18 August 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets adopted a generally risk-off tone as President Trump reaffirmed he was not interested in extending the truce with Iran, with renewed tensions in the Middle East pushing oil prices higher and complicating sentiment.

Equities weakened in the US and Europe as rising oil prices weighed on sentiment, while Asian markets outperformed, supported by semiconductor stocks and closing before the subsequent oil price rally.

US Treasuries weakened as oil prices rose.

The USD softened marginally on subdued expectations for further Fed tightening, with the AUD extending gains against the greenback to move above the 0.71 handle.

Oil prices rose as markets assessed the US and Iran were moving further away from a deal, with Brent climbing back above US$90/bbl. Weaker Chinese data weighed on iron ore and coking coal.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	66.0	0.6%
AUD/USD	0.7105	0.3%
AUD/JPY	113.30	0.4%
AUD/GBP	0.5246	0.2%
AUD/NZD	1.2037	0.1%
AUD/EUR	0.6135	0.2%
AUD/CNH	4.7905	0.3%
AUD/SGD	0.9077	0.2%
AUD/HKD	5.5729	0.2%
AUD/CAD	0.9858	0.2%
EUR/USD	1.1581	0.1%
USD/JPY	159.45	0.1%
USD Index	99.59	-0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	0.00
90 day BBSY	4.56	0.00
180 day BBSY	4.87	0.00
1 year swap	4.59	0.00
2 year swap	4.56	0.00
3 year swap	4.55	0.00
4 year swap	4.56	-0.01
5 year swap	4.60	0.00
6 year swap	4.66	0.00
7 year swap	4.72	0.00
8 year swap	4.78	0.00
9 year swap	4.83	0.00
10 year swap	4.88	0.00

Equities	Close	Change
S&P/ASX 200	9,073	-0.5%
S&P 500	7,745	-0.5%
Japan Nikkei	69,220	0.7%
Hang Seng	25,453	1.3%
Euro Stoxx 50	6,530	-0.1%
UK FTSE100	10,720	-0.3%
VIX Index	15.19	6.6%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.55	0.03
10 year bond	5.04	0.04
United States		
3-month T Bill	3.70	0.00
2 year bond	4.18	0.01
10 year bond	4.72	0.03
Other (10 year yields)		
Germany	3.22	0.02
Japan	2.92	0.03
UK	5.06	0.02

Commodities	Current	Change
CRB Index	397.06	1.4%
Gold	4415.99	0.9%
Copper	14158	0.0%
Oil (WTI futures)	84.92	3.1%
Coal (coking)	223.83	-0.5%
Coal (thermal)	137.75	0.1%
Iron Ore	95.50	-0.7%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	5.08	0.03
3 yr bond	4.57	0.02
3 mth bill rate	4.50	0.00
SPI 200	8,972	-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.

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Financial Markets

Markets adopted a generally risk-off tone overnight as President Trump reaffirmed he was not interested in extending the expiring truce with Iran. Oil prices gained on the remarks, further supported by comments from the US President that he would bomb Oman should it obstruct the US blockade of Iranian shipping in the Strait. The backdrop was further complicated by renewed fighting between Hezbollah and Israel in Lebanon.

- US equities moved lower as rising oil prices weighed on sentiment. The S&P 500 fell 0.5%, as did the Dow Jones, while the NASDAQ proved slightly more resilient, declining 0.3%. In Europe, sentiment was similarly subdued, with the Euro Stoxx 50 down 0.1% and the FTSE 100 lower by 0.3%.
- Asian markets opened the week on a firmer footing, closing before the sharp rise in oil prices and supported by semiconductor stocks. The Hang Seng led gains, rising 1.3%, while the Nikkei 225 gained 0.7%. The KOSPI was closed for the Liberation Day public holiday. Locally, the ASX 200 fell 0.5%, dragged lower by financials and consumer cyclicals.
- US Treasuries weakened as oil prices extended their gains. The 2-year yield rose 1bp, while the 10-year yield gained 3bps. Futures markets, however, remain reluctant to fully price further Fed tightening, with the implied year-end Fed funds rate at 3.86%.
- Australian government bond yields also moved higher, with the 3-year yield rising 3bps and the 10-year yield up a slightly larger 4bps. Swap markets continue to look through the prospect of an RBA rate hike this year, with the implied year-end terminal cash rate at 4.49%.
- FX markets saw the USD extend its recent decline, although rising oil prices provided some support, with the DXY down 0.1% overall. The AUD gained 0.3% against the greenback to 0.7105, while the euro rose 0.1%, sterling was unchanged, and the yen fell 0.1% against the USD, approaching the USD/JPY 160 mark.
- Oil prices rose as President Trump reaffirmed he was not interested in extending the truce with Iran, reinforcing the perception that both sides are moving further apart from any common ground. Brent gained 2.8% to move above US$90/bbl at US$91.0/bbl, while WTI rose 3.1% to US$84.9/bbl.
- Friday's weaker US retail sales data supported gold, with easing concerns around an imminent Fed rate hike helping the precious metal gain 0.9%. Copper was unchanged as deteriorating sentiment emanating from the Middle East offset support from elsewhere, while iron ore fell 0.7% and coking coal declined 0.5% on weaker Chinese data.

Today's key data and events

Time	Event	Exp	Prev
10:30	AU Westpac-MI Consumer Sentiment Aug	-	83.9pts
16:00	GB ILO Unemployment Rate Jun	4.8%	4.9%
19:00	EZ Zew Survey Of Expectations Aug	-	23.4pts
22:30	US Import Price Index Jul	0.1%	0.3%
22:30	US Housing Starts Jul	-6.0%	19.0%
22:30	US Building Permits Jul Prel.	0.1%	-2.6%
0:00	US Pending Home Sales Jul	0.0%	-5.4%

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

The latest activity numbers from China painted a picture of an economy that is continuing to lose steam. **Industrial production** growth has been a bit brighter recently, mainly reflecting strong external demand for Chinese goods, but the latest figures surprised to the downside, with production rising by only 0.1%mth. On a year-ended basis, growth was 4.5%yr, leaving the YTD pace at 5.3%yr, the slowest since March 2024. The loss of momentum appears to be linked to weakening business demand. Indeed, **fixed asset investment** in the private sector was down 9.4%yr YTD, a notable deterioration from the 5.3%yr decline recorded last year. Public sector investment is holding up somewhat better, leaving total investment down 6.7%yr YTD. The property sector indicators continue to disappoint, with **house prices** extending their decline for a thirty-ninth consecutive month and **property investment** down more than 19%yr YTD. And with negative wealth effects continuing to weigh on household confidence, **retail sales** also came in below expectations, rising by only 0.6%mth and just 1.2%yr YTD.

The New York Fed Empire State Manufacturing Survey indicated that the growth impulse strengthened this month. The headline indicator for current conditions rose by 5pts to 20.6, its highest level since the end of 2021. The survey details were less positive, with indicators for new orders, shipments and employment all taking a step lower.

The US NAHB survey of single-family home builders showed that sentiment ticked higher this month. The headline index rose 1pt to 35, still below the 2025 and H1 2026 averages of slightly above 37 and 36, respectively. The assessment of current sales improved somewhat, but future expectations remained well below the long-term average, continuing to signal subdued US housing market momentum.

Local Data

The **Westpac-DataX Card Tracker Index** continued to strengthen through mid-July, rising 2.6pts to a new record high of 159.6 (see here).

In New Zealand, July **selected prices** were softer than expected, while **retail spending** rose 1.3%mth, reversing the previous month's decline (see here).

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