



# Currency Market Review

A Foresight Report



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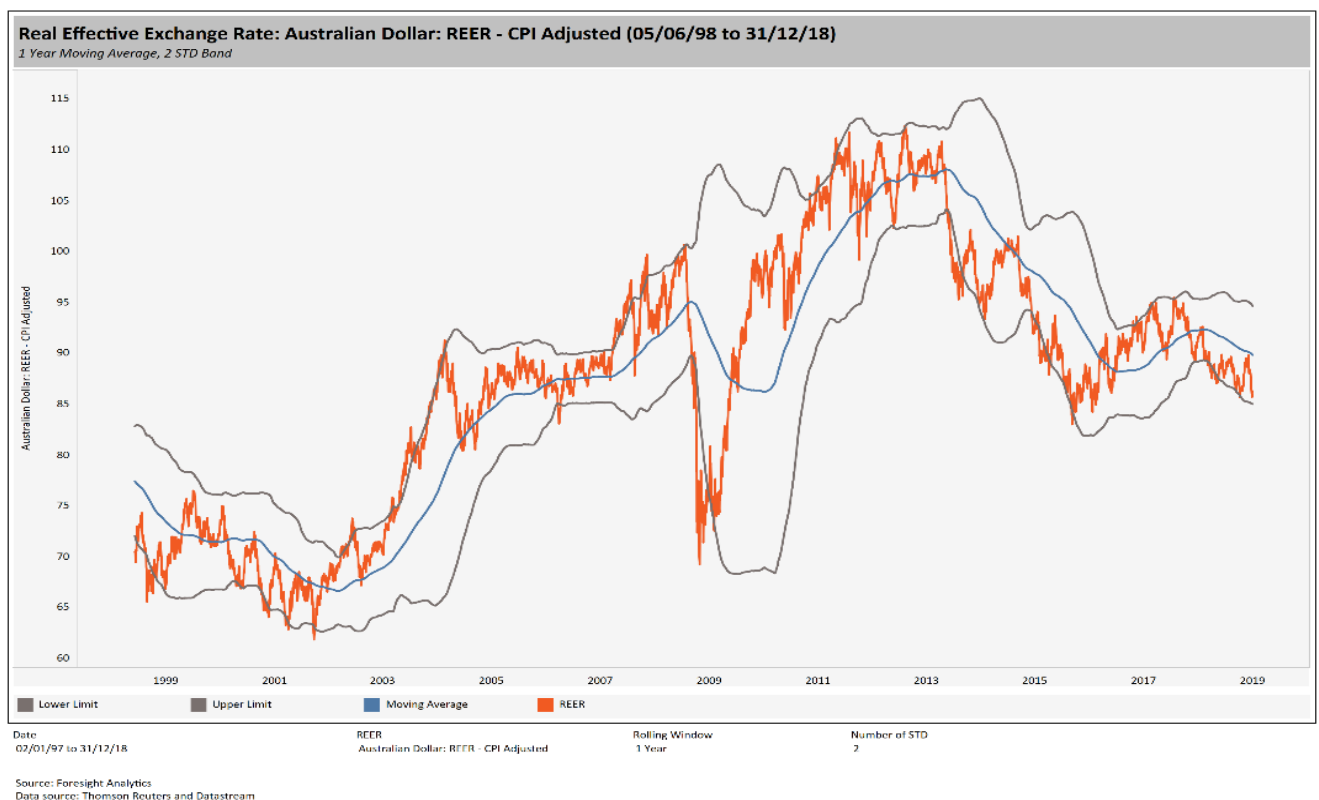
## Longer term trend for AUD remains negative against major trading partners

March 2019

### Summary:

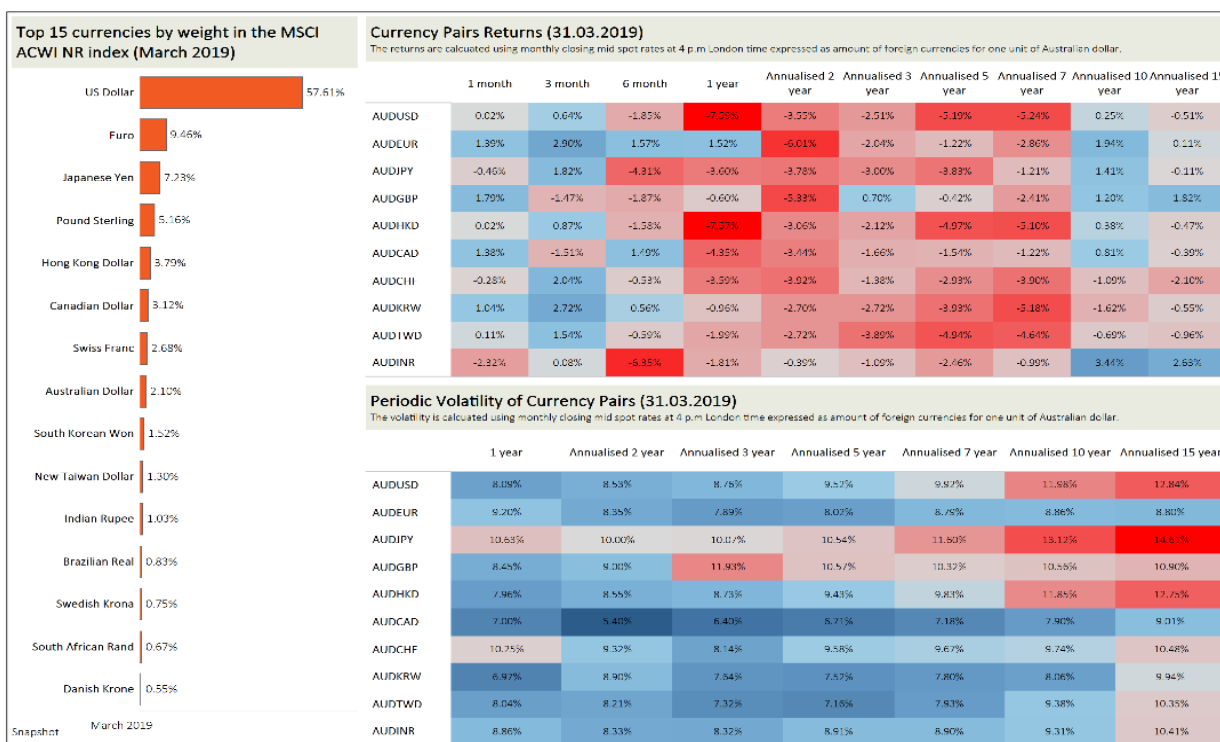
- While AUD has made some gains against major currencies over the past one and three months, the longer-term trend has been negative
- The continued soft outlook for AUD is underpinned by weaker domestic economic data, dovish RBA and mixed outlook for commodity prices
- Volatility of AUD against JPY and Swiss Francs stand out
- The USD Index continues to display an uptrend despite the shift in Fed Reserve policy stance
- The British Pound index continues to experience heightened volatility as 'Brexit' drama continues in UK

Exhibit 1. The Australian dollar index (as proxied by REER - real effective exchange rate) maintains its downward trajectory reflecting weakness against major trading partner currencies.



- The moving average of the real Australian dollar index highlights the continued weakness of the AUD as the exchange rate continues to decline against its major trading partners
- This bearish trend is underpinned by weak domestic economic data and dovish stance taken by the RBA
- Broader geopolitical concerns and trade wars also weighed on the AUD which is often perceived as a 'risk' currency

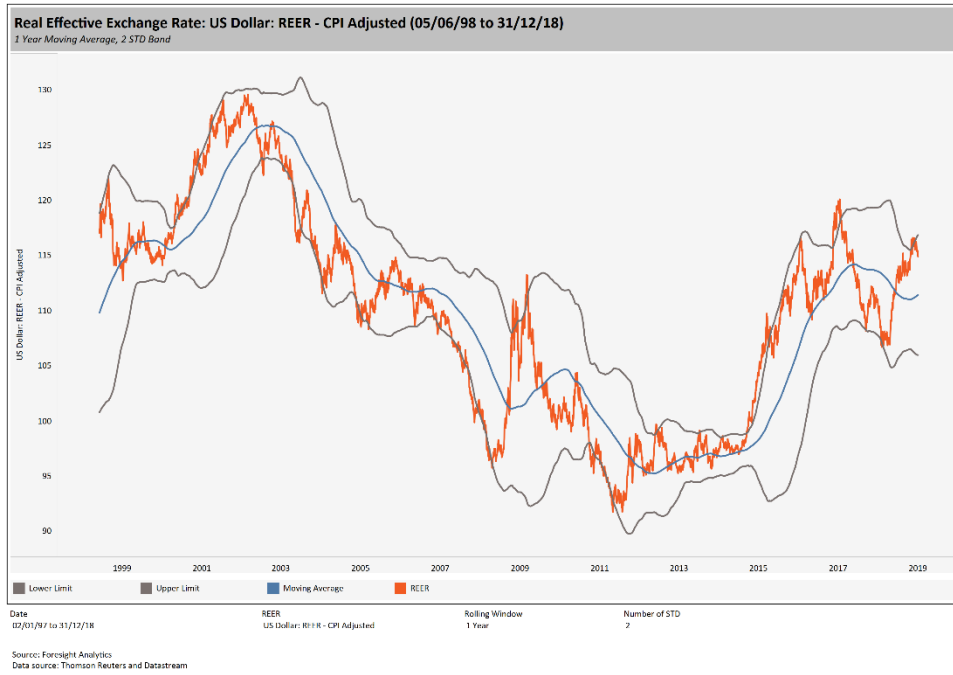
Exhibit 2. Longer term performance of AUD against major currencies have been negative. Volatility against JPY and Swiss Francs stand out over the past year.



Source: Foresight Analytics  
Data source: Morningstar and Thomson Reuters

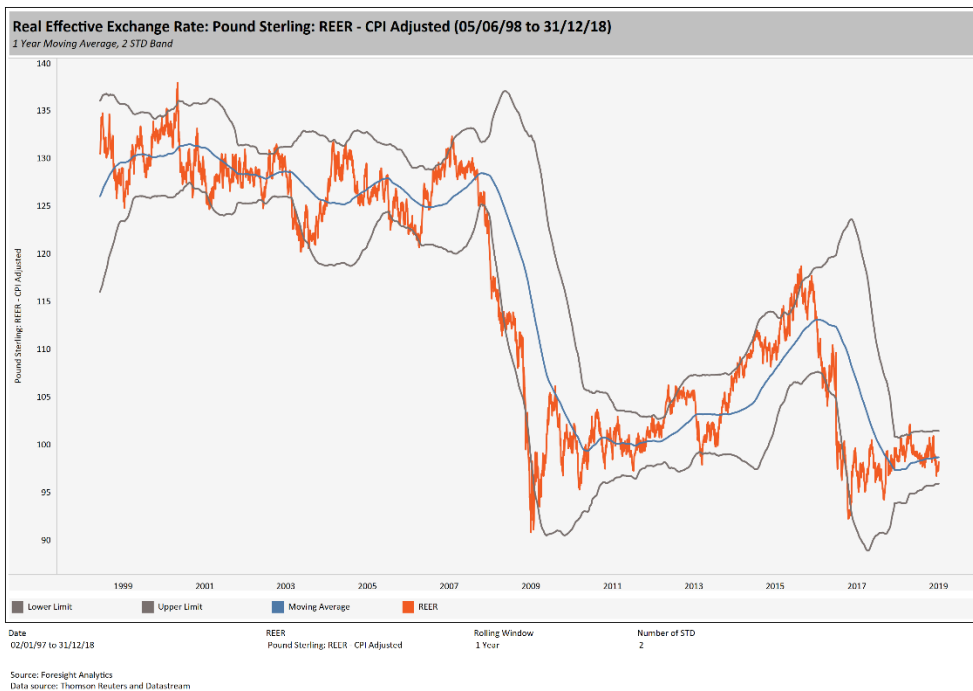
- The AUD has negative currency returns against all major currencies between the periods of 1 year to annualized 5 years. Across this broad-based weakness, continuous negative returns are more pronounced against the USD.
- This negative returns against the USD are further weakened by the high level of currency volatility between the AUD and US dollar over the past 10 years.
- The poor performance of the AUD comes on the back of weaker domestic economic data and dovish stance of the RBA.

### Exhibit 3. Long term trend of the real US dollar index (REER) remains positive



- The US dollar Index continues its upward trajectory despite the Federal Reserve Bank taking a dovish stance last month

### Exhibit 4: Uncertainty surrounding Brexit continues to weaken GBP against its major trading partners



- The GBP Index shows continued volatility of the currency against its major trading partners.
- This volatility is expected to continue until the confirmation of Brexit terms

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