15 January 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

The backdrop of growing concern over a possible US intervention in Iran was a key theme overnight. There were reports of US bases being evacuated in the region and personnel being told to "exercise caution". This morning, President Trump stated he has been informed that the "killing in Iran is stopping" and that there are "no plans for executions".

A cautious mood prevailed over markets as a result, with US stocks remaining under selling pressure while a solid bid for global bonds emerged. Reactions in FX markets were more muted, while crude oil exhibited a spectacular reversal of the session's gains after this mornings comments.

The Federal Reserve's Beige Book painted a more constructive picture on the economy, but it also noted that the pass-through of tariff-related costs due to dwindling inventory and margin preservation remains a key dynamic at present.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	62.5	0.0%
AUD/USD	0.6683	0.0%
AUD/JPY	105.95	-0.4%
AUD/GBP	0.4974	-0.1%
AUD/NZD	1.1629	-0.2%
AUD/EUR	0.5739	0.0%
AUD/CNH	4.6588	0.0%
AUD/SGD	0.8607	0.0%
AUD/HKD	5.2112	0.0%
AUD/CAD	0.9273	-0.1%
EUR/USD	1.1644	0.0%
USD/JPY	158.54	-0.4%
USD Index	99.10	0.0%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.62	0.00
90 day BBSY	3.79	-0.01
180 day BBSY	4.10	-0.05
1 year swap	3.87	-0.03
2 year swap	3.97	-0.02
3 year swap	4.05	-0.03
4 year swap	4.11	-0.04
5 year swap	4.18	-0.04
6 year swap	4.25	-0.05
7 year swap	4.33	-0.05
8 year swap	4.40	-0.05
9 year swap	4.46	-0.05
10 year swap	4.73	-0.05

Equities	Close	Change
S&P/ASX 200	8,821	0.1%
S&P 500	6,911	-0.8%
Japan Nikkei	54,341	1.5%
Hang Seng	27,000	0.6%
Euro Stoxx 50	6,005	-0.4%
UK FTSE100	10,184	0.5%
VIX Index	16.85	5.4%

Commodities	Current	Change
CRB Index	306.82	0.1%
Gold	4634.61	1.0%
Copper	13188	0.2%
Oil (WTI futures)	60.33	-1.3%
Coal (coking)	232.00	1.6%
Coal (thermal)	110.00	1.2%
Iron Ore	107.60	-0.3%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.11	0.00
10 year bond	4.72	0.01
United States		
3-month T Bill	3.56	0.00
2 year bond	3.51	-0.02
10 year bond	4.14	-0.04
Other (10 year yields)		
Germany	2.81	-0.03
Japan	2.19	0.02
UK	4.34	-0.06

Sydney Futures Exchange	Current	Change
10 yr bond	4.72	-0.03
3 yr bond	4.11	-0.02
3 mth bill rate	3.84	-0.02
SPI 200	8,800	0.1%

Data as at 7:30am AEDT. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

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Financial Markets:

- Equities continued to decline in the US, with the NASDAQ selling-off more aggressively (–1.2%) as investors transitioned into smaller caps. The S&P 500 (–0.8%) and Dow Jones (–0.2%) also declined, with a mixed reaction to major banks' earnings (Wells Fargo, BofA, Citigroup).
- Stocks were more mixed across the pond, with the narrower Euro Stoxx 50 declining (–0.4%) despite a rise in broader indexes, like the Euro Stoxx 600 (+0.2%). London's FTSE 100 also rose solidly (+0.5%) on strength in mining and healthcare.
- In Asia, equities generally rose across Tokyo (+1.5%), Hong Kong (+0.6%) and Seoul (+0.6%), the latter of which has posted its ninth consecutive daily rise. The ASX 200 managed to close in the green late in the session (+0.1%), and futures markets are pointing to a positive open this morning.
- Treasury yields bull flattened overnight, reflecting a cautious mood against a backdrop of growing concern over a possible US intervention in Iran. The 2Y fell 2bps to 3.51% and the 10Y fell 4bps to 4.14%. Similar trends were evident in Europe and the UK, with the 2Y and 10Y Bund down 2bps and 3bps respectively, while the 2Y and 10Y Gilt was down 3bps and 6bps respectively. Market pricing for the Fed little changed: one cut by July, and two by year-end.
- ACGBs were fairly stable during the local session, but futures yields following the overnight global trend decline, with the 3Y and 10Y down 2bps and 3bps respectively. Swaps pricing continue to point an RBA rate hike in the second half of this year.
- The USD fell under selling pressure overnight but the move was retraced late in the session, leaving the DXY broadly unchanged from yesterday's level, 99.10 at the time of writing. Moves were therefore modest across most of the basket: the Euro held steady, the Sterling rose slightly (+0.1%) and the Loonie lost some ground (–0.1%). The Japanese Yen recovered a bit after reaching cycle lows yesterday, lifting 0.4%. The Aussie dollar was broadly unchanged.
- Crude oil prices continued to build momentum following reports of US bases being evacuated in Iran and personnel being told to "exercise caution". However, just as we go to press, President Trump stated that he has been informed that the "killing in Iran is stopping" and that there are "no plans for executions", retracing the entire session's gains and leaving the first generic WTI contract –1.3% below yesterday's close, at US$60.33/bbl.
- Gold continues to benefit against a tense geopolitical backdrop, lifting 1.0% to around US$4,634/oz. Base metals were mixed, with copper up 0.2% while aluminium fell –0.4%. Iron ore also fell –0.3%.

Today's key data and events

Time	Event	Exp	Prev
18:00	GB Trade Balance Nov	-	-£4824b
21:00	EZ Industrial Production Nov	0.0%	0.8%
0:30	US Phily Fed Jan	-2.8pts	-10.2pts
0:30	US Initial Jobless Claims 10/01/2026	-	208k
0:30	US Import Price Index Nov	-0.2%	-
0:30	US Fed Empire State Jan	1pts	-3.9pts

Times are AEDT. All data forecasts are m/m or q/q and seasonally adjusted unless otherwise specified. Forecasts for Australian data are our forecasts and for other countries they are consensus forecasts.

International Data

In China, the **trade surplus** widened to US$114.1bn, the second-highest level on record. Exporters continue to experience solid growth, with exports up 6.6%yr in December, well above consensus expectations (3.1%yr), with weaker exports to the US post-tariffs being more than offset by higher export growth across the rest of Asia and Europe.

In the US, the latest edition of the **Federal Reserve's Beige Book** was slightly more constructive than the last, with economic activity cited as picking up at a "slight to modest pace" in most parts of the US, compared to little-change prior. The report noted that those who "initially absorbed tariff-related costs were beginning to pass them on to customers as pre-tariff inventories became depleted or as pressures to preserve margins grew more acute". As a result, most districts continued to see prices grow at a "moderate" rate.

The BLS released the October and November **PPIs**, which showed producer prices rose by 0.1% and 0.2% in each month respectively. Annual growth held at 3.0%yr on both a headline and core basis, indicating broadly stable underlying inflation pressures. Growth in **retail sales** printed 0.6% in November, reflecting a solid response to Black Friday sales. So-called 'control group' sales, which feeds into GDP, were a touch softer at 0.4% in the month. Meanwhile, **existing home sales** lifted 5.1% in December, seeing the level of monthly sales reach its highest since early 2023, suggesting lower mortgage rates are having an impact.

Local Data

In Australia, **job vacancies** fell only slightly between August and November, down –0.7k (–0.2%) to hold around 327k, as it has for most of this year (see here).

In New Zealand, the **monthly employment** indicator rose by 0.3%, adding to signs of stabilisation in the jobs market of late (see here). Meanwhile, **building consents** have continued to trend higher, consistent with a gradual lift in building activity over the year ahead (see here).

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