



# Currency Review

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## 2009 Quarterly Report- Currency Focus

### General

Trading currencies has picked up dramatically in the later half of 2009 as traders look to take up excellent trending opportunities. We expect these opportunities to stay with us during 2009. The obvious focus is with the USD at the moment in light of what is happening in the US. Many are a little perplexed as to why the USD remains better bid as a result of the financial concerns in the US and the world, however, it is relatively simple. At the moment there is short term need for USD for funding and with the Banking sector reluctant to lend out money those USD that are available are being bid for and as a result the value of the currency increases. The USD will remain a better bid whilst the credit squeeze remains with us. Will this continue?

The credit squeeze should start to unwind once the Banks are comfortable to lend again. This will only occur once confidence comes to the market. The US Fed and Government and for that matter all Governments and Central Banks around the world are trying to build confidence via monetary and fiscal stimulus packages. **As a result we expect to see the USD remain well bid as long as the financial crisis remains with us however as it dissipates and we should expect to see the currency resume its trend lower.**

The USD index on NYBOT is a good chart to follow in order to get a good overview of the USD. As can be seen from the chart below we are testing the 50 day moving average and if this is broken can suggest that we will come close to a trend change. To confirm this we need to see a break below 84.50 then 82.75.



### AUDUSD

The local currency has been hit hard and from all fronts. As a commodity based currency it has lost value as demand for commodities are hit. In addition to this the appreciation of the US currency has aided the fall from grace. To think that we had been looking at parity only in July to see it tumble to close to 40% in five months is mind boggling. The fall in the AUD has certainly hurt the import sector of the market however the bright side of the move is that now our exports are highly competitive at the right end of the cycle.

Given this, we like the prospects of the USD and JPY against the AUD at these levels expecting the AUD to get more traction in Q1. The chart below outlines the severity of the move from US0.9800 however, we can see that we have good support at US0.6000 and would expect this to hold for the time being. Naturally, if it is broken on a daily basis it will open the way to a new and lower range. This is where we would put our stops.



Cheers,  
Jono

Please do not hesitate to call concerning any of the above. I can be reached on direct call 1300 660 734.