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MORNING REPORT

Today's economic developments and market movements.

Key themes

Trading volumes in global financial markets were thin, with the US closed for President's Day, Chinese markets shut for Lunar New Year, and several other Asian markets operating only half the day.

Iran conducted naval drills near the Strait of Hormuz – an important waterway for oil shipping – sending a signal ahead of negotiations with the US in Geneva today.

Domestic government bond yields followed the global trend, with the 10Y falling 4bp to 4.71%. Investors will be watching today's release of the RBA minutes from the February meeting closely.

The DXY rose 0.2%, closing above 97.0 for the first time in ten days. The yen depreciated 0.5%, weighed by the downside surprise in Japanese Q4 GDP growth. The AUD outperformed, moving sideways at 0.7075.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	65.1	0.0%	30 day BBSY	3.85	0.01
AUD/USD	0.7076	0.0%	90 day BBSY	4.01	0.00
AUD/JPY	108.60	0.6%	180 day BBSY	4.27	0.00
AUD/GBP	0.5190	0.2%	1 year swap	4.18	0.00
AUD/NZD	1.1724	0.1%	2 year swap	4.22	0.00
AUD/EUR	0.5969	0.2%	3 year swap	4.25	0.01
AUD/CNH	4.8713	-0.2%	4 year swap	4.29	0.02
AUD/SGD	0.8932	0.0%	5 year swap	4.34	0.02
AUD/HKD	5.5294	0.0%	6 year swap	4.39	0.03
AUD/CAD	0.9647	0.2%	7 year swap	4.45	0.03
EUR/USD	1.1854	-0.1%	8 year swap	4.50	0.03
USD/JPY	153.48	0.5%	9 year swap	4.55	0.03
USD Index	97.08	0.2%	10 year swap	4.81	0.02

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,937	0.2%	Australia		
S&P 500	6,836	0.0%	3 year bond	4.25	-0.02
Japan Nikkei	56,806	-0.2%	10 year bond	4.71	-0.04
Hang Seng	26,706	0.5%	United States		
Euro Stoxx 50	5,979	-0.1%	3-month T Bill	3.59	-0.01
UK FTSE100	10,474	0.3%	2 year bond	3.41	0.00
VIX Index	21.2	2.9%	10 year bond	4.05	0.00
Other (10 year yields)					
Commodities	Current	Change	Germany	2.75	0.00
CRB Index	306.54	0.1%	Japan	2.21	-0.01
Gold	4992.08	-1.0%	UK	4.40	-0.02
Copper	12850	-0.2%			
Oil (WTI futures)	63.73	1.3%	Sydney Futures Exchange	Current	Change
Coal (coking)	222.00	0.0%	10 yr bond	4.74	0.01
Coal (thermal)	120.10	0.2%	3 yr bond	4.26	-0.01
Iron Ore	97.05	-0.1%	3 mth bill rate	4.02	-0.01
ACCU	36.13	-4.3%	SPI 200	8,894	0.2%

Data as at 7:00am 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

Trading volumes in global financial markets were thin, with the US closed for President's Day, Chinese markets shut for Lunar New Year, and several other Asian markets operating only half the day.

Iran conducted naval drills near the Strait of Hormuz – an important waterway for oil shipping. According to Iranian authorities, the exercises were intended to demonstrate “operational preparedness” in response to “potential military and security threats”, clearly aiming to send a signal ahead of negotiations with the US in Geneva today.

- European stocks traded broadly sideways, with the Euro Stoxx 50 index closing 0.1% lower. Concerns about value destruction by advanced AI tools put some downward pressure on various sectors, but those losses were offset by European bank stocks, which started to recover after significant declines last week. The FTSE 100 in the UK rose 0.1%. Japan's Nikkei fell 0.2%, while Hong Kong's Hang Seng gained 0.5% during reduced trading hours. Domestic equities advanced 0.2% and are now about 2.6% higher since the start of the year, outperforming major US indices.
- Global bond markets continued to digest the implications of the softer US CPI print released late last week. The swap market is now pricing in an approximately 85% probability of a fed funds rate cut in June. Against this backdrop, most major government bond yields eased slightly. The UK 10Y Gilt yield declined 2bp, while the equivalent JGB fell 1bp. Bunds underperformed – the 10Y yield moved broadly sideways – as the latest euro area industrial production figures confirmed a return to positive growth in Q4, despite a sharp contraction in December. Domestic government bond yields followed the global trend, with the 10Y falling 4bp to 4.71%. Investors will be watching today's release of the RBA minutes from the February meeting closely.
- In FX markets, the DXY rose 0.2%, closing above 97.0 for the first time in ten days. Other major currencies were softer, with the EUR and GBP both down 0.1%. The yen depreciated 0.5%, weighed by the downside surprise in Japanese Q4 GDP growth. The AUD outperformed, moving sideways at 0.7075.
- Rising tensions between the US and Iran – with the latter's military exercises – pushed crude prices higher. The March WTI contract gained 1.3%, closing at \$63.73. Gold declined 1.0%, again dipping below \$5,000. Iron ore was little changed, following significant losses late last week. News reports suggested that the BHP iron ore exports to China fell sharply in January, linking the decline with the company's ongoing disputes with Chinese authorities over pricing mechanisms but also noting that Chinese port inventory is close to capacity.

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Food Price Index Jan	-	-0.3%
11:30	AU RBA Minutes	-	-
18:00	GB ILO Unemployment Rate Dec	5.1%	5.1%
21:00	EZ Zew Survey Of Expectations Feb	-	40.8pts
0:30	US Fed Empire State Feb	6.2pts	7.7pts
2:00	US NAHB Housing Market Feb	38pts	37pts

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

Japanese Q4 GDP growth surprised significantly to the downside, coming in at just 0.1%qtr. This minimal rise followed a 0.7%qtr decline in Q3, when private residential investment and net exports weighed on economic activity. Although residential investment partially recovered in Q4, a reduction in private inventories limited growth, while household consumption increased by only 0.1%qtr.

After three months of positive growth, **euro area industrial production** fell by 1.4%mth in December. Major member states reported notable contractions in their industrial sectors last week – including -1.9%mth in Germany, -0.7%mth in France, and -2.5%mth in Spain – so the decline was largely expected and broadly aligned with consensus forecasts. The decrease was led by capital goods production, which fell 1.9%mth, partially reversing a 2.6%mth gain in November. For Q4 overall, total production was up 0.5%qtr, marking the strongest result since Q1 2025.

Local Data

The **Westpac-DataX Card Tracker Index**, a measure of consumer spending in Australia, appears to be moderating as it comes out of a stronger than usual Christmas–New Year period. The latest reading for the week ending February 7 stands at 154.4, down 3.2pts from our previous update for the week ending January 3. Despite this easing, the Index remains 2–3pts above the levels seen in the weeks preceding the Black Friday sales events ([see here](#)).



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