Australian Dollar Monthly

MAY 2026

The Australian dollar continued to be driven by news around a potential US-Iran ceasefire extension and changing expectations for RBA cash rate hikes, before closing the month marginally lower.

The AUD slipped early in May amid reports that Iran had attacked vessels attempting to traverse the Strait of Hormuz and struck an oil facility in the United Arab Emirates. However, the AUD bounced back following the RBA cash rate increase and comments from US officials that peace negotiations were progressing.

The AUD/USD closed at a near four-year high of US$0.7258 on 13 May, before sliding back as the US-China leaders' summit proved disappointing, with little progress on trade relations and no Chinese commitment to assist in negotiating an end to the Iran conflict.

The downward pressure was compounded by the RBA Monetary Policy Board meeting minutes, which signalled that, after 75bps of interest rate hikes this year, the RBA was likely to keep the cash rate steady at its June meeting. The AUD/USD fell to a five-week low on 19 May, before recovering amid positive news on progress in US-Iran negotiations but remaining below its opening level.

Despite ending the month lower against the stronger greenback, the Australian dollar gained against the other major currencies and remains near 36-year highs against the Japanese yen. The AUD was mixed against the broader currency universe in May, sitting in sixth position among the G10 currencies. The New Zealand dollar was at the top of the G10 rankings amid news that the Reserve Bank of New Zealand came close to raising its official cash rate at its May meeting.

The AUD trade-weighted index – which values the Australian dollar against a basket of currencies weighted by the share of trade with Australia – rose for the fifth time in six months. It hit a fresh near nine-year high on 14 May, before easing.

Model Expected Value	Present Rate	Expected Value Band
0.7200	0.7185	0.6950 – 0.7450

The Australian dollar traded between US$0.7107 and US$0.7258 on a close-of-day basis in April and averaged US$0.7186 over the month, before closing at US$0.7185. The AUD/USD has averaged US$0.6766 over the first 10 months of 2025-26, after averaging US$0.6479 in 2024-25.

The spread between Australian and US two-year Treasury yields narrowed, as traders wound back their expectations for RBA cash rate hikes. The re-evaluation came amid news of softer-than-expected Aussie headline inflation, a rise in the Australian unemployment rate, and the RBA indicating that it would be patient in assessing the need for further cash rate increases. The two-year Australian Government bond yield closed the month 52bps above its US counterpart, after the spread started the month at 90bps. The spread averaged 70bps during May.

The RBA Monetary Policy Board (MPB) raised the cash rate target by 25bps to 4.35% at its meeting in May, taking the cash rate back to its previous high. While tackling high inflation and containing inflation expectations remain the RBA's major focus, the Board considers that after 75bps of cash rate hikes this year it now has room to be patient with further cash rate increases.

The cash rate futures market is now pricing in a steady cash rate in June (the MPB meets 15-16 June) and a 4.53% cash rate by the end of 2026. This is down from pricing in an end-of-year cash rate of 4.70% at the start of the month.

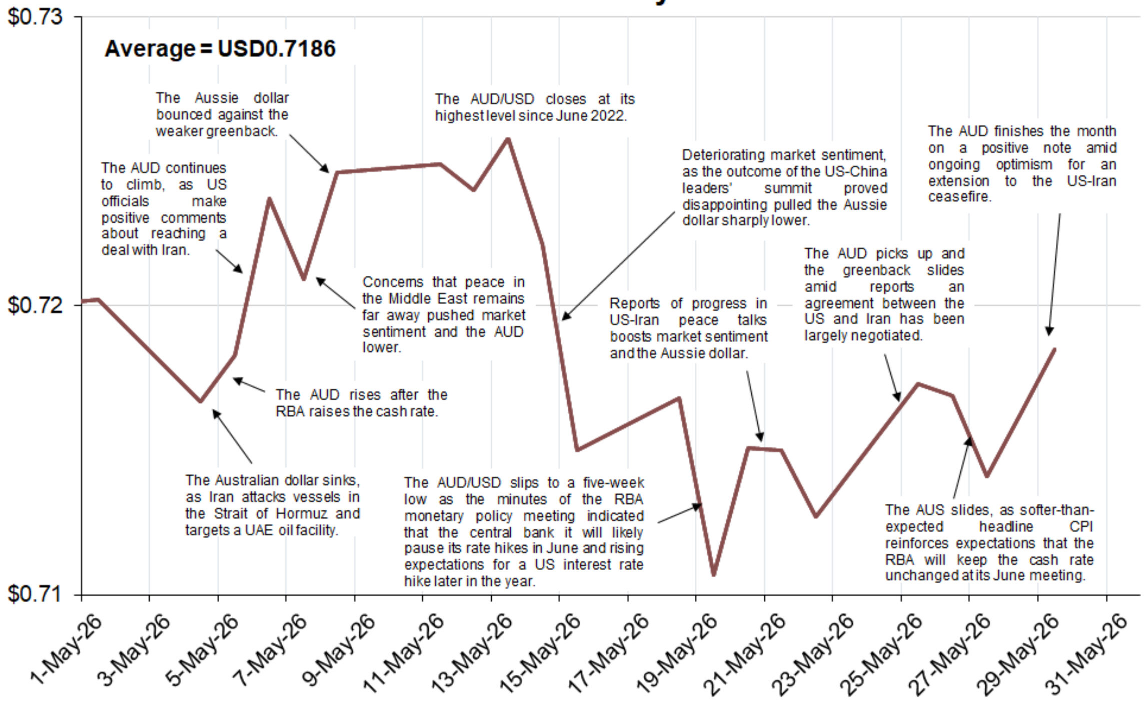
In the US, there was no FOMC meeting in May, but the Fed's concerns over persistently above target inflation have seen a shift in market expectations. Traders are currently pricing in around a 60% chance of Fed interest rate hikes this year, up from pricing in no change at the end of April. Interest rate increases are priced in for the Bank of Japan, European Central Bank and Bank of England.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD	0.7185	0.7258	0.7107	-0.2%	0.7258	0.6420
AUD/EUR	0.6162	0.6196	0.6125	0.4%	0.6196	0.5522
AUD/GBP	0.5342	0.5389	0.5297	0.9%	0.5389	0.4762
AUD/JPY	114.44	114.58	112.69	1.5%	114.62	92.69
AUD/CNY	4.8600	4.9302	4.8396	-0.1%	4.9311	4.5849

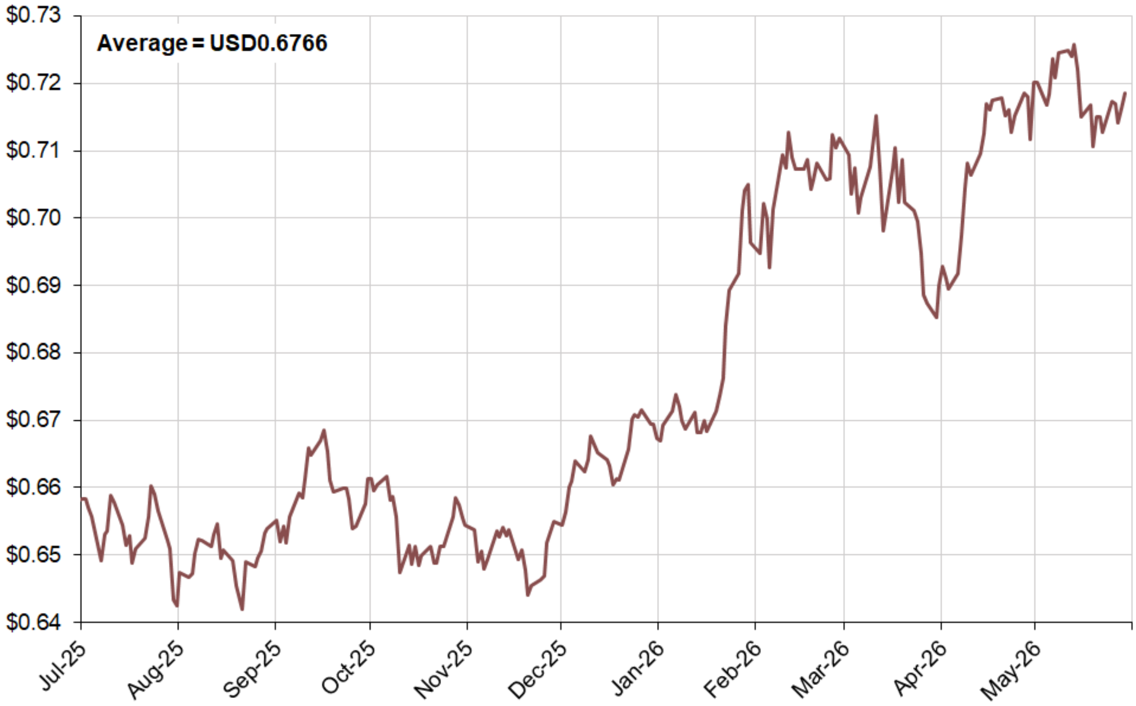
Commodity prices were mainly lower in May, with the RBA Index of Commodity Prices – which is an indicator of prices received by Australian exporters – falling for the third time in four months. Oil prices fell in the second half of the month amid rising hopes for an end to the US-Iran war, with Brent crude futures closing the month at a seven-week low. Iron ore futures fell to the lowest levels since mid-April. Copper hit record highs before easing, while aluminium prices rose to four-year highs.

Commodity AUD	29-May-26	MoM (%)	YoY (%)
CRB Index	529.2	-3.8%	17.1%
RBA Commodity Price Index	103.4	-0.1%	6.2%
Brent Crude	$128.04	-19.3%	23.5%
Singapore Gasoil 10 ppm	$189.87	-16.8%	55.1%
Gold	$4,540.26	-1.7%	38.0%
Singapore Iron Ore Futures (61% Fe)	$146.57	-2.3%	-2.4%
Nickel	$26,515.51	-2.2%	11.8%
Copper	$18,967.87	4.9%	28.3%
Aluminium	$5,100.15	5.4%	34.1%

AUD / USD May 2026



AUD / USD 2025-26



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