16 July 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets adopted a cautious risk-on tone after softer-than-expected US PPI data reduced expectations for further Fed tightening, with equities and US Treasuries advancing, while the USD weakened. Oil prices continued to rise as the US maintained strikes against Iran.

Equities advanced on the back of stronger earnings and softer inflation data.

US Treasuries continued to rally following the softer US PPI print, although futures markets continue to price an additional Fed hike this year, with December seen as the most likely timing.

The USD weakened following the softer inflation data, with the sterling outperforming on expectations that Shabana Mahmood will be appointed Andy Burnham's chancellor.

Oil prices continued to climb as the US maintained strikes against Iran, while gold recovered to finish higher on the back of the softer inflation print.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.4	0.6%
AUD/USD	0.7004	0.4%
AUD/JPY	113.60	0.4%
AUD/GBP	0.5171	-0.7%
AUD/NZD	1.1974	-0.2%
AUD/EUR	0.6112	0.1%
AUD/CNH	4.7420	0.4%
AUD/SGD	0.9031	0.2%
AUD/HKD	5.4914	0.5%
AUD/CAD	0.9835	0.3%
EUR/USD	1.1464	0.4%
USD/JPY	162.19	0.0%
USD Index	100.52	-0.4%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	0.00
90 day BBSY	4.51	0.00
180 day BBSY	4.77	0.00
1 year swap	4.54	0.00
2 year swap	4.48	-0.01
3 year swap	4.44	-0.02
4 year swap	4.45	-0.02
5 year swap	4.48	-0.02
6 year swap	4.53	-0.02
7 year swap	4.58	-0.01
8 year swap	4.64	-0.01
9 year swap	4.69	-0.01
10 year swap	4.74	-0.01

Equities	Close	Change
S&P/ASX 200	8,841	0.4%
S&P 500	7,572	0.4%
Japan Nikkei	68,752	1.5%
Hang Seng	24,681	1.4%
Euro Stoxx 50	6,266	-0.2%
UK FTSE100	10,516	-0.1%
VIX Index	15.67	-5.0%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.49	-0.02
10 year bond	4.90	-0.01
United States		
3-month T Bill	3.69	-0.01
2 year bond	4.13	-0.06
10 year bond	4.55	-0.04
Other (10 year yields)		
Germany	3.12	0.01
Japan	2.70	-0.02
UK	4.94	-0.04

Commodities	Current	Change
CRB Index	379.33	0.5%
Gold	4060.55	0.2%
Copper	13582	-0.5%
Oil (WTI futures)	80.35	1.3%
Coal (coking)	232.50	-0.2%
Coal (thermal)	130.50	-0.1%
Iron Ore	100.00	0.3%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	4.91	-0.02
3 yr bond	4.46	-0.03
3 mth bill rate	4.47	0.00
SPI 200	8,818	0.1%

Data as at 7:00am 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

Markets adopted a cautious risk-on tone overnight as softer-than-expected US PPI data prompted markets to pare expectations for further Federal Reserve tightening. Equities and US Treasuries advanced, while the USD weakened. Oil prices continued to rise, however, as the US maintained strikes against Iran, with President Trump pledging to intensify the bombardment until Tehran ceases attacks on shipping in the Strait. While easing energy prices were a key driver of the softer US inflation outcome, markets remain cautious about the implications of a prolonged conflict. Trump suggested Iran is seeking talks, although Tehran has not publicly confirmed a willingness to resume negotiations.

- US equities ended the session higher, supported by strong earnings and softer-than-expected inflation data. The S&P 500 gained 0.4%, while the NASDAQ rose 0.6%, and the Dow Jones 0.3%. European equities lagged, with the Euro Stoxx 50 down 0.2% and the FTSE 100 lower by 0.1%.
- Asian equities rallied, with Korea's KOSPI up 6.2%, partially reversing the week's earlier sharp decline. The Nikkei 225 gained 1.5%, while the Hang Seng rose 1.4%. Locally, strength in materials supported a 0.4% gain in the ASX 200.
- US Treasuries continued to advance following the softer-than-expected US PPI data. The 2-year yield fell 6bps, while the 10-year yield declined 4bps. Although futures markets have pared expectations for an additional Fed hike this year, a move in December remains priced, with the implied year-end terminal cash rate at 3.89%.
- Australian government bond yields were relatively steady, although they moved lower in line with the previous session's gains in US Treasuries. The 3-year yield fell 2bps, while the 10-year yield declined 1bp. Swap markets remain unconvinced of an additional RBA hike, with the implied year-end terminal cash rate at 4.51%.
- FX markets saw the USD weaken further following the softer inflation data, with the DXY down 0.4%. The AUD gained 0.4% against the greenback to 0.7004. The sterling rose a notable 1.1% on expectations that Shabana Mahmood will be named Andy Burnham's chancellor, with the appointment seen as supportive of fiscal credibility under the incoming administration. The euro gained 0.4% against the USD, while the yen was little changed.
- In commodity markets, oil continued to rise as the US maintained strikes against Iran. Brent rose 1.2% to US$85.8/bbl, while WTI gained 1.3% to US$80.4/bbl. Gold recovered from earlier losses to finish 0.2% higher, supported by the softer US inflation print. Copper was down 0.5% and aluminium fell 0.8%, while iron ore rose 0.3%.

Today's key data and events

Time	Event	Exp	Prev
16:00	GB Trade Balance May	-£5500b	-£8435b
22:30	US Phily Fed Manufacturing Jul	13pts	10.3pts
22:30	US Retail Sales Jun	0.2%	0.9%
22:30	US Initial Jobless Claims 11/07/2026	217k	215k
0:00	US NAHB Housing Market Jul	35pts	35pts
0:00	US Business Inventories May	0.3%	0.5%
0:00	US Pending Home Sales Jun	-0.5%	3.8%

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

The **US PPI index** surprised to the downside in June, prices falling 0.3% in the month after the May outcome was revised down from 1.1% to 0.6%. Ex food and energy, prices rose 0.2% in June and the May outcome was lowered from 0.4% to 0.1%. Annual PPI inflation eased from 6.0%yr to 5.5%yr, while the core measure was little changed at 4.7%yr.

FOMC Chair Warsh's second day of testimony before Congress again highlighted his concern over inflation's current momentum and risks, but the discussion also recognised a need to distinguish between one-off price increases and persistent threats to inflation. Chair Warsh also noted that he expected AI investment to lift productivity and wages in time, and that he intends to preserve the FOMC's independence.

New York Fed President Williams characterised monetary policy as "well positioned" to bring inflation back to the 2.0%yr target even as AI investment puts upward pressure on inflation. He also believes productivity will receive a material benefit from the current wave of investment, that shelter inflation is slowing and the labour market is not adding to inflationary pressures currently. Governor Cook was more hawkish, holding inflation risks as dominant and being ready to act against inflation if evidence of disinflation is not seen soon.

The Federal Reserve's Beige Book reported slight to moderate activity growth across the nation. High fuel prices weighed on discretionary consumption, while business conditions were mixed. Employment rose on balance broadly across the economy, while wage growth remained modest. Inflation was characterised as moderate overall.

Chinese **Q2 GDP** growth met expectations, rising 0.9%qtr, although the annual pace disappointed at 4.3%yr. Year-to-date growth remains on track to meet expectations of 4.7%ytd, although this sits towards the lower end of authorities' 4.5%–5.0% full-year guidance. The detail suggests growth continues to rely on external demand, with domestic businesses and households lagging (see here).

Local Data

In New Zealand, **retail card spending** fell 1.4%mth in June, with declines broad-based as cost-of-living pressures remain a key concern for households (see here).

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