

February FX Markets Monthly Review

Month in review

Key developments

- The US dollar strengthened further against most the G10 currencies over February as US bond yields continued to rise on expectations that the US Federal Reserve (the Fed) may not start easing policy as early as the markets had initially expected.

Australian Dollar (AUD)

The AUD/USD exchange rate depreciated a further 1.5 per cent in February to 0.6510, though did fall below 0.6450 mid-way through the month (marking the lowest rate since November 2023). The decline in the Australian dollar for a second consecutive month was again largely driven by the broad-based strength in the US dollar (details below). While the RBA kept policy settings unchanged at its February Board meeting (as was expected), the Bank noted returning inflation to its target *'remains the Board's highest priority'* and that the risks to the RBA's outlook were balanced. Domestic data were also slightly weaker than expected. The January Labour Force Survey disappointed as the unemployment rate rose (up two-tenths to 4.1 per cent, marking the first time since January 2022 the unemployment rate has been above four per cent) and employment growth was much softer than expected. The quarterly pace of wage increases eased to +0.9 per cent. And finally, the year-on-year change in the Monthly CPI gauge remained at +3.4 per cent in January (against expectations it would increase to +3.6 per cent).

US Dollar (USD)

The US Dollar strengthened against most major currencies during the month, with US government bond yields rising further across the curve as market pricing for the Fed to start cutting policy rates eased further.

Euro (EUR)

The EUR/USD exchange rate depreciated 0.4 per cent in February. Commentary from most European Central Bank (ECB) officials reiterated recent messaging that it was premature for the Bank to be discussing rate cuts at this stage.

Great British Pound (GBP)

The GBP/USD exchange rate depreciated 0.6 per cent over the month as underlying US dollar strength was coupled with inflation softening in January and GDP in Q4 declined (putting the UK into a 'technical recession', that being two consecutive quarters of negative GDP growth), though the three-month unemployment rate did fall one-tenth to 3.8 per cent in December.

Japanese Yen (JPY)

The Japanese Yen depreciated 2.8 per cent in February, despite commentary from Bank of Japan officials was slightly more hawkish than expected (by Japanese policymaker standards). This came as consumer inflation eased in January and Q4 GDP growth declined (suggesting Japan is also now in a 'technical recession').

Market data

	SPOT RATE	ONE MONTH % CHANGE	ONE YEAR % CHANGE
AUSTRALIAN DOLLAR			
AUD/USD	0.6510	-1.50%	-7.61%
AUD/EUR	0.6016	-1.15%	-7.28%
AUD/JPY	97.49	0.83%	6.38%
AUD/GBP	0.5147	-0.86%	-10.07%
AUD/NZD	1.0690	-0.47%	-1.96%
AUD/CAD	0.8831	-0.04%	-6.07%
AUD/CHF	0.5737	1.10%	-11.39%
AUD/SEK	6.7368	-1.42%	-8.69%
AUD/HKD	5.0962	-1.37%	-7.74%
AUD/SGD	0.8753	-0.94%	-5.49%
AUD/INR	53.97	-1.67%	-6.52%
AUD/KRW	868.95	-1.27%	0.11%
AUD/TWD	20.59	-0.16%	-2.70%
AUD/IDR	10,227	-1.80%	-3.18%
AUD/CNY	4.6796	-0.20%	-1.72%
MAJOR CURRENCIES			
EUR/USD	1.0821	-0.36%	-0.36%
GBP/USD	1.2647	-0.64%	2.73%
USD/JPY	149.75	2.37%	15.15%
USD/CHF	0.8812	2.64%	-4.09%
USD/CNY	7.1883	1.33%	6.38%

Central bank policy rates

	CURRENT RATE	ONE MONTH CHANGE	ONE YEAR CHANGE
Reserve Bank of Australia	4.35%	0 bps	100 bps
US Federal Reserve	5.50%	0 bps	100 bps
European Central Bank	4.00%	0 bps	200 bps
Bank of England	5.25%	0 bps	175 bps
Bank of Japan	-0.10%	0 bps	0 bps
Reserve Bank of New Zealand	5.50%	0 bps	125 bps

Market Data Source: *Macrobond*

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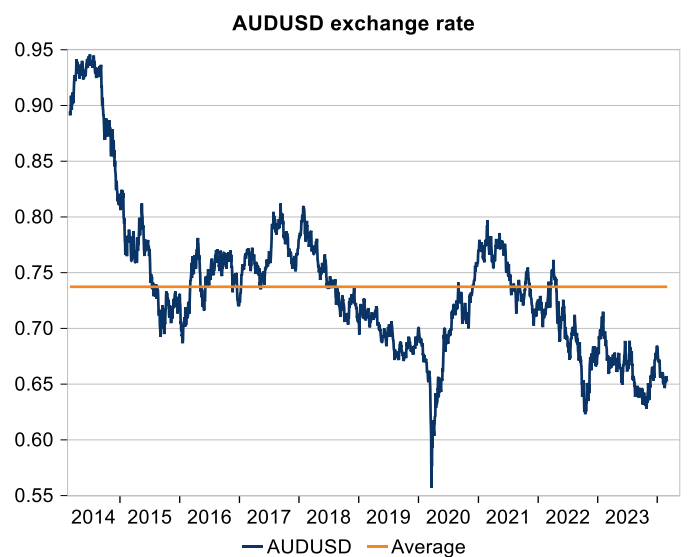
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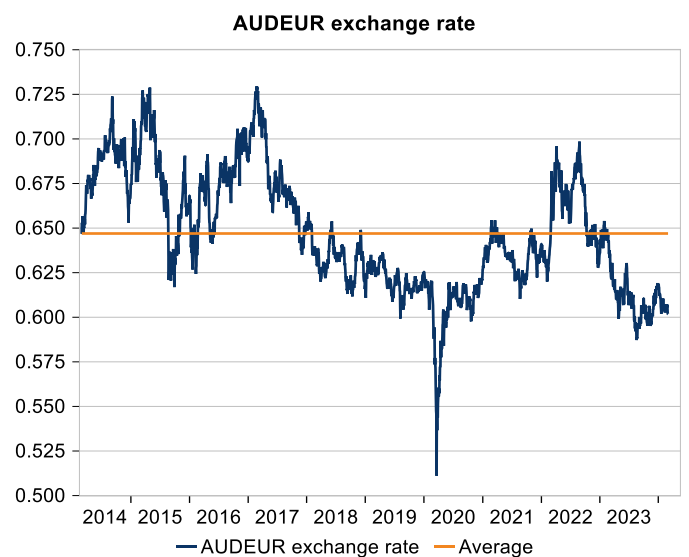
Foreign Exchange Market Charts

AUD/USD



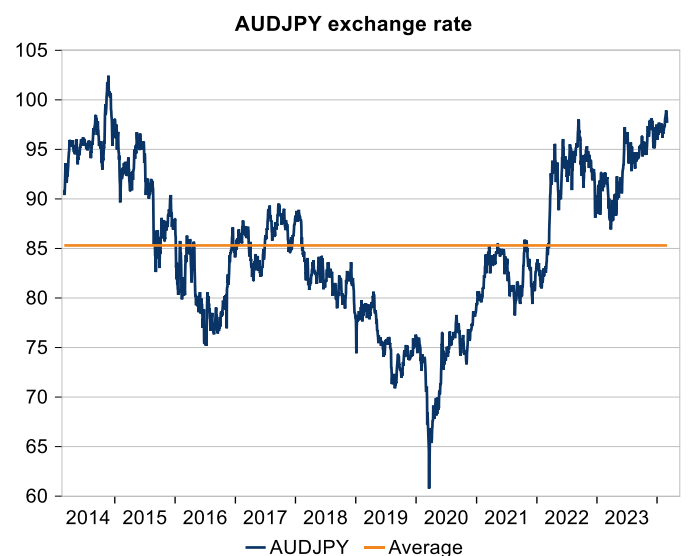
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/EUR



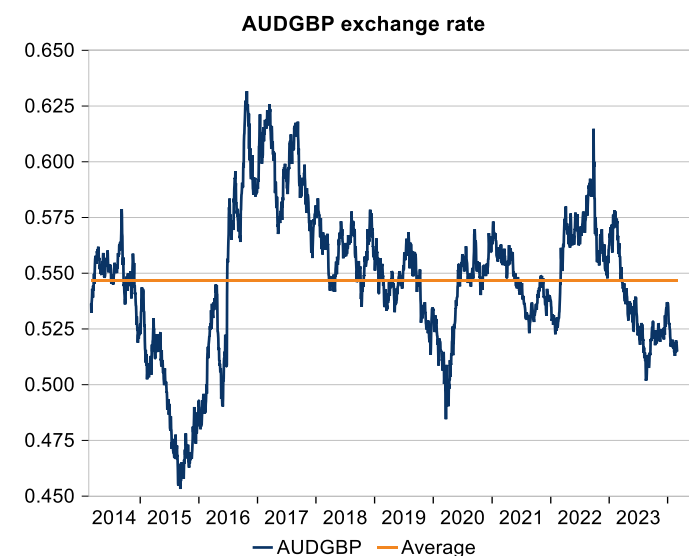
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/JPY



Source: Reserve Bank of Australia, QTC, Macrobond

AUD/GBP



Source: Reserve Bank of Australia, QTC, Macrobond

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