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Aussie Gains Second Week, Nears January Highs Versus Dollar  
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By Candice Zachariahs

March 12 (Bloomberg) -- The Australian currency traded near a seven-week high versus the dollar, set for a second week of gains, as traders bet accelerating growth will prompt its central bank to increase interest rates.

New Zealand's dollar, headed for a weekly advance, declined earlier as core retail sales rose in January at less than half the pace economists had estimated. Both South Pacific currencies were bolstered before a report likely to show U.S. consumer sentiment rose in March.

"The trend is still positive for Australia and jobs growth is still there, so interest rates will remain on the way up," said Jim Vrondas, a manager at the online foreign-exchange dealer OzForex Ltd. in Sydney. "There's a slight upside bias in the short-term" for Australia's dollar, he said.

Australia's currency traded at 91.62 U.S. cents as of 4:14 p.m. in Sydney from 91.54 cents in New York yesterday, set for a 0.9 percent gain this week. It touched 91.93 cents on March 10, the most since Jan. 20. The currency rose to 83.04 yen from 81.94 on March 5 and reached as high as 83.32 on March 10, the most since Jan. 21.

New Zealand's dollar fell as low as 69.85 U.S. cents before trading at 70.06 U.S. cents from 70.14 before the retail sales data was released. It is set to gain to 0.5 percent this week. The currency bought 63.50 yen from 62.92 last week.

Australia's currency may rise above the 92-cent level if consumer sentiment in the U.S. improves, boosting risk appetite, Vrondas said. New Zealand's currency may gain toward 70.20 cents, he said.

#### Rates Bets

Swaps traders bet yesterday that the Reserve Bank of Australia will raise its benchmark rate by 1.17 percentage point over 12 months, from 89 points on March 5, according to a Credit Suisse AG index.

The Reserve Bank of Australia raised the benchmark rate March 2 and Assistant Governor Philip Lowe said March 10 that the nation's economy will expand at or above its average pace over the next couple of years.

"Upward pressure on interest-rate expectations in the wake of the decision suggests policy makers expressed more confidence in the economic pick-up than anticipated," New York-based Todd Elmer and London-based Michael Hart, strategists at Citigroup Inc. wrote in a note to clients yesterday. The bank expects the RBA's next increase in June with one percentage point of advances by year's end.

Benchmark interest rates are 4 percent in Australia and 2.5 percent in New Zealand, compared with 0.1 percent in Japan and as low as zero in the U.S., attracting investors to the South Pacific nations' higher-yielding assets. The risk in such trades is that currency market moves will erase profits.

## Sluggish N.Z. Recovery

The so-called kiwi traded near a 10-year low against the Australian dollar as weak retail and housing sales added to expectations central bank Governor Alan Bollard will hold rates at a record low to aid a sluggish recovery.

Sales excluding vehicles and fuel increased a seasonally adjusted 0.3 percent in January from the previous month, when they plunged the most since at least 1995, the statistics bureau said in Wellington today. Economists in a Bloomberg survey had expected a 0.7 percent increase. The average period required to sell a house rose to 46 days from 43 days, according to a separate report from the Real Estate Institute of New Zealand.

The New Zealand dollar was at NZ\$1.3074 against Australia's dollar, compared with the NZ\$1.3126 level reached March 4 that was the weakest since 2000.

Australian government bonds were little changed with the yield on 10-year notes at 5.67 percent, according to data compiled by Bloomberg. New Zealand's two-year swap rate, a fixed payment made to receive floating rates, was at 4.20 percent.

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