

The Australian dollar had its strongest monthly rise against the greenback since December, climbing 2.8% in May.

The exchange rate began the month trading below US\$0.65 but received a lift early as the greenback sank after a tepid US employment report boosted market expectations for Fed rate cuts this year. US rate cut expectations were given an added lift mid-month by news of a slowdown in inflation in April, following three months of disappointing CPI data. The Aussie climbed to as high as US\$0.6714 during the trading session immediately after the release, its highest level since January, although it didn't manage to stay there and slipped back below US\$0.67 before the close.

The AUD/USD lost ground in the second half of the month and closed as low as US\$0.6606 on 23 May after the greenback climbed following the release of more hawkish-than-expected FOMC minutes, however the Aussie steadied and traded in a relatively narrow band over the last week.

The Aussie was one of the strongest members of the G10 currency basket behind the Norwegian krone, the Swedish krona and New Zealand dollar and ended the month at an 11-year closing rate high against the Japanese yen.

Model Expected Value	Present Rate	Expected Value Band
0.6600	0.6653	0.6475 – 0.6725

The Australian dollar traded between US\$0.6523 and US\$0.6694 on a close-of-day basis in May and averaged US\$0.6627, before closing at US\$0.6653. The AUD averaged US\$0.6550 over the first 11 months of 2023-24, after averaging US\$0.6732 in 2022-23.

The spread between the Australian 2-year Treasury bond yield and the US 2-year Treasury bond yield fluctuated between -71pts and -96pts after closing April at -94pts. The spreads averaged -84pts during the month before closing at -75pts.

The RBA Board kept the cash rate target unchanged at 4.35% and the interest rate it pays on exchange settlement balances (reserves) at 4.25% after its May meeting. However, the Board considered a 25-basis point interest rate increase following the higher-than-expected Q1 CPI in late April but considered the case for keeping rates unchanged the stronger one. Nevertheless, the Board continues to signal that it has little tolerance for further upside surprises to inflation. The quarterly Statement on Monetary Policy saw the RBA lift its near-term forecasts for inflation but it continues to expect that inflation will fall back to the 2-3% target band by the end of 2025. Traders in the cash rate futures market are currently pricing in a 20% chance of a 25bps cut from the RBA by the end of the year.

Elsewhere, traders on the US market are fully pricing in the first 25bps cut from the Fed in November with a further cut partially priced in for December. In Europe, the ECB has strongly signalled that it will start cutting interest rates in June.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.6653	0.6694	0.6523	2.8%	0.6889	0.6296
AUD/EUR 	0.6132	0.6158	0.6090	1.0%	0.6288	0.5886
AUD/GBP 	0.5221	0.5286	0.5203	0.8%	0.5396	0.5024
AUD/JPY 	104.66	104.66	100.86	2.5%	104.66	91.23
AUD/CNY 	4.8111	4.8385	4.7311	2.5%	4.9273	4.6007

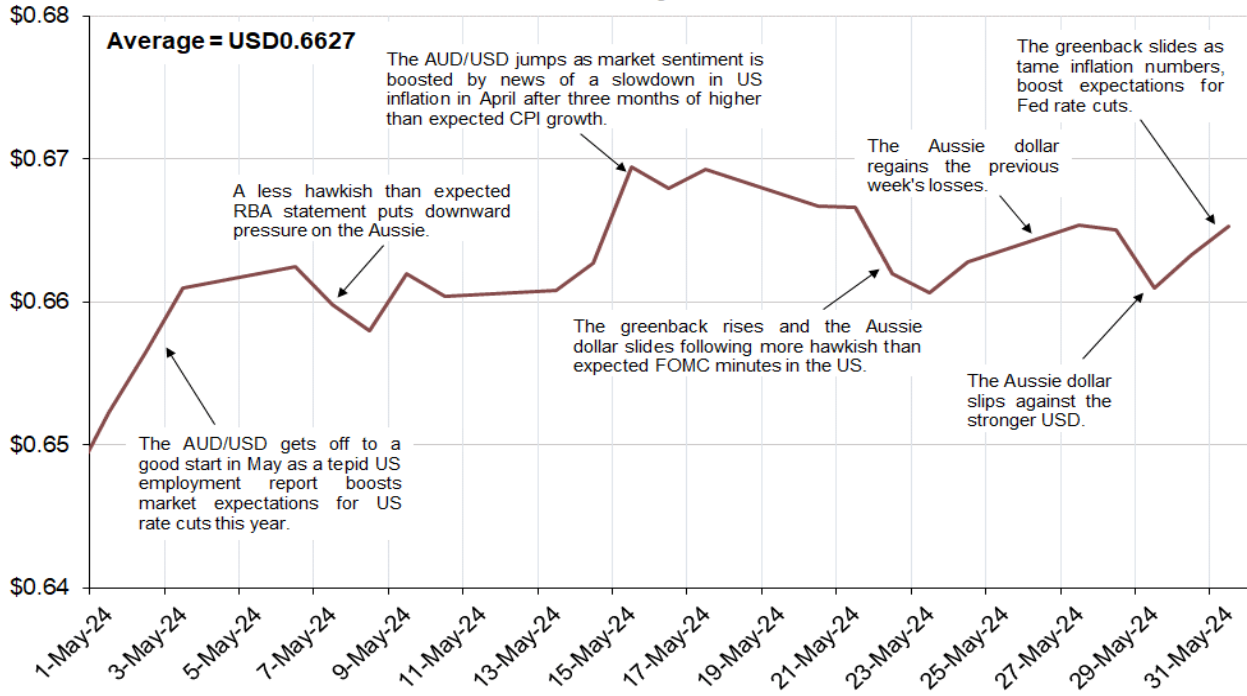
Commodity prices weakened in May, with the RBA Commodity Aussie dollar price index falling for the fourth month in a row to be at its lowest level since July last year. Iron ore futures prices were boosted in the middle of the month as Chinese authorities announced further measures to aid the ailing property sector, pushing the benchmark price to a three-month high. However, the announcement soon lost its lustre and prices slipped back late in the month. Oil prices fell back as concerns over the demand outlook continued to offset the risk to supply of the ongoing conflict in the Middle East and Ukrainian attacks on Russian oil infrastructure.

Commodity AUD	31-May-24	MoM (%)	YoY (%)
CRB Index	436.9	-2.8%	11.3%
RBA Commodity Price Index	83.9	-0.2%	-5.2%
Brent Crude	\$122.90	-9.3%	9.4%
Singapore Gasoil 10 ppm	\$145.33	-7.1%	8.3%
Gold	\$3,504.49	-0.6%	15.4%
Singapore Iron Ore Futures (62% Fe)	\$173.84	-3.1%	11.0%
Nickel	\$29,679.27	0.1%	-6.8%
Copper	\$15,118.21	-1.8%	20.8%
Aluminium	\$3,994.13	0.0%	15.0%

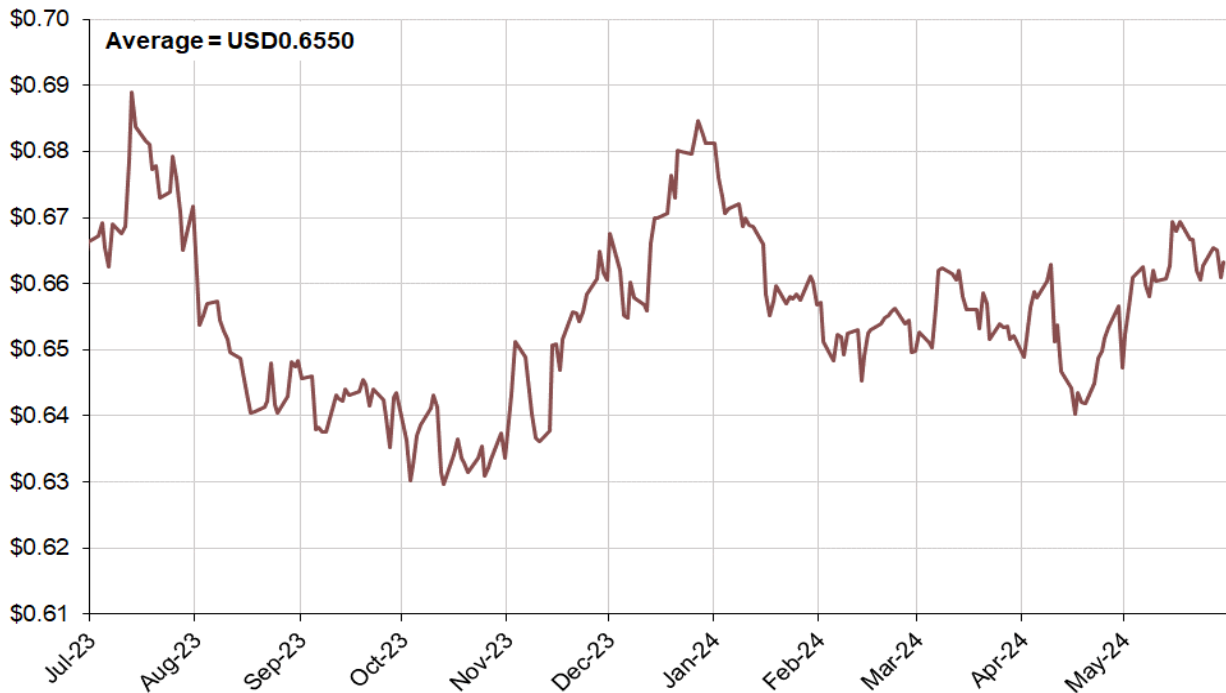
Disclaimer

Any opinions, judgments, conclusions, forecasts, predictions or estimations contained in this advice are made in reliance on information provided to Western Australian Treasury Corporation which Western Australian Treasury Corporation believes to be reliable. Western Australian Treasury Corporation, however, cannot guarantee the accuracy of that information. Thus, any recommendations are made in good faith but are provided only to assist you with any decisions which you make. These recommendations are not intended to be a substitute for professional advice on a particular matter. Before accepting or rejecting those recommendations you must discuss your particular needs and circumstances with Western Australian Treasury Corporation.

**AUD / USD May 2024**



**AUD / USD 2023-2024**



4 JUNE 2024

**Disclaimer**

Any opinions, judgments, conclusions, forecasts, predictions or estimations contained in this advice are made in reliance on information provided to Western Australian Treasury Corporation which Western Australian Treasury Corporation believes to be reliable. Western Australian Treasury Corporation, however, cannot guarantee the accuracy of that information. Thus, any recommendations are made in good faith but are provided only to assist you with any decisions which you make. These recommendations are not intended to be a substitute for professional advice on a particular matter. Before accepting or rejecting those recommendations you must discuss your particular needs and circumstances with Western Australian Treasury Corporation.