22 July 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

The US and Iran continued to exchange fire, marking the tenth day since attacks resumed. President Trump played down the possibility of imminent talks with Iran to de-escalate the situation.

Equity markets shrugged off geopolitical risks, focusing instead on tech sector returns. After large losses in recent days, semiconductor stocks bounced back.

Inflation fears and geopolitics drove a sell-off in US Treasuries. Following a sharp sell-off at the start of the week, largely driven by new PM Andy Burnham's comments that he would seek flexibility within fiscal rules, the Gilt market stabilised.

The tense situation in the Middle East put further upward pressure on oil prices, with the August WTI contract trading at almost $85.0, while the September Brent contract jumped to $91.5.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.6	0.3%
AUD/USD	0.7002	0.0%
AUD/JPY	114.26	0.5%
AUD/GBP	0.5234	0.4%
AUD/NZD	1.2011	0.3%
AUD/EUR	0.6143	0.1%
AUD/CNH	4.7392	0.0%
AUD/SGD	0.9043	0.0%
AUD/HKD	5.4899	0.0%
AUD/CAD	0.9873	0.3%
EUR/USD	1.1399	-0.1%
USD/JPY	163.19	0.4%
USD Index	101.20	0.2%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.37	0.00
90 day BBSY	4.54	0.02
180 day BBSY	4.84	0.02
1 year swap	4.59	0.00
2 year swap	4.57	0.00
3 year swap	4.55	-0.02
4 year swap	4.56	-0.01
5 year swap	4.59	-0.01
6 year swap	4.64	-0.01
7 year swap	4.69	-0.01
8 year swap	4.74	-0.01
9 year swap	4.80	-0.01
10 year swap	4.84	-0.01

Equities	Close	Change
S&P/ASX 200	8,793	0.0%
S&P 500	7,509	0.9%
Japan Nikkei	66,232	3.3%
Hang Seng	25,132	0.0%
Euro Stoxx 50	6,286	0.9%
UK FTSE100	10,586	0.6%
VIX Index	17.05	-8.6%

Commodities	Current	Change
CRB Index	388.65	1.3%
Gold	4077.21	1.7%
Copper	13885	1.9%
Oil (WTI futures)	84.34	2.3%
Coal (coking)	225.00	-1.1%
Coal (thermal)	137.35	0.7%
Iron Ore	97.90	-1.3%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.53	-0.03
10 year bond	4.94	-0.02
United States		
3-month T Bill	3.71	0.00
2 year bond	4.26	0.06
10 year bond	4.63	0.04
Other (10 year yields)		
Germany	3.16	0.01
Japan	2.73	0.03
UK	5.03	0.00

Sydney Futures Exchange	Current	Change
10 yr bond	5.02	0.04
3 yr bond	4.57	0.03
3 mth bill rate	4.47	0.00
SPI 200	8,763	0.2%

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

News headlines from the Middle East provided a gloomy backdrop for investors. Oil prices and the US dollar rose, while major government bonds sold off as the US and Iran continued to exchange fire, marking the tenth day since attacks resumed. President Trump played down the possibility of imminent talks with Iran to de-escalate the situation. The war risks spreading further across the region, following threats by the Houthis, an Iran-backed militant group in Yemen, to blockade Saudi ports in the Red Sea. President Trump suggested that the US would help contain those threats.

On the data front, economic sentiment in the euro area improved, while the ECB reported tighter credit conditions in Q2. UK labour market data showed easing pay growth – good news for the BoE, suggesting that a lower domestic inflationary impulse could help offset the impact of higher energy costs.

- Equity markets shrugged off geopolitical risks, focusing instead on tech sector returns. After large losses in recent days, semiconductor stocks bounced back. With additional support from higher energy stocks, the S&P 500 posted a 0.9% gain, breaking a three-day streak of negative returns. The tech sector was also centre stage in Europe, with the Euro Stoxx 50 rising by 0.9% and the FTSE 100 up 0.6%. Japanese stocks outperformed – the Nikkei 225 rose 3.3% – as Takaichi's government approved a fiscal expansion plan to boost economic growth. Domestically, the ASX 200 was unchanged.
- In bond markets, inflation fears and geopolitics drove a sell-off in US Treasuries. The curve shifted 5-6bp higher at the front end, while losses at the long end were more contained. A 4bp increase in the 10Y yield left it at 4.63%, its highest level since mid-May. Following a sharp sell-off at the start of the week, largely driven by new PM Andy Burnham's comments that he would seek flexibility within fiscal rules, the Gilt market stabilised, with the 10Y yield unchanged at 5.03%. Australian yields headed lower yesterday, down 2-3bp across the curve, but futures suggest an increase at the market open today to catch up with global trends.
- In FX markets, the DXY appreciated 0.2% to 101.20. The EUR held up quite well, losing only 0.1%, but political uncertainty weighed on the GBP, which extended its downward trend from recent days, depreciating 0.4%. The Japanese yen was also 0.4% weaker, while the AUD was broadly unchanged at 0.70.
- The tense situation in the Middle East put further upward pressure on oil prices, with the August WTI contract trading close to $85.0, while the September Brent contract jumped to $91.5. Inflation fears and dip-buying were the main factors behind gold's 1.7% rise. Copper increased almost 2.0% on reports of firm demand and falling inventories in China.

Today's key data and events

Time	Event	Exp	Prev
10:30	AU Westpac-MI Leading Index Jun	-	0.0%
16:00	GB CPI Jun	0.1%	0.2%

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

The **euro area ZEW survey** of financial market experts showed that sentiment continued to recover rapidly this month, with the improvement driven by easing concerns about the negative impact of developments in the Middle East and a pick-up in economic momentum in Germany. The economic expectations index rose by almost 14pts to 23.4, above its long-term average of around 20. The current economic situation indicator also improved, rising by almost 6pts to -37.7, though it remained well below its level at the beginning of the year.

Against a backdrop of ECB monetary policy tightening, high economic uncertainty and continued market volatility related to the war in the Middle East last quarter, the **ECB Bank Lending Survey** reported a tightening of credit conditions in the euro area. Meanwhile, demand for loans increased in the business lending category, supported by demand for inventories and working capital, as well as demand for fixed investment from large firms. In contrast, demand for housing loans and consumer credit eased.

The latest **UK jobs data** painted a mixed picture of the labour market. Payroll figures suggested employee numbers continued to trend lower, while the headline LFS employment measure rose by 148k on a three-month basis – the strongest result in ten months. That increase helped push the number of unemployed people lower, although not by enough to shift the headline unemployment rate, which remained unchanged at 4.9% on a three-month average basis. Taken at face value, the data point to broadly unchanged labour market conditions over the latest month. However, that conclusion should be treated with caution given ongoing data-quality issues, with the ONS noting that, due to an operational error, the latest LFS figures were of reduced quality even relative to the lower standard seen of late. Meanwhile, downward pressure on pay growth appears to have persisted: private average weekly earnings excluding bonuses rose by only 2.9%yr in the three months to May, while the single-month rate eased to 2.7%yr – both the lowest readings in the current cycle.

Local Data

In New Zealand, **consumer prices** rose 1.5% in the June quarter. That saw the annual inflation rate rise to 4.1%. The result was in line with our forecast but slightly above the RBNZ's July assumption (see here).

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