

The Australian dollar climbed against all of the big four currencies and almost all of the currencies in the G10 trading basket, except for the New Zealand dollar and Swedish krona. The Aussie's improvement came as the RBA continued to warn that a further cash rate increase could not be ruled out, along with an easing in the financial market volatility that had picked up sharply in late July and early August.

The Aussie dollar climbed above US\$0.68 on several occasions during intraday trade in August, and fell just short of finishing the month above that mark, when it closed at US\$0.6798 on 29 August, its highest closing level since early January.

Much of the Aussie dollar's increase against the USD was driven by weakness in the greenback itself, with the US dollar index, which values the big dollar against a basket of major currencies, closing 27 August at its lowest level since July last year, before clawing back some of its losses over the last few days of the month.

Part of the greenback's weakness appears to be linked to the unwinding of long US dollar and short Japanese yen positions, as traders continued to anticipate around 100 basis points of US interest rate cuts this year, with the Japanese yen the strongest of the big four currencies.

Model Expected Value	Present Rate	Expected Value Band
0.6750	0.6765	0.6625 – 0.6875

The Australian dollar traded between US\$0.6498 and US\$0.6798 on a close-of-day basis in August and averaged US\$0.6657, before closing at US\$0.6765. The AUD has averaged US\$0.6664 over the first two months of 2024-25, after averaging USD0.6557 in 2023-24.

The spread between the Australian 2-year Treasury bond yield and the US 2-year Treasury bond yield narrowed to -25 basis points at the end of August, after starting the month at -38pts. The spread averaged -26pts during the month.

At its August meeting, the RBA Board held the cash rate target steady at 4.35%, and the interest rate the RBA pays on exchange settlement balances (reserves) at 4.25%. The RBA continued to signal that it is prepared to raise interest rates further to ensure that inflation is brought back to the 2-3% target band within a reasonable timeframe. The RBA lowered its near-term headline inflation forecast due to the dampening impact of Commonwealth and state government electricity subsidies on measured inflation but expects inflation to spring back once the impact of the subsidies is unwound. Underlying inflation is not expected to fall back to the top of the target band until late 2025 and to the middle of the target band until late 2026.

The futures market is not fully pricing in a 25-basis point RBA cash rate cut until February 2025.

Elsewhere, traders in the US market are fully pricing in the first 25bps cut from the Fed at its next meeting in September, with 100 basis points of cuts almost fully priced in by the end of the year. In Europe, the ECB cut policy rates in June and is expected to cut by a further 25 basis points in September. A total of 62 basis points in cuts are currently priced in by the end of 2024.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.6765	0.6798	0.6498	3.4%	0.6847	0.6296
AUD/EUR 	0.6123	0.6137	0.5932	1.3%	0.6234	0.5932
AUD/GBP 	0.5154	0.5183	0.5085	1.3%	0.5364	0.5077
AUD/JPY 	98.89	98.89	93.67	0.8%	109.10	93.67
AUD/CNY 	4.7984	4.8389	4.6304	1.5%	4.9219	4.6007

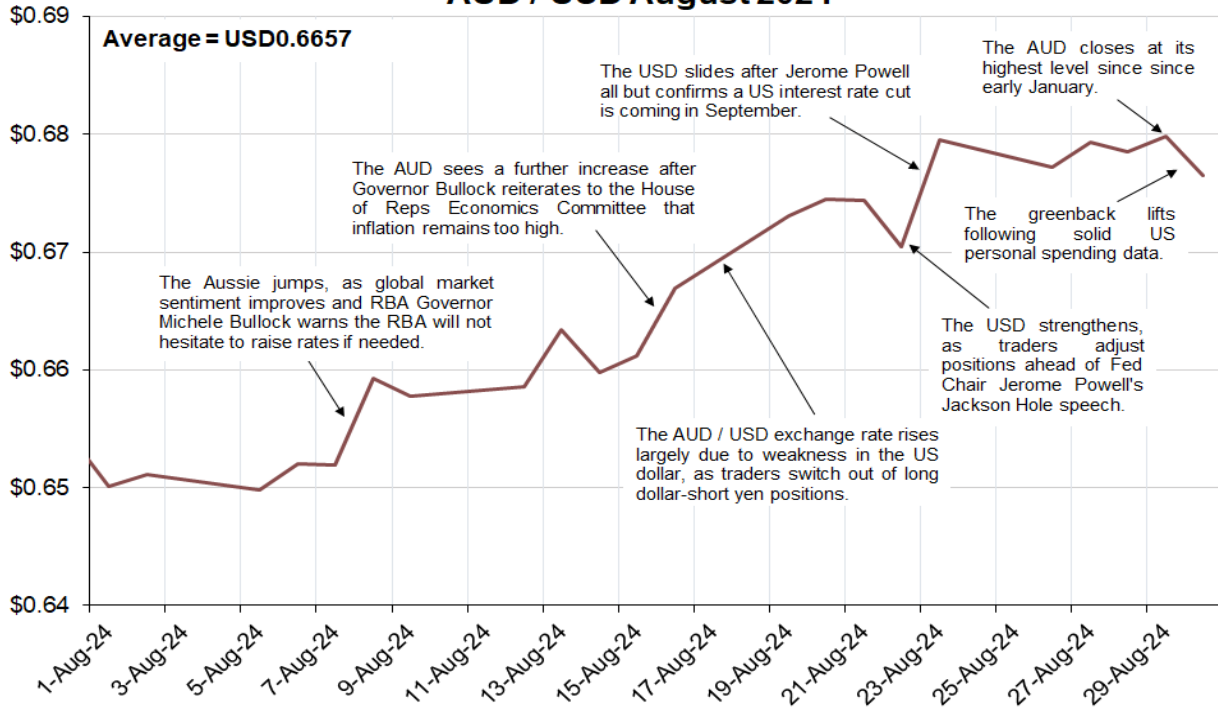
Commodity prices fell almost across the board in August. The CRB commodity price index fell for the third month in a row, sliding to the lowest levels since October 2021 in Aussie dollar terms. Iron ore futures slumped to the lowest levels since November 2022 before picking up again in the second half of the month. Oil prices were volatile but ultimately closed lower, as concerns over the outlook for Chinese demand more than offset supply risks.

Commodity AUD	30-Aug-24	MoM (%)	YoY (%)
CRB Index	409.9	-3.7%	-5.9%
RBA Commodity Price Index	78.7	-0.8%	-7.2%
Brent Crude	\$116.60	-5.7%	-21.2%
Singapore Gasoil 10 ppm	\$135.17	-7.7%	-23.9%
Gold	\$3,704.34	-1.2%	23.5%
Singapore Iron Ore Futures (62% Fe)	\$149.27	-3.6%	-17.0%
Nickel	\$24,809.12	-2.4%	-20.9%
Copper	\$13,665.29	-3.3%	5.0%
Aluminium	\$3,620.89	3.2%	6.1%

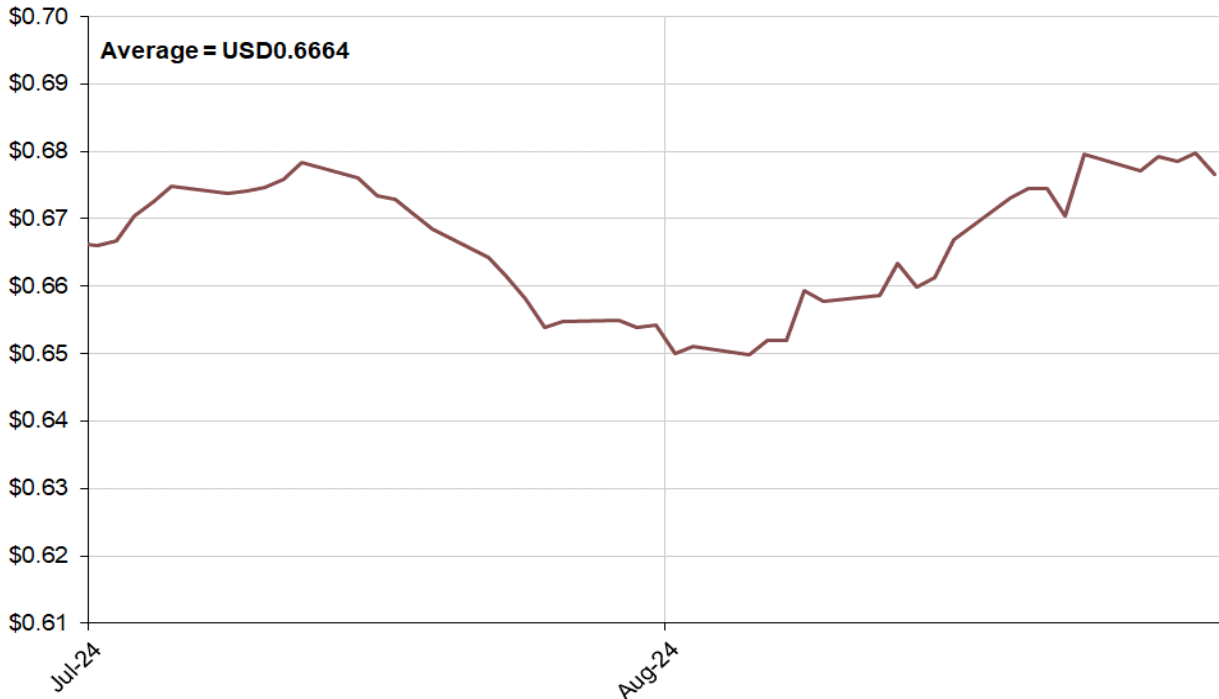
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**AUD / USD August 2024**



**AUD / USD 2024-25**



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