



## Australian Dollar Up Late But Range-Bound Ahead Of US Data

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SYDNEY (Dow Jones)--The Australian dollar inched higher but held to a 20-point range in Asia Thursday, with traders reporting a lack of conviction in the market ahead of U.S. inflation data for January.

Australian bonds were up slightly on both ends of the curve, partly helped by comments from the country's central bank that a recent trend of declining consumer spending habits could remain for some time.

In the currency markets, however, traders largely ignored the comments from Reserve Bank of Australia Assistant Governor (Economic) Philip Lowe, who also warned markets not to expect uninterrupted economic growth from China.

One trader at a U.S. investment bank said the RBA has been more than transparent in recent weeks, so it would have been difficult for Lowe to have said anything the markets didn't already know.

"There is no rush at the RBA to change anything," the trader said.

At 0520 GMT, the Australian dollar changed hands at US\$1.0033, up from US\$0.9984 late Wednesday. Against the Japanese yen, the unit traded at Y83.81, up from Y83.59.

Lowe's comments come after Australian interest rates were increased seven times since late 2009. But economists now expect the cash rate target looks likely to remain at 4.75% until May at least, with RBA Governor Glenn Stevens last week saying the central bank is comfortable for the time being, adding it is "ahead of the game".

The relaxed commentary is expected to keep the currency range-bound, with support at around US\$0.9950 and resistance at US\$1.0100, traders said.

In the bond market, traders have noticed a trend in the stream of recent speeches and statements from the RBA. Each of these recent communications have hinted that a decline in Australian consumer spending habits may not reverse anytime soon, with Stephen Nash, head of strategy for FIIG in Sydney, saying such a development would put less pressure on interest rates.

"Here it was again today (in Lowe's speech) as something they are concerned about. And given the mining boom is pressuring rates to go higher, this gives them extra time not to have to tighten," said Nash, noting a spending consumer would add more heat to inflation.

In the interest rate futures market Thursday, the Australian three-year bond rose one tick to 94.75, while the 10-year bond increased 2.5 ticks to 94.305.



Sally Auld, debt strategist at JPMorgan, said weaker consumer spending and low inflation mean the RBA is further ahead of the curve than it probably envisaged at this point in time.

While another 75 basis points of rate hikes are likely in 2011, starting in May, the "risks are biased towards a later resumption of rate hikes," she said.