

Chart suggests Aussie settling down, with \$US parity years off

TECHNICAL
ANALYSIS
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PICKING long-term trends on the currency markets is often seen as the preserve of the brave or the foolish because there are so many variables that influence the price of the currency they cannot be factored in, or in many cases even known, by mere mortals.

However, technical analysis can be used to make some sense of the gyrations in forex markets. Alan Clement, an international futures trader and Victorian board member of the Australian Technical Analysts Association, says the local currency is likely to trade in an ever-

narrowing band for the next few years.

The Aussie plumbed the depths at US47.78¢ in April 2001 after the dotcom crash and climbed to near parity at US98.49¢ in July 2008.

Parity has been a prediction made a lot in recent years, but it's a prediction Clement doesn't give weight to.

"Whilst the Aussie dollar has shown some recent strength, parity with the US dollar looks to be still some years away," he says.

The two red lines on the graph show the story of the Aussie's trading range, and Clement believes we are moving

AUSTRALIAN DOLLAR



out of an extended period of volatility into a time of more stability.

The Aussie is now holding above a key level at US80¢. This level acted as resistance (that is, keeping the dollar's rate

below it), throughout the 1990s and up until 2007 when it finally broke above. It should now act as support, Clement believes.

The downward line at the top of the chart

represents another resistance point, which should keep the dollar below US90¢, with a low likelihood of a breakout that would see a run towards parity.

The upwards line

should put a floor of US70¢ under the Aussie if it falls through the US80¢ resistance level. The present formation indicates a likely consolidation of price between US70¢ and US90¢ in a tightening range, forming a symmetrical triangle over the next few years.

"Such triangles tend to be resolved with a major breakout and a large move in price," Clement says. "While it's too early to forecast when that breakout will occur, it would be safe to say that any sustained move towards parity with the US dollar could still be some years off."

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