25 August 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Risk sentiment softened overnight as geopolitical tensions escalated, with the US unveiling its "economic D-Day" sanctions campaign against Iran while trade tensions with Canada remained elevated. Semiconductor stocks also came under pressure ahead of Nvidia's earnings.

Equity markets weakened, led by technology shares. Major US indices closed lower, while an ETF tracking memory-chip producers slumped 5.9%. European markets were mixed.

Bond markets firmed, with US Treasuries rallying after reports the Treasury could use cash stockpile to buy back higher-yielding bonds. The US 10-year Treasury yield fell 4bps to 4.70%.

The Aussie declined 0.3% to US$0.7150, ahead of the release of the RBA Minutes later today. Commodity markets were mixed, with gains in gold and copper offset by declines in oil prices and broader commodity indices.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.9	0.3%
AUD/USD	0.7164	0.8%
AUD/JPY	113.89	0.7%
AUD/GBP	0.5255	0.7%
AUD/NZD	1.1990	0.2%
AUD/EUR	0.6135	0.7%
AUD/CNH	4.8142	0.6%
AUD/SGD	0.9092	0.6%
AUD/HKD	5.6171	0.8%
AUD/CAD	0.9887	0.6%
EUR/USD	1.1677	0.0%
USD/JPY	159.01	-0.1%
USD Index	98.80	-0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	0.00
90 day BBSY	4.54	-0.01
180 day BBSY	4.83	-0.01
1 year swap	4.59	0.00
2 year swap	4.57	0.01
3 year swap	4.56	0.01
4 year swap	4.58	0.01
5 year swap	4.62	0.01
6 year swap	4.67	0.01
7 year swap	4.73	0.00
8 year swap	4.79	0.01
9 year swap	4.84	0.01
10 year swap	4.90	0.01

Equities	Close	Change
S&P/ASX 200	9,059	-0.3%
S&P 500	7,674	0.4%
Japan Nikkei	66,016	-0.3%
Hang Seng	26,009	1.2%
Euro Stoxx 50	6,462	0.6%
UK FTSE100	10,817	0.6%
VIX Index	15.13	-5.5%

Commodities	Current	Change
CRB Index	406.24	0.7%
Gold	4603.07	1.9%
Copper	14216	1.3%
Oil (WTI futures)	87.06	0.3%
Coal (coking)	233.00	1.7%
Coal (thermal)	139.75	1.0%
Iron Ore	96.45	0.1%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.57	0.04
10 year bond	5.06	0.05
United States		
3-month T Bill	3.71	0.00
2 year bond	4.24	0.05
10 year bond	4.73	0.03
Other (10 year yields)		
Germany	3.26	0.00
Japan	2.89	0.03
UK	5.06	-0.01

Sydney Futures Exchange	Current	Change
10 yr bond	5.05	-0.01
3 yr bond	4.56	0.00
3 mth bill rate	4.50	0.01
SPI 200	9,028	0.5%

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

- The US announced a fresh round of sanctions against Iran, dubbed the "economic D-Day" campaign by President Trump. The measures target more than 70 entities linked to Iran and threaten action against countries that continue doing business with Tehran. The effectiveness of the sanctions will largely depend on whether the US is prepared to enforce them against China, Iran's largest oil customer. Despite the tougher rhetoric, WTI crude fell 2.4% to US$85.01/bbl, suggesting markets believe Iran may ultimately yield to mounting economic pressure.
- Trade tensions also remain elevated between the US and Canada, with President Trump stating that a 50% tariff on Canadian automobiles and auto parts will take effect from January. Separately, reports suggest the US is preparing to impose an additional 7.5% tariff on Chinese goods over concerns about excess manufacturing capacity ahead of next month's Trump-Xi summit. The move reinforces concerns that trade policy uncertainty will be a headwind for growth.
- Risk sentiment weakened overnight amid escalating geopolitical tensions and renewed pressure on semiconductor stocks ahead of Nvidia's earnings release later this week. Technology shares led declines, with Nvidia, Seagate, Sandisk and Micron among the biggest losers. An ETF tracking memory-chip producers fell 5.9% on the day. The Nasdaq lost 0.8%, while the S&P 500 fell 0.3%. The Dow Jones outperformed, rising 0.3%.
- European equities were mixed in subdued trading as investors awaited further details on the US sanctions package. The Euro Stoxx 50 fell 0.2%, Germany's DAX declined 0.2%, and France's CAC lost 0.4%, while the FTSE 100 rose 0.3%. Asian markets were also mixed, with the Hang Seng down 1.9% and the Nikkei falling 0.7%. Locally, the S&P/ASX 200 gained 0.5% to 9,103. Equity futures were little changed, up 0.1% to 9,055.
- Bond markets were mixed overnight. Treasuries found support after reports that the US Treasury could use part of its cash balance to buy back higher-yielding legacy securities in an effort to ease borrowing costs. However, yields ultimately moved little, with the 10-year Treasury yield down 4bps to 4.70%, while the 2-year yield was unchanged at 4.23%. Traders are now pricing around 27bps of rate hikes by the end of 2026 and almost 50bps of hikes by the end of 2027.

Today's key data and events

Time	Event	Exp	Prev
11:30	AU RBA Minutes	-	-
23:00	US FHFA House Prices Jun	0.2%	0.3%
23:00	US S&P/CS Home Price Index Jun	0.1%	0.1%
-	US Building Permits Jul Final	-	5.0%
0:00	US Richmond Fed Manufacturing Aug	6.5pts	5pts
0:00	US New Home Sales Jul	-1.3%	1.6%
0:00	US Consumer Confidence Aug	90.2pts	90.8pts

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.

- Australian bond markets firmed, with yields moving lower across the curve. The 3-year government bond yield fell 3bps to 4.53%, while the 10-year yield declined 4bps to 5.02%. Futures also firmed overnight, with the 3-year futures yield up 2bps to 4.55%, while the 10-year futures yield remained unchanged at 5.02%. OIS pricing continues to imply a cash rate of around 4.50% by year-end, with the market flirting with the idea of another hike this year.
- In foreign exchange markets, the US dollar edged higher, with the DXY rising 0.2% to 98.99. The Australian dollar eased 0.3% to US$0.7150, while also weakening against the yen, sterling, euro, yuan, Hong Kong dollar and Singapore dollar. The Australian dollar was broadly unchanged against the New Zealand dollar and strengthened 0.4% against the Canadian dollar.
- Commodity markets were mixed. The CRB Index fell 0.8%, driven largely by the 2.4% decline in oil prices. Gold rose 1.1% and copper gained 0.4%, reflecting ongoing geopolitical uncertainty, while iron ore climbed 1.8% to US$97.90/t. Coking coal rose 0.6% and thermal coal increased 0.9%. ACCU prices fell 4.3%.

International Data

The **Chicago Fed National Activity Index**, a weighted average of 85 other monthly indicators, has been volatile lately, oscillating between above-trend and below-trend growth readings in recent months. The latest release for July reported a reading of -0.08, suggesting that after growing broadly in line with trend in Q2, the US economy started losing momentum again this quarter. A decline in the personal consumption and housing category led the way down, but the production indicator, alongside the sales, orders and inventories gauge, was also weaker. The labour market improved, but remained a touch below trend.

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