22 January 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

In a speech to the Davos World Economic Forum, President Trump demanded immediate negotiations over purchasing Greenland.

Trump's tone appeared to change in his meeting with NATO Secretary General Mark Rutte, where a framework of a future deal with respect to Greenland was reached. Trump confirmed that the additional tariffs on European countries, previously planned for 1 February, will not be imposed.

The easing of tensions between the US and its major European allies sent equity prices sharply higher. The S&P 500 finished the day 1.3% in the green. US Treasuries and the DXY index rallied.

The long-dated JGB yields declined 14 bp and 17 bp respectively, following Japanese Finance Minister Katayama's call for calm in the markets.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	62.7	0.0%
AUD/USD	0.6760	0.3%
AUD/JPY	107.09	0.5%
AUD/GBP	0.5038	0.5%
AUD/NZD	1.1570	0.2%
AUD/EUR	0.5785	0.7%
AUD/CNH	4.7039	0.4%
AUD/SGD	0.8687	0.4%
AUD/HKD	5.2703	0.3%
AUD/CAD	0.9350	0.3%
EUR/USD	1.1684	-0.3%
USD/JPY	158.43	0.2%
USD Index	98.84	0.2%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.62	-0.01
90 day BBSY	3.78	0.00
180 day BBSY	4.04	-0.01
1 year swap	3.92	-0.01
2 year swap	4.04	-0.02
3 year swap	4.11	-0.03
4 year swap	4.20	-0.02
5 year swap	4.27	-0.02
6 year swap	4.35	-0.02
7 year swap	4.42	-0.02
8 year swap	4.49	-0.02
9 year swap	4.56	-0.02
10 year swap	4.81	-0.03

Equities	Close	Change
S&P/ASX 200	8,783	-0.4%
S&P 500	6,883	1.3%
Japan Nikkei	52,775	-0.4%
Hang Seng	26,585	0.4%
Euro Stoxx 50	5,883	-0.2%
UK FTSE100	10,138	0.1%
VIX Index	17.2	-14.4%

Commodities	Current	Change
CRB Index	309.22	0.9%
Gold	4807.49	0.9%
Copper	12810	0.4%
Oil (WTI futures)	60.60	0.4%
Coal (coking)	230.50	0.2%
Coal (thermal)	112.40	0.4%
Iron Ore	102.60	-0.8%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.17	-0.01
10 year bond	4.78	0.00
United States		
3-month T Bill	3.59	0.01
2 year bond	3.59	-0.01
10 year bond	4.25	-0.04
Other (10 year yields)		
Germany	2.88	0.02
Japan	2.29	-0.07
UK	4.46	0.00

Sydney Futures Exchange	Current	Change
10 yr bond	4.80	-0.02
3 yr bond	4.18	-0.02
3 mth bill rate	3.83	0.00
SPI 200	8,787	0.4%

Data as at 7:40am 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:

In a speech to the Davos World Economic Forum, President Trump ruled out using force to take control of Greenland. While this suggested that the worst-case scenario of military confrontation had been removed, tensions between the US and its European allies remained high, as he demanded immediate negotiations over purchasing the island. "You can say yes and we will be very appreciative, or you can say no and we will remember", Trump said, refusing to clarify exactly what he had in mind.

His tone appeared to change in his meeting with NATO Secretary General Mark Rutte. After their talks, Trump suggested that "the framework of a future deal with respect to Greenland and, in fact, the entire Arctic Region" had been reached. No details of what this would entail were released, but Trump confirmed that the additional tariffs on European countries, previously planned for 1 February, will not be imposed. Financial markets reacted cautiously to Trump's initial speech, but the removal of the tariff threat and the de-escalation of the situation supported risk-on sentiment late in US trading hours.

- After posting notable losses in the prior day, US equity markets traded cautiously for most of the session. However, the latest news regarding the easing of tensions between the US and its major European allies sent equity prices sharply higher. The S&P 500 finished the day 1.3% in the green. Other major equity markets were already closed when the latest news broke, so benchmark indices in Europe were little changed, with the Euro Stoxx 50 down 0.2%, and the UK's FTSE 100 up 0.1%. Japan's Nikkei 225 remained under downward pressure, falling 0.4% and continuing to pare gains seen in the first two weeks of the year. The domestic ASX 200 also fell, by 0.4%.
- In the bond markets, US Treasuries rallied at the long end, but the 4 bp decline in the 10Y yield failed to fully reverse the prior day's sell-off. Gilts were only marginally higher at the short end, while the 10Y and longer tenors were unchanged, despite an upside surprise in the UK CPI, which appears to have been affected by technical factors. Bunds sold off by 2-3 bp across the curve; however, the 10Y yield remains within the range observed since the start of this year.
- In Japan, government bonds rebounded after a sharp sell-off the previous day. The 30Y and 40Y yields declined 14 bp and 17 bp respectively, following Japanese Finance Minister Katayama's call for calm in the markets. Investors are watching for signs that the BoJ or the Ministry of Finance may be prepared to intervene in the market or adjust the government bond issuance plan.
- In the FX markets, changes in major currencies were relatively small compared to the previous day. The DXY index gained 0.2% to 98.84. The EUR depreciated 0.3%, dipping below the 1.17 mark again, while the GBP declined 0.2%. The Yen depreciated 0.2%, while the AUD rose 0.3% ahead of the Australian labour market release today.
- Crude prices made further gains, extending the upward trend of the past few days. The February WTI contract was up 0.4%. The gold rally continued, with prices gaining 0.9%. Copper rose too, by modest 0.2%, but iron ore prices continued to slide, losing another 0.8% and bringing losses over the last ten days to 6%.

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Card Spending Dec	-	1.9%
8:45	NZ Net Migration Nov	-	2400k
11:30	AU Employment Dec	25.6k	-21.3k
11:30	AU Unemployment Rate Dec	4.4%	4.3%
0:30	US GDP Q3 T	4.3%	4.3%
0:30	US Initial Jobless Claims	-	198k
0:30	US Personal Income Nov	0.4%	-
0:30	US Personal Spending Nov	0.5%	-
2:00	EZ Consumer Confidence Jan Prel.	-	-13.1pts
3:00	US Kansas City Fed Jan	-	1pts

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

Having fallen in the previous few months from a peak of 3.8%yr to an eight-month low of 3.2% yr, in December the **UK CPI** rose back up to 3.4% yr, exceeding consensus expectations of 3.3%yr. Several technical factors were at play, including the timing of data collection, which pushed airfares inflation significantly higher, and the tobacco duty increase in December this year versus November in 2024. Looking at the broader categories, services inflation ticked higher to 4.5% yr, but with core goods inflation down 0.1 ppt to 1.0%, the core inflation rate moved sideways at 3.2%yr. So today's increase is unlikely to set off alarm bells at the BoE, particularly given that these temporary increases will be reversed at the beginning of 2026, and central bank officials are most likely to continue expecting a further moderation of inflation over the course of this year.

Domestic Data

The six-month annualised growth rate in the **Westpac–Melbourne Institute Leading Index**, which indicates the likely pace of economic activity relative to trend three to nine months into the future, nudged up to +0.42% in December from +0.20% in November (see here).

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