

After a weak start to the month, the Australian dollar was the best performer of the G10 trading currencies during September. The Aussie fell early in September amid faltering risk appetite, as soft US employment data raised concerns that the US economy could be slowing more sharply than expected.

The Aussie's fortunes soon turned, with the currency bouncing initially as markets stabilized from the early selloff before charging higher after the US Federal Reserve cut its benchmark rate by a sizable 50bps. The growth momentum continued through the middle of the month and, with the USD weakening, the Aussie dollar climbed above US\$0.68 for the first time since January.

The AUD received a fresh lift late in September after the People's Bank of China announced a range of measures to support the ailing property market and the Communist Party Politburo strongly hinted that fiscal support is also coming as Chinese GDP growth in 2024 threatens to fall short of the Government's 5.0% target. By month end, the Aussie dollar had climbed above US\$0.69 for the first time since January 2023, helped by a slide in the USD Index to its lowest level since July of that year.

Model Expected Value	Present Rate	Expected Value Band
0.6825	0.6913	0.6950 – 0.6700

The Australian dollar traded between US\$0.6652 and US\$0.6913 on a close-of-day basis in September and averaged US\$0.6772, before closing at its high of US\$0.6913. The AUD has averaged US\$0.6699 over the first three months of 2024-25, after averaging USD0.6557 in 2023-24.

The 50bps Fed interest rate cut and expectations for further sharp cuts over the remainder of 2024 and 2025 saw the spread between the Australian 2-year Treasury bond yield and the US 2-year Treasury bond yield narrow to virtually flat at the end of September, after starting the month at -25pts. The spread averaged -2pts during the month.

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%, at its meeting in September. The RBA continued to signal that it is some way from cutting interest rates, that returning inflation sustainably to the 2-3% target in a reasonable timeframe is its highest priority and that it will 'do what is necessary to achieve that outcome'.

The futures market is currently pricing in a 64% chance of a 25bps RBA cash rate cut by the end of 2024, with a 25bps cut more than fully priced in for February 2025. A total of 75bps of cuts are priced in by mid-2025.

In the US, traders are almost fully pricing in a further 75bps of cuts by the end of the year and another 100bps by the middle of 2025. In Europe, the ECB announced its second 25bps cut of the cycle in September, with traders pricing in another 50bps of cuts by year end, followed by 100bps of cuts in the first half of 2025.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.6913	0.6913	0.6652	2.2%	0.6913	0.6296
AUD/EUR 	0.6208	0.6208	0.6017	1.4%	0.6234	0.5932
AUD/GBP 	0.5169	0.5169	0.5080	0.3%	0.5364	0.5080
AUD/JPY 	99.30	99.86	94.42	0.4%	109.10	93.67
AUD/CNY 	4.8564	4.8564	4.7347	1.2%	4.9219	4.6007

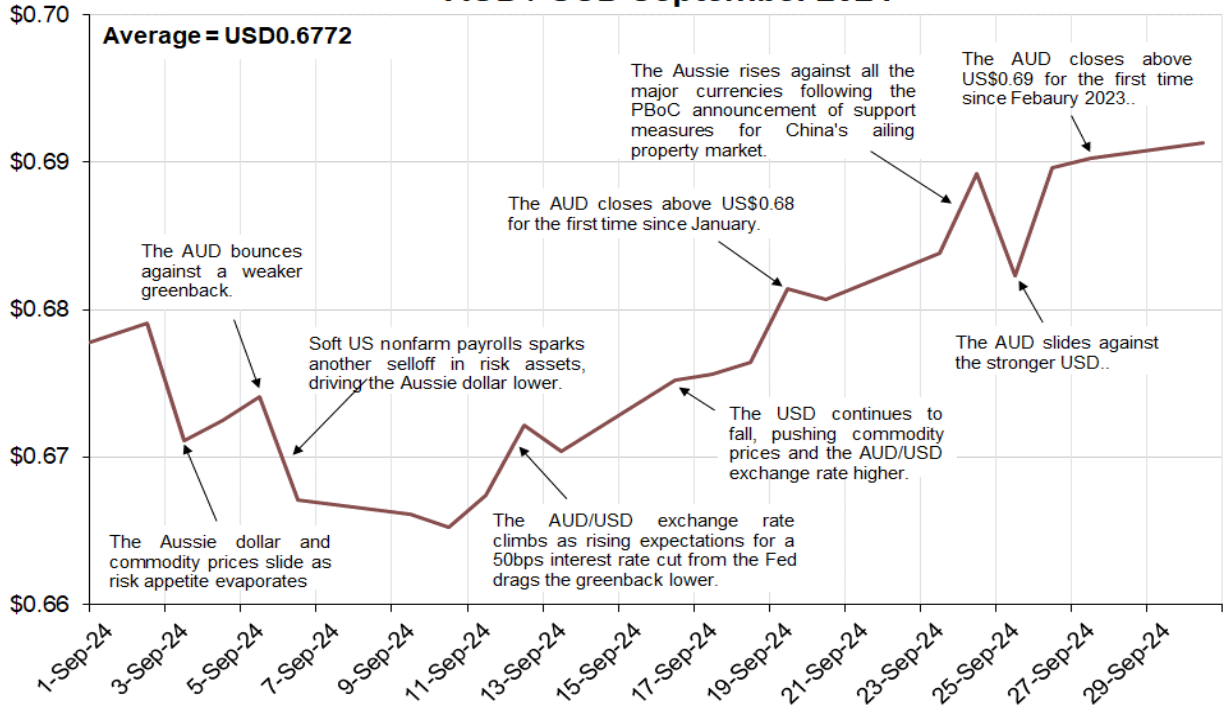
The RBA commodity price index, fell for the fourth month in a row in Aussie dollar terms in September, to be down 30.3% from its June 2022 peak, with the fall in September led by bulk commodity prices. Iron ore futures slumped below US\$90.00 / tonne for the first time since November 2022, however, the announcement of economic support measures in China drove a sharp recovery toward the end of the month. Oil prices slumped, as concerns over the outlook for Chinese demand and expectations for increased OPEC supply more than offset the news of the escalating conflict in the Middle East.

Commodity AUD	30-Sep-24	MoM (%)	YoY (%)
CRB Index	410.6	0.2%	-7.0%
RBA Commodity Price Index	76.1	-2.6%	-12.8%
Brent Crude	\$103.43	-11.3%	-25.0%
Singapore Gasoil 10 ppm	\$121.37	-10.2%	-37.8%
Gold	\$3,796.77	2.5%	32.3%
Singapore Iron Ore Futures (62% Fe)	\$157.73	5.7%	-15.1%
Nickel	\$25,239.95	1.7%	-13.0%
Copper	\$14,164.87	3.7%	10.3%
Aluminium	\$3,763.51	3.9%	3.3%

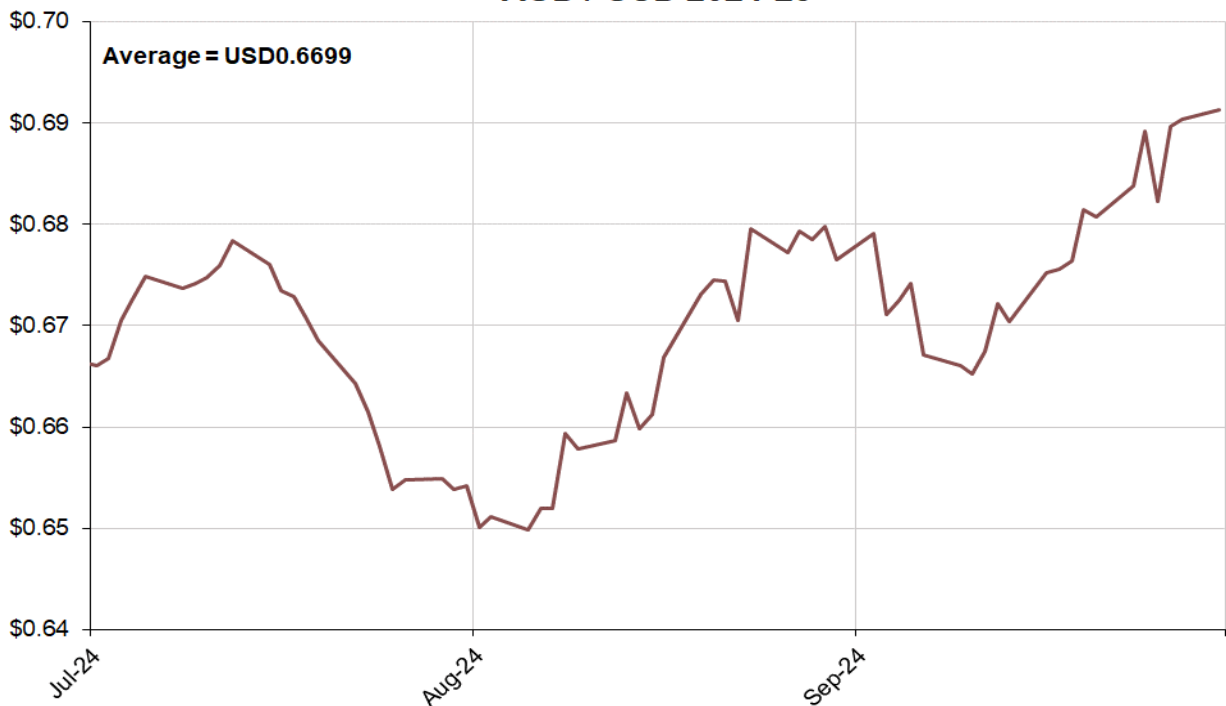
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AUD / USD September 2024



AUD / USD 2024-25



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