

The Australian dollar posted its fourth monthly fall in the past five months against the US dollar in February, giving up all its early gains over the last week of the month to close marginally lower.

For the second month in a row, volatility in the exchange rate was driven by announcements on US tariffs from the Trump administration. The Aussie initially rose as the threatened 25% tariffs on US imports from Canada and Mexico was postponed a month, while China's response to the 10% US tariff increase on its goods was relatively limited.

The Aussie continued to rise against a weaker US dollar over the following two weeks, partly due to the impact of weaker-than-expected US economic data that weighed on the greenback, which also fell against the other major currencies. The AUD closed at US\$0.64 on 20 February, its highest closing level since the middle of December, before soft US economic data drove a sell-off in equities and other risk assets, including the AUD.

The big fall came over the last few days of the month after US President Donald Trump announced that he was going ahead with his planned 25% tariff on Canadian and Mexican goods imports, and imposed an additional 10% tariff on imports from China (on top of the 10% tariff increase announced in early February).

The Australian dollar was the weakest member of the G10 currency basket over the course of the month, except for the Canadian dollar, which was weighed down by President Trump's tariff threat and lower oil prices.






Model Expected Value	Present Rate	Expected Value Band
0.6550	0.6209	0.6375 – 0.6725

The Australian dollar traded between US\$0.6209 and US\$0.6400 on a close-of-day basis in February, and averaged US\$0.6305, before closing the month at its high of US\$0.6400. The AUD averaged US\$0.6525 over the first eight 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 began the month at -40bps and moved to as wide as -53bps before narrowing to -26bps at the end of February. The spread averaged -40pts through the month.

The RBA Board cut the cash rate target by 25bps to 4.10% as expected in February. The post-meeting statement and Governor Bullock's press conference were hawkish and clear in advising the market that this was not necessarily the start of a succession of cuts. The RBA lowered its forecast for the peak in the unemployment rate to 4.2% from the 4.5% forecast in November last year. Underlying inflation is projected to stabilise at 2.7% out to mid-2027. This is within the 2-3% target but above the mid-point. Current market pricing for the RBA has a 70% chance of a cut at the Board meeting in May, the meeting after the release of the Q1 CPI in late April. A 25 basis points (bps) cut is fully priced in for July and a total of 64bps of cuts are priced in for 2025, down from the 84bps that were priced in at the end of January.

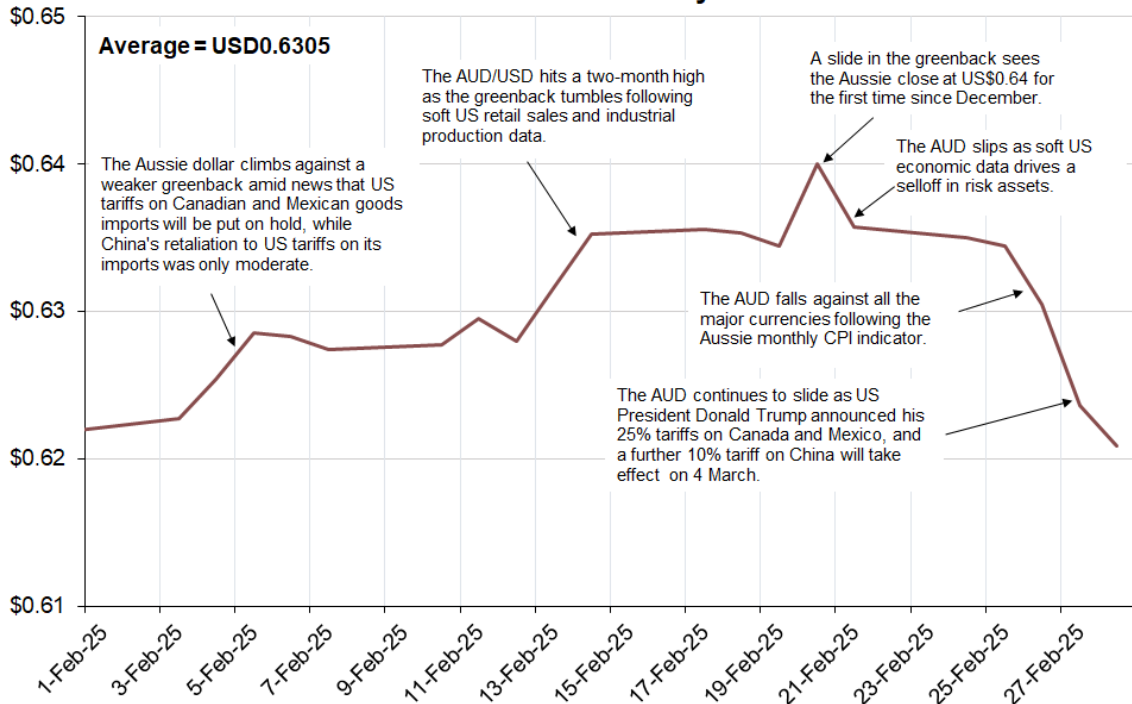
There was no FOMC meeting in the US in February. There is only a 9% change of a Fed interest rate cut at the next meeting on 18-19 March, with the next Fed rate cut not fully priced in until the June meeting. Current market pricing is for a further 68bps of cuts over the course of 2025 up from 47bps a month ago.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.6209	0.6400	0.6209	-0.1%	0.6913	0.6147
AUD/EUR 	0.5983	0.6095	0.5983	-0.2%	0.6240	0.5932
AUD/GBP 	0.4936	0.5076	0.4936	-1.5%	0.5286	0.4936
AUD/JPY 	93.52	96.97	93.42	-3.0%	109.10	93.42
AUD/CNY 	4.5094	4.6373	4.4558	0.1%	4.9219	4.4558

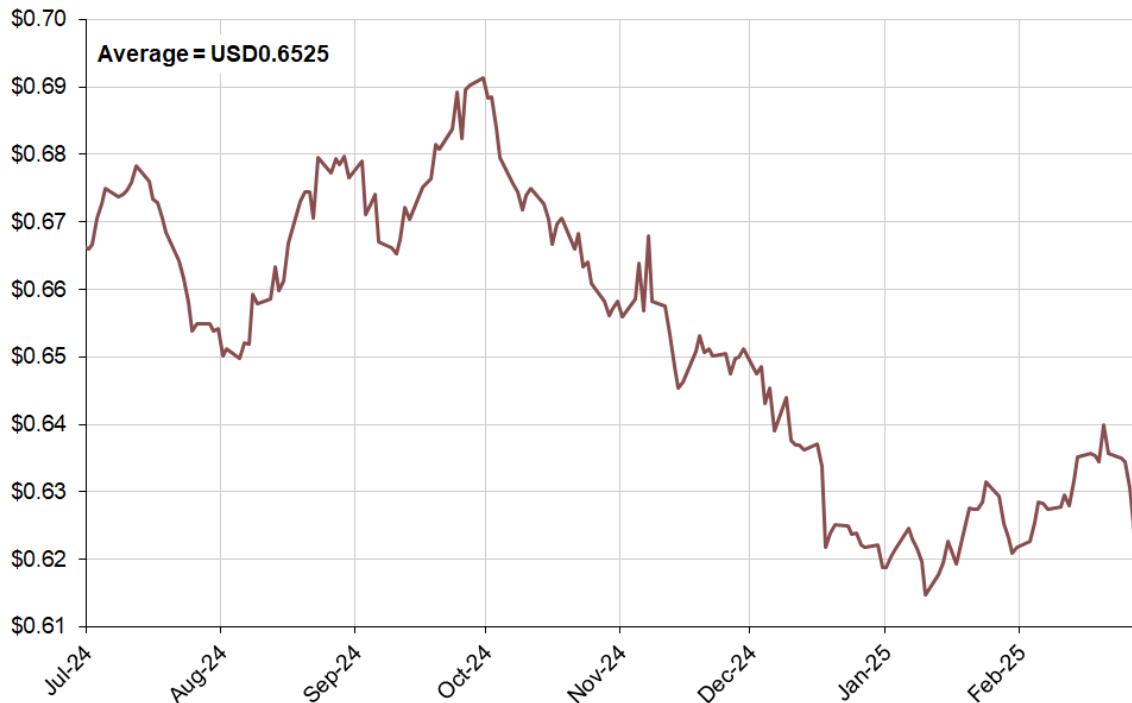
Crude oil prices fell in February, amid ongoing concerns over the demand outlook. The benchmark iron ore futures price in Singapore climbed to its highest levels since October last year before a late fall amid news that President Trump will impose an additional tariff on Chinese goods imports. Gold hit fresh record highs before easing late in the month.

Commodity AUD	28-Feb-25	MoM (%)	YoY (%)
CRB Index	486.4	-0.2%	14.8%
RBA Commodity Price Index	84.5	0.0%	-6.1%
Brent Crude	\$117.92	-3.9%	-12.1%
Singapore Gasoil 10 ppm	\$143.23	-2.6%	-9.3%
Gold	\$4,604.95	2.9%	46.3%
Singapore Iron Ore Futures (62% Fe)	\$166.37	-2.0%	-7.3%
Nickel	\$24,867.87	2.3%	-9.8%
Copper	\$15,078.96	4.3%	15.3%
Aluminium	\$4,198.36	1.3%	22.4%

AUD / USD February 2025



AUD / USD 2024-25



04 March 2025