Australian Dollar Monthly

JULY 2026

The Australian dollar recorded its first monthly gain against the US dollar since April. The rise occurred despite escalating violence in the Middle East, as the US-Iran ceasefire agreement broke down, and a decline in market pricing for a further RBA cash rate increase following a softer-than-expected Australian CPI report.

The AUD was supported by positive financial market sentiment in the first half of July. It retained most of those gains through the second half of the month, despite intermittent volatility driven by the deteriorating situation in the Middle East and ongoing concerns over whether the scale of investment in artificial intelligence data centres would be justified by future earnings.

The AUD/USD exchange rate received additional support late in the month when Japan's Ministry of Finance intervened in currency markets to support the Japanese yen by selling US dollars and buying yen. The intervention was reinforced by the US Treasury, which reportedly sold euros to purchase yen through the New York Fed. The action followed the yen's decline to 40-year lows against the US dollar and saw it close July at its highest level since May.

The sharp rebound lifted the Japanese yen to its highest level against the Australian dollar since April, after it had fallen close to a 36-year low prior to the intervention.

The AUD trade weighted index (TWI), which measures the currency against a basket of trading partner currencies, rose 1.4% after falling 3.0% in June.

Model Expected Value	Present Rate	Expected Value Band
0.7175	0.7019	0.7400 – 0.6950

The Australian dollar traded in a US$0.6893 to US$0.7027 range on a closing basis during July, averaging US$0.6967 over the month before ending at US$0.7019. The AUD/USD has averaged US$0.6825 over the past 12 months.

The spread between Australian and US two-year Treasury yields began the month at 25 basis points. It widened to as much as 39 basis points, after news of a much bigger-than-expected increase in employment in June drove expectations for an RBA cash rate hike in August sharply higher. However, the spread narrowed again following a softer-than-expected June CPI saw traders wind back that pricing. The spread closed the month at 25 basis points, after averaging 30 basis points over the month.

The RBA Monetary Policy Board did not meet in July, but communication from the central bank remained hawkish. In her annual address to the Anika Foundation lunch, Governor Michele Bullock reinforced that inflation remains too high, despite the better-than-anticipated June CPI outcome. She went on to say that the RBA would raise rates further if needed.

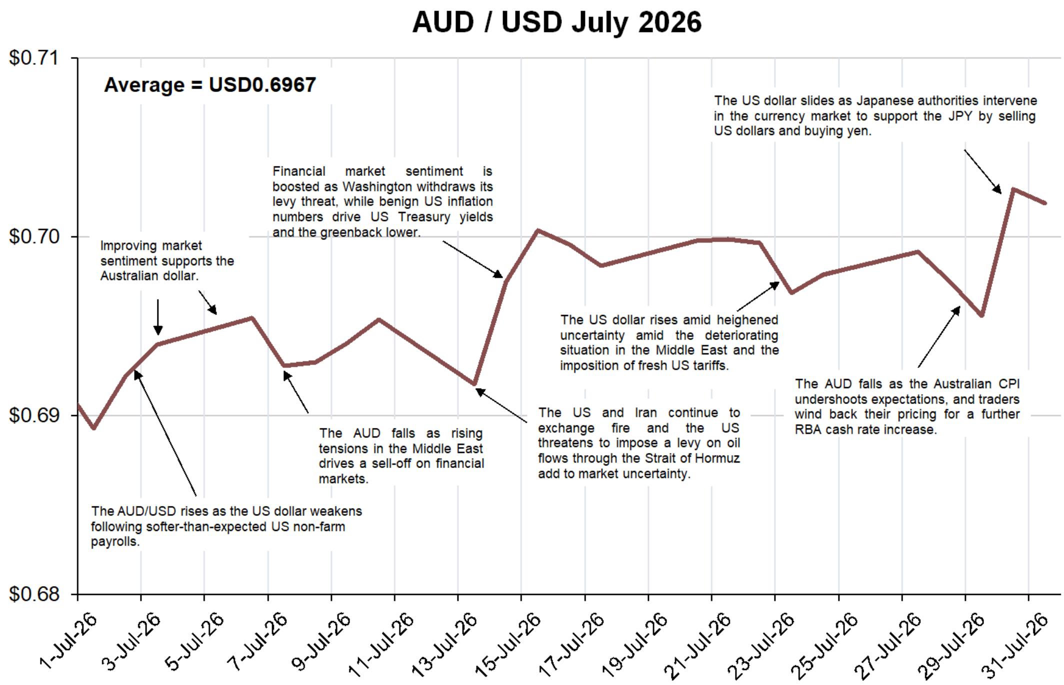
Market pricing for a 25 basis point cash rate increase in August rose to as much as a 42% chance after the labour force report. However, it fell sharply after the weaker CPI, with traders now pricing in virtually no chance of a hike in August and only a 50% chance of one by year-end.

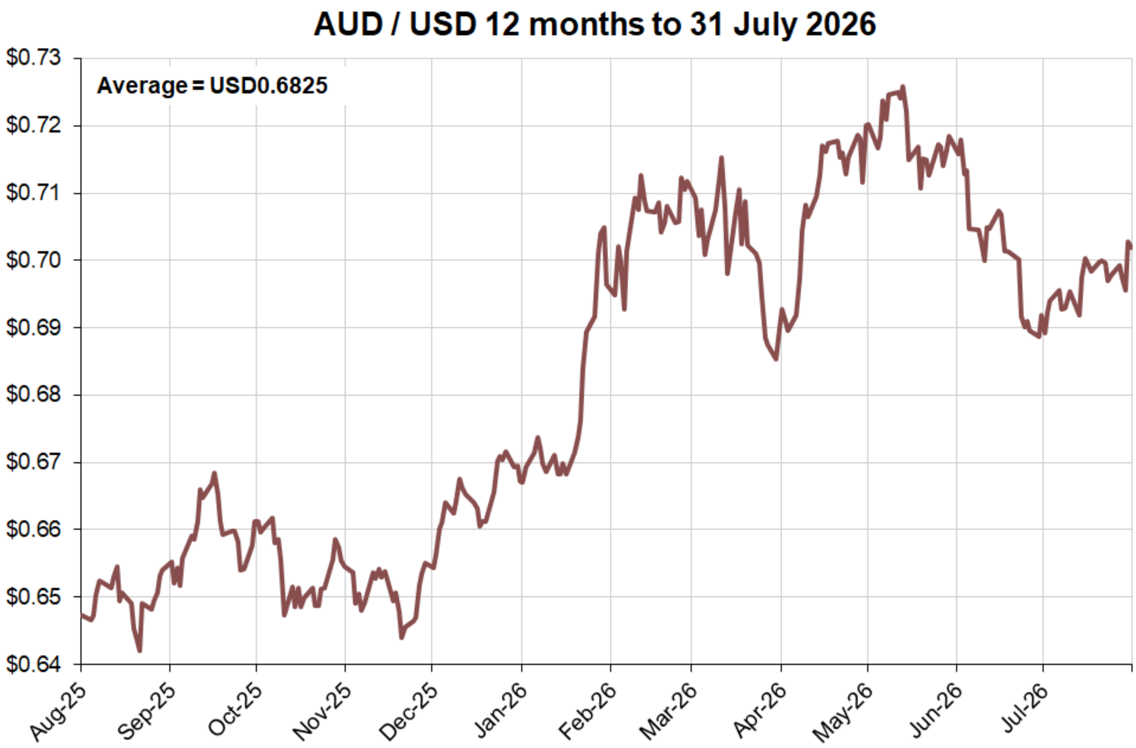
In the United States, the FOMC held the federal funds target range steady at 3.50-3.75% at its July meeting. Pricing for fed funds rate increases was little changed, with a rate hike 70% priced in for the next meeting in September and 37 basis points priced in by the end of the year.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD	0.7019	0.7027	0.6893	1.4%	0.7258	0.6420
AUD/EUR	0.6091	0.6148	0.6055	0.5%	0.6196	0.5522
AUD/GBP	0.5215	0.5261	0.5173	-0.1%	0.5389	0.4781
AUD/JPY	110.39	114.48	110.39	-1.9%	114.82	94.78
AUD/CNY	4.7519	4.7519	4.6827	1.2%	4.9311	4.5849

Oil prices jumped in July as the ceasefire between the US and Iran broke down and the conflict spread to Yemen and Saudi Arabia, with Yemeni Houthi rebels announcing a blockade on Saudi Arabian exports through the Bab al-Mandab Strait at the southern end of the Red Sea. Brent crude briefly rose above US$100 a barrel but quickly fell back, despite the apparent re-escalation of the conflict, and remains well below the levels reached prior to the ceasefire. Iron ore futures prices closed the month at their lowest levels since February in AUD terms amid further concerns over the demand outlook, following ongoing soft Chinese economic data.

Commodity AUD	31-Jul-26	MoM (%)	YoY (%)
CRB Index	548.1	7.1%	17.6%
Brent Crude	$128.27	21.6%	23.3%
Singapore Gasoil 10 ppm	$226.83	35.3%	59.3%
Gold	$4,046.15	1.0%	23.0%
Singapore Iron Ore Futures (61% Fe)	$136.28	-4.9%	-11.8%
Nickel	$24,550.24	4.2%	5.7%
Copper	$19,628.52	1.4%	31.4%
Aluminium	$4,531.74	1.5%	13.6%





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