31 July 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets were buoyed by strong US technology earnings, although sentiment continued to compete with headlines of fresh US strikes against Iran.

US equities rallied on stronger-than-expected earnings from Microsoft, with the S&P 500 reversing the previous session's decline.

Short-end US Treasuries advanced following a downside surprise in core PCE inflation, while gilts rallied after the BoE left policy unchanged and highlighted easing domestic inflation pressures. Comments from the RBA's Chief Economist that the Bank must bring inflation down weighed on Australian government bonds.

FX markets saw the yen surge amid speculation of official intervention ahead of today's BoJ policy decision.

Oil prices fell on signs shipping through the Strait of Hormuz picked up despite hostilities. Iron ore and coking coal declined as expectations for steel-supportive stimulus from July's Politburo meeting faded.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.0	-0.3%
AUD/USD	0.7026	1.0%
AUD/JPY	112.10	-1.4%
AUD/GBP	0.5219	0.3%
AUD/NZD	1.1953	-0.4%
AUD/EUR	0.6098	0.6%
AUD/CNH	4.7430	0.9%
AUD/SGD	0.9004	0.4%
AUD/HKD	5.5120	1.1%
AUD/CAD	0.9844	0.8%
EUR/USD	1.1527	0.5%
USD/JPY	159.53	-2.4%
USD Index	99.98	-0.9%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.37	-0.03
90 day BBSY	4.55	-0.05
180 day BBSY	4.88	-0.05
1 year swap	4.57	-0.02
2 year swap	4.52	-0.01
3 year swap	4.48	-0.01
4 year swap	4.50	-0.04
5 year swap	4.54	-0.03
6 year swap	4.59	-0.02
7 year swap	4.65	-0.02
8 year swap	4.71	-0.01
9 year swap	4.76	-0.01
10 year swap	4.81	0.00

Equities	Close	Change
S&P/ASX 200	8,968	-0.8%
S&P 500	7,438	1.7%
Japan Nikkei	61,867	0.7%
Hang Seng	25,859	0.2%
Euro Stoxx 50	6,344	1.5%
UK FTSE100	10,897	-0.1%
VIX Index	17.09	-17.3%

Commodities	Current	Change
CRB Index	384.45	-0.3%
Gold	4103.44	0.9%
Copper	13803	1.6%
Oil (WTI futures)	83.92	-0.6%
Coal (coking)	218.50	-1.8%
Coal (thermal)	135.90	-1.0%
Iron Ore	95.90	-2.5%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.55	0.05
10 year bond	5.00	0.08
United States		
3-month T Bill	3.68	0.00
2 year bond	4.25	-0.03
10 year bond	4.67	0.00
Other (10 year yields)		
Germany	3.16	-0.01
Japan	2.81	0.04
UK	4.98	-0.05

Sydney Futures Exchange	Current	Change
10 yr bond	5.00	-0.03
3 yr bond	4.51	-0.03
3 mth bill rate	4.47	0.00
SPI 200	9,016	1.2%

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

Markets were buoyed overnight by solid technology earnings in the US, although sentiment continued to compete with headlines of fresh US strikes against Iran. The attacks came in response to Tehran's targeting of US military bases earlier in the week. While described as a "heavy wave" by US Central Command, there were no indications that bridges or other civilian infrastructure were targeted.

- US equities rallied overnight, led by stronger-than-expected earnings from Microsoft. The S&P 500 gained 1.7%, while the NASDAQ outperformed, rising 2.8%, and the Dow Jones gained 1.2%. In Europe, the Euro Stoxx 50 rose 1.5%, while the FTSE 100 was little changed, down 0.1%.
- The Nikkei 225 rose 0.7%, while the Hang Seng gained 0.2%. Korea's KOSPI closed lower for a third consecutive session, falling 1.2%, although losses were contained by a strong profit result from Samsung's semiconductor division. Locally, the ASX 200 declined 0.8%.
- US Treasuries advanced at the front end following a downside surprise in US core PCE inflation. The 2-year yield fell 3bps, while the 10-year yield was unchanged. Futures markets continue to fully price a Fed hike in December. In the UK, short-end gilts rallied after the BoE left policy unchanged and highlighted easing domestic inflation pressures, with the 2-year gilt yield falling 11bps.
- Comments from the RBA's Chief Economist that the Bank must bring inflation down weighed on Australian government bonds. The 3-year yield rose 5bps, while the 10-year yield increased 8bps. The comments did little to alter swap market pricing for a potential rate hike this year.
- FX markets saw the USD weaken, with the DXY down 0.9%, while the AUD gained 1.0% against the greenback to 0.7026. The yen rose as much as 3.0% against the USD before ending the session 2.4% higher, fuelling speculation of official intervention ahead of today's BoJ policy decision.
- Oil fell as signs emerged that shipping through the Strait of Hormuz had picked up despite ongoing hostilities, with Brent down 1.5% to US$89.4/bbl and WTI 0.6% lower at US$83.9/bbl. Gold gained 0.9% as markets assessed the Fed outlook, while iron ore fell 2.5% and coking coal declined 1.8% as expectations for steel-supportive stimulus from July's Politburo meeting faded.

International Data

US GDP surprised the market to the downside in Q2, rising just 1.5% annualised according to the flash estimate. This was despite a re-acceleration in consumer spending to 3.2%. Business investment growth was robust overall, rising 7.0% annualised. Residential investment eked out a modest 1.5% gain. Net exports subtracted 1ppt from Q2 growth as goods imports surged 15%.

US June PCE data implies household income and spending lost momentum at the end of Q2, growth slowing from 0.7% and 0.9% to 0.2% and 0.3% respectively. Real spending growth held at 0.4% through May and June as growth in the headline price index decelerated to -0.1%. Core inflation surprised to the downside in June at 0.1%, down from 0.3% in May.

As expected, **the Bank of England's Monetary Policy Committee** kept Bank Rate unchanged at 3.75%. Six members supported the decision, while three voted to raise the Bank Rate by 25bp. The communication continued to centre on the conflict in the Middle East, emphasising that the future policy stance will depend on the conflict's scale, duration and economic impact. The BoE appeared comfortable that the economic backdrop had shifted against the need for immediate action. With the policy statement acknowledging a downside surprise in the latest inflation data. In this uncertain environment, and with the latest economic data suggesting no urgency to act, the BoE appears well placed to keep interest rates on hold for some time.

Euro Area GDP growth surprised to the upside in the first estimate for Q2, printing at 0.4%. Q1 was also revised up from -0.2% to a flat outcome, leaving annual growth at 1.0% in Q2. The unemployment rate was unchanged at 6.3% in June after May was revised up from 6.2%.

Local Data

Dwelling approvals rose 7.2%mth in June, driven by a rebound in units, while detached dwelling approvals posted more modest growth and remained at elevated levels (see here).

Today's key data and events

Time	Event	Exp	Prev
8:00	NZ ANZ Consumer Confidence Jul	-	91.3pts
9:30	JP Tokyo Jul	1.8%	1.7%
9:30	JP Job-to-Applicant Jun	120.0%	120.0%
9:50	JP Industrial Production Jun Prel.	1.0%	0.1%
11:30	AU PPI Q2	-	0.4%
11:30	AU PPI Q2	-	3.0%
11:30	AU Private Sector Credit Jun	0.6%	0.7%
11:30	CN Manufacturing PMI Jul	50.1pts	50.3pts
11:30	CN Non-Manufacturing PMI Jul	50pts	50.2pts
16:00	GB Nationwide House Prices Jul	0.0%	0.0%
19:00	EZ HICP Jul Prel.	2.9%	2.8%
22:30	US Employment Cost Index Q2	0.8%	0.9%
23:45	US Chicago PMI Jul	56pts	56.7pts
-	JP BoJ Policy Decision 31/07/2026	1.0%	1.0%
0:00	US Uni. Of Michigan Sentiment Jul Final	54pts	54.4pts

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.

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