



6 February 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Global markets continued to exhibit a clear risk-off tone overnight, with sizeable drops in silver and crypto and softer partial labour market data weighing on traditional asset markets.

Equities sold-off considerably, driven by concerns over AI valuations which saw the VIX 'fear' index rise to its highest level so far this year. This coincided with an impressive rally in treasuries, allowing the USD to continue recouping some of its recent losses.

There were also policy decisions from the ECB and Bank of England overnight. While both elected to remain on hold, each are facing a distinct outlook: Lagarde noting the ECB is in a "good place" suggesting the cycle is likely done, while a line-ball 5-4 vote for the Bank of England sets the scene for forthcoming cuts.

Oil prices pared back recent gains fuelled by uncertainty over the risk of US military intervention in Iran, with Iran confirming that negotiations are taking place on Friday.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	64.5	-0.5%	30 day BBSY	3.84	0.00
AUD/USD	0.6957	-0.6%	90 day BBSY	3.98	0.00
AUD/JPY	109.18	-0.5%	180 day BBSY	4.25	0.01
AUD/GBP	0.5135	0.2%	1 year swap	4.18	-0.01
AUD/NZD	1.1650	-0.1%	2 year swap	4.25	-0.01
AUD/EUR	0.5900	-0.5%	3 year swap	4.30	-0.02
AUD/CNH	4.8266	-0.6%	4 year swap	4.35	-0.01
AUD/SGD	0.8865	-0.5%	5 year swap	4.40	-0.01
AUD/HKD	5.4364	-0.6%	6 year swap	4.46	-0.01
AUD/CAD	0.9517	-0.5%	7 year swap	4.52	-0.01
EUR/USD	1.1790	-0.1%	8 year swap	4.58	-0.01
USD/JPY	156.93	0.0%	9 year swap	4.63	-0.01
USD Index	97.85	0.2%	10 year swap	4.88	-0.02
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Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,889	-0.4%	Australia		
S&P 500	6,817	-1.0%	3 year bond	4.34	-0.01
Japan Nikkei	53,818	-0.9%	10 year bond	4.86	-0.01
Hang Seng	26,885	0.1%	United States		
Euro Stoxx 50	5,926	-0.7%	3-month T Bill	3.58	-0.02
UK FTSE100	10,309	-0.9%	2 year bond	3.47	-0.08
VIX Index	20.49	9.9%	10 year bond	4.20	-0.08
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Commodities	Current	Change	Other (10 year yields)		
CRB Index	309.36	-1.1%	Germany	2.84	-0.02
Gold	4826.34	-2.8%	Japan	2.24	-0.02
Copper	12903	-1.1%	UK	4.56	0.01
Oil (WTI futures)	63.41	-2.7%	<hr/>		
Coal (coking)	247.00	0.3%	Sydney Futures Exchange	Current	Change
Coal (thermal)	117.15	0.2%	10 yr bond	4.85	-0.03
Iron Ore	100.35	-1.8%	3 yr bond	4.32	-0.04
ACCU	36.13	-4.3%	3 mth bill rate	3.93	0.00
			SPI 200	8,778	-0.8%

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

- It was a sea of red for global equity markets yesterday. Major indices in the US posted their third consecutive day of sharp declines amid growing concerns over AI valuations, which were not aided by softer labour market data overnight. The S&P 500 (-1.0%), Dow Jones (-1.1%) and NASDAQ (-1.6%) are all down, and the VIX 'fear' index is at its highest level this year.
- Stocks also fell in Europe (-0.7%) and London (-0.9%) as traders also weighed rate calls from their respective central banks. There were also large declines across Asia, including Tokyo (-0.9%), Shanghai (-0.6%) and Seoul (-3.9%). The ASX 200 dropped -0.4% yesterday, and futures markets are pointing to a very weak open this morning.
- The risk-off backdrop set the scene for an impressive rally in treasuries, with the 2Y and 10Y each falling 8bps to 3.47% and 4.20% respectively, heading back toward early January levels. The moves were also supported by softer labour market data overnight, reigniting concerns over the economy's health. Pricing for the next FOMC rate cut has been brought forward to June, and markets look more assured at the prospect of another cut in late-2026.
- Bunds were little-changed as the ECB remained on hold and President Lagarde noted policy was "in a good place", all but ruling out any moves in the near future. Meanwhile, a finely balanced hold from the Bank of England brought forward market pricing for cuts, driving a rally in the short-dated Gilts.
- ACGBs were little-changed during the local session but rallied in futures trading overnight, with the 3Y falling 4bps while the 10Y shed 3bps. Swaps markets are close to pricing in another RBA rate hike by May.
- The USD benefitted from a risk-off tone, the DXY lifting 0.2% to around 97.85, having now recouped about half its sell-off from around 99.5 in mid-January. Across the main pairs, the Sterling lost the most ground (-0.8%), partly driven by a 'dovish' Bank of England hold. The Euro and Loonie both fell marginally (-0.1%), while the Japanese Yen held broadly flat.
- The Aussie dollar fell to more selling pressure overnight, down -0.6% to around USD0.6957. This is still within ranges of the last few weeks, and some 3.8% above where it was a month ago, in part due to interest rate repricing. Tonight's official reading on the US labour market will be closely watched by markets, given the softer readings from partial indicators of late.
- Gold prices dropped -2.8% but trading remained fairly stable overnight, hovering between US\$4,800/oz and US\$4,900/oz. Moves in silver have been far more eye-catching: down circa 15%, undoing much of the rally over January. This, together with a drop in crypto, set the risk-off tone that dominated markets overnight.

Today's key data and events

Time	Event	Exp	Prev
-	NZ Waitangi Day – Markets Closed	-	-
9:30	AU RBA's Bullock – Parliament Testimony	-	-
10:30	JP Household Spending Dec	-0.3%	2.9%
2:00	US UoM Consumer Sentiment Feb Prel.	55.0	56.4
7:00	US Consumer Credit Dec	\$8.0bn	\$4.2bn

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.

- Oil prices have pared back recent gains fuelled by uncertainty over the possibility of military intervention in Iran by the US, with Iran confirming that negotiations are indeed taking place in Oman on Friday. The first generic futures contract for WTI fell -2.7% to US\$63.41/bbl.
- Copper prices remain under pressure against the backdrop of surging global inventories and broader risk-off sentiment, with the rolling three-month LME futures contract dropping -1.1%. In the last full week of trading before Lunar New Year, iron ore has continued its slide back toward the US\$100/mt mark.

International Data

In the US, markets were jolted by a fall in **JOLTS job openings**, from 6.9mn to 6.5mn in December. Although quits and layoffs were little changed, and the quit and layoff rate as they were in November at 2.0% and 1.1%, it was broadly interpreted as adding to evidence of softer labour demand. Indeed, weekly **initial jobless claims** ticked up notably from 209k to 231k, but in context, current levels are still very low versus history.

In the UK, the **Bank of England** decided to keep the bank rate unchanged at 3.75%, though the MPC's 5-4 vote highlights how finely balanced the decision was. Governor Bailey, who now appears to be the marginal voter on the MPC, noted that he sees room for additional policy easing, but the timing of it is less certain. This also seems to be the broad consensus, with updated forward guidance making it clear that the Bank Rate is likely to ease further, even though "judgements around further policy easing will become a closer call". Forecasts for inflation and growth have been revised significantly lower, while the unemployment rate has been revised up.

In Europe, the **ECB** also decided to keep policy rates on hold. The stable outlook for inflation saw President Lagarde reiterate that the ECB is in a "good place", signalling the Governing Council currently see no reason to alter the existing policy stance. She also acknowledged that an appreciation of the euro could push inflation below the desired level, but indicated that most of last year's euro strengthening is already accounted for in the ECB's forecasts.

Local Data

In Australia, the **goods trade surplus** held broadly steady at \$3.4bn in December, though some volatility around gold exports is to be expected in future data (see [here](#)).



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