

Much-buffed Australian dollar now at a crossroads: analyst



TECHNICAL ANALYSIS
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THE Australian dollar has endured a rocky ride in recent months as monetary policy around the world has unexpectedly changed direction, or stood still when currency markets expected change.

The Aussie got as high at US93.66¢ in November, then dropped to US88¢ in late December. After that, it raced up to US93¢ on a decline in the US dollar and stronger equity market and commodity prices.

The tables turned again in mid-January when China unexpectedly tightened its monetary policy and the Reserve Bank unexpectedly decided to leave the local cash rate on hold. The

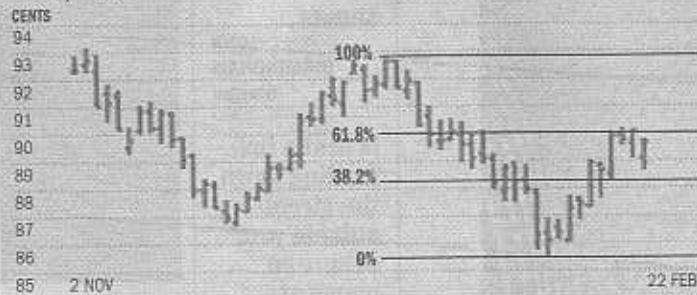
Aussie tumbled to a five-month low of US86.29¢.

Now it is climbing again, and according to a technical analysis of the Aussie's value against the US dollar, it is "at a moment of indecision" that could see it continue downwards or climb and break through resistance.

"It is critical if [the dollar] can spend 24 hours above US90¢," Paul Ash, president of the Victorian chapter of the Australian Technical Analysts Association, told BusinessDay.

Unlike macro-economic and stock-picking approaches to trading, technical analysis looks for patterns and trends in the price of shares and indices, or

AUD/USD



commodities and currencies, to give traders a theoretical basis for determining whether prices are following an upward or downward trend.

This removes sentiment and "gut feelings" from trading. Tech-

nical analysts assume that markets quickly adjust to reflect company, economic or political news.

By drawing a line linking the dollar's lows and another linking its highs, Mr Ash's technical analysis shows where support and resistance

lie. The support line shows where buyers are likely to enter the market and the resistance line where sellers are likely to appear.

"Up until the middle of November, the Australian dollar was trending up," Mr Ash said. "In mid-

November it started a very gradual downward trend — the low [points] are lower and the high [points] are lower."

The upper trend line is a "non-confirmed resistance line" calculated by Mr Ash using analysis techniques. This line, he said, indicated the dollar would struggle to get above US91.7¢ in the current pattern. If it did get above that value, "then we would say with confidence the Australian dollar is on an upward trend".

Mr Ash said the next resistance level would be US92.7¢, a 100 per cent Fibonacci retracement of the previous range — in other words, a return to the last significant high.

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