

Factors affecting the exchange rate of aud usa



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Therefore there is always a fluctuation in the exchange rate. This fluctuation will fluctuate every time, even in a second, it might have fluctuates.

Fluctuation in the exchange rate is divided into upward market trend (bull market) which indicate that a currency of a country is getting stronger compare to the other countries' and downward market trend (bear market) which indicate that a currency of a country is getting weaker compare to the other countries'. " The exchange rate fluctuates. Sometimes it rises and sometimes it falls.

A rise in the exchange rate is called an appreciation of the dollar, and a fall in the exchange rate s called a depreciation of the dollar. " (Parkin, 2010). 2.

2. Statement/ Problem to investigate There are many types of investment, one of it, is Foreign Exchange (Forex). This Foreign Exchange investment is done by exchanging one currency to other currency and sells it back, this investment is categorized as profitable investments, which means you can gain profit from it, but in reality it turns out the other way, many investors are making huge losses.

Most of the investors only look at the trend from a losses, they should not only look at the trend from a graph, but they must aware that here are other factors that is affecting the exchange rate such as the interest rate, inflation, GDP, monetary and fiscal policy, etc. and the exchange rates of a country will change because of these several factors. In this report the several factors will be discuss using the Australia and USA contexts. 2. 3.

Objective By knowing the problem that investors are not aware about the factors, therefore the objective of this report is to analyze the factors that

are affecting the Australia Dollar US Dollar exchange rate and from reading this report, it hopes that it can create and awareness for those investors who are going to invest (buy, sell) in Australia Dollar and US Dollar in Foreign Exchange. II. Theory of Foreign Exchange 3. 4. Hard Currency and Soft Currency In investing in Foreign Exchange Rate/ Currency, the terms for “ buy’ and “ sell” is well known.

The investors will put their position into a “ buy’ position if the investors expect that the price of that currency will increase (going up) and they will put their position as “ sell” position if they expect that the price will decrease (going down). In buy and sell the currency, the investors will buy and sell the currency that they want to invest their money in. The currency in the world is divided into two types, first one is called “ Hard Currency’ and the second one is called “ Soft Currency’. Hard Currency is a currency that is often used as the media of payment in international transaction, because this currency is quite stable.

This Hard Currency usually come from developed country such as USA - US Dollar (USD), Japan - Yen (JPY), UK - Poundsterling (GBP), etc. “ Hard Currency is Stable, convertible currency (such as the Euro, US dollar, or Yen) or that enjoys the confidence of investors and traders alike. Hard currencies serve as means of payment settlements because they do not suffer from sharp exchange rate fluctuations. ” (Business Dictionary, 2010). Soft Currency is a currency that is “ weak” and not stable therefore this currency is rarely used as the media as payment in the international transaction.

This currency usually comes from developing country such as Indonesia – Rupiah (IDR), etc. “ Soft Currency is a Currency belonging to a small, weak, or wildly fluctuating economy and which, therefore, is not in favor with foreign exchange dealers. ” (BusinessDictionary, 2010). 3. 5. Types of Exchange Rate Systems in the world world which is Fixed Exchange Rate System, Floating Exchange Rate system which is including Freely Floating and Manage Float and Pegged Exchange Rate System. 1. Fixed Exchange Rate System.

This exchange rate system was used in the Bretton Woods era, which is an article of agreement that was signed by 29 countries and inside the agreement there is a statement that said foreign exchange rate between countries in the IMF must be fixed. In this type of exchange rate, they will have fixed exchange rate, so they will not bother about the market equilibrium. The demand and supply are important because it will decide the equilibrium, but in this type of exchange rate system, the changes in the demand and supply will no longer affect the exchange rate.