21 July 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets started the week on weaker footing as the escalation in tensions over the weekend was digested. However, moves in markets were contained, aided by news that mediators had been in touch with Iran regarding a 10-day ceasefire proposal, though there is no indication of a return to formal talks yet.

Brent initially jumped to US$91/bbl on the open, but it has since given back gains to trade around US$89/bbl. With uncertainty still heightened, stocks edged lower and bond yields rose across most major markets.

Markets also tuned into Prime Minister Andy Burnham's address. While more policy detail is set to be announced in the coming days and weeks, the reference to "flexibility" within fiscal rules and questions around defence spending saw Gilt yields jump and the Sterling edge lower.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.4	0.2%
AUD/USD	0.6998	0.2%
AUD/JPY	113.72	0.3%
AUD/GBP	0.5212	0.4%
AUD/NZD	1.1990	0.3%
AUD/EUR	0.6130	0.4%
AUD/CNH	4.7362	0.1%
AUD/SGD	0.9032	0.2%
AUD/HKD	5.4862	0.2%
AUD/CAD	0.9855	0.6%
EUR/USD	1.1413	-0.2%
USD/JPY	162.52	0.1%
USD Index	100.97	0.2%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	0.00
90 day BBSY	4.52	-0.01
180 day BBSY	4.82	0.04
1 year swap	4.60	0.03
2 year swap	4.57	0.03
3 year swap	4.57	0.05
4 year swap	4.57	0.06
5 year swap	4.60	0.06
6 year swap	4.65	0.06
7 year swap	4.70	0.06
8 year swap	4.75	0.06
9 year swap	4.80	0.06
10 year swap	4.85	0.06

Equities	Close	Change
S&P/ASX 200	8,791	-0.1%
S&P 500	7,443	-0.2%
Japan Nikkei	64,141	-4.0%
Hang Seng	25,143	2.4%
Euro Stoxx 50	6,227	-0.1%
UK FTSE100	10,525	-0.7%
VIX Index	18.65	-0.6%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.56	0.07
10 year bond	4.96	0.06
United States		
3-month T Bill	3.70	-0.01
2 year bond	4.21	0.03
10 year bond	4.59	0.04
Other (10 year yields)		
Germany	3.15	0.02
Japan	2.70	0.00
UK	5.03	0.08

Commodities	Current	Change
CRB Index	383.82	0.5%
Gold	4009.08	-0.2%
Copper	13622	0.7%
Oil (WTI futures)	83.23	0.9%
Coal (coking)	227.50	0.0%
Coal (thermal)	135.55	0.6%
Iron Ore	98.80	-0.6%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	5.02	0.02
3 yr bond	4.58	0.02
3 mth bill rate	4.47	0.00
SPI 200	8,717	-0.4%

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

Markets started the week on weaker footing as the weekend's news flow was digested – tensions escalating in the Middle East as both the US and Iran intensified and broadened strikes, resulting in casualties and damage to both military and civilian infrastructure. Moves in markets appear to be relatively contained though, perhaps aided by news that mediators had been in touch with Iran, providing a proposal for a 10-day ceasefire to restore negotiations. However, uncertainty is still heightened given there is no clear indication of a return to formal talks at this stage.

- Share markets started the weak on a softer footing, though declines were contained across major markets. The S&P 500 edged slightly lower (–0.2%) while the NASDAQ held flat, and the Euro Stoxx 50 ticked down slightly (–0.1%). London's FTSE 100 was a bit weaker (–0.7%) as markets digested Prime Minister Burnham's started to reshuffle his cabinet.
- Asian share markets were more mixed. Chinese markets advanced across both the CSI 300 (+1.5%) and Hang Seng (+2.4%), a sell-off in chipmakers weighed heavily on the KOSPI (–4.5%), while markets were closed in Japan. The ASX 200 opened solidly but gave it back over the day, finishing –0.1% lower on the day. Futures markets are pointing to a weaker open this morning.
- Treasuries sold off as markets digested upside inflation risks stemming from renewed tensions in the Middle East, seeing the 2Y and 10Y yields rise 3bps and 4bps to 4.21% and 4.59% respectively. This comes as markets price an incrementally higher chance of a Fed rate hike later this year, with a move by October virtually fully priced in, while a follow-up early next year is seen at around an 80% chance.
- Gilts yields rose much more sharply after Prime Minister Andy Burnham addressed the nation – while policy specifics are not yet detailed and are due to be revealed in the coming budget, markets were unnerved by the impact the policies could have on the budget's bottom line, with Burnham referencing the "flexibility" within fiscal rules. The 2Y and 10Y Gilt yields are up 5bps and 8bps respectively.
- ACGBs followed the global sell-off, seeing the 3Y and 10Y jump 7bps and 6bps to 4.56% and 4.96% respectively, both the highest in over a month. Swaps markets are pricing in a higher chance of an RBA rate hike later this year or early next year – at around 85% – though the prospect of an August move is seen at around a 23% chance. While next week's inflation data will be the decider, this week's labour market data will also be key.
- The USD found a decent bid overnight, the DXY rising 0.2% to be just shy of the 101 mark at the time of writing. Moves were led by a depreciation in the Euro (–0.2%) while the Japanese Yen edged slightly lower (–0.1%). The Sterling traded a wider range as currency markets listened to Burnham's speech, though it recovered some of its deeper losses, finishing –0.2% lower on the day. Markets will be closely watching tomorrow's cost-of-living announcement, alongside any discussion of defence spending which could add more pressure to the bottom line.
- The Aussie dollar bucked the wider trend, appreciating well beyond the initially weaker open, though it struggled to hold sustainably above USD0.70, slipping just under that mark at the time of writing. Developments out of the Middle East will be the key driver, but this week's labour market data will also play an important role – a weaker-than-expected result could weigh on support for the Aussie.
- Crude oil prices opened significantly higher on Monday in reaction to the escalation of tensions over the weekend, with Brent exceeding US$90/bbl. However, those increases were largely given back after Iran reported they have received proposals from mediators. This has left oil prices slightly higher than Friday's close, with Brent and WTI up 0.7% and 0.9% to US$88.7/bbl and US$83.2/bbl respectively.
- Base metals were mixed, with LME copper rising 0.7% to US$13,622/mt while LME aluminium edged –0.3% lower among others. Gold was largely rangebound, finishing just –0.2% lower on the day against a backdrop of higher yields, currently trading around US$4,010/oz.

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ CPI Q2 q/q	-	0.9%
8:45	NZ CPI Q2 y/y	-	3.1%
16:00	GB Public Sector Borrowing Jun	-	£23.3b
16:00	GB ILO Unemployment Rate May	-	4.9%
19:00	EZ Zew Survey Of Expectations Jul	-	9.5pts

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

In the US, the **leading index** eased further in June, falling from 0.1%mth to –0.2%mth and coming in 0.1ppt below the average over the prior twelve months. The stock market was the main driver of the monthly decline.

Local Data

In New Zealand, the **trade surplus** narrowed from NZD577mn to NZD23mn, driven by a seasonal fall in exports and higher fuel import costs.

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