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Chart of the week: RBA attempts to talk dollar down, markets push it up [1]

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Summary: RBA attempts to talk dollar down, markets push it up

What the chart shows: The chart shows the Australian dollar exchange rate against the US dollar as well as on a trade-weighted basis

Why the chart is important: Over the past few years, central banks have taken a renewed interest in exchange rates. This is partly because of concerns that other central banks may be engaging in what the Brazilian Finance Minister Guido Mantega in 201 called ?currency warfare?, ie, attempts to drive down their own currencies in order to gain a competitive advantage; and partly because they try to do it themselves. In theory, a central bank can always push down the exchange rate of its currency, since it can print and sell unlimited amounts. In practice, it is somewhat more difficult. Over recent months, Governor Stevens of the Reserve Bank of Australia, and other RBA spokesmen, have tried to talk down the Aussie dollar. The currency has come down from 96.7 US cents per Aussie dollar in late October to 91.4 (and from 73.3 to 70.2 in a trade-weighted index). However, and the exchange rate has shown itself more resilient than the RBA would like, showing that there is a limit even to what central banks can do against the market..

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