

# October FX Markets Monthly Review

## Month in review

### Key developments

- The US Dollar recorded strong gains against the major currencies during the month following upbeat US economic data and higher US yields. Middle East tensions and uncertainty around the US election also boosted demand for the USD.
- The AUD/USD exchange rate fell sharply over the month from a high of 0.6935 to low of 0.6537, before recovering slightly to end the month at 0.6552.
- The Japanese Yen was the worst performer of the major currency pairs in October, weakening 6.4 per cent against the US Dollar.

### Australian Dollar (AUD)

The AUD/USD exchange rate depreciated by 5.5 per cent in October, its worst monthly performance since September 2022. AUD/USD has now fallen close to US 4 cents since its late September highs. The fall in the AUD is due to rising US yields as markets re-assessed the outlook for US monetary policy. Commodity prices were lower over the month, the LME index fell by 5.6% from its intra month highs, which also weighed on the AUD. Oil also fell by more than 8.6% from its intra month highs after Israeli strikes against targets in Iran avoided the OPEC member's crude facilities.

### US Dollar (USD)

The US Dollar strengthened against all G10 currencies during the month. The firmer USD followed strong US data and the less dovish stance of the Federal Reserve (Fed). The encouraging US economic data has prompted the Fed to adopt a more cautious stance. For example, economic growth data was solid in Q3 and consumption increased by 3.7 per cent – its fastest pace in 18-months. US Treasury 10-year yields are at their highest level since July 10 at 4.28 per cent. Furthermore, the elevated tensions in the Middle East and uncertainty around the US presidential election has boosted the USD as a safe haven currency. The US presidential election results are likely to be a key market driver in the short-term, and with swing-state polls trending towards Trump, markets are pricing in a greater risk of more fiscal stimulus and trade tariffs.

### Euro (EUR)

The EUR exchange rate depreciated by 2.7 per cent in October. The European Central Bank (ECB) noted that inflation pressures remain high, driven by wage growth. Euro area GDP also grew by a stronger-than-expected 0.4 per cent in Q3, with growth accelerating in France and Germany unexpectedly avoiding a recession. European money markets are currently pricing in another 25 bps rate cut by the ECB before end of the year.

### Great British Pound (GBP)

The GBP exchange rate depreciated by 4.1 per cent over the month. In the UK, annual core CPI inflation fell from 3.6 to 3.2 per cent in September, which was well below consumer expectations. Headline inflation was also weak at 1.7 per cent, undershooting both consensus expectations and the Bank of England's (BoE) August forecast, triggering markets to almost fully price in 25 bps cut by BoE in November.

### Japanese Yen (JPY)

The JPY depreciated by 6.4 per cent in October. The yen underperformed all G10 peers after Japan's ruling coalition, led by Prime Minister Shigeru Ishiba, failed to win a majority in parliament at national elections.

## Market data

	SPOT RATE	ONE MONTH % CHANGE	ONE YEAR % CHANGE
<b>AUSTRALIAN DOLLAR</b>			
AUD/USD	0.6552	-5.54%	3.51%
AUD/EUR	0.6033	-2.93%	0.77%
AUD/JPY	99.77	0.49%	4.13%
AUD/GBP	0.5092	-1.53%	-2.36%
AUD/NZD	1.1007	0.96%	1.11%
AUD/CAD	0.9131	-2.54%	3.87%
AUD/CHF	0.5667	-3.15%	-1.64%
AUD/SEK	7.0054	-0.29%	-0.99%
AUD/HKD	5.0938	-5.46%	2.84%
AUD/SGD	0.8667	-2.57%	-0.07%
AUD/INR	55.09	-5.20%	4.51%
AUD/KRW	902.83	-0.94%	5.38%
AUD/TWD	20.94	-4.87%	1.84%
AUD/IDR	10299	-2.19%	2.11%
AUD/CNY	4.6640	-4.20%	0.69%
<b>MAJOR CURRENCIES</b>			
EUR/USD	1.0860	-2.69%	2.72%
GBP/USD	1.2867	-4.08%	6.01%
USD/JPY	152.26	6.38%	0.60%
USD/CHF	0.8649	2.54%	-4.97%
USD/CNY	7.1182	1.42%	-2.72%

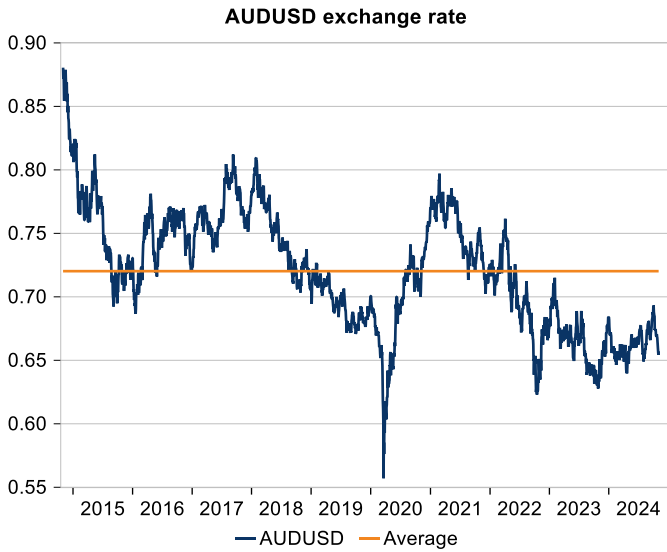
## Central bank policy rates

	CURRENT RATE	ONE MONTH CHANGE	ONE YEAR CHANGE
Reserve Bank of Australia	4.35%	0 bps	25 bps
US Federal Reserve	5.00%	0 bps	-50 bps
European Central Bank	3.25%	-25 bps	-75 bps
Bank of England	5.00%	0 bps	-25 bps
Bank of Japan	0.25%	0 bps	35 bps
Reserve Bank of New Zealand	4.75%	-50 bps	-75 bps

*Prices sourced from Macrobond and are correct at the time of publication*

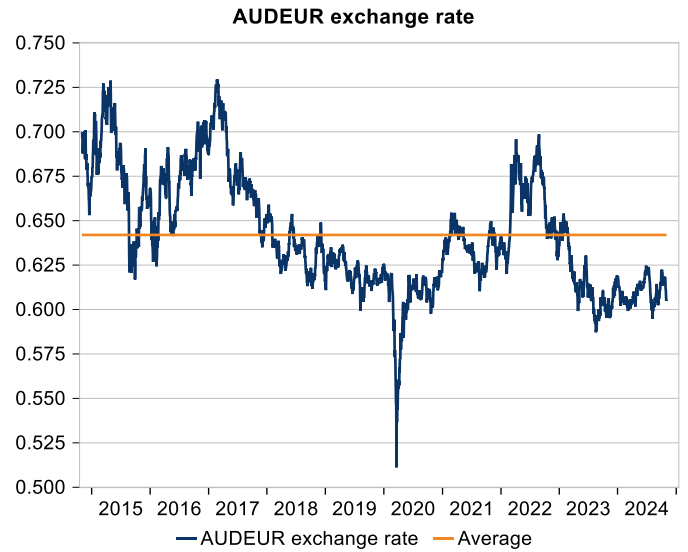
## Foreign Exchange Market Charts

AUD/USD



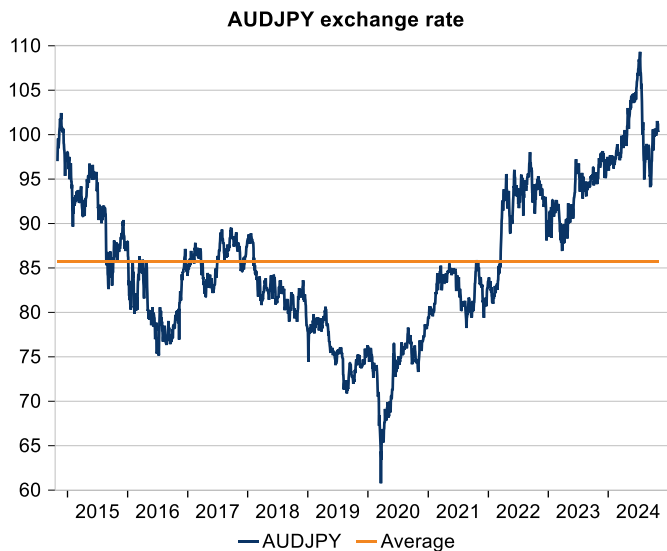
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/EUR



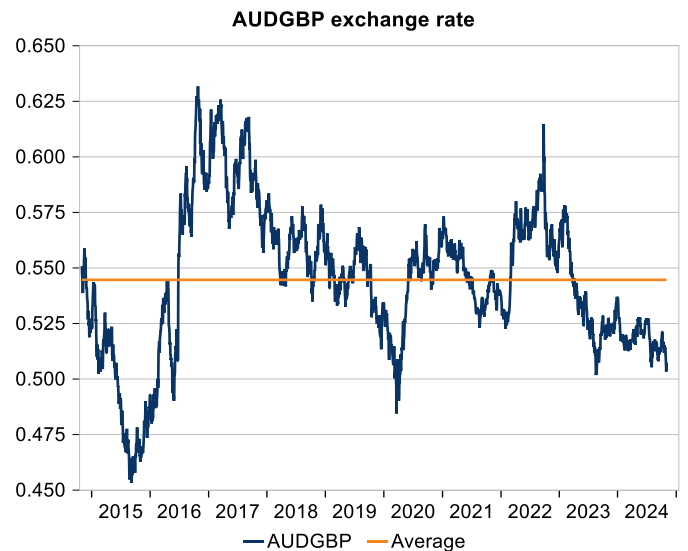
Source: Reserve Bank of Australia, QTC, Macrobond

AUD/JPY



Source: Reserve Bank of Australia, QTC, Macrobond

AUD/GBP



Source: Reserve Bank of Australia, QTC, Macrobond

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