

Media Release

Volatility Shifting Business FX Goal Posts

(3 March 2014 – Australia) Businesses are bracing for a significant increase in AUD/USD volatility in 2014 according to the latest findings from East & Partners Australian Dollar Barometer.

88.9 percent of business engaged in cross border payments strongly believe the Australian Dollar will fluctuate more against the US Dollar in 2014 relative to 2013.

Enterprises who manage AUD/USD exposure are actively preparing to withstand expected fluctuations of up to 19.9 percent on average.

This equates to a wide range between 0.72 and 1.08 based on the current AUD/USD exchange rate of 0.90.

Of the 862 businesses surveyed, those involved in both importing and exporting activities were the most committed to the notion that increased volatility was here to stay, totalling 95.0 percent.

Import only businesses are forecasting the largest average percentage fluctuation in the AUD/USD, exceeding a sizeable 22.6 percent.

Will the AUD/USD rate be more or less volatile in 2014 relative to 2013?

% of Enterprises

Trading Focus	More Volatile Forecast	Average % Volatility
Importer Only – N: 357	84.9	22.6
Exporter Only – N: 225	87.6	16.8
Both Importer & Exporter – N: 280	95.0	19.1
TOTAL – N: 862	88.9	19.9

Source: East & Partners Australian Dollar Barometer – February 2014

The low number of businesses with no opinion on future AUD/USD volatility underpins the decisive attitude adopted for business FX management by enterprises of all sizes.

The relative sophistication of these businesses and potential for greater usage of Spot FX, FX Options and FX Forwards products remains the focus of future Barometer releases.

East & Partners Senior Markets Analyst Martin Smith comments that managing FX exposure in an increasingly volatile market will have a pronounced impact on overall business confidence and operating margins.

“The number of variables impacting the AUD/USD continues to expand at a rapid pace. The interest rate differential with the US, relative rates of economic growth, balance of payments figures and commodity prices are just a few of the main influences on underlying changes in the closely monitored currency pair”

“Now in its seventeenth round, the Australian Dollar Barometer continues to accurately forecast future dated AUD/USD rates for the next four quarters, despite the notoriously unpredictable nature of the currency pair”

“Australian Dollar Barometer forecasts provide a robust benchmark of where businesses are basing their business FX and hedging decisions in light of the increasingly volatile AUD/USD”

About the East & Partners Australian Dollar Barometer

Up to 900 businesses turning over \$5–500 million per annum are surveyed each quarter on their forecasts for the AUDUSD, their specific hedging plans, total level of exposure and expected changes in FX exposure. The barometer is a powerful predictive tool given the unique market based outcomes derived from businesses actively operating within foreign exchange markets themselves.

For more information or for further interview based insights from East & Partners on the Australian Dollar Barometer, please contact:

Sian Dowling
Marcomms & Client Services
East & Partners
t: 02 9004 7848
m: 0420 583 553
e: sian.d@east.com.au