20 August 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets were mixed as the semiconductor sell-off extended through Asia and oil remained elevated, while a surprise US Treasury announcement to at least double long-end bond buyback operations drove cross-asset moves.

US equities rose following the Treasury's buyback announcement, although Asian equities remained under pressure from the ongoing semiconductor rout.

US Treasuries rallied at the long end after the Treasury announced plans to at least double bond buybacks across the 10-year to 30-year sector, helping flatten the yield curve.

The USD weakened broadly following the Treasury's buyback announcement.

Oil rose for a fourth consecutive session as the US-Iran conflict remained unresolved, while gold surged above US$4,500/oz as long-dated US Treasury yields declined.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.5	-0.6%
AUD/USD	0.7125	0.5%
AUD/JPY	112.68	-0.4%
AUD/GBP	0.5237	0.0%
AUD/NZD	1.2008	-0.5%
AUD/EUR	0.6101	-0.3%
AUD/CNH	4.7958	0.3%
AUD/SGD	0.9057	0.0%
AUD/HKD	5.5866	0.5%
AUD/CAD	0.9838	-0.1%
EUR/USD	1.1677	0.9%
USD/JPY	158.16	-0.9%
USD Index	98.79	-0.9%

Equities	Close	Change
S&P/ASX 200	9,054	-0.2%
S&P 500	7,708	0.2%
Japan Nikkei	65,326	-3.2%
Hang Seng	25,495	0.1%
Euro Stoxx 50	6,444	-0.4%
UK FTSE100	10,743	0.1%
VIX Index	14.89	-6.0%

Commodities	Current	Change
CRB Index	400.18	0.9%
Gold	4515.63	4.2%
Copper	14050	0.5%
Oil (WTI futures)	85.67	0.9%
Coal (coking)	226.75	0.6%
Coal (thermal)	137.10	0.1%
Iron Ore	95.95	-0.2%
ACCU	36.13	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	0.00
90 day BBSY	4.55	-0.01
180 day BBSY	4.86	0.00
1 year swap	4.59	-0.01
2 year swap	4.56	-0.02
3 year swap	4.57	0.00
4 year swap	4.58	-0.01
5 year swap	4.61	-0.01
6 year swap	4.66	-0.01
7 year swap	4.72	-0.01
8 year swap	4.78	-0.02
9 year swap	4.83	-0.02
10 year swap	4.88	-0.02

Government Bond Yields	Close	Change
Australia		
3 year bond	4.57	-0.03
10 year bond	5.06	-0.04
United States		
3-month T Bill	3.70	0.00
2 year bond	4.16	-0.01
10 year bond	4.65	-0.06
Other (10 year yields)		
Germany	3.26	0.00
Japan	2.90	-0.06
UK	5.04	-0.04

Sydney Futures Exchange	Current	Change
10 yr bond	5.05	-0.02
3 yr bond	4.56	0.00
3 mth bill rate	4.50	0.00
SPI 200	9,033	0.3%

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 were mixed overnight, with the semiconductor sell-off continuing during Asian trading while oil extended gains for a fourth consecutive session amid little sign of a resolution to the US-Iran conflict. In the US, FOMC minutes showed "many" participants noted the possibility that inflation could prove more persistent. However, the key market development was a surprise announcement from the US Treasury that it would at least double long-end bond buyback operations, signalling a desire to lower borrowing costs. The move saw the US yield curve flatten, the USD weaken, and US equities move higher.

- US equities gained as the US Treasury's plans to expand long-end bond buybacks supported sentiment. The S&P 500 rose 0.2%, its first gain in four sessions. The Dow Jones and NASDAQ also gained 0.2%. In Europe, performance was mixed, with the Euro Stoxx 50 down 0.4% and the FTSE 100 up 0.1%.
- Asian markets were mixed, with the semiconductor-heavy KOSPI leading declines, falling 5.8% as the semiconductor sell-off extended into Asian trading. The Nikkei 225 declined 3.2%, while the Hang Seng proved more resilient, rising 0.1%. Locally, the ASX 200 tracked the previous session's weakness on Wall Street, falling 0.2%.
- US Treasuries rallied at the long end after the Treasury Department announced it would at least double bond buybacks across the 10-year to 30-year sector. The 2-year yield fell 1bp, while the 10-year yield declined 6bps and the 30-year yield fell 9bps. Futures markets remain reluctant to fully price further Fed tightening, with the implied year-end Fed funds rate at 3.85%.
- Australian government bond yields reversed part of the previous session's rise, with the 3-year yield down 3bps and the 10-year yield falling 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 4.50%.
- FX markets saw broad USD weakness following the Treasury's announcement on long-dated bond buybacks, with the DXY down 0.9%. The AUD gained 0.5% against the greenback to 0.7125, while the yen and euro rose 0.9%, and sterling gained 0.6%.
- A lack of progress towards resolving the conflict between the US and Iran saw oil rise for a fourth consecutive session. Brent gained 0.5% to US$91.5/bbl, while WTI rose 0.9% to US$85.7/bbl. Gold surged 4.2% to move above US$4,500/oz following the decline in long-dated US Treasury yields. Iron ore fell 0.2%, while coking coal rose 0.6% amid reports that supply in China remains constrained following the Shanxi mining disaster earlier this year.

Today's key data and events

Time	Event	Exp	Prev
11:30	AU Employment Jul	12k	76.3k
11:30	AU Unemployment Rate Jul	4.4%	4.4%
22:30	US Phily Fed Manufacturing Aug	25pts	41.4pts
22:30	US Initial Jobless Claims 15/08/2026	210k	209k
0:00	US Leading Index Jul	0.1pts	-0.2pts

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 **July FOMC minutes** showed a high degree of caution over the outlook for inflation given uncertainty over the Middle East conflict and economic policy as well as an expectation that the US economy would maintain momentum and the labour market remain fully employed. "Most participants anticipated that inflation would step down over the rest of the year as the effects of tariffs and earlier energy price increases wane, but many participants noted the possibility that inflation might be more persistently elevated." "Participants judged that their inflation outlooks were highly uncertain and that inflation risks were skewed to the upside." "Many participants highlighted the possibility that… continued elevated inflation rates could begin to affect inflation expectations and wage- and price-setting decisions."

Meanwhile, "participants generally observed that economic activity had continued to expand at a solid pace and that labor market conditions appeared stable". Overall, "many participants assessed that policy tightening would likely be necessary if inflation did not decline". Finally, there was also an initial discussion of a potential change to the timing of FOMC meetings, with the Chairman observing "that six scheduled meetings per year, held roughly every two months, would allow more information to accumulate between meetings than under current practice and provide policymakers and the staff more time to consider strategic monetary policy issues". Input of Committee members was requested on the potential change for 2027 or beyond.

The **UK CPI** met expectations in July, prices rising 0.3% to be 2.9% higher over the year. Annual core inflation held at 2.6%yr as services inflation eased from 3.6%yr to 3.4%yr.

Local Data

The **Wage Price Index** rose 0.8%qtr in Q2 2026, with ongoing moderation in private-sector wage growth partly offset by stronger growth in the public sector (see here).

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