

The Australian dollar appreciated slightly against the weaker greenback and Japanese yen in March, but saw significant depreciation versus the euro and British pound.

The AUD/USD movements this month were again shaped to a large degree by global factors, mostly US tariff announcements from the Trump administration and the first pieces of evidence that the protectionist policies are gradually translating into weaker economic data. These concerns were behind outflows from US equities, which in turn affected the US dollar, pushing the AUD/USD cross higher. These moves were seen particularly early in the month and in mid-March, but were partly reversed by improving sentiment around the announcements of some tariff exemptions and soothing comments from Fed officials, especially about the temporary nature of inflationary impacts of tariffs, which increased hopes for more fed funds rate cuts this year.

Domestic factors played a more significant role in the second half of the month, following the release of disappointing employment figures mid-month, which was followed by the downside surprise to the February CPI indicator towards the end of March. Both releases led to intensification of RBA cash rate cut expectations.

The Australian dollar was one of the weakest of G10 currencies this month, surpassed only by currencies of Canada and Japan, which are expected to be strongly affected by the US tariff policies.

Model Expected Value	Present Rate	Expected Value Band
<b>0.6618</b>	0.6247	0.6424 – 0.6812

Despite no shortage of global events that could increase volatility, the Australian dollar traded in a quite narrow range in March, with a low of US\$0.6225 at the start of the month, and a high of US\$0.6384 on 17 March. The AUD/USD averaged US\$0.6304, roughly the same as in the previous month (US\$0.6305), but below the 2024-25 average so far (US\$0.6501).

The spread between the Australian 2-year Treasury bond yield and the US 2-year Treasury bond yield narrowed this month, averaging -22bps, which compares to -40pts in February. The spread was -19bps at the start of the month and -20bps at the end of the month, having narrowed to just -8bps on 10 March and widened to -31bps on 24 March.

There was no RBA rate announcement in March and the RBA Monetary Policy Board kept the cash rate target unchanged at 4.10% at its inaugural two-day meeting on 31 March and 1 April. Given the rise in uncertainty after the inauguration of the new Trump administration, the RBA remains more cautious about the interest rate outlook than market participants. As of 31 March, a 25bps cut in May was fully priced in by cash rate futures, with a total of 76bps cuts priced in for the rest of the year. This is more than the 59bps cuts in 2025 expected at the end of February.

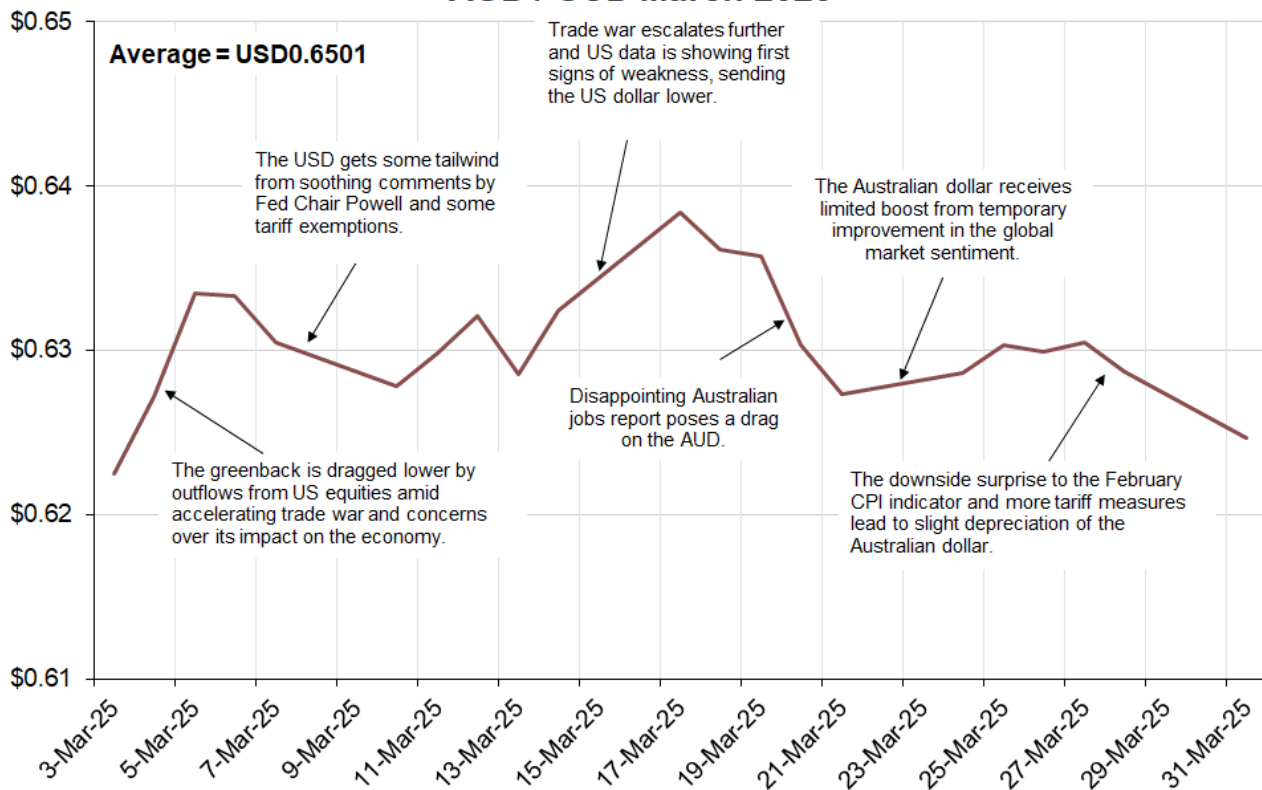
The FOMC also kept the fed funds rate target range unchanged at its meeting on 18-19 March, with its revised projections statement still pointing to two more cuts this year, even if the number of participants expecting one or no cuts had increased since the meeting in late January. The markets expect three rate cuts from the FOMC this year, which was only partially priced in a month ago.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.6247	0.6384	0.6225	0.6%	0.6913	0.6147
AUD/EUR 	0.5776	0.5935	0.5768	-3.5%	0.6240	0.5768
AUD/GBP 	0.4836	0.4917	0.4836	-2.0%	0.5286	0.4836
AUD/JPY 	93.68	95.26	92.46	0.2%	109.10	92.46
AUD/CNY 	4.5353	4.6183	4.5353	0.6%	4.9219	4.4558

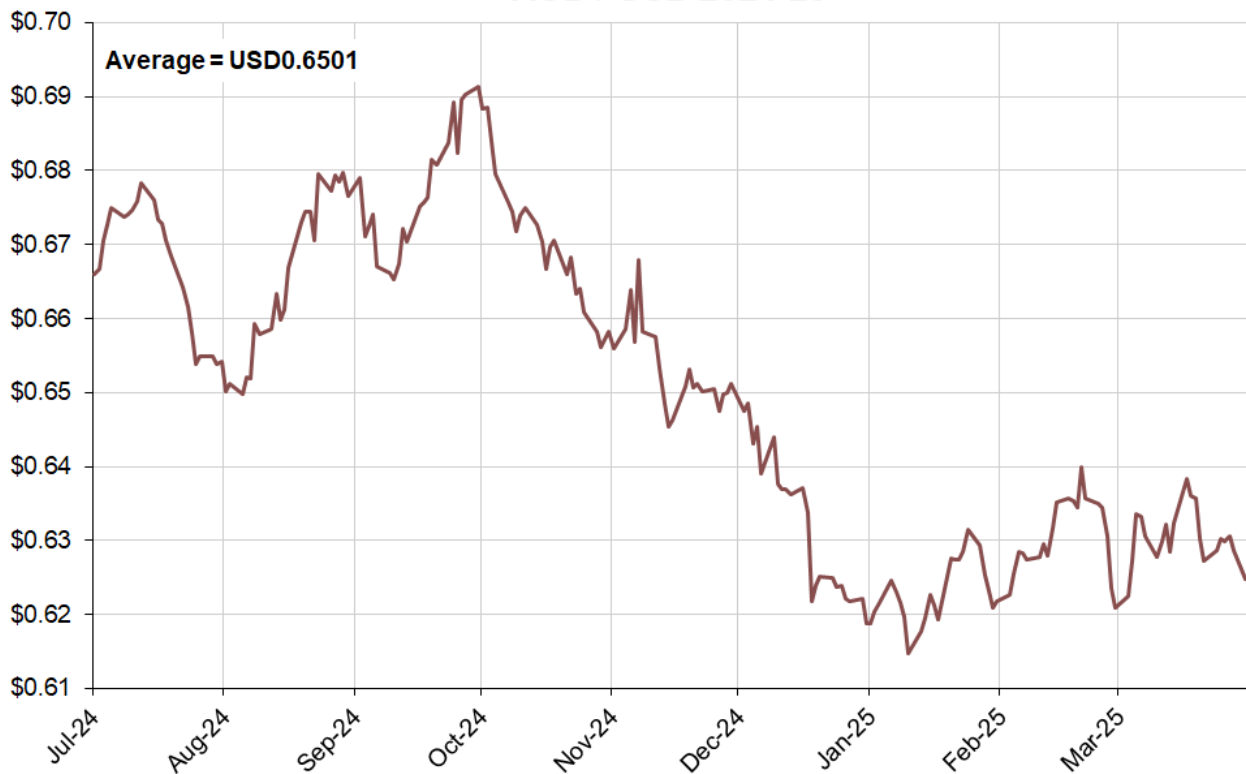
The commodity price indices published by the RBA and US Commodity Research Bureau picked up in March, but this masks diverse trends of individual commodities. The gold price continued to establish new record highs in March, both in the USD and AUD terms, benefitting from a rise in global uncertainty. Oil prices also rose in March, despite OPEC+ proceeding with tapering of its supply cuts, amid fresh sanctions and other measures against Iran, Russia and Venezuela. At the same time, concerns over the Chinese economic outlook, underpinned by ongoing sluggishness in activity data, translated into a decline in iron ore futures in March.

Commodity AUD	31-Mar-25	MoM (%)	YoY (%)
CRB Index	495.6	1.9%	11.3%
RBA Commodity Price Index	95.6	13.1%	12.9%
Brent Crude	\$119.76	1.6%	-11.6%
Singapore Gasoil 10 ppm	\$140.28	-2.1%	-12.2%
Gold	\$5,004.92	8.7%	46.3%
Singapore Iron Ore Futures (62% Fe)	\$161.82	-2.7%	6.5%
Nickel	\$25,505.53	2.6%	-0.7%
Copper	\$15,558.40	3.2%	14.4%
Aluminium	\$4,058.64	-3.3%	13.2%

## AUD / USD March 2025



## AUD / USD 2024-25



01 April 2025