FX

Global

12 Aug, 2025

Maybank

FX Flash

AUD - Grind Higher to Continue

Rate Cut Well Within Expectations, Unanimous Decision
RBA cut cash target rate by 25bps, in line with expectations including our own, taking the policy rate from 3.85% to 3.60%. This was already well anticipated after the central bank surprised markets by holding the cash target rate unchanged at the Jul meeting. The decision was unanimous and RBA defended its decision to cut rates today (and not in Jul) by noting that "there is a little more clarity on the scope and scale of US tariffs and policy responses in other countries". Recall that the decision to keep cash target rate unchanged was split 6-3 in Jul.

Inflation To Moderate and Growth Outlook Downgraded
A key reason for RBA to cut cash target rate today was the moderation in underlying inflation - trimmed mean inflation eased to 2.7% in May and headline CPI was at 2.1%. Staff forecasts suggests that the underlying inflation would continue to ease towards the centre of the 2-3% target range and it is now appropriate for cash rate to fall in tandem. The reserve bank also sees growth in Australia's major trading partners slowing in 2H 2025 into 2026. The forecast for Australia's GDP growth was also downgraded to 1.7% for 2025 (from previous 2.1% in May), partly due to the lower outlook for productivity growth. Household consumption is now expected to expand 1.8% vs. 1.9% seen in May. Exports is now expected to eke out a growth of 1.0% vs. 1.5% seen prev. That said, the labour market could remain rather tight with jobless rate seen unchanged at 4.3% by the end of the year. The outlook for the cash rate is still at 3.4% by the end of 2025 but the trough of the easing cycle is expected to be at 2.9% by the end of 2026, a drop from the terminal rate of 3.2% indicated in the May SoMP.

All in All, A Balanced Statement
Key to RBA's assessment is the outlook for labour market conditions. Various models employed by the reserve bank along with some metrics continue to suggest that the labour market conditions remain tight. Meanwhile, there is also the possibility for global growth to turn out weaker than expected given the uncertain impact of tariffs on global activity and inflation. All things considered, RBA's SoMP was arguably balanced.

AUD Reaction
The AUDUSD fell in response to the decision as markets were looking for a more hawkish commentary from Governor Bullock. While the rate trajectory in the future is clearly data-dependent, the staff also projected for RBA to cut another 75bps by the end of 2026, compared to just 25bps more. That said, the projection for cash rate indicated in the SoMP was derived from financial market pricing. We doubt the projections were meant to drive market reaction. Regardless, the arguably dovish shift from May's statement still led the AUD to fall around 0.2% while 2y yield was down around 5bps from day high.

AUD Remains Buy on Dips
In our GM Daily published this morning, we indication our expectations for **AUD dips to be seen as opportunities to long into**. Our view has not changed. The worst case scenario for trade war has indeed been averted and Trump had likely announced his most aggressive trade policies. Even as there are still loose ends to be tied up (with India, China, Switzerland), sentiment amongst consumers, businesses and possibly investors could be making a cautious recovery locally and potentially, globally. We expect the AUD grind higher to continue within the bullish trend channel. We only expect one more rate cut this year.

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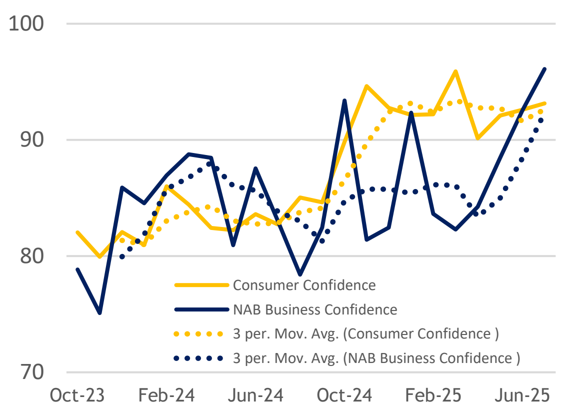
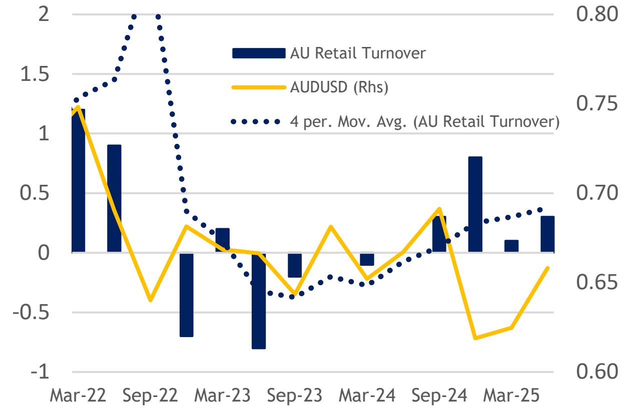
Chart 1: Recovery in Consumer, Business Confidence



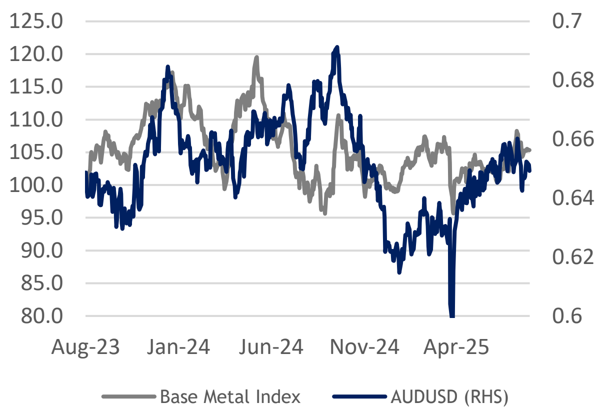
Source: Bloomberg, Maybank FX Research & Strategy

Chart 2: Quarterly Retail Turnover Has Been on a Gentle Recovery



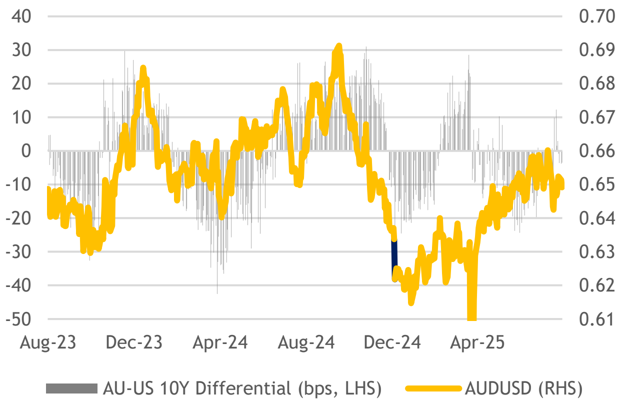
Source: Bloomberg, Maybank FX Research & Strategy

Chart 3: Gradual Recovery in Base Metals (Copper + Iron Ore) To Lead AUD Higher



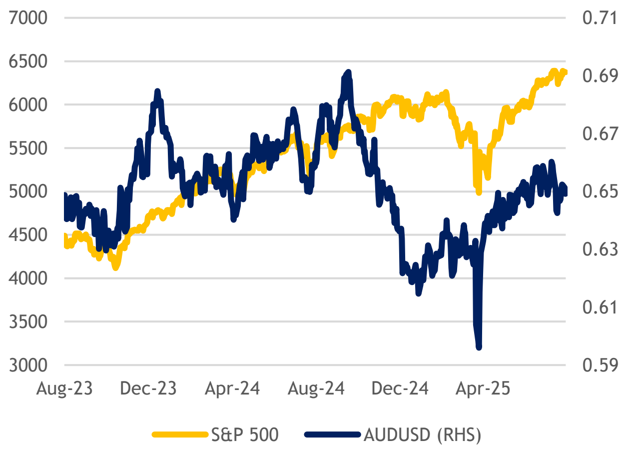
Source: Bloomberg, Maybank FX Research & Strategy

Chart 4: AU-US Yield Differential Less Deterministic of AUDUSD, We do not Expect Much Divergence



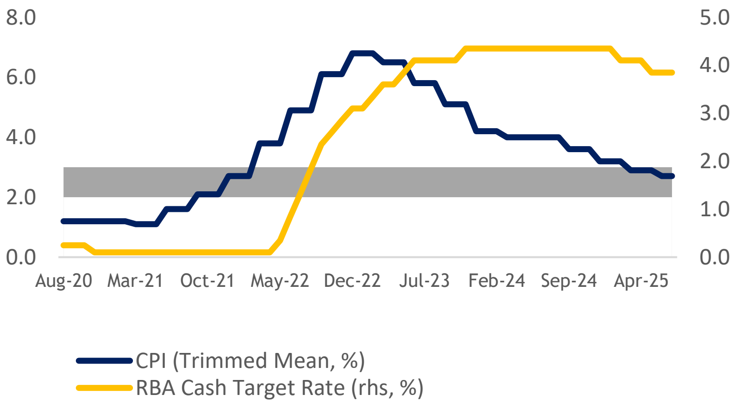
Source: Bloomberg, Maybank FX Research & Strategy

Chart 5: Risk Recovery is Supportive of the AUD



Source: Bloomberg, Maybank FX Research & Strategy

Chart 6: Underlying Inflation Slips into Target



Source: Bloomberg, Maybank FX Research & Strategy

Daily AUDUSD Chart: Still in a Bullish Trend Channel

Source: Bloomberg, Maybank FX Research & Strategy

AUDUSD has softened after the decision, last seen around 0.6500. According to Nikkei, Treasury Secretary Scott Bessent made known that most US trade talks will be largely done by October and that would also signal that much of the US trade conflict should be coming to some form of closure as well. With greater clarity from here, central banks and governments around the world would be able to provide the monetary and fiscal support should their respective economies require. The recovery of the AUDUSD in 2H of 2025 would also reflect that of global recovery - gradual and cautious, possibly guided by the path of the rising trend channel that it has been trading within, notwithstanding the false break due to Liberation Day. A move towards the 0.67-figure cannot be ruled out. Key Support is seen around 0.6430-0.6440 (100-dma, red line). Interim resistance is seen around 0.6550.

AUDSGD – Sideway Trades

Mild AUD strength continues to be matched by SGD strength and that keeps AUDSGD within the established range of 0.8270- 0.8440.

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