

June FX Markets Monthly Review

Month in review

Key developments

- The AUD/USD exchange rate fell to 0.6575 during the month, before recovering to just under 0.6700 by the end of the month following stronger than expected domestic inflation data, prompting renewed RBA rate hike speculation.
- The US Dollar strengthened against most of the major currencies during the month, particularly against the Japanese Yen and Euro.
- The Japanese Yen weakened to a new multi-decade low against the US Dollar. FX Markets remain vigilant for potential Japanese policymaker intervention to stem further Yen weakness.

Australian Dollar (AUD)

The AUD/USD exchange rate appreciated by 0.6 per cent in June. The currency traded as low as 0.6575 during the month following stronger US payrolls data and lower commodity prices, with both iron ore and the LME index falling over the month. In addition, China's core growth drivers remain soft which is also put some downward pressure on the AUD. The annual rate of Chinese growth in both industrial production and fixed asset investment were lower than expected in May and conditions in the property sector remain weak. Supporting the AUD towards the end of the month, was domestic monthly CPI data which came out stronger than expected at 4% versus market consensus of 3.8%. Financial markets are now pricing half a chance of a rate hike at the RBA's next meeting in August.

US Dollar (USD)

The US Dollar strengthened against most of the major currencies during the month. Geopolitical uncertainty and strong US jobs data saw the dollar gain against all G10 Peers. The Federal Reserve's FOMC left the target range for the federal funds rate unchanged at its June meeting, with the Committee acknowledging that there has been 'modest progress' towards the two per cent inflation objective in recent months.

Euro (EUR)

The EUR/USD exchange rate depreciated 1.35 per cent in June and finished the month close to its lowest level since early May. EUR/USD has been on a downward trend since French President Macron called for a snap election around three weeks ago. European government bond yield spreads to German bunds have risen, reflecting heightening political uncertainty.

Great British Pound (GBP)

The GBP/USD exchange rate depreciated by 0.7 percent over the month. The Bank of England kept its policy rate steady at 5.25% but the BoE statement and minutes indicated that officials are nearing a decision to cut interest rates. The decision came a day after the release of the May CPI, which saw the headline rate reach the 2% target. Two cuts are currently priced in by the market following the UK election on 4th July.

Japanese Yen (JPY)

The Japanese Yen depreciated 2.4 percent against the USD during the month. The USD/JPY traded above 161 and past the level in April that last triggered BoJ/MoF intervention. Despite fresh warnings about the rapid and one-way nature of JPY's move from Japan MoF's Kanda, the currency pair continued to trade higher. The JPY is still close to its weakest level against the USD since 1986. Intervention risk remains high.

Market data

	SPOT RATE	ONE MONTH % CHANGE	ONE YEAR % CHANGE
AUSTRALIAN DOLLAR			
AUD/USD	0.6686	0.57%	3.30%
AUD/EUR	0.6241	1.94%	2.81%
AUD/JPY	107.54	2.97%	18.93%
AUD/GBP	0.5289	1.30%	1.29%
AUD/NZD	1.0970	1.35%	1.59%
AUD/CAD	0.9149	0.92%	4.00%
AUD/CHF	0.6007	0.16%	1.55%
AUD/SEK	7.0862	1.29%	0.61%
AUD/HKD	5.2202	0.41%	3.04%
AUD/SGD	0.9063	0.89%	3.35%
AUD/INR	55.74	0.46%	4.12%
AUD/KRW	921.93	0.26%	7.49%
AUD/TWD	21.71	0.50%	9.16%
AUD/IDR	10934	1.25%	12.62%
AUD/CNY	4.8588	0.93%	5.65%
MAJOR CURRENCIES			
EUR/USD	1.0712	-1.34%	0.48%
GBP/USD	1.2641	-0.72%	1.98%
USD/JPY	160.85	2.38%	15.13%
USD/CHF	0.8985	-0.41%	-1.70%
USD/CNY	7.2673	0.35%	2.27%

Central bank policy rates

	CURRENT RATE	ONE MONTH CHANGE	ONE YEAR CHANGE
Reserve Bank of Australia	4.35%	0 bps	50 bps
US Federal Reserve	5.50%	0 bps	25 bps
European Central Bank	3.75%	-25 bps	75 bps
Bank of England	5.25%	0 bps	75 bps
Bank of Japan	0.10%	0 bps	20 bps
Reserve Bank of New Zealand	5.50%	0 bps	0 bps

Market Data Source: *Macrobond*

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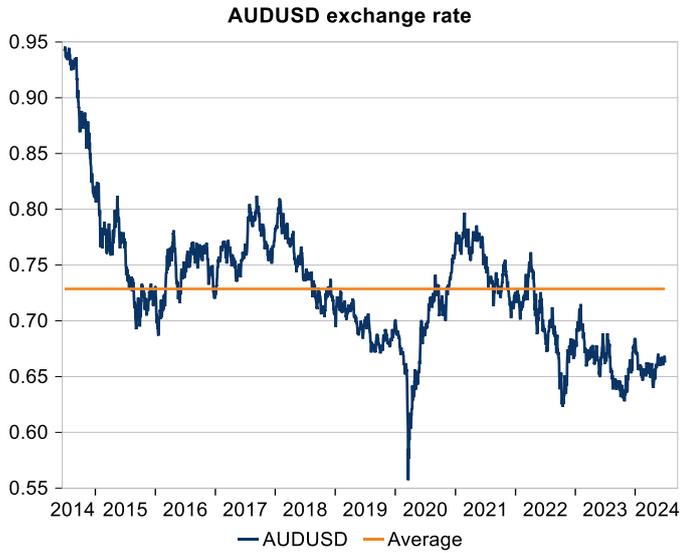
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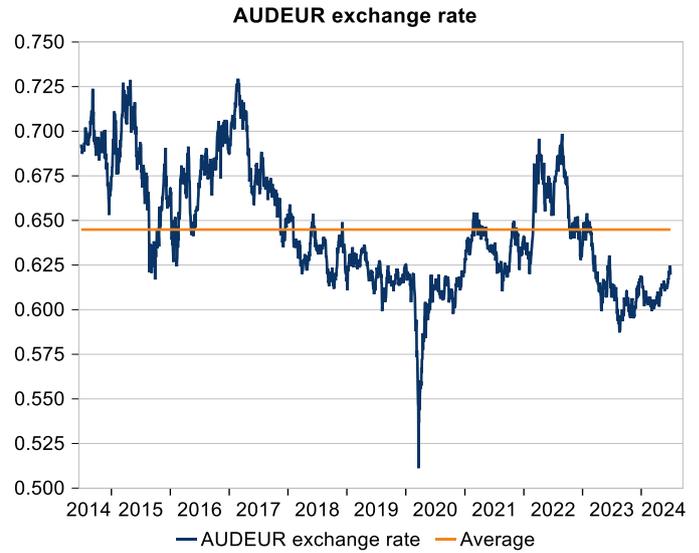
Foreign Exchange Market Charts

AUD/USD



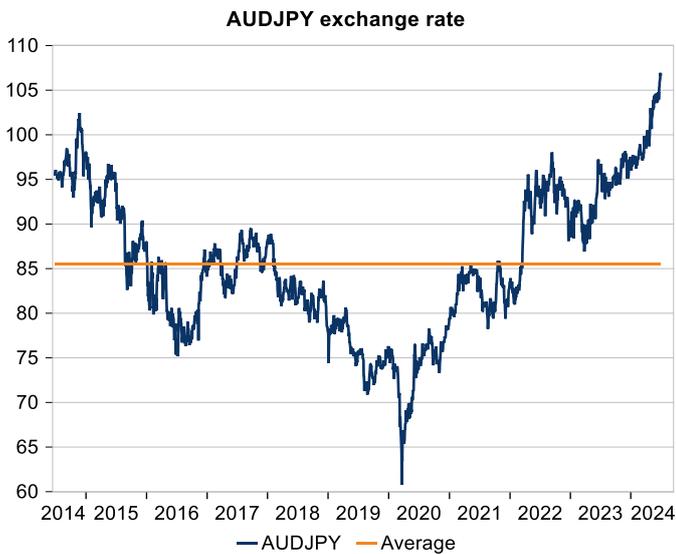
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/EUR



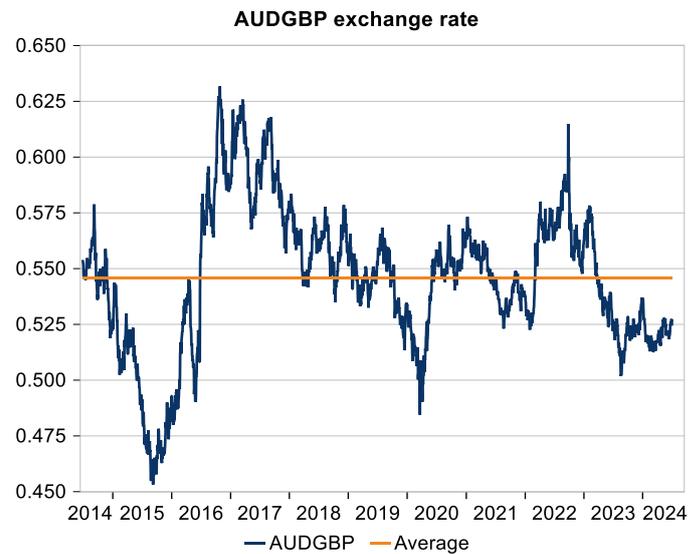
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/JPY



Source: Reserve Bank of Australia, QTC, Macrobond

AUD/GBP



Source: Reserve Bank of Australia, QTC, Macrobond

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