

# October FX Markets Monthly Review

## Month in review

### Key developments

- The Australian Dollar fell to another year-to-date low of 0.6270 during October, following higher US long term bond yields and rising geopolitical tensions.
- During the month US ten-year government bond yields rose above five per cent for the first time since 2007.
- The current elevated geopolitical risks in the Middle East may prompt safe-haven flows into the US Dollar if these risks spill-over into financial market volatility.

### Australian Dollar (AUD)

The AUD/USD exchange rate depreciated 1.5 per cent in October. Higher interest rates in the US (particularly at the long end of the yield curve) continues to weigh on the AUD, a thematic that has been in place over the past few months. Domestically, Q3 inflation surprised to the upside relative to consensus and RBA forecasts. This has prompted markets to price in around a 50 per cent probability that the RBA will raise the cash rate by 25-basis points at its next Board meeting on 7 November.

### US Dollar (USD)

The US Dollar strength was mixed against the major currencies during the month. US 10-year government bond yields rose above five per cent during the month and for the first time since 2007. The USD continues to benefit from positive interest rate differentials at both the short and long end of the yield curve. More recently, increased geopolitical tensions in the Middle East have also provided some support for the USD, as it is viewed as a safe-haven currency during times of increased markets volatility and/or uncertainty.

### Euro (EUR)

The EUR/USD exchange rate depreciated 0.1 per cent over the month. Incoming European economic data continues to point to weak economic activity. For instance, manufacturing activity (as measured by the *S&P Global PMIs*) fell to a three-year low, while Q3 GDP growth contracted -0.1 per cent (a touch below consensus forecast of a flat outcome). The relative economic underperformance between Europe and the US has contributed to the depreciation of the EUR over the past few months.

### Great British Pound (GBP)

The GBP/USD exchange rate depreciated 0.5 per cent in October. The Bank of England appears to be signalling an end to its monetary policy tightening cycle. With this reduced interest differential support, the GBP/USD exchange rate is likely to test its key support level of 1.20 over the coming months.

### Japanese Yen (JPY)

The USD/JPY exchange rate pushed through the key 150 level towards the end of the month. FX markets remain on guard for potential intervention by Japanese policymakers with increased comments from key Japanese Government officials over recent weeks.

## Market data

	SPOT RATE	ONE MONTH % CHANGE	ONE YEAR % CHANGE
<b>AUSTRALIAN DOLLAR</b>			
AUD/USD	0.6330	-1.52%	-1.55%
AUD/EUR	0.5987	-1.39%	-8.76%
AUD/JPY	95.81	-0.21%	2.95%
AUD/GBP	0.5216	-1.04%	-9.40%
AUD/NZD	1.0886	1.53%	-4.22%
AUD/CAD	0.8790	0.62%	-0.52%
AUD/CHF	0.5761	-2.11%	-8.96%
AUD/SEK	7.0753	0.80%	-0.84%
AUD/HKD	4.9532	-1.59%	-1.87%
AUD/SGD	0.8673	-1.24%	-5.99%
AUD/INR	52.72	-1.23%	0.78%
AUD/KRW	856.71	-1.49%	-7.23%
AUD/TWD	20.56	-0.82%	0.62%
AUD/IDR	10086	1.27%	3.00%
AUD/CNY	4.6401	-1.26%	1.25%
<b>MAJOR CURRENCIES</b>			
EUR/USD	1.0573	-0.13%	7.90%
GBP/USD	1.2137	-0.49%	8.67%
USD/JPY	151.36	1.33%	4.57%
USD/CHF	0.9101	-0.60%	-7.53%
USD/CNY	7.3171	0.28%	2.84%

## Central bank policy rates

	CURRENT RATE	ONE MONTH CHANGE	ONE YEAR CHANGE
Reserve Bank of Australia	4.10%	0 bps	175 bps
US Federal Reserve	5.50%	0 bps	225 bps
European Central Bank	4.00%	0 bps	325 bps
Bank of England	5.25%	0 bps	300 bps
Bank of Japan	-0.10%	0 bps	0 bps
Reserve Bank of New Zealand	5.50%	0 bps	250 bps

Market Data Source: *Macrobond*

## Savings and cost-certainty on transactions for Queensland government clients with QTC FX

### Procurement

- Dual currency quote comparisons
- Hedging guidance for overseas procurement

### Dealing Desk

- Exclusive wholesale FX rates
- FX hedging solutions

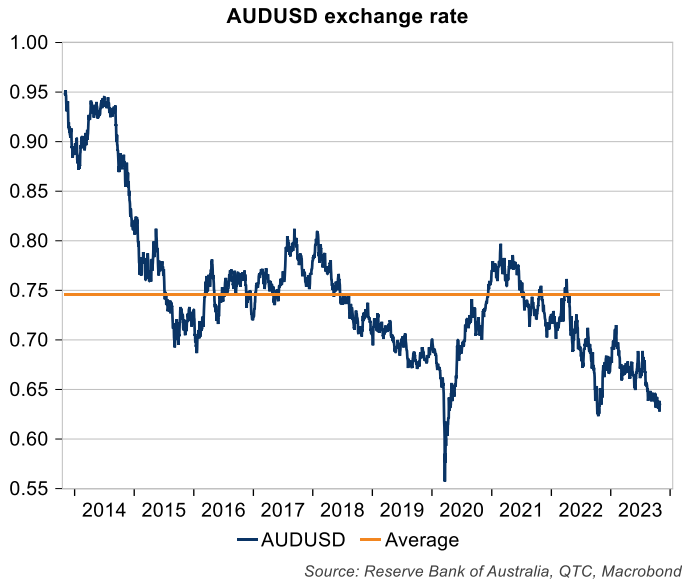
### Online Exchange

- Dedicated payment platform
- Payment tracking technology

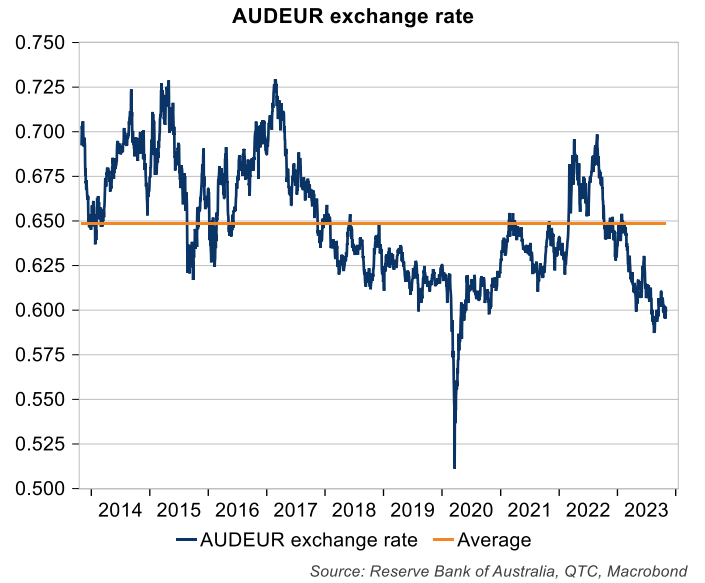
Email [fxdesk@qtc.com.au](mailto:fxdesk@qtc.com.au) or phone 07 3842 4764 | [Click to find out more](#)

## Foreign Exchange Market Charts

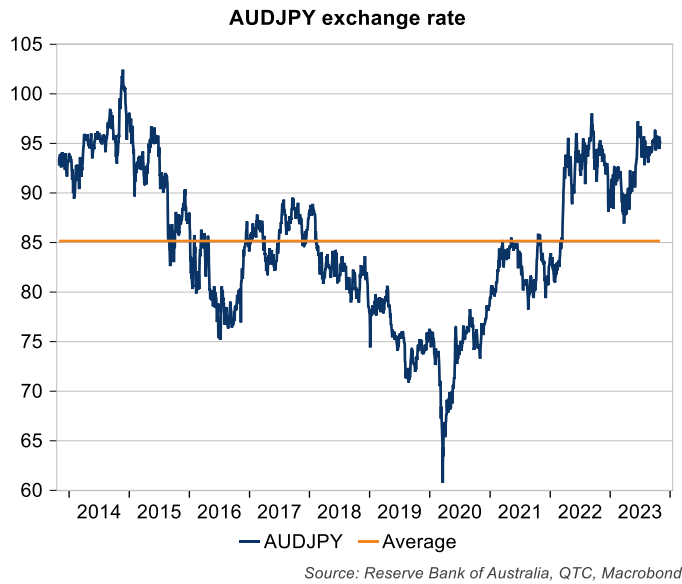
AUD/USD



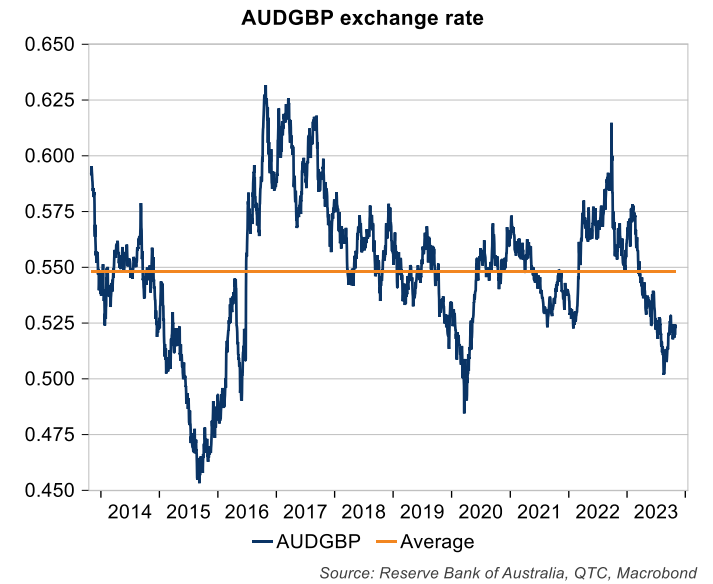
AUD/EUR



AUD/JPY



AUD/GBP



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