

The AUD again climbed against the majority of the G10 currency basket in August, behind only the euro and the US dollar. The Aussie hit its highest level against the British pound since 2017 and is close to its highest level against the Japanese yen since 2015.

The greenback was by far the strongest member of the G10 basket, rising sharply in the second half of the month after the minutes of the July FOMC meeting indicated the Fed is nowhere near done raising interest rates. The message was reinforced toward the end of the month during a hawkish speech by Fed Chair Jerome Powell at the annual Jackson Hole central bank symposium. The big dollar's strength pushed the USD index to a fresh 20-year high.

The euro continues to be weighed down by the European energy crisis, with the Australian dollar hitting its highest levels against the euro since 2017, as the single currency traded below parity with the USD for several days. The euro recovered some of its losses late in the month and was the second strongest of the G10 currencies through August.






Model Expected Value	Present Rate	Expected Value Band
0.6725	0.6842	0.6525 – 0.6925

The AUD traded between USD0.6842 and USD0.7121 on a close-of-day basis in August and averaged USD0.6957 before closing the month at USD0.6842. The AUD/USD 2-year Treasury bond spread opened at -45pts and moved to as wide as -60pts on 5 August as a bumper US employment report drove a sharp rise in expectations for US interest rate increases. The spread has since narrowed again to close at -51pts and averaged -42pts through the month.

The RBA Board increased the cash rate target by 50 basis points to 1.85% at its meeting in August. The interest rate on the \$448 billion of exchange settlement balances held at the Bank was also raised 50 basis points to 1.75%. 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 for this year and the first half of 2023, with the cash rate futures market currently pricing in a 3.20% cash rate by the end of 2022 and 3.80% by June 2023.

Elsewhere, the US federal funds rate corridor is 2.25%-2.50%, with the market currently pricing in an effective fed funds rate of 3.65% for the end of 2022 and almost 4% by mid-2023. The ECB is expected to lift its deposit facility rate from the current zero to 0.50% at its next meeting on 8 September.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.6842	0.7121	0.6842	-2.0%	0.7579	0.6734
AUD/EUR 	0.6807	0.6999	0.6789	-0.4%	0.6999	0.6875
AUD/GBP 	0.5888	0.5900	0.5689	2.6%	0.5900	0.5217
AUD/JPY 	95.08	95.74	92.15	2.1%	96.54	78.95
AUD/CNY 	4.7292	4.8003	4.6614	0.5%	4.8450	4.4463

The AUD averaged USD0.6957 in August after averaging USD0.6860 in July. The AUD has averaged USD0.6911 in the first two months of 2022-23 after averaging USD0.7256 in 2021-22.

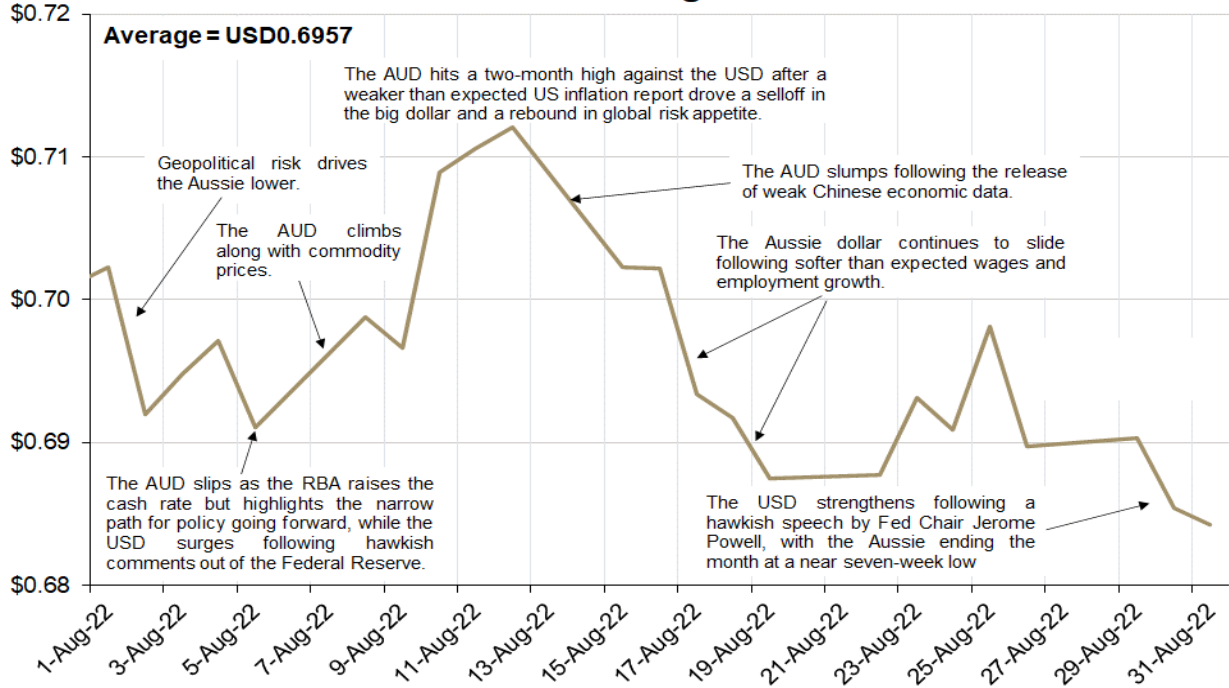
Commodity prices were mixed in August, with industrial commodities mainly lower, however, this was balanced by sharp increases in agricultural commodity prices and the European energy crisis that saw sharp rises in natural gas prices and to a lesser extent heating oil. Benchmark European gas prices surged to fresh record highs before easing a little toward the end of the month. Crude oil slipped as the cloudy demand outlook more than offset concerns over supply. Soft Chinese economic data weighed on iron ore prices.

Commodity AUD	31-Jul-22	MoM (%)	YoY (%)
CRB Index	418.5	-0.6%	40.9%
RBA Commodity Price Index	151.3	-7.7%	14.4%
Brent Crude	\$154.74	-7.0%	50.8%
Singapore Gasoil 10 ppm	\$204.53	-10.8%	84.1%
Gold	\$2,530.72	-3.2%	2.4%
Singapore Iron Ore Futures (62% Fe)	\$165.49	-4.2%	-32.4%
Nickel	\$33,847.81	3.1%	27.1%
Copper	\$11,346.37	-5.0%	-14.3%
Aluminium	\$3,566.21	0.8%	1.1%

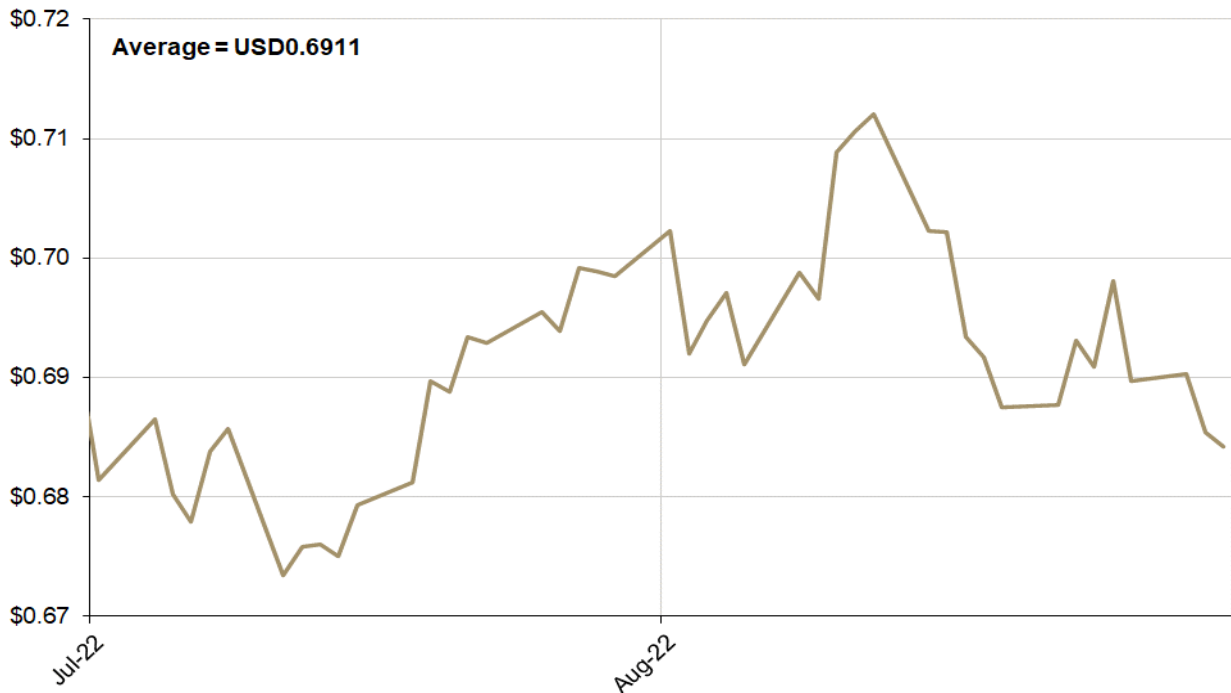
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**AUD / USD August 2022**



**AUD / USD 2022-23**



1 SEPTEMBER 2022

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