14 July 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

President Trump announced that the US Navy's blockade of Iranian ports will restart today, and that the US will charge ships transiting to and from non-Iranian ports 20% of the value of each shipment, a price that is a multiple of Iran's proposed toll.

Markets struck a risk-off tone overnight as oil prices surged, Brent up over 9% to around US$83/bbl. Concerns about inflation are once again at the fore, causing bond yields to jump and equities to fall.

Comments from the FOMC's Waller overnight reinforced the notion that the Fed will have to consider tightening should core inflation remain hot. Markets have now fully priced in a Fed rate hike by September.

Today's consumer sentiment and business conditions data will be closely scrutinised for clues on the local inflation pulse and its impact on the economy. Tonight, FOMC Chair Warsh's testimony and earnings announcements from US banks will be in focus.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.0	-0.2%
AUD/USD	0.6917	-0.5%
AUD/JPY	112.38	-0.1%
AUD/GBP	0.5182	-0.1%
AUD/NZD	1.2031	-0.3%
AUD/EUR	0.6076	-0.2%
AUD/CNH	4.6933	-0.5%
AUD/SGD	0.8953	-0.3%
AUD/HKD	5.4219	-0.5%
AUD/CAD	0.9791	-0.4%
EUR/USD	1.1385	-0.3%
USD/JPY	162.48	0.5%
USD Index	101.28	0.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	0.00
90 day BBSY	4.51	0.00
180 day BBSY	4.79	0.00
1 year swap	4.54	0.03
2 year swap	4.50	0.06
3 year swap	4.49	0.08
4 year swap	4.48	0.06
5 year swap	4.51	0.06
6 year swap	4.55	0.05
7 year swap	4.61	0.05
8 year swap	4.66	0.05
9 year swap	4.72	0.05
10 year swap	4.76	0.05

Equities	Close	Change
S&P/ASX 200	8,809	0.0%
S&P 500	7,515	-0.8%
Japan Nikkei	67,243	-1.9%
Hang Seng	24,214	0.2%
Euro Stoxx 50	6,271	0.0%
UK FTSE100	10,498	0.0%
VIX Index	17.16	14.2%

Commodities	Current	Change
CRB Index	374.47	2.3%
Gold	4002.45	-2.9%
Copper	13541	0.4%
Oil (WTI futures)	78.14	9.4%
Coal (coking)	232.50	-1.9%
Coal (thermal)	131.00	1.7%
Iron Ore	99.05	-0.8%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.45	0.03
10 year bond	4.86	0.02
United States		
3-month T Bill	3.72	0.02
2 year bond	4.28	0.07
10 year bond	4.62	0.06
Other (10 year yields)		
Germany	3.11	0.04
Japan	2.79	0.05
UK	4.97	0.10

Sydney Futures Exchange	Current	Change
10 yr bond	4.94	0.05
3 yr bond	4.51	0.07
3 mth bill rate	4.47	0.00
SPI 200	8,775	-0.1%

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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Today's key data and events

Time	Event	Exp	Prev
8:00	NZ RBNZ Chief Economist Speaking	–	–
8:45	NZ Net Migration May	–	3090k
10:30	AU Westpac-MI Consumer Sentiment Jul	–	80.6pts
11:30	AU NAB Business Conditions Jun	–	3pts
12:00	CH Trade Balance Jun	US$120.1b	US$105.4b
20:00	US NFIB Small Business Optimism Jun	95.7pts	95.3pts
22:30	US CPI Jun	–0.1%	0.5%
0:00	US FOMC Chair Warsh House Testimony	–	–

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.

Financial Markets

The US has continued military strikes on Iran overnight and President Trump announced that the US Navy's blockade of Iranian ports will restart today. Trump also announced that the US will charge ships transiting to and from non-Iranian ports 20% of the value of each shipment, a price that is a multiple of Iran's proposed toll. It is not immediately clear how the US will charge ship owners, or whether the toll breaches international law. Potentially it will only apply to ships that are escorted through the Strait by a US Naval vessel. Negotiations are reportedly still ongoing despite the above actions, though it's not clear where they stand. In any case, President Trump has continued to issue threats of further strikes in the interim.

Federal Reserve Governor Waller noted that "If we get another hot reading on core inflation this week, then the FOMC will need to consider tightening monetary policy in the near term". He also stated that it was reasonable to expect a lower outcome, in which case policy could remain on hold. But, after the acceleration of the first half, "several months of lower readings [are necessary] to feel that inflation is moving in the right direction".

- US share markets were rattled by the re-escalation in tensions between the US and Iran, led by a sharp fall in chipmakers, seeing the NASDAQ drop sharply (–1.6%) while both the S&P 500 (–0.8%) and Dow Jones (–0.3%) also fell ahead of major earnings announcements through the rest of the week. European and London share markets finished broadly flat, avoiding the brunt of Trump's blockade announcement late into their trading session.
- Asian share markets were also hit by Middle East headlines and higher oil prices yesterday, with stocks falling across Tokyo (–1.9%) and Shanghai (–1.8%). Seoul's KOSPI dropped a whopping –9.0%, driven by a sell-off in SK Hynix following its successful ADR listing on the NASDAQ last week, reflecting concerns around overstretched valuations.
- The ASX 200 meanwhile held steady, with gains in financials and consumer discretionary offsetting the drag from miners and tech. Following the action overnight, futures markets are pointing to another weak opening this morning.
- Treasuries sold off after the surge in oil prices reignited concerns about inflation. The 2Y and 10Y yields jump 7bps and 6bps respectively, the latter at its highest since mid-May. The latest developments have bolstered the markets confidence over near-term Fed rate hikes – the next move now fully priced in by September, with July seen as at around a 40% chance.
- Elsewhere across the globe, 10Y JGBs gave back some of late last week's gains as markets following the Finance Minister's calls for pension funds to invest in domestic assets, seeing yields lift 5bps. Yields for 10Y Gilts and Bunds also jumped following the news overnight, up 10bps and 4bps respectively.
- ACGBs sold off during local trading and that momentum continued into futures trading overnight, where 3Y and 10Y yields have jumped 7bps and 5bps respectively. Swaps markets are starting to see the prospect of another RBA rate hike by year-end as more likely than not (i.e. above 50% chance), though pricing for August is circa 20%.
- The USD traded a wide range but found a solid bid overnight as Middle East tensions re-escalated, the DXY finishing 0.3% higher at around 101.3. All currencies in the basket weakened against the greenback, including the Yen (–0.5%) which already gave back some of yesterday's gain, alongside the Sterling (–0.4%) and Euro (–0.3%).
- The Aussie dollar meanwhile dropped –0.5% back toward the USD0.6920 mark. Middle East developments will continue to dominate near-term, but markets will be closely watching the NAB business survey's costs and pricing measures for any signs of upside inflation risks.
- Crude oil prices surged after President Trump announced he is reinstating the blockade, demanding payment of 20% of shipment value for any ships transiting to and from non-Iranian ports, while also threatening further strikes against Iran. Brent and Crude have surged 9.5% and 9.4% to US$83.2/bbl and US$78.1/bbl respectively, the highest since mid-June.
- Base metals are yet to fully absorb the risk-off sentiment since the re-escalation in Middle East tensions, prices instead rising as concerns about near-term supply tightness dominate, seeing LME copper and aluminium lift 0.4% and 1.0% respectively. Gold prices also dropped following the jump in yields, down –2.9% to around $4,000/oz.

Local Data

In New Zealand, the **performance services index** rose from 47.5 to 50.6 in June, the first expansionary reading in for the sector since January, according to this measure.

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