

The Australian dollar was relatively resilient in early September before weakening to close the month lower against all major currencies and rank among the weaker members of the G10 currency basket. The AUD trade-weighted index fell to its lowest level since June.

The AUD/USD rose early in the month, reaching a near-four-month closing high of US\$0.7218 on 7 September. The Australian dollar strengthened as expectations of RBA cash rate increases grew following hawkish comments from central bank officials and the release of higher-than-expected July inflation data in late August. At the same time, the US dollar remained soft, falling to a four-month low against a basket of major currencies.

The exchange rate declined over the remainder of the month, with the fall accelerating in late September as the factors that had supported the AUD/USD early in the month reversed. The Australian dollar weakened amid deteriorating market sentiment, an unexpected rise in the Australian unemployment rate and a better-than-expected CPI report late in the month. Meanwhile, growing expectations of Federal Reserve interest rate increases supported the greenback, with the US dollar index closing September at a two-month high.

The widely expected RBA cash rate increase late in September did little to support the Australian dollar, and the AUD/USD ended the month at its lowest level since mid-July.

Model Expected Value	Present Rate	Expected Value Band
0.7025	0.6947	0.7275 – 0.6775

The Australian dollar traded within a US\$0.6947 to US\$0.7218 closing range in September, averaging US\$0.7116 and ending the month at its low. The AUD/USD averaged US\$0.7060 over the first three months of 2026-27, compared with US\$0.6787 in 2025-26.

The Australian–US two-year yield spread began September at 34 basis points and widened to a peak of 47 basis points early in the month, as rising expectations of RBA cash rate increases pushed Australian yields higher while the US two-year yield declined. The spread narrowed over the remainder of the month as US Treasury yields rose faster than Australian yields, closing September at just 6 basis points after averaging 29 basis points over the month.

The RBA Monetary Policy Board raised the cash rate by 25 basis points to a 15-year high of 4.60% after its 28-29 September meeting as expected, and the post-meeting statement was hawkish. However, Governor Michele Bullock's post meeting press conference was less hawkish. The Governor characterised the increase as another instalment in a tightening cycle that has lifted the cash rate by 100 basis points since the start of the year. The comments watered down market expectations for a follow-up rise in November and news of lower-than-expected August inflation put a further brake on market pricing for a November rise.

The cash rate futures market is currently pricing in a 30% chance of an RBA interest rate hike to 4.85% in November, with a further hike almost fully priced in for the first meeting of 2027 in February.

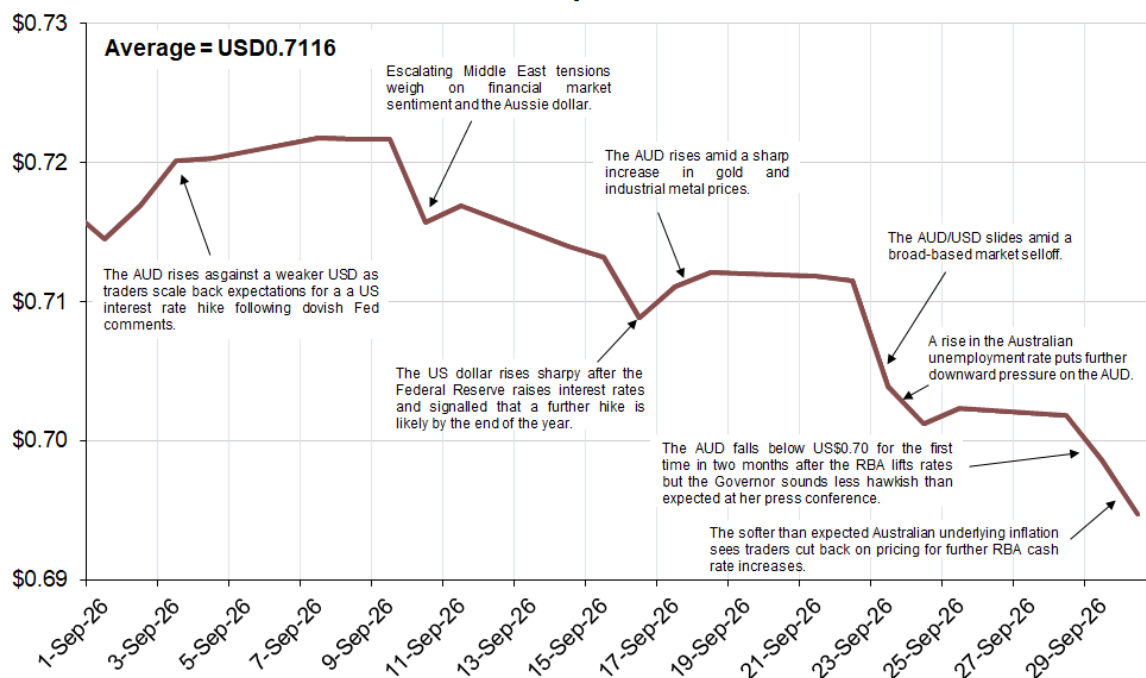
The US Federal Reserve joined the list of central banks raising interest rates, lifting the fed funds target range by 25 basis points to 3.75-4.0% and signalling a further hike is likely by the end of the year. Financial markets are currently almost fully pricing in a further 75 basis points of Fed hikes by April next year.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.6947	0.7218	0.6947	-3.1%	0.7258	0.6440
AUD/EUR 	0.6129	0.6214	0.6129	-0.6%	0.6214	0.5549
AUD/GBP 	0.5237	0.5331	0.5237	-1.0%	0.5389	0.4827
AUD/JPY 	109.35	114.44	109.35	-4.5%	114.82	97.12
AUD/CNY 	4.6595	4.8458	4.6595	-3.2%	4.9311	4.5849

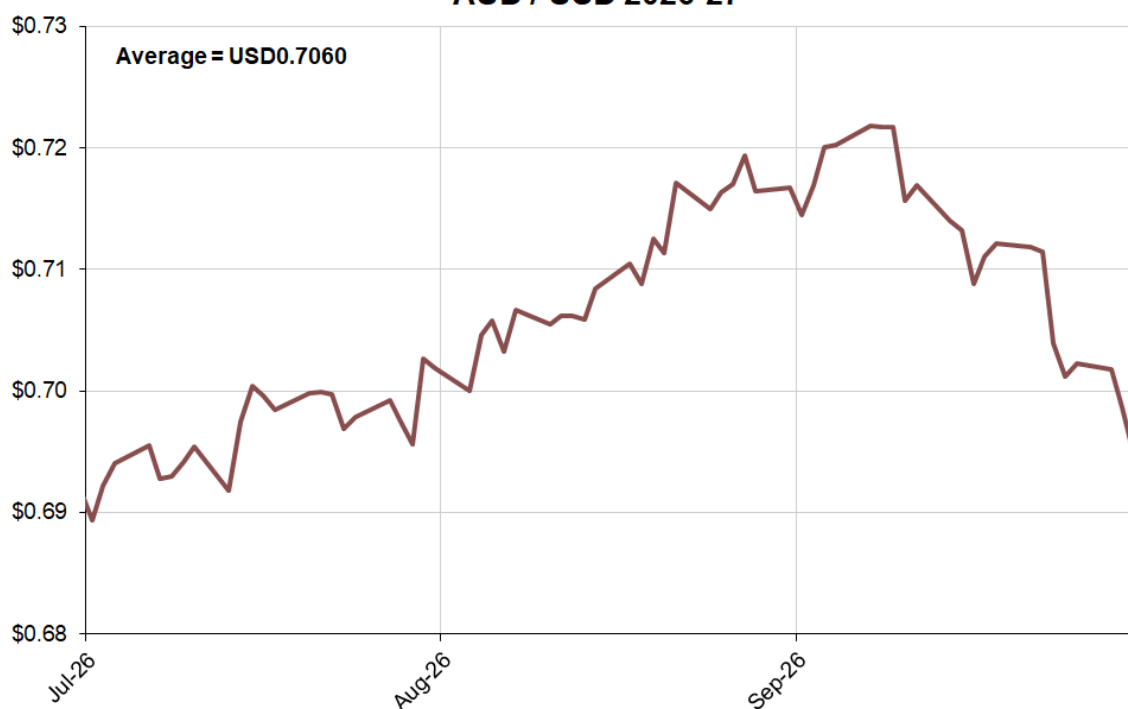
The reescalation of the conflict in the Middle East drove oil prices to the highest level since May, before prices subsided later in the month. Iron ore futures prices fell to the lowest level since mid-2025 in US dollar terms but a decline in the Australian dollar helped absorb some of the impact. Gold prices slipped for the first time in three months, as real US Treasury yields climbed to the highest level since 2008. Copper prices hit a fresh record high before easing.

Commodity AUD	30-Sep-26	MoM (%)	YoY (%)
CRB Index	590.2	3.0%	30.0%
RBA Commodity Price Index	106.6	0.9%	6.6%
Brent Crude	\$148.94	18.0%	50.2%
Singapore Gasoil 10 ppm	\$254.50	14.3%	91.9%
Gold	\$4,157.41	-6.3%	7.7%
Singapore Iron Ore Futures (61% Fe)	\$134.14	-3.5%	-14.4%
Nickel	\$22,914.69	-2.7%	-0.4%
Copper	\$20,730.83	3.9%	33.6%
Aluminium	\$4,559.78	0.7%	12.6%

AUD / USD September 2026



AUD / USD 2026-27



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