2 September 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Risk sentiment was hit by the continued re-escalation in tensions between the US and Iran as strikes continue to be exchanged. Crude oil prices jumped another 5%, heading back toward levels seen during the previous re-escalation in July.

The threat of further disruptions to the Strait of Hormuz has brought about renewed anxiety over inflation, driving a selloff in stocks across most major markets and a rout in global bond markets.

Both 2-year and 10-year treasury yields jumped to their highest levels since January 2025, and the 30-year yield is back at the level that prevailed prior to Treasury Secretary Bessent's announcement to expand the bond buy-back program.

Today's Q2 GDP will provide crucial insights on Australia's growth pulse heading into mid-year, at the height of the Middle East conflict. Policy decisions from the RBNZ and Bank of Canada will also be closely watched.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	66.2	0.0%
AUD/USD	0.7147	-0.3%
AUD/JPY	114.49	0.0%
AUD/GBP	0.5288	-0.1%
AUD/NZD	1.2127	0.1%
AUD/EUR	0.6163	-0.1%
AUD/CNH	4.8034	-0.2%
AUD/SGD	0.9101	-0.2%
AUD/HKD	5.6032	-0.3%
AUD/CAD	0.9932	0.0%
EUR/USD	1.1591	-0.2%
USD/JPY	160.19	0.3%
USD Index	99.67	0.2%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	0.01
90 day BBSY	4.60	0.00
180 day BBSY	4.93	0.00
1 year swap	4.76	0.05
2 year swap	4.76	0.08
3 year swap	4.75	0.10
4 year swap	4.76	0.10
5 year swap	4.79	0.10
6 year swap	4.83	0.09
7 year swap	4.88	0.09
8 year swap	4.94	0.09
9 year swap	4.99	0.08
10 year swap	5.03	0.08

Equities	Close	Change
S&P/ASX 200	9,067	-0.1%
S&P 500	7,631	-0.7%
Japan Nikkei	66,215	-0.1%
Hang Seng	25,330	-0.9%
Euro Stoxx 50	6,369	-0.8%
UK FTSE100	10,789	-0.3%
VIX Index	16.34	9.5%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.72	0.06
10 year bond	5.18	0.09
United States		
3-month T Bill	3.76	0.00
2 year bond	4.40	0.06
10 year bond	4.80	0.05
Other (10 year yields)		
Germany	3.34	0.02
Japan	3.01	0.05
UK	5.22	0.16

Commodities	Current	Change
CRB Index	417.30	1.6%
Gold	4328.79	-2.4%
Copper	14294	0.1%
Oil (WTI futures)	90.68	5.7%
Coal (coking)	279.00	-1.1%
Coal (thermal)	147.75	2.6%
Iron Ore	99.30	0.0%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	5.22	0.03
3 yr bond	4.78	0.06
3 mth bill rate	4.60	0.01
SPI 200	8,934	-0.9%

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 recent re-escalation in tensions between the US and Iran is showing no signs of cooling down. The US delivered yet another round of strikes on Iran overnight after the recent tit-for-tat that took place over the weekend, to which Iran responded by launching a "decisive operation" against US bases within the region. All the while, President Trump continues to threaten a "much harder" attack if Iran continues to respond.

- Stocks sold off as markets amid the re-escalation in US-Iran tensions. US markets posted a broad-based decline, across the NASDAQ (–1.0%), S&P 500 (–0.7%) and Dow Jones (–0.8%). European stocks also fell –0.8% while London's FTSE 100 also declined upon return from the Summer Bank Holiday.
- Asian share markets were generally in the red: edging lower again in Tokyo (–0.1%), a sharper fall in Hong Kong (–0.9%), an unwind of yesterday's gain in Shanghai (–0.3%) while Seoul bucked the wider trend (+0.2%). The ASX 200 inched –0.1% lower, as sharp falls in consumer-facing stocks were partly offset from a small rebound in miners.
- The global rout in bonds remains in full force as concerns build over higher oil prices and inflation. Treasury yields moved higher across the curve, the 2Y and 10Y up 6bps and 5bps to 4.40% and 4.80% respectively, both marking the highest levels since January 2025. At the longer-end, 30Y yields have risen back to level (circa 5.28%) that prevailed prior to Treasury Secretary Bessent's announcement to expand the bond buy-back program.
- ACGB yields continued to climb during local trading, the 3Y up 6bps to 4.72% while the 10Y rose 9bps to a fifteen-year high of 5.18%. Price action in futures trading largely followed the global trend overnight, with swaps markets now firming its expectations for RBA rate hikes near-term: a move in September now seen at a circa 55% chance, while the next move is now fully priced in by November.
- The USD largely unwound yesterday's fall, the DXY gaining 0.2% to around 99.7. Virtually all major currencies slipped against the greenback, including the Yen (–0.3%), Euro (–0.2%), Sterling (–0.2%) and the Aussie (–0.3%).
- Antipodean markets will have plenty to digest today, with the RBNZ widely expected to deliver a 25bp rate hike, while Q2 GDP in Australia will provide crucial insights on the growth pulse heading into mid-year. Recent partials have led us to revise up our nowcast to 0.3%. A material upside surprise could provide fresh momentum for the Aussie given the backdrop of firming market expectations for RBA rate hikes.

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Building Permits Jul	-	–3.6%
11:30	AU GDP Q2	0.3%	0.3%
12:00	NZ RBNZ Policy Decision	2.8%	2.5%
22:15	US ADP Employment Change Aug	47k	44k
23:45	CA BoC Policy Decision	2.2%	2.2%
0:00	US Factory Orders Jul	0.7%	-0.3%
0:00	US Durable Goods Orders Jul Final	1.1%	1.1%

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.

- Crude oil prices continued to rally against the backdrop of strikes being exchanged between the US and Iran. Brent and WTI jumped 5.2% and 5.7% to US$95.2/bbl and US$90.7/bbl respectively, the highest level since late-July when the previous re-escalation occurred. Gold prices meanwhile dropped sharply to its lowest level in two weeks, down –2.4% to just under US$4,330/oz, as inflation concerns continue to pull yields higher across the globe.

International Data

In the US, the **ISM Manufacturing PMI** came in weaker than expected in August, falling 1pt to 54.6, albeit still a solid result firmly in expansionary territory. Details from the survey point to a cooling in new orders and labour market conditions, though production remained strong and inflation pressures appear stable. Meanwhile, **JOLTS job openings** partially retraced last months fall, up from 7.18mn to 7.54mn, consistent with labour supply and demand being broadly balanced.

In the Eurozone, the August **CPI** was in line with expectations, headline inflation up from 2.9%yr to 3.3%yr due to a lift in energy prices, while core inflation ticked slightly lower to 2.4%yr as services inflation eased to a four-and-a-half year low. The **unemployment rate** remained unchanged in July, holding at 6.4%, only slightly above the record low of 6.2%.

In China, the **RatingDog Manufacturing PMI** came in firmer than expected, rising from 50.9 to 51.5 in August. Continued outperformance relative to the official NBS PMI may reflect the more export-oriented scope of the RatingDog survey, capturing firms that are benefiting more from the growth in trade.

Local Data

In Australia, the final batch of partials ahead of Q2 GDP (due later today) led us to revise up our forecast slightly to 0.3%, following an upside surprise on **net exports** which more than offset a slight downside surprise on **public demand** (see here). Meanwhile, **Cotality's home value index** for August showcased a deepening house price correction, intensifying risks of an 'air pocket' in the market (see here). At the same time, recent interest rate rises look to be weighing on growth in **dwelling approvals** (see here).

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