

Australia, New Zealand Dollars Reach 3-Week Highs as Gold Rises

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The Australian and New Zealand dollars reached their highest in three weeks as prices rose for commodities the nations export and the U.S. currency slid on concern the world's biggest economy is headed for a recession.

The South-Pacific currencies rose as the UBS Bloomberg Constant Maturity Commodity index of 26 raw materials advanced by the most in a month. The greenback weakened against the euro in New York on concern a \$700 billion plan to buy troubled assets from banks will inflate the budget deficit.

"U.S. weakness overnight has been driving the Aussie," said Glenn Wittingslow, head of foreign-exchange options at St. George Bank Ltd. in Sydney. "But over the short term I'd be willing to sell some Aussie and try and pick it up a little bit lower."

The Australian dollar rose 0.8 percent to 84.14 U.S. cents at 5 p.m. in Sydney, from 83.47 cents late in Asia yesterday. It touched 85.19 cents, the highest since Sept. 2. Wittingslow said the currency may reach 83.50 U.S. cents and recommends buying at that price. The Australian dollar bought 88.76 yen from 88.73 yen yesterday.

New Zealand's dollar reached 69.53 U.S. cents, the highest since Sept. 2, before trading at 68.85 U.S. cents from 68.74 cents yesterday. It bought 72.56 yen from 73.04.

The currencies gained on speculation the worst may be over for commodities that have dropped this quarter on slowing world economic growth and a stronger U.S. dollar.

Gold, Oil

Gold, Australia's third most-valuable commodity export, yesterday advanced above \$900 an ounce in New York after gaining last week by the most since October 1999. The November futures contract for crude oil, the nation's fourth most-valuable raw material export, yesterday exceeded \$110 a barrel for the first time in more than two weeks. Raw materials account for 60 percent of Australia's exports and sales of commodities such as lumber make up 70 percent of New Zealand's overseas shipments.

The currencies also gained as the U.S. dollar traded near a one-month low against the euro. U.S. and Asian stocks tumbled, led by banks. The Standard & Poor's 500 Index lost 3.8 percent, erasing almost half of its rally over the previous two days.

The Australian dollar "vaulted higher overnight on the strength of the euro, rally in commodity markets and broad-based dollar selling," Nick Jonas, a Brisbane-based treasury analyst at Suncorp-Metway Ltd., wrote in a research note today.

Rapid Rally

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The Australian dollar has risen 6.4 percent since Sept. 16, strengthening today for a fifth straight day. Citigroup Global Markets Inc. advised clients to sell the Australian currency as its recent rally could "snap back."

"We still like the trade but it has come a very long way in a short period," wrote analysts led by Tom Fitzpatrick, global currency head of strategy at Citigroup Global Markets yesterday. He advised selling the currency at 84.96 U.S. cents, with a "view towards re-entering on a dip."

The difference in the number of wagers by hedge funds and other large speculators on a decline in the Australian dollar compared with those on a gain -- so-called net shorts -- jumped to 17,026 on Sept. 16, compared with net longs of 1,586 a week earlier, according to data from the Washington-based Commodity Futures Trading Commission. That was the largest short position on the Australian currency versus the U.S. dollar on record.

Australian government bonds rose. The yield on the 10-year note fell 6 basis points, or 0.06 percentage point, to 5.768 percent. The price of the 5.25 percent security maturing in March 2019 rose 0.445, or A\$4.45 per A\$1,000 face amount, to 95.958. Bond yields move inversely to prices.

New Zealand's two-year swap rate, a fixed payment made to receive floating rates, rose to 6.970 percent, from 6.965 percent yesterday.

Source: Bloomberg