3 September 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Oil extended its gains as President Trump downplayed prospects for a deal with Iran, while concerns around inflation and further monetary policy tightening weighed on broader risk sentiment.

Global equities were generally weaker outside the US, with Asian markets leading declines as higher oil prices weighed on sentiment.

Australian government bond yields rose sharply as slightly stronger-than-expected GDP growth reinforced market expectations for further RBA tightening, with swap markets pricing the probability of a September rate hike at just under 70%.

The yen appreciated sharply against the USD, leaving markets alert to the possibility of intervention by Japanese authorities.

Oil advanced amid little sign of a breakthrough in Middle East tensions, while gold rebounded as softer US Treasury yields provided support.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	66.1	-0.2%
AUD/USD	0.7168	0.3%
AUD/JPY	113.78	-0.6%
AUD/GBP	0.5315	0.6%
AUD/NZD	1.2250	1.0%
AUD/EUR	0.6187	0.4%
AUD/CNH	4.8167	0.3%
AUD/SGD	0.9112	0.2%
AUD/HKD	5.6217	0.4%
AUD/CAD	0.9922	-0.1%
EUR/USD	1.1588	0.0%
USD/JPY	158.71	-0.9%
USD Index	99.56	-0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	0.01
90 day BBSY	4.61	0.01
180 day BBSY	4.95	0.02
1 year swap	4.80	0.04
2 year swap	4.80	0.04
3 year swap	4.79	0.04
4 year swap	4.80	0.04
5 year swap	4.83	0.04
6 year swap	4.88	0.04
7 year swap	4.92	0.04
8 year swap	4.97	0.04
9 year swap	5.02	0.03
10 year swap	5.06	0.03

Equities	Close	Change
S&P/ASX 200	8,978	-1.0%
S&P 500	7,667	0.5%
Japan Nikkei	64,326	-2.9%
Hang Seng	25,311	-0.1%
Euro Stoxx 50	6,362	-0.1%
UK FTSE100	10,756	-0.3%
VIX Index	15.2	-7.0%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.82	0.10
10 year bond	5.23	0.05
United States		
3-month T Bill	3.77	0.00
2 year bond	4.37	-0.03
10 year bond	4.78	-0.02
Other (10 year yields)		
Germany	3.38	0.03
Japan	3.03	0.02
UK	5.23	0.01

Commodities	Current	Change
CRB Index	416.84	-0.1%
Gold	4381.58	1.2%
Copper	14216	-0.4%
Oil (WTI futures)	90.63	0.5%
Coal (coking)	272.00	-2.5%
Coal (thermal)	148.90	0.8%
Iron Ore	97.95	-2.1%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	5.22	-0.01
3 yr bond	4.80	-0.02
3 mth bill rate	4.63	-0.01
SPI 200	8,978	0.4%

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

Oil continued to climb after the US announced it had concluded its latest round of strikes on Iran. Global equities and bonds were generally weaker outside the US as concerns around inflation and the prospect of further monetary policy tightening weighed on sentiment. Markets were also unsettled by President Trump's Truth Social post, in which he stated that he "couldn't care less if they sign a worthless, to them, agreement", suggesting prospects for a deal remain uncertain. Domestically, attention centred on the Q2 GDP release, which came in slightly above expectations at 0.4%qtr, reinforcing market expectations of a more hawkish RBA outlook.

- US equities ended a three-day slide as solid fundamentals supported dip-buying. The S&P 500 rose 0.5%, while the Dow Jones gained 0.6% and the NASDAQ added 0.5%. European equities were weighed down by elevated oil prices, with the Euro Stoxx 50 down 0.1% and the FTSE 100 falling 0.3%.
- Asian markets bore the brunt of weaker sentiment amid higher oil prices. The KOSPI fell 4.0%, while the Nikkei 225 declined 2.9% and the Hang Seng slipped 0.1%. Locally, the ASX 200 fell 1.0%, with sentiment further weighed down by market expectations for additional RBA tightening.
- US Treasuries edged higher overnight, with the 2-year yield down 3bps and the 10-year yield declining 2bps. Futures markets now fully price a Fed hike in December, while the probability of a move in October is around 90%, taking the implied year-end fed funds rate to 4.0%.
- Elevated oil prices, together with the stronger-than-expected GDP outcome, prompted markets to further reprice the RBA outlook. The Australian 3-year government bond yield rose 10bps, while the 10-year yield increased 5bps. Swap markets have lifted the implied probability of a September rate hike to 69%, while a move in November remains fully priced, taking the implied year-end cash rate to 4.69%.
- FX markets saw modest USD weakness, with the DXY down 0.1%. The AUD rose 0.3% against the greenback to 0.7168, while the euro was unchanged and sterling fell 0.2%. The yen appreciated sharply against the USD, rising 0.9%, with markets alert to the possibility of intervention by Japanese authorities.
- Oil extended its gains as President Trump downplayed prospects for a deal with Iran, with Brent rising 0.6% to US$95.2/bbl and WTI up 0.5% to US$90.6/bbl. Gold rebounded 1.2% as lower US Treasury yields provided support. Copper fell 0.4%, weighed down by concerns around the global growth outlook, while iron ore fell 2.1%.

International Data

US ADP employment came in marginally below expectations

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Terms Of Trade Q2	-1.9%	-2.0%
10:30	JP S&P Global Services PMI Aug Final	-	52.3pts
11:00	NZ ANZ Commodity Prices Aug	-	-3.9%
11:30	AU Trade Balance Jul	$1500m	$1929m
11:45	CN RatingDog Composite PMI Aug	-	50.8pts
11:45	CN RatingDog Services PMI Aug	50.6pts	50.4pts
18:00	EZ S&P Global Services PMI Aug Final	51.7pts	51.7pts
18:30	GB S&P Services PMI Aug Final	52.8pts	52.8pts
19:00	EZ PPI Jul	1.2%	-0.3%
22:30	US Trade Balance Jul	-US$90.3b	-US$73.3b
22:30	US Productivity Q2 Final	1.4%	1.4%
22:30	US Initial Jobless Claims 29/08/2026	205k	203k
23:45	US S&P Services PMI Aug Final	56.8pts	56.8pts
0:00	US ISM Services Aug	54.1pts	54.1pts

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.

at 38k (47k) in August, down from a revised 46k in July.

US factory orders rose 0.9% in July. Durable goods orders ex transport were confirmed at 0.4%, while the core measure (ex defence and air) was revised down from 0.2% to 0.0%.

The **August Beige Book from the Federal Reserve** pointed to "slight to moderate" growth in 10 of 12 districts, with consumer spending up "slightly on balance". "Residential construction declined while nonresidential construction increased on balance." "Employment rose very slightly overall", 7 districts reporting "slight" or "modest" growth and 5 districts no change. Since the last update, "the pace of price increases was the same in eight Districts, decreased in three, and increased in one". "Input price pressures were notably elevated in manufacturing and construction across multiple Districts.

The **Bank of Canada** voted to keep the stance of policy unchanged in September. The global economy has shown resilience and "Canadian economic activity strengthened in the second quarter." The labour market has improved, but "demand for labour remains subdued and indicators point to continued excess supply in the economy". "So far, there has been little evidence of higher energy prices spreading to other components of inflation: excluding gasoline, inflation was 2.2% and measures of core inflation remained close to 2% in July." "However, with the Middle East conflict still ongoing and little progress reopening the Strait of Hormuz, upside risks to the Bank's inflation forecast have increased." US trade policy could also pose risks to Canadian inflation in the period ahead, as well as to activity.

Local Data

Q2 GDP growth accelerated to 0.4%qtr, while annual growth slowed to 2.1%yr. The result confirms the economy is losing momentum but remains resilient overall (see here).

In New Zealand, the RBNZ raised the OCR by 25bps to 2.75%, as widely expected (see here).

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