Currency News
23/3/2010

USD-JPY Breaks Upward

USD-JPY broke above the triangle resistance and the 200-day moving average (currently 91.53), signaling an upward shift in the near-term trading range. The upside break resulted from broad USD gains triggered by EUR-USD selloff (following Fitch's downgrading of Portugal's sovereign rating) as well as wider US Japan yield differentials following the disappointing results for the 5-year Treasury auction. The key horizontal resistance for USD-JPY is the 8 January high at 93.77. However, it is probably not going to reach there, in our view.

Asian EM currencies are likely to rise versus Japanese yen in my opinion

Stronger Asian EM currencies, lower trading range for Aussie versus yen

My fifteen years of seasoned experience in currency trading leads me to believe that from mid-2010 into 2011, the Chinese renminbi and many other Asian EM currencies are likely to rise against the US dollar, as growth recovery gains traction and facilitates policy tightening steps that include allowing currency appreciation. Countries in Asia with higher inflationary pressure and stronger export recovery have greater impetus for implementing policy tightening and tolerance for currency appreciation. China's currency revaluation should also make it easier for other Asian EM countries to allow appreciation of their currencies. Note, any setback in risk appetite would encourage the authorities to delay such decisions. Other than the Chinese renminbi, equity investor eyes should be on "growth currencies" such as the Indian rupee and let's not forget the Indonesian rupiah which I can certainly not forget since I have lived in Jakarta for over fifteen years its value has a big relevance to me.

I am expect the yen to depreciate versus the US dollar from mid-2010 through 2011, along with an expected widening of US-Japan yield differentials. As for the Australian dollar I would forecast that it is likely to soften against the US dollar during 2010-11.

William Gray
Executive chairman
The RIO club.