15 July 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Less than 24 hours after announcing the toll, President Trump abandoned his plan to charge ships 20% for safe passage through the Strait of Hormuz.

Markets closely watched the latest US inflation figures, which came in softer than expected and prompted a notable repricing of the fed funds rate outlook.

In his testimony, Fed Chair Kevin Warsh downplayed the significance of the softer CPI print and emphasised the Fed's commitment to returning inflation to target.

Both equities and bonds made gains, and the DXY depreciated. The AUD led the charge with a 0.8% gain.

Crude remained volatile but generally maintained the upward trend of recent days, with Brent reaching $85.1, and the WTI at $79.3.

Iron ore jumped 1.7% and rose back above $100, as workers at BHP's Port Hedland iron ore export terminal announced a strike on Thursday.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.0	0.0%
AUD/USD	0.6974	0.8%
AUD/JPY	113.13	0.7%
AUD/GBP	0.5209	0.5%
AUD/NZD	1.2001	-0.3%
AUD/EUR	0.6105	0.5%
AUD/CNH	4.7225	0.7%
AUD/SGD	0.9005	0.6%
AUD/HKD	5.4661	0.8%
AUD/CAD	0.9808	0.1%
EUR/USD	1.1421	0.3%
USD/JPY	162.22	-0.1%
USD Index	100.93	-0.3%

Equities	Close	Change
S&P/ASX 200	8,808	0.0%
S&P 500	7,544	0.4%
Japan Nikkei	67,744	0.7%
Hang Seng	24,341	0.5%
Euro Stoxx 50	6,280	0.1%
UK FTSE100	10,529	0.3%
VIX Index	16.5	-3.8%

Commodities	Current	Change
CRB Index	377.46	0.8%
Gold	4052.85	1.3%
Copper	13643	0.8%
Oil (WTI futures)	79.34	1.5%
Coal (coking)	233.00	0.2%
Coal (thermal)	130.65	-0.3%
Iron Ore	100.15	1.7%
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	4.77	-0.02
1 year swap	4.54	0.00
2 year swap	4.49	-0.01
3 year swap	4.46	-0.03
4 year swap	4.47	-0.01
5 year swap	4.50	-0.01
6 year swap	4.54	-0.01
7 year swap	4.59	-0.01
8 year swap	4.65	-0.01
9 year swap	4.70	-0.01
10 year swap	4.75	-0.01

Government Bond Yields	Close	Change
Australia		
3 year bond	4.50	0.05
10 year bond	4.91	0.05
United States		
3-month T Bill	3.69	-0.05
2 year bond	4.19	-0.09
10 year bond	4.59	-0.03
Other (10 year yields)		
Germany	3.11	0.00
Japan	2.72	-0.07
UK	4.98	0.01

Sydney Futures Exchange	Current	Change
10 yr bond	4.93	-0.02
3 yr bond	4.48	-0.02
3 mth bill rate	4.47	0.00
SPI 200	8,817	0.6%

Data as at 7:45am 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

Less than 24 hours after announcing the toll, President Trump abandoned his plan to charge ships 20% for safe passage through the Strait of Hormuz. Gulf nations have reportedly agreed to increase their investment in the US instead. US strikes on Iranian military assets are continuing, and the US announced that it had resumed its blockade of Iranian ships.

Away from geopolitics, markets closely watched the latest US inflation figures, which came in softer than expected and prompted a notable repricing of the fed funds rate outlook. In his testimony before the House Financial Services Committee, Fed Chair Kevin Warsh downplayed the significance of the softer CPI print, saying he would not want to place too much emphasis on one data point. Overall, his comments carried a hawkish tone, emphasising the Fed's commitment to returning inflation to target. "The members of our committee have no tolerance for persistently elevated inflation," he said.

- Equity markets found themselves in between easing expectations for Fed policy tightening and news flow about escalating situation in the Middle East. The S&P 500 gained 0.4%; however, performance was mixed across sectors – tech posted a gain, with semiconductor stocks remaining very volatile, while consumer staples and healthcare eased notably. The pattern was similar across other markets – the Euro Stoxx 50 gained 0.1% and the FTSE 100 in the UK rose 0.3%, while Asian stocks were also trading higher. The domestic ASX 200 underperformed, moving sideways.
- The CPI data saw markets pare back expectations for fed funds rate hikes this year to just over one 25bp increase. This put some downward pressure on the front end of the US Treasury yield curve, with the 2Y yield down 9bp. Moves were more modest at the long end, with the 10Y yield down 3bp to 4.59%. Major European government bonds were more stable, but JGBs were again at the centre of attention, as Japan's finance minister floated the idea of making JGB investments tax-free for retail investors. The 10Y JGB yield fell 7bp. Aussie yields headed higher, with the curve shifting up by about 5bp, but futures are suggesting lower yields at the market open this morning.
- In the FX market, the DXY retreated 0.3%, while the EUR and GBP made equivalent gains. Higher-beta currencies outperformed – the AUD led the charge with a 0.8% rise reaching 0.6975, but it was topped by the NZD's 1.1% gain.
- In commodity markets, crude remained volatile but generally maintained the upward trend of recent days. The September Brent futures contract gained more than 2% to reach $85.1, while the August WTI contract was up 1.5% to $79.3. Lower US inflation supported gold prices, which gained 1.3%. Iron ore jumped 1.7% and rose back above $100, as workers at BHP's Port Hedland iron ore export terminal announced a strike on Thursday.

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Card Spending Jun	-	2.2%
12:00	CN GDP Q2	4.5%	5.0%
12:00	CN Retail Sales YoY YTD Jun	1.2%	1.4%
12:00	CN Industrial Production YoY YTD Jun	5.3%	5.4%
19:00	EZ Industrial Production May	0.2%	0.1%
22:30	US PPI Jun	0.0%	1.1%
23:45	CA BoC Policy Decision 15/07/2026	2.2%	2.2%

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.

International Data

US CPI was soft in June, falling 0.4%mth – well below market expectations for a 0.1%mth decline. With oil prices retreating sharply over May and June, energy was the main source of downward pressure on prices, falling 5.7%mth. But core inflation also surprised materially to the downside, coming in flat and marking the lowest reading since the pandemic years. Core services inflation slowed from 0.3%mth in May to zero, as the shelter category reported a notable moderation for a second consecutive month. Other important services components, including airfares, medical care, car insurance and recreational services, also cooled, suggesting a pullback in demand. Core goods inflation remained at -0.1%mth for a second month in a row, confirming that the tariff-related pressures that kept this category averaging 0.2%mth in the second half of last year have faded. On an annual basis, headline inflation fell from 4.2%yr to 3.5%yr. The decline in the core rate was more modest, easing by 0.3ppt to 2.6%yr.

The latest strong trade figures from China once again highlighted the contrast between booming external demand for Chinese goods and subdued domestic activity. The headline trade surplus jumped $20bn to $125.6bn, the second-highest level on record. Export growth surged to 27.0%yr, while import growth rose to 36.0%yr. High-tech product shipments to and from China, both up by more than 50%yr, accounted for a large share of total trade. Iron ore imports also increased significantly, leaving imports from Australia up 66%yr.

Local Data

The Westpac–Melbourne Institute Consumer Sentiment Index rose 4.1% to 83.9 in July from 80.6 in June. Pessimism still dominates but fuel price pressures and rate rise fears moderate (see here).

An easing in global commodity prices sees business confidence recover further in June, while conditions hold steady (see here).

In New Zealand, business confidence picked up a bit in the June quarter, but Middle East tensions and higher fuel prices remained on firms' minds (see here).

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