

The Australian dollar had an extremely volatile month at the hands of US President Donald Trump's tariff announcements, but recovered all its early declines against the US dollar to close higher for the second month in a row.

The AUD slumped early in the month, as President Trump imposed so-called 'reciprocal' tariffs on almost all the US' major trading partners, including supersized tariffs on goods imported from China. The AUD/USD fell to a five-year low on 8 April, before President Trump announced that he would delay his 'reciprocal' tariffs and instead impose a flat 10% rate on imports from most countries for 90 days, to give time for negotiation of trade agreements, with certain goods still subject to higher rates.

Despite this reprieve for most countries, the trade war between the US and China escalated, with each country raising tariffs on imports of the other's goods to well above 100%.

Nevertheless, news of the tariff delay helped push the Aussie dollar higher again, while the greenback saw a substantial decline. The US dollar index fell to its lowest levels in three years, as confidence in the US was shaken, not only by the trade war, but also President Trump's attacks on Fed Chair Jerome Powell that raised concerns over the independence of the US central bank.

The weaker USD and recovery in the AUD pushed the AUD/USD to its highest level since December, before a late pull-back. However, the Aussie has only managed to claw back some of its early losses against the other majors and was one of the weakest members of the G10 currency basket over the course of the month.






Model Expected Value	Present Rate	Expected Value Band
0.6525	0.6402	0.6325 – 0.6725

The Australian dollar traded between US\$0.5960 and US\$0.6431 on a close-of-day basis in April, its widest monthly trading range since September 2022, and averaged US\$0.6297 before ending the month at US\$0.6402. The AUD/USD averaged US\$0.6481 over the first ten months of 2024-25, after averaging US\$0.6557 in 2023-24.

The spread between the Australian two-year Treasury bond yield and its US counterpart began the month at -20bps. It then widened to as much as -71bps as US Treasuries sold off at the height of the market volatility driven by President Trump's tariff announcements. The spread ended the month at -33bps, and averaged -47bps over the course of the month.

The RBA left the cash rate target unchanged at 4.10% on 1 April. It also restated its determination to return inflation sustainably to target in a reasonable timeframe, but left the door open to an interest rate cut in May. A 25bps cash rate cut from the RBA in May appears likely, amid escalated uncertainty due to the US tariff increases, while the Q1 CPI showed that both headline inflation and the trimmed mean measure of underlying inflation are back in the 2-3% target band. The futures market is currently pricing in 110bps of cuts by the end of the year.

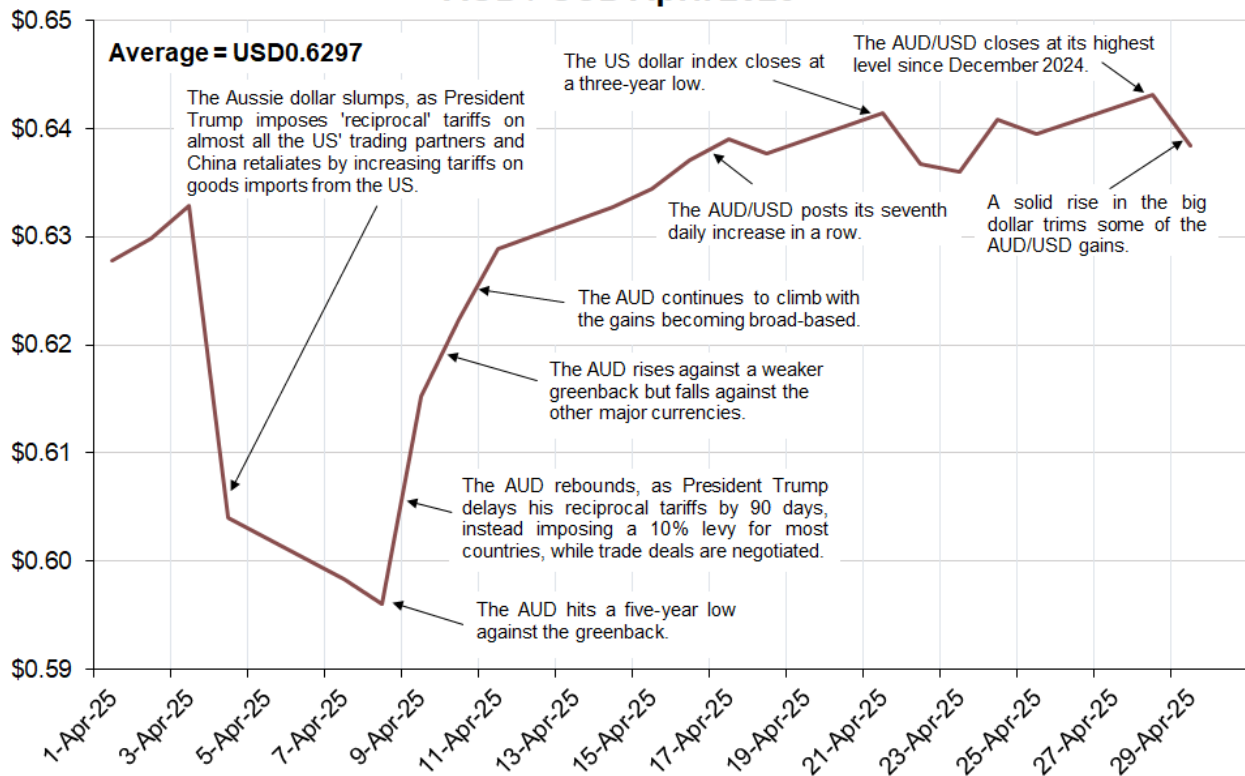
Elsewhere, the next 25bps cut from the US Federal Reserve is not fully priced in until July and a total of 100bps in cuts are priced for 2025, while the European Central Bank is expected to cut rates by a further 25bps in June and by 67bps in total over the remainder of the year.

		Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD		0.6402	0.6431	0.5960	2.5%	0.6913	0.5960
AUD/EUR		0.5652	0.5818	0.5437	-2.1%	0.6240	0.5437
AUD/GBP		0.4803	0.4858	0.4667	-0.7%	0.5286	0.4667
AUD/JPY		91.59	94.05	87.15	-2.2%	109.10	87.15
AUD/CNY		4.6564	4.6826	4.3725	2.7%	4.9219	4.3725

A rise in bulk commodity prices helped push the RBA's A\$ Index of Commodity Prices higher in April. This came despite a general fall across most commodities during the month, driven by concerns over the economic outlook due to US trade policies. Oil prices have fallen to the lowest levels since 2021 and faced additional downward pressure late in the month on reports that Saudi Arabia will push OPEC+ to accelerate the pace of production increases. Iron ore futures have slipped amid concerns over the outlook for steel demand. Gold has been a major exception to the declines, rising to fresh record highs before easing late in the month.

Commodity AUD	30-Apr-25	MoM (%)	YoY (%)
CRB Index	451.6	-8.9%	0.5%
RBA Commodity Price Index	95.3	0.4%	-0.7%
Brent Crude	\$98.70	-17.6%	-19.7%
Singapore Gasoil 10 ppm	\$123.75	-11.8%	-20.9%
Gold	\$5,142.63	2.8%	45.9%
Singapore Iron Ore Futures (62% Fe)	\$152.32	-5.9%	-15.1%
Nickel	\$24,109.46	-5.5%	-18.7%
Copper	\$14,268.96	-8.3%	-7.4%
Aluminium	\$3,752.15	-7.6%	-6.1%

AUD / USD April 2025



AUD / USD 2024-25



01 May 2025