

The Australian dollar posted its first monthly increase against the US dollar in four months, climbing over 4% during the month. Most of the increase was driven by weakness in the greenback, however, the Aussie also appreciated against the other major currencies and was one of strongest of the G10 trading currencies, behind only the Swedish krone and New Zealand dollar.

The Aussie jumped early in the month both against the greenback and in trade-weighted terms ahead of the much-anticipated interest rate increase by the RBA, while the US dollar was weighed down by a weaker-than-expected US employment report. However, things soon turned, with the Aussie sliding as Fed Chair Jerome Powell delivered some hawkish comments while the RBA hiked the cash rate as expected but appeared to soften its forward guidance.

The Aussie started its uptrend around the middle of the month after softer-than-expected US CPI inflation data sparked a further decline in the US dollar and an improvement in financial market sentiment. Hawkish comments from the RBA and a sharp rise in iron ore prices added to the Aussie dollar's upswing, pushing the currency over US\$0.66 for the first time since early August.

The trade-weighted index, which values the Aussie dollar against a basket of currencies based on their share of trade with Australia, hit its highest levels since late July.

Model Expected Value	Present Rate	Expected Value Band
0.6925	0.6605	0.7125 – 0.6725

The Australian dollar traded between US\$0.6361 and US\$0.6649 on a close-of-day basis in November, and averaged US\$0.6502, before closing at US\$0.6605. The AUD has averaged US\$0.6497 over the first four months of 2023-24, after averaging USD0.6732 in 2022-23. The exchange rate continues to trade below our expected value band.

The Australian 2-year Treasury bond yield continued to trade below the 2-year US Treasury yield, with the spread relatively steady in November. The spread opened the month at -62pts and averaged -65pts during the month before closing at -57pts.

The RBA Board raised the cash rate target by 25 basis points to 4.35% and the interest rate it pays on exchange settlement balances (reserves) to 4.25% at its November meeting. Exchange settlement balances fell to \$344.5 billion at the end of November, down from \$349.7 billion at the end of October. The RBA lifted the CPI forecast in its quarterly Statement on Monetary policy, with inflation projected to still be around the top of the 2-3% target range at the end of 2025, leaving the bank little margin for error in its quest to bring inflation back to target in a reasonable timeframe. Governor Michele Bullock in several public appearances late in the month, highlighted that inflation in Australia is now being driven by domestic factors. The futures market is currently pricing in around 30% probability of a further 25 basis points cash rate increase in February 2024.

Elsewhere, the US Federal Reserve and most other developed market central banks are now seen as being at the top of the interest rate hiking cycle, with interest rate cuts being priced in for 2024 to varying degrees.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.6605	0.6649	0.6361	4.2%	0.7137	0.6296
AUD/EUR 	0.6066	0.6070	0.5952	1.2%	0.6541	0.5886
AUD/GBP 	0.5232	0.5273	0.5194	0.3%	0.5789	0.5024
AUD/JPY 	97.89	98.53	96.36	1.8%	98.53	86.86
AUD/CNY 	4.7120	4.7411	4.6318	1.5%	4.9273	4.5498

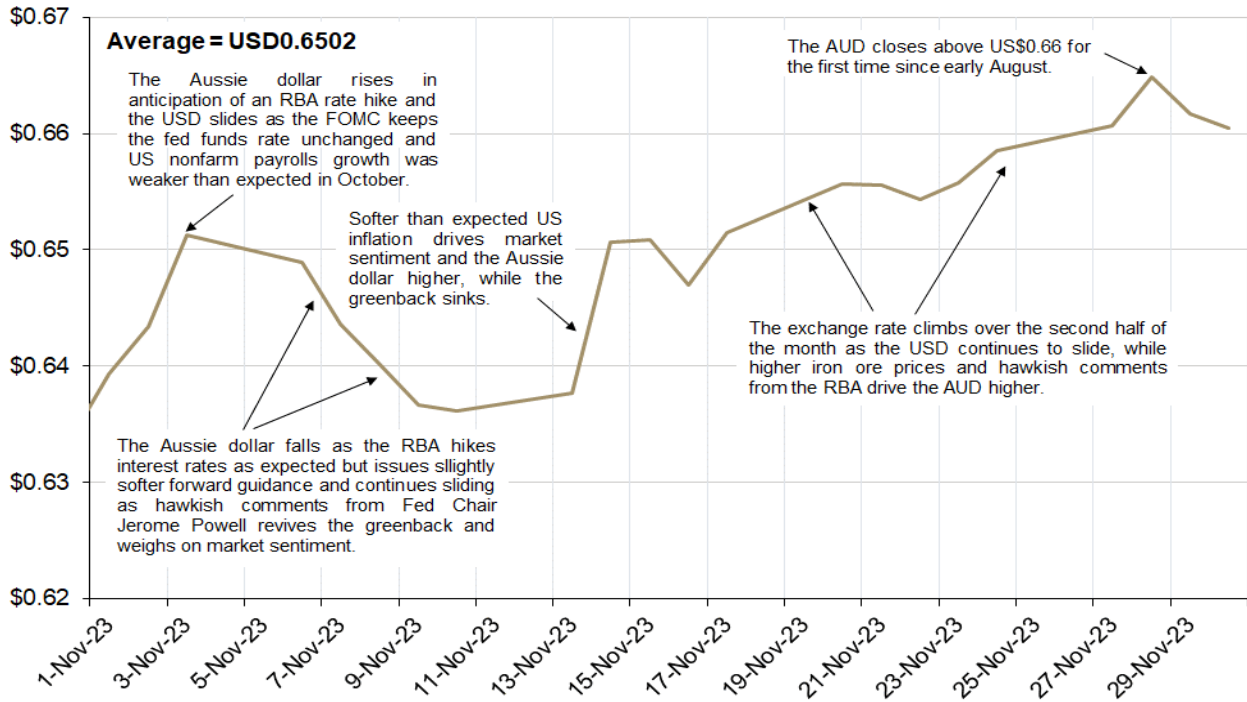
The RBA Commodity price index, which is an indicator of prices received by Australian commodity exporters, increased for the fourth month in a row, driven by the export price movements of non-rural bulk commodities. Iron ore futures prices climbed to the highest level since April 2022 before edging back. Crude oil prices declined as concerns over the demand outlook continued to rise. Gold prices fell in Aussie dollar terms after hitting a record high in October.

Commodity AUD	30-Nov-23	MoM (%)	YoY (%)
CRB Index	414.3	-6.6%	-0.6%
RBA Commodity Price Index	101.6	0.9%	-7.4%
Brent Crude	\$122.03	-12.6%	-5.4%
Singapore Gasoil 10 ppm	\$161.80	-8.4%	-7.4%
Gold	\$3,083.13	-1.5%	17.0%
Singapore Iron Ore Futures (62% Fe)	\$198.29	3.4%	32.2%
Nickel	\$25,200.61	-11.9%	-37.3%
Copper	\$12,815.29	0.2%	4.4%
Aluminium	\$3,320.21	-6.5%	-10.1%

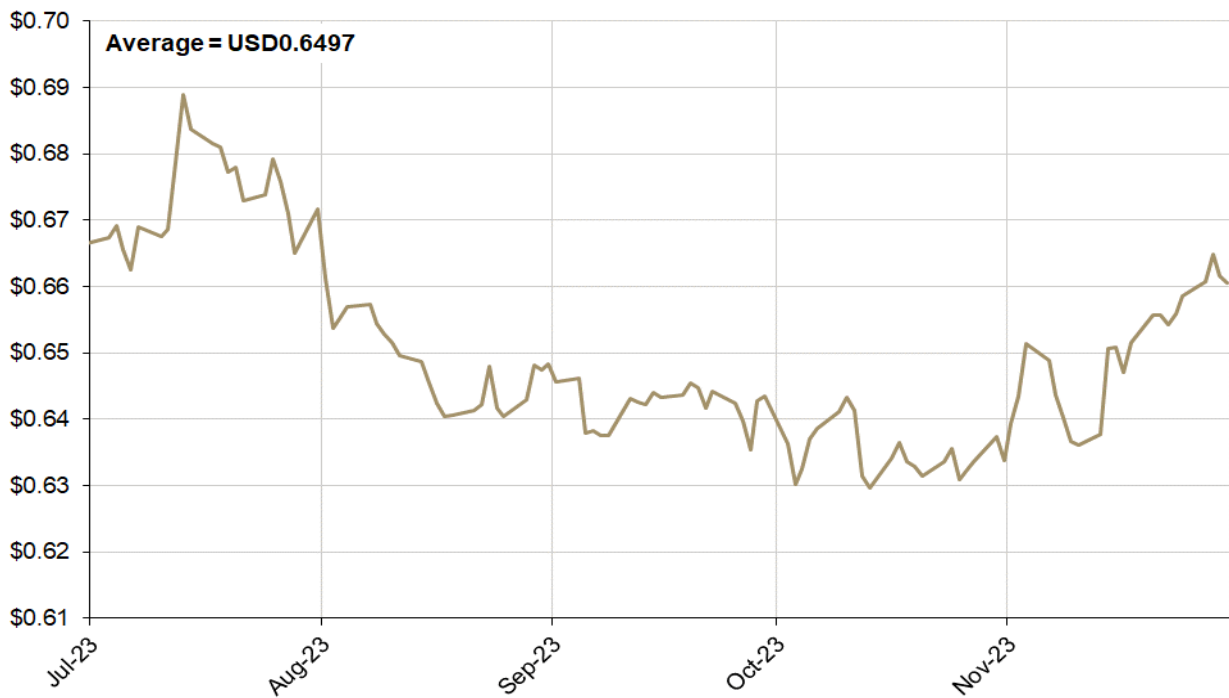
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AUD / USD November 2023



AUD / USD 2023-2024



1 DECEMBER 2023

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