24 February 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

A risk off tone overnight saw market volatility rise as investors assessed ongoing geopolitical risks, growth concerns linked to evolving US trade policy, and persistent AI related disruption worries.

Global equity markets sold off, with US and European indices closing firmly in the red. In contrast, bond markets rallied, driving yields lower across the US, Europe and local futures as investors sought safer assets.

The US dollar was broadly unchanged, though risk sensitive currencies underperformed. The Aussie weakened to around 0.7050 after reaching an intraday high near 0.71 during yesterday's session.

Risk aversion also supported haven assets, with gold rising above US$5,220 per ounce. Oil prices moved sideways, while iron ore edged higher ahead of the anticipated return of Chinese demand following the LNY holiday.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.1	0.3%
AUD/USD	0.7053	-0.4%
AUD/JPY	109.08	-0.7%
AUD/GBP	0.5228	-0.4%
AUD/NZD	1.1846	-0.1%
AUD/EUR	0.5981	-0.5%
AUD/CNH	4.8590	-0.5%
AUD/SGD	0.8935	-0.5%
AUD/HKD	5.5149	-0.4%
AUD/CAD	0.9662	-0.1%
EUR/USD	1.1791	0.1%
USD/JPY	154.65	-0.3%
USD Index	97.71	-0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.86	0.02
90 day BBSY	4.04	0.01
180 day BBSY	4.33	0.01
1 year swap	4.20	-0.01
2 year swap	4.23	-0.02
3 year swap	4.23	-0.04
4 year swap	4.27	-0.04
5 year swap	4.31	-0.04
6 year swap	4.37	-0.04
7 year swap	4.42	-0.04
8 year swap	4.47	-0.04
9 year swap	4.53	-0.04
10 year swap	4.78	-0.04

Equities	Close	Change
S&P/ASX 200	9,026	-0.6%
S&P 500	6,827	-1.2%
Japan Nikkei	56,826	-1.1%
Hang Seng	27,082	2.5%
Euro Stoxx 50	6,114	-0.3%
UK FTSE100	10,685	0.0%
VIX Index	21.55	12.9%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.26	-0.02
10 year bond	4.72	-0.01
United States		
3-month T Bill	3.59	-0.01
2 year bond	3.44	-0.04
10 year bond	4.03	-0.06
Other (10 year yields)		
Germany	2.71	-0.03
Japan	2.12	0.00
UK	4.31	-0.04

Commodities	Current	Change
CRB Index	310.14	-0.3%
Gold	5224.15	2.3%
Copper	12868	-0.7%
Oil (WTI futures)	66.43	-0.1%
Coal (coking)	222.75	0.8%
Coal (thermal)	120.25	-0.3%
Iron Ore	96.00	0.5%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	4.71	-0.03
3 yr bond	4.25	-0.02
3 mth bill rate	4.03	0.00
SPI 200	8,995	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.

Pat Bustamante
Senior Economist, Westpac Group
P: +61 468 571 786
E: pat.bustamante@westpac.com.au

Financial Markets

- Key equity indices fell overnight amid renewed volatility, as risk sentiment deteriorated with investors reassessing geopolitical developments, growth risks tied to evolving US trade policy, and technology sector concerns. In the US, equities sold off sharply after a choppy session, with losses accelerating into the close. Technology stocks led declines as AI related disruption concerns persisted, with American Express and other payment stocks seeing valuations fall sharply. The S&P 500 dropped 1.2%, the Nasdaq closed 1.3% lower, and the Dow Jones Industrial Average fell 1.6%. Heightened uncertainty was evident in volatility markets, with the VIX surging 13% to 21.6.
- European equity markets also closed weaker as uncertainty around US trade policy and the outlook for transatlantic trade resurfaced. An EU spokesperson noted that "as the United States' largest trading partner, the EU expects the US to honour its commitments set out in the Joint Statement." The Euro Stoxx 50 declined 0.3%, Germany's DAX fell 1.1%, the FTSE 100 slipped 0.1% and France's CAC eased 0.2%. Asian markets were mixed, with the Nikkei down 1.1% while the Hang Seng rallied 2.5%. The local market ended yesterday's session 0.6% lower, though futures point to a positive start today.
- Bond markets rallied as investors rotated into safe haven assets, pushing US Treasury yields lower across the curve. The US 2 year yield fell 4bps to 3.44%, while the 10 year yield declined 6bps to 4.03%. Interest rate futures now price around 60bps of easing through the end of 2026, with the first full rate cut expected by August. European sovereign yields also moved lower, led by Germany where 10 year yields fell 3bps to 2.71%. UK 10 year yields dropped 4bps to 4.31%, reflecting softer growth expectations.
- Local bond futures also rallied, with 3 year and 10 year yields declining by 2bps and 3bps to 4.25% and 4.71%, respectively. OIS pricing implies around a further 17bp hike by May and a terminal cash rate this year of roughly 4.15%, 4.15%, suggesting markets remain divided on the need for two additional rate hikes in 2026.
- The US dollar was little changed overall, with the DXY easing 0.1% to 97.71 after a volatile session. The Australian dollar underperformed most major currencies, with AUD/USD down 0.4% to 0.7053, weakening broadly against the euro, pound, yen and yuan amid softer risk sentiment and lower commodity prices. The Japanese yen strengthened modestly, with USD/JPY down 0.3% to 154.65 as falling US yields provided support. Sterling weakened following softer UK data, while the euro edged higher against the US dollar.

Today's key data and events

Time	Event	Exp	Prev
7:40	AU RBA's Plumb-Speech	-	-
1:00	US FHFA House Prices Dec	0.3%	0.6%
1:00	US S&P/Cs Home Price Index Dec	0.3%	0.5%
2:00	US Richmond Fed Feb	-	-6pts
2:00	US Consumer Confidence Feb	87pts	84.5pts
2:00	US Wholesale Inventories Dec Final	0.2%	0.2%

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.

- Commodity prices were mixed overnight. Gold surged 2.3% to around US$5,224 per ounce as investors sought safe haven assets amid rising equity volatility and falling bond yields. Oil prices were little changed, with WTI futures down 0.1% at US$66.43 per barrel, as markets continued to assess geopolitical risks and supply side dynamics, including ongoing discussions involving Iran. Base metals were weaker, with copper down 0.7%, while iron ore edged 0.5% higher to US$96 per tonne and coal prices were mixed.

International Data

The **Chicago Fed Activity Index,** a weighted average of 85 other monthly indicators measuring how the US economy is performing relative to its trend, rose to 0.18 in January. This was the first positive reading since March last year, indicating that the US economy is accelerating above its growth trend.

The **Dallas Fed Manufacturing Activity Survey** of Texas business executives also signalled somewhat firmer growth. The headline index increased by 1.4 points to 0.2, the second highest level in the past thirteen months.

The final **US factory orders** for December showed few surprises, confirming a 1.4%mth decline in durable goods orders, as indicated by preliminary data, and a 0.7%mth decline in overall orders, in line with consensus expectations.

US Fed Governor **Waller** indicated that his vote at the March FOMC meeting depends on the next US labour market data release. If the latest figures continue to support the view that downside risks to jobs growth have diminished. However, if the strength seen in the January data is revised, a 25bp cut would be appropriate. "As things stand today, I rate these two possible outcomes as close to a coin flip," he said.

The **German Ifo Business Climate Index** improved in February, with the headline index rising by 1 point to 88.6. Although this is among the highest readings in the past two and a half years, it remains well below the long-term average of approximately 95, indicating significant room for improvement in the largest euro area member state. Assessments of both the current situation and expectations increased by similar margins.

Local Data

There was no top tier data releases.

Corporate Directory

Westpac Economics / Australia

Sydney
Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis
Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan
Head of Australian Macro–Forecasting
E: mhassan@westpac.com.au

Elliot Clarke
Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner
Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk
Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante
Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas
Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells
Economist
E: ryan.wells@westpac.com.au

Illiana Jain
Economist
E: illiana.jain@westpac.com.au

Neha Sharma
Economist
E: neha.sharma1@westpac.com.au

Luka Belobrajdic
Economist
E: luka.belobrajdic@westpac.com.au

Westpac Economics / New Zealand

Auckland
Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold
Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon
Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs
Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod
Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark
Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva
1 Thomson Street
Suva, Fiji

Shamal Chand
Senior Economist
E: shamal.chand@westpac.com.au

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