4 August 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Risk sentiment improved after President Trump called off planned attacks on Iran and said an outline agreement had been reached that included reopening the Strait of Hormuz. Oil prices fell sharply as supply concerns eased, with WTI crude down 5.1% to US$80.34/bbl.

The decline in oil prices fuelled a rally in risk assets. Equity markets across the US and Europe moved higher, with the Dow Jones reaching a record high.

Bond markets also rallied as lower energy prices helped ease inflation concerns. US Treasury yields fell 5-6bps across the curve, while European yields also moved lower.

The US dollar was broadly unchanged, while the Aussie edged 0.3% lower to US$0.7002 and weakened modestly against most major currencies. RBA pricing remains finely balanced, with markets pricing around 20bps of tightening by early 2027.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.5	0.8%
AUD/USD	0.7002	-0.3%
AUD/JPY	110.07	-0.3%
AUD/GBP	0.5213	-0.1%
AUD/NZD	1.1932	-0.3%
AUD/EUR	0.6083	-0.1%
AUD/CNH	4.7315	-0.2%
AUD/SGD	0.8975	-0.3%
AUD/HKD	5.4905	-0.3%
AUD/CAD	0.9836	-0.2%
EUR/USD	1.1511	-0.2%
USD/JPY	157.19	-0.1%
USD Index	99.96	0.0%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.37	0.00
90 day BBSY	4.55	0.00
180 day BBSY	4.88	0.00
1 year swap	4.57	-0.02
2 year swap	4.53	-0.03
3 year swap	4.50	-0.03
4 year swap	4.51	-0.03
5 year swap	4.55	-0.03
6 year swap	4.60	-0.04
7 year swap	4.65	-0.04
8 year swap	4.71	-0.04
9 year swap	4.77	-0.03
10 year swap	4.82	-0.03

Equities	Close	Change
S&P/ASX 200	9,019	0.5%
S&P 500	7,601	1.5%
Japan Nikkei	63,755	-0.9%
Hang Seng	26,009	0.5%
Euro Stoxx 50	6,427	1.1%
UK FTSE100	10,858	-0.1%
VIX Index	15.86	-0.8%

Commodities	Current	Change
CRB Index	379.95	-1.3%
Gold	4054.33	0.2%
Copper	13870	0.6%
Oil (WTI futures)	80.34	-5.1%
Coal (coking)	212.00	-1.4%
Coal (thermal)	137.85	-1.1%
Iron Ore	93.55	-2.2%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.50	0.00
10 year bond	4.93	0.00
United States		
3-month T Bill	3.68	0.00
2 year bond	4.24	-0.05
10 year bond	4.68	-0.06
Other (10 year yields)		
Germany	3.15	-0.05
Japan	2.84	0.03
UK	4.95	-0.10

Sydney Futures Exchange	Current	Change
10 yr bond	4.98	-0.02
3 yr bond	4.51	-0.01
3 mth bill rate	4.47	0.00
SPI 200	8,970	0.0%

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

- Risk sentiment improved after President Trump called off planned attacks on Iran to allow more time for peace talks. He also said an outline agreement had been reached, which included the reopening of the Strait of Hormuz. Iran said talks with Oman on a mechanism for ships to transit the waterway were in their final stages. Against this backdrop, oil prices fell sharply, with WTI crude down 5.1% to US$80.34/bbl.
- US equity markets rallied strongly as geopolitical tensions eased and oil prices declined. The S&P 500 rose 1.5% to 7,601. The Dow Jones Industrial Average gained 1.3% to a record high, while the tech-heavy Nasdaq advanced 2.1%. Volatility also eased, with the VIX Index falling 0.8 points to 15.86.
- European equities were generally firmer. The Euro Stoxx 50 gained 1.1%, while the DAX rose almost 1.5%. The FTSE 100 was broadly unchanged. Asian markets were mixed, with the Hang Seng up 0.5% and the Nikkei down 0.9%. Locally, the S&P/ASX 200 rose 0.5% to 9,019. SPI futures were broadly unchanged at 8,970, pointing to a flat open for the domestic market.
- Bond markets rallied as lower energy prices helped ease inflation concerns. In the US, the 2-year Treasury yield fell 5bps to 4.24%, while the 10-year Treasury yield declined 6bps to 4.68%. Traders are now pricing around 50bps of rate cuts by September 2027, with 25bps expected by the end of 2026. European yields also moved lower, with German 10-year Bund yields down 5bps to 3.15% and UK 10-year gilt yields down 10bps to 4.95%. In contrast, Japanese 10-year government bond yields rose 3bps to 2.84%.
- Australian bond markets were little changed in cash trading, with the 3-year government bond yield holding at 4.50% and the 10-year yield steady at 4.93%. Futures yields edged lower, with the 3-year contract down 1bp to 4.51% and the 10-year contract down 2bps to 4.98%. OIS pricing suggests a terminal cash rate of around 4.50% this year, with markets pricing in around half a rate rise by December.
- In foreign exchange markets, the US dollar index was broadly unchanged at 99.96. The Australian dollar edged 0.3% lower to US$0.7002. The Aussie also weakened modestly against most major currencies, including the yen (-0.3%), New Zealand dollar (-0.3%), Singapore dollar (-0.3%), Canadian dollar (-0.2%), Chinese yuan (-0.2%), euro (-0.1%) and pound sterling (-0.1%).

Today's key data and events

Time	Event	Exp	Prev
11:30	AU ANZ Job Ads Jul	-	-0.2%
22:30	US Trade Balance Jun	-US$71b	-US$77.6b
0:00	US Factory Orders Jun	-	-1.3%
0:00	US Jolts Job Openings Jun	-	7594k
0:00	US Durable Goods Orders Jun Final	-	-

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.

- The US and Japan jointly intervened in currency markets last week to support the yen after it fell to a 40-year low. While the intervention initially triggered a sharp rally in the yen, the move has already begun to fade, with USD/JPY trading at 157.19 and strategists questioning the sustainability of further gains.
- Commodity prices were generally weaker. The CRB commodity index fell 1.3%, reflecting broad-based declines across energy and bulk commodities. WTI crude oil dropped 5.1% to US$80.34/bbl as concerns over Middle East supply disruptions eased. Iron ore fell 2.2% to US$93.55/t, thermal coal declined 1.1%, coking coal dropped 1.4%, and ACCU prices fell 4.3%. Offsetting some of the weakness, copper gained 0.6% and gold rose 0.2%.

International Data

The **US ISM manufacturing PMI** jumped 2.3pts to 55.6, its highest level in more than four years. Production growth picked up significantly, with the relevant indicator rising to 58.5. The new orders and employment gauges also strengthened.

US construction spending declined 0.1%mth, disappointing market expectations for a 0.2%mth increase. It was the seventh drop in the past nine months.

New York Fed President John Williams signalled his support for keeping interest rates unchanged. "My forecast personally is for inflation to come down in the second half of this year", he said. "I think monetary policy currently is well positioned in where we are today to support that disinflationary path."

Following the decline in China's official NBS manufacturing PMI for July, the equivalent **RatingDog PMI** also signalled weaker sentiment at the start of Q3, highlighting the risk of a further loss of momentum in the world's second-largest economy. The headline index dropped 0.8pts to 50.9.

Local Data

The **Cotality Home Value** Index fell 0.7% in July, marking the largest monthly fall since December 2022. Price declines are now becoming more widespread across the capital cities, with Brisbane (-0.6%) and Adelaide (-0.2%) joining Sydney (-1.4%) and Melbourne (-1.2%) in recording falls. The data suggest housing market softness is no longer confined to the eastern seaboard's largest markets.

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