



29 January 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

All eyes in financial markets were on the FOMC monetary policy decision. As expected, in a 10 – 2 vote, the fed funds rate was left unchanged at 3.75%, with Stephen Miran and Christopher Waller preferring a 25bp cut.

Following heavy losses in recent days, the DXY stabilised and rose 0.3%. The move was prompted Treasury Secretary Bessent's comments – he ruled out intervention in the currency market and suggested that the US maintains a “strong dollar policy”.

In Australia, the latest inflation data were on the firm side. Trimmed Mean inflation rose 0.9%qtr at the end of 2025, in line with consensus but exceeding our expectations.

In the markets, the S&P500 pared initial gains and ultimately finished the day unchanged. The reaction in bond markets to the Fed decision was muted. Despite the stronger DXY, the AUD outperformed ticking up 0.1%

Data snapshot

FX Last 24 hrs	Current	Change
TWI	64.2	0.5%
AUD/USD	0.7019	0.1%
AUD/JPY	107.68	0.9%
AUD/GBP	0.5087	0.5%
AUD/NZD	1.1607	0.1%
AUD/EUR	0.5877	0.9%
AUD/CNH	4.8733	0.2%
AUD/SGD	0.8865	0.3%
AUD/HKD	5.4757	0.1%
AUD/CAD	0.9517	0.0%
EUR/USD	1.1945	-0.8%
USD/JPY	153.40	0.8%
USD Index	96.47	0.3%

Equities	Close	Change
S&P/ASX 200	8,934	-0.1%
S&P 500	6,982	0.0%
Japan Nikkei	53,359	0.0%
Hang Seng	27,827	2.6%
Euro Stoxx 50	5,933	-1.0%
UK FTSE100	10,154	-0.5%
VIX Index	16.2	-0.9%

Commodities	Current	Change
CRB Index	318.90	0.4%
Gold	5355.05	3.4%
Copper	13086	0.6%
Oil (WTI futures)	63.36	1.6%
Coal (coking)	236.00	-0.2%
Coal (thermal)	109.70	0.4%
Iron Ore	103.20	-0.7%
ACCU	36.13	-4.3%

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.

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.70	0.04
90 day BBSY	3.86	0.00
180 day BBSY	4.13	0.01
1 year swap	4.06	-0.04
2 year swap	4.15	-0.07
3 year swap	4.20	-0.10
4 year swap	4.26	-0.10
5 year swap	4.33	-0.10
6 year swap	4.40	-0.10
7 year swap	4.46	-0.10
8 year swap	4.53	-0.10
9 year swap	4.59	-0.10
10 year swap	4.84	-0.10

Government Bond Yields	Close	Change
Australia		
3 year bond	4.26	-0.05
10 year bond	4.81	-0.03
United States		
3-month T Bill	3.58	0.02
2 year bond	3.59	0.01
10 year bond	4.25	0.01

Other (10 year yields)		
Germany	2.86	-0.02
Japan	2.24	-0.05
UK	4.54	0.02

Sydney Futures Exchange	Current	Change
10 yr bond	4.81	-0.03
3 yr bond	4.24	-0.04
3 mth bill rate	3.87	0.00
SPI 200	8,903	0.1%



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Financial Markets:

All eyes in financial markets were on the FOMC monetary policy decision. As expected, in a 10 – 2 vote, the fed funds rate was left unchanged at 3.75%, with Stephen Miran and Christopher Waller preferring a 25bp cut. The Bank of Canada also left its monetary policy unchanged.

On the geopolitical front, President Trump's comments on Iran were in the spotlight. He increased pressure on Iran to make a deal on nuclear weapons, otherwise threatening military action.

Australian monthly CPI for December and equivalent quarterly figures for Q4 were on the firm side. Trimmed Mean inflation rose 0.9%qtr at the end of 2025, only a touch below the 1.0%qtr rise in Q3. The reading matched consensus expectations but was stronger than our own estimate of 0.7%. We have revised our view for Australia's monetary policy, now expecting a cash rate hike at next week's RBA meeting.

- In equity markets, after an initial rise at the open, the S&P500 pared gains and ultimately finished the day unchanged. European equity investors were in a worse mood, largely due to company-specific news in the consumer-luxury and tech sectors. The Euro Stoxx 50 decreased by 1.0%, while the FTSE 100 in the UK fell 0.5%. Asian markets were mixed: the Nikkei 225 ended the day unchanged, while the Hang Seng surged 2.6%, driven by strength in tech stocks and increased demand resulting from US dollar weakness. Domestic equities were little changed – the ASX200 lost 0.1%.
- With the Fed policy meeting bringing no major surprises, the reaction in bond markets was muted. The US Treasury curve shifted higher by 1bp, with the 10Y yield rising to 4.25%. In Europe, changes were mixed – UK Gilts also sold off, but only at the long end, while Bunds rallied by 2-3bp. Australian yields declined by 3-5bp, as the Australian CPI data appears to have reduced the likelihood of the most hawkish scenarios for the RBA policy outlook this year.
- In FX markets, following four days of weakening during which it lost 2.3%, the DXY stabilised and rose 0.3%. The move was prompted mainly by comments from Treasury Secretary Bessent – he ruled out intervention in the currency market to sell the dollar against the yen and suggested that the US maintains a “strong dollar policy”. The Japanese yen and the euro depreciated 0.8%. The GBP was more resilient, losing 0.4%. The AUD outperformed ticking 0.1% higher, supported by the firm Australian CPI data release.
- Crude rallied for a second day in a row, reflecting US–Iran tensions and as the EIA reported an unexpected decline in US inventories last week. The March WTI contract rose 1.6% to \$63.36. Gold prices surged again, gaining 3.4%. Copper rose 0.6% after more significant losses the previous day.

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Trade Balance Dec	-	-NZ\$163m
11:00	NZ ANZ Business Confidence Jan	-	73.6pts
21:00	EZ Economic Confidence Jan	97pts	96.7pts
0:30	US Initial Jobless Claims	205k	200k
0:30	US Trade Balance Nov	-US\$44.2b	-US\$29.4b
2:00	US Factory Orders Nov	1.6%	-1.3%
2:00	US Durable Goods Orders Nov Final	-	-

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

The FOMC maintained the stance of monetary policy at the January meeting as expected. The vote was 10-2 in favour of the decision, with Miran and Waller instead preferring to cut the fed funds rate by 25bps at this meeting.

The Committee's assessment of the economy was positive for growth (characterising it as “solid”) despite weakness in the housing sector, sanguine on the labour market (“the unemployment rate has shown some signs of stabilization”) despite job gains having “remained low” in recent months, and cautious on inflation (“remains somewhat elevated”).

In the press conference, Chair Powell made clear that policy will be determined on a meeting-by-meeting basis in coming months, conditional on incoming data, and did not show acute concern over downside or upside risks. Indeed, risks were judged to have diminished. Recent weakness in the US dollar was a key topic during Q&A, but Chair Powell made clear throughout that market movements do not directly determine monetary policy. A few other questions also sought Chair Powell's views on recent tensions between the Administration and the Federal Reserve, but Chair Powell refused to discuss this topic.

The Bank of Canada maintained its policy rate at 2.25%, as was widely expected. Governor Macklem said: “The current policy rate remains appropriate, conditional on the economy evolving broadly in line with the outlook we published today...The Canadian economy is adjusting to the structural headwinds of US protectionism...uncertainty makes it difficult to predict the timing or direction of the next change in the policy rate.”

Domestic Data

Australia's headline CPI lifted 0.6% in the December quarter, just a touch above Westpac's expectation of 0.5%qtr and on par with the market expectations. The annual pace of headline inflation was 3.6%yr up from 3.2% in September and the recent low of 2.1%yr in June ([see here](#)).

In New Zealand, the Monthly Employment Indicator (MEI) showed that the number of filled jobs was flat in December, after a solid 0.5% rise in November ([see here](#)).



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