19 August 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Hopes that the Strait of Hormuz would reopen soon faded further after President Trump confirmed that there are currently no talks between the US and Iran, keeping crude oil on its recent upward trajectory.

Concerns about rising debt used to fund AI expansion sent semiconductor stocks lower, dragging major equity benchmarks down.

Pressure in bond markets is also rising rapidly. Long-dated bonds continue to sell off amid concerns about inflationary pressures from higher energy prices, the persistence and frequency of supply shocks in the current geopolitical climate, and the sustainability of public finances in major economies.

US Treasuries pared earlier losses and finished the day in the green, but major European government bonds recorded further losses. Aussie yields also moved higher.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.9	-0.2%
AUD/USD	0.7087	-0.2%
AUD/JPY	113.12	-0.1%
AUD/GBP	0.5237	-0.2%
AUD/NZD	1.2059	0.2%
AUD/EUR	0.6121	-0.2%
AUD/CNH	4.7815	-0.2%
AUD/SGD	0.9059	-0.2%
AUD/HKD	5.5591	-0.2%
AUD/CAD	0.9846	0.0%
EUR/USD	1.1578	0.0%
USD/JPY	159.60	0.1%
USD Index	99.64	0.0%

Equities	Close	Change
S&P/ASX 200	9,070	0.0%
S&P 500	7,692	-0.7%
Japan Nikkei	67,461	-2.5%
Hang Seng	25,471	0.1%
Euro Stoxx 50	6,468	-1.0%
UK FTSE100	10,728	0.1%
VIX Index	15.84	4.3%

Commodities	Current	Change
CRB Index	396.78	-0.1%
Gold	4334.44	-1.8%
Copper	13986	-1.2%
Oil (WTI futures)	84.94	0.5%
Coal (coking)	225.50	0.7%
Coal (thermal)	134.25	0.1%
Iron Ore	96.55	0.9%
ACCU	36.13	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	0.00
90 day BBSY	4.55	0.00
180 day BBSY	4.86	-0.01
1 year swap	4.60	0.01
2 year swap	4.58	0.02
3 year swap	4.57	0.02
4 year swap	4.59	0.03
5 year swap	4.63	0.03
6 year swap	4.67	0.02
7 year swap	4.73	0.02
8 year swap	4.80	0.02
9 year swap	4.85	0.02
10 year swap	4.90	0.02

Government Bond Yields	Close	Change
Australia		
3 year bond	4.59	0.04
10 year bond	5.10	0.05
United States		
3-month T Bill	3.69	-0.01
2 year bond	4.17	0.00
10 year bond	4.70	-0.02
Other (10 year yields)		
Germany	3.26	0.04
Japan	2.96	0.04
UK	5.08	0.02

Sydney Futures Exchange	Current	Change
10 yr bond	5.08	-0.02
3 yr bond	4.58	-0.01
3 mth bill rate	4.51	0.01
SPI 200	8,976	-0.3%

Data as at 7:40am 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

Hopes that the Strait of Hormuz would reopen soon faded further after President Trump confirmed that there are currently no talks between the US and Iran, following the expiry of the memorandum of understanding the two countries signed in June. Meanwhile, reports suggested that Iran had fired missiles into UAE territory, its first attack on the country since May, pointing to an escalation in military activity.

In equity markets, semiconductor stocks were again in the spotlight, as concerns about rising debt used to fund AI expansion sent major equity benchmarks lower. That weaker tone is also spilling into major bond markets, where investors already face a long list of concerns, such as inflationary pressures from higher energy prices, the persistence and frequency of supply shocks in the current geopolitical climate, and the sustainability of public finances in major economies.

- Most major equity indices traded in the red. The S&P 500 fell 0.7%, registering a third consecutive daily loss. The tech sector was the weakest performer, down almost 2%, with the semiconductor benchmark index falling 5%. The Euro Stoxx 50 made even bigger losses, down 1.0%. Asian markets also fell, with a downside surprise in Chinese activity indicators weighing on sentiment. The ASX was little changed, as a spike in healthcare stocks offset losses elsewhere.
- In bond markets, US Treasuries pared earlier losses and finished the day in the green, with yields down 1-2bp at the longer end of the curve. The move did little to reverse the increases seen over the past couple of months, during which the US 30Y yield rose by almost 40bp, while the short end remained little changed, anchored by broadly stable expectations for Fed policy.
- Major government bonds in Europe made losses, with yields remaining on an upward trend. In Germany, the 10Y yield rose 4bp to 3.26%, its highest level in fifteen years, with the new supply from yesterday's 30Y auction and today's 10Y bond auction adding to upward pressure on yields. UK Gilts followed a similar pattern, with 2bp increases in 10Y and 30Y yields taking them to 5.08% and 5.83%, respectively. The latter was just shy of the highest levels seen since the late 1990s earlier this year. Aussie yields also headed higher, with the 10Y up 5bp and the 30Y gaining 7bp to 5.61%.
- In FX markets, the DXY was unchanged at 99.64. The EUR also held steady, while GBP and the yen depreciated slightly, each by 0.1%. The AUD weakened 0.2% to 0.7087.
- Unfavourable headlines from the Middle East conflict kept crude oil on its recent upward trajectory. However, the gains were modest, with the active Brent and WTI contracts both up \$0.5 to \$91.4 and \$84.9, respectively.

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ PPI Q2	-	0.8%
9:50	JP Machinery Orders Jun	7.2%	-12.4%
11:30	AU Wage Price Index Q2	0.8%	0.8%
11:30	AU Wage Price Index Q2	3.2%	3.3%
16:00	GB CPI Jul	2.9%	2.6%
04:00	FOMC July meeting minutes	-	-

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 housing starts surprised significantly to the downside, falling 12.4%mth in July. The data have been very volatile lately, but growth on a three-month basis has now dropped into negative double digits and was the weakest in almost four years. High interest rates, affordability constraints and weak sentiment remain the key challenges for the US housing market.

US industrial production maintained its upward trajectory, with output rising 0.2%mth in July. In addition, June's result was revised higher to a 0.3%mth increase. The data highlighted diverging trends in consumer and business demand. Consistent with recent signals from softer employment data and consumer spending indicators, consumer goods production was down 0.4%mth. Meanwhile, business equipment production remained strong, rising 0.8%mth, likely linked to increased business investment in AI and other areas.

The latest **UK jobs data** showed that labour market slack continued to rise, suggesting that weakening domestic inflationary pressures are continuing to offset the upward pressure on CPI from higher energy prices. The number of payrolled employees declined for a fifth consecutive month, falling by 13k, while vacancies – an indicator of labour demand – also maintained a downward trend. The Labour Force Survey numbers, which have been less reliable of late, conveyed a similar message: headline three-month employment growth softened notably, and the three-month unemployment rate remained unchanged at 4.9%, contrary to expectations of a 0.1ppt decline. Against that backdrop, the wage growth impulse weakened further, with private sector regular wages rising by only 2.8%yr.

The **euro area ZEW survey** of financial market experts showed that the recovery this quarter is gathering pace. The headline economic expectations indicator rose by 8pts to 31.4, representing a sharp bounce back up from April's trough of -20.4 and leaving it above its long-term average of around 20. The current economic situation indicator rose even more sharply, up by 16.2pts to -21.5, also above its historical average.

Local Data

The **Westpac–Melbourne Institute Consumer Sentiment Index** rose 6% to 88.9 in August. This is still a weak result and noticeably lower than the readings recorded last year (see here).

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