

July FX Markets Monthly Review

Month in review

Key developments

- The AUD/USD exchange rate climbed to an intra-month high of 0.6785 supported by narrowing interest rate differentials between Australia and the US, before ending the month at 0.6527, its lowest level since early May.
- Quarterly Australian CPI came out at 0.8 per cent (trimmed mean) compared to market expectations of 1.0 per cent. This data surprise put downward pressure on the AUD as it potentially rules out another domestic interest rate hike in August.
- The Japanese Yen appreciated by more than 6 per cent against the USD and by more than 8 per cent against the AUD during the month.

Australian Dollar (AUD)

The AUD/USD exchange rate depreciated by 2.4 per cent in July. The currency did reach an intra-month high of 0.6785 after markets started re-pricing in US Federal Reserve rate cuts. However, it was unable to hold onto these gains following a further deterioration in the economic outlook for China, steep falls in commodity prices, and volatility in the equity markets. Copper was down 10 per cent from its highs this month and Nickel fell to a four year low. Iron ore markets continued the slump through US\$100 per tonne with ongoing disappointment about China's measures to support growth weighing on prices.

US Dollar (USD)

The US Dollar was mixed against the major currencies during the month, depreciating against the JPY, EUR and GBP but appreciating against the AUD and NZD. Financial markets continue to expect the Federal Reserve will cut interest rates at its September meeting, despite stronger-than-expected outcomes for US GDP and core PCE inflation.

Euro (EUR)

The EUR/USD exchange rate appreciated 1.0 per cent in July. Despite the annual rate of Eurozone inflation having stabilised in recent months, markets are pricing in another rate cut by the European Central Bank in September.

Great British Pound (GBP)

The GBP/USD exchange rate appreciated by 1.6 percent over the month. Optimism around the new Labour government improving economic growth outcomes has been a key driver for the currency recently.

Japanese Yen (JPY)

The Japanese Yen appreciated by 6.5 percent against the USD during the month. The USD/JPY traded to a high 161.95 in early July before suspected Bank of Japan intervention and building expectations of a rate hike by the Bank of Japan at its July meeting helped trigger a sharp reversal with the currency ending the month at 150.43. FX market participants noted the unwinding of the so-called Yen carry trade contributed to the pace of the Yen appreciation, particularly against the USD, EUR and AUD.

Market data

	SPOT RATE	ONE MONTH % CHANGE	ONE YEAR % CHANGE
AUSTRALIAN DOLLAR			
AUD/USD	0.6527	-2.37%	-1.92%
AUD/EUR	0.6031	-3.37%	-1.14%
AUD/JPY	98.19	-8.69%	2.07%
AUD/GBP	0.5081	-3.94%	-2.94%
AUD/NZD	1.0993	0.21%	1.19%
AUD/CAD	0.9016	-1.46%	2.36%
AUD/CHF	0.5743	-4.39%	-3.55%
AUD/SEK	6.9990	-1.23%	-2.65%
AUD/HKD	5.0993	-2.32%	-2.23%
AUD/SGD	0.8730	-3.67%	-3.08%
AUD/INR	54.63	-1.99%	0.03%
AUD/KRW	894.65	-2.96%	2.04%
AUD/TWD	21.33	-1.74%	2.85%
AUD/IDR	10618	-2.89%	6.14%
AUD/CNY	4.7127	-3.01%	-2.38%
MAJOR CURRENCIES			
EUR/USD	1.0824	1.04%	-0.79%
GBP/USD	1.2847	1.63%	1.05%
USD/JPY	150.43	-6.47%	4.07%
USD/CHF	0.8799	-2.07%	-1.67%
USD/CNY	7.2199	-0.65%	-0.47%

Central bank policy rates

	CURRENT RATE	ONE MONTH CHANGE	ONE YEAR CHANGE
Reserve Bank of Australia	4.35%	0 bps	25 bps
US Federal Reserve	5.50%	0 bps	25 bps
European Central Bank	4.00%	0 bps	25 bps
Bank of England	5.25%	0 bps	25 bps
Bank of Japan	0.25%	15 bps	25 bps
Reserve Bank of New Zealand	5.50%	0 bps	0 bps

Market Data Source: *Macrobond*

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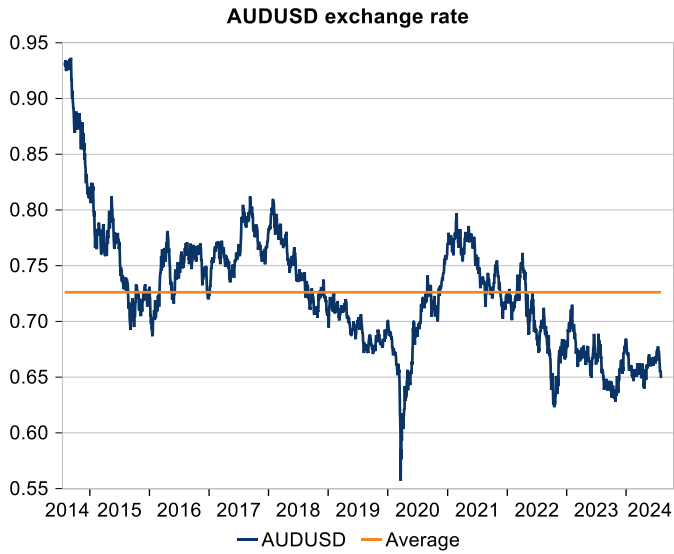
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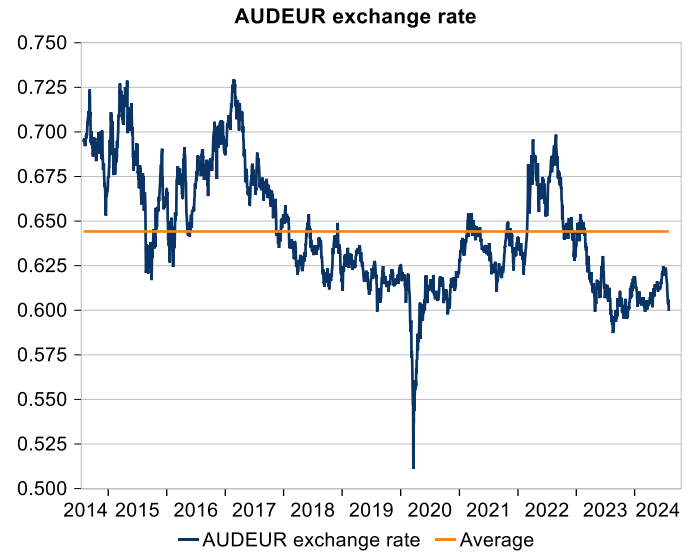
Foreign Exchange Market Charts

AUD/USD



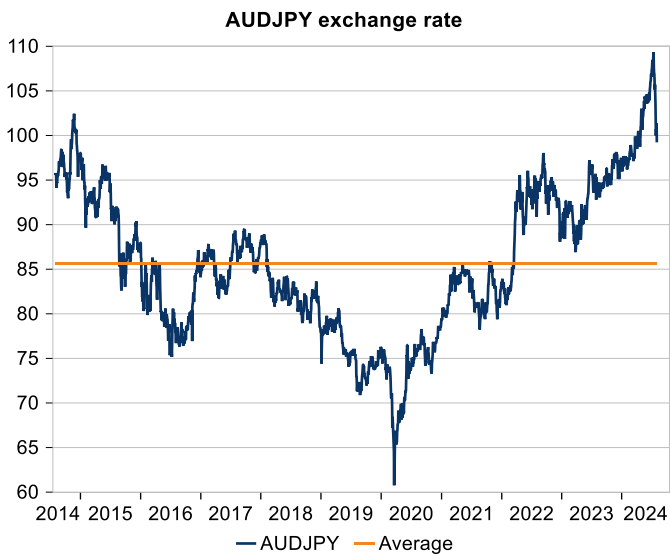
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/EUR



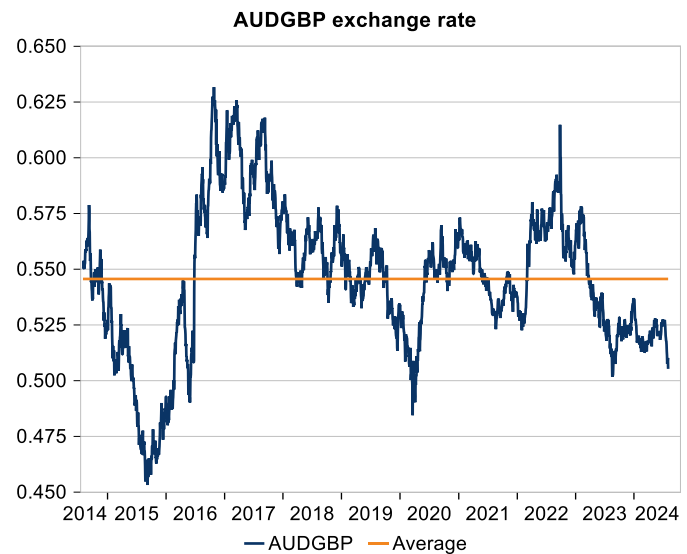
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/JPY



Source: Reserve Bank of Australia, QTC, Macrobond

AUD/GBP



Source: Reserve Bank of Australia, QTC, Macrobond

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