

The Australian dollar slipped against the US dollar in February, its second monthly decline in a row to open 2024.

The exchange rate with the US dollar fell early on a combination of Aussie dollar weakness and greenback strength following a much stronger-than-expected US employment report, which saw traders unwind some of the pricing for US rate cuts this year. The exchange rate recovered some of its losses after Fed speakers conveyed a dovish outlook, while the RBA Board maintained its mild tightening bias following its February meeting. However, higher-than-anticipated US CPI inflation soon pushed the big dollar higher again, sending the AUD/USD to a three-month low.

The Aussie recovered pretty much all its lost ground before slipping again late in the month, dragged down by a sharp fall in the Kiwi dollar after the Reserve Bank of New Zealand left its official cash rate on hold and surprised markets with a less hawkish policy statement than expected.

The Aussie dollar was also weaker against most of the remaining G10 currency basket, closing the month ahead of only the Swiss franc and Japanese yen.

Model Expected Value	Present Rate	Expected Value Band
0.6675	0.6497	0.6825 – 0.6525






The Australian dollar traded between US\$0.6453 and US\$0.6572 on a close-of-day basis in February, and averaged US\$0.6523, before closing at US\$0.6497. The AUD has averaged US\$0.6544 over the first eight months of 2023-24, after averaging USD0.6732 in 2022-23.

The spread between the Australian 2-year Treasury bond yield and the US 2-year Treasury yield widened in February. The spread opened the month at -53pts and averaged -77pts in the month before closing at -82pts.

The RBA Board left the cash rate target unchanged at 4.35% and the interest rate it pays on exchange settlement balances (reserves) at 4.25% at its February meeting. Exchange settlement balances fell to \$335.4 billion at the end of February from \$356.6 billion at the end of January. The quarterly Statement on Monetary policy saw the Bank revise up the projected peak in the unemployment rate to 4.4%, while the inflation forecast was revised down, with inflation projected to fall back into the 2-3% target band by the end of 2025 and to the midpoint of the band in 2026. While the RBA acknowledge the economic outlook remains highly uncertain, and that inflation appears to be easing, they remain "highly attentive to inflation risks" and continued to warn that a further increase in the cash rate "cannot be ruled out".

The futures market is currently pricing in a 60% chance of a 25bps cash rate cut by August with a cut fully priced in for September.

In the US, Fed officials continue to signal that interest rate cuts are likely this year, however, they continue to say the timing will be data-dependent. The futures market is currently fully pricing in a 25bps cut in July and over 75bps points of cuts are priced in by the end of the year. In Europe, the ECB is expected to start cutting its policy interest rates this northern summer, if inflation continues to fall toward the 2% target.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.6497	0.6572	0.6453	-1.1%	0.6889	0.6296
AUD/EUR 	0.6013	0.6067	0.5993	-1.0%	0.6365	0.5886
AUD/GBP 	0.5147	0.5193	0.5125	-0.6%	0.5634	0.5024
AUD/JPY 	97.55	98.78	96.40	1.1%	98.78	86.86
AUD/CNY 	4.6726	4.7262	4.6416	-1.2%	4.9273	4.5498

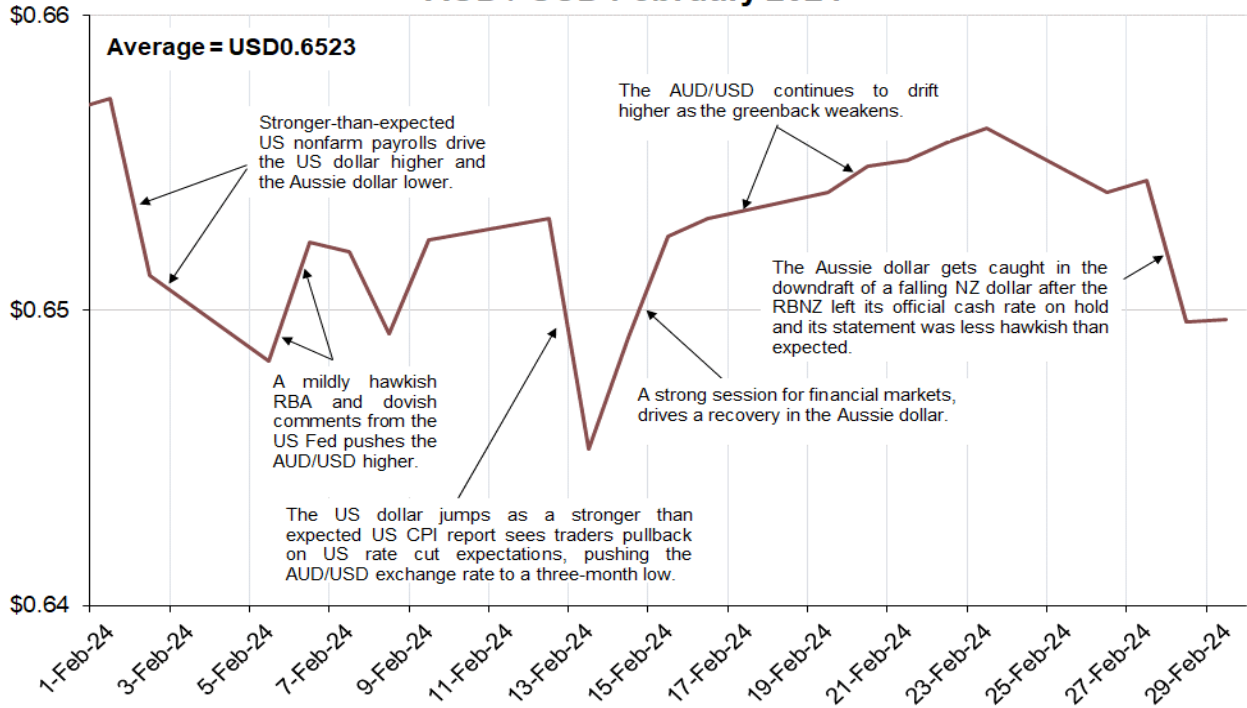
The RBA Commodity price index, which is an indicator of prices received by Australian commodity exporters fell 0.1% in February in Aussie dollar terms. Oil prices remain supported by ongoing tensions in the Middle East, while concerns over the outlook for the Chinese economy saw the benchmark Singapore iron ore futures price post its second monthly decline in a row.

Commodity AUD	29-Feb-24	MoM (%)	YoY (%)
CRB Index	423.6	2.5%	6.0%
RBA Commodity Price Index	101.4	-0.1%	-6.7%
Brent Crude	\$130.20	3.8%	5.7%
Singapore Gasoil 10 ppm	\$157.95	-0.8%	1.4%
Gold	\$3,147.99	1.8%	16.3%
Singapore Iron Ore Futures (62% Fe)	\$179.38	-9.7%	-2.4%
Nickel	\$27,557.75	11.7%	-25.0%
Copper	\$13,079.00	0.2%	-1.5%
Aluminium	\$3,430.86	-0.8%	-2.4%

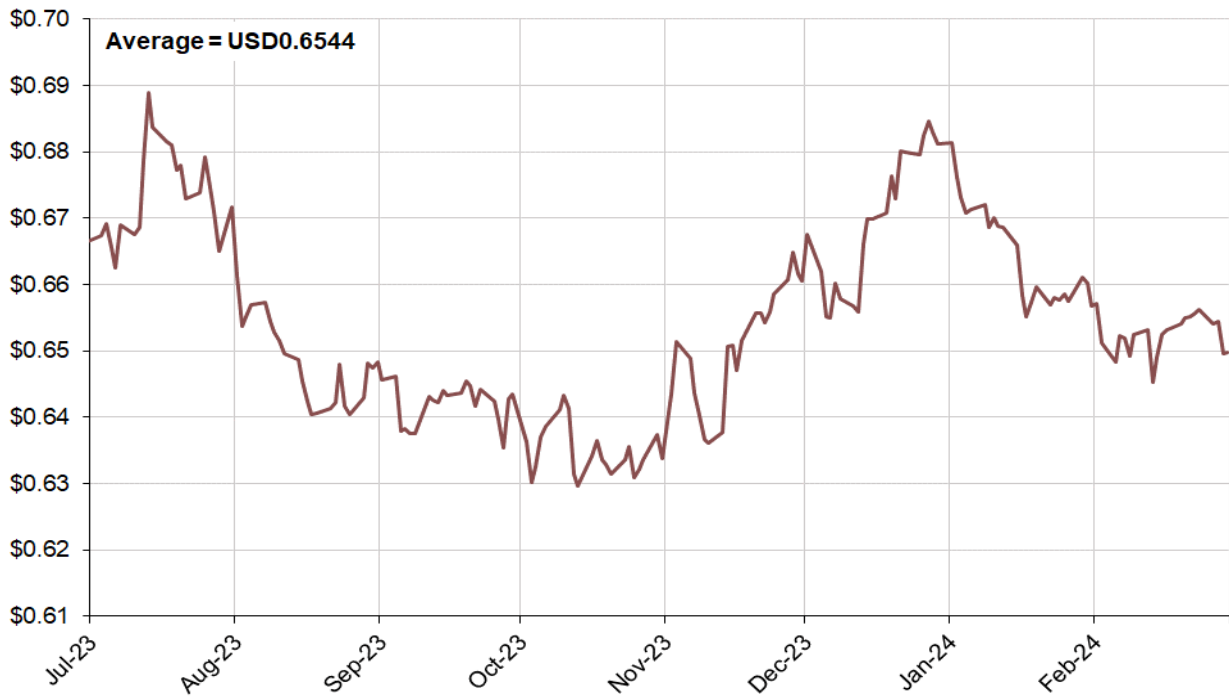
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**AUD / USD February 2024**



**AUD / USD 2023-2024**



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