

The Australian dollar posted its first monthly rise against the greenback in five months, gaining 6.1% as the US dollar index fell for the second month in a row after hitting a 20-year high in late September. This was the biggest monthly increase in the exchange rate since April 2020 when the Aussie rebounded after slumping to as low as USD0.5743 in the early days of the pandemic.

The drop in the big dollar was in part driven by an improvement in global risk appetite as traders placed bets that Chinese authorities will loosen the zero COVID policy that has been such a weight on sentiment in recent months, and the Federal Reserve signalled that it is likely to slow pace of interest rate hikes in December.

More broadly, the Aussie dollar was one of the strongest members of the G10 currency basket in November, behind only the New Zealand dollar and the Japanese yen.

| Model Expected Value | Present Rate | Expected Value Band |
|----------------------|--------------|---------------------|
| 0.6925               | 0.6788       | 0.6625 – 0.7225     |

The AUD traded between USD0.6289 and USD0.6788 on a close-of-day basis in November and averaged USD0.6610 before closing at its high. The AUD 2-year Treasury bond yield continues to trade well below its US counterpart. The spread opened November at -125pts and widened to a record -144pts before narrowing again to close at -120pts. The spread averaged -130pts through the month.

The RBA Board increased the cash rate target by 25bps at its November meeting, to be currently sitting at 2.85%. The interest rate on the \$453 billion of exchange settlement balances currently held at the Bank was increased to 2.75%. The RBA continues to indicate that it will continue to lift interest rates in the period ahead to ensure inflation returns to target over time. The most recent RBA forecast is that inflation will remain above the target band until at least the end of 2024. The RBA is also not reinvesting the proceeds of maturing government bonds held in its portfolio. This, and the maturity of loans extended to ADIs under the Term Funding Facility, will drain surplus ES balances held at the central bank over time.

The futures market is pricing in a 25bps rise in the cash rate to 3.10% at the December meeting and a 3.60% cash rate by June 2023. The cash rate is expected to peak at 3.75% by November 2023.

Elsewhere, the US Federal Reserve raised the fed funds rate corridor by 75bps to 3.75%-4.0% in November and is expected to raise rates by a further 50bps at its December meeting. The market is pricing in a peak of just under 5.0% in the fed funds rate by May 2023. The ECB deposit facility rate of 1.50% is expected to peak at around 2.90% by July 2023.

|   | Current | Monthly High | Monthly Low | Monthly | 52wk High | 52wk Low |
|---|---------|--------------|-------------|---------|-----------|----------|
| AUD/USD  | 0.6788  | 0.6788       | 0.6289      | 6.1%    | 0.7579    | 0.6199   |
| AUD/EUR  | 0.6522  | 0.6529       | 0.6423      | 0.7%    | 0.6999    | 0.6474   |
| AUD/GBP  | 0.5629  | 0.5700       | 0.5562      | 0.8%    | 0.6038    | 0.5217   |
| AUD/JPY  | 93.72   | 95.00        | 92.42       | -1.5%   | 98.39     | 78.95    |
| AUD/CNY  | 4.7459  | 4.8423       | 4.6021      | 1.9%    | 4.8450    | 4.4463   |

The AUD averaged USD0.6610 in November after averaging USD0.6363 in October, USD0.6673 in September and USD0.6957 in August. The AUD has averaged USD0.6697 in the first five months of 2022-23 after averaging USD0.7256 in 2021-22.

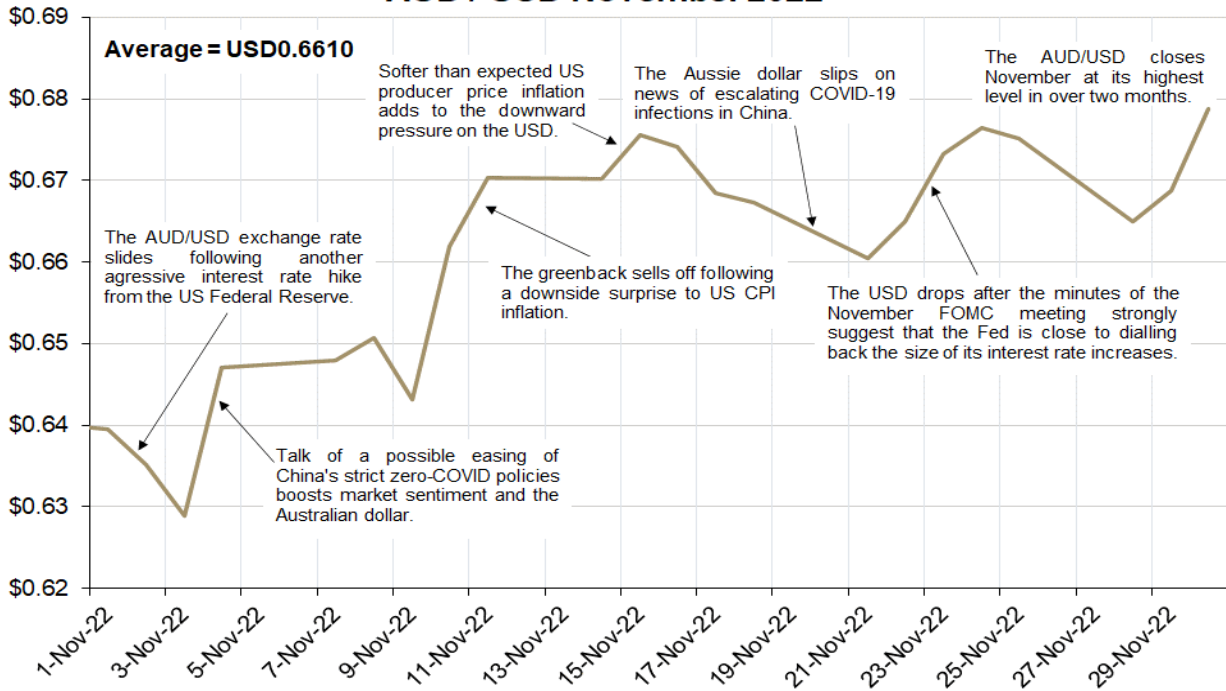
The RBA commodity price index fell 6.8% in Aussie dollar terms in November, the first decline in three months. The fall was driven by a big decline in bulk commodity prices. Despite the decline in the RBA index, iron ore futures prices rose sharply, buoyed by further efforts from Chinese authorities to support the ailing property sector and speculation that the government would move away from the zero-COVID policy. Oil prices slipped to their lowest levels since January, on mounting concerns over the global growth outlook.

| Commodity AUD                       | 30-Nov-22   | MoM (%) | YoY (%) |
|-------------------------------------|-------------|---------|---------|
| CRB Index                           | 416.9       | -2.7%   | 35.1%   |
| RBA Commodity Price Index           | 157.4       | -6.8%   | 22.3%   |
| Brent Crude                         | \$128.99    | -11.5%  | 31.3%   |
| Singapore Gasoil 10 ppm             | \$174.64    | -16.8%  | 57.2%   |
| Gold                                | \$2,635.26  | 3.2%    | 5.5%    |
| Singapore Iron Ore Futures (62% Fe) | \$150.04    | 22.1%   | 4.2%    |
| Nickel                              | \$40,213.08 | 17.9%   | 43.5%   |
| Copper                              | \$12,276.86 | 5.4%    | -7.7%   |
| Aluminium                           | \$3,691.70  | 6.3%    | -0.1%   |

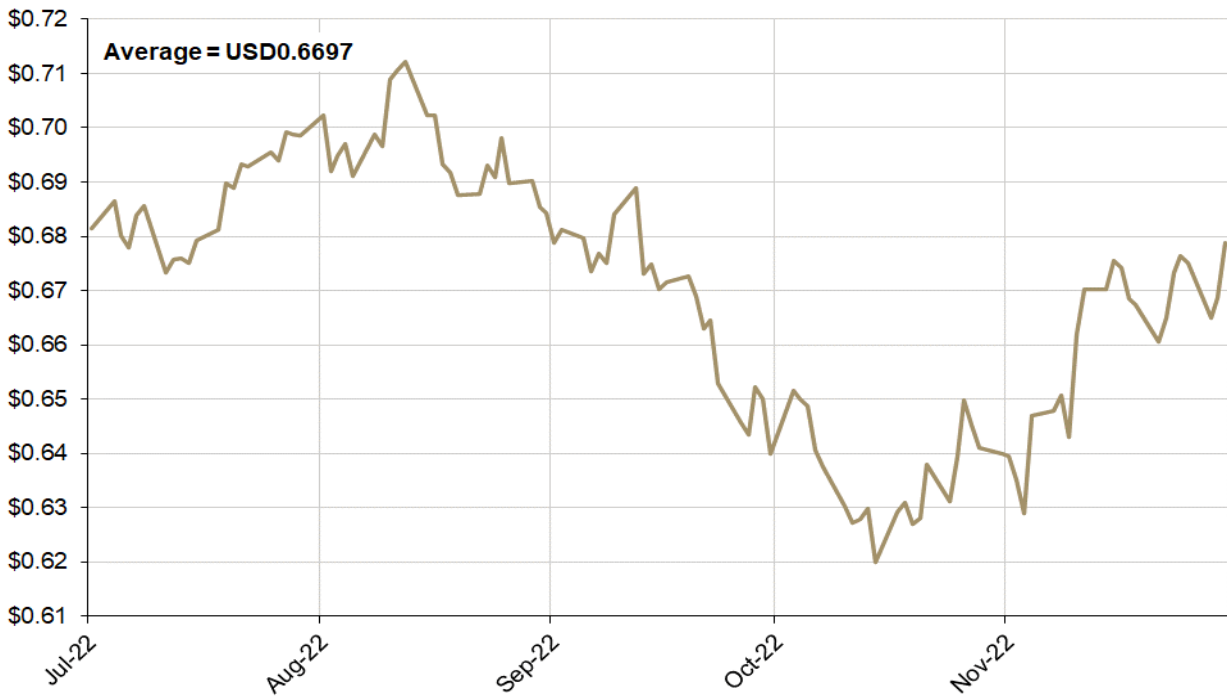
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**AUD / USD November 2022**



**AUD / USD 2022/2023**



1 DECEMBER 2022

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