

The Australian dollar was the strongest member of the G10 currency basket in March, boosted by strong market sentiment that sent global equities to record highs. The AUD trade-weighted index spiked to a two-month high on 21 March, following the release of the strong Aussie February employment report, before falling back.

The AUD/USD rose early, after Fed Chair Jerome Powell boosted market confidence and weakened the USD, telling a US Senate committee that the FOMC is getting closer to the point where it will be confident enough in the inflation outlook to cut rates. The comments drove the AUD/USD exchange rate to an eight-week closing high of US\$0.6624 on 8 March.

The Aussie dollar held above US\$0.66 until an upward surprise to US inflation data drove the greenback higher, while the Aussie was weighed down by the shift of the RBA Board to a more neutral interest rate outlook following its monetary policy meeting. Despite the clear downtrend in the second half of the month, the Aussie held on to post its first monthly gain against the greenback for 2024.

Model Expected Value	Present Rate	Expected Value Band
0.6600	0.6521	0.6450 – 0.6750

The Australian dollar traded between US\$0.6503 and US\$0.6624 on a close-of-day basis and averaged US\$0.6559 in March, before closing at US\$0.6521. The AUD has averaged US\$0.6545 over the first nine 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 bond yield widened from -82pts at the start of February to -86pts at month end. The spread averaged -82pts over the month.

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 March meeting. Exchange settlement balances were almost unchanged at \$335.5 billion over the month. The post-meeting statement moved closer to a neutral outlook, changing the reference from being unable to rule out further interest rate increases to one of not being able to rule anything in or out, highlighting the increasing uncertainty surrounding the outlook. The Board reiterated that higher interest rates are working to establish a better balance between supply and demand, inflation is moderating, and employment conditions are gradually easing. However, inflation remains too high and the labour market continues to be tight.

The futures market is currently pricing in a 45% chance of a 25bps cash rate cut in August with a cut fully priced in for November.

In the US, updated FOMC projections continue to show a median expectation for 75pts of interest rate cuts this year among Federal Reserve Board members and regional Federal Reserve presidents. However, expectations for interest rate cuts in 2025 have been scaled back to 75pts from the 100pts median expectation in the last set of forecasts from December. The futures market is currently fully pricing in a 25pts Fed rate cut in July and 68pts of cuts by the end of 2024.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.6521	0.6624	0.6503	0.4%	0.6889	0.6296
AUD/EUR 	0.6037	0.6057	0.5991	0.4%	0.6288	0.5886
AUD/GBP 	0.5160	0.5191	0.5119	0.3%	0.5465	0.5024
AUD/JPY 	98.59	99.62	97.18	1.2%	99.62	87.90
AUD/CNY 	4.7086	4.7619	4.6825	0.8%	4.9273	4.5673

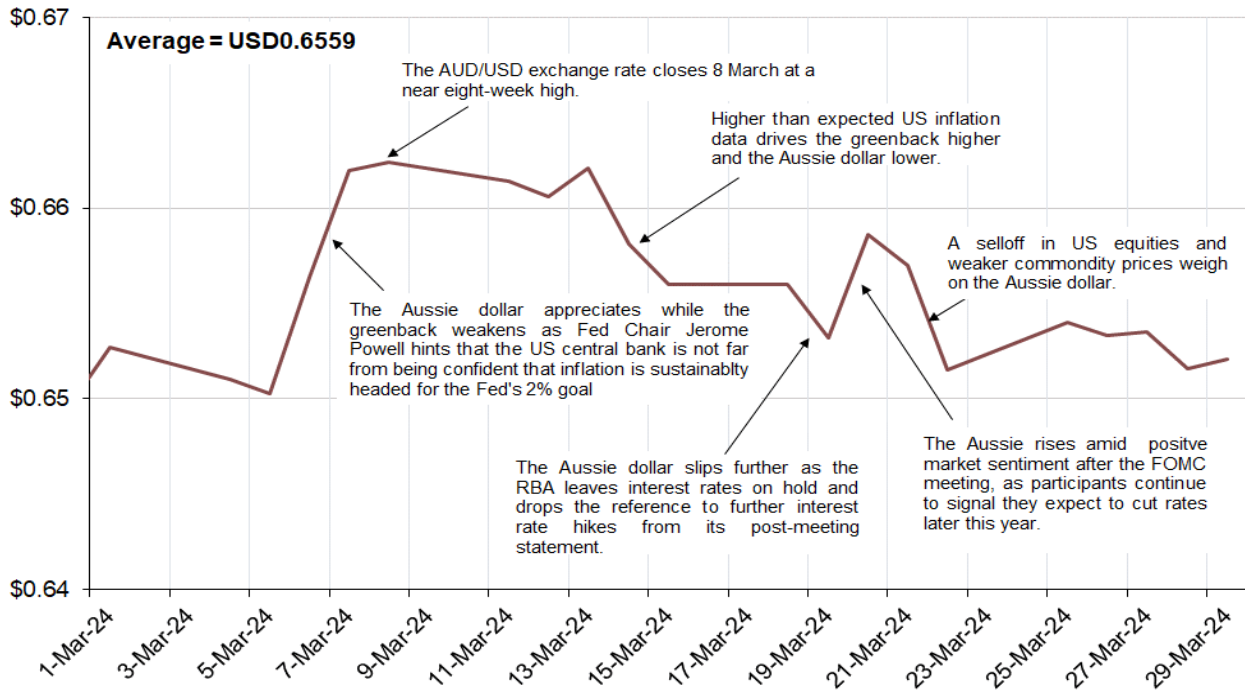
The RBA Commodity price index, which is an indicator of prices received by Australian commodity exporters fell 5.1% in March in Aussie dollar terms, it's third decline in four months. Oil prices remain supported by ongoing tensions in the Middle East, while concerns over the outlook for the Chinese economy saw the benchmark Singapore iron ore futures price post its third monthly decline in a row.

Commodity AUD	29-Mar-24	MoM (%)	YoY (%)
CRB Index	445.4	5.1%	11.4%
RBA Commodity Price Index	85.7	-5.1%	-14.0%
Brent Crude	\$134.21	4.2%	11.7%
Singapore Gasoil 10 ppm	\$159.86	1.2%	8.5%
Gold	\$3,421.09	8.7%	16.4%
Singapore Iron Ore Futures (62% Fe)	\$151.97	-15.3%	-19.6%
Nickel	\$25,696.53	-6.8%	-27.8%
Copper	\$13,603.87	4.0%	1.3%
Aluminium	\$3,585.46	4.5%	-0.5%

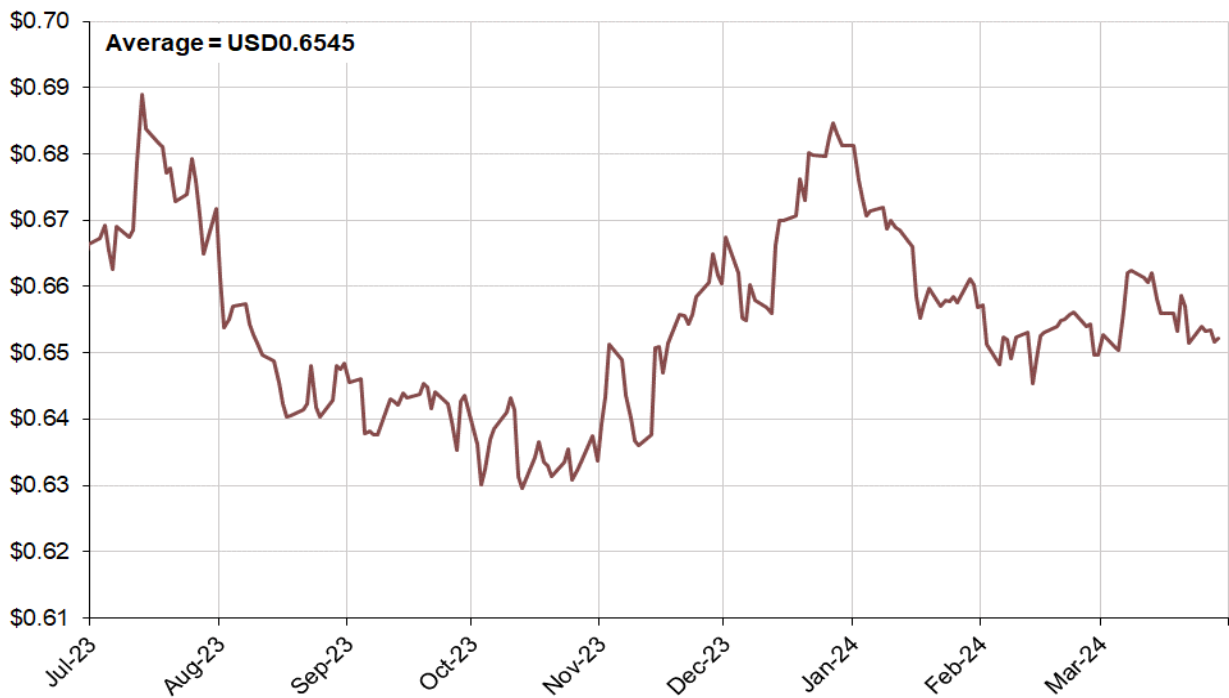
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AUD / USD March 2024



AUD / USD 2023-2024



2 APRIL 2024

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