



Gold



Lead



Copper



Platinum



Nickel



Iron



Aluminium



Zinc



Silver

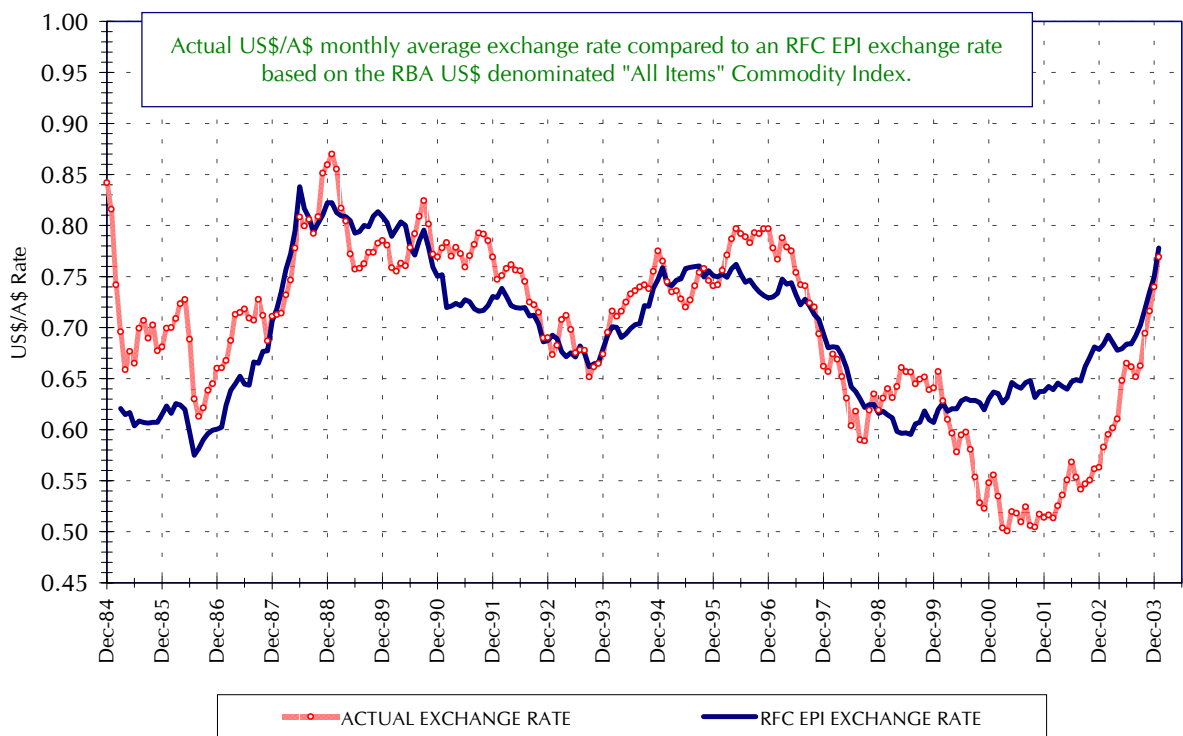
THE A\$ – RETURNING TO COMMODITY PRICE FUNDAMENTALS?

Following recent falls by the US dollar against all major world currencies, the Australian dollar has risen rapidly and is currently trading at levels around US\$0.76. The A\$ (Sydney) closing price on 13 January 2004 of US\$0.7789 was a six year high and some 63% higher than its record closing low of US\$0.4789 on 2 April 2001.

Many commentators have remarked that the recent appreciation of the A\$, apart from following the market shift away from US\$ investment, may also represent a return of the A\$ to commodity price fundamentals.

REVISITING RFC'S EXCHANGE RATE MONITOR

For many years RFC has published the performance of the A\$ against commodity price levels in the RFC Exchange Rate Monitor, as shown in the chart below. The chart tracks monthly average US\$/A\$ exchange rates since December 1984 against the RFC Export Price Index ("EPI") exchange rate, which is calculated from commodity price fundamentals as recorded by the RBA US\$ denominated All Items Commodity Price Index.

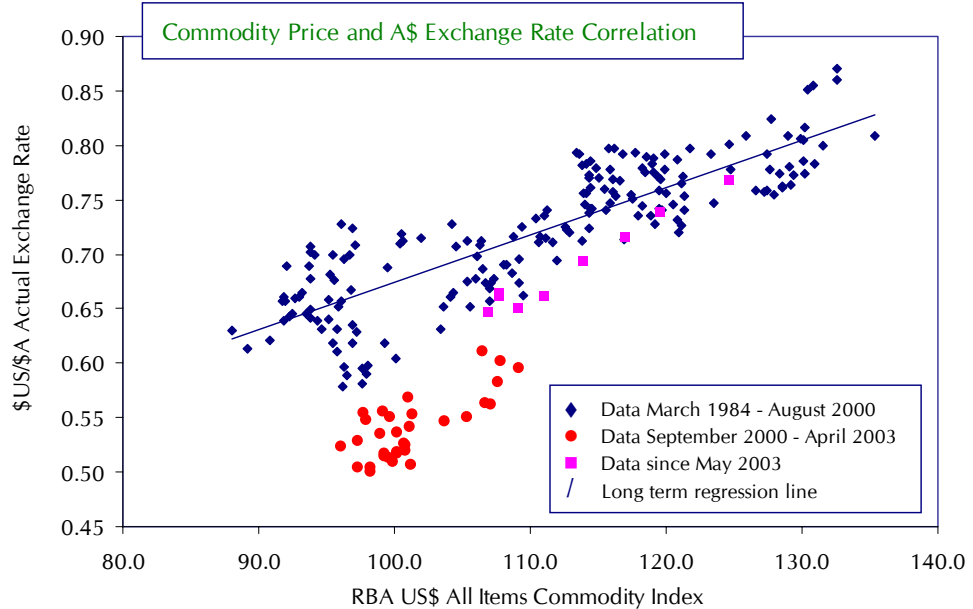


The recent strong performance of the A\$ is clearly illustrated. As shown, the RBA All Items Index has also risen sharply recently, mostly due to rises in metal and rural commodity US\$ prices.

The chart also demonstrates the long term interrelationship of the A\$ and commodity price levels, a trend that was clearly broken between mid 2000 and mid 2003. In recent months this divergence has been eliminated.

A RETURN TO OLD TRENDS?

Recent shifts in actual exchange rates and commodity price fundamentals are further illustrated in the plot of US\$/A\$ exchange rates against the RBA All Items Index below. The chart illustrates the long-term trend between commodity price fundamentals and the Australian dollar exchange rate for each month since December 1984.



Data for the 32 months between September 2000 and April 2003 clearly lies outside the established historical trend, as highlighted in red ink.

Since May 2003, this divergence has reversed. However, whether the shift back to the old trend line represents a long term return of A\$ exchange rates to commodity price fundamentals remains to be seen.

The Alchemist

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