

Conditions were ripe for a run up in the Australian dollar during July, with the currency rising to its highest level against the USD since early 2019 as iron ore and gold prices rose, AUD interest rate differentials with the USD widening and the USD index falling to its lowest level in over two years. The Australian dollar trade-weighted index closed the month at its highest level since December 2018.

Central Fair Value	Present Rate	Fair Value Band
0.7400	0.7143	0.7800 – 0.7000

The AUD traded between USD0.6915 and USD0.7195 on a close of day basis in July, and averaged USD0.7035 before closing the month at USD0.7143. The AUD/USD 2-year Treasury bond spread opened July at +10 basis points and averaged +11 before closing the month at +16.

The RBA maintained its cash rate target at 0.25% and its target for the 3-year Australian government bond yield also at 0.25%. With the bond market functioning well and the 3-year yield remaining around target, the RBA has kept its bond holdings unchanged at A\$51.35 billion since the 6 May. The RBA Board has said that it is prepared to scale up purchases again if necessary.

Elsewhere, central bank policy interest rates remain at record lows with the ECB maintaining a negative deposit rate. The major global central banks continue to purchase bonds and other assets in support of the economy and financial markets.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.7143	0.7195	0.6915	3.5%	0.7195	0.5743
AUD/EUR 	0.6065	0.6184	0.6065	-0.7%	0.6259	0.5290
AUD/GBP 	0.5459	0.5607	0.5459	-2.2%	0.5640	0.4887
AUD/JPY 	75.59	76.52	74.30	2.3%	76.52	62.41
AUD/CNY 	4.9983	5.0183	4.8663	3.0%	5.0183	4.0989

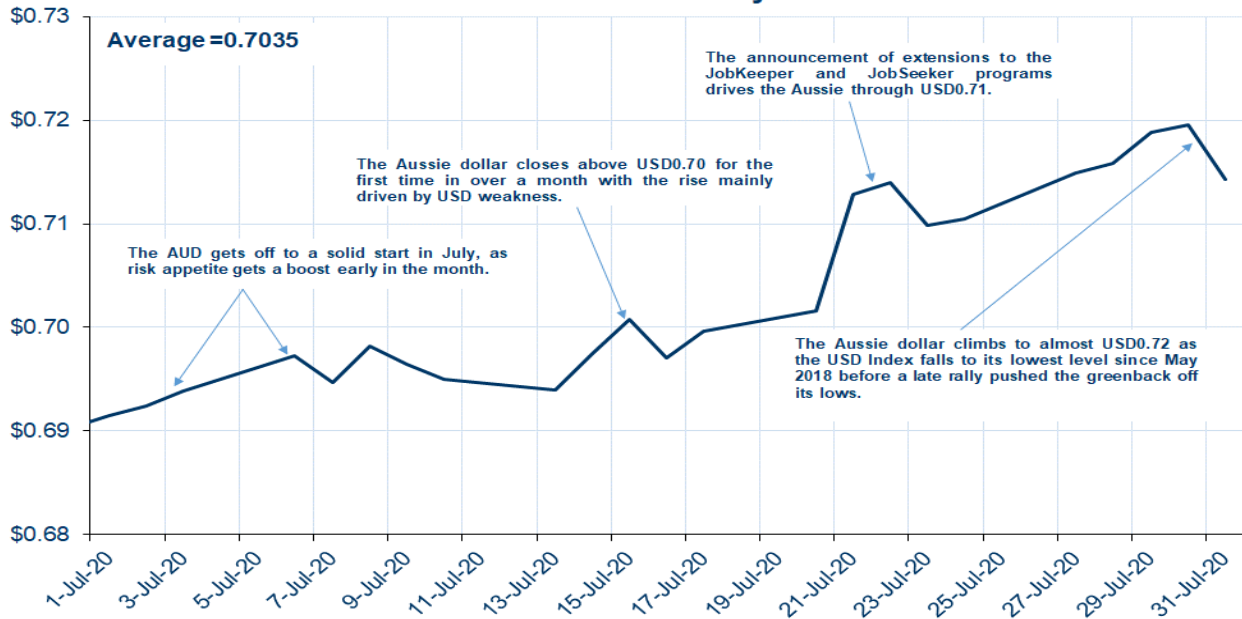
The AUD averaged USD0.7035 in July after averaging USD0.6902 in June, USD0.6518 in May, USD0.6311 in April and USD0.6215 in March. The AUD averaged USD0.6714 in 2019/20 after averaging USD0.7153 in 2018/19.

Our simple model is showing a fair value estimate for the AUD / USD exchange rate of around USD0.7400 as a result of the major components moving in a direction supportive of the Aussie dollar. Given the high degree of uncertainty, this could easily reverse over the next month.

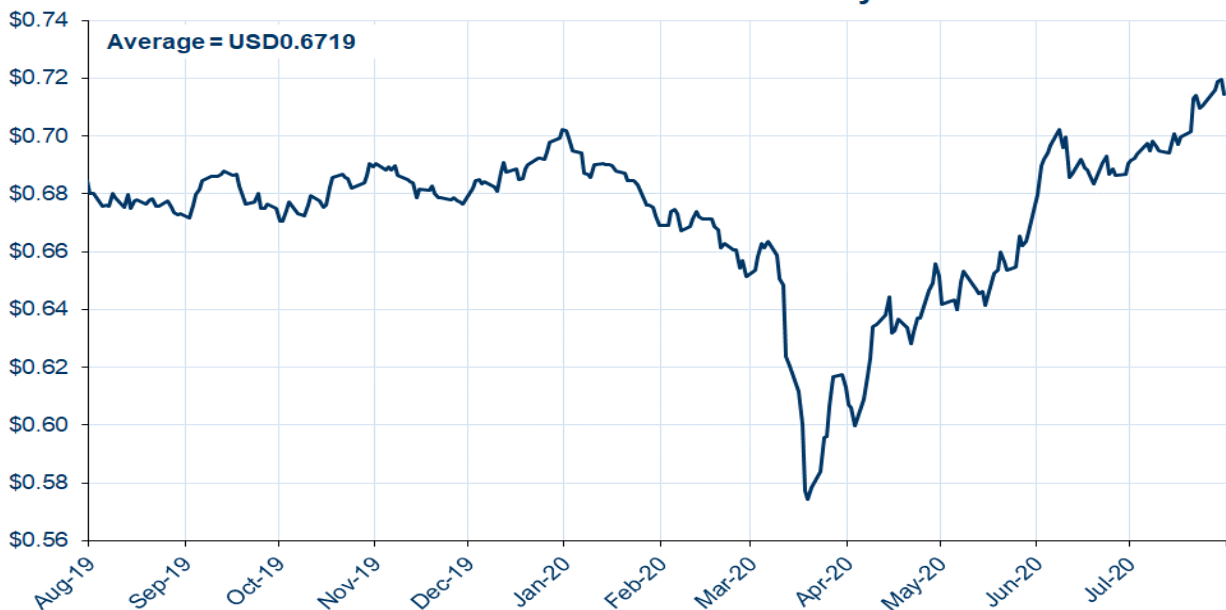
Commodity prices were mainly higher in July. Gold climbed to a record high against the USD, closing the month at US\$1,975.86 / oz. Gold was also strong in Aussie dollar terms, closing the month only a little below its all-time close of day high of A\$2,768.05 / oz recorded on 24 March. Iron ore prices posted another strong increase during July to hit the highest level in almost a year as Chinese demand remained strong.

Commodity AUD	31-Jul-20	MoM (%)	YoY (%)
CRB Index	201.1	0.4%	-22.5%
Brent Crude	\$59.91	0.9%	-35.7%
Singapore Gasoil 10 ppm	\$69.00	0.7%	-41.2%
Gold	\$2,764.99	7.0%	34.6%
Singapore Iron Ore Futures (62% Fe)	\$150.62	5.4%	-10.9%
Nickel	\$19,291.91	3.8%	-8.4%
Copper	\$8,974.25	2.8%	4.2%
Aluminium	\$2,397.84	2.0%	-8.3%

**AUD / USD July 2020**



**AUD / USD 12 Months to 31 July 2020**



**3 AUGUST 2020**

**DISCLAIMER**

Any opinions, judgments, conclusions, forecasts, predictions or estimations contained in this advice are made in reliance on information provided to Western Australian Treasury Corporation which Western Australian Treasury Corporation believes to be reliable. Western Australian Treasury Corporation, however, cannot guarantee the accuracy of that information. Thus, any recommendations are made in good faith but are provided only to assist you with any decisions which you make. These recommendations are not intended to be a substitute for professional advice on a particular matter. Before accepting or rejecting those recommendations you must discuss your particular needs and circumstances with Western Australian Treasury Corporation.

Head Office: Level 12, 225 St Georges Terrace, Perth WA 6000  
 Postal Address: PO Box 7282, Perth Cloisters Square WA 6850

Phone: (+61) 8 9235 9100  
 Facsimile: (+61) 8 9235 9199

Email: [watc@watc.wa.gov.au](mailto:watc@watc.wa.gov.au)  
 Website: [www.watc.wa.gov.au](http://www.watc.wa.gov.au)