

August FX Markets Monthly Review

Month in review

Key developments

- The Australian Dollar fell to a three-month low of 0.6365 during August, before recovering to around 0.6470 by the end of the month.
- US Dollar strengthened against the major currencies over the month. The currency continues to benefit from the ongoing resilience of the US economy.
- Markets are watching for Bank of Japan (BoJ) intervention with the USD/JPY exchange rate above 145 Yen. Last year in October the BoJ intervened in FX markets when the exchange rate rose above 150 Yen.

Australian Dollar (AUD)

The AUD/USD exchange rate depreciated 3.9 per cent during the month. The ongoing weakness in the China property sector and the broader macroeconomic challenges for the Chinese economy continue to weigh on the AUD. In addition, there is little sign that the interest differentials between the US and Australia are likely to narrow any time soon, which has also added to the downside pressure on the AUD over recent months.

US Dollar (USD)

The US Dollar recorded strong gains against the major currencies in August, particularly against JPY and CHF. The USD is currently benefiting from the ongoing economic resilience of the US economy and high overnight cash rates following an aggressive monetary policy tightening cycle by the US Federal Reserve (the Fed). Moving forward, however, markets will be looking for any clues that the Fed has shifted to an easing cycle. If this occurs then this may remove one recent pillar of USD support (i.e., higher overnight interest rates).

Euro (EUR)

The EUR/USD exchange rate depreciated 1.6 per cent over the month. The Euro area economy continues to show signs of slowing growth, with the latest manufacturing and services PMI data printed at 42.7 and 48.3 respectively in August. A reading below 50 generally indicates contracting manufacturing and services sector activity. Softer economic activity has been a key factor driving EUR weakness during the month.

Great British Pound (GBP)

The GBP/USD exchange rate depreciated 1.53 per cent in August. Markets are currently pricing in two Bank of England rate hikes by the end of the year. If this pricing is correct, this could provide some underlying support for GBP over coming months.

Japanese Yen (JPY)

The JPY weakened 2.5 per cent against the USD on the month. FX markets will be attuned to potential BoJ intervention, with the JPY weakening to 147.55 at point during the month. Previously the BoJ intervened in FX markets to buy Japanese Yen and Sell US dollars was back into October or 2022 when the exchange rate rose above 150 Yen.

Market data

	SPOT RATE	ONE MONTH % CHANGE	ONE YEAR % CHANGE
AUSTRALIAN DOLLAR			
AUD/USD	0.6472	-3.94%	-7.23%
AUD/EUR	0.5967	-2.37%	-12.80%
AUD/JPY	94.26	-1.54%	1.08%
AUD/GBP	0.5110	-2.45%	-10.91%
AUD/NZD	1.0880	0.48%	-2.18%
AUD/CAD	0.8757	-1.26%	-2.02%
AUD/CHF	0.5720	-2.11%	-13.91%
AUD/SEK	7.0876	0.06%	-0.36%
AUD/HKD	5.0761	-3.41%	-7.30%
AUD/SGD	0.8745	-2.26%	-9.35%
AUD/INR	53.52	-3.43%	-3.31%
AUD/KRW	857.72	-0.26%	-5.88%
AUD/TWD	20.63	-2.70%	-1.63%
AUD/IDR	9853	-3.06%	-4.87%
AUD/CNY	4.6982	-2.43%	-0.20%
MAJOR CURRENCIES			
EUR/USD	1.0847	-1.61%	6.39%
GBP/USD	1.2666	-1.53%	4.13%
USD/JPY	145.63	2.50%	8.96%
USD/CHF	0.8837	1.90%	-7.20%
USD/CNY	7.2587	1.57%	7.58%

Central bank policy rates

	CURRENT RATE	ONE MONTH CHANGE	ONE YEAR CHANGE
Reserve Bank of Australia	4.10%	0 bps	275 bps
US Federal Reserve	5.50%	0 bps	300 bps
European Central Bank	3.75%	25 bps	350 bps
Bank of England	4.25%	25 bps	375 bps
Bank of Japan	-0.10%	0 bps	0 bps
Reserve Bank of New Zealand	5.50%	0 bps	300 bps

Market Data Source: *Macrobond*

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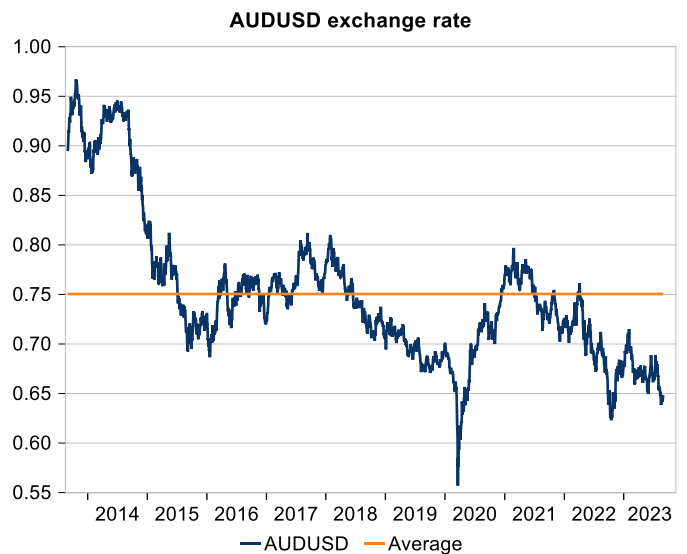
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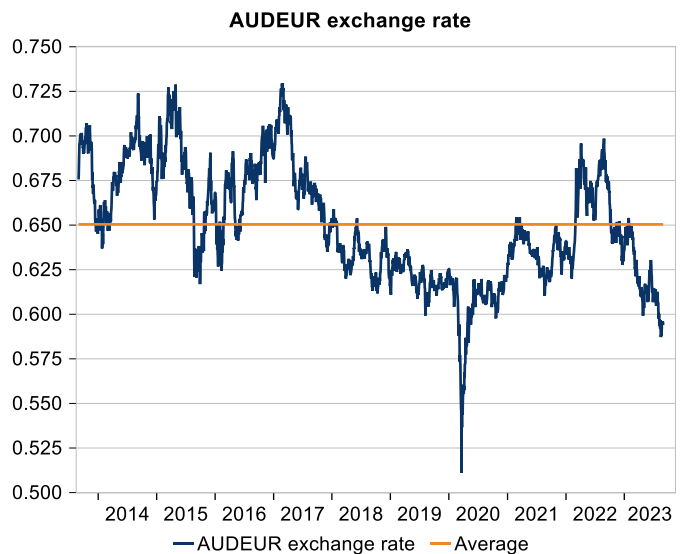
Foreign Exchange Market Charts

AUD/USD



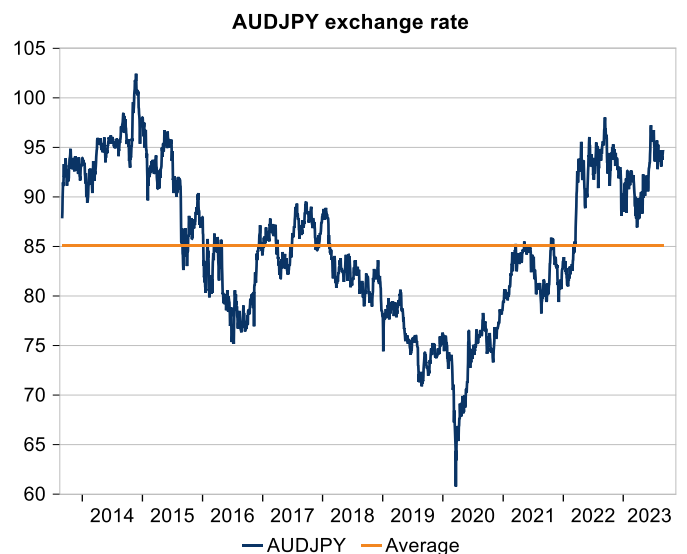
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/EUR



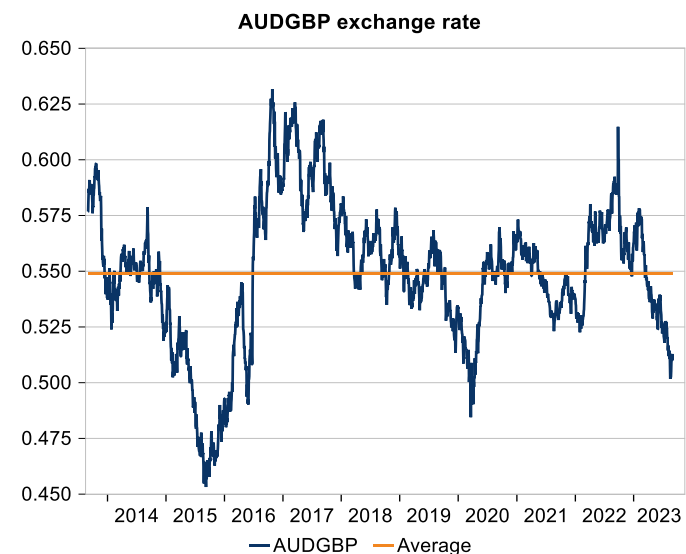
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/JPY



Source: Reserve Bank of Australia, QTC, Macrobond

AUD/GBP



Source: Reserve Bank of Australia, QTC, Macrobond

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