

Investment Research

FX commentary

# Sell AUD/USD spot

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# AUD/USD heading south

- Relative to most of the anchors we consider when determining the near-term outlook for AUD/USD, we find that the AUD currently looks expensive.
- The AUD has gained more than 7% against the USD after AUD/USD reached a low of 0.78 on 17 September, and is now trading above 0.84 on a rise in commodity prices.
- In our latest FX forecast update from 15 September we set our one-month AUD/USD forecast at 0.83, well above spot, looking for a short-term correction. We have now seen this correction, but given recent market developments, we believe that the recent rise in AUD/USD has been excessive.
- Our short-term financial model, which uses the relative slope of the yield curve, stock markets, energy and a carry-to-risk measure as inputs, currently has a predicted value of 0.81. The current spot rate is close to 2 standard deviations away from the model estimate.
- Finally, we consider the global macro outlook as consistent with a continued decline in the AUD, particularly our expectations about a further slowing of the global economy, persistent high volatility and continued deleveraging.
- We recommend selling AUD/USD spot at 0.8417 with a target of 0.81 and a stop at 0.859.

# Trade recommendations

## Directional trades

Open	Start date	Level	Now	Target	Stop	P/L (incl carry)
Sell EUR/NOK	19/09/08	8.265	8.176	8.120	8.360	1.10
Sell AUD/USD	23/09/08	0.842	0.842	0.810	0.859	-0.01

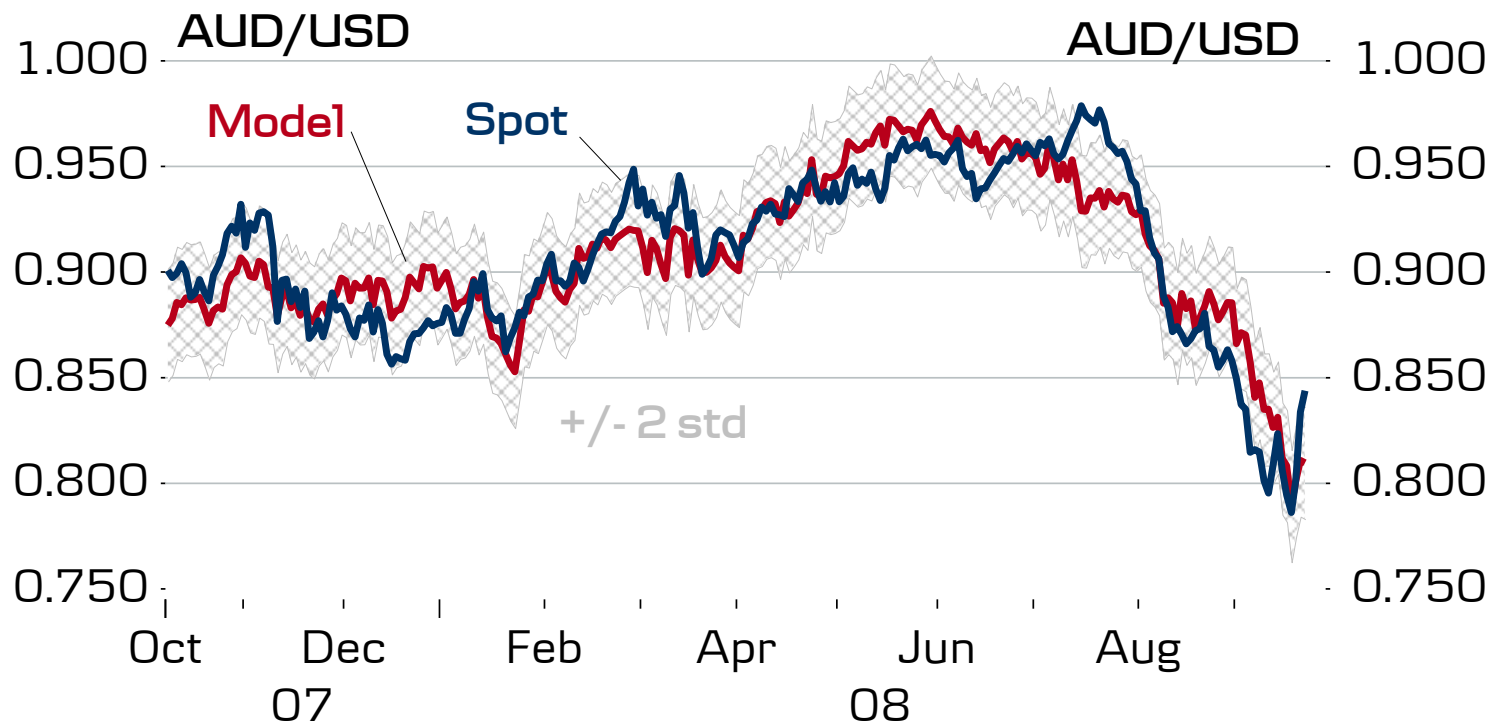
Recently closed	Start date	Level	Exit date	Level	P/L (incl carry)
Buy USD/SEK	22/08/08	6.305	2/9/08	6.500	3.02
Buy CHF/CZK	27/08/08	15.210	8/9/08	15.520	2.01
Sell USD/JPY	03/09/08	108.60	15/9/08	105.62	2.76

P/L 2008	17.21%	Open	1.10%	Closed	16.11%
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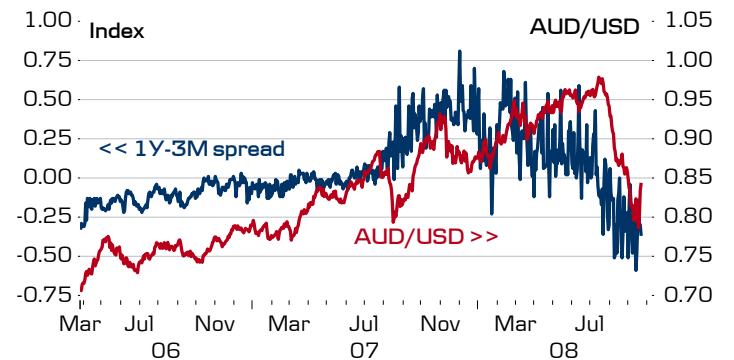
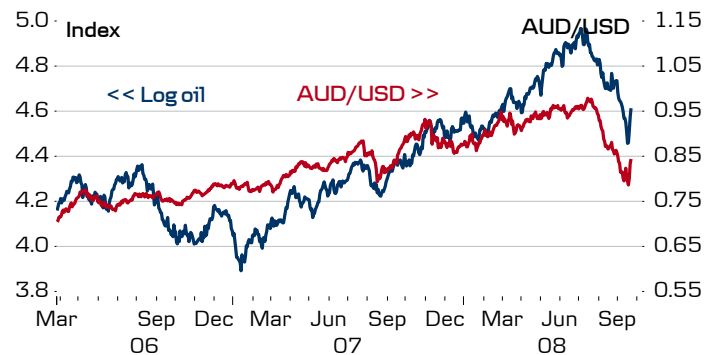
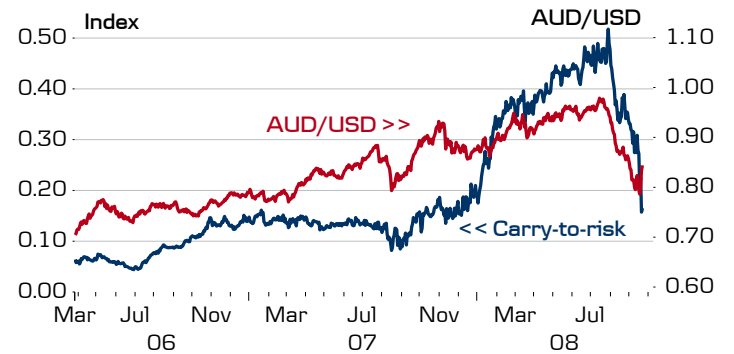
# of trades *	117	# of trades 2008	32
- average net gain	0.42%	- average net gain	0.54%
- batting average	0.53	- batting average	0.56

\* Since 17 November 2005

# Model prediction at 0.81



# AUD drivers



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