

The Australian dollar was middle-of-the-road against the G10 currencies in August and fell against all the majors except for the weaker US dollar. The AUD trade-weighted index – which measures the Australian dollar against a basket of major currencies based on their share of trade with Australia – equalled its lowest level since April on 21 August, before picking up again to close the month a little higher than where it started. The third monthly increase in a row.

The AUD/USD exchange rate climbed over the first half of August, as the US dollar tumbled amid a string of soft US economic data and calls for deep Fed interest rate cuts from the US President and Treasury Secretary. The data disappointments included a weak employment report that saw US President Donald Trump dismiss the head of the US Bureau of Labor Statistics.

Concerns over the future independence of the Fed were amplified by the resignation of one of the Fed governors in early August and the attempted removal by President Trump of another.

The slide in the greenback more than offset the impact of the RBA interest rate cut and dovish commentary on 12 August, with the AUD/USD closing at a high of US\$0.6546 on 13 August.

There was a turnaround mid-month, as the greenback recovered some lost ground following news of stronger-than-expected US producer price inflation, re-emerging trade tensions and some relatively hawkish FOMC minutes. The bounce in the greenback and slide in the Australian dollar pushed the AUD/USD exchange rate to its lowest close since May.

However, dovish comments from the Fed later in the month, which appeared to open the way for a US interest rate cut in September, and an elevated Australian monthly CPI indicator saw the AUD/USD rise again, to close August just short of its monthly high.


Model Expected Value	Present Rate	Expected Value Band
0.6800	0.6540	0.7000 – 0.6600

The Australian dollar traded between US\$0.6420 and US\$0.6546 on a close-of-day basis in August and averaged US\$0.6495, before closing at US\$0.6450. The AUD/USD averaged US\$0.6517 over the first two months of 2025-26, after averaging US\$0.6479 in 2024-25.

The Australian two-year Commonwealth bond yield continued to trade below its US counterpart in August, with the yield spread averaging -40bps during the month. The spread began the month at -60 basis points and narrowed to as low as -24 basis points as US yields fell, while the Aussie two-year yield was steady by the higher-than-expected Australian monthly CPI indicator. The spread widened a little over the last couple of days of the month to close at -28 basis points.

As expected, the RBA Monetary Policy Board cut the cash rate target by 25 basis points to 3.60 per cent in August. The RBA also maintained its forecasts for underlying inflation to be steady around the midpoint of the 2-3 per cent target band and the unemployment rate to peak at 4.3 per cent. The forecasts were formulated assuming a cash rate in line with market pricing on 6 August, which was for a 3.22 per cent cash rate by the end of the year. Current market pricing is for another 25-basis point cash rate cut in November and a 3.26 per cent cash rate by the end of 2025.

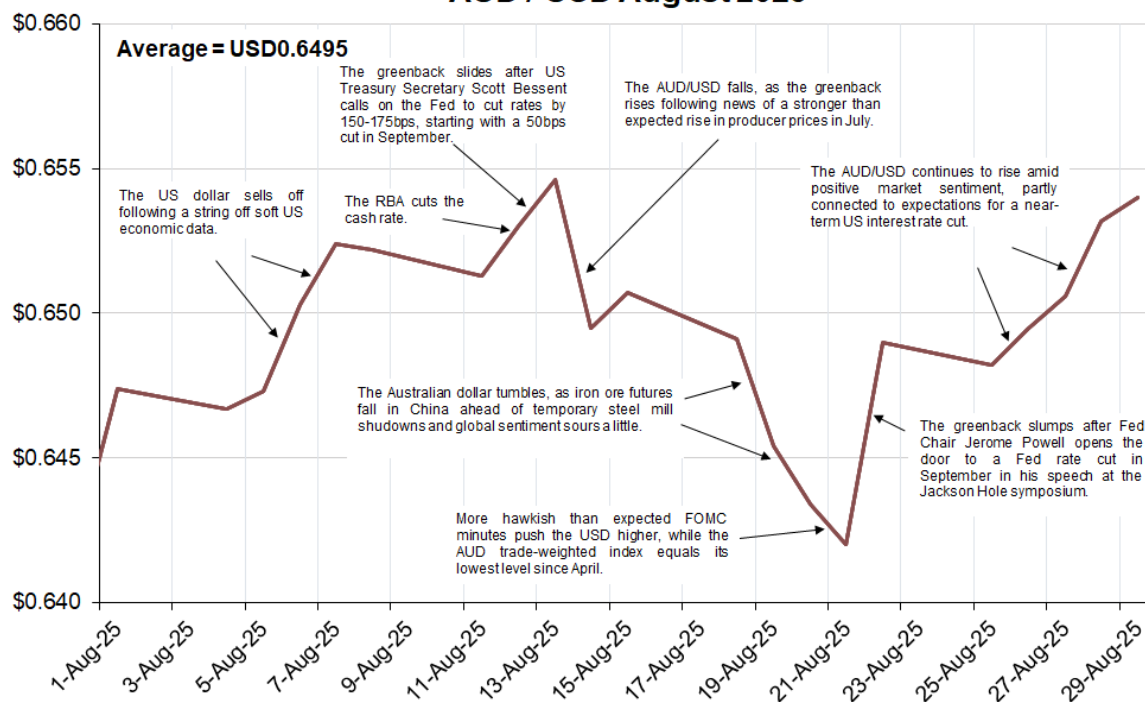
Current market pricing is for the US Federal Reserve monetary policy committee, the FOMC, to cut the fed funds rate by 50 basis points to 3.77 per cent over its last three meetings of 2025, including an 88 per cent chance of a 25-basis point in September.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.6540	0.6546	0.6420	1.8%	0.6913	0.5960
AUD/EUR 	0.5597	0.5607	0.5522	-0.6%	0.6240	0.5437
AUD/GBP 	0.4835	0.4874	0.4781	-0.6%	0.5212	0.4667
AUD/JPY 	96.19	96.54	94.78	-0.7%	102.16	87.15
AUD/CNY 	4.6675	4.6942	4.6135	0.8%	4.8564	4.3725

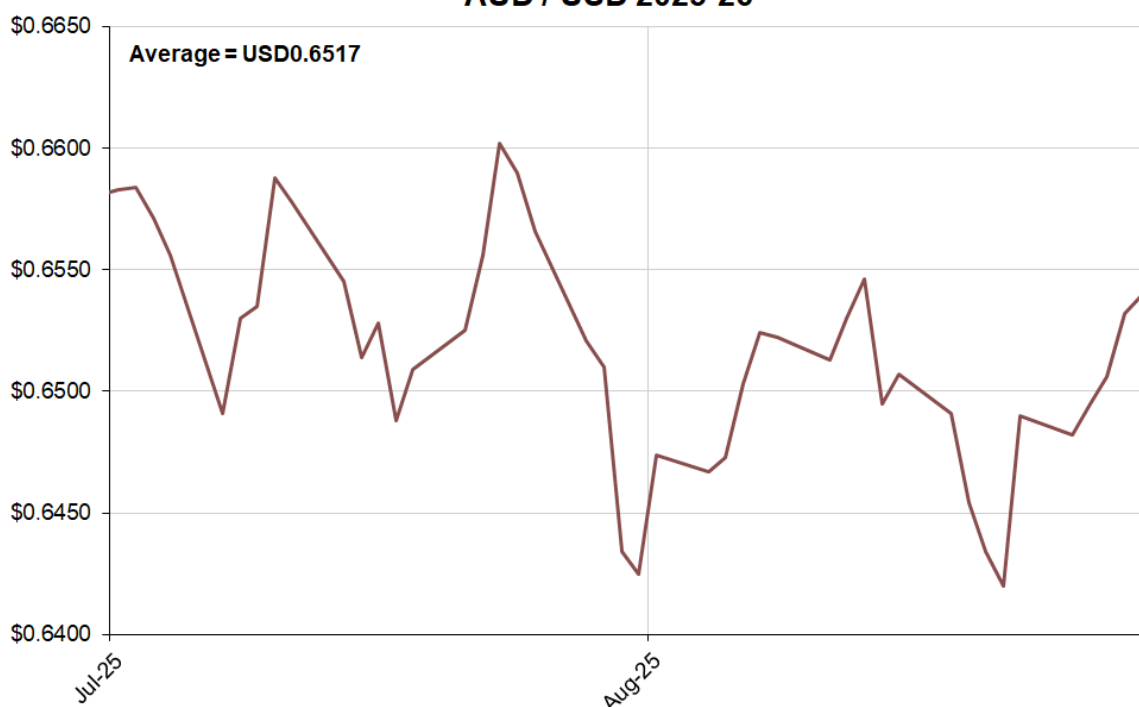
Commodity prices were mainly higher in August, though oil prices were a major exception. The RBA Australian dollar commodity price index rose for the second month in a row, having fallen for the first six months of the year. Oil prices slipped, as some of the upward pressure from geopolitics eased, although risks remain elevated. The benchmark Singapore iron ore futures price rose for the second consecutive month. Gold closed August at a record high in US dollar terms but is just short of its Australian dollar high.

Commodity AUD	29-Aug-25	MoM (%)	YoY (%)
CRB Index	461.9	-0.9%	12.7%
RBA Commodity Price Index	91.0	1.9%	0.0%
Brent Crude	\$104.06	-7.7%	0.6%
Singapore Gasoil 10 ppm	\$131.39	-7.7%	-2.8%
Gold	\$5,267.26	3.0%	42.2%
Singapore Iron Ore Futures (62% Fe)	\$158.11	2.3%	5.9%
Nickel	\$23,557.90	1.4%	-5.0%
Copper	\$15,126.79	1.2%	10.7%
Aluminium	\$3,995.57	0.2%	10.3%

AUD / USD August 2025



AUD / USD 2025-26



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