the Chinese authorities, which has helped Chinese shares climb. The aussie found some support at the 78 cents level and managed to rebound to as high as 0.7836. Helping the aussie were better-than-expected building approvals numbers for March. The Reserve Bank of Australia will announce its rate decision tomorrow and although the overall expectation is that it will cut rates by an additional quarter point to 2.00%, it is by no means certain it will do so. So there is uncertainty about tomorrow's RBA meeting - partly as a result of some recent better-than-expected data out of Australia such as inflation and unemployment - and the outcome should cause some volatility in the aussie. In other major pairs, the euro reclaimed the 1.12 level, as it was also supported by the pickup in Eurozone bond yields. The Eurozone's improving economic fortunes have led the 10-year German government bond yield jump from 0.05% as soon as a couple of weeks ago to 0.37% today. New hopes for a quick deal between Greece and its creditors have also helped the euro cut by half its losses for the year so far. Final PMI data on manufacturing out of the Eurozone today will provide some further clues as to the pace of the region's economic recovery.

Finally, sterling is facing some headwinds ahead of Thursday's General Election, which is looking very tight according to the polls. It is increasingly likely that the election will not lead to a single winner and that the elections may deliver an outcome that will not be so stable. Furthermore, some forces on the extreme ends of the political spectrum could gain prominence, creating further problems. A bank holiday in the UK today could lead to thinner trading during the European session and some sharper swings. Sterling was trading back around 1.5136 against the dollar. [/text]