4 September 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Fed Governor Waller signalled support for holding rates steady should inflation continue to ease, prompting markets to pare expectations for further Fed tightening and placing next week's US inflation data firmly in focus.

Global equities advanced broadly, led by the US where the S&P 500 recorded its strongest session in a month.

Bond yields moved lower on both sides of the Pacific as comments from Fed Governor Waller and RBA Chief Economist Hunter prompted markets to scale back expectations for further policy tightening.

The yen outperformed as traders increased expectations for further Bank of Japan rate hikes, while the AUD reclaimed a 72 handle against the greenback.

Oil extended its rally amid ongoing tensions between the US and Iran, while softer Fed tightening expectations supported gains in gold, and a surge in dry bulk shipping rates lifted iron ore.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	66.1	0.0%
AUD/USD	0.7200	0.4%
AUD/JPY	112.19	-1.4%
AUD/GBP	0.5324	0.1%
AUD/NZD	1.2243	-0.1%
AUD/EUR	0.6193	0.1%
AUD/CNH	4.8368	0.4%
AUD/SGD	0.9124	0.1%
AUD/HKD	5.6451	0.4%
AUD/CAD	0.9931	0.1%
EUR/USD	1.1626	0.3%
USD/JPY	155.82	-1.8%
USD Index	98.99	-0.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.38	0.02
90 day BBSY	4.66	0.04
180 day BBSY	4.98	0.03
1 year swap	4.76	-0.04
2 year swap	4.75	-0.05
3 year swap	4.74	-0.05
4 year swap	4.75	-0.06
5 year swap	4.77	-0.06
6 year swap	4.82	-0.06
7 year swap	4.87	-0.05
8 year swap	4.92	-0.06
9 year swap	4.96	-0.05
10 year swap	5.01	-0.05

Equities	Close	Change
S&P/ASX 200	9,020	0.5%
S&P 500	7,748	1.1%
Japan Nikkei	64,214	-0.2%
Hang Seng	25,213	-0.4%
Euro Stoxx 50	6,383	0.3%
UK FTSE100	10,832	0.7%
VIX Index	14.32	-5.8%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.76	-0.06
10 year bond	5.18	-0.05
United States		
3-month T Bill	3.74	-0.03
2 year bond	4.34	-0.03
10 year bond	4.77	-0.01
Other (10 year yields)		
Germany	3.34	-0.03
Japan	2.96	-0.07
UK	5.13	-0.10

Commodities	Current	Change
CRB Index	416.70	0.0%
Gold	4474.78	2.1%
Copper	14334	0.8%
Oil (WTI futures)	91.72	0.8%
Coal (coking)	274.00	0.7%
Coal (thermal)	150.35	1.0%
Iron Ore	98.70	1.9%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	5.18	0.00
3 yr bond	4.76	0.00
3 mth bill rate	4.61	0.00
SPI 200	9,033	0.2%

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.

Luka Belobrajdic
Economist, Westpac Group
P: +61 403 657 603
E: luka.belobrajdic@westpac.com.au

Financial Markets

Markets moved higher overnight after Fed Governor Waller said he would be inclined to support holding rates steady should inflation continue to show signs of easing. The comments prompted markets to pare expectations for further Fed tightening and put next week's US inflation data firmly in focus. Oil traded in a narrow range as President Trump's comments that any renewed attacks on Iran would be short-lived competed with headlines that Iran had launched fresh strikes on US bases.

- US equities recorded their strongest session in a month following Governor Waller's comments, with the S&P 500 rising 1.1%, the NASDAQ up 1.4%, and the Dow Jones gaining 1.2%. European equities also advanced, with the Euro Stoxx 50 up 0.3% and the FTSE 100 rising 0.7%.
- Asian markets were mixed. The Hang Seng and Nikkei 225 recorded their fourth consecutive declines, falling 0.4% and 0.2% respectively, while the KOSPI proved more resilient, rising 0.3%. Locally, the ASX 200 posted its first gain of the week, rising 0.5%, supported by strength in banks and miners.
- Fed Governor Waller's signalling of support for a rate hold prompted markets to pare expectations for future Fed tightening. The 2-year Treasury yield fell 3bps, while the 10-year yield declined 1bp. Futures markets have softened expectations for an October move, although a hike in December remains fully priced, taking the implied year-end fed funds rate to 3.96%.
- Australian government bond yields fell after RBA Chief Economist Hunter indicated that previous rate increases were beginning to weigh on activity. The 3-year government bond yield declined 6bps, while the 10-year yield fell 5bps. Swap markets pared expectations for a September rate hike, although a move in November remains fully priced, taking the implied year-end cash rate to 4.65%.
- FX markets saw broad USD weakness, with the DXY down 0.6%. The move was driven largely by strength in the yen, which appreciated 1.8% against the greenback as traders increased expectations for further Bank of Japan rate hikes. The AUD rose 0.4% to reclaim a 72 handle, while the euro and sterling both gained 0.3%.
- Oil advanced for a fourth consecutive session as Iran claimed fresh strikes on US bases, with Brent rising 0.2% to US$95.8/bbl and WTI up 0.8% to US$91.7/bbl. Softer expectations for Fed tightening supported a 2.1% rise in gold prices, while copper and aluminium gained 0.8% and 0.9% respectively. Iron ore climbed 1.9%, supported by a surge in dry bulk shipping rates.

Today's key data and events

Time	Event	Exp	Prev
9:30	JP Household Spending Jul	-1.6%	-3.3%
19:00	EZ Retail Sales Jul	0.3%	-0.3%
22:30	US Nonfarm Payrolls Aug	55k	-23k
22:30	US Average Hourly Earnings Aug	0.3%	0.1%
22:30	US Unemployment Rate Aug	4.1%	4.1%

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.

International Data

US initial jobless claims were broadly unchanged last week at 206k, a historically-low level.

The ISM services index edged higher to 55.4 in August, supported by new orders (60.9 from 57.2). Employment was little changed, however, posting a second consecutive contractionary reading of 47.8.

The **US trade deficit** widened from $71.2bn to $88.6bn in July as exports fell 2.1% and imports rose 2.8%.

Federal Reserve Governor Waller eased market concern over US inflation and interest rates overnight. Speaking on the outlook, he noted that: if "there is continued progress toward our 2% goal, then I am willing to support holding the policy rate at its current level"; but "if inflation comes in hot, I would consider a rate hike".

The **Euro Area PPI** was modestly above expectations in July as prices rebounded 1.6% after a 0.3% decline in June. Over the year, prices are up 5.8%.

Local Data

The July **goods trade balance** surprised to the upside, with the surplus narrowing only modestly to $1.9bn (see here).

Corporate Directory

Westpac Economics / Australia

Sydney
Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis
Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan
Head of Australian Macro–Forecasting
E: mhassan@westpac.com.au

Elliot Clarke
Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner
Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk
Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante
Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas
Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells
Economist
E: ryan.wells@westpac.com.au

Illiana Jain
Economist
E: illiana.jain@westpac.com.au

Neha Sharma
Economist
E: neha.sharma1@westpac.com.au

Luka Belobrajdic
Economist
E: luka.belobrajdic@westpac.com.au

Westpac Economics / New Zealand

Auckland
Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold
Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon
Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs
Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod
Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark
Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva
1 Thomson Street
Suva, Fiji

Shamal Chand
Senior Economist
E: shamal.chand@westpac.com.au

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