

Australian Dollar Trades Near Three-Week Low Before RBA Meeting

By Mariko Ishikawa - Oct 1, 2012 7:57 PM CT

Australia's dollar traded 0.3 percent from a three-week low before the country's central bank holds a policy meeting today.

The so-called Aussie remained lower against most of its major peers as swaps indicated a 80 percent chance the Reserve Bank of Australia (RBA) will lower its benchmark rate by a quarter-percentage point to 3.25 percent today, according to data compiled by Bloomberg. Demand for New Zealand's dollar was supported after the country's commodity export prices rose in September and Asian stocks extended a global rally, buoying riskier assets.

"Most people are expecting some form of cuts before the end of the year" from the RBA, said Hans Kunnen, chief economist at St. George Bank Ltd. in Sydney. "It's the exact timing that's causing some uncertainty. If they cut today, those who were not expecting it could react by selling down the Aussie."

The Australian dollar was little changed at 1.0361 USD/AUD as of 10:49 a.m. in Sydney. It yesterday fell as much as 0.5 percent to 1.0326 USD/AUD, the weakest since Sept. 11, before closing at 1.0361 USD/AUD. New Zealand's dollar, nicknamed the kiwi, fetched 82.79 U.S. cents from 82.76 USD/NZD yesterday, when it declined 0.3 percent.

Nine of the 28 economists surveyed by Bloomberg News predict RBA will reduce interest rates by 25 basis points today. Central bank governor Glenn Stevens lowered the overnight cash rate target by a total of 1.25 percentage points from November to June to help shield the domestic economy from Europe's debt crisis and slower growth in China.

RBA Policy

In minutes of its Sept. 4 meeting released on Sept. 18, the RBA signaled it had scope to reduce rates further should the outlook for the economy deteriorate significantly.

Australia's government bonds fell, pushing the yield on the 10-year security up by one basis point, or 0.01 percentage point, to 2.99 percent.

The MSCI Asia Pacific Index (MXAP) rose 0.2 percent following a 0.6 percent advance in the MSCI World Index (MXWO) yesterday.

Demand for New Zealand's dollar was supported after data showed the country's commodity export prices in the local currency gained for a second month in September. Prices in the local dollar gained 3.5 percent from August, when they increased 0.5 percent, ANZ National Bank Ltd. said today in an e-mailed report.

The New Zealand dollar has advanced 2 percent in the past month, the best performance among 10 currencies tracked by Bloomberg Correlation-Weighted Indexes. The Aussie has lost 1 percent. The USD lost 1.5 percent.