

# Get ready to surf another crest in the dollar

TECHNICAL ANALYSIS  
**ROD MYER**



WITH the Australian dollar moving into record territory against its US counterpart at the beginning of this month, Mark Umansky, certified financial technician and a councillor with the Australian Technical Analysts Association, looks at what the chart of Australian/US dollar futures contract is telling us about its likely trajectory.

Umansky sees a congestive phase, where buyers were active but sellers restricted price rises, that began during the first week of November last year and ran for 21 weeks. During that

period buyers were entering the market at about US\$96.24 while sellers restricted the upside by dumping the currency whenever it got to about \$US1.01.

"As with any congestive phase the winning team is the one that has more dedication and conviction," Umansky says. Over this 21-week period, the buyers were very confident and tried unsuccessfully on two separate occasions to break through the sellers' resistance. These points are represented on the chart by the two peaks when the price broke above the \$US1.01 line before March.

Buyers rallied again, leading to an upward breakout that began in the week of March 18 (point B). That breakout from the period of congestion was

## AUSTRALIAN DOLLAR CCS



followed by an upward price trend that saw the currency move through what had been the resistance level (point A) and continue to run upwards.

That rise saw the Aussie dollar move to an all-time post-float high of \$US1.0954 on May 2. The following day the currency changed direction, retracing some of its gains and falling to

\$US1.041 on May 25. That represents a 38.2 per cent retracement from its highs. This figure is significant as, according to technical analysis theory, it suggests the likely occurrence of another strong upward movement.

Umansky observes that "after some consolidation around the 38.2 per cent retracement levels, the

Australian dollar is once again rising and suggesting that retesting of our all-time high is on the cards". Market expectations of further weakness in the \$US give added weight to this possibility.

"Traders wishing to capitalise on an upward-trending market opportunity may consider entering the market at current levels, while limiting their exposure to risk after entry by quickly exiting if price either breaks below \$US1.0543; or exiting at a profit when prices reach \$US1.09" Umansky says.

Neither Mark Umansky nor BusinessDay are offering financial advice. Those wishing to enter the market should seek professional advice and do some homework.

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