23 February 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

The US Supreme Court struck down President Trump's usage of reciprocal tariffs under IEEPA. Over the weekend, Trump announced a 15% global tariff under the 1974 Trade Act, lasting up to 150 days, while investigating other avenues for industry tariffs.

The news was largely shrugged off but there is still some key uncertainties over possible refunds – a decision that will be left to a lower court – and its impact on government finances, alongside bilateral responses, with the EU saying it may delay ratifying its trade pact.

Share markets rose, treasuries sold-off modestly, and the USD held a tight range. This was also despite a material downside surprise in US Q4 GDP, dragged down significantly by the government shutdown.

Geopolitical tensions are front-of-mind for crude oil markets, with prices steadying at cycle highs on Friday. US-Iran talks are set to resume in Geneva on Thursday.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	64.9	-0.2%
AUD/USD	0.7079	0.3%
AUD/JPY	109.68	0.3%
AUD/GBP	0.5250	0.2%
AUD/NZD	1.1850	0.3%
AUD/EUR	0.6003	0.1%
AUD/CNH	4.8832	0.3%
AUD/SGD	0.8969	0.2%
AUD/HKD	5.5316	0.3%
AUD/CAD	0.9683	0.3%
EUR/USD	1.1793	0.2%
USD/JPY	154.92	-0.1%
USD Index	97.80	-0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.84	0.00
90 day BBSY	4.04	0.02
180 day BBSY	4.32	0.02
1 year swap	4.21	0.00
2 year swap	4.25	0.00
3 year swap	4.27	-0.01
4 year swap	4.31	-0.02
5 year swap	4.35	-0.02
6 year swap	4.40	-0.02
7 year swap	4.46	-0.02
8 year swap	4.51	-0.02
9 year swap	4.56	-0.02
10 year swap	4.81	-0.02

Equities	Close	Change
S&P/ASX 200	9,081	-0.1%
S&P 500	6,910	0.7%
Japan Nikkei	56,826	-1.1%
Hang Seng	26,413	-1.1%
Euro Stoxx 50	6,131	1.2%
UK FTSE100	10,687	0.6%
VIX Index	19.09	-5.6%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.28	-0.05
10 year bond	4.73	-0.06
United States		
3-month T Bill	3.59	-0.01
2 year bond	3.48	0.02
10 year bond	4.08	0.02
Other (10 year yields)		
Germany	2.74	-0.01
Japan	2.12	-0.03
UK	4.35	-0.02

Commodities	Current	Change
CRB Index	311.02	0.6%
Gold	5107.45	2.2%
Copper	12964	1.2%
Oil (WTI futures)	66.48	0.1%
Coal (coking)	221.00	0.0%
Coal (thermal)	120.60	-1.3%
Iron Ore	95.80	-0.2%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	4.75	0.00
3 yr bond	4.30	0.00
3 mth bill rate	4.05	0.02
SPI 200	9,047	0.2%

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 largely brushed off news concerning the US Supreme Court striking down President Trump's reciprocal tariffs under IEEPA, instead finishing the week on a positive note with tech-led gains despite a disappointing result for Q4 GDP. The S&P 500 (+0.7%), Dow Jones (+0.5%) and NASDAQ (+0.9%) all lifted. Equities also advanced in Europe (+1.2%), while strong retail sales data buoyed stocks in London (+0.6%).
- Prior to the recent news flow, major indices across Asia were weaker, following on from Thursday's pull-back in the US. Stocks fell in Tokyo (–1.1%), Shanghai (–1.3%) and Hong Kong (–1.1%), the latter resuming trading after Lunar New Year holidays. The ASX 200 only ticked down –0.1% after an otherwise solid week, with futures markets pointing to a positive open.
- Bond markets were left mulling over a key uncertainty tied to the recent tariff debacle – the decision on refunds, which will be left to a lower court. Reports suggest that, if required in full, refunds could total $170bn, in excess of half the revenue raised by the administration's tariff measures.
- Treasuries sold-off only modestly, with the 2Y and 10Y rising 2bps each to 3.48% and 4.08% respectively. FOMC market pricing pared back slightly, pushing back the next rate cut to September, though two rate cuts are still fully priced in this year. Yields also fell slightly across Europe, the UK and Japan.
- ACGBs retraced some of Thursday's sell-off, with the 3Y and 10Y falling 5bps and 6bps to 4.28% and 4.73% respectively, while futures yields were unchanged on Friday night. Data-wise, the January CPI will be the main event of the week locally, where an upside surprise on underlying inflation could bring forward market pricing for the next RBA rate hike.
- The USD traded a remarkably tight range despite the news flow around tariffs, with the DXY finishing just –0.1% lower from Thursday at 97.80. There were also no real clear breakouts in the basket even after President Trump imposed a new global tariffs and revealed his intention to investigate new industry tariffs. The Euro and Sterling appreciated modestly, while the Yen and Loonie finished the session steady.
- The Aussie dollar was perhaps the main standout, finishing 0.3% higher on Friday and in early trade this morning, has continued to hover around USD0.7080. Ongoing developments on the tariff front will be a key focus this week, but locally, an upside surprise on January CPI data could spark a bit more upside to the Aussie.
- Geopolitical risks remain front-of-mind for crude oil markets; after a couple days of large increases as tensions heightened, prices steadied on Friday as WTI closed at US$66.48/bbl. Messaging remains mixed, with Iran saying "there is still a good chance to have a diplomatic solution" while President Trump says he is considering a "limited strike" on Iran. Talks are set to resume in Geneva on Thursday.
- After a choppy week of risk-on/risk-off moves, base metals lifted following the tariff news, with LME copper and aluminium rising 1.2% and 1.1% respectively. Gold also gained 2.2% to US$5,107/oz, while iron ore edged –0.2% lower to US$95.80/t.

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Real Retail Sales Q4	0.6%	1.9%
20:00	GE IFO Business Climate Survey Feb	88.3	87.6
00:00	US Fedspeak – Waller	–	–
12:30	US Chicago Fed Activity Index Jan	–0.08	–0.04
02:00	US Factory Orders Dec	–0.7	2.7
02:30	US Dallas Fed Manufacturing Index Feb	–0.8	–1.2

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

In the US, the **Supreme Court** struck down President Trump's reciprocal tariffs under IEEPA in a 6–3 majority vote, holding that the President had exceeded his authority by invoking emergency powers to impose "reciprocal" tariffs and targeted measures purportedly to stop the flow of fentanyl. President Trump responded by initially announcing a 10% global tariff under Section 122 of the 1974 Trade Act, before raising it to 15% over the weekend. This avenue is only available for up to 150 days, and is also legally untested. President Trump also announced investigations into tariffs under Section 301 and Section 232, which have, to date, been used to implement industry tariffs on Chinese auto and metal exports to the US.

US **Q4 GDP** surprised to the downside (all figures annualised), activity rising 1.4% against a 2.8% expectation. Personal consumption was in line with the historic trend (2.4%), non-residential investment maintained a modest pace of growth (3.7%), and residential investment was weak (–1.5%). Government consumption fell 5.1% due to the shutdown.

Focusing on the consumer, nominal **personal spending** ended the year with momentum, increasing by 0.4% in December, while **personal income** grew 0.3%. Both headline and core **price deflators** surprised to the upside, gaining 0.4% in the month, hence the weak outcome in real spending, up just 0.1%. Both headline and core inflation are materially above the FOMC's 2.0%yr mandate, at 2.9%yr and 3.0%yr respectively.

Local Data

In Australia, the latest update from **Westpac-Now** points to GDP growth of around 0.9% (2.4%yr) in Q4, a bounce-back from a softer Q3 reading that appears to be more noise than signal (see here).

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