Australian Dollar Monthly

AUGUST 2026

The Australian dollar was the strongest-performing G10 currency in August, while the trade-weighted index rose to its highest level since early June. It was supported by improved global risk sentiment, firmer commodity prices and a hawkish repricing of RBA policy expectations following an upside inflation surprise late in the month.

The AUD/USD rose 2.1% in August, extending the recovery that began in early July after two months of declines, when the Australian dollar had been weighed down by geopolitical uncertainty linked to the Middle East conflict.

For much of August, the AUD/USD was supported by US dollar weakness, with the greenback falling to a three-month low after the US Treasury announced plans to expand long-term debt buybacks. The announcement followed news that US public debt had risen above US$40 trillion and sharpened investor focus on escalating US borrowing costs.

Although the US dollar later steadied, the Australian dollar remained well supported and gained further as stronger-than-expected July inflation lifted expectations of another RBA cash rate increase. The renewed rise lifted AUD/USD to its highest level in more than three months on 27 August.

Some gains were later pared after Federal Reserve Chair Kevin Warsh delivered a hawkish speech at the Jackson Hole Economic Policy Symposium, pushing US rate expectations higher and renewing support for the US dollar.

Model Expected Value	Present Rate	Expected Value Band
0.7250	0.7167	0.7500 – 0.7000

The Australian dollar traded in a US$0.7000 to US$0.7194 closing range in August, averaging US$0.7102 and ending the month at US$0.7167. The AUD/USD has averaged US$0.7032 over the first two months of 2026-27, compared with US$0.6787 in 2025-26.

The Australian–US two-year yield spread began August at 25 basis points and widened to a peak of 46 basis points after stronger-than-expected Australian July CPI lifted domestic yields and increased expectations of another RBA cash rate hike. The spread later narrowed to 34 basis points as hawkish comments from Fed Chair Kevin Warsh pushed US Treasury yields higher and averaged 37 basis points over the month.

The RBA Monetary Policy Board left the cash rate target unchanged in August, but reiterated that it would raise rates further if needed to return inflation sustainably to target.

In its quarterly Statement on Monetary Policy, the RBA lowered its near-term inflation forecasts after the slightly softer-than-expected Q2 CPI outcome. Underlying inflation is now expected to fall to 3.3% in Q4 2026, down from 3.5% in the February forecast. Longer-term projections were little changed, with inflation still not expected to return near the midpoint of the 2-3% target range until late 2027.

The RBA also raised its unemployment forecasts, lifting its Q4 2026 estimate to 4.5% from 4.3% in February. It now expects the unemployment rate to peak at 4.8% in 2028, up from 4.7% previously.

Following the 26 August July CPI release, market pricing for a 25 basis point September cash rate increase rose to almost 50%, from less than 10% at the start of the week. Markets also fully priced a rise in the cash rate to 4.60% by year end.

In the United States, hawkish comments from Fed Chair Kevin Warsh emphasising the Fed's commitment to its 2% inflation target lifted futures market pricing for another rate increase. Futures now imply a 67% probability of a 25-basis point hike to 3.75-4.00% at the September meeting, with 38 basis points of tightening priced by year end.

Commodity AUD	31-Aug-26	MoM (%)	YoY (%)
CRB Index	572.8	4.5%	24.0%
RBA Commodity Price Index	105.0	0.1%	5.8%
Brent Crude	$126.24	-1.6%	24.7%
Singapore Gasoil 10 ppm	$222.67	-1.8%	69.5%
Gold	$4,437.38	9.7%	28.7%
Singapore Iron Ore Futures (61% Fe)	$138.95	2.0%	-12.1%
Nickel	$23,545.59	-4.1%	-0.1%
Copper	$19,960.90	1.7%	32.0%
Aluminium	$4,527.30	-0.1%	13.3%

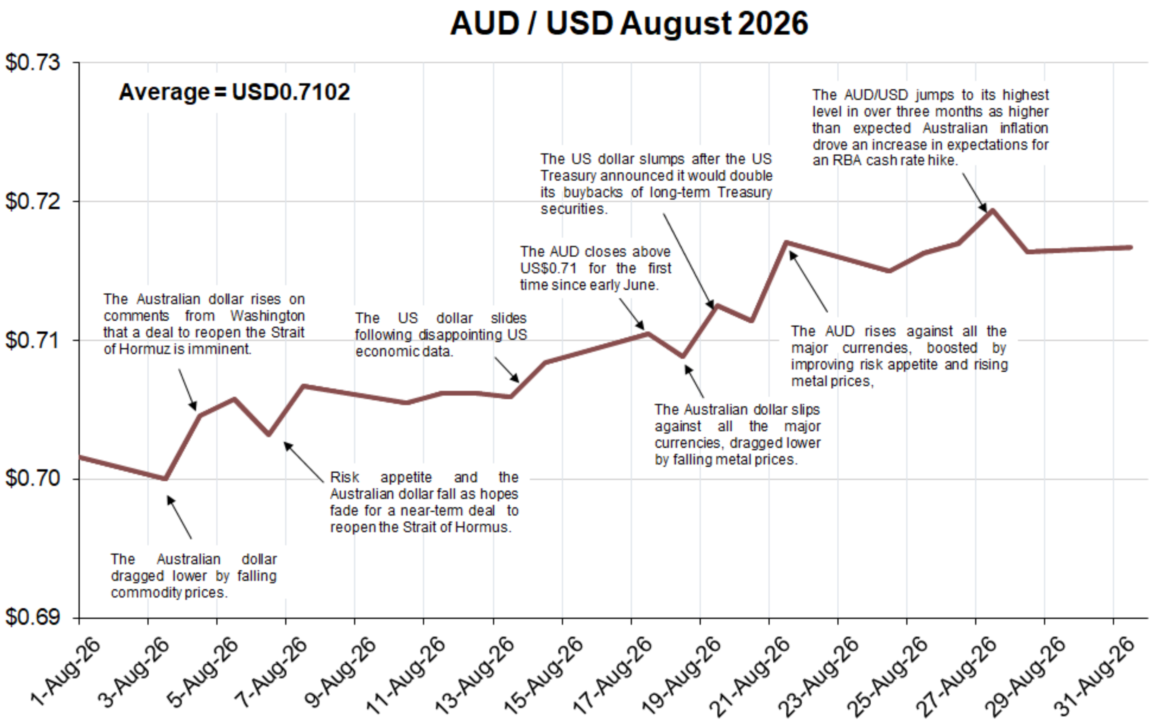
The RBA Index of Commodity Prices, which is a measure of prices received by Australian exporters, rose 0.1% in August.

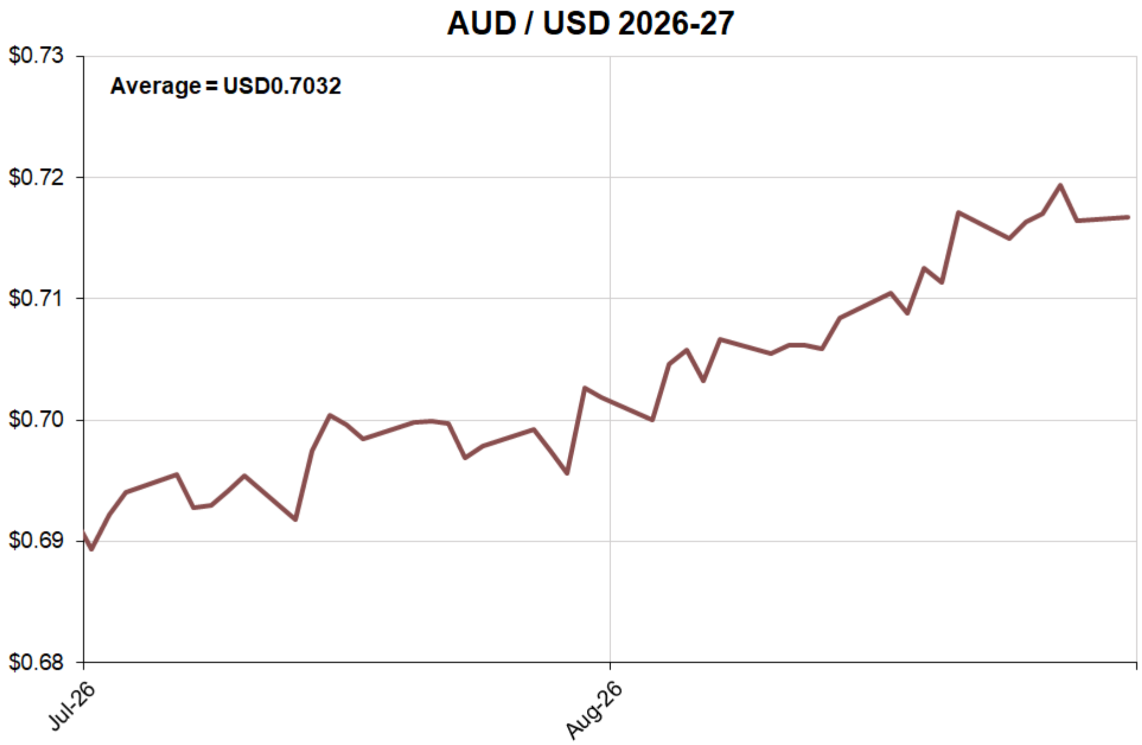
Oil prices continued to be driven by Middle East developments and uncertainty over shipping through the Strait of Hormuz. Brent crude fell below US$80 per barrel early in August before rising again as hopes for a resolution faded. The outlook remained unsettled at month end, with the US and Iran trading strikes for the first time since July and Brent crude trading above US$90 per barrel.

However, the rise in the AUD/USD over the month meant oil prices were slightly lower in Australian dollar terms.

While oil reportedly continued to flow through the Strait of Hormuz, Gulf LNG exports remained more constrained, pushing benchmark prices in North Asia and Europe to their highest levels since the aftermath of Russia's invasion of Ukraine in 2022.

Gold had its best month since January in Australian dollar terms, rising to its highest level since May on heightened geopolitical uncertainty before easing as interest rates rose toward the end of the month.





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