TRADING

Traders face swinging times with the dollar

TECHNICAL ANALYSIS
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TRADERS love the Australian dollar. It is one of the six most traded on international markets. It is used as a proxy for exposure to resources and Asia and is also punted for fun and profit.

Today's chart, provided by Mark Umansky, a certified financial technician and councillor with the Australian Technical Analysts Association, demonstrates how far the currency has swung over three years.

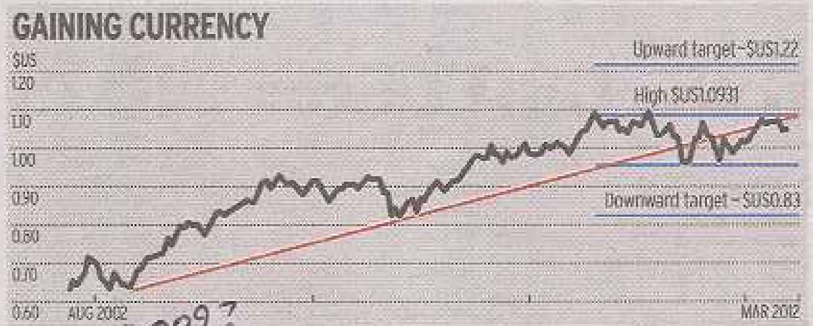
In January 2009, a few months after the Lehman Brothers collapse, the Aussie hit a low of US63.26¢.

Then it set off on a 30-month upward trajectory, with the red trend line on the chart acting as its lower support level.

In July last year it hit a high of $US1.0931. Then all hell broke loose on global markets and the currency fell for a couple of months, stabilising at US95.24¢ in September.

The question now is where is the currency headed? Umansky says there is still plenty of financial doubt to weigh on the upper end of its recent range. But as the global picture has brightened, the Aussie has gained momentum.

It has broken through the trend line and tested highs reached last November. He says the currency is now in a "congestion phase" (where



2009?

buyers and sellers stick to their narrow price points) that is 46 weeks old. The market maintains what he calls a "tri-phase pivotal position" awaiting economic news.

Because that position is relatively stable, it allows investors three positions: bullish, bearish or stagnating. The bulls appear in ascendancy, setting support at US95.24¢. If they maintain strength, the Aussie may be headed for a new high of $US1.22.

But if there is further resistance, the currency will fall and test the strength of the September 2011 resistance level. Any break through US95.24¢ could see a major retreat to US83¢, last seen in June 2010. US83¢ is a significant level for chartists as it represents a 61.8 per cent retreat from the record high using a Fibonacci number sequence.

And if that is broken, the currency could fall back towards US65¢.

But don't despair. Umansky says when the Aussie chart is viewed over the longer term, the market has the potential to embark on a fifth and final upwards trajectory based on Elliot Wave Theory.

Investors can get exposure through direct currency holdings and derivatives such as options and ETFs.

This column is not financial advice. Those wishing to invest should seek professional counsel and do some homework.

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