5 August 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Risk sentiment improved overnight as reports suggest progress is being made towards a reopening of the Strait of Hormuz. Qatar reported a proposal has been drafted but is yet to be confirmed, though comments from US and Iran officials were seen as promising.

Crude oil prices continued to slide, with Brent now back under US$80/bbl for the first time in around three weeks. Government bond yields shifted lower across as the threat of near-term inflation risks eased, seeing traders pare back the chance of rate hikes at the margin.

Share markets were firmly in the green across most major, with a rally in chipmakers driving the S&P 500 up 1.8%. The ASX 200 also posted its largest daily gain since mid-June, and futures markets are pointing to another positive open this morning.

Currency markets took a breather after recent bouts of intervention in the Yen. The Aussie dollar bounced back into the mid USD0.70s.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.3	-0.3%
AUD/USD	0.7045	0.7%
AUD/JPY	111.12	1.0%
AUD/GBP	0.5237	0.5%
AUD/NZD	1.1952	0.3%
AUD/EUR	0.6108	0.4%
AUD/CNH	4.7527	0.5%
AUD/SGD	0.9032	0.6%
AUD/HKD	5.5250	0.7%
AUD/CAD	0.9909	0.8%
EUR/USD	1.1530	0.2%
USD/JPY	157.74	0.4%
USD Index	99.89	0.0%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.37	0.00
90 day BBSY	4.56	0.01
180 day BBSY	4.87	0.00
1 year swap	4.57	0.00
2 year swap	4.52	-0.01
3 year swap	4.47	-0.03
4 year swap	4.49	-0.02
5 year swap	4.52	-0.02
6 year swap	4.57	-0.02
7 year swap	4.63	-0.02
8 year swap	4.69	-0.03
9 year swap	4.74	-0.03
10 year swap	4.79	-0.03

Equities	Close	Change
S&P/ASX 200	9,146	1.4%
S&P 500	7,737	1.8%
Japan Nikkei	63,958	0.3%
Hang Seng	25,853	-0.6%
Euro Stoxx 50	6,487	0.9%
UK FTSE100	10,879	0.2%
VIX Index	16.5	4.0%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.53	0.03
10 year bond	4.97	0.04
United States		
3-month T Bill	3.70	-0.02
2 year bond	4.19	-0.05
10 year bond	4.61	-0.06
Other (10 year yields)		
Germany	3.11	-0.04
Japan	2.86	0.02
UK	4.90	-0.06

Commodities	Current	Change
CRB Index	373.44	-1.7%
Gold	4077.86	0.6%
Copper	14066	1.4%
Oil (WTI futures)	75.77	-5.7%
Coal (coking)	212.50	0.2%
Coal (thermal)	136.65	-0.9%
Iron Ore	93.90	0.1%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	4.96	-0.05
3 yr bond	4.47	-0.05
3 mth bill rate	4.47	0.00
SPI 200	9,131	0.5%

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

Reporting overnight continues to suggest progress is being made toward a reopening of the Strait of Hormuz. Qatar has reported that a proposal has been drafted but yet to be confirmed by the US and Iran. US Secretary of State Marco Rubio stated "there's been progress made" in recent discussions, with US Treasury Secretary Scott Bessent stating "there is a chance we may have a deal today or tomorrow to open the Strait". Iran's Foreign Ministry has also said its own discussions with Oman around managing traffic in the Strait has proceeded "positively".

- Share markets were in the green across most major markets yesterday amid growing optimism over a progress in discussions around the Strait of Hormuz. In the US, this translated to a rally in chipmakers saw the NASDAQ lift 2.6%, while the S&P 500 and Dow Jones rose 1.8% and 1.7% respectively. The Euro Stoxx 50 (0.9%) and London's FTSE 100 (0.2%) also lifted.
- Stocks also gained momentum across Tokyo (+0.3%), Shanghai (+1.3%) and Seoul (+1.6%), while Hong Kong bucked the wider trend with a –0.6% decline. The ASX 200 posted its largest daily gain since mid-June, up 1.4% with virtually all sectors in the green. Following the action over night, futures markets are pointing to another positive open this morning.
- Progress in negotiations around the Strait of Hormuz saw Treasuries rally, as the threat of near-term inflation risks eased. The yield curve shifted lower, with the 2Y down 5bps to 4.19% while the 10Y fell 6bps to 4.61%. Markets have slightly pared back the chance of near-term Fed rate hikes, though one is still fully priced in by December, while a move as early as September is seen as more likely than not (>50% chance).
- Yields fell similarly across Europe and the UK, with 10Y Bunds and Gilts down 4bps and 6bps respectively. The Australian yield curve meanwhile shifted higher and steepened during local trading, though those moves were largely given back in futures trading overnight. Swaps markets still have no real appetite for near-term rate hikes.
- The constructive news flow stemming from the Middle East put pressure on the USD, seeing the DXY trade broadly flat overnight. After recent bouts of intervention in markets by authorities, the Japanese Yen depreciates steadily, trading toward the upper end of a JPY157 handle. The Euro (+0.2%) and Sterling (+0.1%) meanwhile appreciated against the greenback. The Aussie dollar effectively unwound all of Monday's decline, appreciating 0.7% against the USD to be back around the USD0.7040 mark.
- Crude oil prices continued to trade lower as the prospect of an imminent reopening in the Strait of Hormuz looks more promising. Brent and WTI fell 6.0% and 5.7% to US$78.8/bbl and US$75.8/bbl respectively. The bounce in risk sentiment also drove a solid 1.4% rise in LME copper prices, while gold prices rose 0.6% to around US$4,078/oz on the lower yield environment. Iron ore prices meanwhile held broadly steady after trading lower over recent weeks, the support for prices weakening as port inventories build amid firmer supply and cautious demand.

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Employment Q2	0.1%	0.2%
8:45	NZ Unemployment Rate Q2	5.4%	5.3%
8:45	NZ Labour Cost Index Q2	0.6%	0.5%
10:30	JP S&P Global Services PMI Jul Final	-	51.9pts
11:00	NZ ANZ Commodity Prices Jul	-	-1.0%
11:45	CN RatingDog Services PMI Jul	53.7pts	54.1pts
18:00	EZ S&P Global Services PMI Jul Final	51.6pts	51.6pts
18:30	GB S&P Services PMI Jul Final	51.8pts	51.8pts
19:00	EZ PPI Jun	-0.3%	0.2%
22:15	US ADP Employment Change Jul	65k	98k
23:45	US S&P Services PMI Jul Final	53.6pts	53.6pts
0:00	US ISM Services Jul	54.5pts	54pts

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

In the US, the **trade deficit** narrowed broadly as expected in June, from $77.6bn to $73.3bn, though the deficit remains elevated compared to the start of the year. A pull-back in AI-related imports were the main driver of the improvement, though this component remains quite volatile month-to-month. Export earnings meanwhile edged lower, driven by an easing in petroleum product exports which lifted significantly earlier in the year amid Strait of Hormuz disruptions.

Growth in **factory orders** surprised to the downside, falling –0.3% in June; however, growth for Q2 as a whole was still very positive given the scale of the surge in April, which was only partly unwound over May and June. Core orders – capital goods excluding defence and aircraft – rose solidly in the month, a sign of a firming underlying pulse for business investment.

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