APAC Quarterly
Navigating Australia's mixed macro landscape

Summary

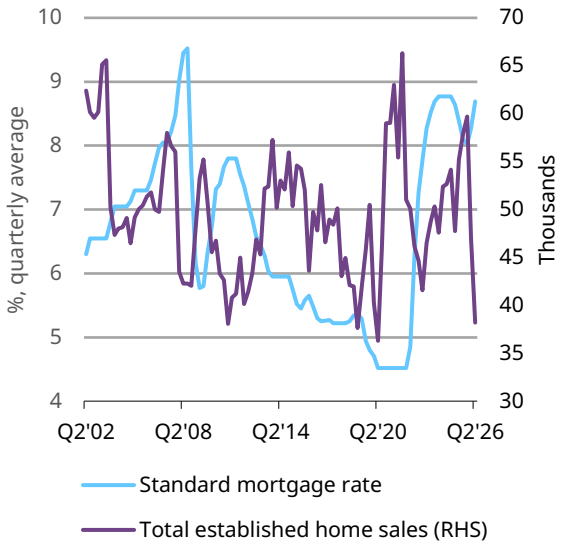
- Australia faces emerging stagflationary pressure, with inflation accelerating and growth encoutering various challenges
- With Australian bonds and equities more correlated than ever, gold remains a reliable diversifier
- High prices weighed on consumer demand during the fisrt half.

Australia's stagflation risk amid mixed readings

- Australia's trimmed-mean CPI, the Reserve Bank of Australia's (RBA) favoured inflation gauge, has accelerated four quarters in a row, reaching 3.6% y/y in Q2 2026, driven by the expiry of electricity rebates and a fuel price surge linked to the Middle East conflict.[1]
- Meanwhile, local economic growth may have encountered some headwinds. While stronger than the RBA's expectation (1.9%), the Australian GDP slowed for the second consecutive quarters, reaching 2.1% y/y in Q2. Higher living costs may add further pressure on consumer spending; the RBA's four hikes so far in 2026, which brought the policy rate to the highest in almost 15 years at 4.6%, have already weighed on the property sector (**Chart 1**); and the unemployment rate kept rising, reaching 4.6% in August, the highest since November 2021.[2]
- The current macro conditions signal stagflation pressure for the Australian economy. And elevated geopolitical uncertainties may keep prices high, continue to disrupt exports and undermine growth, potentially intensifying stagflation concerns (**Chart 2**).

Chart 1: Australian home sales felt the pressure from a rising rate

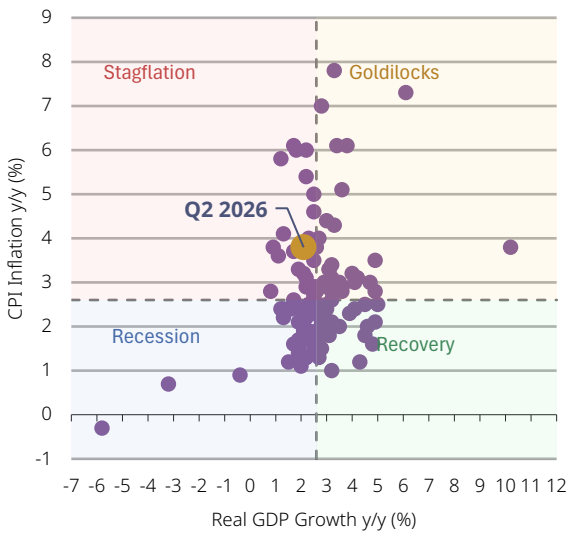
Mortgage rates and home sales*



*Based on quarterly data to Q2 2026. Total home sales is the sum of established home sales from Sydney, Perth, Adelaide, Melbourne, Brisbane, Hobart, Canberra and Darwin where data is available. Standard mortgage rate is based on quarterly averages of house loans for homeowners.
Source: Bloomberg. World Gold Council

Chart 2: Australia's economy inches towards stagflation

Quarterly GDP and CPI *



*Data to 31 July 2026, where available.
Source: Australian Bureau of Statistics, Bloomberg, World Gold Council
Note: Quadrants are defined against full-sample medians (Q1 2000–Q2 2026) of real GDP growth (2.6%) and CPI inflation (2.6%). Stagflation: GDP below median (<2.6%), CPI at/above median (⩾2.6%), Overheating: GDP at/above median (⩾2.6%), CPI at/above median (⩾2.6%), Goldilocks: GDP at/above median (⩾2.6%), CPI below median (<2.6%), Deflationary: GDP below median (<2.6%), CPI below median (<2.6%)

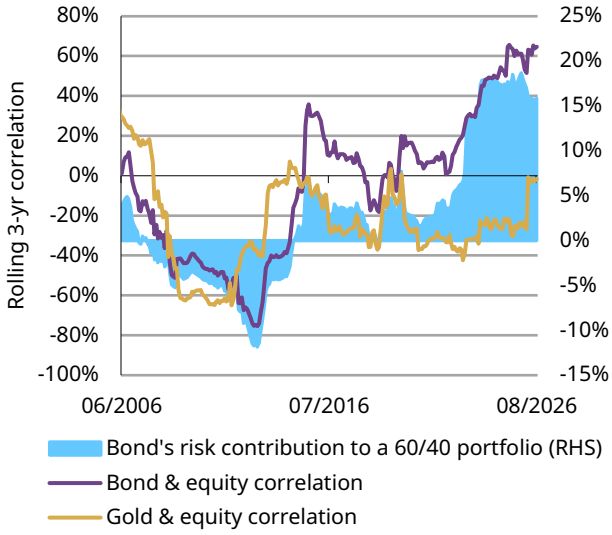
1. See: Energy Bill Relief Fund | energy.gov.au
2. See: Statement by the Monetary Policy Board: Monetary Policy Decision | Media Releases | RBA, 29 September 2026.

Gold should remain a strategic asset for local investors now

- Gold, in AUD has oscillated between A$6,000/oz and A$6,500/oz in recent months, driven by changing expectations of major central banks' future rate paths, shifts in investor positioning. It stabilised in September following a strong rally in August. While investors remain focused on the Fed's future moves, our analysis of past Fed hiking cycles suggest no uniform response in gold as the market also weighs various other factors. Gold may have been caught up between a hiking Fed – which negatively impacts gold via shorter-term yields – and US fiscal concerns – which is reflected in longer-term yields. That said, gold is likely to remain a key consideration for investors seeking to preserve wealth amid geopolitical uncertainty and mounting fiscal concerns.
- With local yields surging – and expected to rise further amid the RBA's projection – Australian bonds have experienced a volatile period. Not only they recorded paper losses, their correlation with local remained at its highest in decades, undermining bonds' status as a portfolio diversifier (**Chart 3**)
- On the other hand, gold's correlation with Australian equities has stayed consistently negative. Moreover, gold's correlation with equities reduces further when the stock market experiences volatile pullbacks, providing loss cushions for local investors; yet the correlation rises when stocks climb, protecting investors' gains (**Chart 4**).

Chart 3: Bonds and equities more correlated than ever while gold remains negatively uncorrelated

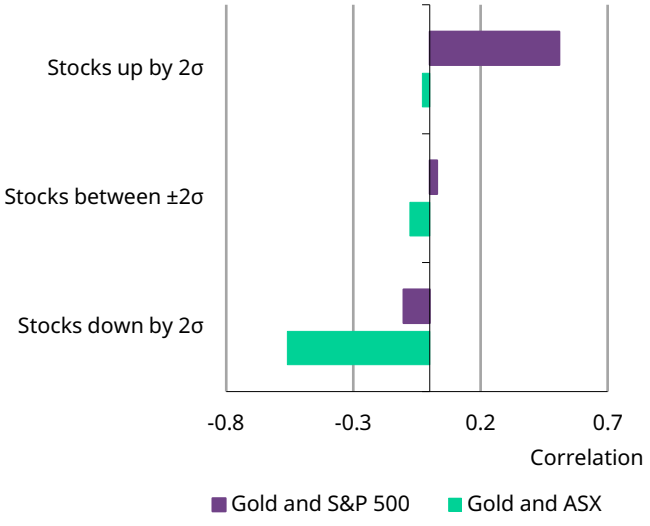
Australian bonds' risk contribution to a typical 60/40 portfolio and 3-year rolling correlation with equities & gold's 3-year rolling correlation with equities*



*Data between January 2000 and August 2026 based on monthly returns of the LBMA Gold Price PM in AUD, the Australian Government Bond Composite Index and the ASX 300 Stock Index. The portfolio consists of 40% bonds and 60% equities. Risk contribution calculated as the share of risk that bonds contributed (volatility*correlation*weight).
Source: Bloomberg, ICE Benchmark Administration, World Gold Council

Chart 4: Gold's unique correlation characters with equities helps investors improve their performances

Conditional correlation between gold and equities*



*Based on weekly data between January 2006 and September 2026 of LBMA Gold Price PM in AUD & USD, ASX 300 Index and S&P 500 Index.

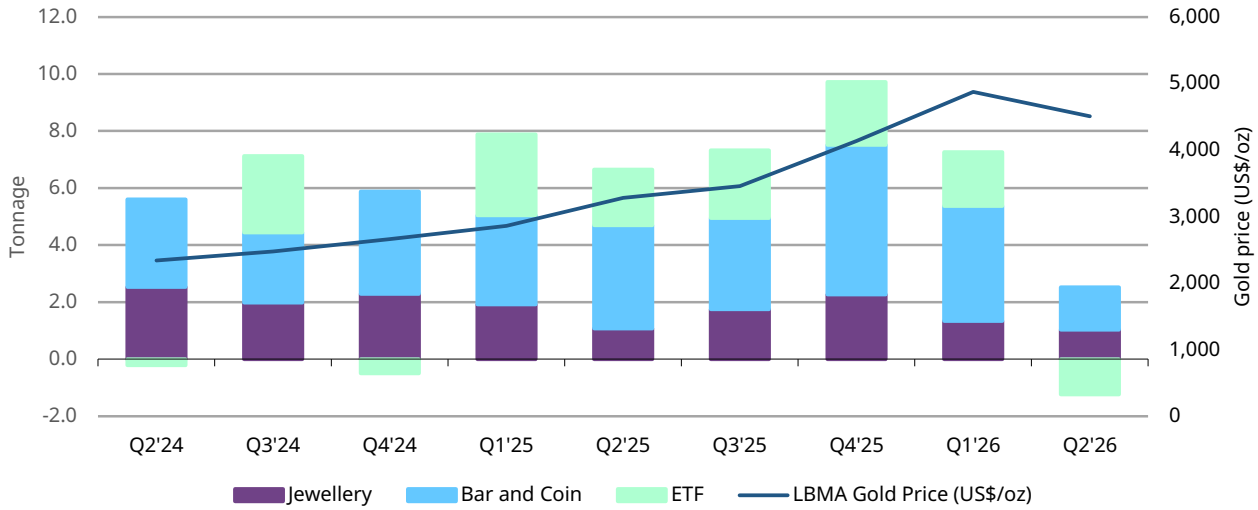
Source: Bloomberg. World Gold Council

Gold demand trends in Australia

- Australian consumers bought 1t gold jewellery in Q2, down 4% y/y. This brought the H1 total to 2.4t, 21% lower y/y as the elelvated gold price and rising living costs dented demand. Bar and coin demand was volatile, plunging 59% y/y to 1.5t in Q2; and the H1 sum of 5.5t was 18% lower compared to the first half of 2025 – a weak local gold price performance, a strengthening Aussie dollar, and rising yields dimmed investor interest in bullion.
- Gold-backed ETF demand in Australia were in the red in Q2, posting losses of 1.2t, reducing the H1 demand to 0.7t. But accelerating gold ETF buying so far in H2 of 2.6t have pushed total holdings to 55t, the highest ever (**Chart 5**).[3]

Chart 5: Australian gold demand has weakened so far in 2026

Gold demand by sector in Australia*



Quarterly data to Q2 2026
Source: Metals Focus, ETF Providers, ICE Benchmark Administration, World Gold Council

3. As of 25 September 2026.

World Gold Council

We are a membership organisation that champions the role gold plays as a strategic asset, shaping the future of a responsible and accessible gold supply chain. Our team of experts builds understanding of the use case and possibilities of gold through trusted research, analysis, commentary and insights.

We drive industry progress, shaping policy and setting the standards for a perpetual and sustainable gold market.

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