

The Australian dollar suffered its first monthly decline against the US dollar since October last year. The depreciation was driven by a rebound in the greenback following back-to-back monthly losses. The AUD was also weaker against the remainder of the G10 currency basket except for the Japanese yen.

The Aussie began January trading above US\$0.68 after climbing sharply in November and December. However, increased nervousness in financial markets amid tensions escalating in the Middle East and ongoing concerns over the outlook for the Chinese economy, pushed the Aussie dollar lower over the first half of January.

The exchange rate was relatively stable over the second half of the month before taking a further leg down on the last day of January following the softer-than-expected Australian Q4 CPI that seemed to all but rule out a further cash rate increase from the RBA.

Model Expected Value	Present Rate	Expected Value Band
0.6950	0.6568	0.7100 – 0.6800






The Australian dollar traded between US\$0.6552 and US\$0.6813 on a close-of-day basis in January, and averaged US\$0.6645, before closing at US\$0.6568. The AUD has averaged US\$0.6547 over the first seven months of 2023-24, after averaging USD0.6732 in 2022-23. The exchange rate is at the low end of our expected value band.

The Australian 2-year Treasury bond yield continued to trade below the 2-year US Treasury yield. The spread opened the month at -54pts and narrowed as to as close as -33pts, only to widen again to -53pts at month end.

There was no RBA monetary policy meeting in January. The cash rate target remains at 4.35% and the interest rate it pays on exchange settlement balances (reserves) is 4.25%. Exchange settlement balances climbed to \$356.6 billion at the end of January from \$349.1 billion at the end of December.

February will see the start of the new monetary policy decision regime, with the Board meeting eight times a year rather than the previous schedule of 11 meetings. Meetings will be over two days rather than one and will be followed by a media conference by the Governor. The quarterly Statement on Monetary Policy, including new economic forecasts, will be released at the same time as the outcome of the Board meeting. The futures market is currently pricing in around a 90% probability of a 25-basis points cash rate cut by the middle of the year, with 63 basis points of cuts currently priced in for 2024.

In the US, the FOMC dropped its tightening bias from the statement following its January meeting but pushed back against market pricing for a March interest rate cut, saying any adjustments to the fed funds target range will depend on the data. The futures market is pricing in 60 basis points of interest rate cuts by the US Federal Reserve over the first half of 2024 and 145 basis points of cuts for the year.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.6568	0.6813	0.6552	-3.6%	0.7137	0.6296
AUD/EUR 	0.6071	0.6179	0.6020	-1.6%	0.6508	0.5886
AUD/GBP 	0.5176	0.5359	0.5169	-3.3%	0.5789	0.5024
AUD/JPY 	96.51	97.72	96.00	0.5%	98.53	86.86
AUD/CNY 	4.7297	4.8395	4.7046	-2.3%	4.9273	4.5498

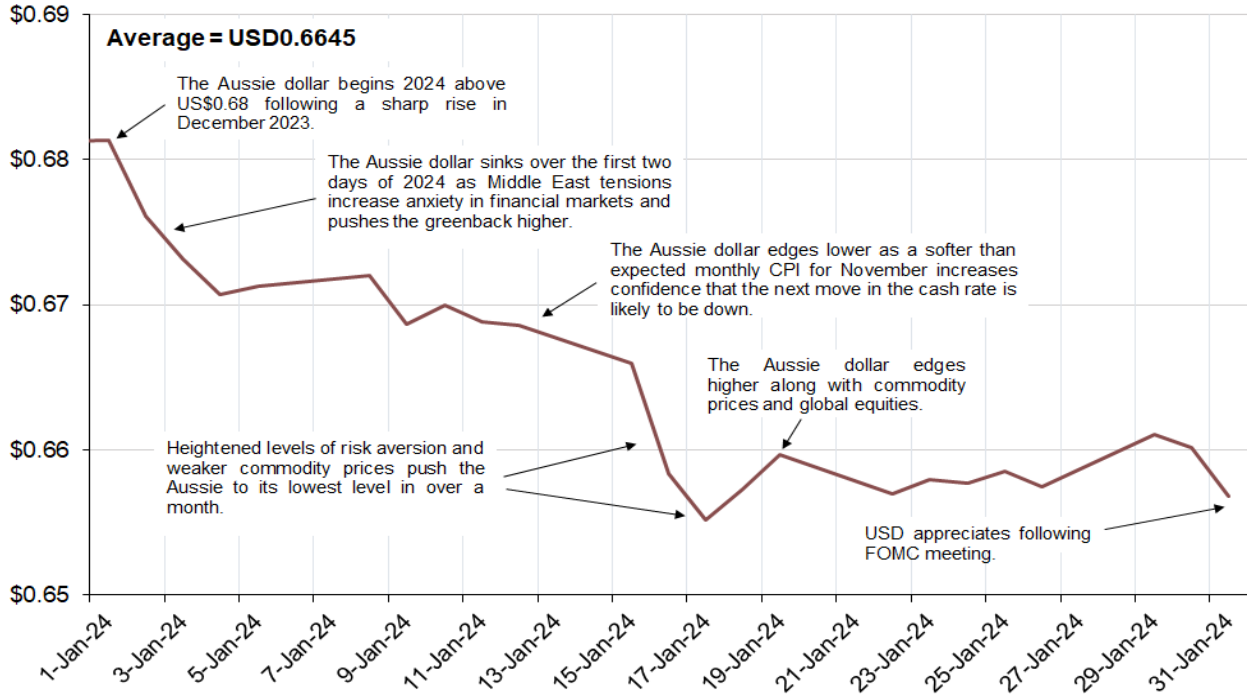
The RBA Commodity price index, which is an indicator of prices received by Australian commodity exporters increased for the sixth month in a row. Oil prices were pushed higher by ongoing tensions in the Middle East. Concerns over the outlook for the Chinese economy saw the benchmark Singapore iron ore futures price post its first monthly fall since July last year.

Commodity AUD	31-Jan-24	MoM (%)	YoY (%)
CRB Index	413.1	7.0%	4.7%
RBA Commodity Price Index	101.5	2.8%	-7.1%
Brent Crude	\$125.46	10.5%	4.7%
Singapore Gasoil 10 ppm	\$159.27	10.4%	0.5%
Gold	\$3,092.52	2.5%	13.0%
Singapore Iron Ore Futures (62% Fe)	\$198.71	-3.0%	9.6%
Nickel	\$24,668.69	1.6%	-42.7%
Copper	\$13,053.07	4.2%	-0.2%
Aluminium	\$3,457.16	-0.9%	-7.8%

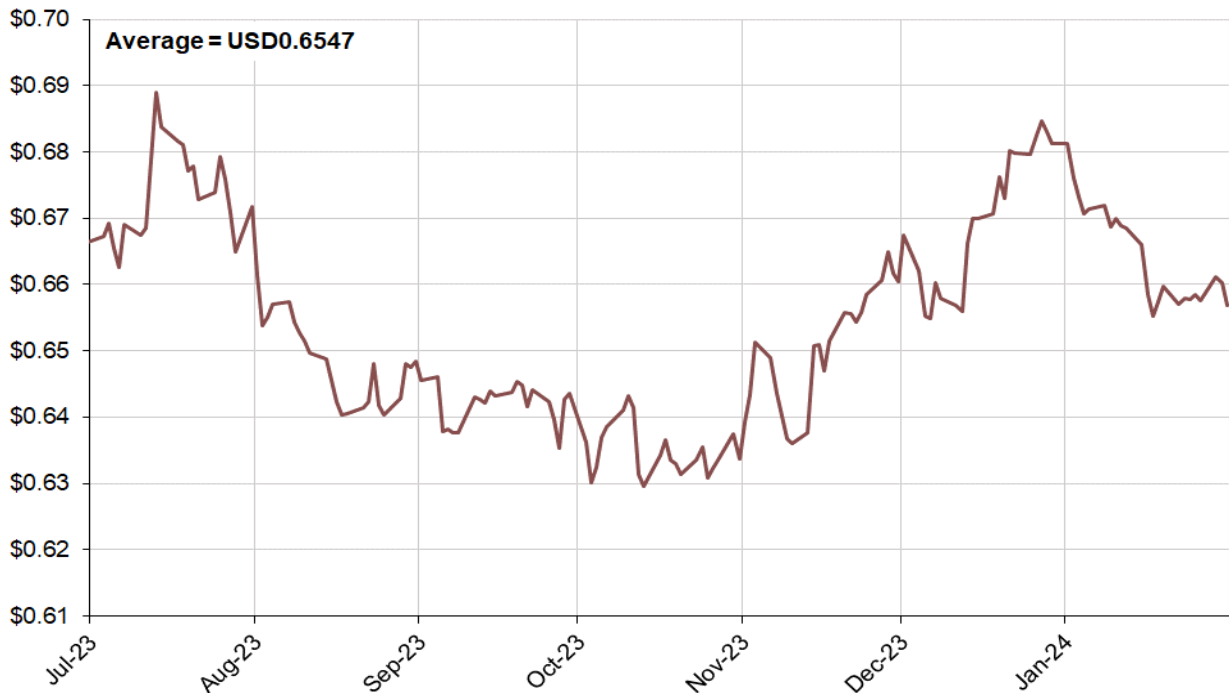
Disclaimer

Any opinions, judgments, conclusions, forecasts, predictions or estimations contained in this advice are made in reliance on information provided to Western Australian Treasury Corporation which Western Australian Treasury Corporation believes to be reliable. Western Australian Treasury Corporation, however, cannot guarantee the accuracy of that information. Thus, any recommendations are made in good faith but are provided only to assist you with any decisions which you make. These recommendations are not intended to be a substitute for professional advice on a particular matter. Before accepting or rejecting those recommendations you must discuss your particular needs and circumstances with Western Australian Treasury Corporation.

AUD / USD January 2024



AUD / USD 2023-2024



1 FEBRUARY 2024

Disclaimer

Any opinions, judgments, conclusions, forecasts, predictions or estimations contained in this advice are made in reliance on information provided to Western Australian Treasury Corporation which Western Australian Treasury Corporation believes to be reliable. Western Australian Treasury Corporation, however, cannot guarantee the accuracy of that information. Thus, any recommendations are made in good faith but are provided only to assist you with any decisions which you make. These recommendations are not intended to be a substitute for professional advice on a particular matter. Before accepting or rejecting those recommendations you must discuss your particular needs and circumstances with Western Australian Treasury Corporation.