

The Australian dollar was the strongest among the G10 currencies in September. The AUD trade-weighted index rose for the fourth month in a row, and the Australian dollar posted its sixth monthly increase against the greenback in the past seven months.

After a soft start to the month, the AUD/USD moved higher as the greenback weakened amid rising expectations for Fed interest rate cuts and the Aussie dollar strengthened as risk appetite improved.

The AUD/USD peaked at an 11-month closing high of US\$0.6685 on 16 September only to slide again in the second half of the month. The decline came after the US Federal Reserve delivered a widely expected interest rate cut, but the accompanying messaging and interest rate guidance were not as dovish as anticipated. There was also some downward pressure on the Australian dollar from news of an unexpected drop in Aussie employment in August.

A higher-than-expected Aussie monthly CPI indicator and more hawkish than anticipated RBA communication after its September monetary policy meeting pushed the AUD higher again late in the month. On the other side of the exchange rate, the looming US government shutdown brought some renewed weakness to the big dollar, helping to push the AUD/USD back above US\$0.66 at month-end.

Model Expected Value	Present Rate	Expected Value Band
<b>0.6625</b>	0.6613	0.6775 – 0.6475




The Australian dollar traded between US\$0.6518 and US\$0.6685 on a close-of-day basis in September and averaged US\$0.6593, before closing at US\$0.6613. The AUD/USD averaged US\$0.6542 over the first three 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 September, with the yield spread narrowing to -12 basis points at the end of September from -28 basis points at the beginning of the month. The spread averaged -17 basis points. The spread remained negative despite the RBA cash rate now expected to be above the US policy rate on average over the next two years.

As expected, the RBA Monetary Policy Board left the cash rate unchanged at its 29-30 September meeting, but the accompanying media statement was more hawkish than anticipated. While the outlook remains uncertain, the RBA acknowledged that private demand was recovering a little faster than expected and that the decline in underlying inflation appeared to have slowed. The increased concern over the inflation outlook followed the release of a disappointing monthly CPI indicator for August.

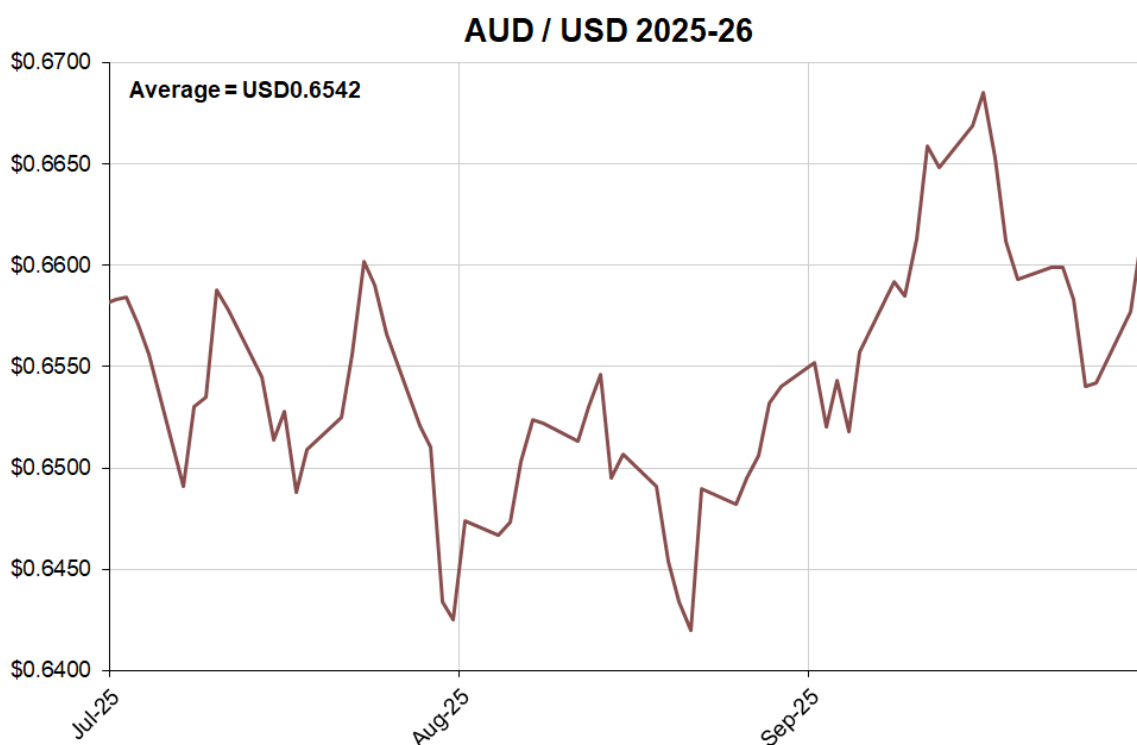
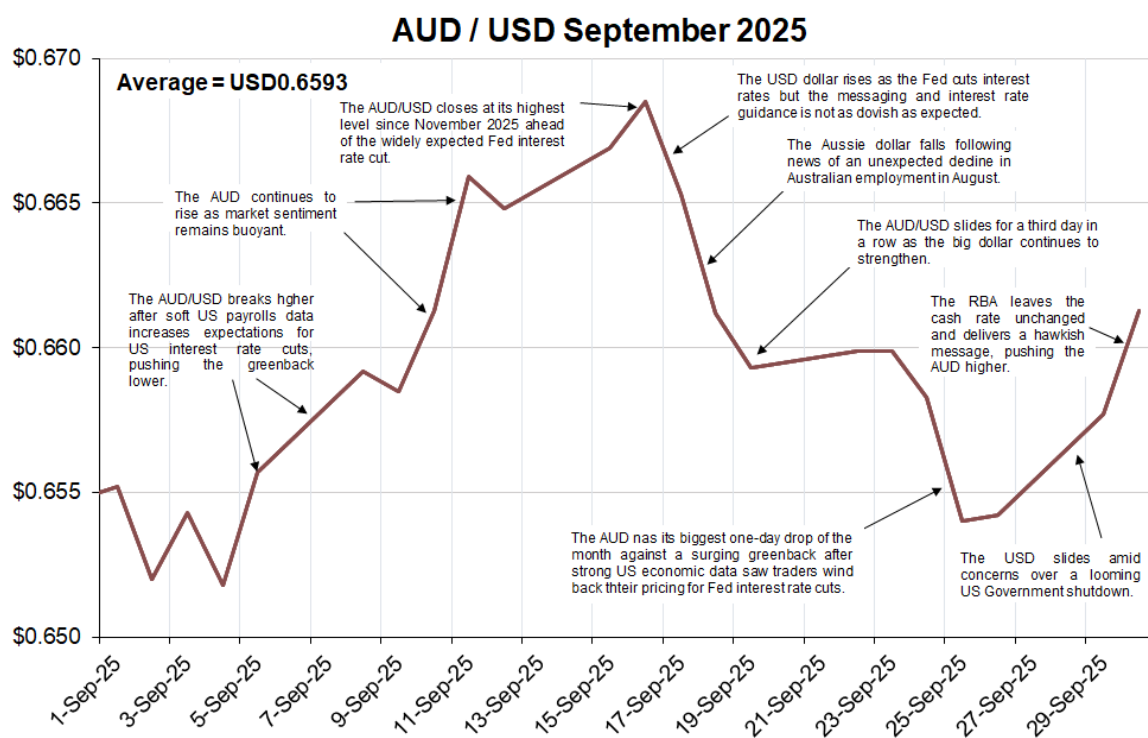
Market cash rate expectations moved from fully pricing in a 25-basis point cut in November and a total of 50-basis points of cash rate cuts by the middle of 2026 to now fully pricing in just one more 25-basis point cut to a low of 3.30 per cent by mid next year. Pricing for a cut by the end of 2025 is currently just above 50 per cent.

In the US, the US Federal Reserve monetary policy committee, the FOMC, cut the target range for the fed funds rate by 25 basis points to 4.00-4.25 per cent in September, as expected. The median expectation among FOMC participants is for a further 50 basis points of cuts in the final two meetings of 2025, which is in line with current market pricing.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.6613	0.6685	0.6518	1.1%	0.6885	0.5960
AUD/EUR 	0.5636	0.5677	0.5586	0.7%	0.6240	0.5437
AUD/GBP 	0.4919	0.4919	0.4838	1.7%	0.5212	0.4667
AUD/JPY 	97.82	98.32	96.44	1.7%	102.16	87.15
AUD/CNY 	4.7131	4.7549	4.6502	1.0%	4.7747	4.3725

The RBA Index of Commodity Prices rose for the third month in a row in September, with increases across the major Aussie export categories. However, the broader commodities universe was mixed, with the CRB index falling for the second month in a row in Aussie dollar terms. Brent crude hit an eight-week high in AUD terms before falling late, while gold prices continued to surge to fresh record highs. Iron ore futures prices eased but remained resilient, despite soft Chinese steel production and investment figures. Copper prices were boosted by supply concerns amid the shutdown of a major Indonesian mine after a mudslide.

Commodity AUD	30-Sep-25	MoM (%)	YoY (%)
CRB Index	454.1	-1.7%	10.6%
RBA Commodity Price Index	90.9	0.7%	4.2%
Brent Crude	\$101.25	-2.7%	-9.1%
Singapore Gasoil 10 ppm	\$132.61	0.9%	9.3%
Gold	\$5,830.13	10.7%	53.6%
Singapore Iron Ore Futures (62% Fe)	\$156.67	-0.9%	-0.7%
Nickel	\$23,017.07	-2.3%	-8.8%
Copper	\$15,513.67	2.6%	9.5%
Aluminium	\$4,049.71	1.4%	7.6%



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