28 January 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

The USD dropped for a fourth consecutive session to its lowest level since February 2022. Markets are closely watching for signs of for JPY intervention, while President Trump commenting that he is not concerned about a decline in the dollar added pressure.

Stocks meanwhile continued to power ahead to new record highs in the US, on optimism over forthcoming corporate earnings reports.

Treasuries were mixed, with a decent bid in the short-end but selling pressure in the long-end ahead of the FOMC's decision, where markets are not expecting any move.

Crude prices advanced on a combination of a weaker USD and building geopolitical risks, with President Trump noting a growing military presence near Iran. Gold prices also lifted to a fresh record high.

Locally, swaps markets see an RBA February rate hike as more likely than not, with pricing currently at 62%. Today's inflation data is a key event risk for repricing.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	63.9	0.3%
AUD/USD	0.7014	1.4%
AUD/JPY	106.79	0.1%
AUD/GBP	0.5067	0.2%
AUD/NZD	1.1601	0.2%
AUD/EUR	0.5823	0.0%
AUD/CNH	4.8633	1.2%
AUD/SGD	0.8835	0.6%
AUD/HKD	5.4700	1.4%
AUD/CAD	0.9522	0.4%
EUR/USD	1.2042	1.4%
USD/JPY	152.27	-1.2%
USD Index	95.81	-1.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.67	0.00
90 day BBSY	3.86	0.00
180 day BBSY	4.12	-0.01
1 year swap	4.09	0.04
2 year swap	4.22	0.06
3 year swap	4.29	0.06
4 year swap	4.35	0.06
5 year swap	4.42	0.07
6 year swap	4.49	0.07
7 year swap	4.56	0.07
8 year swap	4.62	0.07
9 year swap	4.68	0.07
10 year swap	4.93	0.07

Equities	Close	Change
S&P/ASX 200	8,942	0.9%
S&P 500	6,979	0.4%
Japan Nikkei	53,334	0.8%
Hang Seng	27,127	1.4%
Euro Stoxx 50	5,995	0.6%
UK FTSE100	10,208	0.6%
VIX Index	16.22	0.4%

Commodities	Current	Change
CRB Index	317.58	0.8%
Gold	5176.61	3.4%
Copper	13006	-1.5%
Oil (WTI futures)	62.42	3.0%
Coal (coking)	236.50	-0.3%
Coal (thermal)	109.00	-0.9%
Iron Ore	103.55	0.2%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.31	0.05
10 year bond	4.84	0.03
United States		
3-month T Bill	3.56	0.00
2 year bond	3.57	-0.02
10 year bond	4.23	0.02
Other (10 year yields)		
Germany	2.88	0.01
Japan	2.29	0.05
UK	4.53	0.03

Sydney Futures Exchange	Current	Change
10 yr bond	4.91	0.03
3 yr bond	4.35	0.02
3 mth bill rate	3.87	0.01
SPI 200	8,937	0.4%

Data as at 8:15am 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:

- Optimism over forthcoming corporate earnings saw stocks continue to power ahead to record highs in the US, posting a fifth consecutive gain for the S&P 500 (+0.4%) and the NASDAQ (+0.9%) while the Dow Jones slipped (–0.8%). It was also a good session across the pond, with the Euro Stoxx 50 (+0.6%) and London's FTSE 100 (+0.6%) finishing in the green.
- Across Asia, gains were also solid. The Nikkei 225 bounced back partially from a decent sell-off yesterday (+0.9%), the Hang Seng continued to surge on AI optimism (+1.4%), and the KOSPI continues to outperform, up 2.4% yesterday and 20% year-to-date. The ASX 200 rose 0.9% and futures markets are pointing to a solid open this morning.
- Treasuries were somewhat mixed across the curve, with a decent bid in the short-end seeing the 2Y fall 2bps to 3.57%, while selling pressure on the long-end saw the 10Y rise 3bps to 2.35%. This comes just ahead of the FOMC meeting tomorrow, where markets are not expecting any move in the fed funds rate, but will be paying close attention to guidance to confirm whether current pricing of around two rate cuts over this year is apt.
- Yields rose elsewhere across major markets, including the 10Y Bund (+1bp) and the 10Y Gilt (+3bps). Australian government (futures) yields also rose overnight, up 2bps on the 3Y maturity and 3bps on the 10Y. Swaps markets see an RBA February rate hike as more likely than not, with pricing currently at 62%, and with another priced in by year-end. Today's inflation data is a key event risk for repricing.
- The USD dropped for a fourth consecutive session, this time –1.3% to see the DXY trade around 95.80, its lowest level since February 2022. The USD remains under pressure as markets are closely watching for signs of for JPY intervention, while President Trump commenting that he is not concerned about a decline in the dollar added pressure.
- Many DXY pairs are now trading at multi-year highs, including the Euro at around USD1.2040, the highest since May 2021, and the Sterling at around USD1.3850, the highest since August 2021. Crucially, the Japanese Yen is continuing to appreciate at pace, currently at around JPY152.27. The Aussie dollar has breached the USD0.70c mark for the first time since February 2023.
- Crude prices advanced on a combination of a weaker USD and building geopolitical risks, with President Trump noting a growing military presence near Iran. The first generic futures contract for WTI rose 3.0% to US$62.42/bbl. Gold has shot up to a fresh record high, lifting 3.4% to around US$5177/oz. Copper meanwhile sold-off, falling –1.5%.

Today's key data and events

Time	Event	Exp	Prev
11:30	AU Monthly CPI Indicator Dec	3.6%	3.4%
11:30	AU Headline CPI Q4	0.6%	1.3%
11:30	AU Trimmed Mean CPI Q4	0.9%	1.0%
11:30	AU Trimmed Mean CPI Q4	3.2%	3.0%
1:45	CA BoC Policy Decision	2.2%	2.2%
6:00	US FOMC Policy Decision	3.8%	3.8%

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 the US, **industrial production** rose by 0.4% in December. This was largely buoyed by utilities, while the pace manufacturing production growth slowed, driven by information processing equipment – a key component related to AI investment. On a quarterly basis, industrial production has slowed notably in Q4, around a 0.2%qtr pace compared to 0.5-0.6%qtr in the prior two quarters.

After a slight improvement in December, the **Conference Board Consumer Sentiment Index** resumed its downward trend in January, with the headline index dropping nearly 10 points to 84.5, the lowest level since the pandemic. Both the assessment of the present situation and future expectations fell by a similar margin, while consumers' views on the labour market deteriorated to a new low in this cycle.

Despite weaker consumer sentiment, US house prices surprised to the upside in November, signalling that the Fed interest rate cuts have provided some renewed impetus to the US housing market. The **S&P CoreLogic CS** index rose 0.5%mth, while the **FHFA** house price index increased by 0.6%mth – both representing the steepest gains last year.

The **Richmond Fed Manufacturing Survey** indicated that business sentiment in the US manufacturing sector was weak but broadly stable in January. The headline index edged up 1 point to -6, a level well below the long-term average. Among the major components, shipments and new orders improved during the month, but both remained below last year's average, while the assessment of employment worsened.

Domestic Data

The **December NAB Business Survey** suggested business conditions firmed into year-end (see here).

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