

January 2025 FX Markets Monthly Review

Month in review

Key developments

- The Australian Dollar fell to a low of 0.6131 on 13th January, its lowest level since April 2020 before recovering slightly to end the month at 0.6237.
- The Bank of Japan raised its key policy rate to 0.5%, the highest level in 17 years.
- FX market volatility increased during the month due to headlines surrounding Trump's proposed tariffs.

Australian Dollar (AUD)

The AUD exchange rate appreciated by 0.3 per cent in January, however, it has now fallen around 10 per cent from a peak of 0.6942 in September. The rapid decline has been fuelled by shifts in monetary policy and interest rate outlooks between Australia and the US. Also weighing on the AUD are concerns about how China, Australia's largest trading partner, will react to Trump's tariff policies. Specifically, should China react with like for like tariff hikes or other trade restrictions on US exports, we could see US-China trade war escalate quickly. In this environment, the AUD is likely to come under further market pressure.

US Dollar (USD)

The US Dollar was mixed against the major currency pairs, however, was particularly stronger against the Canadian Dollar (CAD). The USD has risen sharply since US Presidential election in November, in large part because FX markets expect that Trump's trade policies (if enacted) will keep US interest rate elevated, given related inflationary pressures from trade tariffs. Additionally, the USD found support from the US Federal Reserve signalling that monetary policy is on hold and the timing of the next interest rate cut has been likely pushed back from March to June.

Euro (EUR)

The EUR exchange rate was largely unchanged in January. The European Central Bank (ECB) cut rates by 25-basis-points in January as expected and markets are pricing in a further 3 rate cuts this year. This reflects increasing market concerns about the EU economic outlook.

Great British Pound (GBP)

The GBP exchange rate depreciated by 1.0 per cent in January. Rate differentials continue to weigh on the pound, with markets currently pricing in an 98% chance of a Feb rate cut and nearly three quarter-point rate cuts in total this year. The GBP has been the worst performing G10 currency against the US dollar this year as stagflation concerns become starker. Recent UK economic data has exacerbated market fears about the risks of low growth and higher prices.

Japanese Yen (JPY)

The JPY appreciated by 1.4 per cent in January. The Bank of Japan raised its key policy rate to 0.5%, the highest level in 17 years. This marks a big divergence in comparison to market expectations that the Federal Reserve will lower borrowing costs at least two times by the end of this year amid signs of abating inflationary pressures in the US.

Other notable developments

The international economic and political climate is still highly uncertain, and the implications of the new Trump Administration are continuing to dominate markets. Trump's tariff talk is causing ongoing volatile trading conditions in FX markets.

Market data

	SPOT RATE	ONE MONTH % CHANGE	ONE YEAR % CHANGE
AUSTRALIAN DOLLAR			
AUD/USD	0.6237	0.31%	-5.63%
AUD/EUR	0.6001	0.42%	-1.40%
AUD/JPY	96.59	-1.06%	-0.10%
AUD/GBP	0.5022	1.35%	-3.28%
AUD/NZD	1.1035	0.08%	2.74%
AUD/CAD	0.9035	1.25%	2.26%
AUD/CHF	0.5668	0.92%	-0.10%
AUD/SEK	6.8955	0.55%	0.91%
AUD/HKD	4.8599	0.67%	-5.94%
AUD/SGD	0.8455	0.03%	-4.31%
AUD/INR	53.98	1.20%	-1.64%
AUD/KRW	906.32	-0.86%	2.98%
AUD/TWD	20.50	0.46%	-0.57%
AUD/IDR	10160	0.73%	-2.44%
AUD/CNY	4.4825	-1.24%	-4.40%
MAJOR CURRENCIES			
EUR/USD	1.0394	-0.11%	-4.29%
GBP/USD	1.2419	-1.03%	-2.43%
USD/JPY	154.86	-1.37%	5.87%
USD/CHF	0.9088	0.61%	5.86%
USD/CNY	7.1868	-1.54%	1.30%

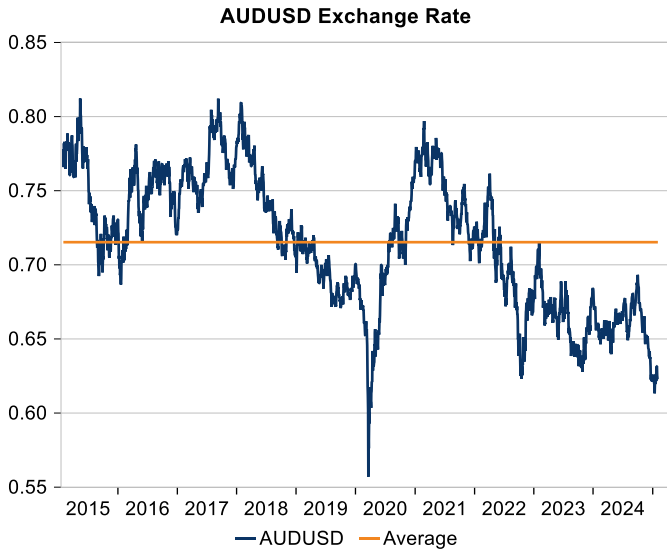
Central bank policy rates

	CURRENT RATE	ONE MONTH CHANGE	ONE YEAR CHANGE
Reserve Bank of Australia	4.35%	0 bps	0 bps
US Federal Reserve	4.50%	0 bps	-100 bps
European Central Bank	2.75%	-25 bps	-125 bps
Bank of England	4.75%	-25 bps	-50 bps
Bank of Japan	0.50%	25 bps	60 bps
Reserve Bank of New Zealand	4.25%	0 bps	-125 bps

Prices sourced from Macrobond and are correct at the time of publication

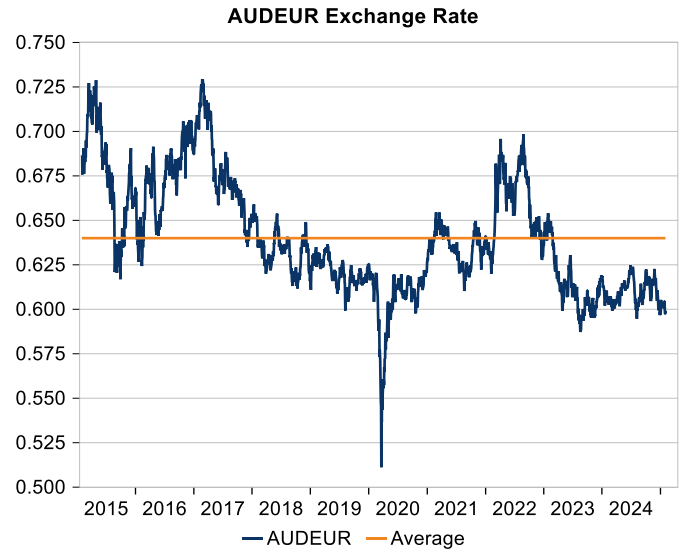
Foreign Exchange Market Charts

AUD/USD



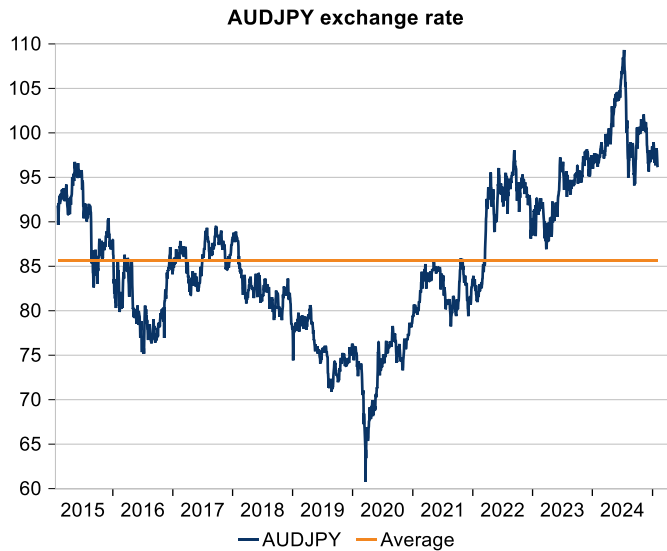
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/EUR



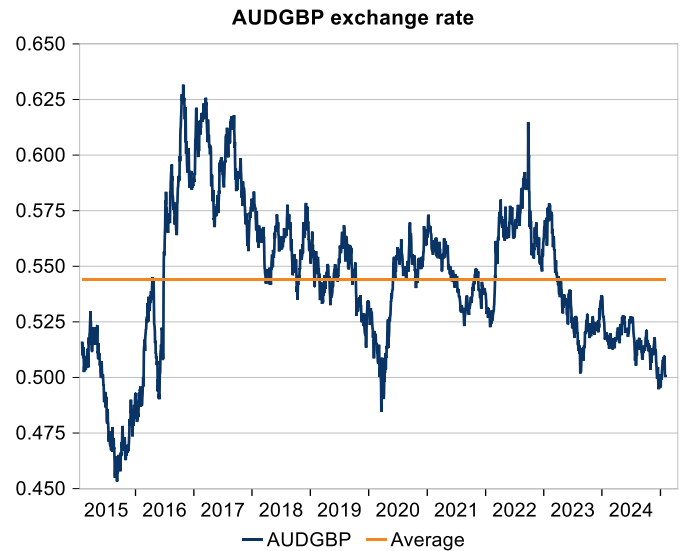
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/JPY



Source: Reserve Bank of Australia, QTC, Macrobond

AUD/GBP



Source: Reserve Bank of Australia, QTC, Macrobond

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