

AUD/USD Analysis (2016.01.12) The AUD/USD dipped 13 points to trade at 0.6984 falling against a weak US dollar. There was no data out in the session but the weakness in the Chinese markets along with a significant lower yuan weighed on commodity currencies and metals. The Australian dollar, often used as a proxy for China plays because of because of Australia's trade exposure to China, was down about 0.1 percent at \$0.6983, remaining above a four-month low of \$0.6927 touched on Monday. Much of the recent weakness came after Beijing set erratic guidance for the yuan and further confused international investors by first introducing and then swiftly scrapping a 'circuit trigger' rule on its share markets, leading many observers to question its grasp on financial markets. Having 'pegged' the yuan to the appreciating US dollar through the January/ July period last year, the sharp devaluation seen in August touched off a wave of volatility in global financial markets. The way China it goes about devaluing its currency also has deep and meaningful implications for global market sentiment. A massive plunge in Chinese stocks last week and a decline in the yuan after authorities weakened its value roiled global equities and further raised concerns about the growth slowdown in the world's second-biggest economy. Despite China's efforts to bring calm, including setting the central rate for the yuan marginally higher, analysts said they needed to see more transparency in the foreign exchange policy. "We reiterate that things remain fluid. Market volatility last week suggested that nobody really knows what or where the policy is right now," DBS Bank said in

a market commentary. "The market's message was loud and clear that more clarity was needed on China's transition towards a more market-determined exchange rate and an economy led by domestic demand," it added. "We will continue to monitor developments closely and decide if more adjustments will be needed to our forecasts going forward." FxEmpire provides in-depth analysis for each asset we review. Fundamental analysis is provided in three components. We provide a detailed monthly analysis and forecast at the beginning of each month. Then we provide more up to the data analysis and information in our weekly reports, which covers the current week and are published by Sunday before the new week begins. Daily we share any new events, forecasts or analysis that affect the current day. To achieve a full accurate understanding it is important that you study all of our data and analysis as a whole.

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