25 February 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Risk sentiment recovered amid a significant investment announcement in the tech sector and a rebound in US consumer confidence.

This saw key US equity indices bounce back, retracing much of yesterday's fall. European markets were flat, with sentiment continuing to be weighed down by uncertainty around US trade policy. In his State of the Union address later this morning, President Trump is expected to address tariffs, the economy, and ongoing negotiations with Iran, which could provide more certainty.

Movements in bond yields were muted overnight, with a slight sell off in Treasuries seeing yields tick higher at the shorter end. The US dollar was slightly higher, while the yen underperformed. The Australian dollar was broadly unchanged.

Inflation data, as well as construction partials for next week's national accounts, present key risk events for the Aussie.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.1	0.0%
AUD/USD	0.7059	0.0%
AUD/JPY	109.96	0.8%
AUD/GBP	0.5229	0.0%
AUD/NZD	1.1830	-0.1%
AUD/EUR	0.5993	0.1%
AUD/CNH	4.8561	-0.1%
AUD/SGD	0.8942	0.1%
AUD/HKD	5.5221	0.1%
AUD/CAD	0.9673	0.1%
EUR/USD	1.1778	-0.1%
USD/JPY	155.78	0.7%
USD Index	97.86	0.2%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.86	0.00
90 day BBSY	4.04	-0.01
180 day BBSY	4.33	0.01
1 year swap	4.20	0.00
2 year swap	4.23	0.00
3 year swap	4.24	0.00
4 year swap	4.27	0.00
5 year swap	4.31	0.00
6 year swap	4.36	0.00
7 year swap	4.41	-0.01
8 year swap	4.47	-0.01
9 year swap	4.52	0.00
10 year swap	4.78	-0.01

Equities	Close	Change
S&P/ASX 200	9,022	0.0%
S&P 500	6,888	0.7%
Japan Nikkei	57,321	0.9%
Hang Seng	26,590	-1.8%
Euro Stoxx 50	6,117	0.0%
UK FTSE100	10,681	0.0%
VIX Index	19.55	-6.9%

Commodities	Current	Change
CRB Index	310.14	-0.3%
Gold	5149.78	-1.5%
Copper	13166	2.3%
Oil (WTI futures)	65.88	-0.6%
Coal (coking)	225.00	1.0%
Coal (thermal)	118.80	-1.2%
Iron Ore	96.75	0.8%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.24	-0.02
10 year bond	4.69	-0.02
United States		
3-month T Bill	3.58	-0.01
2 year bond	3.46	0.02
10 year bond	4.03	0.00
Other (10 year yields)		
Germany	2.71	0.00
Japan	2.09	-0.03
UK	4.31	-0.01

Sydney Futures Exchange	Current	Change
10 yr bond	4.71	0.00
3 yr bond	4.26	0.00
3 mth bill rate	4.05	0.02
SPI 200	9,041	0.7%

Data as at 7:15am 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 equity indices were higher overnight, partly recovering yesterday's falls, led by the technology sector. In a deal worth billions of dollars, Meta announced it will buy AMD chips and computers designed to run AI models, which saw valuations across the tech sector rally. More broadly in the US, equities ended higher after a choppy session, with gains consolidating into the close. Risk sentiment was also buoyed by an improvement in consumer confidence. The S&P 500 and Dow Jones Industrial Average both rose 0.7%, while the Nasdaq outperformed, increasing 0.9% on the day. Volatility eased, with the VIX falling 7.2% to 19.5.
- European equity markets were broadly flat as uncertainty around US trade policy and the outlook for transatlantic trade persisted. An EU spokesperson reiterated 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 was broadly unchanged, Germany's DAX closed flat, and the FTSE 100 was little changed. Asian markets were mixed, with the Nikkei rising 0.9% while the Hang Seng fell 1.8%. The local market ended yesterday's session flat, while futures point to a firmer start today, with the SPI 200 up 0.7%.
- Bond markets were mixed. In the US, Treasury yields were little changed overall, with some curve steepening. The US 2 year yield rose 2bps to 3.46%, while the 10 year yield was unchanged at 4.03%. Interest rate futures now price around 55bps of easing through the end of 2026, with the first full rate cut expected by August. European sovereign yields were steady to slightly lower, led by Germany, where 10 year yields held at 2.71%. UK 10 year yields edged 1bp lower to 4.31%, reflecting ongoing sensitivity to growth data.
- Local bond markets were stable. Australian 3 year and 10 year yields declined 2bps to 4.24% and 4.69%, respectively, while futures imply little change in near term policy expectations. OIS pricing continues to suggest a terminal cash rate this year around 4.15%, indicating markets remain divided on the need for further tightening beyond 2025.
- The US dollar was modestly firmer overall, with the DXY up 0.2% to 97.86, supported by slightly higher short end yields. The Australian dollar was broadly unchanged, with AUD/USD steady at 0.7059, though performance was mixed across crosses. The AUD strengthened against the yen, with AUD/JPY up 0.8%, while it softened slightly against the New Zealand dollar and offshore yuan. The Japanese yen weakened, with USD/JPY up 0.7% to 155.78, as higher short end US yields weighed on the currency. Sterling was little changed, while the euro edged slightly lower against the US dollar.

Today's key data and events

Time	Event	Exp	Prev
11:30	AU Monthly CPI Indicator Jan	3.7%	3.8%
11:30	AU Construction Work Done Q4	1.2%	-0.7%
19:40	AU RBA's Bullock-Fireside Chat	-	-

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 fell 1.5% to around US$5,148 per ounce, as easing equity volatility reduced near term safe haven demand. Oil prices moved lower, with WTI futures down 0.7% at US$65.86 per barrel, as markets continued to assess supply side dynamics and the prospects of a peace deal between Iran and the US. Base metals were stronger, with copper up 2.3%, while iron ore rose 0.8% to around US$96.75 per tonne. Coal prices were mixed, with coking coal higher and thermal coal weaker.

International Data

In January, the **Conference Board Consumer Sentiment Index** indicated a significant drop in confidence, however, the latest figures for February have reversed this trend. Not only did the consumer sentiment index rebound by 2.2pts to 91.2, but the January decline of nearly 10pts was revised to reflect only half the initial fall.

US house prices continued their upward trajectory in December, although the two main indices displayed somewhat different patterns. The FHFA House Price Index increased by just 0.1%mth, down from 0.7%mth and 0.4%mth in the previous two months. Meanwhile, the S&P CoreLogic CS 20-City Index rose by 0.5%mth, maintaining a similar pace to October and November.

The **Richmond Fed Fifth District Manufacturing Survey** reported a decline in business sentiment for February. The headline index dropped by 4pts to -10, close to last year's average of -9.4.

Chicago Fed President **Austan Goolsbee** noted that the tariff situation in the US is likely to increase uncertainty for businesses, but it may also contribute to easing inflation. Fed Governor **Lisa Cook** discussed the potential impact of AI on the labour market, warning that it could result in higher unemployment – a challenge for the Fed.

Local Data

In his remarks to the ABE Annual Forecasting Conference in Sydney, the RBA's Head of Economic Analysis, Michael Plumb, noted that inflation was materially higher than expected in the second half of 2025. However, he emphasised that this largely reflected "sector-specific demand… much of which we expect to dissipate in coming quarters" (see here).

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