

The AUD rose against almost all members the G10 currency basket in July, behind the Japanese yen and Norwegian krone. The Aussie's climb came on the back of a rebound in risk appetite that saw the global equities have their best month since 2020.

The Aussie dollar bounced against the USD in July, regaining some of the sharp June losses. Ongoing concerns over the impact of the zero-COVID policy on the Chinese economy and a surge in the USD, helped push the AUD / USD exchange rate to a two-year low on 11 July. However, signs of weakening in the US economy put downward pressure on the USD over the last half of the month, driving the Aussie to a near six-week high by month end.

The USD dollar index hit a fresh 20-year high around the middle of July, but has since dropped away to be one of the weaker members of the G10 basket, ahead of only the euro and the British pound. The euro weakened sharply the first half of June, and briefly fell to parity with the USD, before regaining some ground later in the month.

Model Expected Value	Present Rate	Expected Value Band
0.7025	0.6895	0.6850 – 0.7200

The AUD traded between USD0.6734 and USD0.6992 on a close-of-day basis in July and averaged USD0.6860 before closing the month at USD0.6985. The AUD/USD 2-year Treasury bond spread opened July at -32pts and moved to -66pts in the middle of the month as expectations for US interest rate increases rose sharply, however, the spread declined again to close the month at -45 as US rate hike expectations were again revised lower.

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 \$456 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 won't return to the target until the first half of 2024, however, the RBA forecasts will be updated this week. 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 early 2023, with the cash rate futures market currently pricing in a 2.95% cash rate by the end of 2022 and 3.25% by March 2023.

Elsewhere, the US Federal Reserve raised the fed funds rate corridor by 75bps to 2.25%-2.50% at the FOMC meeting in July, with a 3.25% fed funds rate priced in for the end of 2022. The ECB increased interest rates by 50 basis points in July, including increasing its deposit facility rate from -50% to zero.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.6985	0.6992	0.6734	1.2%	0.7579	0.6734
AUD/EUR 	0.6834	0.6857	0.6537	3.8%	0.6948	0.6735
AUD/GBP 	0.5739	0.5780	0.5635	1.2%	0.5796	0.5217
AUD/JPY 	93.12	95.53	92.17	-0.6%	96.54	78.37
AUD/CNY 	4.7052	4.7071	4.5330	1.9%	4.8450	4.4463

The AUD averaged USD0.6860 in July after averaging USD0.7023 in June, USD0.7055 in May and USD 0.7361 in April. The AUD has averaged USD0.7210 over the past twelve months.

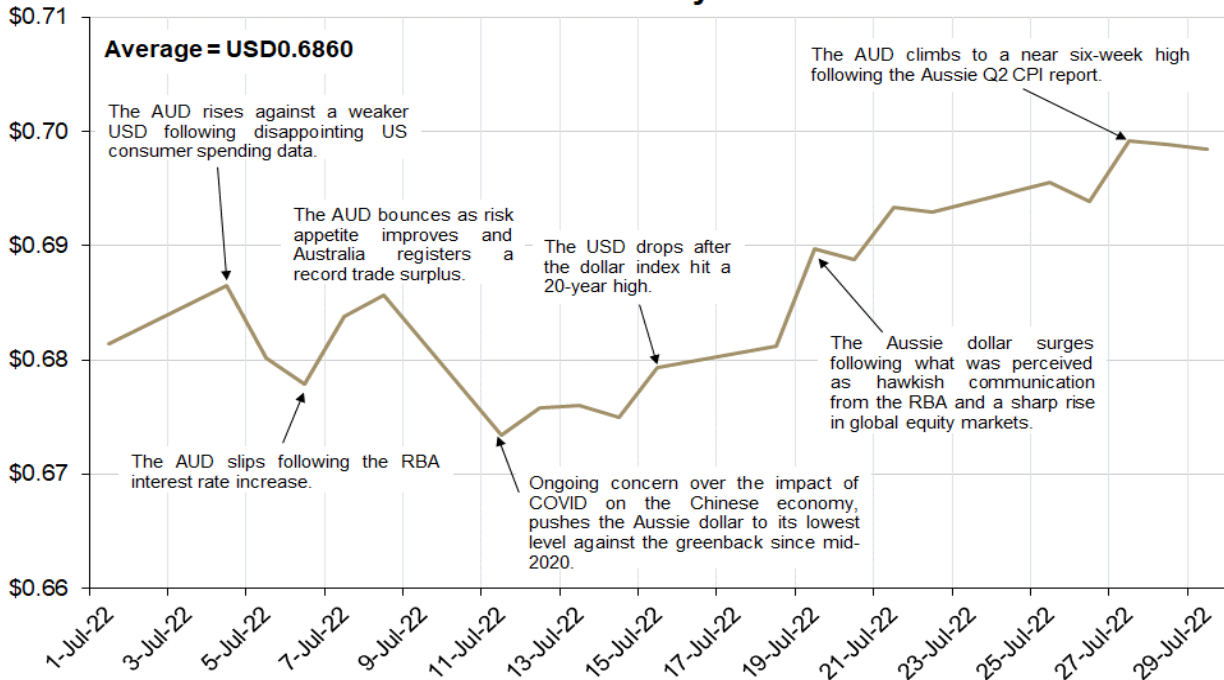
Commodity prices remained under downward pressure in July, amid increasing evidence that a global slowdown is underway and ongoing interest rate increases by central banks. The RBA commodity price index fell for the third month in a row in July, bringing the cumulative losses to 10.3% since the record high recorded in April. Petroleum products have been particularly hard hit by concerns over falling demand. Iron ore futures prices fell sharply over the first half of July but recovered some lost ground late in the month.

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%

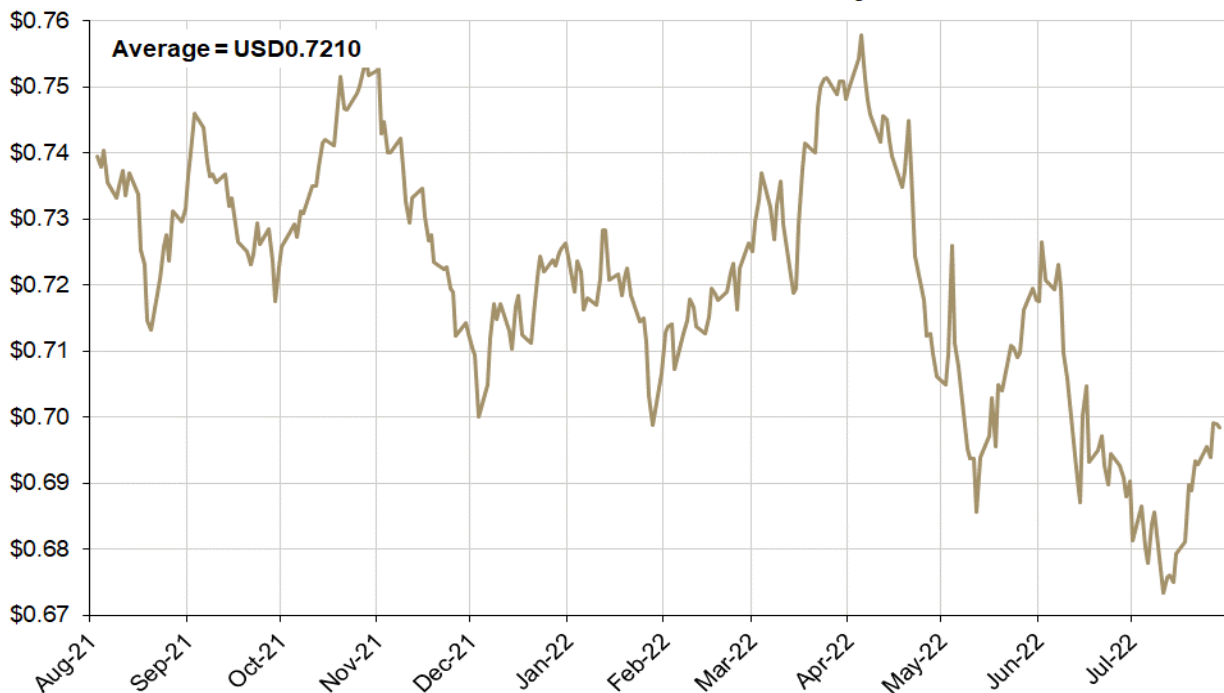
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**AUD / USD July 2022**



**AUD / USD 12 months to 31 July 2022**



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