HD **China concerns to weigh on Australian dollar**

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Concerns about China's growth is expected to cap gains in the Australian dollar, which is teetering at five-month highs.

The Aussie was steady on Monday, fetching a touch under 94 US cents. Traders are eagerly awaiting the release of China's first quarter GDP data on Wednesday which is expected to have significant weight on the currency.

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CBA currency strategist Peter Dragicevich said the figures were expected to be in line with Chinese manufacturing activity data, which has underwhelmed so far this year.

If that's the case, Mr Dragicevich expected the Aussie to take "some heat ofF the Aussie".

"But we don't expect it to fall too far," he said.

"Fundamentals domestically look like they've start to pick up, so that should keep the Aussie pretty well supported."

The Reserve Bank of Australia releases itS minutes from its March meeting on Tuesday and Mr Dragicevich expected officials would continue to talk up the transition of the economy away from mining-led growth and refrain from jawboning the Aussie.

"We don't think the RBA look to explicitly talk down to strength in the currency.

"We have seen a bit of a bounce back in Australian commodity prices since early March, so that will provide some comfort to the RBA.

"That's one thing they've been stressing over the last year, is the divergence between the Aussie and the terms of trade. So the lift recently that we've seen in the Aussie has been supported by those commodity prices."

RBS currency strategist Greg Gibbs said the domestic company was performing stronger-than-expected, thanks to a buoyant housing market, which had in turn supported the Aussie.

Mr Gibbs said the potential for significant growth in residential construction this year and strong house prices had boosted confidence, which was helping offset fears on slowing growth in mining investment.

"The fall in the AUD last year also appeared to help confidence, although its recent run above [US90 cents] again appears to be keeping a lid on business and consumer confidence, although both remain close to neutral levels, he said.

Mr Gibbs said it appeared a "new wave of Chinese capital inflow" was supporting the Australian property market, which was telling.

"While the cycle has not yet turned down enough in China to significantly undermine commodity markets, it has perhaps turned down enough to shift Chinese demand towards overseas property investment.

"Australia, with its rapid immigration growth and under-investment in property over the last five years, is seen as strong property market, attracting Chinese interest.

"In this manner, Australia is receiving a new type of economic and investment support from China, coming before the downturn in mining investment is fully underway."

OzForex chief currency strategist Jim Vondras said while the Aussie is "looking strong", he had doubts about further gains.

"I would like to see a retest of [US]92-93 cent area and a bounce for confirmation of a continuation in the rally," he said, adding that a lower **China** GDP print could provide the catalyst for a brief sell off and a chance to **buy** the Aussie on the dip.

FXCM currency strategist Ilya Spivak said while he was neutral on the Aussie, it could come under pressure if the **Chinese** data continued to disappoint.

"Last week, the local currency reached 2014 highs against the US dollar, which tracked a pickup in RBA interest rate hike expectations," Mr Spivak said.

"However, this week's top tier **Chinese** economic data could undermine Aussie strength, with the first quarter GDP report expected to show a 7.3 per cent slowdown on the year-on-year growth rate, which would mark the weakest pace of expansion since the great recession trough recorded in March 2009.

"As Australia's largest trading partner, a slowdown in the east Asian giant could spill over into Australia, undermining the case for RBA tightening which bodes ill for the local currency."

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