23 July 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Tensions in the Middle East escalated further and oil prices rose as hostilities between the US and Iran continued, with the US widening the geographic scope of its attacks.

At the same time, investors are closely watching earnings announcements from tech giants, with the latest reports from Tesla and Alphabet failing to impress.

Equity markets were mixed, and higher oil prices and the prospect of stronger global inflationary pressures weighed on sovereign bonds.

The latest reports suggest that BoJ officials might be considering additional monetary policy tightening beyond what is currently expected to stem the inflationary impulse from weaker currency.

Following last month's hike, in today's decision the ECB's Governing Council is widely expected to leave policy rates unchanged. Domestically, all eyes will be on the Australian labour market report.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.6	0.0%
AUD/USD	0.6994	0.0%
AUD/JPY	114.08	-0.1%
AUD/GBP	0.5229	0.0%
AUD/NZD	1.2021	0.1%
AUD/EUR	0.6129	-0.1%
AUD/CNH	4.7379	0.1%
AUD/SGD	0.9029	-0.1%
AUD/HKD	5.4840	0.0%
AUD/CAD	0.9851	-0.2%
EUR/USD	1.1409	0.1%
USD/JPY	163.12	0.0%
USD Index	101.13	0.0%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.37	0.00
90 day BBSY	4.54	0.00
180 day BBSY	4.84	0.00
1 year swap	4.60	0.01
2 year swap	4.58	0.01
3 year swap	4.56	0.00
4 year swap	4.56	0.00
5 year swap	4.59	0.00
6 year swap	4.64	0.00
7 year swap	4.69	0.00
8 year swap	4.74	0.00
9 year swap	4.79	0.00
10 year swap	4.84	0.00

Equities	Close	Change
S&P/ASX 200	8,823	0.3%
S&P 500	7,499	-0.1%
Japan Nikkei	66,116	-0.2%
Hang Seng	24,893	-1.0%
Euro Stoxx 50	6,317	0.5%
UK FTSE100	10,717	1.2%
VIX Index	16.64	-2.4%

Commodities	Current	Change
CRB Index	393.93	1.4%
Gold	4130.26	1.3%
Copper	13808	-0.6%
Oil (WTI futures)	86.83	3.0%
Coal (coking)	221.00	-1.8%
Coal (thermal)	138.60	0.9%
Iron Ore	97.65	-1.3%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.56	0.03
10 year bond	4.98	0.03
United States		
3-month T Bill	3.75	0.02
2 year bond	4.30	0.04
10 year bond	4.65	0.03
Other (10 year yields)		
Germany	3.17	0.01
Japan	2.76	0.03
UK	5.03	0.00

Sydney Futures Exchange	Current	Change
10 yr bond	5.02	0.01
3 yr bond	4.57	0.01
3 mth bill rate	4.47	0.00
SPI 200	8,839	0.8%

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 flow around the Middle East conflict and investors' views on the future of AI – including its impact on major megacaps' earnings – remained the two key drivers of financial markets. On the former, tensions escalated further and oil prices rose as hostilities between the US and Iran continued, with the US widening the geographic scope of its attacks. Houthi militants in Yemen also stepped up threats against Saudi shipping in the Red Sea, with reports suggesting they have moved missiles and drones into position. At the same time, investors are closely watching earnings announcements from tech giants, with the latest reports from Tesla and Alphabet failing to impress.

Alongside these themes, investors will be watching the ECB closely today. Following last month's hike, the Governing Council is widely expected to leave policy rates unchanged. Domestically, all eyes will be on the Australian labour market report.

- Equity markets were mixed. The S&P 500 in the US was little changed on the day, as competing forces largely offset each other. Utilities, energy and materials posted the strongest gains, while the tech sector was flat. The mood was somewhat better in Europe, with the Euro Stoxx 50 up 0.5% on the back of better-than-expected earnings announcements from several major corporates. Major equity benchmarks in Asia traded in the red, as the Nikkei 225 took a breather after a significant gain in the prior session. The domestic ASX 200 rose 0.3%, its first daily gain in a week.
- Higher oil prices and the prospect of stronger global inflationary pressures weighed on sovereign bonds. In the US, yields rose by 4bp at the front end, while long-dated yields increased by less. Ahead of next week's FOMC policy announcement, markets are speculating about the likely fed funds rate trajectory – current pricing implies a hike at the following meeting in September. Bunds also sold off ahead of today's ECB policy announcement, mainly at the front end. Softer UK CPI figures tempered the upward pressure on UK yields, with the 10Y Gilt flat. Australian yields rose by 3bp across the curve.
- In FX markets, the DXY moved sideways after appreciating in the prior two days. The EUR gained 0.1%, while GBP was unchanged. The yen was also flat, having depreciated beyond 163 in the prior session. The Japanese currency has weakened by more than 4% since the start of the year, adding to upward pressure on inflation. The latest reports suggest that BoJ officials might be considering additional monetary policy tightening beyond what is currently expected to stem the inflationary impulse. The Aussie dollar was also unchanged, sitting just below the 0.70 mark.

Today's key data and events

Time	Event	Exp	Prev
11:30	AU Employment Jun	15k	40.3k
11:30	AU Unemployment Rate Jun	4.4%	4.4%
22:15	EZ ECB Policy Decision 23/07/2026	2.4%	2.4%
22:30	US Initial Jobless Claims 18/07/2026	210.5k	208k
22:30	US Chicago Fed Activity Index Jun	-	-0.1pts
0:00	EZ Consumer Confidence Jul Prel.	-17pts	-17.7pts
1:00	US Kansas City Fed Jul	13pts	11pts

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.

- In commodity markets, oil prices extended the upward trend of the past couple of weeks. The Brent September contract rose 4.4% to $95.0, while the equivalent WTI contract was up 3.0% and reached $86.8. Gold prices edged higher again, up 1.3%, supported by expectations of higher inflation ahead. Iron ore eased by 1.3% for a second consecutive day.

International Data

UK headline consumer price inflation came in softer than expected, with the annual pace slowing from 2.8%yr to 2.6%yr, below consensus expectations of 2.7%yr. Declines in the food and energy categories were the main drivers, while the core inflation rate was unchanged at 2.6%yr, suggesting that the inflationary impulse from higher energy prices has not broadened into other categories. Services inflation decreased by 0.1ppt to 3.6%yr, but was still a touch stronger than consensus expected.

Local Data

The six-month annualised growth rate in the **Westpac–Melbourne Institute Leading Index**, which indicates the likely pace of economic activity relative to trend three to nine months into the future, dropped to –0.36% in June from –0.25% in May (see here).

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