

The Australian dollar fell for the third month in a row against the greenback in October and also slipped against the other major currencies, with the exception of the Japanese yen. The Aussie was weighed down by the increase in financial market volatility in the wake of Hamas' attack on Israel and the further escalation of violence in the Middle East.

The big moves in the AUD/USD exchange rate came in the first half of the month, driven largely by developments in the big dollar, which hit an 11-month high against a basket of major currencies early in the month, as well as concerns over events in the Middle East. The Aussie closed below US\$0.63 for the first time since November last year at one point, before picking up again.

The exchange rate settled into a narrower, albeit lower, trading range over the second half of the month, as downward pressure from weaker sentiment and geopolitical concerns was offset by hawkish RBA rhetoric and a higher-than-expected Australian Q3 CPI that put an RBA interest rate hike in November firmly on the agenda.

The trade-weighted index, which values the Aussie dollar against a basket of currencies based on their share of trade with Australia, fell to a one-year low late in the month before picking up a little to close 1.5% lower than where it started.






Model Expected Value	Present Rate	Expected Value Band
0.6650	0.6337	0.6825 – 0.6475

The Australian dollar traded between US\$0.6296 and US\$0.6432 on a close-of-day basis in October, and averaged US\$0.6349, before closing at US\$0.6337. The AUD has averaged US\$0.6495 over the first four months of 2023-24, after averaging USD0.6732 in 2022-23.

The Australian 2-year Treasury bond yield continued to trade below the 2-year US Treasury yield, but the spread narrowed over the second half of October to close the month at -62pts, down from -96pts at the end of September.

The RBA Board kept the cash rate target steady at 4.10% at its October meeting and the 4.00% interest rate it pays on the A\$353 billion of exchange settlement balances (reserves) also unchanged. Warnings from the RBA that it has a low tolerance for a slower-than-forecast return of inflation to the 2-3% target band, followed by higher-than-expected Q3 CPI inflation, has seen the market move to price in over a 65% implied probability of a 25 basis point interest rate increase in November and the chance of a follow-up interest rate increase in December or February 2024 (there is no meeting in January).

Elsewhere, the US Federal Reserve is expected to keep the fed funds rate unchanged at its November meeting, but traders are pricing in a 25% chance of a 25bps interest rate hike in December.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.6337	0.6432	0.6296	-1.5%	0.7137	0.6289
AUD/EUR 	0.5992	0.6073	0.5939	-1.5%	0.6541	0.5886
AUD/GBP 	0.5215	0.5265	0.5173	-1.1%	0.5789	0.5024
AUD/JPY 	96.13	96.13	93.91	0.1%	97.56	86.86
AUD/CNY 	4.6401	4.6853	4.6007	-1.3%	4.9273	4.5498

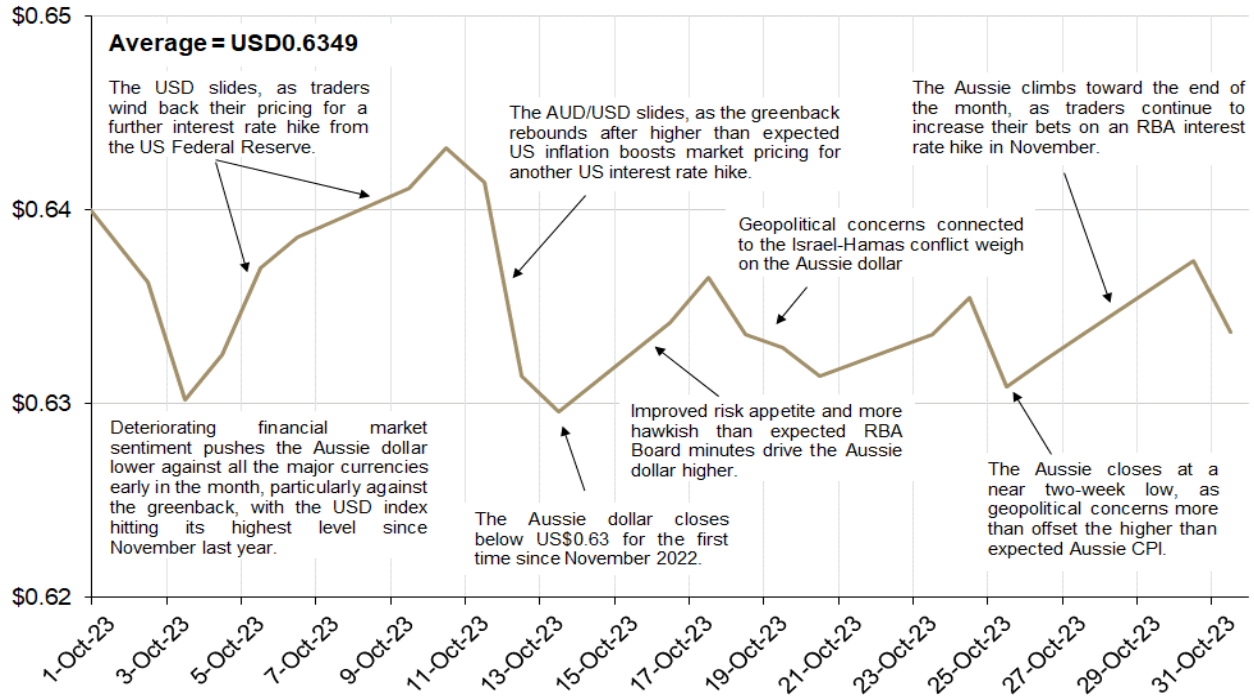
The RBA Commodity price index, which is an indicator of prices received by Australian commodity exporters, increased for the third month in a row, driven by non-rural bulk commodity prices. Crude oil prices slumped early in the month, following the sharp run-up in September, as concerns over the demand outlook reemerged. Prices were pushed higher again by the Israel-Hamas conflict; however, they declined again toward the end of the month, as earlier concerns over a widening of the conflict faded.

Commodity AUD	31-Oct-23	MoM (%)	YoY (%)
CRB Index	443.5	0.4%	3.5%
RBA Commodity Price Index	99.6	3.6%	-14.7%
Brent Crude	\$139.63	-6.6%	-3.7%
Singapore Gasoil 10 ppm	\$176.73	-9.5%	-15.9%
Gold	\$3,129.64	9.0%	22.5%
Singapore Iron Ore Futures (62% Fe)	\$191.75	3.3%	56.1%
Nickel	\$28,600.73	-1.5%	-16.1%
Copper	\$12,794.60	-0.4%	9.8%
Aluminium	\$3,551.82	-2.5%	2.2%

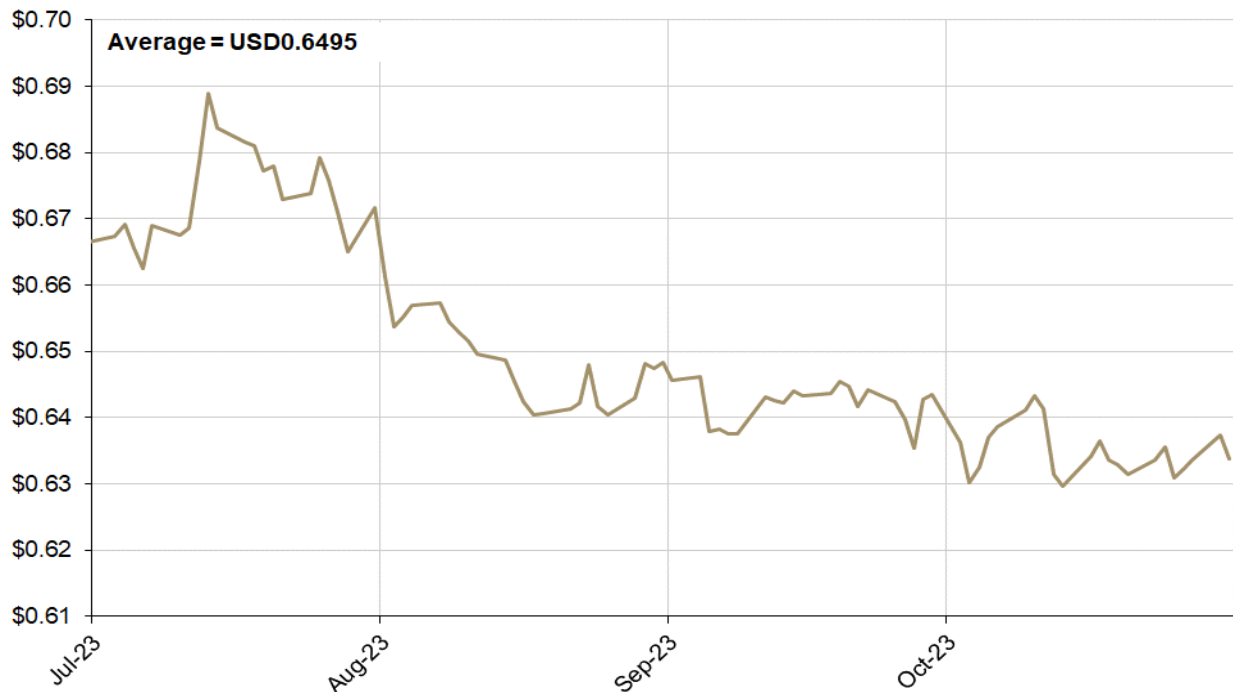
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AUD / USD October 2023



AUD / USD 2023-2024



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