24 July 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Brent crude traded above US$100/bbl overnight after the Houthis attacked two oil tankers in the Red Sea, with President Trump threatening further escalation against Iran and holding Tehran responsible for the Yemen-based group's actions.

The US has imposed new duties of at least 10% on imports from most major trading partners, effective from 12:01am Friday, New York time. The move cites failures by around 60 economies to prevent forced labour in their supply chains.

US Equities fell as investors questioned the returns on elevated AI-related capital spending, while Asian markets outperformed on expectations the spending will support regional order books.

Middle East tensions pushed US Treasury yields to their highest levels of the year, while stronger-than-expected employment growth in Australia in June renewed market expectations of further RBA tightening.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.7	0.2%
AUD/USD	0.6969	-0.4%
AUD/JPY	114.18	0.0%
AUD/GBP	0.5233	0.1%
AUD/NZD	1.2072	0.4%
AUD/EUR	0.6125	-0.1%
AUD/CNH	4.7228	-0.4%
AUD/SGD	0.9007	-0.3%
AUD/HKD	5.4640	-0.4%
AUD/CAD	0.9813	-0.4%
EUR/USD	1.1377	-0.3%
USD/JPY	163.86	0.4%
USD Index	101.45	0.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.37	0.00
90 day BBSY	4.55	0.01
180 day BBSY	4.86	0.02
1 year swap	4.69	0.09
2 year swap	4.69	0.11
3 year swap	4.66	0.10
4 year swap	4.67	0.11
5 year swap	4.69	0.10
6 year swap	4.73	0.10
7 year swap	4.78	0.09
8 year swap	4.82	0.08
9 year swap	4.87	0.08
10 year swap	4.91	0.07

Equities	Close	Change
S&P/ASX 200	8,839	0.2%
S&P 500	7,408	-1.2%
Japan Nikkei	66,423	0.5%
Hang Seng	25,211	1.3%
Euro Stoxx 50	6,210	-1.7%
UK FTSE100	10,639	-0.7%
VIX Index	18.7	12.4%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.60	0.05
10 year bond	4.99	0.02
United States		
3-month T Bill	3.80	0.05
2 year bond	4.35	0.05
10 year bond	4.69	0.04
Other (10 year yields)		
Germany	3.20	0.03
Japan	2.79	0.03
UK	5.10	0.07

Commodities	Current	Change
CRB Index	400.18	1.6%
Gold	4049.48	-2.0%
Copper	13594	-1.5%
Oil (WTI futures)	92.23	6.2%
Coal (coking)	223.00	0.9%
Coal (thermal)	137.60	-0.7%
Iron Ore	97.85	1.1%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	5.09	0.06
3 yr bond	4.69	0.08
3 mth bill rate	4.47	0.00
SPI 200	8,753	-0.5%

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

Brent crude traded above US$100/bbl overnight following a Houthi attack on two oil tankers in the Red Sea, with the route having recently emerged as an important alternative for crude exports bypassing the Strait of Hormuz. In response, President Trump threatened to escalate strikes against Iran, stating he was close to authorising a "massive attack" and holding Tehran responsible for any further actions by the Yemen-based group.

As we go to press, the US has imposed new duties of at least 10% on imports from most major trading partners following an investigation into the alleged failure of around 60 economies to prevent forced labour in their supply chains. The measures represent an attempt to reconstruct President Trump's tariffs following their rejection by the Supreme Court and are expected to withstand legal scrutiny. The new duties will come into effect at 12:01am Friday, New York time.

- US equities fell sharply overnight, with the S&P 500 down 1.2%. The NASDAQ led the declines, falling 2.2%, as investors questioned the returns on elevated AI-related capital spending given the challenging macro backdrop. The Dow Jones declined a more modest 1.0%. In Europe, the Euro Stoxx 50 fell 1.7%, while the FTSE 100 was down 0.7%.
- Asian markets were supported by expectations that increased technology-sector capital expenditure will bolster demand across regional supply chains. The KOSPI led gains, rising 4.4%, while the Hang Seng gained 1.3% and the Nikkei 225 rose 0.5%. Locally, the ASX 200 gained 0.2%.
- US Treasuries weakened as the conflict in the Middle East intensified, with yields rising to their highest levels of the year. The 2-year yield rose 5bps to 4.35%, while the 10-year yield gained 4bps to 4.69%. Futures markets have brought forward expectations for a Fed hike to September, taking the implied year-end cash rate to 4.07%.
- Australian government bond yields rose after stronger-than-expected employment growth in June renewed expectations of further RBA tightening. The 3-year yield increased 5bps, while the 10-year yield rose 2bps. Swap markets now price over a 50% probability of a September hike, taking the implied year-end terminal cash rate to 4.63%.
- FX markets saw the USD strengthen on escalating Middle East tensions, with the DXY rising 0.3%. The AUD fell 0.4% against the greenback to 0.6969, with strong employment growth unable to offset the broader repricing of global interest rate expectations as oil reached US$100/bbl.
- Oil prices rose for a fifth consecutive session as markets priced renewed escalation in the Middle East. Brent rose 6.9% to US$101/bbl, while WTI gained 6.2% to US$92.2/bbl. Gold fell 2.0% as higher oil prices renewed inflation concerns. Copper declined 1.5% reflecting broader weakness across the technology sector, while iron ore gained 1.1%.

Today's key data and events

Time	Event	Exp	Prev
9:01	GB GfK Consumer Sentiment Jul	-21.5pts	-23pts
9:30	JP CPI Jun	1.7%	1.5%
10:30	JP S&P Global Mfg PMI Jul Prel.	-	54.8pts
10:30	JP S&P Global Services PMI Jul Prel.	-	52.2pts
16:00	GB Retail Sales Jun	-0.3%	1.2%
18:00	EZ S&P Global Mfg PMI Jul Prel.	51.5pts	51.4pts
18:00	EZ S&P Global Services PMI Jul Prel.	49.8pts	49.4pts
18:30	GB S&P Manufacturing PMI Jul Prel.	52pts	52.5pts
18:30	GB S&P Services PMI Jul Prel.	49.4pts	48.8pts
23:45	US S&P Manufacturing PMI Jul Prel.	54.4pts	53.9pts
23:45	US S&P Services PMI Jul Prel.	51.5pts	51.2pts
-	US Building Permits Jun Final	-	-3.0%
0:00	US New Home Sales Jun	4.7%	-7.3%

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 initial jobless claims declined from 209k to 187k last week, the lowest print since 1969.

The **Chicago Fed national activity index** edged up from -0.19 to -0.02 in June, consistent with economic growth around trend. **The Kansas City Fed manufacturing index** edged down from 11 to 9 in July.

The latest **ECB monetary policy meeting** brought no major surprises, with the Governing Council deciding to keep interest rates unchanged. In the press conference, President Lagarde said the decision was unanimous.

On inflation, Lagarde acknowledged that the latest HICP figures for June surprised to the downside. Beyond energy prices, the Governing Council has not yet seen the inflationary impulse broaden through second-round effects.

Going forward, the Governing Council will continue to "follow a data-dependent and meeting-by-meeting approach" to setting interest rates. So, in all likelihood, unless the situation in the Middle East deescalates and energy prices fall very sharply in the near term, the upside risks to euro area inflation are set to be too high for the Governing Council to tolerate. Against that backdrop, another hike next meeting in September is very likely.

Euro Area consumer confidence improved at the margin in July from -17.6 to -15.9, modestly below the historic average.

Local Data

The June Labour Force Survey surprised to the upside, with employment increasing by 76.3k. The gain was largely matched by a strong lift in labour supply, with participation rising to 67.0%. The unemployment rate remained unchanged at 4.4% (see here).

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