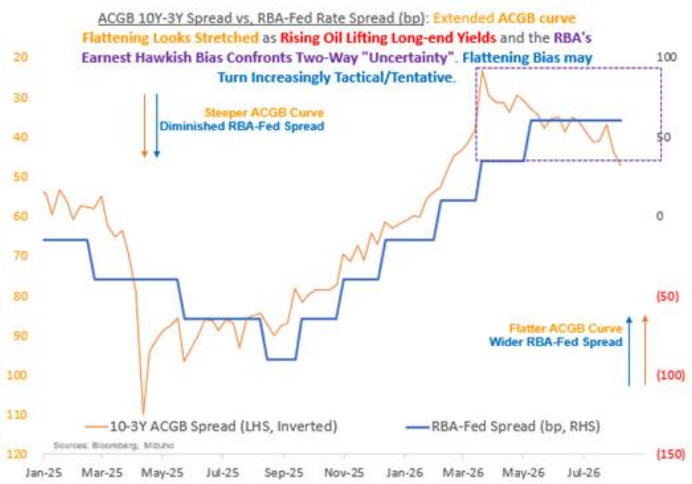
# Mizuho Brief: RBA

**Economics & Strategy | Asia ex-Japan**

**12 August 2026 |**
**Vishnu Varathan | Head Macro Research, Asia ex-Japan**

## RBA: The Importance of Being Earnest


*"In matters of grave importance, style, not sincerity is the vital thing."* – **The Importance of Being Earnest**

### Unequivocally Hawkish Allusions

- The **RBA's *distinctly* hawkish hold** comes as **no surprise**. Nor does the *>60% odds of another RBA hike by year-end.*
- Governor Bullock has characterized **another hike** as "*quite possible*", adding that **inflation risks are front of mind** amid ***Middle East risks*** and ***AI boom***.
- Notably, she added the RBA is **not worried about private credit fragility** – relegating this as a likely containable tail risk in the RBA calculus.
- Crucially, Governor Bullock said the **softening housing market** is **not the RBA's main game *assessing that it is not a big risk to financial stability***.

### Housing & Overtightening Risks

- But ***unlike private credit***, **housing potentially poses an economy-wide** (across banks and households) **balance sheet risk**.
- Arguably then, mounting housing risks could effectively nudge the bar for another hike appreciably (even if not prohibitively) higher.
- What's more, the *RBA* ***views the cash rate as still being a bit restrictive*** and that she ***doesn't want the unemployment rising above (the unobservable) "NAIRU*"***.
- Taken together this is arguably a **tell that of the RBA's aversion to inadvertently over-tightening**.

## Calibrated Hawks – Earnest, Not Aggressive

Nonetheless, it is critically important that the **RBA** remains **earnestly hawkish in its bias**, to ensure front-loaded tightening is not squandered.

Although, *two-way uncertainty* and *sharpening policy trade-offs* mean that the RBA cannot afford to be committedly and aggressively hawkish.

Instead, *any further hike cautious and calibrated.* In Oscar Wilde's words, *hawkish style may matter more than (committed, upfront) sincerity.*

***In fact*, if the RBA does not hike by late-2026**, then the **case for further tightening may actually diminish** (rather than harden) *on emerging housing/jobs risks.*

## Tactical-Structural Curve Tensions

- This has clearly taken the edge off front-end ACGB-UST spreads, , alongside *measured re-steepening in the ACGB curve* (alongside USTs).
- Admittedly, **earnestly hawkish RBA checks scope for unmitigated ACGB steepening** (certainly impeding bull steepening).
- But *if structural UST curve steepening* interrupted in H1 2026 were to resume more emphatically, this could seep into ACGBs heading into 2027.
  - *Tactically,* a hawkish RBA might argue for opportunistic flatteners.
  - But *global long-end sell-off* may *reinstate a steeper curve further out.* **Especially if the RBA's hawkish bias fades**.

* Based on the "Phillips Curve" (which establishes a negative relationship between unemployment and inflation), the non-accelerating inflation rate of unemployment (NAIRU) refers to the unemployment rate at which inflation is stable (and not accelerating). Above this rate, risks of disinflation or outright deflation could mount.