10 August 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets were left searching for direction on Friday as progress towards a deal to reopen the Strait of Hormuz remained elusive, with attention instead shifting to the downside surprise in US non-farm payrolls, which saw markets pare expectations for a Fed rate hike this year.

US and European equities rose, while Asian markets were mixed and the ASX 200 snapped a five-day winning streak.

US Treasuries rallied following the weaker-than-expected July employment report, with futures markets trimming expectations for further Fed tightening, although a move in December remains fully priced.

The USD softened on Friday, with most majors gaining against the greenback.

Oil edged higher amid a lack of progress towards a deal on the Strait of Hormuz, although still ended the week lower overall. Gold rose strongly, while weakness in Chinese steel markets weighed on iron ore.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.3	-0.2%
AUD/USD	0.7065	0.5%
AUD/JPY	111.43	0.1%
AUD/GBP	0.5234	0.3%
AUD/NZD	1.1988	0.1%
AUD/EUR	0.6108	0.2%
AUD/CNH	4.7644	0.4%
AUD/SGD	0.9029	0.2%
AUD/HKD	5.5447	0.5%
AUD/CAD	0.9856	0.0%
EUR/USD	1.1565	0.3%
USD/JPY	157.72	-0.4%
USD Index	99.54	-0.4%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.37	0.00
90 day BBSY	4.56	0.01
180 day BBSY	4.88	-0.01
1 year swap	4.59	0.01
2 year swap	4.55	0.00
3 year swap	4.52	-0.02
4 year swap	4.53	0.00
5 year swap	4.56	0.00
6 year swap	4.61	0.00
7 year swap	4.66	0.00
8 year swap	4.72	-0.01
9 year swap	4.77	-0.01
10 year swap	4.82	-0.01

Equities	Close	Change
S&P/ASX 200	9,264	-0.1%
S&P 500	7,758	0.6%
Japan Nikkei	65,607	-0.1%
Hang Seng	25,668	0.5%
Euro Stoxx 50	6,524	0.3%
UK FTSE100	10,901	0.3%
VIX Index	14.9	-1.7%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.54	0.05
10 year bond	5.01	0.09
United States		
3-month T Bill	3.71	-0.03
2 year bond	4.20	-0.05
10 year bond	4.65	-0.03
Other (10 year yields)		
Germany	3.13	-0.01
Japan	2.81	0.02
UK	4.92	-0.02

Commodities	Current	Change
CRB Index	380.83	0.0%
Gold	4341.56	2.4%
Copper	14076	-0.2%
Oil (WTI futures)	78.18	1.2%
Coal (coking)	215.50	0.0%
Coal (thermal)	129.50	-0.2%
Iron Ore	94.65	-1.1%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	4.99	-0.03
3 yr bond	4.52	-0.02
3 mth bill rate	4.47	0.00
SPI 200	9,233	0.4%

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.

Luka Belobrajdic
Economist, Westpac Group
P: +61 403 657 603
E: luka.belobrajdic@westpac.com.au

Financial Markets

Markets were left searching for direction on Friday, with a deal to reopen the Strait of Hormuz remaining elusive. In the absence of fresh developments from the Middle East, attention shifted to the July US employment report, where a widely unexpected 23,000 decline in non-farm payrolls saw Treasuries and equities rally as markets pared expectations for a Fed rate hike.

Over the weekend, Iranian Foreign Minister Araghchi said an agreement on a temporary transit route through the Strait of Hormuz was "very close". At the same time, Tehran rejected direct talks with the US for now and renewed a list of demands of Washington. These include compensation for alleged US violations of the Islamabad agreement, the immediate lifting of the US naval blockade, the withdrawal of military forces from around Iran, sanctions relief and the release of frozen assets, highlighting the significant obstacles that remain to a final agreement.

- US equities rose as the weaker-than-expected July employment report prompted markets to trim expectations for further Fed tightening. The S&P 500 gained 0.6%, while the Dow Jones rose 0.3% and the NASDAQ outperformed, advancing 1.3%. European equities also edged higher, with both the Euro Stoxx 50 and FTSE 100 gaining 0.3%.
- Asian markets were mixed. The Hang Seng rose 0.5%, while the Nikkei 225 fell 0.1% and the KOSPI declined a steeper 0.6%. Locally, the ASX 200 ended its five-day winning streak, falling 0.1% as financials weighed on the index.
- US Treasuries rallied following the weaker-than-expected July employment report. The 2-year yield fell sharply before retracing some of the move to finish 5bps lower, while the 10-year yield declined 3bps. Futures markets have pared expectations for a Fed hike this year, although a move in December remains fully priced, taking the implied year-end Fed funds rate to 3.91%.
- Australian government bond yields moved higher, with the 3-year yield up 5bps and the 10-year yield rising 9bps. Swap markets continue to look through the prospect of an RBA rate hike this year, with the implied year-end terminal cash rate at 4.50%.
- FX markets saw the USD weaken, with the DXY down 0.4%. The AUD gained 0.5% against the greenback to 0.7065. The euro and sterling both rose 0.3% against the USD, while the yen gained 0.4%, pushing USD/JPY back below 158 following the government's market intervention late last month.
- With little definitive progress towards reopening the Strait of Hormuz, oil edged higher on Friday, although prices still finished the week lower overall. Brent rose 1.3% to US$83.6/bbl, while WTI gained 1.2% to US$78.2/bbl. Gold closed above US$4,300/oz, rising 2.4% as investors continued to buy dips despite ongoing Middle East tensions. Copper fell 0.2%, while aluminium rose 0.6%. Iron ore declined 1.1% as Chinese steel rebar prices fell to their lowest level since November 2016.

Today's key data and events

Time	Event	Exp	Prev
9:50	JP Current Account Balance Jun	¥1514b	¥3968.3b
18:30	EZ Sentix Investor Confidence Aug	-1pts	-3.1pts

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 nonfarm payrolls surprised to the downside in July, with 23k jobs lost in the month and the cumulative gain for the prior two months revised down by 103k. Year-to-date, the month-average gain is now 61k, consistent with balance between labour demand and supply. The unemployment rate edged down 0.1ppts but only as a result of a further reduction in the participation rate, which is now 1.2ppts lower than January 2025. An unchanged participation rate over the period would have seen the unemployment rate rise through 5.0%. Household survey employment declined further in July, 87k less people reporting they are employed. The past six months has seen an average reduction of 153k. Noticeably, average hourly earnings also disappointed, rising just 0.1% in the month, slowing the annual pace to 3.2%.

Chinese CPI inflation slowed to 0.5%yr in July as energy prices snapped back. But, excluding food and energy, inflation was little changed from June at 0.9%yr. Annual headline producer price inflation also slowed abruptly from 4.1% to 3.5% in the month.

Corporate Directory

Westpac Economics / Australia

Sydney
Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis
Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan
Head of Australian Macro–Forecasting
E: mhassan@westpac.com.au

Elliot Clarke
Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner
Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk
Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante
Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas
Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells
Economist
E: ryan.wells@westpac.com.au

Illiana Jain
Economist
E: illiana.jain@westpac.com.au

Neha Sharma
Economist
E: neha.sharma1@westpac.com.au

Luka Belobrajdic
Economist
E: luka.belobrajdic@westpac.com.au

Westpac Economics / New Zealand

Auckland
Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold
Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon
Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs
Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod
Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark
Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva
1 Thomson Street
Suva, Fiji

Shamal Chand
Senior Economist
E: shamal.chand@westpac.com.au

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