



18 February 2026

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

Markets were highly volatile overnight and lacked direction amid a limited flow of data.

US equities finished higher after starting the session firmly in the red amid concerns grew around AI disruption. European equities closed higher, led by defensive stocks.

Bond yields were little changed, edging higher in the US and lower across Europe, including in the UK, where a softer than expected labour market reading raised the prospect of further BoE cuts.

As a result, the Pound sold off, falling as much as 0.6% during the session. This pushed the US dollar to a session high above 97.50 before it finished broadly unchanged. The Australian dollar edged slightly higher following the release of the February RBA Board minutes.

Oil prices fell amid reports that the US and Iran had agreed on the principles of a nuclear deal.

## Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	65.0	-0.2%	30 day BBSY	3.84	-0.01
AUD/USD	0.7084	0.2%	90 day BBSY	4.01	0.01
AUD/JPY	108.54	0.0%	180 day BBSY	4.28	0.00
AUD/GBP	0.5223	0.7%	1 year swap	4.16	-0.02
AUD/NZD	1.1710	-0.1%	2 year swap	4.20	-0.02
AUD/EUR	0.5978	0.2%	3 year swap	4.24	-0.02
AUD/CNH	4.8774	0.2%	4 year swap	4.27	-0.02
AUD/SGD	0.8945	0.2%	5 year swap	4.32	-0.02
AUD/HKD	5.5364	0.2%	6 year swap	4.37	-0.02
AUD/CAD	0.9660	0.2%	7 year swap	4.43	-0.02
EUR/USD	1.1851	0.0%	8 year swap	4.48	-0.02
USD/JPY	153.22	-0.2%	9 year swap	4.53	-0.02
USD Index	97.16	0.3%	10 year swap	4.78	-0.02
Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,959	0.2%	Australia		
S&P 500	6,860	0.3%	3 year bond	4.21	-0.03
Japan Nikkei	56,566	-0.4%	10 year bond	4.68	-0.02
Hang Seng	26,706	0.5%	United States		
Euro Stoxx 50	6,022	0.7%	3-month T Bill	3.59	0.00
UK FTSE100	10,556	0.8%	2 year bond	3.44	0.03
VIX Index	19.83	-6.5%	10 year bond	4.05	0.00
Commodities	Current	Change	Other (10 year yields)		
CRB Index	306.54	0.1%	Germany	2.74	-0.02
Gold	4878.76	-2.3%	Japan	2.14	-0.08
Copper	12620	-1.8%	UK	4.38	-0.02
Oil (WTI futures)	62.31	-0.9%	Sydney Futures Exchange	Current	Change
Coal (coking)	221.00	-0.5%	10 yr bond	4.72	0.02
Coal (thermal)	121.05	0.8%	3 yr bond	4.25	0.02
Iron Ore	96.40	-0.6%	3 mth bill rate	4.03	0.02
ACCU	36.13	-4.3%	SPI 200	8,941	0.4%

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

- Key US equity indices were generally higher after a volatile session that saw major benchmarks down as much as 1% in early trade. Markets opened lower amid growing fears of AI related disruption. US aluminium companies also declined sharply after US Trade Representative Jamieson Greer signalled that the administration is open to changing its broad tariffs on steel and aluminium. This weakness was more than offset by gains in financial and real estate stocks. Overall, the S&P 500 and the tech heavy Nasdaq closed 0.3% higher, while the Dow Jones Industrial Average finished 0.1% in the green.
- European equity markets also closed higher, as defensive stocks outperformed amid ongoing concerns about AI disruption. The Euro Stoxx 50 rose 0.7%, Germany's DAX gained 0.9%, the FTSE 100 was up 0.7%, France's CAC increased 0.6%, and the Swiss Market Index advanced 0.8%. Asian markets were mixed, with the Nikkei down 0.4% and the Hang Seng closing 0.5% higher. The local market finished yesterday's session 0.2% higher, and futures point to a solid start to today's session.
- Bond yields saw only modest moves amid a limited flow of economic data. The 2 year Treasury yield increased by 3bps to 3.44%, while the 10 year Treasury yield was unchanged at 4.05%. Interest rate futures are now pricing around 60bps of cuts through to the end of 2026, and the probability of a rate cut at the May FOMC meeting has risen to around 25%. European yields moved lower across the curve, with 10 year bond yields falling between 1 and 3bps.
- Local bond futures moved higher, with 3 year and 10 year yields both increasing by 2bps to 4.25% and 4.72%, respectively. OIS pricing now implies a further 17bp hike by May and a terminal rate this year of around 4.15%, suggesting markets remain divided on the need for two additional rate hikes in 2026.
- The US Dollar Index was little changed at 97.16 after rising as high as 97.546 during the volatile overnight session. The British pound was the worst performer, down 0.5% amid weaker than expected labour market data. The Australian dollar edged 0.2% higher against the greenback to 0.7084 and has established support above the 0.70 level. In the near term, hawkish RBA messaging, solid domestic economic conditions, and elevated commodity prices should support the currency, particularly against the backdrop of softer US data.
- Commodity prices were modestly softer but remain elevated overall. Gold fell 2.3% to trade around US\$4,900. Crude oil slipped almost 1.0%, with West Texas Intermediate trading near US\$62 per barrel, as investors digested ongoing talks between Iran and the US and the implications for future

## Today's key data and events

Time	Event	Exp	Prev
8:45	NZ PPI Q4	-	0.6%
10:30	AU Westpac-MI Leading Index Jan	-	0.1%
11:30	AU Wage Price Index Q4	0.8%	0.8%
11:30	AU Wage Price Index Q4	3.4%	3.4%
12:00	NZ RBNZ Policy Decision 18/02/2026	2.2%	2.2%
18:00	GB CPI Jan	-0.4%	0.4%
0:30	US Durable Goods Orders Dec Prel.	-2.0%	5.3%
0:30	US Housing Starts Dec	4.9%	-
0:30	US Building Permits Dec Prel.	-0.5%	-
2:00	US Leading Index Dec	-0.2pts	-0.3pts

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.

supply. Aluminium fell almost 1.0% after the US signalled that the Trump administration is open to changing how metals tariffs are enforced. Iron ore slipped 0.6%, trading just below US\$100 per tonne.

## International Data

The latest **UK labour market data** was weaker than anticipated, with the number of payroll employees declining for the fifth consecutive month in January. Although headline three-month LFS employment growth for December was positive at 52k, this result was driven by part-time jobs, while full-time employment decreased. And the employment growth did not keep pace with the expanding labour force, which continues to attract new workers at a firm rate. Consequently, unemployment rose significantly, with the headline three-month unemployment rate increasing to 5.2%, up 0.1ppt from the previous month. The more volatile single-month unemployment rate climbed to 5.4%, indicating high probability of further rises in the headline rate in coming months.

The **New York Fed Empire State Manufacturing Survey** indicated business conditions were positive and largely unchanged this month. The headline current conditions index edged down from 7.7 to 7.1, remaining slightly above its historical average of 6.3 and notably higher than the average for 2025.

## Local Data

The **February RBA Board minutes** shed further light on the decision to hike, with the balance of risks judged to have shifted since December. Staff assessed that aggregate demand was clearly exceeding aggregate supply and that the labour market remained slightly tight. The Board acknowledged two-sided risks around the market path for interest rates as it balanced the inflation objective against preserving pandemic-era employment gains. Exchange rate considerations received limited attention, an oversight which may see disinflation occur more quickly than forecast (further information on Westpac Economics' views available [here](#)).



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