



3 February 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Risk sentiment improved overnight on the back of stronger-than-expected partial activity data out of the US and easing geopolitical tensions between the US and Iran.

US equities snapped a three-day losing streak to record solid gains. European equities also rose, supported by stronger-than-expected manufacturing PMIs and news that the UK had announced a trade deal with China.

Treasury yields moved higher in the US and across much of Europe. The US dollar continued to firm, with the Aussie losing some ground overnight.

RBA Board communication and updates to the RBA's economic and inflation forecasts will drive most of today's price action. Market pricing implies a roughly 70% probability of a hike at today's meeting.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	64.2	-0.5%	30 day BBSY	3.75	0.01
AUD/USD	0.6946	-0.3%	90 day BBSY	3.90	0.01
AUD/JPY	108.12	0.3%	180 day BBSY	4.16	0.02
AUD/GBP	0.5086	-0.1%	1 year swap	4.10	0.02
AUD/NZD	1.1577	0.1%	2 year swap	4.21	0.04
AUD/EUR	0.5895	0.3%	3 year swap	4.27	0.04
AUD/CNH	4.8218	-0.5%	4 year swap	4.33	0.03
AUD/SGD	0.8840	-0.1%	5 year swap	4.38	0.02
AUD/HKD	5.4250	-0.3%	6 year swap	4.45	0.02
AUD/CAD	0.9502	0.2%	7 year swap	4.52	0.02
EUR/USD	1.1783	-0.6%	8 year swap	4.58	0.02
USD/JPY	155.65	0.6%	9 year swap	4.64	0.02
USD Index	97.67	0.7%	10 year swap	4.90	0.04
Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,779	-1.0%	Australia		
S&P 500	6,983	0.6%	3 year bond	4.24	-0.02
Japan Nikkei	52,655	-1.3%	10 year bond	4.80	-0.01
Hang Seng	26,776	-2.2%	United States		
Euro Stoxx 50	6,008	1.0%	3-month T Bill	3.58	0.00
UK FTSE100	10,342	1.2%	2 year bond	3.57	0.04
VIX Index	16.37	-6.1%	10 year bond	4.28	0.04
Commodities	Current	Change	Other (10 year yields)		
CRB Index	305.14	-4.7%	Germany	2.87	0.02
Gold	4665.44	-4.7%	Japan	2.24	-0.01
Copper	12892	-2.0%	UK	4.51	-0.02
Oil (WTI futures)	62.13	-4.7%	Sydney Futures Exchange	Current	Change
Coal (coking)	247.50	-0.2%	10 yr bond	4.86	0.04
Coal (thermal)	116.60	-1.3%	3 yr bond	4.31	0.05
Iron Ore	103.05	-0.9%	3 mth bill rate	3.89	0.00
ACCU	36.13	-4.3%	SPI 200	8,809	0.9%

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

- Key US equity indices snapped a three-day losing streak as risk sentiment improved, supported by stronger-than-expected US partial economic data and easing geopolitical tensions. This coincided with the VIX volatility index falling by almost 1 point overnight. Overall, the S&P 500 gained 0.6%, the Dow Jones Industrial Average closed 1.1% higher, and the tech-heavy Nasdaq ended 0.6% in the green.
- European markets were also higher amid solid manufacturing PMI data out of Germany and across the euro area, a recovery in mining stocks, and news that the British government had reached a trade deal with China. The Euro Stoxx 50 closed 1.0% higher, Germany's DAX rose 1.1%, and the FTSE 100 finished 1.2% in the green. Asian markets were mixed, with the Nikkei closing 1.3% lower, while the Hang Seng ended 2.2% down on soft activity data from China. The local market closed 1.0% lower yesterday, although futures point to a strong start for today's session.
- The risk-on tone also contributed to a modest sell-off in Treasuries, consistent with some hawkish Fed commentary. The 2- and 10-year US bond yields both increased 4bps, to 3.57% and 4.28% respectively. Interest-rate futures are now pricing a total of 48bps of cuts over the year to the end of 2026, with virtually no chance of a rate cut when the Fed meets in March.
- Ahead of today's RBA policy announcement, local yields followed the global trend and rose on futures, with 3- and 10-year bond yields both increasing 5bps, to 4.31% and 4.86% respectively. Traders are now pricing in a full rate hike by May 2026 and around 50bps of tightening over 2026. The odds of a hike when the RBA Board announces its first decision of the year this afternoon remain close to 70%.
- There were notable moves in currency markets, with the US dollar index closing 0.7% higher at 97.67 amid higher yields and as traders continued to assess the implications of a Warsh-led Fed. The Aussie fell 0.3% against the greenback to 0.6946 in a volatile session where it failed to break through the 0.6971 level. The currency continues to be weighed down by declines in commodities, particularly gold and silver in recent sessions. Today's RBA communication will drive domestic price action, with a more hawkish-than-expected tone likely to provide further support for the Aussie.

Today's key data and events

Time	Event	Exp	Prev
11:30	AU Dwelling Approvals Dec	-4.0%	15.2%
14:30	AU RBA Policy Decision	3.85%	3.60%
20:00	EZ ECB Bank Lending Survey Q4	-	51.5
01:40	US Fedsppeak – Bowman	-	-
02:00	US JOLTS Job Openings Dec	7100k	7146k
08:45	NZ Building Permits Dec		2.8%

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.

- Commodities were generally lower, led by gold and silver. Further US dollar strength and easing geopolitical tensions pushed gold down 4.7% to USD 4,666 an ounce. Silver swung from a 9% loss to a modest gain and ultimately back to a loss of around 2.0%. Crude markets also weakened, with West Texas Intermediate trading near USD 62/bbl as talks between the US and Iran, set to begin later this week, could lead to increased supply if sanctions are lifted.

International Data

After ten months in contractionary territory, the **ISM manufacturing PMI** in the US signalled a return to expansion in January. The headline index rose by 4.7pts to 52.6, the highest level since mid-2022. Assessments of production and new orders improved significantly, with the latter increasing by nearly 10pts. The survey noted that some of this improvement may be due to temporary factors, such as reordering after inventory depletion during the year-end holidays or efforts to secure better prices. Meanwhile, survey respondents also observed an increase in employment growth; however, the relevant index remained below 50 for the twenty-eighth month in a row.

Atlanta Fed President **Raphael Bostic** revealed that in the Fed's latest round of projections, he expected no fed funds rate cuts this year. "I think we have so much momentum in the economy that we need to keep our policy rate in a mildly restrictive stance," he said. In his view, the neutral rate is one or two cuts below the current level.

The RatingDog **manufacturing PMI in China** was only slightly more positive in January, rising by 0.2ppt to 50.3. This was virtually unchanged from Q4, when it averaged 50.2. The survey contrasted with the results of the official PMIs released last week, which showed a 0.8ppt decline at the start of the yr to 49.3, highlighting insufficient demand for Chinese manufacturing.

Local Data

There was no top tier economic data released yesterday.



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