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AUD continues to rise, what this means for stocks

The AUD has been strengthening against the USD over recent days and weeks.

At the beginning of December AUDUSD was 0.6760 and is currently trading at 0.6983, nearly 3.3% higher.

The stronger AUD gives our currency more buying power abroad but it also means currencies like the USD have less buying power in Australia.

More often than not, a weaker AUD will attract foreign investors to our stock market as they will have more buying power.

The same applies to the opposite scenario - when our currency strengthens, our stocks become less attractive to foreign investors.

The rising AUD is not uncommon and should not be cause for great concern as this time last year it was buying 0.707 US cents and two years ago 0.782 US cents.

Weak AUD has helped local gold prices to all-time highs

A good example of the flow-on effects from the AUD is gold.

There are a number of ASX stocks with Australian-based gold operations meaning the AUD is very relevant to them.

Gold is currently trading at US\$1,511 per ounce (note this is USD), well below the all-time highs reached in late 2011 of around US\$1,910 per ounce.

Gold in terms of AUD is trading at its all-time highs over recent weeks and months.

This is because \$US1,511 per ounce with the current exchange rate results in A\$2,164 per ounce.

Back in late 2011 when the USD gold price reached all-time highs, the AUDUSD was above parity, meaning one Australian dollar bought more than one American dollar.

The AUD losing more than 30% of its value against the USD also means the AUD gold price gains more than 30% of value.

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action@proactiveinvestors.com.au

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Contact us +61 (0)2 9280 0700 action@proactiveinvestors.com.au

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