

The Australian dollar was one of the weakest members of the G10 currency basket in October, ahead of only the New Zealand dollar and Japanese yen.

The Aussie's fall came despite pricing for the first RBA cash rate cut being pushed back to the second quarter of next year. It was driven by offshore developments amid a sharp increase in financial market volatility and ongoing concerns over the outlook for the Chinese economy, as expectations for a fiscal stimulus announcement were disappointed.

The upcoming US election is also feeding into the uncertainty over the outlook amid the threat of a sharp increase in US tariffs on imports should Donald Trump be elected president, including a proposed 60% tariff on Chinese goods.

The greenback was the strongest member of the G10 basket, driven higher by a big rise in US interest rates amid a repricing of expectations for Fed interest rate cuts following a stronger-than-expected US employment report and higher-than-anticipated CPI inflation. Market pricing for Fed cuts at the final two FOMC meetings for the year have been wound back to a cumulative 42bps from 70bps at the end of September.

Model Expected Value	Present Rate	Expected Value Band
<b>0.6500</b>	0.6582	0.6600 – 0.6400






The Australian dollar traded between US\$0.6561 and US\$0.6885 on a close-of-day basis in October, and averaged US\$0.6701, before closing at US\$0.6582. The AUD has averaged US\$0.6699 over the first four months of 2024-25, after averaging USD0.6557 in 2023-24.

The spread between the Australian 2-year Treasury bond yield and the US 2-year Treasury bond yield widened to -12pts at the end of October, after starting the month at zero, as the rise in the two-year Aussie yield lagged the increase of its US counterpart.

There was no RBA Board meeting in October. However, further signs of economic resilience including another strong employment report has seen market pricing for the first 25bps RBA cash rate cut pushed back from February 2025 to May 2025. The futures market is now pricing in just 53bps of RBA cash rate cuts to 3.80% by the end of 2025, down from the 115bps of cuts that were priced in at the end of September. The RBA will publish its latest set of economic forecasts when it releases its quarterly Statement on Monetary Policy following its interest rate decision on 5 November.

In the US, stronger-than-expected employment data and slightly disappointing CPI numbers saw a repricing of Fed interest rate cut expectations with the futures market now pricing, in line with the guidance from the Fed's September 'dot plot', a cut from the current effective fed funds rate of 4.83% to 4.40% at the end of 2024, and to 3.62% at the end of 2025.

Elsewhere, further cuts are also expected over the remainder of 2024 and through 2025 across most of the other developed economy central banks, including the euro area, United Kingdom, Canada and New Zealand. The Bank of Japan remains an outlier, with the central bank governor continuing to signal intentions to raise rates further. The swaps market is pricing in an increase in the Bank of Japan's policy rate from the current target of 'around' 0.25% to 0.53% by September next year.

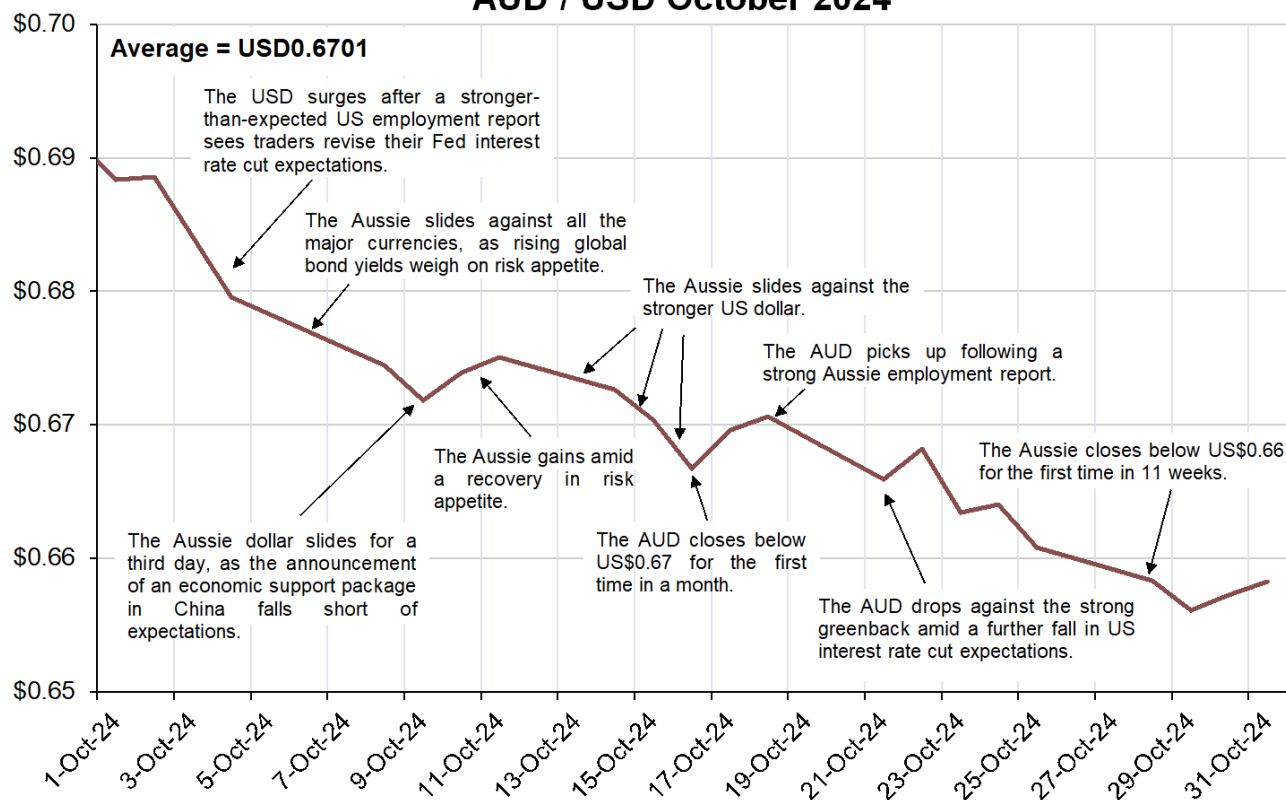
	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.6582	0.6885	0.6561	-4.8%	0.6913	0.6361
AUD/EUR 	0.6048	0.6234	0.6048	-2.6%	0.6234	0.5932
AUD/GBP 	0.5103	0.5212	0.5041	-1.3%	0.5364	0.5041
AUD/JPY 	100.07	101.34	98.82	0.8%	109.10	93.67
AUD/CNY 	4.6801	4.7747	4.6739	-3.6%	4.9219	4.6304

Commodity prices have climbed against the weaker Aussie dollar over the past month, with the RBA A\$ commodity price index increasing 4.0% in October, breaking a run of eight consecutive monthly losses.

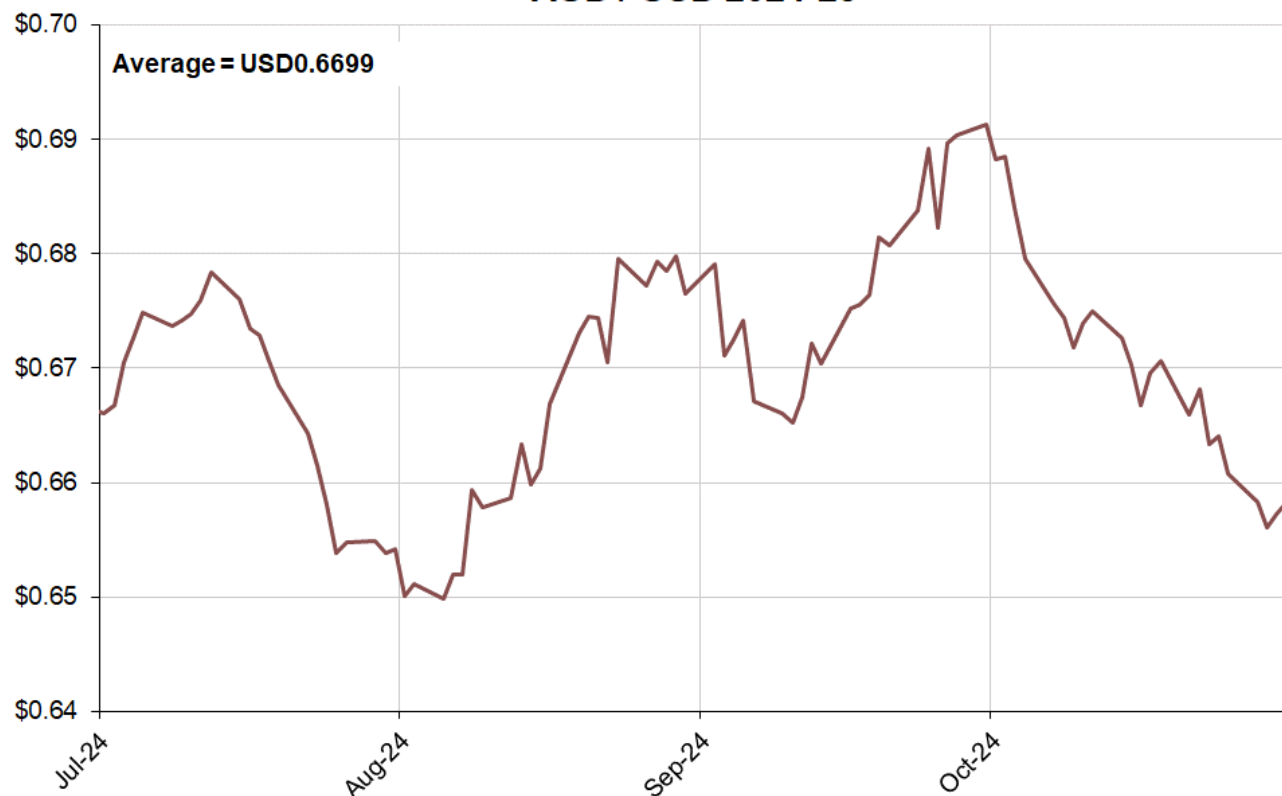
Gold continues to make fresh record highs in Aussie dollar and US dollar terms, boosted by geopolitical risk and rising concerns over the outlook for US government finances ahead of the US elections in early November. Oil prices remain supported by the conflict in the Middle East, while iron ore prices continue to be held down by the uncertain outlook for the Chinese economy.

Commodity AUD	31-Oct-24	MoM (%)	YoY (%)
CRB Index	426.2	3.8%	-3.9%
RBA Commodity Price Index	78.5	4.0%	-11.0%
Brent Crude	\$111.41	7.7%	-11.2%
Singapore Gasoil 10 ppm	\$132.74	9.4%	-24.9%
Gold	\$4,178.43	10.1%	33.5%
Singapore Iron Ore Futures (62% Fe)	\$157.88	0.1%	-17.7%
Nickel	\$23,934.82	-5.2%	-16.3%
Copper	\$14,475.41	2.2%	13.1%
Aluminium	\$3,985.84	5.9%	12.2%

## AUD / USD October 2024



## AUD / USD 2024-25



01 November 2024