

RBA Update June 2026

The Reserve Bank of Australia (RBA) Monetary Policy Board kept the cash rate unchanged at 4.35% at the June meeting, in line with market expectations. The decision was unanimous.

Post-meeting Statement

The post-meeting statement was altered significantly from the previous month, sounding slightly hawkish.

On inflation, the Board assessed that – despite the recent decline in oil prices – inflation remains ‘too high’, with signs of higher costs being passed through to end customers. It reminded that inflation pressures are not related solely to the conflict in the Middle East, but also to excess demand pressures ahead of the war.

That said, the blunt assessment that the risks to inflation were ‘tilted to the upside’ was dropped from the statement.

The statement also stressed that while the unemployment rate picked up in April, other measures of labour market conditions are ‘more resilient’.

Regarding domestic economic activity, the Board acknowledged slower growth in consumption, but underscored that it was in line with the RBA’s expectations. It also brought attention to cooling housing market conditions in the largest capital cities.

As to the war in the Middle East, the statement took note of the recent memorandum of understanding, but stressed that the resolution is in its early stages and oil market disruptions might take some time to resolve, implying upside risks to inflation and prolonged uncertainty.

The statement concluded with a reminder that, following three cash rate hikes earlier this year, monetary conditions are tighter. This leaves the Board well-placed to gauge the impacts of the previous rate hikes and oil supply disruptions, and respond to any developments. However, in contrast to the previous month, the statement specifically mentioned a rate hike.

Press Conference

In the press conference, RBA Governor Michele Bullock repeated all the above, while adding further observations.

Most importantly, she confirmed that while a rate hike was not discussed at the meeting, tightening was not ruled out in the future. However, she stressed it would take time for the impacts of the rate hikes to flow through the economy.

Governor Bullock clarified that – while the upside risks to inflation are not as severe as earlier in the year – they still prevail. She repeated that economic growth needs to slow further to ensure that inflation returns to target, but stressed that this does not mean a recession.

On the flipside, when asked about the timing of possible rate cuts, she acknowledged that, if inflation is headed in the right direction, they could start before the inflation target is reached.

Market Impact

Despite somewhat hawkish communication in the statement and during the press conference, investors preferred to focus on the unanimous vote and no consideration of a rate hike at the June meeting. That said, the market reaction to the meeting was quite calm overall.

The cash rate outlook was little changed after the decision, with only 13bps of hikes priced in for this year, and tentative cut expectations appearing for late 2027.

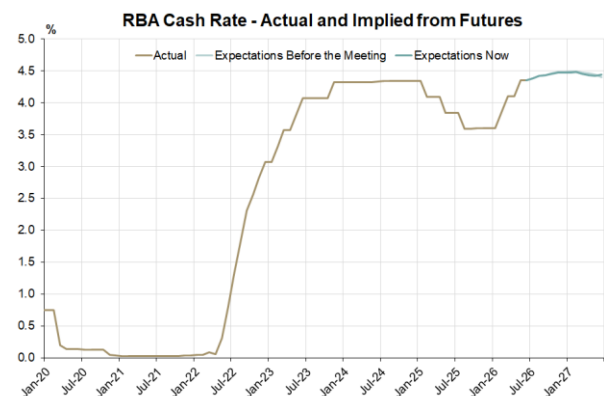
However, there were slight declines in Commonwealth bond yields, while the Australian dollar depreciated somewhat.

Three-year yields declined from 4.45% before the decision was announced to 4.43% at the time of writing, having temporarily reached 4.41%.

Ten-year yields ebbed from 4.86% to 4.82%, but have since ticked up to 4.83%.

The Australian dollar fell from US\$0.7056 to US\$0.7051 at the time of closing this note, after bottoming out at US\$0.7042.

The ASX 200 ended the trading session virtually flat, having pared almost all of the losses from earlier in the trading day.



Comment

As widely expected, the RBA Monetary Policy Board decided to stay put in June and signalled a further wait-and-see approach to assess the impacts of rate hikes so far. However, the RBA has retained its tightening bias, saying explicitly that it does not rule out increasing the cash rate further if it is necessary to achieve its policy goals.

Recent weeks have brought a reassessment of the RBA’s monetary policy outlook, with three out of the ‘Big Four’ banks seeing no case for rate hikes, and two of them seeing rate cuts on the horizon. Rate cut expectations in late 2027 have also appeared in market pricing. The recent signs of possible easing in the Middle East conflict have reaffirmed our baseline scenario of no more cash rate hikes, but we still do not rule them out completely.

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