Luca-Lucian Frumuselu
08/09/2026

AUSTRALIAN MARKET OUTLOOK:
3 MONTHS ON – NEW HORIZONS ON S&P/ASX 200

An analysis of the latest macroeconomic trends, developments around the RBA, and outlook for the S&P/ASX 200.

I – Market summary and previous forecast:

ASX 200 Level 1-week	ASX 200 Level 1-month	ASX 200 Level 3-months	Australia's Latest Unemployment Rate (July)	Q2 GDP YoY Growth (%)	Australia's Latest Reported CPI level (Weighted Mean)	RBA Rate (Latest Announcement)	Probability of hike rate next meeting	Latest market recommendation according to analysts (Weekly)
-1.61%	-3.70%	3.43%	4.5%	2.1%	3.5%	4.35%	70%	BUY
Source: Investing.com	Source: Investing.com	Source: Investing.com	Source: RBA	Source: RBA	Source: RBA	Source: RBA	Source: ABC News, AFR	Source: Investing,com, Goldman Sachs, UBS

Latest macroeconomic figures on the Australian market – sources: Investing.com, AFR (Australian Financial Review), Bloomberg.

Figure 1.1 – 3-month evolution of the S&P ASX 200 – source: MarketIndex.

Figure 1.2 – Evolution of the S&P A-VIX Level – source: Investing.com.

Figure 1.3 – Evolution of Australia 2 Year Bond Yield – source: Trading Economics

Figure 1.4 – Evolution of Australia 10 Year Bond Yield – source: Trading Economics

1.1 – Previous research and results:

The previous report on the S&P ASX 200, the main concern on the first quarter (Q1) across the Australian economy and the S&P ASX 200 was on the central-point meeting of the Reserve

Bank of Australia (RBA) on May 5th , amid a context of uncertainty regarding the inflationary context, the persisted conflict in the Strait of Hormuz between the USA and Iran, as well as further developments regarding evolutions in private household consumption, investment activity of businesses, levels of productivity, and developments in crucial sectors, including materials, mining, and energy due to disruptions in the Chinese demand following unstable PMI data reports. The performance of the S&P ASX 200 was sitting at AUD $ 8,728,8 while the performance of the sub-indexes varied, with the AXIJ (Information Technology) at 14,76% of monthly return, and the AXMM (Metals & Mining) at 4,8% experiencing the highest growths amid AI development and momentum in safe haven commodities (especially copper and gold), while Healthcare (-7,89% over May) and AXEJ (Energy) at 2,78% of decrease saw the largest declines, mainly due to uncertainty regarding the high levels of the Brent Crude Oil and rotation in the Australian healthcare system.

As a conclusion, the previous work, which is entitled "ASX 200 Macroeconomic Outlook 2026" assigned a 50% probability for the base scenario in which the range of the S&P ASX 200 would see a level between $AUD 8,500 and $8,800 due to a high probability of rate hike on May 5th, a bull probability assigned at 15% in which the price range would eventually sit between AUD $8,850 and AUD $9,000, driven by an easing of Trump's pressure in the Middle East, as well as better demand for copper and iron from China and other major Asian economies, while the bearish stance had a 35% probability and with price ranges between AUD $8,250 and AUD$8,500 due to potential future hawkish stances by the RBA or disruptions in supply chain. Eventually, the paper argued that the RBA would hike its rate on May 5th at a 75% probability as a consequence of the inflationary context, further uncertainty in energy prices or indicators such as the AIG Manufacturing Index, while also leaving room for uncertainty amid uncertainties related to the sectors of Industrials, Manufacturing, and Energy indexes on the S&P ASX 200.

1.2 – Previous macroeconomic data vs latest macroeconomic data:

INDICATOR	END-APRIL 2026	CURRENT SEPTEMBER 2026
ASX 200 LEVEL	8,687.00	8,920.80 (latest available level)
ASX 200 – 1-WEEK RETURN	-1.45%	-1.61%
ASX 200 – 1-MONTH RETURN	2.42%	-3.70%
ASX 200 – 3-MONTH RETURN	N/A	3.43%
RBA CASH RATE	4.10%	4.35% (hike on May 5th)
PROBABILITY OF HIKE FOR RBA'S NEXT MEETING	60-70% (for May 5th)	70% (for 29 September)
LATEST CPI/TRIMMED MEAN	4.1% YoY and 3.5%	3.5%
UNEMPLOYMENT RATE	4.3%	4.5% (as per July)
GDP (YOY)	2.5% (Q1)	2.1% (Q2)
A-VIX	12.4-13.1	10.5-11.3
WEEKLY RECOMMENDATION	Neutral	BUY

The evolution in the major macroeconomic and stock indicators show that rather than a straight-line continuation of the thesis presented in the previous report, three distinct phases occurred during the summer. In effect, the thesis' main call for RBA's decision has been proven right, as the RBA decided almost unanimously (8 votes against 1) to hike its cash rate at 4.35%, which represented the third hike of 2026. Through the middle of the period, tensions around the Middle East kept occurring, representing the main market factor and dominant swinging factor, feeding further inflation concerns amid spikes in the prices of crude oil. However, tensions have shown some partial signs of easing, prompting profit-taking across energy and removing some of the upside pressure on prices. During its June and August meetings, the RBA decided to maintain its cash rate unchanged at 4.35% unanimously, albeit Governor Bullock mentioning that potential hikes could still occur during the year amid the relative uncertainty that may persists in the Middle East.

The two recent macroeconomic indicators announced in September can define a new outlook for Q3 and Q4 across the Australian market though. In effect, Q2 GDP YoY surprised the upside by 2.1% (against the report's forecast of a 1.4% growth, while the consensus of economists was reported at 1.9%), but the composition makes investors and economists cautious, as household spending in EV and public demand have driven most of this growth, unlike productivity which remained low amid increased labour costs. Meanwhile, recent trimmed mean, which is the main indicator of the RBA for its inflation evaluation eased at 3.5% but remains significantly high compared to the RBA's target between 2 and 3%, with signs of cooling easing as per the latest report on 26 August. A hotter-than-expected outlook could be expected, with economists (as per the ABC news and AFR) expecting a rate hike at 70% of probability, with this outlook being investigated in the sections that will follow.

II – Forecast evaluation: May to September

In this section, the main evaluation comes from comparing the original evaluation of the calls that have been conducted three months before to the current macroeconomic outlook, especially based on specific criteria.

1 – RBA's rate hike on 5 May 2026:

This has been the report's main call, and the main structure of the report that advocated for a rate hike of the RBA at 4.35% amid the market uncertainty, fuelled by pressure in prices and instability in the Middle East. The RBA increased the cash rate accordingly on May 5th , its third consecutive rate hike in 2026, with 8 votes in favour against 1, with inflation already picking up materially during the second half of 2025, while the situation in the Middle East increased fuel prices and having second-round effects on the cost of goods and services.

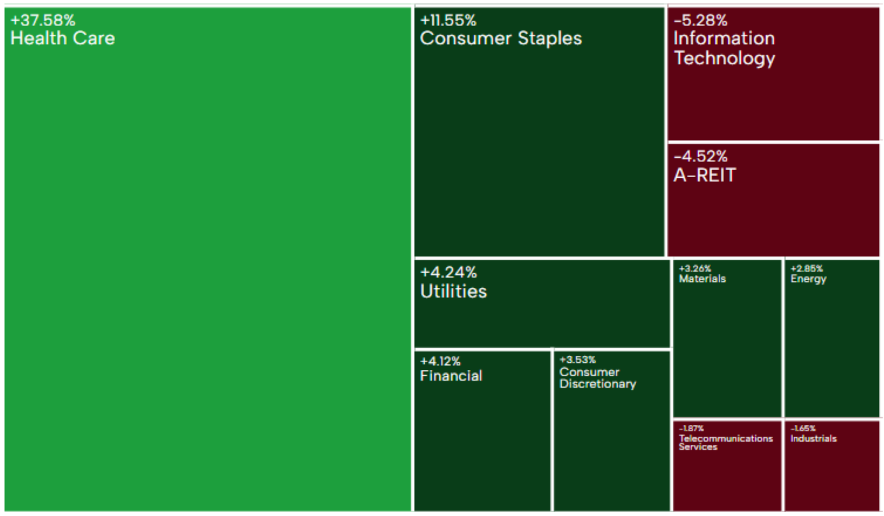
2 – Elevated inflation, with the Middle East situation being the main swing factor:

The uncertainty around the conflict in the Middle East has been labelled by the previous report as being the main factor, and most of the inflation came up from this factor, as the Brent Crude Oil remained steadily high around the USD 90 over the whole month of May. Nonetheless, as tensions started to ease slightly in June, with the Brent Crude Oil dropping below USD 80 for the first time since the beginning of the conflict, the trimmed mean used by the RBA also has shown signs of easing, with the trimmed mean reaching 3.5% from 4.1% in May rather than climbing further, so the report correctly identified the mechanism, though the stance was slightly too hawkish even if the mechanism call was correct. Inflation remains well above the target, even with the recent easing in the inflation, though the trimmed mean has stagnated since August, showing potential caution over future developments.

3 – Developments in the performance of the Big 4 and pressure due to mortgage stress:

The previous report flagged pressure over mortgage, failing permits and NIM pressure as a drag on for the Big 4 banks in Australia (ANZ, NAB, Westpac, CBA). In effect, the main conclusion was that banks may benefit from changes in net interest margins, but with the effect being double-sided due to higher mortgages, as well as a decreased lower building permits that would affect the financial statements of the Big 4 banks. The decrease in housing values fell in several cities, while building approvals kept being steady at 7.2% growth after experiencing a 1.6% decrease during June, confirming some of the pressure in the housing market. Some of the Big 4 reported some negative changes in the first quarter of the year, with Westpac seeing a 5.14% decrease in its net income, as well as for NAB at AUD 18.000.000 over Q2 2026. Though, this decline has come from the Federal Budget's tax changes to negative gearing and capital gains , which has attributed to an increase in
the interest income yielded by banks as they have been classified as de-facto investor-rate rise, with further explaining coming in the third part of the report.

4 – Real estate being the sole sector pressured:



The cumulative data confirms for the pressure that the real estate market and financials have felt, as the ASX 200 REIT (AXPJ) saw an 8.62% decrease over the last month, and a decline of 4.34% over the last 3 months, showing that the sector might show some signs of weakening that has been consistently hit by the rate-sensitivity and cost-of-capital parameters identified earlier by the report itself. The recent trends align with the bank-pressure call that has been described earlier, which transmits its mechanism on property valuations and turnover. Even though over the last 12 months the sector of information technology (decrease of 36.49%) and healthcare (17.82% fall), as well as consumer discretionary (18.84% of decrease), the A-REIT had a performance of -16.03% over the same period shows that the claim could not be explained over the whole year, but rather in the latest 3 months.

Figure 1.3 – Performance of the sectors on S&P ASX 200 index – source: ASX.com.

5 – Materials supported by copper, while iron remains the main downside risk factor

The previous work argued that copper and gold would structure stability for the materials sector across Australia, while the volatility of the iron would impact negatively the sector. The structure proved partially, as copper extended a structural rally as ongoing AI and data centres are discussed across the country as major projects, in addition of energy-transition demand that becomes more important, while iron kept a volatile profile, as it grew by 10.72% over the latest 0 days, albeit a 9.83% decline in the last 3 months, making it vulnerable for Australian mining firms that are vulnerable to any potential Chinese demand evolution. Nonetheless, gold softened over the latest period, with a recent surge of 7.82% over the last month, while having a flat evolution by slightly decreasing 0.61% in the last 3 months, as the USD strengthened and elevated real yields made its non-yielding status costly. As the latest chart proved, the materials index (AXMJ) had a steady growth over the 3-month period at 3.26%, showing a certain recovery for different firms over the course of the period.

6 – Index base scenario ranging between AUD $8,500-$8,800 at 50% of probability:

The previous base-case range was materially exceeded as the ASX 200 traded above the upper-range level during the previous evaluation, reaching an all-time high earlier in the year at AUD 9,186.9 in February, with the stock exchange ranging over AUD $8,800 over the last 3 months, as it grew steadily by 3.68% in this period. The index proved materially more resilient than the initial scenario formulated by absorbing the initial rate hike shock, while also softening its reactions following a quieter period between June and August. The hike has already been partially priced and thus didn't push the stock exchange declining further.

7 – Summary of the evaluation:

PREVIOUS CALL	FORECAST STATED	ACTUAL OUTCOME	ASSESSMENT	MAIN LESSON
RBA HIKE AT 4.35%	75% of probability at May's meeting	Actual hike at 4.35%	**Correct direction and timing**	Inflation and policy of the RBA were approximately weighted
ASX 200 BASE SCENARIO	8,500-8,800	Index trading nearly 9,000	**Incorrect reading**	Resilience and price range-in effects were underestimated
A-VIX READING	12 to 13	Approximately 10 to 11	**Volatility slightly overestimated**	Market appetite proved weaker than expected
REAL ESTATE DEVELOPMENT	Sector pressure	Weak performance	**Correct direction**	Duration and financing-cost exposure remaining relevant

III – Latest macroeconomic evolution:

Having analysed and covered the main differences between the previous work and stating briefly some of the latest trends, this section covers all the major evolution of the macroeconomic context, serving as the main catalyst for the forward view over the Australian market in Q3 and Q4.

Inflation – easing headline but sticky underground:

The disinflation forecasted by the previous reports has partially arrived, but underlying inflation has yet to improve concretely. In effect, headline CPI eased to 3.9% (YoY) as per July 29 compared to 4.1% in June, the softest CPI reading since late 2025. The RBA's preferred gauge, however, which is the trimmed mean CPI has shown 3.6% over the second quarter, slightly above the 3.5% reading for the previous quarter, while the weighted mean CPI in July was at 3.5%. Housing (5% increase) and food remain the main contributors, showing that inflation doesn't show any concrete signals of easing now. This sentiment is fuelled further by the latest RBA statement in its August statement after deciding to hold its cash rate at 4.35%, with Governor Bullock mentioning that trimmed mean would remain above the RBA's target of 3% until mid-2027, before easing nearly 2.5% by 2028. Further, Governor Bullock warned economists and people about a potential hike in its cash rate, qualifying the Middle East situation, investments in AI and weak productivity data release as potential factors that could increase the pressure on the current inflation levels, adding that "if those upside risks won't decrease and see inflation down, we will, and we will have to raise interest rates again".

Labour market – first worrying signs?

The report's expectation of an economic cooldown could be confirmed by reading the data in employment. The latest report by the Australian Bureau of Statistics showed that unemployment rate rose from 4.4% to 4.5%, with a drop of 15.800 jobs reported in the same month, driven by part-time losses, and the participation rate decreased slightly at 66.9%. The significance of these data is as much about the policy as about the availability of jobs: in effect, the RBA predicted that 4.5% would be the end-of-year reported unemployment rate, a figure that had already been reached, with economists arguing that the tightening of the monetary conditions is working, all while being cautious that the rate might raise further by the end of the year. This can also prove another hike for RBA's cash rate, as the RBA needs the employment rate to climb slightly to tackle the persistent inflation.

Rate cycle:

The policy followed by the RBA may suggest having followed two distinctive paths, with the hike cycle ending on May 5th when the RBA decided to raise cash rate at 4.35%, while holding deliberately at both the June and August meetings. While the August meeting decided to maintain the *status quo* unanimously, the speech was much more altered, with Bullock warning that the Board might raise interest rates again "if that is what is required to bring the inflation down in a timely way", while Assistant Governor Christopher Kent arguing that the current restrictive stance will maintain to weigh on demand and tackle inflation down. A tightening bias is supported, with this period potentially preparing for the resumption of a hawkish cycle by the RBA in its last meetings for the year.

Monetary policy and implications on bond yields:

The policy outlook pushed by the RBA should be assessed alongside the yield curve rather than through the current cash rate at 4.35%. Two-year yields capture expectations for the near-path RBA rate, with current yield being at 4.80%. Meanwhile, the 10-year bond yield which is at 5.2%, the scope for broad P/E multiple expansion appears limited unless inflation eases or global risks that are ongoing in the Middle East or within the Chinese Industrial demand might deescalate.

Development across sectors & indexes:

- **Materials/Mining:** the sector remained one of the major drivers for the performance of the S&P ASX 200, with copper extending its recent gains to record highs thanks to the development of AI data centres, while Gold and Iron both saw soften and more hawkish reversals compared to the main piece of the previous work. About the major mining companies, BHP saw a flat movement over the recent 3 months (-0.88%, with a reported 2.86% increase over the previous month), Newmon Corporation DRC having stelar gains by 18.45%, while Rio Tinto Ltd. saw a 6.48% decrease over the period.
- **Real Estate:** the A-REIT was among the weakest sectors over the latest 3 months, extending the predicted decline that has been reported. Further data, including the latest building approvals in July saw a 3.6% increase, albeit modest from the forecasted value of 4.7%, while both the AIG Manufacturing and Construction indexes decreased at -16.6, respectively -6.9, highlighting the further decrease occurring in the sector (further reading will be provided).
- **Information Technology:** the IT sector has been the worst performing index of the S&P ASX 200, especially the telecommunication layer (AXTJ) which saw accentuated decrease of 1.67% over the latest 4 months. Although signs of hope were seen in the development of AI infrastructure in the country, the sector has been changed massively by Telstra, the major telecommunications provider in the country. The stock fell by 5.51% over the last month, respectively 3.42% in the latest 3 months, with the firm being impacted by a nationwide network outage on July 8th due to an attributed software defect affecting time synchronisation and thus affecting the firm's financial performance across the market.

Reading across activity & economic indicators:

- **Latest GDP Report:** the latest YoY GDP has shown a growth by 2.1% of the GDP, all while the MoM data showing an increase of 0.4%, beating the market's expectations relatively. Nonetheless, the growth has been characterised as being poorly materialised, as the growth has been driven mostly by consumers spending on EVs (standing for 2/3 of the total growth), showing further concerns for a potential rate hike during September's meeting.

- **AIG Manufacturing and Services PMI:** the main manufacturing index fell at -19.6 in July before easing roughly at -16.6, with manufacturers quoting rising input costs and raising demand, while the construction index (PCI) fell to -40.8 over the same period before normalising to -6.9. On the other hand, the broader Manufacturing & Services PMI for August decreased at 52.70 from 53.20 from the previous month, confirming the further pressure from rising costs and decrease of household activity.
- **Building Approvals:** the MoM latest reading has shown a decrease by 3.6% over July, while the YoY kept itself stable around 9% for the same month. Nonetheless, approvals for private houses declined in all mainland states, and thus underscoring the housing-supply constraint that poses a problem to the Labor's target of 1.2 million houses to tackle the house crisis.
- **Trade Balance:** the latest trade balance data for July shows a positive AUD 1.923 B, albeit slightly decreasing from the AUD 2.341 B previously reported, all while beating the market's expectations for a lower value at AUD 1.400 B. This has mainly resulted from a sharp decline of exports by 2.5%, albeit imports declining over the same period in July by 3.3%.

FX reading:

FX	LATEST DATA	1-MONTH PERFORMANCE	3-MONTH PERFORMANCE	EXPLANATION
AUD/USD	0.7021	2.31%	1.04%	Mostly yield-supported as the cash rate and hawkish stance of the RBA + the softer USD after the latest dovish FED commentary.
EUR/AUD	1.6115	-1.53%	-0.97%	Both AUD and EUR rose against the USD, with EUR support being due to the ECB holding interest rate at 2.25%.
GBP/AUD	1.8751	-1.78%	-0.33%	Similar stronger performances against the AUD.
AUD/JPY	112.51	1.23%	-1.45%	The clearest strength due to the hawkish stance of the BoJ and the latest cash injections to support the Yen.

AUD/NZD	1.2243	2.43%	0.69%	Trans-Tasman divergence trade following RBNZ's latest rate hike.
USD AGAINST EUR AND GBP	EUR/USD at 1.1616 and GBP/USD at 1.3516	0.75%/0.48%	0.05%/0.69%	Broad USD weakened by dovish FED commentary and potential upcoming hike rates.

IV – Data & Methodology:

This report assesses the likely performance that the S&P ASX 200 will generate following the potential scenarios involving RBA's decision 29 September 2026. The analysis is based on information available up to 7 September 2026. Equity-market figures, and the macroeconomic data used refers to the closing level index and price returns instead of total returns, with dividend income not included.

The structured research combines official Australian macroeconomic data with market-based indicators, as well as selected financial-news reporting, with most of the data being thrived from the RBA (Reserve Bank of Australia), the Australian Bureau of Statistics, ASX's official website, aggregated news sources including the AFR (Australian Financial Review) or ABC News, as well as other websites for following macroeconomic data, including Investing.com or Yahoo! Finance.

The following inputs have been structured:

INPUT	MEASURE USED	PURPOSE OF THE ANALYSIS
MONETARY POLICY	4.35% (latest cash rate reported – August 12), latest market expectations for a cash rate of 4.60% (September 29 meeting)	Assesses the expected policy path and near-term risk for rate-sensitive sectors
INFLATION & ACTIVITY	CPI at 3.5%, Trimmed Mean Inflation of 3.6%, 2026 Q2 GDP YoY growth of 2.1%, S&P Global Australia Composite Manufacturing & Services PMI at 52.70, Building Approvals (YoY, Jul) by -3.6; Unemployment Rate at 4.5%	Estimate demand conditions, persistence of inflation, likelihood of potential rate hike
EQUITY MARKET (AS PER SEPTEMBER 7)	ASX 200 Level: 9,010.90; A-VIX Level: 10.562;	Market regime measurement, index sensitivity and general market volatility
RATES AND VALUATION (AS PER SEPTEMBER 4)	Australian 2-year government bond yields: 4.80%; Australian 10-year government bond yield: 5.20%	Discount-rate environment and the scope of equity-multiple expansion/compression
EXTERNAL CONDITIONS (AS PER SEPTEMBER 4)	Silver Futures: 66.748l; Gold Futures: 4,476.60; Copper Futures: 6.6825; Brent Crude Oil Futures: 96.28; AUD/USD at 0.7203	Earnings risk for major export-oriented ASX sectors

The monetary policy assessment gives a particular weight to the relationship between the different variables, including underlying inflation, demand condition or evolution across the labour market. A continued trimmed mean sitting around 3.6%, alongside GDP Q2 growth at 2.1% and an unemployment rate at 4.5% can maintain a potential perspective for a future RBA rate hike at 4.6%. Nonetheless, the decreased level noticed across the building approvals that decreased by 3.6%, as well as the overall pressure that could intensify in the sectors of materials and energy can hold up for a potential rate hold at 4.35%, especially if domestic demand keeps getting pressured across certain sectors, including real estate.

The analysis is using Australian government-bond yield rates as the principal factor and discount-rate measure. The choice of the two-year yield is the main indicator that will capture any short-term and mid-term changes in monetary policy, while the ten-year yield reflects a long-term landscape and the risk premium that investors are holding on Australian government debt positions. With the ten-year bond yield holding at 5.20%, long-term funding and discount-rate conditions remain restrictive, especially regarding the risk premium that can be transmitted on equity valuation, affecting the financial performance of corporate amid incoming earnings reports. The ASX 200 level target can be defined as the following formula:

ASX 200 Target Level = Expected forward earning * Target forward P/E

With: $Forward\ P/E = \frac{Current\ share\ price}{Estimated\ Future\ EPS}$

This relationship is used as a valuation target for the report and does not constitute a macroeconomic mechanism used for investment purposes. The forward earning expected will be assessed from the outlook on domestic demand, credit growth, as well as external factors (commodities prices, Chinese PMI data, AUD/USD dynamics) while the target P/E will contain further data coming from the bond yields data, the RBA policy outlook, market volatility, and continued market risk premium. Further relationship between bond yields and valuation is assessed through the following formula:

Equity risk premium = Forward earnings yield – Australian 10-year yield

With:

$$\text{Forward Earnings Yield} = \frac{1}{Forward\ P/E}$$

When bond yields rise without a corresponding increase in expected earnings, the forward earning yield required by investors tends to rise, which would imply a lower acceptable multiple, and relevant for different spheres, including the A-REITs, IT businesses or businesses requiring massive future cash flows. Stabilisation in bond yields might support valuation multiples, but only if external pressure or volatility eases off.

The AUD/USD is both an external indicator and inflation reader. The base-case scenario would put the AUD/USD level in the current 0.70 to 0.72 that has been sitting over the latest 3 months. A stronger Australian dollar can reduce imported inflation or costs but may lower the AUD value of offshore earnings for overseas businesses. On the other hand, a weaker AUD can benefit certain industries, such as materials or mining for exporting their commodities overseas, but might pressure the RBA in sustaining or even tightening its monetary policy to tackle pressured inflation. Commodity features are the main indicator for external earnings conditions, as well as for assessing further levels of volatility and uncertainty, with copper and gold being reserved to the mining income, the Brent crude for global inflation and shifts in the energy sector, while precious metals and further reading in the Chinese PMI indicating further potential for opportunities or seeking margins on defensive assets.

Therefore, the following estimations have been used:

Driver	Current data	**Bull scenario**	**Base scenario**	**Bear scenario**	Reasoning
RBA cash rate after September	4,35%	4,35%	4,60%	4,85%	Hold, one hike or tighten cycle of the RBA
2-year yield	4,80%	4,55%	4,90%	5,00%	Reflects current policy changing
10-year yield	5,20%	4,90%	5,20%	5,45%	Discount rate and premium rate scenarios
AUD/USD	0,72	0,74	0,72	0,70	Balances yield and global risk reader
Brent Crude Oil	96,28	85,00	94,00	106,00	Inflation and geopolitical risk proxy
Gold	4476,60	4500,00	4400,00	4200,00	External demand + material-earnings proxy
Copper	66,75	7,10	6,50	5,50	External demand + material-earnings proxy
China PMI	52,7	53,00	50,00	48,50	Demand from overseas
Evolution of DXY - 3 months	-1,14%	3%	1%	-3%	Inflation and geopolitical risk proxy
ASX 200 forward earnings - 3-months	4,47%	3%	1%	-3,00%	Earnings outlook
Target forward P/E	14,97	15,00	14,50	14,00	Valuation
A-VIX	10,56	9,00	10,50	13,50	Assessment of the volatility risk proxy
Probability	N/A	20%	60%	20%	Subjective analysis of potential scenarios

Note: the scenario probabilities imagined are subjective analyst estimates based on the information available as per the latest publicly available dates. They are not market-based probabilities and do not represent a strengthened and specific model. Conditional analytical observation is recommended for the interpretation of the outcomes rather than price range index targets.

V – Forward outlook: September and beyond.

The most pivotal and crucial moment for the Australian market ahead of the last months of 2026 could be the decision on 29 September, especially on whether a new tightening cycle could occur for the Australian economy or whether the situation might stabilise by the end of the year.

After three hikes earlier in the year from 3.6% to 4.35% on May 5th, the rate remain unchanged during the June and August meetings, RBA's board has the most sensitive call to make yet in this year, with the main consensus on professionals being that a probability of hike is very likely, putting the probability around 70% for a 25bp hike to 4.60%, though the split is shared between different banks and institutions, with the NAB, Deutsche Bank and UBS arguing that the hike will occur during September's meeting, while ANZ or CBA share an idea where the hike will occur in November, all while Westpac still expecting the *status quo*. Two sides of the story could occur, with the following consensus being:

- Case for a hike: the trimmed mean keeps remaining around 3.6%, well above the RBA's target of 2-3%, the monthly CPI reaccelerated, while the drivers of the steady Q2 GDP growth show that demand is the only main stronghold for the growth, while productivity remains low amid rising labour costs. Different institutions, including UBS indicate that a potential AI-and-trade-cycle boom is now increasing pressure over global inflation.
- Case for a rate hold: this is mainly driven by the current labour market, with the unemployment rate being at 4.5%, which represents the margin that RBA might need in the short term for getting closer to tackle inflation, while the softening in jobs and wage data gives some credibility that the RBA can look over spikes or surprising movements of the CPI, a position defended by Westpac in which the cooled economy can spark positive impact on tackling inflation, without a hike being needed.

A potential hike could tackle inflation, while also adding further pressure on sensitive sectors such as real estate, financials, especially in the context where housing sees its prices dropping over recent months, while less building approvals have been permitted throughout the whole year. Furthermore, holding the rate at 4.35% can jeopardise the reputation of the RBA amid a growing and unchanged trend in inflation, with no cost-free path that the RBA can choose from. Based on these developments, sectors can have major movement ahead of the potential call:

- The sector of financials will remain structurally pressured, with the housing downturn, Federal Budget's investor-tax transmission, cooling credit and mortgage growth are a persistent question for the Big 4 Banks, who might feel less interest margin revenues for the upcoming quarter. Other financial institutions, including Macquarie Group might be less affected, mostly due to latter's structure and operations overseas, albeit more sensitive to any negative hike or cyclical swing in the sector of commodities.
- Real Estate (A-REIT) is one of the most rate-sensitive sectors across the cycle, which can intensify further as upcoming data in building approvals for the previous month will

come full circle. Nonetheless, the market might also benefit from a potential recovery by mid-2027 if the situation normalises.

- Materials will remain the index's swing factor, albeit more due to external conditions than internal development, with the pivotal factor for firms like BHP or Rio Tinto being an easing in tensions across the Middle East, continued growth of Chinese PMI (which rose at 51.5 in August), as well as a less restrictive trading policy coming from the United States of America. Positive evolution across iron or copper can also add further structural support for a potential growth, which implies to have carried the momentum across the last 3 months.
- Any other sectors, including healthcare or information technology can also be ones to watch over the remaining months. IT, particularly, might benefit from continued development and structured investments across AI/data centres, amid further challenges over the ethical usage of data centres or any uncertainty regarding telecommunications, while evolutions on the healthcare system can also depend on further political and public debate changes.

With this being briefed, another cross-asset perspective over the currency market is also worth looking. With the AUD's strongest yield strength over the last 4 months, this can also join the new thesis of this research. Furthermore, regional dynamics, including the AUD/NZD cross remains the cleanest domestic expansion of the view, mainly because of the change in cycle from the two institutions, with the RBA potentially commencing another tight cycle, while the RBNZ potentially reaching a rate hike peak.

Based on the recent developments, the future evolution of the S&P ASX 200 has been assessed through these scenarios:

SCENARIO	PROBABILITY	RBA/YIELD CONDITION	EARNINGS AND VALUATION ASSUMPTIONS	ASX 200 RANGE	PRIMARY TRIGGERS
BULL	20%	RBA holds at 4.35%; 10-year bond yield eases below 5%	3% of growth in the S&P ASX 200 over the next 3 months, target forward P/E of 15.00x	AUD 9,200-9,300	Moderate inflation, strengthened Chinese industrial activity, eased commodities situation, lower pressure over the labour market
BASE	60%	One hike or restrictive tone	Earnings over 3 months flat	AUD 8,750-8,900	Policy tightening

		maintained by the RBA (rate at 4.60%), with 10-year bond yield near 5.2%	around 1% with potential large changes in the range, P/E forward at 14.5x		by the RBA, commodities remaining stable, CPI and productivity readings remain constant to the current period
BEAR	20%	Prolonged restrictive stance, two potential hikes by the end of the year (reaching a cash rate of 4.85%), higher 10-year government yield approaching 5.45%	Earnings decreasing by 1.5%, P/E at 14.0x	AUD 8,550-8,700	Oil above $ USD 100, China PMI below 50 and persistently decreasing, weaker financials and materials indexes

Note: model-implied pinpoints at 9,294.67, 8,810.38 and approximately 8,640

Risk matrix of potential outcomes:

Factor	Assessed probability (market implied, based on futures and index-swap pricing)	Impact on the ASX 200	Key trigger	Exposed factors
RBA hike at 4.60% on 29 September	70% (expected to grow further depending on the evolution of the market, and the consensus of economists)	-0.5% to -1.5% of decrease, partially pre-priced	Trimmed mean remaining at 3.6%, costs of labour, GDP beat but persistent low productivity	Financials, Real Estate, IT to a lower extent
RBA holds rate, while	30%	Positive in the opening hours,	Softening labour market, improvement	Broad relief, surge in

maintaining a hawkish stance		potential downturn of -0.6% due to hawkish stance, credibility risk over upcoming weeks	in unemployment rate (reaching 4.3% for August's reading)	the REITs leads
Middle East tensions surging	Moderate (tensions easing but strikes slightly increasing)	Energy up (AXEJ keeping its growth momentum), broad index impact of -1-2% of decrease, pressure over the AUD	Brent above US $ 95, Strait of Hormuz tensions between the USA and Iran	Increased energy costs, costs of transports
Demand for commodities and PMI data in China	Moderate level of growth (stable but uncertain movement of the Chinese PMI)	-3% to -5% impact on the material index, potential -1-1.5% downturn for the ASX 200 as a whole	Unstable and unpredictable Chinese PMI (sitting between 48 and 52 over the recent months)	Materials, mining indexes
Real-estate pressure (low AIG Manufacturing Index, low credit spending, low buildings approval)	Likely (expected building approvals to decrease)	Lower net income reports for the Big 4 Banks, slight drag on other institutions (Macquarie), -2% for the AXFJ	Decreased mortgages, lower building approvals (expected to decrease at -9% for August)	Financials, REITs, housing, Big 4 Banks

Low macroeconomic evolution	**Ongoing, slow but unstable situation**	**Index return potential, slightly more dovish interpretation for the upcoming meeting**	**Low business investment reading, ongoing uncertainty over the unemployment rate, low reading of Westpac's Consumer Sentiment**	**Broad market**

Uncertainty around political evolution	Moderate level	Low impact, potential spikes over the ASX VIX level	Outcome of state elections across Victoria, evolution of One Nation's and Labor's percentages on national polls	Broad market, low impact

Note: this evaluation and these assessments are made based on subjective analysis and market consensus, and not market-implied probabilities. This reading is not making a structured investment advice for anyone. The probabilities above are subjective estimates based on inflation, labour-market, GDP and financial-market evidence; they are not statistically estimated.

VI – Risks and conclusion:

The base case is not a prediction that the S&P ASX 200 will fall or have a sharp decline once the RBA statement will be done. All ranges are a conditional value built on elevated bond yields, modest earnings growth and limited scope for multiple expansion. A rate increase that seems to be already expected by economists and investors might generate only a moderate reaction over the market, with the greater downside risk being a sudden risk on yield, a hike in the upcoming CPI reports after RBA's meeting, spike of the Brent Crude Oil, or a deterioration in Chinese demand.

The report therefore concludes that the stance **should be neutral to cautiously defensive**. The distinction is in the fact that the index has proven to be resilient, repeatedly absorbing hikes that have been announced during both the tight cycle during the beginning of the year and the current *status quo*, but the model-implied target sits below the current level shown under the previous assumptions.

However, a more positive perspective will come about under three scenarios – a reduction in inflationary pressures, a reduction in long-term interest rates, and supportive demand from abroad. In the meantime, the balance of risks is twofold and leans towards the defensive side. The RBA confronts a tough decision at its upcoming meeting scheduled for 29 September because, on one hand, high trimmed mean inflation and low productivity suggest that another increase is necessary; however, a weakening labour market and growing dissatisfaction among the citizens regarding living expenses indicate that a hike is premature. Indeed, Governor Michele Bullock did not close the door for further increases, and based on all the above evidence, **a rate of 4.60% seems more likely.**

Appendix:

https://worldperatio.com/area/australia/#google_vignette
https://www.bloomberg.com/quote/GTAUD10Y:GOV
https://www.bloomberg.com/markets/rates-bonds/government-bonds/australia
https://au.investing.com/currencies/aud-usd
https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release
https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation
https://www.rba.gov.au/cash-rate-target-overview.html
https://www.abc.net.au/news/2026-08-11/rba-interest-rates-august-2026/107023850
https://www.canstar.com.au/home-loans/when-will-interest-rates-go-down/
https://centralbank.watch/reserve-bank-of-australia/
https://www.financecalendar.com/event/rba-rate-decision-september-2026/
https://www.investing.com/news/economic-indicators/rba-minutes-show-rate-hike-debated-as-inflation-risks-keep-policy-outlook-on-edge-4874421
https://www.aussie.com.au/insights/news/expert-predictions-rba-rates/
https://www.investing.com/rates-bonds/australia-2-year-bond-yield-historical-data
https://au.marketscreener.com/quote/index/ASX-200-5966092/
https://www.investing.com/indices/aus-200-historical-data
https://www.marketwatch.com/investing/bond/tmbmkau-10y/download-data?countrycode=bx
https://tradingeconomics.com/australia/government-bond-yield
https://finance.yahoo.com/quote/%5EAXJO/history/
https://www.spglobal.com/spdji/en/indices/equity/sp-asx-200/#overview
https://www.abc.net.au/news/2026-09-08/rba-deputy-governor-admits-public-furious-on-inflation/107129474