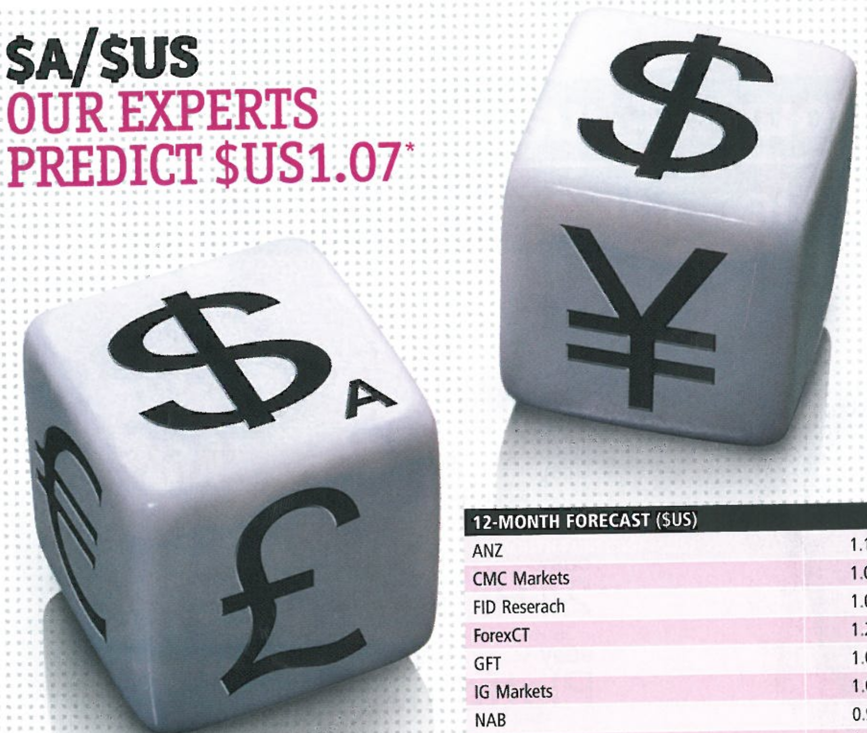
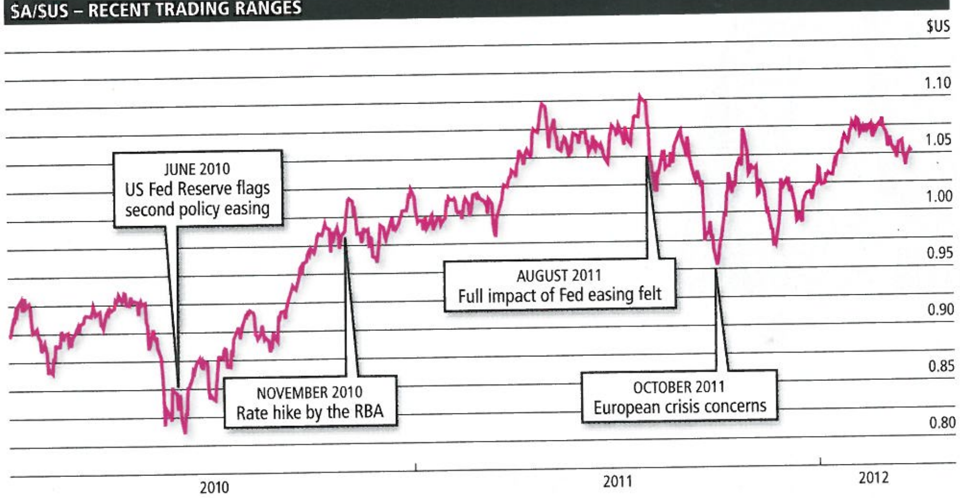
$A/$US
OUR EXPERTS PREDICT $US1.07*



12-MONTH FORECAST ($US)	
ANZ	1.10
CMC Markets	1.07
FID Reserach	1.02
ForexCT	1.20
GFT	1.04
IG Markets	1.09
NAB	0.98
Westpac	1.06
AVERAGE*	**1.07**

$A/$US – RECENT TRADING RANGES



Source: Bloomberg

$A/$US

Many Australians still think of the greenback as the key measure of how the $A is faring.

Most experts expect the Aussie to remain at parity with the $US in the next 12 months. With the United States economy showing signs of being in recovery, there's a feeling our local currency may not go much higher.

On the bullish side, however, ForexCT's Dooley predicts that while the Aussie may fall in value in the short term, it's headed for $1.20 and perhaps higher in months ahead.

"We expect it to go back to $0.94 or $0.96 but then head back to the top of the range before eventually heading to new highs," Dooley says.

FxPro's Derks, however, says it will be a "far more challenging year for the Australian currency" because, he reasons, the non-mining economy arguably could be described as being in recession.

"So not only is the domestic economy struggling but also, China has slowed and is likely to soften further," he says.

Derks notes that the Reserve Bank of Australia is highly regarded by foreign investors for its approach.

"The Australian currency is held in high regard by investors and sovereign wealth managers because the RBA hasn't deliberately debased it – in contrast to most major central banks – and continues to allow it to float freely," Derks explains.

That said, he says the Aussie is overvalued and will move closer to parity this year.

Global Forex Trading's co-head of global research, Kathy Lien, says her core view is that the $US will outperform.

"Investors underestimated the strength of the US recovery," Lien says. "While I don't expect the Federal Reserve to raise interest rates this year, late 2014 is probably the latest it will keep things on hold. If US data continues to improve, there's a good chance it will raise rates in late 2012 or early 2013.

"At the same time, more easing and slower Chinese growth will drive the $A lower," she says. "The triple blow of strong currency, weaker demand from China and slower domestic growth should make Australia a less attractive place to invest over the next year."

National Australia Bank currency strategist Emma Lawson says the bank "remains comfortable with the view that the peak of the $A/$US is behind us".

"We'll see it gradually drift lower this year," Lawson says.

Australia's terms of trade have crested and the current account deficit is set to widen in 2012, she says. Global oil prices were rising in the early months of the year, hurting Australia as a net oil importer.

Lawson adds that commodity prices may also be slowing. The RBA's index over them had registered six consecutive monthly falls up to the report for February.

The head of research at IG Markets, Chris Weston, says the $US has been one of the most talked about currencies recently. A better-than-expected labour market and other solid economic data have attracted capital inflows, he says.

Whether this trend continues will depend on future US data.

The average 12-month forecast for the AUD/USD among *Smart Investor*'s panel of experts is $US1.07.