

Dollar should make big move when it breaks out, says analyst



TECHNICAL ANALYSIS
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THE dollar has been in a consolidation pattern since early October but may break out in coming weeks, according to technical analysis of its performance over the past nine weeks.

Indecision within the financial institutions that influence the currency's value, such as central banks, has caused it to waver within a US5¢ band since October 8, but the dollar could make a substantial move up or down against the US dollar once the indecision ends, according to technical analyst Mark Umansky.

"I think we are currently in a pivotal point in

the market and I think the last few weeks have shown that the market is unsure of what is going to happen to the Australian dollar," he told BusinessDay.

"We have a situation that is building but will not make itself clear until the point of break-out.

"We find ourselves in a consolidation phase. Whether it is accumulative or distributive will only be determined upon break-out."

Mr Umansky is certified by the International Federation of Technical Analysts and is a private trader, having previously worked in New York and Switzerland. He is also a

AUSTRALIAN DOLLAR MARCH 2010 FUTURES CONTRACT PRICE



councillor of the Victorian branch of the Australian Technical Analysts Association.

His analysis of a futures contract on the Australian dollar for delivery in March next

year shows the dollar has retreated towards US90¢ after failing to rise above US93-94¢ in the past six weeks.

The price action of a futures contract shows what currency traders

expect the dollar to be worth in three months. The contract can thus be used as a forecasting tool.

"Institutions may allow the Australian dollar to continue its consolidation until clear decisions

are made about what its true value should be," Mr Umansky said. "What will happen during these coming weeks will be determined on a daily basis."

The decisions are likely to be made on macro-economic factors, such as the official cash rates in Australia and overseas, or global economic growth.

Mr Umansky said the dollar was likely to move by as much as US5¢ when a direction was chosen, because this was the gap between the support and resistance lines it was moving between at the moment.

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