



2 July 2026

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

FOMC Chair Warsh discussed current conditions and the economic outlook alongside other top central banking officials in Sintra overnight. He made clear that the Committee is committed to bringing inflation back to its 2.0%yr target, but also that inflation expectations and risks "have come down", signalling that time is on the FOMC's side.

Bond markets were largely unphased, with treasury yields holding steady and market pricing for near-term Fed rate hikes only paring back very slightly. The USD gained while a sell-off in tech and chipmakers drove declines in US stocks despite resilience elsewhere.

The latest round of talks in Doha concluded, with US officials labelling them "positive", though there still appears to be a number of sticking points yet to be resolved between the two sides. Crude oil prices continued to slide back to pre-conflict levels, with Brent around US\$71/bbl.

## Data snapshot

FX Last 24 hrs	Current	Change
TWI	64.8	0.3%
AUD/USD	0.6896	-0.4%
AUD/JPY	112.14	-0.4%
AUD/GBP	0.5193	-0.5%
AUD/NZD	1.2158	-0.3%
AUD/EUR	0.6061	0.0%
AUD/CNH	4.6858	-0.3%
AUD/SGD	0.8934	-0.2%
AUD/HKD	5.4103	-0.4%
AUD/CAD	0.9803	-0.2%
EUR/USD	1.1379	-0.4%
USD/JPY	162.56	0.0%
USD Index	101.40	0.2%

Equities	Close	Change
S&P/ASX 200	8,723	-0.6%
S&P 500	7,483	-0.2%
Japan Nikkei	70,475	0.6%
Hang Seng	22,881	-0.6%
Euro Stoxx 50	6,283	-0.7%
UK FTSE100	10,478	-0.2%
VIX Index	16.59	0.9%

Commodities	Current	Change
CRB Index	353.86	0.1%
Gold	4030.64	0.6%
Copper	13298	-0.6%
Oil (WTI futures)	68.58	-1.3%
Coal (coking)	242.00	0.0%
Coal (thermal)	129.40	0.0%
Iron Ore	99.75	-1.5%
ACCU	36.13	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	0.00
90 day BBSY	4.52	0.01
180 day BBSY	4.84	-0.01
1 year swap	4.52	0.02
2 year swap	4.44	0.00
3 year swap	4.41	0.02
4 year swap	4.40	0.05
5 year swap	4.42	0.05
6 year swap	4.46	0.05
7 year swap	4.51	0.05
8 year swap	4.57	0.05
9 year swap	4.62	0.06
10 year swap	4.67	0.06

Government Bond Yields	Close	Change
<b>Australia</b>		
3 year bond	4.42	0.05
10 year bond	4.79	0.06
<b>United States</b>		
3-month T Bill	3.68	-0.05
2 year bond	4.17	0.00
10 year bond	4.48	0.01
<b>Other (10 year yields)</b>		
Germany	2.88	0.02
Japan	2.71	0.03
UK	4.76	0.00

Sydney Futures Exchange	Current	Change
10 yr bond	4.83	0.01
3 yr bond	4.42	0.01
3 mth bill rate	4.51	0.00
SPI 200	8,687	-0.3%

Data as at 7:30am AEST. 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

FOMC Chair Warsh appeared on a panel alongside the heads of the ECB, BoE and BoC at the ECB Forum on Central Banking 2026 in Sintra. Each participant highlighted the importance of being clear with the market regarding their decision-making process and evolving risks assessment; but also recognised the degree of uncertainty present, requiring policy to be decided meeting-by-meeting as signal is discerned. The individual circumstances and different starting point of each nation was also emphasised, and there was also a clear intent to look ahead given the abrupt shift in energy inflation dynamics in recent weeks and also that the growth impact of the shock is still to be felt. On the market's focus, the immediate policy outlook for the FOMC, Chair Warsh again made clear that the Committee is committed to bringing inflation back to its 2.0%yr target, but also that, in the first four weeks of the current inter-meeting period, inflation expectations and risks "have come down", signalling that time is on the FOMC's side.

The latest round of talks in Doha concluded, with US officials labelling them "positive". It is unclear how much progress has been made as there still appears to be a number of sticking points yet to be resolved between the two sides. Uncertainty will persist as technical talks continue through lower-level representatives, but for now, markets seem unperturbed.

- Share markets were mostly in the red across the globe. In the US, the S&P 500 (-0.2%) and NASDAQ (-0.7%) slid while the Dow Jones held flat, reflecting pressure on tech stocks and chipmakers while most other sectors held steady. Across the pond, the Euro Stoxx 50 (-0.7%) and FTSE 100 (-0.2%) both struggled to find any momentum. Stocks were down across much of Asia as well, including Hong Kong (-0.6%), Shanghai (-0.4%) and Seoul (-2.0%), only Tokyo bucking the wider trend following stronger sentiment data (+0.6%). The ASX 200 also slid yesterday (-0.6%), and futures markets are pointing to a weak open this morning.
- Treasury yields were little changed on the day, the 2Y flat at 4.17% while the 10Y edged 1bp higher to 4.48%. This comes as markets start to pare back some of its conviction over Fed rate hikes following FOMC Chair Warsh's 'less hawkish' commentary overnight, though a rate hike is still fully priced in for October with a follow-up seen as likely in 2027.
- ACGBs sold off during local trading, taking the cue from global momentum the day prior, seeing the 3Y and 10Y yields rise 5bps and 6bps to 4.42% and 4.79% respectively. Market pricing for the RBA is broadly unchanged given the lack of key local data this week, the chance of another rate hike still seen as a 50/50 by November.
- The USD found a decent bid yesterday and overnight, the DXY index rising 0.2% to around 101.40 at the time of

## Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Building Permits May	-	10.9%
11:30	AU Trade Balance May	\$2500m	\$1791m
19:00	EZ Unemployment Rate May	6.3%	6.3%
22:30	US Non-Farm Payrolls Jun	110k	172k
22:30	US Average Hourly Earnings Jun	0.3%	0.3%
22:30	US Unemployment Rate Jun	4.3%	4.3%
22:30	US Initial Jobless Claims	218k	215k
0:00	US Factory Orders May	-2.0%	4.8%
0:00	US Durable Goods Orders May Final	-4.5%	-4.5%

Times are AEST. 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.

writing. Much of the index's gain was centred on weakness in the Euro (-0.4%), sliding back below the USD1.14 handle. The Yen was broadly stable in and around the JPY162.6 with markets on the look-out for possible intervention. The Aussie dollar meanwhile slid more heavily against the greenback (-0.4%), though it continues to trade around USD0.69 as has been the case for the past week or so.

- Crude oil prices continued to slide back to pre-conflict levels as the latest round of negotiations in Doha concluded, with US officials calling them "positive". WTI and Brent fell -1.3% and -1.5% to US\$68.58 and US\$71.13 respectively.
- Metals were generally softer, with LME copper giving back most of yesterday's gains with a -0.6% fall, while LME aluminium also slid -0.3%. Gold meanwhile responded more positively to the 'less hawkish' tone struck by FOMC Chair Warsh in Sintra overnight, with bullion lifting 0.6% albeit still within recent ranges.

## International Data

In the US, **ISM manufacturing** edged lower from 54.0 to 53.3 in June. New orders deteriorated while employment firmed, though the latter remains contractionary. **ADP employment** disappointed ahead of official payrolls data tonight, with 98k jobs created against an expectation of 120k.

In Europe, **June's CPI** was softer than expected, prices falling 0.1% in the month, slowing the annual pace from 3.2%yr to 2.8%yr Core inflation softened from 2.6%yr to 2.4%yr.

In China, the **RatingDog manufacturing PMI** was stable in June, ticking slightly lower from 51.8 to 51.7.. Solid results over recent months coincides with evidence of resurgent strength from trade. In Japan, the **Tankan Large Manufacturer's Index** surprised to the upside in Q2, rising from +17 to +22, although the underlying picture still looks sluggish.

## Local Data

In Australia, the **Cotality home value index** fell -0.4% in June, with corrections deepening in Sydney and Melbourne (see [here](#)). A unit-led decline weighed on **dwelling approvals** in May, despite resilience in detached houses (see [here](#)).



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