26 August 2026

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

Signs of Middle East de-escalation, including plans to return US diplomatic staff to the region and efforts to reopen the Strait between Iran and Oman, weighed on oil prices and supported broader risk sentiment.

Global equities advanced as lower oil prices improved risk appetite, with semiconductor stocks leading gains ahead of Nvidia's earnings on Wednesday.

US Treasury yields fell as the sharp decline in oil prices eased inflation concerns, while Australian yields were little changed after the balanced tone of the RBA minutes.

The USD weakened modestly as geopolitical risks receded.

Oil declined sharply to a two-week low amid easing Middle East tensions.

## Data snapshot

| FX Last 24 hrs | Current | Change |
|---|---|---|
| TWI | 66.1 | 0.0% |
| AUD/USD | 0.7163 | 0.2% |
| AUD/JPY | 114.02 | 0.2% |
| AUD/GBP | 0.5249 | 0.1% |
| AUD/NZD | 1.1993 | -0.1% |
| AUD/EUR | 0.6136 | 0.1% |
| AUD/CNH | 4.8119 | 0.1% |
| AUD/SGD | 0.9093 | 0.1% |
| AUD/HKD | 5.6147 | 0.2% |
| AUD/CAD | 0.9912 | 0.1% |
| EUR/USD | 1.1674 | 0.1% |
| USD/JPY | 159.19 | 0.1% |
| USD Index | 98.90 | -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 | 4.57 | 0.00 |
| 2 year swap | 4.53 | -0.01 |
| 3 year swap | 4.51 | -0.03 |
| 4 year swap | 4.53 | -0.02 |
| 5 year swap | 4.57 | -0.02 |
| 6 year swap | 4.62 | -0.02 |
| 7 year swap | 4.68 | -0.01 |
| 8 year swap | 4.74 | -0.01 |
| 9 year swap | 4.79 | -0.02 |
| 10 year swap | 4.84 | -0.02 |

| Equities | Close | Change |
|---|---|---|
| S&P/ASX 200 | 9,165 | 0.7% |
| S&P 500 | 7,677 | 0.3% |
| Japan Nikkei | 65,856 | 0.5% |
| Hang Seng | 25,511 | 0.0% |
| Euro Stoxx 50 | 6,456 | 0.1% |
| UK FTSE100 | 10,886 | 0.3% |
| VIX Index | 15.45 | -2.5% |

| Government Bond Yields | Close | Change |
|---|---|---|
| **Australia** | | |
| 3 year bond | 4.55 | 0.02 |
| 10 year bond | 5.02 | 0.00 |
| **United States** | | |
| 3-month T Bill | 3.69 | -0.02 |
| 2 year bond | 4.17 | -0.06 |
| 10 year bond | 4.63 | -0.07 |
| **Other (10 year yields)** | | |
| Germany | 3.20 | -0.05 |
| Japan | 2.90 | 0.01 |
| UK | 4.99 | -0.07 |

| Commodities | Current | Change |
|---|---|---|
| CRB Index | 399.87 | -0.7% |
| Gold | 4657.14 | 0.1% |
| Copper | 14350 | 0.5% |
| Oil (WTI futures) | 81.03 | -4.7% |
| Coal (coking) | 236.50 | 0.9% |
| Coal (thermal) | 139.40 | -1.1% |
| Iron Ore | 97.25 | -0.3% |
| ACCU | 36.13 | -4.3% |

| Sydney Futures Exchange | Current | Change |
|---|---|---|
| 10 yr bond | 4.99 | -0.04 |
| 3 yr bond | 4.51 | -0.04 |
| 3 mth bill rate | 4.50 | 0.00 |
| SPI 200 | 9,143 | 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 buoyed overnight as oil prices fell sharply to a two-week low amid optimism around de-escalation in the Middle East. The move supported risk sentiment, sending US Treasury yields lower and equities higher. Reports that the US is preparing to return diplomatic staff to embassies across the region suggest the Trump administration does not anticipate a renewed escalation in conflict with Iran. This comes amid efforts to secure an interim reopening of the Strait between Iran and Oman.

- US equities gained alongside the decline in oil prices, led by a rebound in semiconductor stocks ahead of Nvidia's results on Wednesday, a key test of whether momentum in artificial intelligence remains intact. The S&P 500 rose 0.3%, while the NASDAQ outperformed, gaining 0.7%, and the Dow Jones added 0.3%. European equities also moved higher, with the Euro Stoxx 50 up 0.1% and the FTSE 100 rising 0.3%.
- Asian markets were supported by dip-buying in semiconductor stocks. The KOSPI recovered from a weak open to finish 0.7% higher, while the Nikkei gained 0.5%. The Hang Seng held broadly steady. Locally, the ASX 200 rose 0.7%, extending gains for a second consecutive session.
- US Treasuries rallied as the slide in oil prices eased inflation concerns. The 2-year yield fell 6bp, while the 10-year yield declined 7bp. Futures markets pared expectations of a rate hike this year, taking the implied year-end Fed funds rate to 3.88%.
- RBA minutes released yesterday struck a balanced tone, with the Board judging policy to be sufficiently restrictive while acknowledging both upside inflation risks and emerging downside risks to growth. The minutes showed some members saw a case for a further rate increase, although the Board preferred to await additional data. Against this backdrop, the Australian 3-year yield rose 2bp, while the 10-year yield held firm. Swap markets continue to look through the prospect of an additional RBA hike this year, with the implied year-end cash rate at 4.51%.
- FX markets saw modest USD weakness as Middle East tensions eased - the DXY down 0.1%. The AUD rose 0.2% against the greenback to 0.7163, while sterling and the euro each gained 0.1%. The yen slipped 0.1% against the USD.
- In commodities, oil extended Monday's decline as easing Middle East tensions and signs of an interim reopening of the Strait between Iran and Oman weighed on prices. Brent fell 5.6% to US$87.0/bbl, a two-week low, while WTI declined 4.7% to US$81.0/bbl. The recent rally in gold slowed, with the precious metal up 0.1%, while copper gained 0.5%, and iron ore fell 0.3%. Thermal coal declined 1.1% in line with the broader sell-off across energy markets.

## Today's key data and events

| Time | Event | Exp | Prev |
|---|---|---|---|
| 10:30 | AU Westpac-MI Leading Index Jul | - | 0.0% |
| 11:30 | AU Monthly CPI Indicator Jul | 3.3% | 3.8% |
| 11:30 | AU Construction Work Done Q2 | 0.4% | 3.4% |
| 22:30 | US Personal Income Jul | 0.2% | 0.2% |
| 22:30 | US Personal Spending Jul | 0.1% | 0.3% |
| 22:30 | US PCE Deflator Jul | 0.1% | -0.1% |
| 22:30 | US Core PCE Deflator Jul | 0.2% | 0.1% |
| 22:30 | US Durable Goods Orders Jul Prel. | 0.4% | 0.5% |
| 22:30 | US GDP Q2 S | 1.5% | 1.5% |

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 Conference Board Consumer Confidence Survey** suggested that the mood among US consumers clouded further in August. The sentiment index fell 0.8pts to 89.4, the second-lowest level in the past sixteen months. Consumers' assessment of the present situation jumped almost 7pts and was well above its longer-term average, but the expectations component decreased by a similar amount. The pessimism was likely linked to renewed upward pressure on the cost of living from energy prices, with 1Y inflation expectations reaccelerating to 5.8%yr, still below the 6.2%yr peak seen in March-May. Meanwhile, the assessment of labour market conditions took an unexpected turn for the better, rising to the top of its recent range.

**US new home sales** suggested that the housing market continued to lose momentum, as high interest rates continued to deter potential buyers. Sales unexpectedly dropped by 10.5% in July to an annualised pace of just 607k, the lowest since the start of the year.

US house price data were a bit more mixed. The **FHFA House Price Index** was unchanged in June, below the small 0.1%mth average increases recorded over the first five months of the year. Meanwhile, the **S&P Cotality Case-Shiller 20-City Index** rose 0.24%mth, the steepest increase since the end of last year.

The **Richmond Fed's Fifth District Manufacturing Survey** showed that sentiment failed to improve this month, as markets had expected. The headline survey indicator edged back down 1pt to 4, still above its longer-term average of around zero. The detail showed that the shipments index rose to 11, the top of its range in recent years, but the new orders and employment gauges eased.

The **German Ifo Business Climate Survey** suggested that the euro area's largest member state is gradually regaining some of its lost growth momentum. The headline survey index rose by 2.1pts to 88.8, a twelve-month high. Assessments of both the present situation and future business conditions improved by a similar amount, but in a longer-term context, both remained low, well below their historical averages.

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