



23 January 2026

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

Risk sentiment improved modestly overnight amid easing geopolitical tensions. The US President said he had a "framework of a future deal with respect to Greenland," without the need to impose tariffs on certain Euro nations.

US and European equities extended gains. Encouraging US economic data pushed Treasury yields higher, though the US dollar lost ground.

The Aussie was the star performer, up 1.2% against the greenback and gaining 1.1% on a trade weighted basis. Local yields, particularly at the shorter end of the curve, also shot up following yesterday's stronger than expected jobs report.

Rate markets have now priced in two rate hikes over 2026, with the first hike fully priced in by May. The odds of a February hike increased to 60%, from 20% before the release of the jobs report. We expect the RBA's February decision will hinge on next week's inflation data.

## Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	63.4	1.1%	30 day BBSY	3.62	0.00
AUD/USD	0.6840	1.2%	90 day BBSY	3.78	0.00
AUD/JPY	108.34	1.2%	180 day BBSY	4.03	-0.02
AUD/GBP	0.5068	0.6%	1 year swap	4.04	0.13
AUD/NZD	1.1579	0.1%	2 year swap	4.16	0.13
AUD/EUR	0.5822	0.6%	3 year swap	4.23	0.13
AUD/CNH	4.7635	1.2%	4 year swap	4.30	0.12
AUD/SGD	0.8760	0.8%	5 year swap	4.37	0.11
AUD/HKD	5.3323	1.1%	6 year swap	4.43	0.10
AUD/CAD	0.9430	0.8%	7 year swap	4.50	0.09
EUR/USD	1.1747	0.5%	8 year swap	4.56	0.09
USD/JPY	158.41	0.1%	9 year swap	4.62	0.09
USD Index	98.35	-0.4%	10 year swap	4.88	0.08
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Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,849	0.7%	<b>Australia</b>		
S&P 500	6,912	0.5%	3 year bond	4.24	0.07
Japan Nikkei	53,689	1.7%	10 year bond	4.80	0.02
Hang Seng	26,630	0.2%	<b>United States</b>		
Euro Stoxx 50	5,956	1.2%	3-month T Bill	3.59	0.00
UK FTSE100	10,150	0.1%	2 year bond	3.61	0.03
VIX Index	15.61	-7.6%	10 year bond	4.25	0.01
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Commodities	Current	Change	<b>Other (10 year yields)</b>		
CRB Index	309.22	0.9%	Germany	2.89	0.01
Gold	4924.98	1.9%	Japan	2.25	-0.04
Copper	12756	-0.4%	UK	4.47	0.02
Oil (WTI futures)	59.34	-2.1%	<hr/>		
Coal (coking)	231.00	0.2%	Sydney Futures Exchange	Current	Change
Coal (thermal)	112.80	-0.2%	10 yr bond	4.87	0.04
Iron Ore	103.80	0.4%	3 yr bond	4.30	0.04
ACCU	36.13	-4.3%	3 mth bill rate	3.86	0.03
			SPI 200	8,807	0.00%

Data as at 7:20am AEDT. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.



**Pat Bustamante**  
 Senior Economist, Westpac Group  
 P: +61 468 571 786  
 E: pat.bustamante@westpac.com.au

## Financial Markets:

- Key US equity indices extended gains after the US President said he would no longer impose 10% tariffs on European countries that opposed US plans to take Greenland. The President said he had a "framework of a future deal with respect to Greenland," which is reported to include US missiles, mining, and a larger NATO presence to guard against threats from Russia or China. Further, following positive comments from Nvidia's CEO, tech megacaps rallied, with the Bloomberg "Magnificent Seven" index up around 2%. Overall, the S&P 500 gained 0.6%, the Dow Jones Industrial Average closed 0.5% higher, while the tech-heavy Nasdaq ended the session 0.7% in the green.
- The boost to sentiment from easing geopolitical tensions also saw European markets close higher. The Euro Stoxx 50 rose 1.3%, Germany's DAX gained 1.2%, the FTSE 100 closed 0.1% higher, while France's CAC 40 finished up 1.0%. Asian markets were also higher, with the Nikkei closing up 1.7% and the Hang Seng rising 0.2%. Locally, the ASX 200 closed 0.75% higher. Futures are pointing to a neutral start to today's session.
- US Treasury yields ticked higher following encouraging signals from the flow of US economic data overnight. The 2-year yield rose 3bps to 3.61%, while the 10-year yield increased 1bp to 4.25%. Interest-rate futures are pricing in a total of 42bps of cuts through to the end of 2026, with virtually no chance of a rate cut at the January meeting.
- Local yields rose in futures trading following the stronger-than-expected labour market report, with the 3-year bond yield up 4bps to 4.30% and the 10-year yield also rising 4bps to 4.87%. Markets are now pricing in a full rate hike by May 2026 and a total of 48bps of hikes over 2026. The probability of a rate hike at the RBA's February meeting has increased from around 20% to 60% following yesterday's solid jobs report.
- The US dollar index closed 0.4% lower at 98.35 as risk sentiment improved following comments from the US President. The Australian dollar outperformed, rising 1.2% against the greenback and 1.1% on a trade-weighted basis. The strong jobs report, alongside growing signs the economic recovery is gaining momentum and a more hawkish central bank outlook, continues to provide support for the Aussie.
- Commodities were generally higher, led by gains in gold and iron ore. After fluctuating between gains and losses, gold reached a fresh record high, closing at around US\$4,925 an ounce. Crude markets were lower, with West Texas Intermediate trading at around US\$59.34/bbl amid growing concerns of a supply glut and as Ukrainian President Zelenskiy discussed plans for potential trilateral meetings with the

## Today's key data and events

Time	Event	Exp	Prev
8:45	NZ CPI Q4	0.5%	1.0%
10:30	JP CPI Dec	2.1%	2.9%
11:01	GB GfK Consumer Sentiment Jan	-	-17pts
11:30	JP Jibun Bank Manufacturing PMI Jan Prel.	-	50pts
11:30	JP Jibun Bank Services PMI Jan Prel.	-	51.6pts
18:00	GB Retail Sales Dec	-	-0.1%
20:00	EZ HCOB Manufacturing PMI Jan Prel.	-	48.8pts
20:00	EZ HCOB Services PMI Jan Prel.	-	52.4pts
20:30	GB S&P Services PMI Jan Prel.	-	51.4pts
20:30	GB S&P Manufacturing PMI Jan Prel.	-	50.6pts
-	JP BoJ Policy Decision	0.8%	0.8%
1:45	US S&P Manufacturing PMI Jan Prel.	52pts	51.8pts
1:45	US S&P Services PMI Jan Prel.	52.8pts	52.5pts
2:00	US Uni. Of Michigan Sentiment Jan Final	54pts	54pts

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.

US and Russia, which could eventually lead to higher supply should sanctions on Russian oil be eased.

## International Data

**US Q3 GDP** was revised up in the third estimate to 4.4% annualised from 4.3%, due to stronger exports and a smaller drag from inventories.

The **October and November PCE** release was a mixed bag. Personal income came in below expectations for both months, lifting 0.1% mth in October (exp: 0.4% mth) and 0.3% mth in November (exp: 0.4% mth). At the other end, personal spending rose 0.5% mth in both months (exp: 0.3% mth and 0.5% mth respectively). Prices rose 0.2% mth in November on both a headline and core measure, taking the annual rate for both measures to 2.8% yr (in-line with expectations).

**Initial jobless claims** rose 1k last week to 200k (exp: 209k). On a 4-week moving average basis, claims have trended noticeably lower since end-2025 and are now sitting at a two-year low.

The **Kansas City Fed manufacturing index** was unchanged at 0 in January from a revised down December print. The result was below expectations of a rise to 4.

## Domestic Data

The **December LFS** clearly landed on the firmer side and the wash-up for the last few months suggests that the 'gradual softening' narrative, which characterised the bulk of last year, paused or completely halted. Employment growth was firmer than expected, lifting +65.2k (+0.4%). This was much higher than the consensus forecast (+27k), and even Westpac's above-market forecast (+40k) - [further information available here](#).



# Corporate Directory

## Westpac Economics / Australia

### **Sydney**

Level 19, 275 Kent Street  
Sydney NSW 2000  
Australia

E: economics@westpac.com.au

### **Luci Ellis**

Chief Economist Westpac Group  
E: luci.ellis@westpac.com.au

### **Matthew Hassan**

Head of Australian Macro-Forecasting  
E: mhassan@westpac.com.au

### **Elliot Clarke**

Head of International Economics  
E: eclarke@westpac.com.au

### **Sian Fenner**

Head of Business and Industry Economics  
E: sian.fenner@westpac.com.au

### **Justin Smirk**

Senior Economist  
E: jsmirk@westpac.com.au

### **Pat Bustamante**

Senior Economist  
E: pat.bustamante@westpac.com.au

### **Mantas Vanagas**

Senior Economist  
E: mantas.vanagas@westpac.com.au

### **Ryan Wells**

Economist  
E: ryan.wells@westpac.com.au

### **Illiana Jain**

Economist  
E: illiana.jain@westpac.com.au

### **Neha Sharma**

Economist  
E: neha.sharma1@westpac.com.au

### **Luka Belobrajdic**

Economist  
E: luka.belobrajdic@westpac.com.au

## Westpac Economics / New Zealand

### **Auckland**

Takutai on the Square  
Level 8, 16 Takutai Square  
Auckland, New Zealand

E: economics@westpac.co.nz

### **Kelly Eckhold**

Chief Economist NZ  
E: kelly.eckhold@westpac.co.nz

### **Michael Gordon**

Senior Economist  
E: michael.gordon@westpac.co.nz

### **Darren Gibbs**

Senior Economist  
E: darren.gibbs@westpac.co.nz

### **Satish Ranchhod**

Senior Economist  
E: satish.ranchhod@westpac.co.nz

### **Paul Clark**

Industry Economist  
E: paul.clarke@westpac.co.nz

## Westpac Economics / Fiji

### **Suva**

1 Thomson Street  
Suva, Fiji

### **Shamal Chand**

Senior Economist  
E: shamal.chand@westpac.com.au



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