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Australian Dollar Rises Amid Inflation Spike, Weak US Jobs Data

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The Australian dollar gained modest ground on Monday, trading at 0.6483 against the U.S. dollar, up 0.22% during the North American session. This movement followed a challenging previous week for the Aussie, which dropped 1.5% against the greenback, its weakest weekly performance since early June.

Melbourne Institute Inflation Gauge Sees Sharp Increase

In domestic economic news, the Melbourne Institute (MI) Monthly Inflation Gauge recorded a 0.9% increase in July, the highest monthly rise since December 2023. This represented a significant jump from June's 0.1% gain, suggesting growing near-term price pressures. Although the MI index is not the official Consumer Price Index (CPI), it is widely monitored as a leading indicator of inflation trends in Australia.

The official CPI for the second quarter of 2025, released by the Australian Bureau of Statistics, showed a quarterly rise of 1.9%, down from 2.2% in Q1, putting it just under the Reserve Bank of Australia (RBA)'s 2%-3% inflation target band. These mixed signals from inflation indicators have influenced monetary policy expectations ahead of the RBA's next board meeting on August 12.

Although a rate cut had been anticipated last month, the central bank opted to hold steady, citing a need for more data before adjusting the cash rate. Analysts are now watching closely to see whether the spike in MI data will delay easing or prompt caution from policymakers.

U.S. Jobs Data Falls Short of Forecasts

Meanwhile, in the United States, the latest nonfarm payroll report for July showed a gain of 73,000 jobs, falling short of market expectations of 110,000. Additionally, the U.S. Department of Labor revised down May and June job figures by a combined 258,000, further highlighting labor market weakness. The unemployment rate inched up to 4.2%, from 4.1% in the previous month.

These developments increased expectations of monetary easing from the U.S. Federal Reserve, with the implied probability of a September interest rate cut rising to 75%, up from 63% before the report was released, according to CME FedWatch data.

As inflation and employment trends evolve, both the RBA and Federal Reserve face growing pressure to respond with appropriate policy adjustments. Market participants remain alert to further economic releases that could shape currency valuations and interest rate expectations in the weeks ahead.