

May FX Markets Monthly Review

Month in review

Key developments

- The AUD/USD exchange rate climbed to an intra-month high of 0.6714 supported by higher commodity prices and improved global risk appetite, before falling to around 0.6653 by the end of the month.
- The Japanese Yen remains close to 34-year lows against the US Dollar and 11-year lows against the AUD.

Australian Dollar (AUD)

The AUD/USD exchange rate appreciated by 2.3 per cent in May, driven by a weaker USD and higher commodity prices with Copper and Gold reaching all-time highs. The AUD has also got a lift due to additional fiscal policy measures from China to support the nation's beleaguered housing market. The RBA's May minutes noted the Board considered two options: hiking the cash rate or leaving it unchanged. The Board ultimately decided to keep rates unchanged as the recent data 'had not been sufficient to warrant a change in the stance of monetary policy'. Monthly CPI printed at 3.6% stronger than consensus (3.4%) re-affirming that rate cuts are more likely in 2025 than in 2024.

US Dollar (USD)

The US Dollar weakened against all major currencies during the month (except CNY) following an easing of US inflation, weaker-than-expected retail sales and a softer Q1 US GDP print. US Treasury yields were slightly lower over the month. The market again focused on the US FOMC policy guidance. From the minutes and the members who spoke publicly, the message of higher for longer rates was clear. Fed Chair Jerome Powell and his colleagues have stressed the need for more evidence that inflation is on a sustained path to their 2% goal before cutting rates.

Euro (EUR)

The EUR/USD exchange rate appreciated 1.5 per cent in May. ECB President Christine Lagarde said that she is "really confident" that Eurozone inflation was under control and an interest-rate cut is probable next month. A lowering of borrowing costs by the ECB in June has been widely expected. An ECB official has also alluded to a possibility of back-to-back rate cuts (in June and July) resulting in a "risk-on" tone in Europe and higher equities.

Great British Pound (GBP)

The GBP/USD exchange rate appreciated by 1.6 percent over the month. The pound strengthened against the USD after UK inflation slowed less than expected, threatening to delay interest-rate cuts from the Bank of England. The first rate cut is now expected in September.

Japanese Yen (JPY)

The Japanese Yen appreciated marginally against the USD during the month. Strong risk sentiment and expectations of higher for longer US interest rates have outweighed the impact of the rising prospect of an early rate hike by the Bank of Japan (BoJ).

Market data

	SPOT RATE	ONE MONTH % CHANGE	ONE YEAR % CHANGE
AUSTRALIAN DOLLAR			
AUD/USD	0.6648	2.33%	0.60%
AUD/EUR	0.6122	0.82%	2.28%
AUD/JPY	104.44	2.17%	16.18%
AUD/GBP	0.5221	0.67%	-0.70%
AUD/NZD	1.0824	-1.40%	1.16%
AUD/CAD	0.9065	1.56%	1.15%
AUD/CHF	0.5997	0.66%	1.95%
AUD/SEK	6.9961	-1.96%	3.21%
AUD/HKD	5.1990	2.32%	0.24%
AUD/SGD	0.8983	1.43%	1.90%
AUD/INR	55.48	2.32%	2.69%
AUD/KRW	919.53	2.24%	4.03%
AUD/TWD	21.60	2.01%	6.39%
AUD/IDR	10799	2.31%	11.53%
AUD/CNY	4.8142	2.34%	5.36%
MAJOR CURRENCIES			
EUR/USD	1.0858	1.50%	-1.64%
GBP/USD	1.2732	1.64%	1.31%
USD/JPY	157.11	-0.15%	15.49%
USD/CHF	0.9022	-1.62%	1.35%
USD/CNY	7.2420	0.01%	4.74%

Central bank policy rates

	CURRENT RATE	ONE MONTH CHANGE	ONE YEAR CHANGE
Reserve Bank of Australia	4.35%	0 bps	75 bps
US Federal Reserve	5.50%	0 bps	50 bps
European Central Bank	4.00%	0 bps	100 bps
Bank of England	5.25%	0 bps	100 bps
Bank of Japan	0.10%	0 bps	20 bps
Reserve Bank of New Zealand	5.50%	0 bps	25 bps

Market Data Source: *Macrobond*

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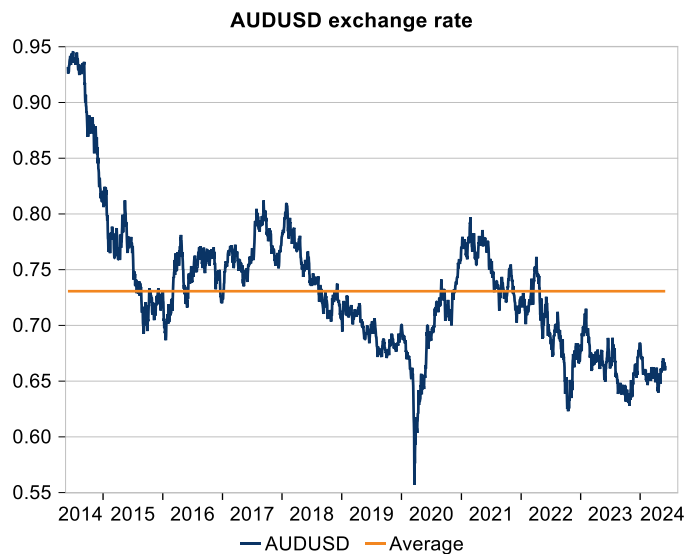
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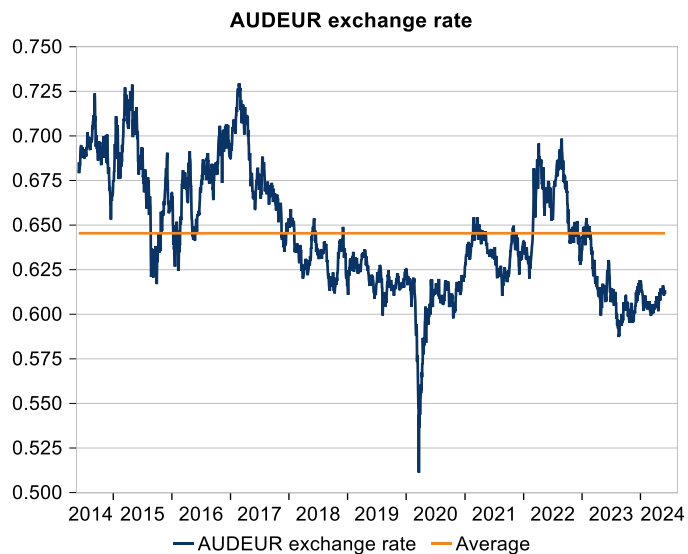
Foreign Exchange Market Charts

AUD/USD



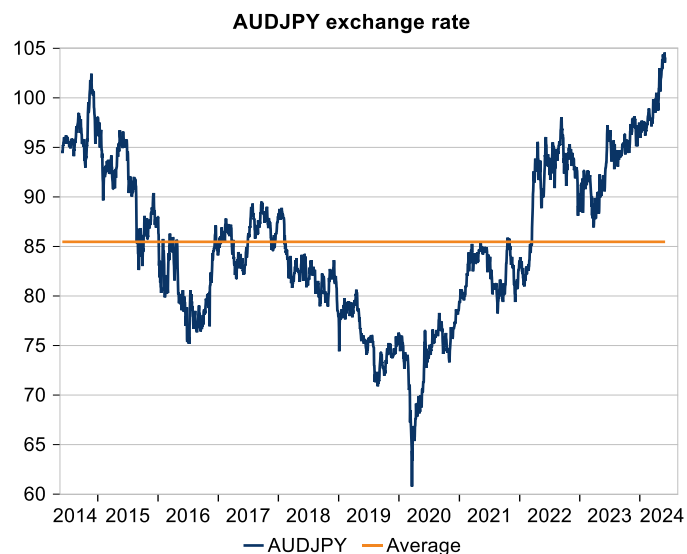
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/EUR



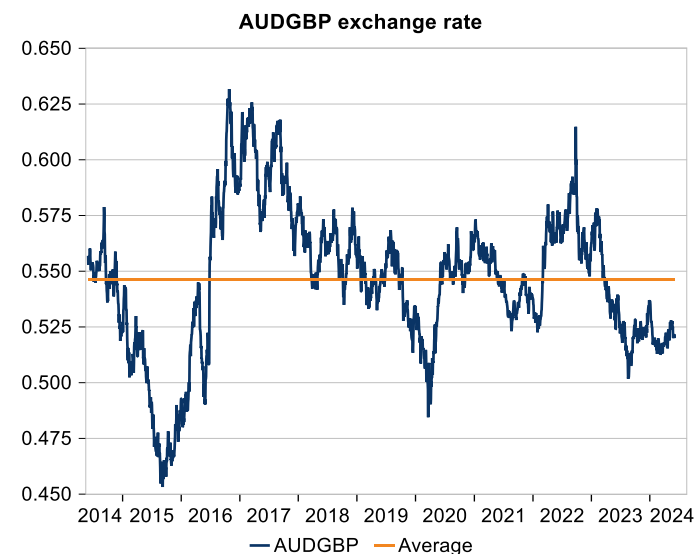
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/JPY



Source: Reserve Bank of Australia, QTC, Macrobond

AUD/GBP



Source: Reserve Bank of Australia, QTC, Macrobond

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