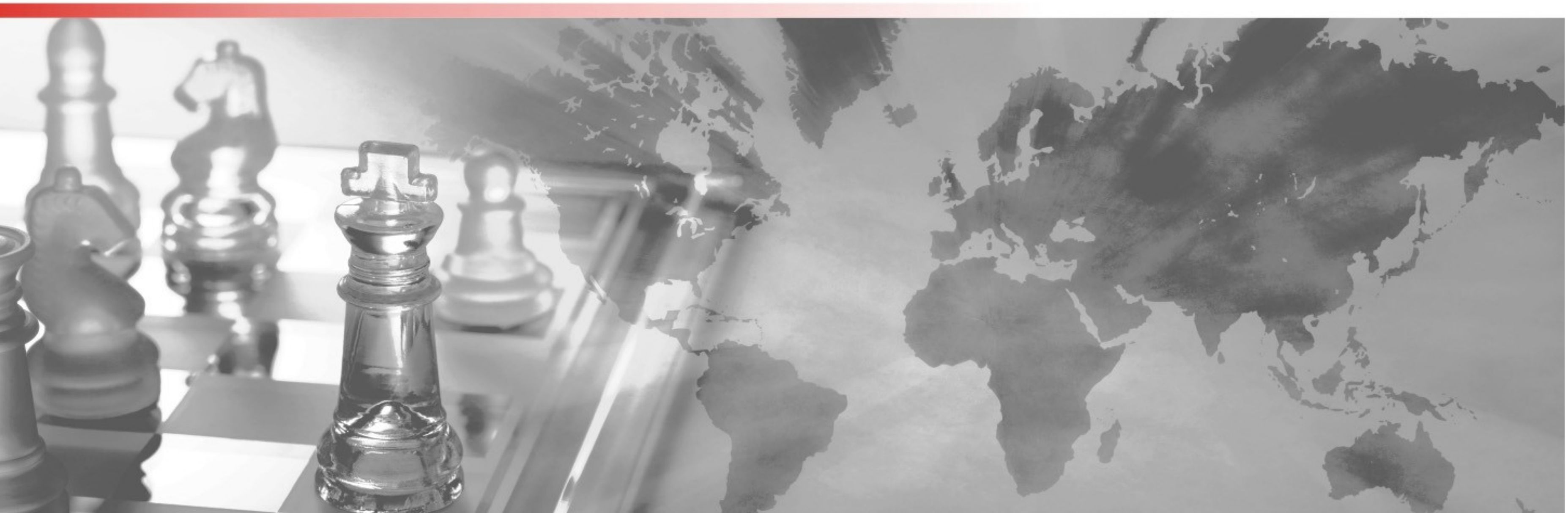
DUKASCOPY
RESEARCH PRODUCTS

09/10/2015



Expert Commentary

Adam Cole, Global Head: FX Strategist at RBC Capital Markets, on Australian economy and AUD

We see markets generally taking the US Dollar a little higher by the end of this year; therefore we target 69 for the Australian Dollar and 61 for the New Zealand Dollar.

Adam Cole
Global Head: FX Strategist
RBC Capital Markets
UK

The Reserve Bank of Australia kept rates on hold at 2% on October 6, providing almost no guidance on a potential future move. The accompanying rate decision statement was similar to the prior statement and thus failed to introduce any new dovish rhetoric, suggesting that the Australian economy is now in wait-and-see mode. To your mind, what was the reasoning behind this decision and what factors could influence the performance of the country's economy in the foreseeable future?

My opinion is that the RBA has a difficult balancing act, conciliating a weak global economy and, in particular, a slowing economy in China. Pockets of strength in the domestic economy, primarily in the housing market, along with further rates cutting run a risk of inflating a bubble in the domestic housing market, and the RBA, because of these opposing forces, is for the moment on hold and, in my opinion, will stay on hold unless we get a significant development in either further weakening of these two global economies or slowing of the domestic economy.

The Australian Dollar has climbed against the Greenback by early October. At the current moment, given the much weaker-than-anticipated US employment figures released on October 2, which caused Fed rate hike expectations to be pushed out into 2016, analysts expect the Aussie to see a further retracement of this year's steady declines. Do you share this opinion? Where do you see the Aussie against its major counterparts next year?

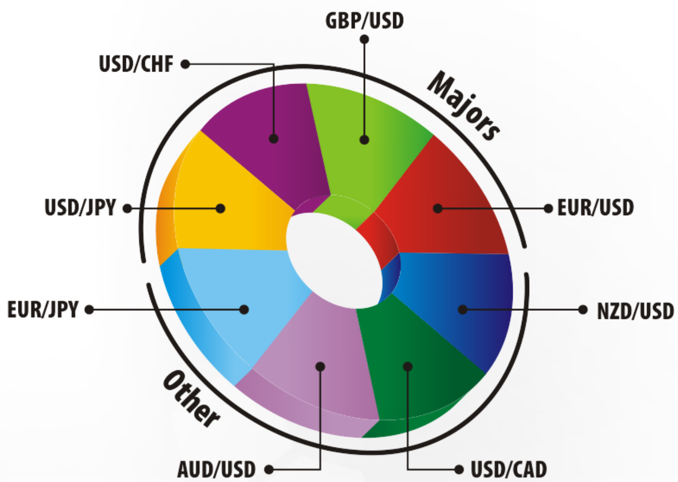
We see the Aussie drifting generally lower throughout the course of the next year, primarily because the US Dollar is strengthening rather than the Australian Dollar is depreciating under its own weight. Thus, we have a target of just below 70, even down to around 67 against the Greenback, however, it will depend on the Fed raising interest rates. In that case, policy divergence will be driven by higher US rates, while it has been determined mostly by lower Australian interest rates so far. Hence, we do think that the downwards momentum will resume; however, it is the US Dollar strength story rather than the Aussie weakness issue.

What are your forecasts for AUD/USD and NZD/USD by the end of this year and in the Q1 of 2016?

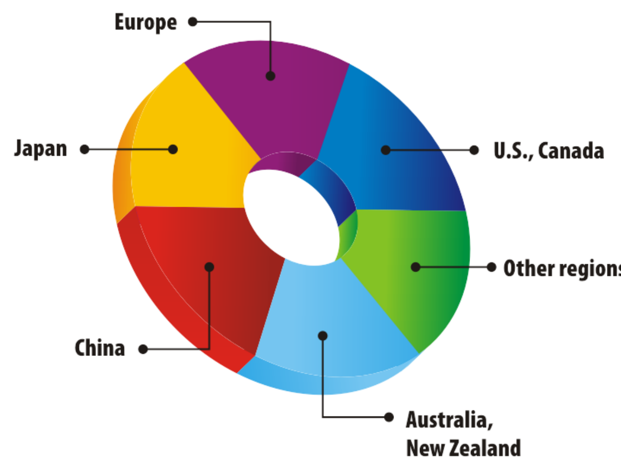
We see markets generally taking the US Dollar a little higher by the end of this year; therefore we target 69 for the Australian Dollar and 61 for the New Zealand Dollar. As to the beginning of next year, we anticipate that this trend will broadly continue, but at a somewhat slower pace, with the Australian Dollar reaching 67 levels and the Kiwi hitting 57. However, once again, that is the US Dollar strength rather than the local currency weakness that weighs.

Recent Expert Commentary on...

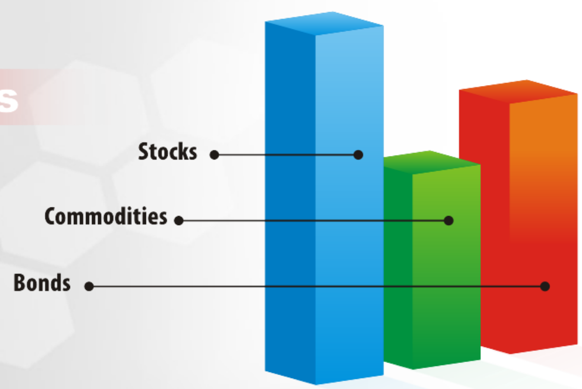
...FX Pairs



...Economics



...Other asset classes



Just click on a subject you are interested in and see what experts have to say

Newest releases and archive:

Fundamental Analysis
Technical Analysis
Press Review
Market Research
Expert Commentary
Dukascopy Sentiment Index
Trade Pattern Ideas
Global Stock Market Review
Commodity Overview
Economic Research
Quarterly Report
Aggregate Technical Indicator

Additional information:

Dukascopy Group Home Page
Market News & Research
FXSpider
Live Webinars
Dukascopy TV
Daily Pivot Point Levels
Economic Calendar
Daily Highs/Lows
SWFX Sentiment Index
Movers & Shakers FX
Forex Calculators
Currency Converter
Currency Index
CoT Charts

Social networks: