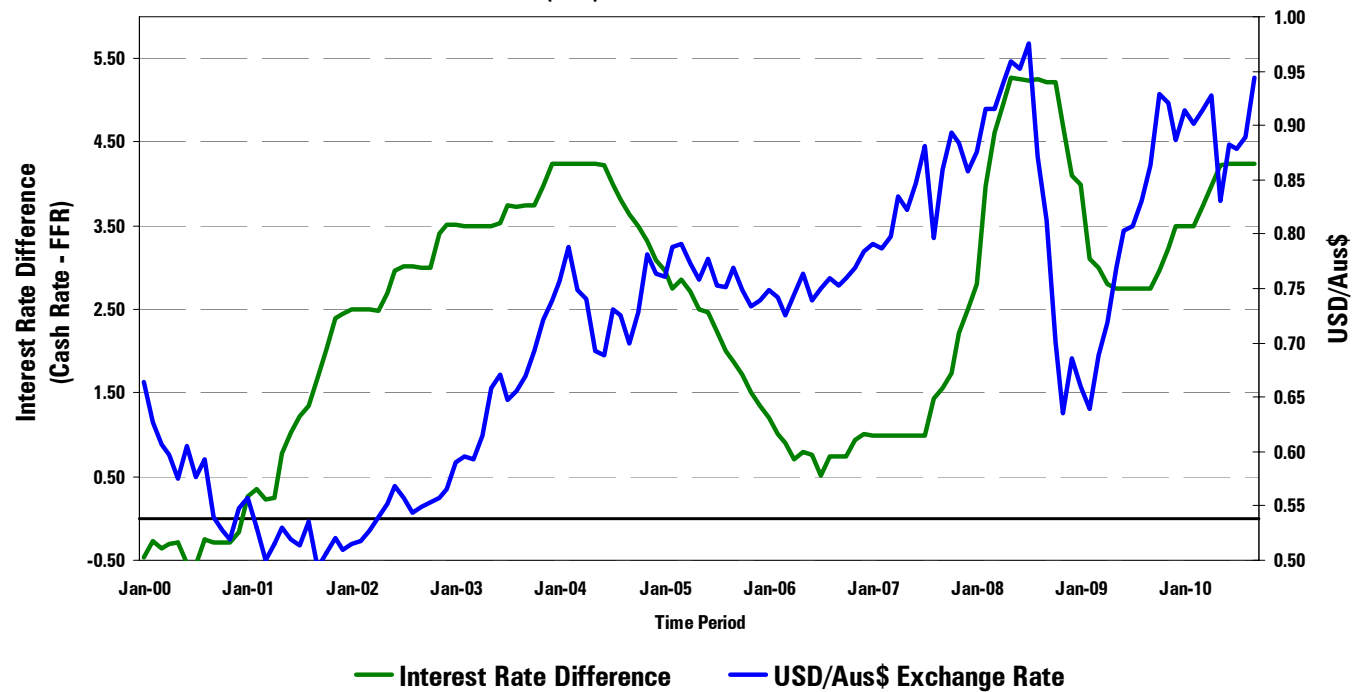


In Race for Weakest Global Currency, Australia Clearly Lagging

- Australia's currency has greatly appreciated relative to the U.S. Dollar in 2010 (8.63% year to date).
- The currency's strength is partially due to the Australian economy's export of raw materials to rapidly growing emerging economies and the subsequent increase in commodities prices.
- Historically, the currency has also shown a strong relationship to movements in U.S. vs. Australian interest rates, as shown in the chart above.
- As the U.S. continues efforts to induce economic growth by increasing the monetary base and keeping interest rates low, and as the Reserve Bank of Australia contemplates a rise in the Cash Rate, Australia's currency should continue to strengthen.

USD/Aus\$ Exchange Rate versus Difference in (AUS) Cash Rate and (US) Federal Funds Rate



Data from <http://research.stlouisfed.org> and <http://rba.gov.au>