


The Australian dollar had a soft start to December, falling to its lowest level since mid-2020 early in the month as concerns over the spread of the Omicron variant of SARS-CoV-2 drove a selloff in risk assets. The currency soon climbed again, as the RBA signalled that its bond buying program could be brought to an end as early as February 2022, should the Aussie economic data remain strong. A further strong increase toward the end of the month saw the AUD/USD exchange rate close December at a six-week high.

The Aussie also strengthened against most of the remainder of the G10 currency basket, with the Norwegian krone the only member to see a bigger rise.

Central Model Value	Present Rate	Expected Value Band
0.7500	0.7263	0.7275 – 0.77

- The AUD traded between USD0.7001 and USD0.7263 on a close of day basis in December and averaged USD0.7163 before closing at its monthly high of USD0.7263. The AUD/USD 2-year treasury bond spread opened December at +7pts and fell to as low as -19pts on 29 December, as US treasury yields rose on increased expectations for Fed rate hikes in 2022, before narrowing a little to close the month at -14pts.
- The RBA cash rate target remains at 0.10% and the Bank continues to pay zero interest on the A\$427 billion of exchange settlement balances that have accumulated at the central bank. The RBA has abandoned the explicit guidance that a cash rate increase is unlikely before 2024 and appears to have shifted its central scenario for the likely timing of a cash rate increase to 2023. The market continues to price in a more aggressive tightening scenario and is currently pricing in a 0.75% cash rate by the end of 2022.
- The RBA continues to purchase bonds at the rate of A\$4 billion a week and purchased \$14.0 billion of Commonwealth and semi-government bonds under its quantitative easing program in December, including A\$426 million in WATC bonds. As of the end of December, the RBA had purchased A\$261.5 billion of bonds under the quantitative easing program, including \$6.6 billion of WATC bonds. The RBA Board will discuss the future of this program, including its possible end, at its February meeting.
- Elsewhere, central bank policy interest rates remain near record lows, although several central banks have either already commenced tightening policy or are soon to start tightening. The US Federal Reserve announced that it will speed up the tapering of its QE program, which is now looking set to be wound up completely in March 2022. The first rate increase is expected to come soon after.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.7263	0.7263	0.7001	1.9%	0.7968	0.7001
AUD/EUR 	0.6390	0.6406	0.6190	1.7%	0.6548	0.6336
AUD/GBP 	0.5370	0.5431	0.5288	0.2%	0.5734	0.5240
AUD/JPY 	83.68	83.68	78.95	3.8%	85.94	78.37
AUD/CNY 	4.6117	4.6320	4.5283	1.1%	5.1428	4.4763

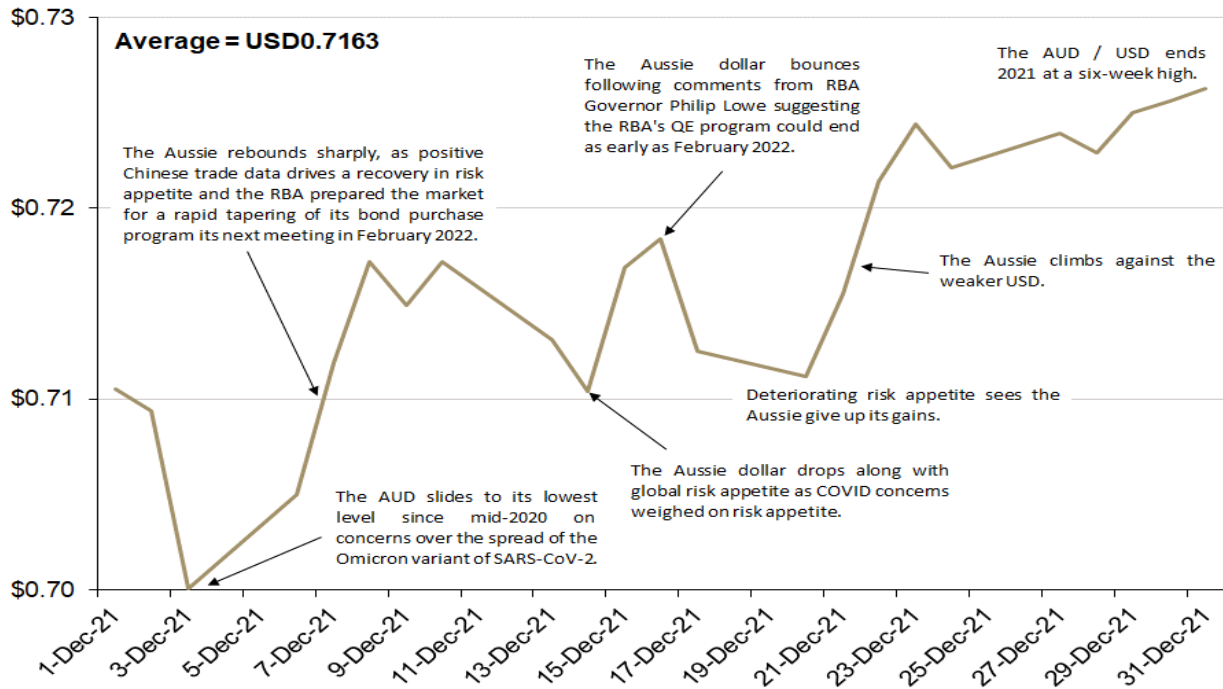
- The AUD averaged USD 0.7163 in December after averaging USD0.7301 in November, USD0.7407 in October and USD0.7319 in September. The AUD has averaged USD0.7317 for the first six months of 2021/22 after averaging USD0.7471 in 2020/21.
- The RBA's commodity price index, which is an indicator of prices received by Australian commodity exporters, posted its second monthly increase in a row with petroleum and iron ore prices seeing strong increases during the month.

Commodity AUD	31-Dec-21	MoM (%)	YoY (%)
CRB Index	319.3	3.5%	46.4%
RBA Commodity Price Index	135.7	3.3%	28.5%
Brent Crude	\$106.45	8.4%	60.1%
Singapore Gasoil 10 ppm	\$123.54	11.2%	66.3%
Gold	\$2,513.67	0.6%	1.9%
Singapore Iron Ore Futures (62% Fe)	\$166.37	15.6%	-19.2%
Nickel	\$28,524.12	1.8%	32.1%
Copper	\$13,357.84	0.5%	32.3%
Aluminium	\$3,858.05	4.4%	50.0%

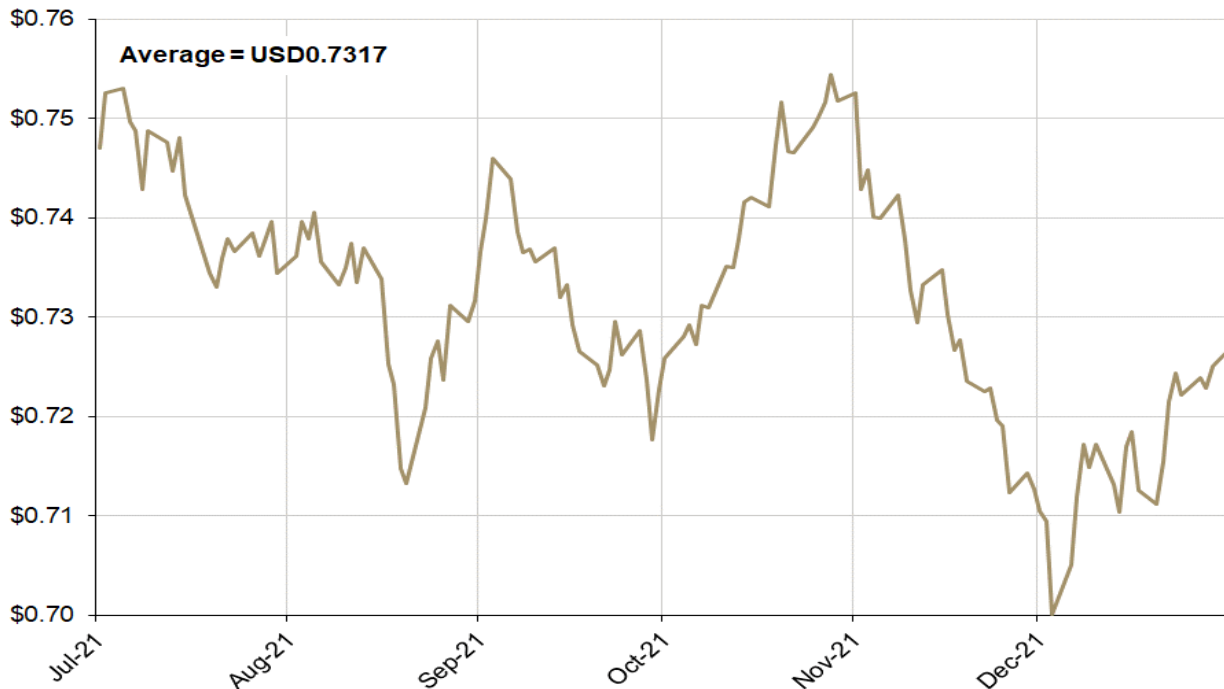
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AUD / USD December 2021



AUD / USD 2021/2022



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