20 July 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Market sentiment continued to deteriorate as concerns around semiconductor valuations weighed on risk appetite, while tensions in the Middle East escalated after Iran suspended its commitments under the interim peace deal. The effective abandonment of the MoU saw both sides intensify strikes, including against non-military assets.

Equities fell as investors continued to rotate out of AI-related stocks.

Bond markets were mixed but broadly subdued.

FX markets were relatively subdued, with the USD broadly stable, while the AUD weakened against the greenback and most major currencies.

Oil prices continued to rise as markets priced renewed escalation in the Middle East, with Brent recording its strongest weekly gain since April, up almost 16% over the week. Gold recovered to remain above US$4,000/oz.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.3	-0.2%
AUD/USD	0.6966	-0.2%
AUD/JPY	113.16	-0.2%
AUD/GBP	0.5180	0.0%
AUD/NZD	1.1946	-0.2%
AUD/EUR	0.6096	-0.3%
AUD/CNH	4.7213	-0.4%
AUD/SGD	0.8969	-0.7%
AUD/HKD	5.4625	-0.2%
AUD/CAD	0.9753	-0.1%
EUR/USD	1.1428	0.0%
USD/JPY	162.45	0.0%
USD Index	100.77	0.0%

Equities	Close	Change
S&P/ASX 200	8,797	-0.5%
S&P 500	7,458	-1.0%
Japan Nikkei	64,141	-4.0%
Hang Seng	24,562	-1.8%
Euro Stoxx 50	6,231	-0.8%
UK FTSE100	10,600	0.3%
VIX Index	18.77	12.2%

Commodities	Current	Change
CRB Index	381.96	0.0%
Gold	4017.39	1.0%
Copper	13526	-0.5%
Oil (WTI futures)	82.49	4.5%
Coal (coking)	227.50	-0.1%
Coal (thermal)	134.75	1.4%
Iron Ore	100.05	0.1%
ACCU	36.13	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	-0.01
90 day BBSY	4.52	0.01
180 day BBSY	4.79	0.02
1 year swap	4.57	0.02
2 year swap	4.54	0.03
3 year swap	4.51	0.04
4 year swap	4.51	0.03
5 year swap	4.54	0.03
6 year swap	4.58	0.02
7 year swap	4.64	0.02
8 year swap	4.69	0.02
9 year swap	4.75	0.02
10 year swap	4.79	0.02

Government Bond Yields	Close	Change
Australia		
3 year bond	4.49	0.01
10 year bond	4.90	0.00
United States		
3-month T Bill	3.71	0.01
2 year bond	4.18	0.04
10 year bond	4.55	-0.01
Other (10 year yields)		
Germany	3.13	-0.01
Japan	2.70	-0.02
UK	4.95	-0.02

Sydney Futures Exchange	Current	Change
10 yr bond	4.97	0.03
3 yr bond	4.53	0.05
3 mth bill rate	4.47	0.00
SPI 200	8,814	0.6%

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

Market sentiment continued to deteriorate on Friday, with the themes that dominated earlier in the week remaining in focus as concerns around semiconductor valuations weighed further on equities. Oil prices rose following reports the Trump administration had notified Israel it was sending additional refuelling aircraft to the country, a potential sign that US military operations in the region could broaden.

Over the weekend, tensions in the Middle East escalated further, with Iran's deputy foreign minister declaring the country had suspended its commitments under the interim peace deal. With the MoU effectively abandoned, both sides intensified strikes, including an Iranian attack on a US base in Jordan that resulted in the deaths of two American service members, while a third was killed in Iraq. In response, the US expanded its operations to include non-military assets such as bridges, utilities and ports, while Iran targeted a power and water desalination plant in Kuwait.

- Equities fell on Friday as investors continued to rotate out of AI-related investments amid concerns around elevated valuations. Reflecting this shift, Apple once again became the world's largest company by market capitalisation, overtaking Nvidia. In the US, the S&P 500 declined 1.0%, led by a 1.4% fall in the NASDAQ, while the Dow Jones lost 0.8%. The VIX rose 12% to 18.8, highlighting the increase in market volatility. European equities were mixed, with the Euro Stoxx 50 down 0.8%, while the FTSE 100 outperformed globally, rising 0.3%.
- Asian markets extended their losses into the end of the week. The Nikkei 225 fell 4.0%, while the Hang Seng snapped a five-day winning streak, declining 1.8%. Korean markets were closed for the Constitution Day public holiday. Locally, the ASX 200 fell 0.5%, ending the week lower overall.
- US Treasuries were mixed, with the 2-year yield rising 4bps while the 10-year yield declined 1bp. Futures markets continue to price an additional Fed hike this year, with December seen as the most likely timing, taking the implied year-end cash rate to 3.94%.
- Australian government bond yields ended the week on a stable footing, while reversing the previous session's moves. The 3-year yield rose 1bp, and the 10-year yield was unchanged. Swap markets remain unconvinced of an additional RBA hike, with the implied year-end terminal cash rate at 4.51%.
- FX markets were relatively subdued on Friday, with the USD broadly stable and the DXY little changed on the day. The AUD weakened 0.2% to 0.6966, while the sterling also fell 0.2% against the greenback. The euro and yen were unchanged against the USD. Across the crosses, the AUD declined 0.3% against the euro, and fell 0.2% against the NZD and yen, while holding steady against sterling.
- Commodities saw oil prices continue to rise as markets priced renewed escalation in the Middle East, with Brent recording its strongest weekly gain since April, up almost 16% on last Friday's close. Brent rose 4.6% on Friday to US$88.1/bbl, while WTI gained 4.5% to US$82.5/bbl. Gold recovered 1.0%, maintaining a foothold above US$4,000/oz. Copper fell 0.5% and aluminium declined 1.1% as markets weighed a weaker industrial outlook, while iron ore edged 0.1% higher.

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Trade Balance Jun	-	NZ$800m
9:01	GB Rightmove House Prices Jul	-	-0.6%
22:30	CA CPI Jun	-0.2%	1.0%
22:30	CA CPI Jun	3.0%	3.2%
0:00	US Leading Index Jun	-0.1pts	0.1pts

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 University of Michigan consumer sentiment rose from 49.5 in June to 54.4 in July, still a very low level versus history. Current conditions and expectations both improved in the month. 1-year inflation expectations meanwhile eased from 4.6% to 4.2%, while 5-year expectations were unchanged at 3.3%yr.

US industrial production edged up 0.1% in June with manufacturing activity unchanged.

US import prices rose 0.3% in June, markedly lower than May's 1.7%, but materially above the -0.7% expectation for June. Ex petroleum, price growth was largely as expected, up 0.5%.

US housing starts surged 19% in June after falling 15.2% in May. Building permits fell 3.0% in June.

Local Data

On Friday, we published our June **Labour Force preview** ahead of Thursday's release, highlighting expectations for slower employment growth and rising underemployment, suggesting labour market slack is becoming more broadly based (see here).

Our New Zealand team also published their June quarter **CPI preview** ahead of Tuesday's release, with higher fuel prices expected to lift annual inflation to its highest rate in two years (see here).

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