

June FX Markets Monthly Review

Month in review

Key developments

- The Australian Dollar reached a high of 0.6900 around mid-month, before reversing some of its gains to end the month trading around 0.6650.
- The Bank of England raised interest rates by 50-basis points to 5.00 per cent as inflation in the UK remains stubbornly high.
- The US Dollar strengthened against Japanese Yen and Chinese Yuan but weakened against the Euro and Pound Sterling.

Australian Dollar (AUD)

The AUD/USD exchange rate appreciated by 2.8 per cent during the month. This despite markets remaining concerned that global growth momentum is slowing following an aggressive monetary policy tightening cycle by the major central banks to contain inflation. This has been weighing on the AUD, as has interest rate differentials still favouring USD over AUD, as outlined in the below central bank policy rates table below.

US Dollar (USD)

The US Dollar was mixed in June, recording gains against the JPY and CNY but weakening against the EUR and GBP. The Federal Reserve's Chair Powell continues to retain his more hawkish bias noting in a recent speech that *'at least two interest-rate increases are likely necessary this year to bring inflation rate down to Fed's 2% target and that acting at consecutive policy meetings isn't off the table'*. Markets will be closely monitoring incoming US economic data to assess the probability of back-to-back rate increases.

Euro (EUR)

The EUR/USD exchange rate appreciated 2.3 per cent over the month. Euro area manufacturing activity (as measured by the S&P Global PMIs) fell to a two-year low in June, raising market concerns that the European economy is slowing more than it had expected. Despite this, recent communication from European Central Bank officials suggests that inflation in the euro area remains too high and additional monetary policy adjustments should be expected.

Great British Pound (GBP)

The GBP/USD exchange rate appreciated by 2.6 per cent in June. At its latest meeting, the Bank of England raised interest rates by 50-basis points to 5.00 per cent. The UK's headline inflation rate is running at 8.7 per cent year-on-year, notably above the Bank's two per cent target, which in turn helped to prompt the 50-basis point move.

Japanese Yen (JPY)

The JPY weakened to its lowest level against the USD since November 2022. This move triggered some comments from Japan's Finance Minister about excessive Yen weakness and that the Japanese government will respond to any one-sided Yen moves.

Market data

	SPOT RATE	ONE MONTH % CHANGE	ONE YEAR % CHANGE
AUSTRALIAN DOLLAR			
AUD/USD	0.6655	2.83%	-7.21%
AUD/EUR	0.6100	0.48%	-8.87%
AUD/JPY	96.20	6.39%	4.27%
AUD/GBP	0.5235	0.25%	-8.03%
AUD/NZD	1.0863	0.60%	-1.45%
AUD/CAD	0.8807	0.12%	-2.92%
AUD/CHF	0.5955	0.67%	-13.36%
AUD/SEK	7.1893	2.08%	2.45%
AUD/HKD	5.2156	2.95%	-7.31%
AUD/SGD	0.9008	2.72%	-8.40%
AUD/INR	54.61	2.02%	-1.93%
AUD/KRW	876.74	2.22%	-1.52%
AUD/TWD	20.74	4.29%	-0.25%
AUD/IDR	10004	3.04%	-4.18%
AUD/CNY	4.8275	4.97%	0.93%
MAJOR CURRENCIES			
EUR/USD	1.0910	2.33%	1.82%
GBP/USD	1.2713	2.57%	0.89%
USD/JPY	144.55	3.46%	12.38%
USD/CHF	0.8948	-2.10%	-6.63%
USD/CNY	7.2538	2.08%	8.78%

Central bank policy rates

	CURRENT RATE	ONE MONTH CHANGE	ONE YEAR CHANGE
Reserve Bank of Australia	4.10%	25 bps	350 bps
US Federal Reserve	5.25%	0 bps	425 bps
European Central Bank	3.50%	25 bps	375 bps
Bank of England	5.00%	+50 bps	+375 bps
Bank of Japan	-0.10 %	-	-
Reserve Bank of New Zealand	5.50%	+25 bps	+350 bps

Market Data Source: *Macrobond*

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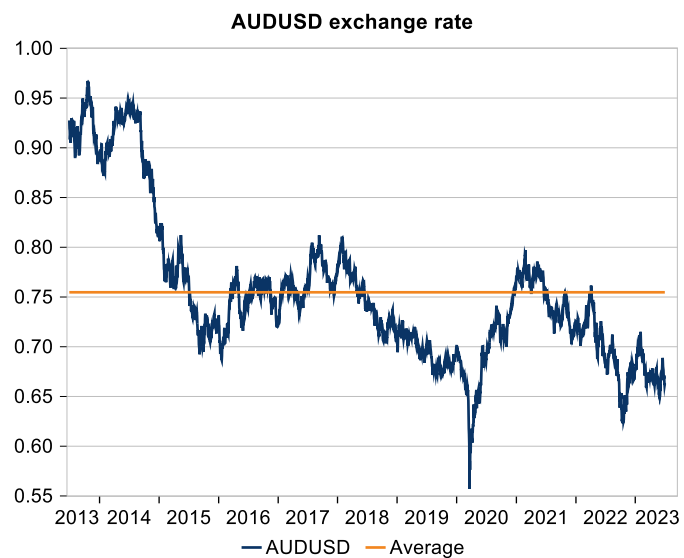
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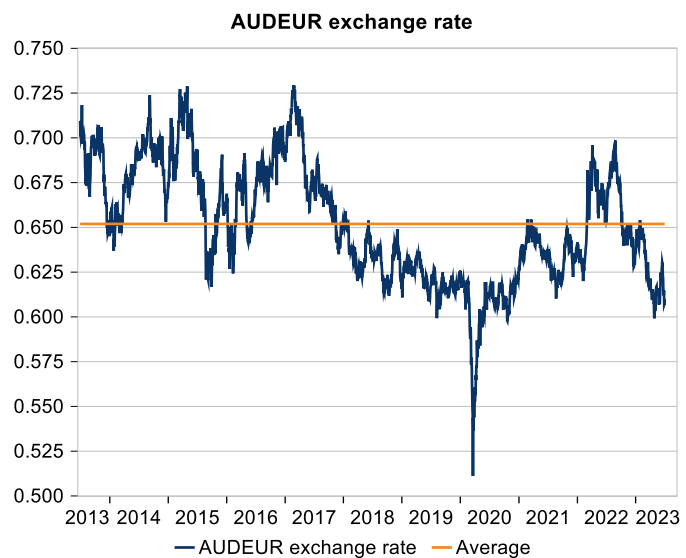
Foreign Exchange Market Charts

AUD/USD



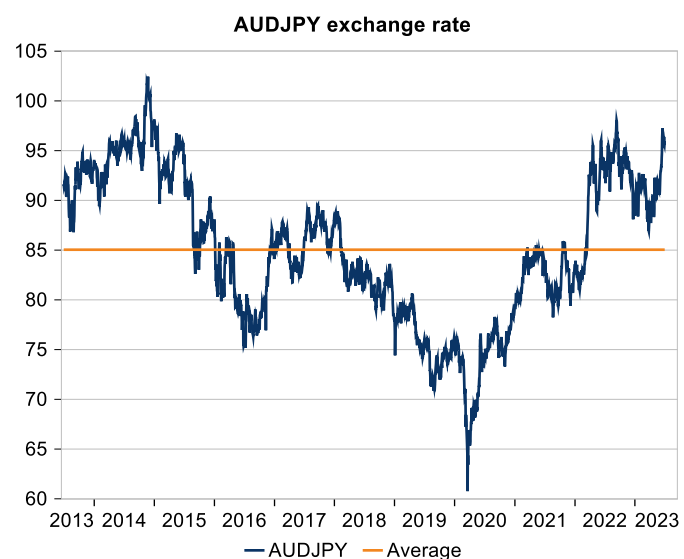
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/EUR



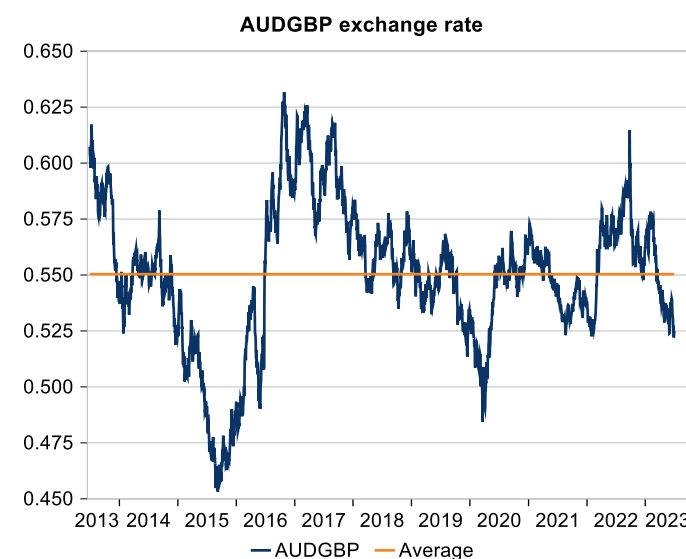
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/JPY



Source: Reserve Bank of Australia, QTC, Macrobond

AUD/GBP



Source: Reserve Bank of Australia, QTC, Macrobond

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