

The AUD fell against all the big four currencies and was one of the weakest members of the G10 currency basket, beating only the Norwegian krone and New Zealand dollar during the month.

The Aussie dollar fell 6.5% against the US dollar, its worst monthly performance since 2013, with the exchange rate weighed down by the sharp rise in the US dollar, increased financial market volatility and falling commodity prices. The Aussie fell below US\$0.65 for the first time since May 2020 and at one point fell to as low as US\$0.6363 during the session on 26 September before stabilising.

The USD made fresh 20-year highs against a basket of major currencies but gave up some of its gains over the last few days of the month. The euro slipped further below parity with the big dollar over the course of September and the British pound fell to its lowest levels against the greenback since the mid-1980s.






Model Expected Value	Present Rate	Expected Value Band
0.6250	0.6400	0.6500 – 0.6000

The AUD traded between USD0.6400 and USD0.6888 on a close-of-day basis in September and averaged USD0.6673 before closing the month at its low of USD0.6400. The AUD/USD 2-year Treasury bond spread opened at -51pts and widened substantially in September as the US Federal Reserve raised its expectation for the peak in the fed funds rate. The spread widened to -99pts after the FOMC meeting after averaging -59pts in the first three weeks of September and closed the month at -97pts.

The RBA Board increased the cash rate target by 50 basis points to 2.35% at its meeting in September. The interest rate on the \$449 billion of exchange settlement balances held at the Bank was also raised 50 basis points to 2.25%. The RBA indicated 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 not return to the top of the target band until the second half 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.

A series of cash rate increases are priced in this year and the first half of 2023, with the cash rate futures market currently pricing in a 3.32% cash rate by the end of 2022 and 4.09% by May 2023.

Elsewhere, the US Federal Reserve raised the fed funds rate corridor by 75 basis points to 3.0%-3.25% in September, with the median expectation among FOMC participants being for a 4.4% fed funds rate by the end of 2022, well above current market pricing for 4.0%. The ECB lifted its deposit facility rate from zero to 0.75% at its meeting in September and 1.90% deposit rate is priced in for the end of 2022.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.6400	0.6888	0.6400	-6.5%	0.7579	0.6400
AUD/EUR 	0.6531	0.6844	0.6531	-4.1%	0.6999	0.6741
AUD/GBP 	0.5735	0.6038	0.5735	-2.6%	0.6038	0.5217
AUD/JPY 	92.65	98.39	92.65	-2.6%	98.39	78.95
AUD/CNY 	4.5840	4.7685	4.5840	-3.1%	4.8450	4.4463

The AUD averaged USD0.6673 in September after averaging USD0.6957 in August and USD0.6860 in July. The AUD has averaged USD0.6832 in the first three months of 2022-23 after averaging USD0.7256 in 2021-22.

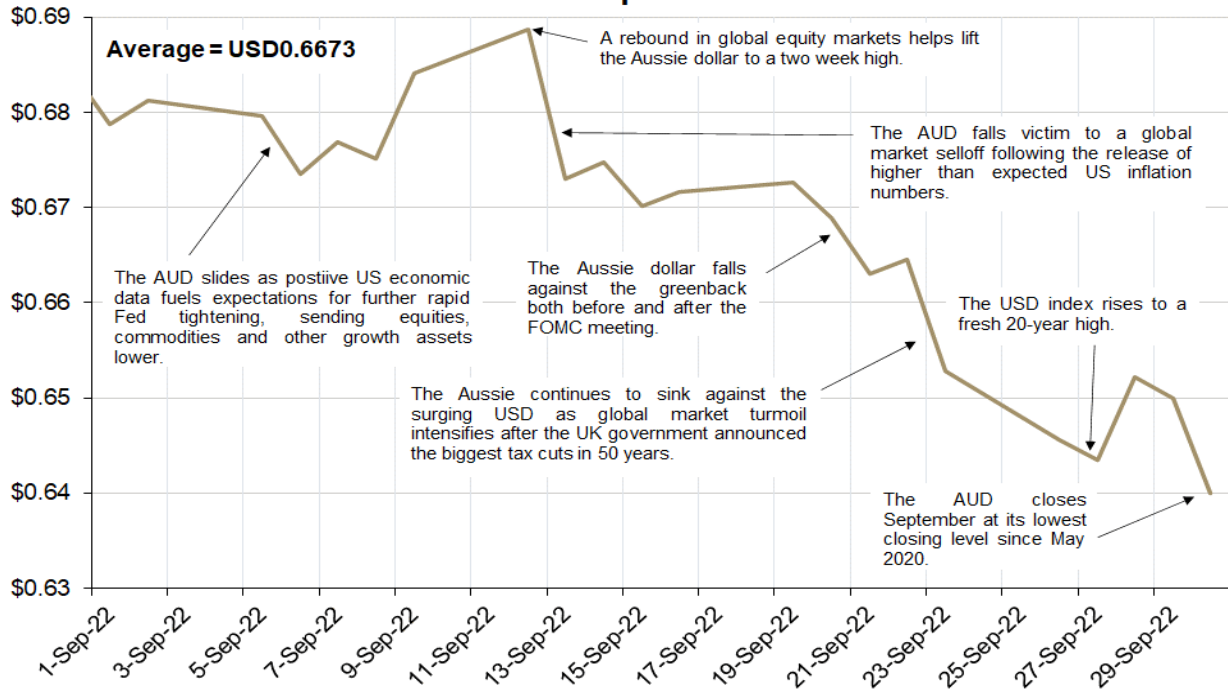
Commodity prices mainly fell against the strong USD in September; however, price moves were mixed against the weaker Australian dollar. Oil prices remain under significant downward pressure and fell in Aussie dollar terms, with Brent crude oil falling to its lowest level since February, as concerns continued to mount over the demand outlook, before regaining some lost ground late in the month. Iron ore futures prices were relatively steady against the Aussie dollar but fell against the greenback, as traders remain concerned about the outlook for the Chinese economy despite promises of government support.

Commodity AUD	30-Sep-22	MoM (%)	YoY (%)
CRB Index	417.2	-1.5%	31.5%
Brent Crude	\$133.97	-4.0%	22.7%
Singapore Gasoil 10 ppm	\$185.80	-10.8%	50.8%
Gold	\$2,582.60	3.5%	6.0%
Singapore Iron Ore Futures (62% Fe)	\$148.46	0.6%	-9.0%
Nickel	\$32,825.82	5.1%	32.0%
Copper	\$11,757.39	3.3%	-5.1%
Aluminium	\$3,362.36	-2.3%	-15.2%

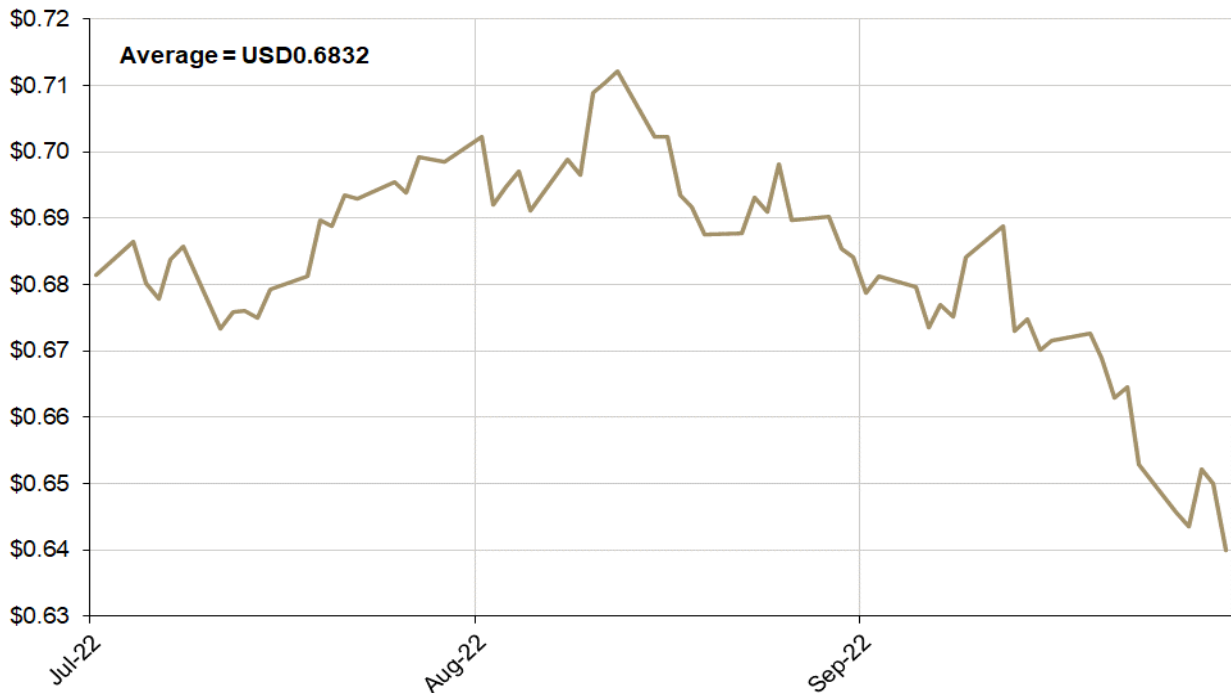
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**AUD / USD September 2022**



**AUD / USD 2022/2023**



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