



4 February 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Risk appetite retreated amid rising geopolitical tensions in the Middle East and as investors reassessed the implications of AI for related industries.

US equities fell sharply, led by the tech software sector, where mounting concerns about the potential displacement of software developers weighed on sentiment. The weakness spilled over into Europe, which also closed lower.

Treasuries were little changed, while the US Dollar Index lost ground. The Aussie outperformed, rising 1.0% against the Greenback to reclaim the 0.70 handle immediately after the RBA Board announced its decision to hike rates.

Slightly more hawkish than expected RBA communication pushed yields higher, with OIS now pricing in a further 20bp hike by May and a terminal rate near 4.30% this year—implying almost two additional increases.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change	
TWI	64.7	0.8%	30 day BBSY	3.76	0.01	
AUD/USD	0.7020	1.0%	90 day BBSY	3.92	0.02	
AUD/JPY	109.31	1.1%	180 day BBSY	4.17	0.01	
AUD/GBP	0.5126	0.8%	1 year swap	4.18	0.07	
AUD/NZD	1.1594	0.1%	2 year swap	4.27	0.06	
AUD/EUR	0.5940	0.8%	3 year swap	4.32	0.05	
AUD/CNH	4.8681	0.9%	4 year swap	4.37	0.05	
AUD/SGD	0.8914	0.8%	5 year swap	4.42	0.04	
AUD/HKD	5.4843	1.1%	6 year swap	4.49	0.03	
AUD/CAD	0.9571	0.7%	7 year swap	4.55	0.03	
EUR/USD	1.1819	0.2%	8 year swap	4.61	0.03	
USD/JPY	155.72	0.1%	9 year swap	4.66	0.03	
USD Index	97.44	-0.2%	10 year swap	4.93	0.03	
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Equities	Close	Change	Government Bond Yields	Close	Change	
S&P/ASX 200	8,857	0.9%	Australia			
S&P 500	6,892	-1.2%	3 year bond	4.31	0.06	
Japan Nikkei	54,721	3.9%	10 year bond	4.83	0.04	
Hang Seng	26,835	0.2%	United States			
Euro Stoxx 50	5,995	-0.2%	3-month T Bill	3.58	0.00	
UK FTSE100	10,315	-0.3%	2 year bond	3.57	-0.01	
VIX Index	18.72	14.6%	10 year bond	4.27	-0.01	
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Commodities	Current	Change	Other (10 year yields)			
CRB Index	310.11	1.6%	Germany	2.89	0.02	
Gold	4954.79	6.3%	Japan	2.27	0.02	
Copper	13478	4.5%	UK	4.52	0.01	
Oil (WTI futures)	63.82	2.7%	<hr/> Sydney Futures Exchange			
Coal (coking)	245.83	-0.7%	10 yr bond	4.89	0.03	
Coal (thermal)	114.65	-1.1%	3 yr bond	4.36	0.03	
Iron Ore	102.85	-0.8%	3 mth bill rate	3.91	0.02	
ACCU	36.13	-4.3%	SPI 200	8,771	-0.5%	

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 fell sharply overnight, led by tech stocks—particularly software names. A new AI automation tool released by Anthropic PBC heightened concerns that software developers may be at risk of displacement, triggering steep declines in legal software and data services firms including Experian, London Stock Exchange Group Plc, Thomson Reuters, and LegalZoom.com. Tech software sector ETFs fell more than 5% during the session. This coincided with the VIX volatility index rising by more than 2 points. Overall, the S&P 500 lost 1.2%, the Dow Jones Industrial Average closed 0.4% lower, and the tech heavy Nasdaq finished 1.7% in the red.
- European markets also closed generally lower, weighed down by weakness in tech stocks that offset support from solid earnings results. The Euro Stoxx 50 slipped 0.2%, Germany's DAX edged 0.1% lower, and the FTSE 100 fell 0.3%. In contrast, Asian markets were stronger, with the Nikkei up 3.9% and the Hang Seng up 0.2%. The local market finished 0.9% higher yesterday. Futures point to a soft start to today's session.
- Yields on US Treasuries were little changed, with both 2 and 10 year yields down 1bp to 3.57% and 4.27%, respectively. Interest rate futures continue to price a total of 48bps of cuts over the year to end 2026 and see virtually no chance of a rate cut at the March FOMC meeting. European yields were slightly higher.
- Following yesterday's RBA Board decision to raise rates, local yields moved higher, with 3 and 10 year bond futures up 3bps to 4.36% and 4.89%. OIS pricing now implies a further 20bp hike by May and a terminal rate this year of just around 4.30%—suggesting two more increases.
- The US Dollar Index closed 0.2% lower at 97.44 after two sessions of solid gains. The Australian dollar outperformed, rising 1.0% to 0.7020 following the RBA hike and the Governor's accompanying commentary. The AUD regained the 0.70 handle shortly after the decision, reaching a session high of 0.7050. Stabilising—and in some cases rising—commodity prices also supported the currency.
- Commodities were broadly higher. Gold and silver rebounded after sharp declines over the previous two sessions, with gold rising more than 6% back toward the USD5,000 level and silver gaining more than 12% to above USD89 an ounce. Heightened geopolitical risk—after the US Navy shot down an Iranian drone—provided additional support for precious metals. Crude oil was also higher, with West Texas Intermediate trading around US\$62.82/bbl as markets assessed the risk of broader escalation in the Middle East.

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Unemployment Rate Q4	5.3%	5.3%
11:00	NZ ANZ Commodity Prices Jan	-	-2.1%
11:30	JP Jibun Bank Services PMI Jan Final	-	53.4pts
12:45	CN Caixin Composite PMI Jan	-	51.3pts
12:45	CN Caixin Services PMI Jan	52pts	52pts
16:00	AU RBA's Jones-Fireside Chat	-	-
20:00	EZ HCOB Services PMI Jan Final	51.9pts	51.9pts
20:30	GB S&P Services PMI Jan Final	54.3pts	54.3pts
21:00	EZ PPI Dec	-0.2%	0.5%
21:00	EZ HICP Jan Prel.	1.7%	1.9%
0:15	US ADP Employment Change Jan	45k	41k

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 and News

The BLS delayed the **US JOLTS job openings** report due to the US Government Shutdown.

Richmond Fed President **Tom Barkin** suggested that the US economic outlook is improving as the uncertainty brought by tariffs and other policy changes last year is now fading. He once again highlighted his view that stretched consumers after a few years of high inflation are helping to limit business efforts to pass on higher tariff costs.

The **US Navy** shot down an Iranian drone headed toward a US aircraft carrier in the Arabian Sea. US Central Command said a US F-35C warplane shot down the drone in self-defence as the unmanned aircraft "aggressively approached" the USS Abraham Lincoln with "unclear intent."

Local Data

As was widely expected, the **RBA Board** unanimously decided to raise the cash rate by 0.25pps to 3.85%, citing renewed inflationary pressures coming from a faster than expected recovery in private sector demand. The RBA also published revised forecasts in its Statement on Monetary Policy. Growth is forecast to be stronger in the near term, and so is inflation. The upgrade to the inflation forecasts were large and imply quarterly outcomes for trimmed mean inflation of around 0.9%qtr for the next two quarters (further information available [here](#)).



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