29 July 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Oil prices declined notably as both the US and Iran refrained from further attacks, and President Trump said he would prefer to avoid further bombing of Iran.

Ongoing concerns about the sustainability of AI capex spending saw chipmaker stocks continue to fall. However, a rotation into other sectors kept major equity benchmarks afloat.

With lower oil prices signalling less of an inflationary impulse, major government bonds continued to rally. Financial markets are awaiting today's FOMC policy decision, with the fed funds rate expected to remain unchanged.

Domestically, investors pared back expectations of the RBA cash rate hike in the next meeting following RBA Governor Michele Bullock's comments in her Anika Foundation speech. All eyes today will be on the latest CPI figures for Q2.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.3	-0.5%
AUD/USD	0.6975	-0.2%
AUD/JPY	114.26	-0.2%
AUD/GBP	0.5248	-0.3%
AUD/NZD	1.2052	-0.4%
AUD/EUR	0.6122	-0.4%
AUD/CNH	4.7214	-0.1%
AUD/SGD	0.9011	-0.1%
AUD/HKD	5.4693	-0.2%
AUD/CAD	0.9839	-0.4%
EUR/USD	1.1393	0.2%
USD/JPY	163.80	0.1%
USD Index	101.38	-0.2%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.40	0.00
90 day BBSY	4.60	0.00
180 day BBSY	4.94	0.01
1 year swap	4.62	-0.06
2 year swap	4.58	-0.08
3 year swap	4.55	-0.08
4 year swap	4.55	-0.08
5 year swap	4.58	-0.08
6 year swap	4.62	-0.08
7 year swap	4.67	-0.07
8 year swap	4.72	-0.07
9 year swap	4.77	-0.07
10 year swap	4.82	-0.07

Equities	Close	Change
S&P/ASX 200	8,948	0.6%
S&P 500	7,429	0.2%
Japan Nikkei	62,365	-4.0%
Hang Seng	25,311	0.4%
Euro Stoxx 50	6,290	0.1%
UK FTSE100	10,871	0.8%
VIX Index	18.21	-2.5%

Commodities	Current	Change
CRB Index	379.19	-1.1%
Gold	4029.44	-1.1%
Copper	13732	-0.3%
Oil (WTI futures)	79.26	-4.1%
Coal (coking)	223.50	0.3%
Coal (thermal)	133.05	-1.1%
Iron Ore	97.75	0.0%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.57	-0.05
10 year bond	4.96	-0.04
United States		
3-month T Bill	3.76	-0.05
2 year bond	4.29	-0.04
10 year bond	4.61	-0.04
Other (10 year yields)		
Germany	3.10	-0.03
Japan	2.79	0.00
UK	4.94	-0.05

Sydney Futures Exchange	Current	Change
10 yr bond	4.99	-0.01
3 yr bond	4.57	0.00
3 mth bill rate	4.47	0.00
SPI 200	8,980	0.8%

Data as at 7:45am 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

Oil prices declined notably as financial markets took signs of easing tensions in the Middle East in stride. Both the US and Iran refrained from further attacks, and President Trump said he would prefer to avoid further bombing of Iran. The focus has now turned to talks between Iran and Oman on reopening the Strait of Hormuz, which could pave the way for US-Iran negotiations to resume.

Away from geopolitics, ongoing concerns about the sustainability of AI capex spending saw chipmaker stocks continue to sell off. Reports of intensifying competition from China, underpinned by rapid progress by its chip manufacturers, and concerns about risk concentration among major tech companies via a network of interconnected deals were the latest catalysts for the downward adjustment in tech stocks.

- Despite the tech sell-off, a rotation into other sectors kept major equity benchmarks afloat. The S&P 500 was 0.2% higher, as healthcare and consumer staples made notable gains. The Euro Stoxx 50 rose 0.1%, while the FTSE 100 in the UK outperformed, jumping 0.8%. Japanese equities retreated sharply, with the Nikkei 225 down 4%, as a powerful earthquake hit southern Japan. The number of casualties has not been confirmed, but a number of companies reported significant disruptions to their operations. The domestic ASX 200 increased 0.6%, led by the consumer discretionary segment.
- With lower oil prices signalling less of an inflationary impulse, major government bonds continued to rally. The US Treasury yield curve shifted lower by about 4bp. Financial markets are awaiting today's FOMC policy decision, with the fed funds rate expected to remain unchanged. Major government bonds in Europe followed a similar trend, with the 10Y Gilt yield down 5bp, while the equivalent Bund yield fell 3bp.
- Domestically, the Aussie yield curve also shifted 3-5bp lower as investors closely watched RBA Governor Michele Bullock's comments in her annual Anika Foundation speech. While the initial market reaction leaned hawkish, the lack of a stronger signal on possible policy tightening at the meeting in two weeks eventually saw investors pare expectations of a hike, with current pricing implying around a 20% probability. All eyes today will be on the latest CPI figures for Q2, which are likely to provide a further signal of the likelihood of a change in RBA policy.
- In FX markets, the DXY posted its first daily drop in two weeks, down 0.2%. The EUR benefited, gaining 0.2%, while the GBP was flat and the yen eased 0.1%. The AUD also weakened 0.2% following the governor's remarks.

Today's key data and events

Time	Event	Exp	Prev
11:30	AU Monthly CPI Indicator Jun	4.0%	4.0%
11:30	AU Trimmed Mean CPI Q2	0.9%	0.8%
11:30	AU Trimmed Mean CPI Q2	3.7%	3.5%
11:30	AU Headline CPI Q2	0.7%	1.4%
18:30	GB Net Mortgage Lending Jun	£3.9b	£2.9b
4:00	US FOMC Policy Decision 29/07/2026	3.8%	3.8%

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.

- Oil prices extended the steep downward trend of the past few days, with the Brent September contract falling below $85 from more than $100 in the second half of last week. The WTI followed a similar pattern, dropping to below $80. Easing geopolitical tensions in the Middle East and a weaker inflationary impulse saw gold prices fall 1.1%.

International Data

The Conference Board Consumer Confidence Survey suggested US consumers became more downbeat in July. The headline index reversed June's recovery, falling to 90.8, around its May level and well below the long-term average of 95. Consumers' assessment of current conditions deteriorated, with the present situation index falling to a new post-pandemic low. Expectations for the future were little changed and remained pessimistic by historical standards, even as one-year-ahead inflation expectations stepped lower for a second consecutive month, to 5.5%yr. Labour market perceptions also weakened again, to the softest level of the current cycle.

The advanced estimate of the US goods trade balance showed that the deficit narrowed only modestly in June, from $105.9bn to $101.5bn, after widening sharply in May. Even so, the deficit remained the second-largest since early 2025. The improvement was driven by a 2.6%mth fall in imports, although exports also declined notably, down 1.8%mth.

After stronger gains late last year, US house prices had stalled in recent months, and the latest data suggest momentum firmed slightly again in May. **The FHFA House Price Index** rose 0.3%mth, its steepest increase this year, while **the S&P CoreLogic Case-Shiller 20-City Index** increased 0.15%mth. Annual growth remained modest according to both indices, at 2.2% and 1.1%, respectively.

The Richmond Fed's Fifth District Manufacturing Survey showed that manufacturing sentiment remained positive but was little changed in July. The headline index edged up from 4 to 5, still above its long-term average. New orders eased for a second consecutive month, but shipment growth gathered pace and hiring strengthened, with the employment index rising to its highest level in seventeen months.

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