



...Aussie plants a flag above 0.6300

[#aud](#)[#commodities](#)[#rba](#)[#fomc](#)[#inflation](#)[#china](#)[#fx](#)[#japan](#)[#boj](#)[#ironore](#)[#aud](#)[#ecb](#)[#pboc](#)

By [Richard Franulovich](#)

Head of FX Strategy, Westpac

18:35 March 17 2025

AUD/USD handled last week's deepening equity market sell off without too much fuss, the pair remaining well contained to the 0.6260-0.6335 area. AUD/USD starts the week at the higher end of that range, making for a 0.3% gain over the last week. The focus in the week ahead is on Australia's Feb labour market report and the March FOMC.



Aussie plants a flag above 0.6300

AUD/USD handled last week's deepening equity market sell off without too much fuss, the pair remaining well contained to the 0.6260-0.6335 area. AUD/USD starts the week at the higher end of that range, making for a 0.3% gain over the last week. The focus in the week ahead is on Australia's Feb labour market report and the March FOMC.

US equities posted a rebound on Friday but sentiment overall remains fragile and investors are rattled. Faith in the Trump trade has completely evaporated. DOGE spending cuts and uncertainty over tariff delivery timelines and the countries/industries that are in scope are weighing on US household and business confidence. Compounding matters, US Administration officials betray indifference, challenging assumptions that falling equities and high volatility can exert a moderating impact.

Fading "US exceptionalism" is a clean USD-negative, but it has fallen very unevenly on currencies so far. The European currencies are understandably the outperformers. EUR/USD has risen 3.8% over the last month, towards the 1.09 area, though that has as much to do with the dramatic turnaround in Germany's defence spending plans. GBP/USD has risen 2.5%, while the Scandinavian currencies - the Norwegian and Swedish Krona - have posted outsized gains of 4.4% and 5.4% respectively over the last month. AUD/USD has been contained to a rough 0.6200-0.6400 range over the last month.

To recap another frenzied week of headlines: Trump threatened to double tariffs on Canadian steel and aluminium to 50%, but later walked back this threat, US CPI and PPI data printed weaker than expected, while gold briefly soared past \$3000/oz on Friday. US Treasury Secretary Scott Bessent said that there were "no guarantees" on the US avoiding a recession.

Steel and aluminium tariffs came into effect last week with no exemptions granted for Australia, despite recent lobbying efforts.

AUD steadied on a few key crosses last week. AUD/JPY defied the odds, rising from around 92.00 to 94.00, despite high global equity market volatility. Japan's peak trade union group Rengo reported a preliminary +5.5% pay gain in this year's wage negotiations, an outsized gain that should fuel BoJ rate hike bets.

AUD/EUR slumped to a post-Covid low 0.5741 last week, but rebounded slightly to 0.5824 by week's end. This cross has fallen almost 5% in the last month.

On commodities, gold soared above the key \$3000/oz level during Friday's session on the back of trade war worries, softer US data and equity weakness fanning recession fears. A small correction brought bullion back to around \$2984/oz, though prices are up 14% YTD and +2.6% last week. Copper has traded to multi-month highs, at \$9,793/t. Iron ore has been mixed: it's still holding above \$100/t and awaits fresh policy updates from Beijing.

The good news on China is that last year's policy easing blitz is stoking a rebound in the factory sector. Today's industrial production data showed the Jan-Feb annual pace firming to 5.9% y/y, comfortably beating expectations at 5.3% t/t. Fixed asset investment is also picking up pace. But overall the picture still looks fragile and uneven. China's surveyed jobless rate rose to 5.4%, a 2-year high. Property prices continue to decline, albeit less so than previous months, while retail sales still have a lacklustre feel at 4% y/y in the Jan-Feb period. Deflationary pressures remain substantial too, evidenced by the 0.7% y/y decline in the Feb CPI, as good a sign as any that China still faces a large aggregate demand shortfall.

But China markets are not fussed. The Hang Seng is up 21% year to date, while the Hang Seng China Enterprises index, mainland securities listed in Hong Kong, is up 23% year to date. The rerating of China's tech sector around DeepSeek's low cost AI model continues to reverberate.

Turning to the week ahead, domestically the spotlight will be on Feb labour force data. Australia has a world-beating strong jobs market, with annual employment growth at 3.0%yr, the same pace seen over a year ago, For the month ahead forecasters are looking for a solid jobs print, +30k.

Overseas, the March FOMC will be closely watched. US growth prospects have cooled sharply in recent weeks, while inflation risks have risen, a challenging backdrop for officials to navigate.

Tuesday

- US Feb Housing Starts & Industrial Production
- German Mar ZEW Survey Expectations
- RBA Assistant Governor, Sarah Hunter, keynote speech AFR banking summit

Wednesday

- Australia Feb Westpac Monthly Leading Index
- US March FOMC Policy Rate Meeting
- Eurozone Feb CPI (Final)
- Bank of Japan March Policy Rate Meeting

Thursday

- Australia Feb Labour Force
- US Q4 Current Account Balance
- US Philadelphia Fed factory index
- NZ Q4 GDP
- Bank of England March Policy Meeting
- EU Leaders summit in Brussels to discuss defence spending

Friday

- Japan Feb CPI