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MORNING REPORT

Today's economic developments and market movements.

Key themes

There was plenty of drama in the markets, with metals in the spotlight, particularly gold and copper, as strong demand from Asian investors generated a surge in momentum.

Sentiment shifted during US trading hours when concerns about equity valuations in the technology sector resurfaced. Microsoft was at the centre of the volatility, falling 11% due to concerns about overspending on AI.

The DXY continued its downward trend, as Trump's threats of military action in Iran added further pressure. The AUD rose, nearing 0.71, but a subsequent decline in metals saw the AUD drop below 0.70 before recovering to 0.7032.

Tensions between the US and Iran acted as a catalyst for strong oil price gains. The March WTI contract surged 3.6%, exceeding \$65 for the first time since last September.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.2	1.6%
AUD/USD	0.7032	-0.1%
AUD/JPY	107.66	-0.3%
AUD/GBP	0.5096	-0.1%
AUD/NZD	1.1589	-0.2%
AUD/EUR	0.5880	-0.2%
AUD/CNH	4.8869	0.0%
AUD/SGD	0.8894	0.0%
AUD/HKD	5.4891	-0.1%
AUD/CAD	0.9494	-0.5%
EUR/USD	1.1960	0.1%
USD/JPY	153.10	-0.2%
USD Index	96.24	-0.2%

Equities	Close	Change
S&P/ASX 200	8,928	-0.1%
S&P 500	6,938	-0.6%
Japan Nikkei	53,376	0.0%
Hang Seng	27,968	0.5%
Euro Stoxx 50	5,892	-0.7%
UK FTSE100	10,172	0.2%
VIX Index	17.26	5.6%

Commodities	Current	Change
CRB Index	323.71	1.5%
Gold	5320.32	-1.8%
Copper	13618	4.1%
Oil (WTI futures)	65.65	3.9%
Coal (coking)	236.00	0.0%
Coal (thermal)	111.45	1.6%
Iron Ore	104.45	1.6%
ACCU	36.13	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.72	0.02
90 day BBSY	3.90	0.03
180 day BBSY	4.14	0.00
1 year swap	4.08	0.02
2 year swap	4.19	0.05
3 year swap	4.25	0.05
4 year swap	4.31	0.05
5 year swap	4.37	0.05
6 year swap	4.44	0.04
7 year swap	4.50	0.04
8 year swap	4.57	0.04
9 year swap	4.63	0.04
10 year swap	4.87	0.03

Government Bond Yields	Close	Change
Australia		
3 year bond	4.27	0.01
10 year bond	4.84	0.02
United States		
3-month T Bill	3.58	-0.01
2 year bond	3.55	-0.02
10 year bond	4.23	-0.02
Other (10 year yields)		
Germany	2.84	-0.02
Japan	2.26	0.02
UK	4.51	-0.03

Sydney Futures Exchange	Current	Change
10 yr bond	4.83	-0.04
3 yr bond	4.27	-0.03
3 mth bill rate	3.88	0.01
SPI 200	8,912	0.3%

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.



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Financial Markets

There was plenty of drama in the markets, with the DXY resuming its downward trend and the AUD appreciating to nearly 0.71. Metals were in focus, particularly copper, as strong demand from Asian investors generated notable momentum. Sentiment shifted during US trading hours when concerns about equity valuations in the technology sector resurfaced. Microsoft was at the centre of the volatility, falling 11% - it reported record capital expenditure and slowing sales growth, raising questions about its ability to generate sufficient returns.

- The S&P 500 dropped 0.6% as technology stocks declined 2.8%. The Magnificent 7 group fell only 0.7%, supported by Meta, which reported stronger-than-expected revenue growth and eased concerns regarding the scale of its AI investments. Small caps, typically more sensitive to economic fundamentals, outperformed. In other markets, the Euro Stoxx declined for a second consecutive day, down 0.7%, while the UK's FTSE100 rose 0.2%. The Nikkei 225 was little changed, and the Hang Seng maintained its upward momentum. Domestic stocks eased 0.1%.
- US Treasuries sold off initially but later reversed course and recorded gains. Yields fell 1-2bp, with the 10Y easing to 4.23%. European bonds rallied, with Gilt yields down 3-4bp and Bund yields down around 2bp. JGB yields remained volatile, with the 10Y rising 2bp, partly reversing the 5bp decline of the previous day. Australian yields rose 2bp at the 10Y point, while the short end moved only 1bp. Following the CPI data release earlier this week, market pricing for an RBA hike at next week's policy meeting settled at around two-thirds.
- The DXY continued its downward trend, as Trump's threats of military action in Iran added further pressure. The AUD, considered by investors to reflect exposure to commodities, rose, nearing 0.71. However, a subsequent decline in metals saw the AUD drop below 0.70 before recovering to 0.7032. Other major currencies – EUR, GBP and Yen – were slightly stronger, appreciating 0.1–0.2%.
- Tensions between the US and Iran acted as a catalyst for notable oil price gains. The March WTI contract surged 3.6%, exceeding \$65 for the first time since last September. Gold experienced sharp swings, surging above \$5,500 before dropping to \$5,100, and eventually settling above \$5,300. Copper reached a new record high during Asian trading hours before paring some gains, similar to gold, as investors looked to lock in their profits.

Today's key data and events

Time	Event	Exp	Prev
8:00	NZ ANZ Consumer Confidence Jan	-	101.5pts
10:50	JP Industrial Production Dec Prel.	-0.4%	-2.7%
11:30	AU Private Sector Credit Dec	0.6%	0.6%
21:00	EZ GDP Q4 A	0.2%	0.3%
21:00	EZ Unemployment Rate Dec	6.3%	6.3%
0:30	US PPI Dec	0.2%	0.2%

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

US initial jobless claims were broadly unchanged last week at 209k, remaining below the 2025 average of 226k.

The US trade deficit widened sharply in November from \$29.2bn to \$56.8bn as exports declined 3.6%*mth* and imports rose 5.0%*mth*. These outcomes more than reversed the respective 3.0% / –3.0% changes for exports / imports in October.

US factory orders increased by 2.7% in November, driven by strength in transport equipment. Excluding transport, orders were up just 0.2%. Growth in durable goods orders, a part of the report released earlier, was unrevised at 5.3%*mth*, while capital goods excluding defence and aircraft rose 0.4%*mth*, in line with the 2025 average.

Euro area economic confidence firmed in January, suggesting that euro area growth momentum might have accelerated in Q1. The headline index rose from 97.2 to 99.4, the highest level since 2022. Business sentiment strengthened across major categories of industry, services and retail trade.



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