



20 February 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

President Trump has increased pressure on Iran to abandon its nuclear ambitions, warning that “bad things will happen” if they do not comply. Trump indicated he will decide if the US is going to take military action in the next ten days

In this heated geopolitical environment, financial markets traded cautiously, with major stock indices in the US and Europe retreating, while government bonds edged slightly higher.

Australian yields jumped 4-8bp across the curve, as the latest figures showed the Australian labour market is on firmer footing.

Mounting tensions in the Middle East saw crude prices take another significant step higher. The March WTI contract rose 2.3% to \$66.67.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	65.0	-0.2%	30 day BBSY	3.84	0.00
AUD/USD	0.7051	0.1%	90 day BBSY	4.02	0.00
AUD/JPY	109.33	0.3%	180 day BBSY	4.29	0.01
AUD/GBP	0.5240	0.4%	1 year swap	4.21	0.04
AUD/NZD	1.1814	0.1%	2 year swap	4.26	0.04
AUD/EUR	0.5993	0.3%	3 year swap	4.29	0.04
AUD/CNH	4.8636	0.2%	4 year swap	4.32	0.03
AUD/SGD	0.8945	0.2%	5 year swap	4.37	0.03
AUD/HKD	5.5095	0.1%	6 year swap	4.42	0.03
AUD/CAD	0.9656	0.1%	7 year swap	4.48	0.03
EUR/USD	1.1766	-0.1%	8 year swap	4.53	0.03
USD/JPY	155.06	0.2%	9 year swap	4.58	0.03
USD Index	97.90	0.2%	10 year swap	4.84	0.03
Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	9,086	0.9%	Australia		
S&P 500	6,849	-0.5%	3 year bond	4.33	0.08
Japan Nikkei	57,468	0.6%	10 year bond	4.78	0.06
Hang Seng	26,706	0.5%	United States		
Euro Stoxx 50	6,060	-0.7%	3-month T Bill	3.60	-0.01
UK FTSE100	10,627	-0.6%	2 year bond	3.47	0.01
VIX Index	20.53	4.6%	10 year bond	4.07	-0.01
Commodities	Current	Change	Other (10 year yields)		
CRB Index	309.10	0.4%	Germany	2.74	0.00
Gold	4996.33	0.4%	Japan	2.15	0.00
Copper	12809	-0.8%	UK	4.37	-0.01
Oil (WTI futures)	66.67	2.3%	Sydney Futures Exchange	Current	Change
Coal (coking)	221.00	0.0%	10 yr bond	4.79	-0.02
Coal (thermal)	122.25	-0.2%	3 yr bond	4.32	-0.02
Iron Ore	95.55	-0.2%	3 mth bill rate	4.05	0.01
ACCU	36.13	-4.3%	SPI 200	9,001	-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

President Trump has increased pressure on Iran to abandon its nuclear ambitions, warning that “bad things will happen” if they do not comply. The US military has deployed additional assets to the region, and Trump indicated he will decide if the US is going to take military action in the next ten days. In this heated geopolitical environment, financial markets traded cautiously, with major stock indices in the US and Europe retreating, while government bonds edged slightly higher. Economic data revealed a deterioration in the US trade deficit for December. Despite the tariff shock, figures confirmed that the US total trade balance in 2025 was little changed compared to 2024.

- After more assured trading on the previous day, which saw the S&P 500 post firmer gains for the first time in over a week, US equity returns dipped back into negative territory. The S&P 500 declined by 0.5%. In Europe, disappointing earnings announcements added to selling pressure, leaving the Euro Stoxx 50 down 0.7%. The FTSE 100 in the UK followed suit, falling 0.6%. In Asian markets, Chinese exchanges remained closed for the Lunar New Year holidays, while the Nikkei 225 in Japan rose 0.6%. The Australian equity benchmark outperformed, gaining 0.9%.
- Buyers dominated the bond markets, though movements in major government bond benchmarks were modest. The 10Y US Treasury yield fell 1bp to 4.07%, while the equivalent Gilt yield moved by the same amount. Bunds were virtually unchanged. There was more activity in JGBs, particularly in the super-long segment, with the 30Y and 40Y yields falling by 4-5bp, extending the downward trend seen in recent weeks. Australian yields jumped 4-8bp across the curve, as the latest figures showed the Australian labour market is on firmer footing.
- The DXY rose for the third day in a row, up 0.2% to reach 97.90. The AUD outperformed, strengthening 0.1%, while other major currencies lost ground – the EUR declined by 0.1%, the yen by 0.2%, and the GBP by 0.3%.
- Mounting tensions in the Middle East saw crude prices take another significant step higher. The March WTI contract rose 2.3% to \$66.67. Gold stabilised, rising 0.3% after recent volatility. Copper and iron ore fell by 0.8% and 0.2% respectively, with iron ore now down more than 12% from its mid-January peak.

International Data

In December, the **US trade deficit** widened from \$53.0bn to \$70.3bn, reaching a five-month high. Imports rose 3.6%^{mt}, with capital goods inflows – largely linked to investment in data centres – leading the way, while exports fell sharply for the second consecutive month, down 1.7%^{mt}. Despite

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Trade Balance Jan	-	NZ\$52m
10:30	JP CPI Jan	1.6%	2.1%
18:00	GB Retail Sales Jan	0.2%	0.4%
20:00	EZ HCOB Manufacturing PMI Feb Prel.	50pts	49.5pts
20:00	EZ HCOB Services PMI Feb Prel.	51.9pts	51.6pts
20:30	GB S&P Services PMI Feb Prel.	53.5pts	54pts
20:30	GB S&P Manufacturing PMI Feb Prel.	51.5pts	51.8pts
0:30	US Personal Income Dec	0.3%	0.3%
0:30	US Personal Spending Dec	0.4%	0.5%
0:30	US PCE Deflator Dec	0.3%	0.2%
0:30	US GDP Q4 A	3.0%	4.4%
2:00	US New Home Sales Dec	-1.0%	-
2:00	US Uni. Of Michigan Sentiment Feb Final	57.2pts	57.3pts

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.

a challenging year for US importers and exporters, as the government imposed higher import tariffs, the US trade deficit for 2025 was virtually unchanged from 2024 levels.

US pending home sales disappointed in January, falling 0.8% after a revised 7.4% decline in December (previously -9.3%). Sales are down 1.2% over the year.

US initial jobless claims fell to 206k last week, a very low level by historical standards, suggesting that conditions in the US labour market remain firm.

The **Philadelphia Fed Business Outlook index** rose from 12.6 to 16.3 in February, marking the second highest level in a year. The index was only -8.8 in December, so the past two months suggest a notable turnaround. However, the survey's details were weaker, with new orders, shipments, and employment indicators declining.

FOMC member Kashkari stated that monetary policy settings are close to neutral, and recent investment in artificial intelligence may be driving up the neutral rate. On the balance sheet, he added: “We’ve shrunk our balance sheet quite a bit in the last few years, and I’m not sure that we can shrink it much further from here without making some other fundamental changes to the way the financial system operates”.

Euro area consumer confidence was broadly unchanged in February at -12.2, a touch above last year’s average, indicating that consumers remain somewhat more optimistic.

Local Data

In January, **Australia's employment** rose by +17.8k, in line with the market's expectation for a +20k lift, but below Westpac's forecast for a +40k lift. This follows a couple of choppy reads late last year, including a -30.3k decline in November and a +68.5k bounce-back in December. On top of a modest lift in headcount, average hours worked also lifted by 0.6% in January, largely due to fewer people taking leave than usual ([see here](#)).



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