

July FX Markets Monthly Review

Month in review

Key developments

- The Australian Dollar continued to trade within its recent trading range during July, before ending the month a little higher at 0.6738.
- The US Federal Reserve (Fed) raised its benchmark interest rate to its highest level in 22 years. Though despite this, the US Dollar weakened against most major currencies over the month.
- The Bank of Japan (BoJ) announced a tweak of their Yield Curve Control (YCC) policy but maintained the target of 0 per cent for the yield on the ten-year Japanese Government Bond.

Australian Dollar (AUD)

The AUD/USD exchange rate appreciated by 1.3 per cent during the month. Headline domestic Q2 2023 inflation data was marginally weaker than expected at 6 per cent year-on-year versus market expectations of 6.2 per cent year-on-year. This softer inflation print has prompted some market economists to suggest that the Reserve Bank of Australia could keep interest rates on hold at its August meeting.

US Dollar (USD)

The US Dollar was broadly lower against the major currencies in July. The Fed raised its benchmark rate (the Federal Funds Rate) by another 25-basis points to 5.50 per cent (upper bound), the highest level in 22 years. The Fed did acknowledge during its post-meeting press conference that policy adjustments are working to contain inflationary pressures, but they still had a long way to go to return inflation to its two per cent goal.

Euro (EUR)

The EUR/USD exchange rate appreciated 1.1 per cent over the month. The European Central Bank (ECB) delivered a downbeat assessment of the euro area economy during a press conference following its decision to hike its main refinancing rate by 25-basis points to 3.75 per cent. Specifically, the ECB noted that *'the near-term economic outlook for the euro area has deteriorated due to weaker domestic demand'*. This suggests the impact of tighter monetary policy in Europe is flowing through to aggregate demand.

Great British Pound (GBP)

The GBP/USD exchange rate appreciated 1.2 per cent in July. The GBP did trade at its highest level against the USD since April 2022 during the month but was not able to hold onto these gains following softer than expected economic data.

Japanese Yen (JPY)

The JPY strengthened 1.7 per cent against the USD on the month. The BoJ announced it would tweak its YCC policy framework to increase the allowable range for ten-year Japanese Government Bond yields to 1.0 per cent (up from the prior cap of 0.5 per cent). However, the ten-year yield curve target remained unchanged at 0 per cent.

Market data

	SPOT RATE	ONE MONTH % CHANGE	ONE YEAR % CHANGE
AUSTRALIAN DOLLAR			
AUD/USD	0.6738	1.25%	-2.02%
AUD/EUR	0.6112	0.20%	-7.11%
AUD/JPY	95.73	-0.49%	2.47%
AUD/GBP	0.5238	0.06%	-7.51%
AUD/NZD	1.0828	-0.32%	-2.09%
AUD/CAD	0.8869	0.70%	-0.01%
AUD/CHF	0.5843	-1.88%	-11.27%
AUD/SEK	7.0831	-1.48%	0.43%
AUD/HKD	5.2551	0.76%	-2.61%
AUD/SGD	0.8947	-0.68%	-6.52%
AUD/INR	55.42	1.48%	1.97%
AUD/KRW	859.93	-1.92%	-3.62%
AUD/TWD	21.20	2.20%	3.65%
AUD/IDR	10164	1.60%	-1.11%
AUD/CNY	4.8154	-0.25%	4.50%
MAJOR CURRENCIES			
EUR/USD	1.1024	1.05%	5.48%
GBP/USD	1.2863	1.18%	5.93%
USD/JPY	142.07	-1.72%	4.58%
USD/CHF	0.8672	-3.08%	-9.44%
USD/CNY	7.1465	-1.48%	6.65%

Central bank policy rates

	CURRENT RATE	ONE MONTH CHANGE	ONE YEAR CHANGE
Reserve Bank of Australia	4.10%	0 bps	325 bps
US Federal Reserve	5.50%	25 bps	350 bps
European Central Bank	3.75%	25 bps	400 bps
Bank of England	5.00%	0 bps	375 bps
Bank of Japan	-0.10%	0 bps	0 bps
Reserve Bank of New Zealand	5.50%	0 bps	350 bps

Market Data Source: *Macrobond*

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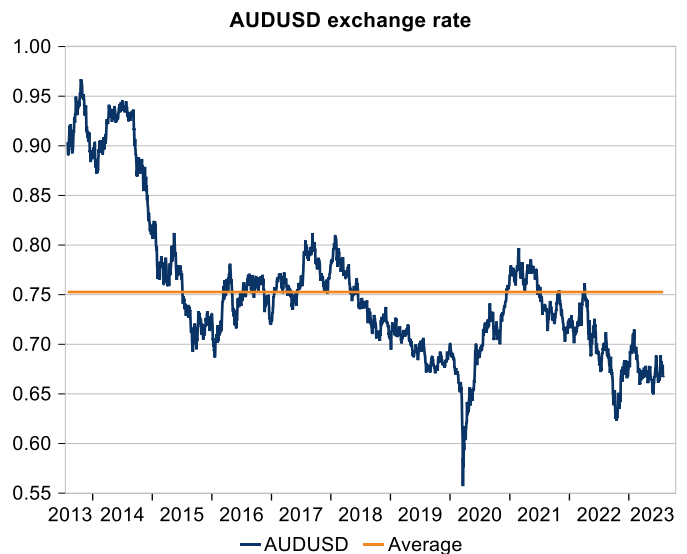
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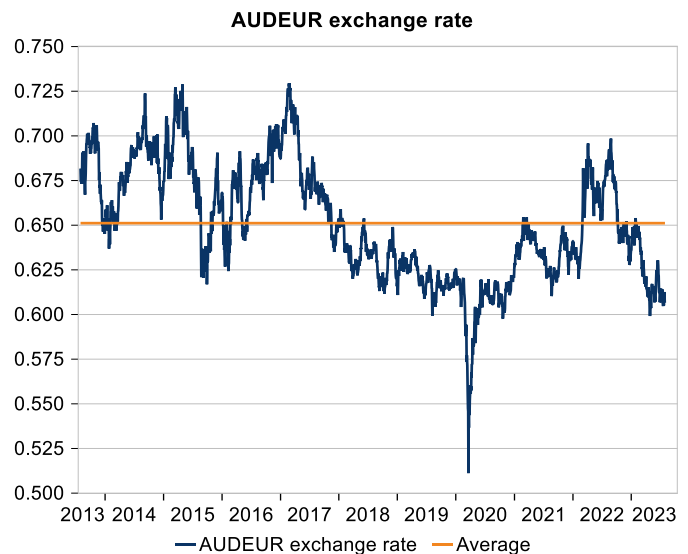
Foreign Exchange Market Charts

AUD/USD



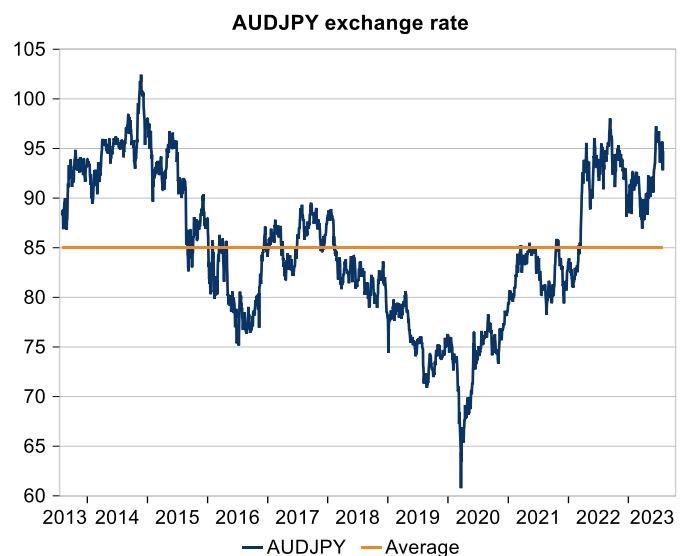
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/EUR



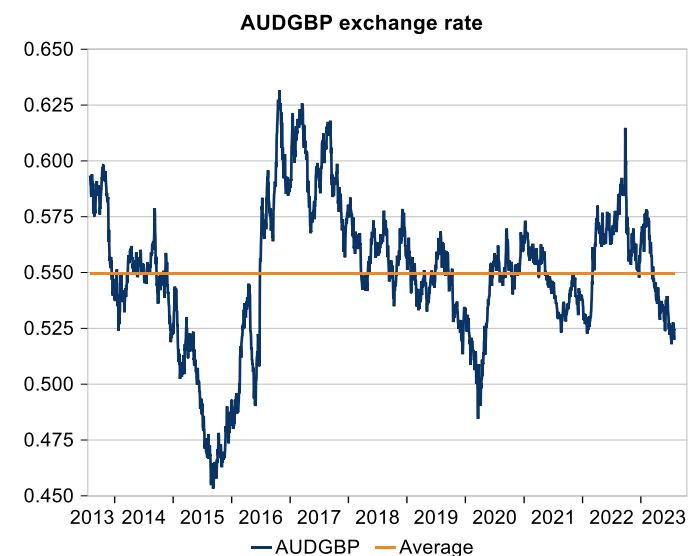
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/JPY



Source: Reserve Bank of Australia, QTC, Macrobond

AUD/GBP



Source: Reserve Bank of Australia, QTC, Macrobond

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