

The Australian dollar remained an outperformer in February and was the strongest of the G10 currencies during the month, ahead of the Norwegian krone, Swiss franc and US dollar.

The trade-weighted index, which values the AUD against a basket of currencies based on their share of trade with Australia, rose to an eight-year high.

Ongoing weakness in the US dollar early in the month saw the AUD/USD climb to its highest levels in three years, before a recovery in the greenback pushed the exchange rate off its highs.

The AUD/USD slipped back under US\$0.71 and remained relatively steady before the elevated Aussie CPI report for January fuelled expectations for an RBA cash rate hike in May. The rise pushed the AUD higher against all the G10 currencies over the final few days of the month. The late rally lifted the AUD/USD back above US\$0.71, to round out its fourth consecutive monthly increase.

The British pound and Japanese yen were the weakest of the major currencies, with the yen falling to its lowest levels against the Aussie dollar since 1990. The fall came amid a stronger AUD and additional weakness in the yen, where interest rates remain very low.

Model Expected Value	Present Rate	Expected Value Band
0.7000	0.7117	0.7200 – 0.6800

The Australian dollar traded between US\$0.6927 and US\$0.7127 on a close-of-day basis in February and averaged US\$0.7058 over the month before closing at US\$0.7117. The AUD/USD has averaged US\$0.6642 over the first eight months of 2025-26, after averaging US\$0.6479 in 2024-25.

The spread between the Australian two-year Commonwealth bond yield and its US counterpart continued to widen in February, as expectations for an RBA cash rate increase continued to build, while the US Federal Reserve was expected to cut US interest rates further. The spread began February at 68bps and widened to 81bps by the end of the month, the widest gap since 2016. The spread averaged 78bps during the month.

The RBA raised the cash rate to 3.85% at the Monetary Policy Board meeting in February and increased its near-term growth and inflation forecasts in response to the recent run of stronger-than-expected data. The RBA also lowered its forecast for the unemployment rate in 2026, which is now expected to rise to 4.3% this year, down from the 4.4% projected in the last set of forecasts in November. Underlying inflation is projected to peak at 3.7% in Q2 2026 and not fall back to the 2-3% target range until mid-2027. GDP growth is forecast to slow sharply in 2027, with the unemployment rate forecast to rise to 4.5% by the end of 2027 and 4.6% by mid-2028.

The RBA forecasts were formulated based on market pricing on 28 January for a cash rate of 4.2% by the end of 2026 and a peak of 4.3% in late 2027. Financial markets are currently pricing in a 73% chance of a 25bps increase to 4.10% in May, and a 4.21% cash rate by the end of the year.

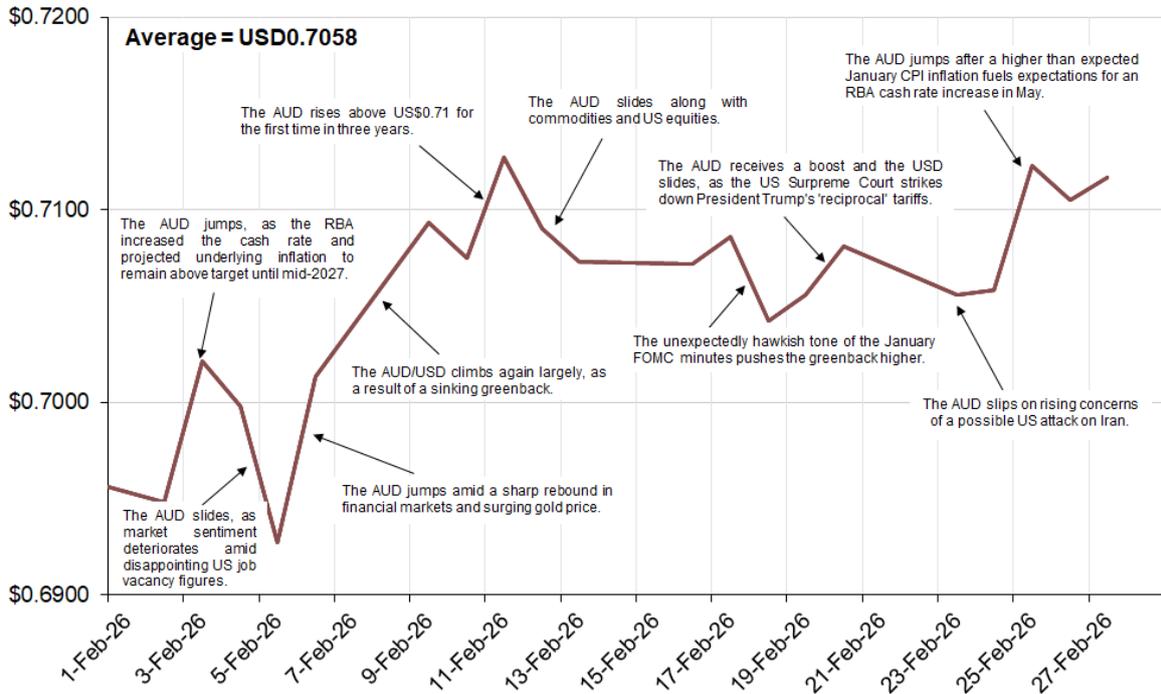
In the US, there was no FOMC meeting in February. At the end of February, the futures market was fully pricing in a 25bps cut in July, and a further 25bps reduction by the end of the year.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.7117	0.7127	0.6927	2.2%	0.7127	0.5960
AUD/EUR 	0.6029	0.6032	0.5882	2.6%	0.6032	0.5437
AUD/GBP 	0.5275	0.5275	0.5084	3.6%	0.5275	0.4667
AUD/JPY 	110.86	111.39	108.00	2.9%	111.39	87.15
AUD/CNY 	4.8785	4.9311	4.8197	0.5%	4.9311	4.3725

Commodity prices slipped in February, although oil and gold were major exceptions, with both pushed higher by mounting concerns that further Middle East conflict was imminent (since validated). Brent crude oil closed February at the highest level in seven months and has since risen sharply again in early March. Gold prices rose for the eighth month in a row against the AUD. The RBA Index of Commodity Prices – which is an indicator of prices received by Australian exporters – slipped 2.7%, reversing most of January's increase. Iron ore futures prices fell to the lowest level since September 2024 in Australian dollar terms, before recovering some of the early losses in the second half of the month.

Commodity AUD	27-Feb-26	MoM (%)	YoY (%)
CRB Index	439.4	-4.3%	-9.7%
RBA Commodity Price Index	94.4	-2.7%	-2.9%
Brent Crude	\$101.85	0.5%	-14.9%
Singapore Gasoil 10 ppm	\$130.86	1.2%	-8.6%
Gold	\$7,418.39	5.7%	61.1%
Singapore Iron Ore Futures (61% Fe)	\$139.19	-6.3%	-16.3%
Nickel	\$25,075.89	-2.6%	0.8%
Copper	\$18,751.41	-0.6%	24.4%
Aluminium	\$4,412.59	-2.1%	5.1%

AUD / USD February 2026



AUD / USD 2025-26



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