

## **FED:\$A higher on growing optimism over Japan**

By Jason Cadden

SYDNEY, March 22 AAP - The Australian dollar was almost half a US cent higher, amid growing market optimism over Japanese economy and the state of the Libyan insurgency.

At 1700 AEDT on Tuesday, the Australian dollar was trading at 100.68 US cents, up from Monday's local close of 100.20 US cents.

Since 0700 AEDT, the currency traded between a low of 100.37 US cents and a high of 100.69 US cents.

Market concerns have eased over the possible economic impact of Japan's earthquake and nuclear crisis as Japan's central bank pumped more cash into the currency market to dampen the rising yen.

Meanwhile, forces loyal to Libyan President Muammar Gaddafi have come under continued pressure from rebels and international forces enforcing a no-fly zone.

Westpac chief currency strategist Robert Rennie said the Australian dollar was strong despite the aftermath of the Japanese earthquake and tsunami.

"I think resilient is a good way of describing price action today," Mr Rennie said.

"I guess the gains that we've seen in equities globally and particularly Japan coming back from its holiday yesterday, with strong gains in the Nikkei helped the Australian dollar hold on to the overnight gains.

"I think this is a reaction to the very negative situation we had last week.

Mr Rennie said currency markets were likely to continue to be led by events in Japan and the Middle East, but the release of UK inflation data on Tuesday night (AEDT) would be of interest to currency traders.

The annual pace of inflation in the UK is forecast to rise to 4.2 per cent for February, from 4.0 per cent in January, above the Bank of England's target rate of 2.0 per cent.

At 1700 AEDT, the Australian dollar was at 81.47 Japanese yen, up from Monday's close of 81.11 yen, and at 70.75 euro cents, up from 70.68 euro cents.

The euro finished at 1.4231 US dollars, up from 1.4173 US dollars, and at 115.15 yen, up from 114.73 yen.

The US dollar was at 80.91 Japanese yen, down from 80.96 yen on Monday.

The Australian bond market closed stronger on Tuesday.

At 1630 AEDT on Tuesday on the ASX 24, the June 10-year bond futures contract price was 94.570 (implying a yield of 5.430 per cent) up from 94.545 (5.455 per cent) on Monday.

The June three-year bond futures contract was trading at 94.990 (5.010 per cent), up from the previous close of 94.980 (5.020 per cent).

Equities markets offshore rallied, with the Australian benchmark S&P/ASX200 index touching 4,677 points, but by 1615 AEDT it was marginally firmer at 0.6 points, or 0.01 per cent, up at 4,643.4 points.

FIIG Securities associate director Andrew Hicks said the bond market strengthened as equities rally lost steam.

"I guess the main reason is there hasn't been the follow through that we might have been expecting," he said.

Mr Hicks said the situation in Japan, Libya and the broader Middle East would continue to drive bond markets.

The 90-day bank bill closed level with its Monday close at 4.870 per cent, and the 180-day bank bill rate was at 4.940 per cent, level with its previous close.

The Reserve Bank of Australia's (RBA) trade weighted index (TWI) was at 74.2, up from Monday's close at 74.0.

AAP jcc/jmc