

The Australian dollar gave up some of the big gains it made in March, sliding against most of the major currencies, as financial market volatility rose sharply.

The fall against the USD was particularly sharp, with the Aussie posting its biggest monthly decline against the greenback since March 2020. The magnitude of the fall was mainly driven by greenback strength rather than excessive Aussie dollar weakness. The USD Index, which values the greenback against a basket of major currencies, climbed to its highest level since 2002 on 28 April before slipping back a little on the last trading day of the month.

The Japanese yen remained very soft during most of April, with the AUD rising to a near seven-year high before the selloff on financial markets toward the end of the month drove the Aussie dollar lower and the yen a little higher.

Model Expected Value	Present Rate	Expected Value Band
0.7050	0.7061	0.7250 – 0.6850

The AUD traded between USD0.7061 and USD0.7579 on a close-of-day basis in April and averaged USD0.7300 before closing at USD0.7061. The AUD/USD 2-year Treasury bond spread opened the month at -53pts and narrowed to as low as -13pts before widening again to close April at -26pts.

The RBA Board kept the cash rate target at 0.10% at its April meeting and continues to pay zero interest on the A\$429 billion of exchange settlement balances that have accumulated at the central bank. The Board made a major change to its forward guidance, dropping the reference to being patient in its assessment of the inflation outlook and instead saying it would make a decision on monetary policy based on inflation and wages data due over the coming months. With Q1 inflation coming in well and truly above expectations, money market traders have decided that there is no need for the RBA to wait and have moved to price in a 15 basis point cash rate increase at the RBA Board meeting on 3 May. If that's the case there will be two policy announcements at the meeting, with the RBA already saying after its February meeting that May will be the time it makes an announcement on its plans for quantitative tightening.

A series of cash rate increases are priced in for this year and next, with the cash rate futures market currently pricing in a 2.50% cash rate by the end of 2022 and 3.25% by the middle of 2023.

Elsewhere, the US Federal Reserve is expected to raise the fed funds rate corridor by 50bps to 0.75%-1.00% at the FOMC meeting on 3-4 May, with a 2.75% fed funds rate priced in for the end of 2022. The ECB is also expected to start raising interest rates in the second half of the year.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.7061	0.7579	0.7061	-5.6%	0.7844	0.6988
AUD/EUR 	0.6697	0.6948	0.6697	-1.0%	0.6948	0.6814
AUD/GBP 	0.5616	0.5796	0.5616	-1.4%	0.5796	0.5217
AUD/JPY 	91.65	95.28	90.63	0.6%	95.28	78.37
AUD/CNY 	4.6896	4.8450	4.6681	-1.4%	5.0498	4.4463

The AUD averaged USD 0.7361 in April after averaging USD 0.7376 in March, USD0.7168 in February and USD 0.7175 in January. The AUD has averaged USD0.7300 over the first 10 months of 2021/22 after averaging USD0.7471 in 2020/21.

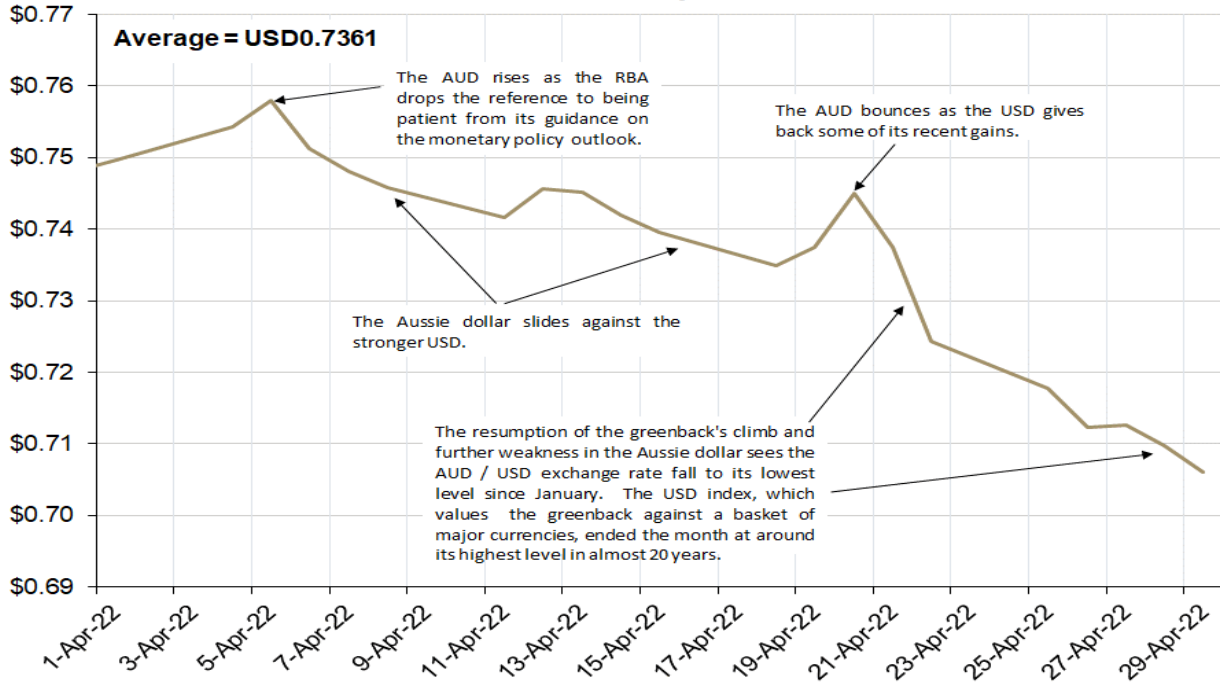
Commodity prices rose again in April, with food and energy seeing the strongest price increases as Russia's invasion of Ukraine continues to weigh on the supply outlook, with Europe looking to end its reliance on Russian energy supplies by the end of the northern hemisphere summer. The Aussie dollar price for Singapore gasoil closed the month at a record high. Iron ore prices eased but remain supported by expectations for increased Chinese infrastructure spending.

Commodity AUD	30-Apr-22	MoM (%)	YoY (%)
CRB Index	435.2	10.5%	68.0%
RBA Commodity Price Index	153.1	1.7%	39.1%
Brent Crude	\$150.45	5.8%	74.4%
Singapore Gasoil 10 ppm	\$223.85	26.7%	137.7%
Gold	\$2,677.76	3.6%	16.7%
Singapore Iron Ore Futures (62% Fe)	\$206.52	-2.2%	-13.5%
Nickel	\$44,848.96	4.7%	95.7%
Copper	\$13,790.94	-0.4%	8.2%
Aluminium	\$4,309.01	-7.5%	38.6%

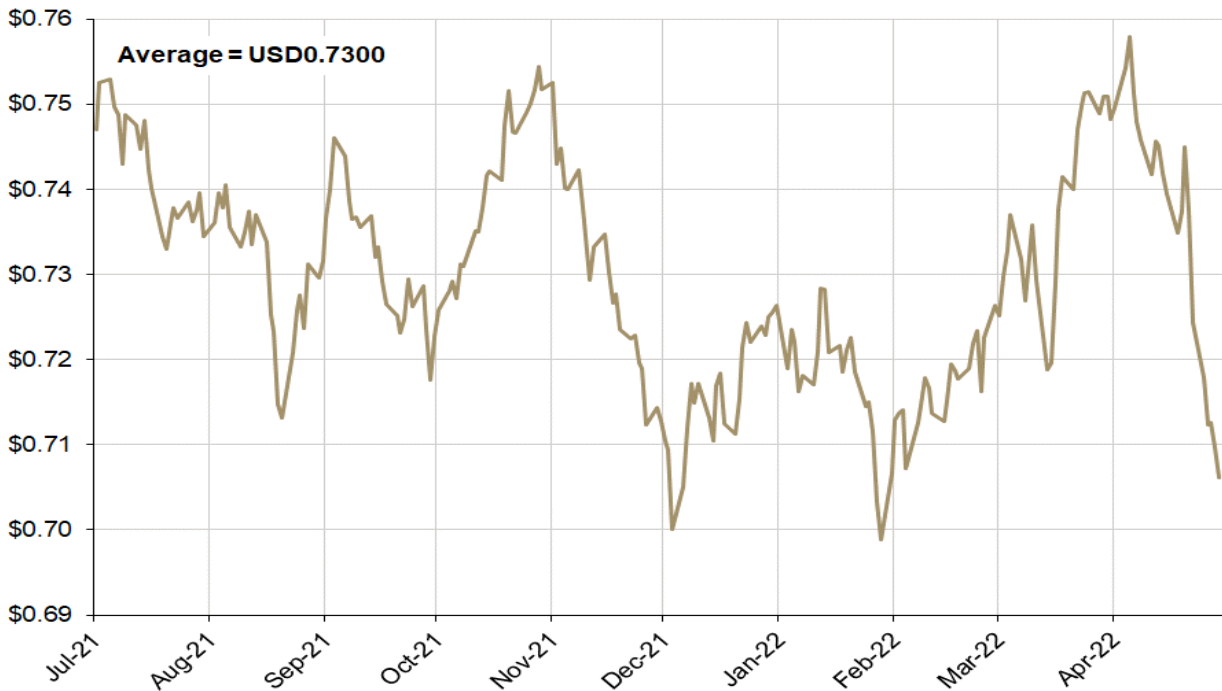
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AUD / USD April 2022



AUD / USD 2021/2022



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