

August FX Markets Monthly Review

Month in review

Key developments

- The AUD/USD exchange rate fell to an intra-month low of 0.6350 following volatility in global equity markets and the unwinding of the Japanese Yen carry trade, before recovering to end the month higher at 0.6764.
- US Treasury yields moved lower over the month in response to US Federal Reserve commentary that strongly suggested they will start reducing interest rates from September. This helped to trigger US Dollar selling against the major currencies.
- The Japanese Yen continued to strengthen against the US Dollar recording a gain of over 3 per cent during the month.

Australian Dollar (AUD)

The AUD/USD exchange rate appreciated by 3.6 per cent in August. The currency reached an intra-month low of 0.6350 following extreme volatility in equity markets (the Nikkei was down 13% in one trading session early in August, and the VIX volatility index traded at its highest level since March 2020). However, the AUD recovered and traded above 0.6800 following dovish comments by the US Federal Reserve (the Fed) and a hawkish RBA before ending the month at 0.6764. Financial markets anticipate a modest easing of AUD interest rates by only 20 basis points in 2024. The AUD was also supported by higher commodities in August, particularly base metals, with the LME index trading 4% higher over the month.

US Dollar (USD)

The US Dollar weakened against all major currencies during the month following dovish commentary from the Fed. Financial markets continue to expect the Fed will cut interest rates at its September meeting. Significant downward revisions to key US employment data supported the case for lower rates. The US dollar was weaker against the major currencies with the DXY Dollar Index dropping to a fresh 13-month low.

Euro (EUR)

The EUR/USD exchange rate appreciated by 2.3 per cent in August. Inflation readings from Germany and Spain have been softer-than-expected and markets are pricing in another rate cut by the European Central Bank in September. Financial markets have priced in 65 basis points of cuts by the ECB, to 3% by the end of the year.

Great British Pound (GBP)

The GBP/USD exchange rate appreciated by 2.3 per cent over the month. FX market participants are expecting the Bank of England will keep interest rates higher for longer than in the United States and the Euro Zone, and this is providing some underlying support for the currency in global FX markets.

Japanese Yen (JPY)

The Japanese Yen appreciated by 3.2 percent against the USD during the month. FX market participants noted that the unwinding of the so-called Yen carry trade had contributed to the Yen appreciation.

Market data

	SPOT RATE	ONE MONTH % CHANGE	ONE YEAR % CHANGE
AUSTRALIAN DOLLAR			
AUD/USD	0.6764	3.63%	4.50%
AUD/EUR	0.6112	1.35%	2.43%
AUD/JPY	98.55	0.36%	4.56%
AUD/GBP	0.5147	1.30%	0.72%
AUD/NZD	1.0819	-1.58%	-0.56%
AUD/CAD	0.9121	1.16%	4.15%
AUD/CHF	0.5743	-0.01%	0.40%
AUD/SEK	6.9318	-0.96%	-2.20%
AUD/HKD	5.2746	3.44%	3.91%
AUD/SGD	0.8820	1.02%	0.85%
AUD/INR	56.74	3.88%	6.03%
AUD/KRW	903.22	0.96%	5.30%
AUD/TWD	21.63	1.41%	4.88%
AUD/IDR	10488	-1.23%	6.44%
AUD/CNY	4.7978	1.81%	2.12%
MAJOR CURRENCIES			
EUR/USD	1.1067	2.25%	2.03%
GBP/USD	1.3142	2.30%	3.76%
USD/JPY	145.70	-3.15%	0.05%
USD/CHF	0.8490	-3.51%	-3.93%
USD/CNY	7.0931	-1.76%	-2.28%

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	0 bps
European Central Bank	3.75%	0 bps	0 bps
Bank of England	5.00%	0 bps	-25 bps
Bank of Japan	0.25%	0 bps	+35 bps
Reserve Bank of New Zealand	5.25%	-25 bps	-25 bps

Market Data Source: *Macrobond*

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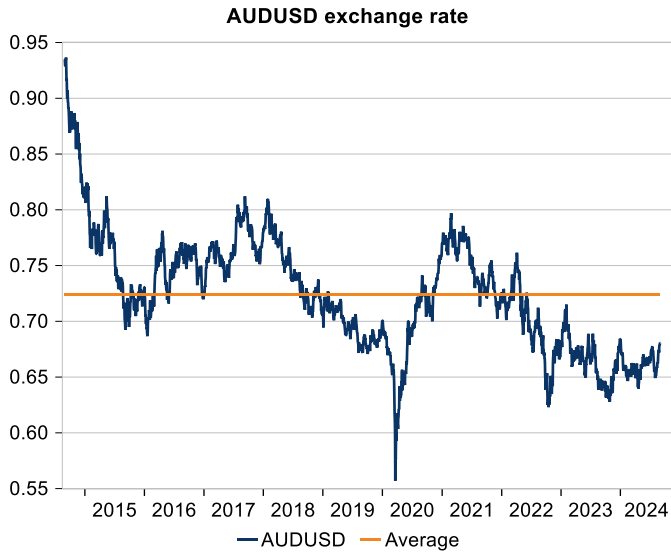
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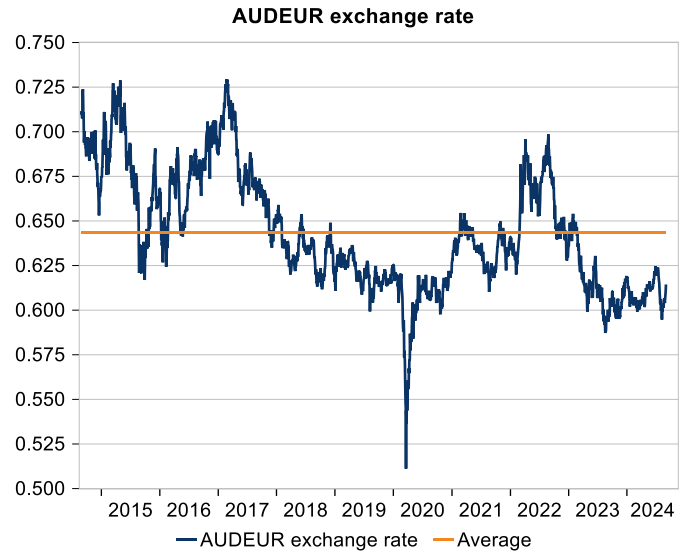
Foreign Exchange Market Charts

AUD/USD



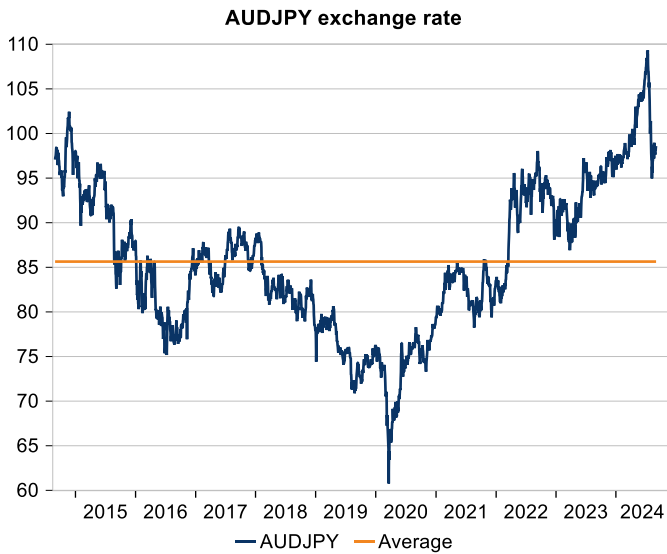
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/EUR



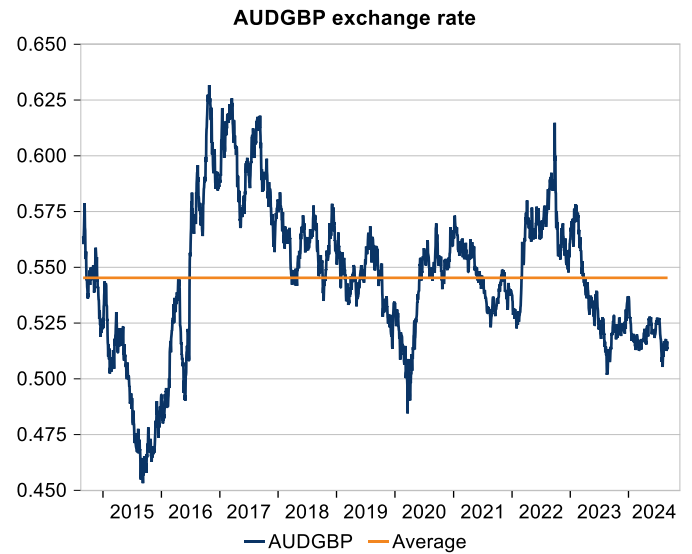
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/JPY



Source: Reserve Bank of Australia, QTC, Macrobond

AUD/GBP



Source: Reserve Bank of Australia, QTC, Macrobond

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