16 February 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

All eyes were on the US' January CPI. In the event, it came in below expectations, driving a rally in treasuries. Beyond those already priced in by July and October, markets see the prospect of a third rate cut as much more likely in H1 2026.

Share markets were mixed: tech weakness continued to weigh on momentum in the US, disappointing earnings drove declines in Europe, while the announcement of defence investment buoyed stocks in the UK.

Currencies were broadly stable on Friday, although the Aussie dollar is now trading back with a USD0.70 handle. If this week's local wages and labour market data comes in on the stronger side, markets could grow more confident in the prospect of near-term rate hikes from the RBA.

Markets will be closed in the US today (Presidents' Day), while Lunar New Year celebrations across Asia this week will see various closures of their local markets.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.1	-0.5%
AUD/USD	0.7066	-0.3%
AUD/JPY	107.84	-0.4%
AUD/GBP	0.5178	-0.5%
AUD/NZD	1.1712	-0.3%
AUD/EUR	0.5949	-0.4%
AUD/CNH	4.8753	-0.3%
AUD/SGD	0.8923	-0.3%
AUD/HKD	5.5229	-0.3%
AUD/CAD	0.9616	-0.3%
EUR/USD	1.1875	0.0%
USD/JPY	152.66	-0.1%
USD Index	96.92	0.0%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.84	-0.01
90 day BBSY	4.01	0.00
180 day BBSY	4.27	-0.01
1 year swap	4.17	0.01
2 year swap	4.22	0.00
3 year swap	4.24	-0.01
4 year swap	4.27	-0.01
5 year swap	4.31	-0.01
6 year swap	4.37	-0.01
7 year swap	4.42	-0.02
8 year swap	4.47	-0.02
9 year swap	4.53	-0.02
10 year swap	4.78	-0.02

Equities	Close	Change
S&P/ASX 200	8,918	-1.4%
S&P 500	6,836	0.0%
Japan Nikkei	56,942	-1.2%
Hang Seng	26,567	-1.7%
Euro Stoxx 50	5,985	-0.4%
UK FTSE100	10,446	0.4%
VIX Index	20.6	-1.1%

Commodities	Current	Change
CRB Index	306.54	0.1%
Gold	5042.04	2.4%
Copper	12881	0.0%
Oil (WTI futures)	62.89	0.1%
Coal (coking)	222.00	-0.4%
Coal (thermal)	119.90	0.8%
Iron Ore	97.35	-2.8%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.27	-0.05
10 year bond	4.75	-0.06
United States		
3-month T Bill	3.59	-0.01
2 year bond	3.41	-0.05
10 year bond	4.05	-0.05
Other (10 year yields)		
Germany	2.76	-0.02
Japan	2.23	-0.02
UK	4.42	-0.04

Sydney Futures Exchange	Current	Change
10 yr bond	4.72	-0.05
3 yr bond	4.25	-0.03
3 mth bill rate	4.03	0.00
SPI 200	8,896	0.6%

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

- Share markets were fairly mixed on Friday. In the US, positive momentum intraday largely evaporated as weakness in tech stocks weighed on the market, resulting in the S&P 500 finishing broadly flat while the NASDAQ fell –0.2%, its fourth consecutive decline.
- The Euro Stoxx 50 fell –0.4% off the back of weaker earnings and a retreat from banking stocks. In contrast, London's FTSE 100 advanced 0.4% on positive earnings results and a rally in defence stocks after it was announced that the UK will invest £400mn developing long-range missiles.
- Following on from the US' sell-off on Thursday, stocks were in the red across Asia on Friday, including in Tokyo (–1.2%), Hong Kong (–1.7%) and Shanghai (–1.3%). The ASX 200 also fell 1.4%, but futures markets are pointing to a positive open this morning.
- Treasuries rallied following better-than-expected inflation data. The 2Y fell 5bps to 3.41%, its lowest level in over three-and-a-half years, while the 10Y continued to slide lower, trading back in Nov-Dec ranges at 4.05%. Near-term market pricing was little-changed, with Fed rate cuts still seen in July and October this year, but the prospect of a third rate cut is now seen as much more likely, from a circa 50% chance to 75% chance in H1 2026.
- Gilts and Bunds were swept up in the action, shedding 2bps and 4bps respectively on the 10Y. This also partly reflects some shifts in market pricing too, with markets entertaining the prospect of another potential cut from the ECB and a deeper cycle from the BoE.
- ACGBs also rallied in the local session and futures trading overnight carried the momentum. Swaps markets still have an RBA rate hike priced in by August but see a May move at around an 80% chance.
- The USD traded a fairly tight range on Friday and ultimately finished the day around where it started, with the DXY at 96.92. This stability was evident across the major crosses, namely the Euro and Yen, which looks to have carried through into early morning trading this morning.
- The Aussie dollar sold-off slightly however, down –0.2% and is now back to trading with a USD0.70 handle. This week's wages and labour market data will be the key event risk for the cross from the Aussie side – firmer-than-expected results could spark somewhat of a rally should markets turn more confident on the prospect of RBA rate hikes.

Today's key data and events

Time	Event	Exp	Prev
8:30	NZ Performance Services Index Jan	–	51.5
8:45	NZ Retail Card Spending Jan	–	–0.1
10:50	JP GDP Q4	0.4%	–0.6%
21:00	EZ Industrial Production Dec	–1.5%	0.7%
–	US Presidents' Day – Markets Closed	–	–

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.

- Crude finished the week on fairly stable footing, WTI up 0.1% to US$62.89, although there was plenty to consider: President Trump confirming an additional aircraft carrier has been deployed in case a nuclear deal is not reached, while OPEC+ continues to suggest that further increases in production are ahead, adding to the market's 'supply glut' concerns.
- Base metals were mixed, with copper remaining little-changed while aluminium fell 0.7%. Gold finished the week with a solid gain, up 2.4% to US$5042/oz after broad-spread profit taking on Thursday. Iron ore slipped –2.8% and in early morning trade, is hovering around US$97.35/t, though liquidity is drying up as Lunar New Year festivities begin this week.

International Data

In the US, **January's CPI** came in better than expected, lifting 0.2% in the month versus the market consensus for a 0.3% gain. Compositionally, it was driven by a 1.5% decline in energy prices, a moderate 0.2% rise in food prices and no change in the 'core goods' category, the latter of which points to still fairly limited passthrough from tariffs at this stage. Evidence of broad-based capacity pressures across the economy will continue to be monitored closely, especially given the 0.4% lift in services (excl. energy) and 0.2% gain in shelter.

Over in Europe, the second estimate to **Q4 GDP** was confirmed to be 0.3% for the quarter and 1.3% for 2025. Highlighting the positive contribution from exports, December's **trade** surplus was also reported to have widened modestly, from €10.2bn to €11.6bn.

Local Data

Westpac just published its February Market Outlook (see here), which provides our latest thinking on Australia, markets and the global economy.

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