26 February 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

President Trump's 2026 State of the Union address focused on the economy but provided little-to-no information on new policy initiatives.

US Trade Representative confirmed that the US global tariff will rise to 15% from the 10% but offered no details regarding how the higher tariff will be applied in situations where it breaches US trade deals.

Stock markets were generally positive, with many investors hoping that today's NVIDIA results announcement will confirm that outlook for AI-driven returns remains strong.

JGB yields jumped higher in Japan, as Prime Minister Sanae Takaichi appointed two academics to the BoJ board associated with reflationist views on economic policy.

Domestic yields were also higher and AUD gained 0.9%, as the latest Australian monthly CPI figures surprised to the upside in January.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.4	0.5%
AUD/USD	0.7120	0.9%
AUD/JPY	111.38	1.2%
AUD/GBP	0.5254	0.4%
AUD/NZD	1.1873	0.3%
AUD/EUR	0.6032	0.6%
AUD/CNH	4.8800	0.5%
AUD/SGD	0.8996	0.6%
AUD/HKD	5.5683	0.8%
AUD/CAD	0.9741	0.7%
EUR/USD	1.1806	0.3%
USD/JPY	156.42	0.4%
USD Index	97.68	-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	4.35	0.01
1 year swap	4.22	0.02
2 year swap	4.25	0.02
3 year swap	4.26	0.01
4 year swap	4.28	0.01
5 year swap	4.32	0.01
6 year swap	4.37	0.01
7 year swap	4.43	0.00
8 year swap	4.48	0.00
9 year swap	4.53	0.00
10 year swap	4.79	0.01

Equities	Close	Change
S&P/ASX 200	9,128	1.2%
S&P 500	6,948	0.8%
Japan Nikkei	58,583	2.2%
Hang Seng	26,766	0.7%
Euro Stoxx 50	6,173	0.9%
UK FTSE100	10,806	1.2%
VIX Index	18.09	-7.5%

Commodities	Current	Change
CRB Index	311.44	0.5%
Gold	5186.55	0.8%
Copper	13322	1.2%
Oil (WTI futures)	65.63	0.0%
Coal (coking)	226.50	0.7%
Coal (thermal)	123.25	-0.2%
Iron Ore	98.75	2.1%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.28	0.03
10 year bond	4.72	0.02
United States		
3-month T Bill	3.59	0.00
2 year bond	3.47	0.01
10 year bond	4.05	0.02
Other (10 year yields)		
Germany	2.71	0.00
Japan	2.14	0.05
UK	4.32	0.01

Sydney Futures Exchange	Current	Change
10 yr bond	4.72	-0.01
3 yr bond	4.28	-0.01
3 mth bill rate	4.04	-0.01
SPI 200	9,139	0.6%

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.

Mantas Vanagas
Senior Economist, Westpac Group
P: +61 422 030 326
E: mantas.vanagas@westpac.com.au

Financial Markets

Political headlines have dominated the news feed over the past day. President Trump's focus throughout the 2026 State of the Union address was the performance of the US economy. He spoke about falling inflation and rapid income growth, while also highlighting stock market gains and the housing market as successes and opportunities for all. There was little-to-no information on new policy initiatives.

Meanwhile, US Trade Representative Jamieson Greer confirmed that the US global tariff will rise to 15% from the 10% which took effect earlier this week. However, while the US aims to maintain the trade deals signed last year, Greer provided no details regarding how the higher tariff will be applied in situations where it breaches US commitments.

- Stock markets were generally positive. Market positioning was an important factor ahead of the imminent NVIDIA results announcement, with many investors hoping for confirmation that the outlook for AI-driven returns remains strong. Against this backdrop, the S&P 500 rose 0.8% – tech stocks led with a 2.0% gain.
- European stocks also rallied – the Euro Stoxx 50 rose 0.9% and the FTSE 100 in the UK gained 1.2% – supported by gains in banking stocks following major results announcements. Asian markets also traded strongly, with the Nikkei rallying 2.2%. The domestic equities market followed global trends, rising by 1.2%.
- After gains earlier in the week, selling pressure emerged in major government bond markets, pushing yields slightly higher. The US 10Y rose 2bp to 4.05%, while the short end of the curve moved by about 1bp. The UK yield curve followed a similar pattern, while German bunds were little changed, as euro area HICP numbers confirmed a 0.3ppt decline in January inflation to 1.7%yr. JGB yields jumped higher in Japan, as Prime Minister Sanae Takaichi appointed two academics to the BoJ board associated with reflationist views on economic policy. The 10Y JGB yield rose 5bp to 2.14%, while losses in the super-long segment were even greater.
- Domestic yields were also higher, as the latest Australian monthly CPI figures surprised to the upside in January. Markets are now pricing in about one and a half RBA policy rate increases before the end of this year.
- In the FX markets, the DXY retreated 0.2%, continuing to trade in a relatively tight range below 98. The EUR and GBP rallied by 0.3% and 0.5% respectively, while the yen sold off, losing 0.4%. The AUD outperformed, rising 0.9% above 0.71, with the stronger than expected CPI print providing a tailwind for the move.

Today's key data and events

Time	Event	Exp	Prev
11:00	NZ ANZ Business Confidence Feb	-	64.1pts
11:30	AU Private New Capital Expenditure Q4	0.0%	6.4%
21:00	EZ Economic Confidence Feb	99.8pts	99.4pts
0:30	US Initial Jobless Claims 21/02/2026	216k	206k
3:00	US Kansas City Fed Feb	1.5pts	0pts

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.

- In commodity markets, attention remains on Iran, where the likelihood of escalation into military conflict with the US appears very high. In the State of the Union address, President Trump suggested Iran is working on its nuclear programme even while negotiating with the US. Following significant gains last week, crude prices remained steadier, with the April WTI contract moving sideways. Copper rose for a second consecutive day, up 1.2%, with strong demand from China and the prospect of lower US tariffs driving prices higher. Other metals rose for similar reasons, and iron ore jumped 2.1%.

International Data

Euro area HICP inflation final estimate for January was unrevised at 1.7%yr, confirming a 0.3ppt decline from the prior month and matching the lowest level since the COVID pandemic. Major core components were unchanged from the flash estimates, confirming a 0.2ppt decline in services inflation to 3.2%yr and leaving non-energy industrial goods prices growing at 0.4%yr. Thus, core inflation was also unrevised at 2.2%yr. Food inflation was confirmed at 2.6%yr, 0.1ppt lower than previously thought, but its impact on the headline rate was offset by higher energy inflation, now estimated at -4.0%yr, up from -4.1%yr previously.

Local Data

Australia's CPI gained 3.8%yr in January, a touch stronger than Westpac's estimate of 3.6%yr and the market estimate of 3.7%yr. In the month, the CPI lifted 0.4%, stronger than Westpac's published near-cast of 0.1% on the back of stronger than expect gains in electricity and garments & footwear offset somewhat by a larger than expected fall in holiday travel and a smaller than expected rise in health (see here).

Australia's total construction activity declined 0.1% in Q4 2025 to be 3.0%yr higher in year-ended terms. Public infrastructure declined sharply, down almost 4.0%qtr and 8.0%yr. This was offset by a further expansion in residential and other non-residential building activity. The surprise points to small downside risks to our Q4 GDP nowcast (see here).

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

IQ
westpaciq.com.au

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