

## AUD Australian dollar price action

Tuesday, 16 September 2008

This week's economic calendar is relatively bare. Governor Glenn Stevens and other policymakers at the Reserve Bank of Australia have been very candid about the direction of monetary policy, so it is unlikely that the release of the minutes from the last meeting will produce anything substantial to affect price action. The Westpac-Melbourne Institute Index Sentiment rose by 7% in September from 86.2 in August to 92.2 in September. This type of result comes as no surprise. It's a direct response to the decision by the Reserve Bank to cut interest rates by 0.25% and the swift response by the banks to reduce their variable mortgage rates by a similar amount. The most convincing evidence is the increase in confidence of those households holding a mortgage which jumped by 10.8% compared to a more modest increase of only 2.4% for those who wholly own their home.

On balance, Australian dollar price action is likely to continue taking its cues from trends in risk sentiment, which has brought a positive GBP/AUD momentum driven by markedly lower petrol prices and the prospect of continuing rate cuts from the Reserve Bank of Australia.