7 September 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

The stronger-than-expected US employment report prompted markets to rebuild expectations for further Fed tightening on Friday, while President Trump intensified pressure on the Fed to lower interest rates and Middle East tensions escalated over the weekend.

Global equities were mixed, with US stocks falling on the stronger jobs data, while Asian markets were supported by earlier optimism around a softer Fed outlook.

US Treasury yields moved higher as the stronger-than-expected employment report boosted market expectations for further Fed tightening.

The USD strengthened modestly, with the yen giving back some of its recent gains against the greenback.

Oil extended its advance to record its highest weekly close since late July, while gold fell as markets repriced the expected path for Fed policy.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	66.4	0.5%
AUD/USD	0.7199	0.0%
AUD/JPY	112.30	0.3%
AUD/GBP	0.5325	0.1%
AUD/NZD	1.2242	0.0%
AUD/EUR	0.6198	0.1%
AUD/CNH	4.8281	-0.2%
AUD/SGD	0.9120	0.0%
AUD/HKD	5.6442	0.1%
AUD/CAD	0.9959	0.4%
EUR/USD	1.1613	-0.1%
USD/JPY	155.99	0.3%
USD Index	99.18	0.3%

Equities	Close	Change
S&P/ASX 200	9,006	-0.2%
S&P 500	7,719	-0.4%
Japan Nikkei	65,021	1.3%
Hang Seng	25,651	1.7%
Euro Stoxx 50	6,393	0.2%
UK FTSE100	10,831	0.0%
VIX Index	14.53	1.5%

Commodities	Current	Change
CRB Index	416.41	0.0%
Gold	4429.98	-1.0%
Copper	14416	0.6%
Oil (WTI futures)	91.48	0.2%
Coal (coking)	275.00	0.4%
Coal (thermal)	153.00	1.8%
Iron Ore	100.50	0.4%
ACCU	36.13	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.39	0.00
90 day BBSY	4.64	-0.01
180 day BBSY	4.98	-0.01
1 year swap	4.77	0.01
2 year swap	4.77	0.02
3 year swap	4.75	0.01
4 year swap	4.75	0.01
5 year swap	4.78	0.01
6 year swap	4.82	0.01
7 year swap	4.87	0.01
8 year swap	4.93	0.01
9 year swap	4.97	0.01
10 year swap	5.02	0.01

Government Bond Yields	Close	Change
Australia		
3 year bond	4.75	-0.01
10 year bond	5.17	0.00
United States		
3-month T Bill	3.76	-0.03
2 year bond	4.37	0.03
10 year bond	4.78	0.01
Other (10 year yields)		
Germany	3.34	0.00
Japan	2.92	-0.04
UK	5.13	0.00

Sydney Futures Exchange	Current	Change
10 yr bond	5.19	0.02
3 yr bond	4.78	0.03
3 mth bill rate	4.61	0.01
SPI 200	9,002	0.0%

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 a story of two halves on Friday. Relative stability and easing concerns around further Fed tightening, following Fed Governor Waller's earlier comments, gave way to a stronger-than-expected US employment report that prompted markets to lift expectations for future Fed rate hikes. Non-farm payrolls rose 162,000, well above the market expectation of 55,000, while the unemployment rate remained firm. President Trump later intensified pressure on the Fed to lower interest rates, threatening to cut off trade with countries with which the US runs a trade deficit and calling on Fed Chairman Warsh and Board members to "BE PATRIOTS for a change". In the Middle East, tensions escalated after the US struck three Iranian tankers, with Iran reportedly responding in turn.

- US equities declined on Friday following the stronger-than-expected jobs data. The S&P 500 fell 0.4%, although it ended the week higher overall. Friday's declines were led by the Dow Jones, down 0.5%, while the NASDAQ fell 0.3%. European equities fared slightly better, with the Euro Stoxx 50 rising 0.2%, although it still ended the week lower overall, while the FTSE 100 was unchanged.
- Asian markets were supported by earlier optimism around a softer Fed outlook. The Hang Seng and Nikkei 225 recorded their first gains of the week, rising 1.7% and 1.3% respectively, while the KOSPI advanced 1.6%. Locally, the ASX 200 ended the week on a softer note, falling 0.2% on Friday.
- US Treasury yields rose after the stronger-than-expected employment report boosted expectations for further Fed tightening. The 2-year yield increased 3bps, while the 10-year yield rose 1bp. Futures markets unwound some of Thursday's repricing following Governor Waller's earlier comments, with a December hike remaining fully priced and the implied year-end fed funds rate at 4.01%.
- Australian government bond yields were little changed. The 3-year yield fell 1bp, while the 10-year yield was unchanged. Swap markets rebuilt expectations for a September rate hike, with the probability rising to just above 60%, while a move in November remains fully priced, taking the implied year-end cash rate to 4.65%.
- The USD strengthened modestly, with the DXY up 0.3%. The AUD was broadly unchanged at 0.7199, while sterling was also little changed. The euro slipped 0.1%, while the yen gave back some recent gains, falling 0.3% against the greenback.
- Brent crude rose 0.8% to US$96.3/bbl, marking its highest weekly close since late July, while WTI gained 0.2% to US$91.5/bbl. Gold fell 1.0% as markets increased expectations for further Fed tightening, while copper rose 0.6% and iron ore gained 0.4%.

Today's key data and events

Time	Event	Exp	Prev
11:30	AU ANZ Job Ads Aug	-	0.8%
18:30	EZ Sentix Investor Confidence Sep	1.7pts	0.9pts
19:00	EZ GDP Q2	0.4%	0.4%
-	CN Foreign Reserves Aug	US$3428b	US$3419b

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 nonfarm payrolls surprised to the upside in August, with 162k new positions reported along with 55k in back revisions to June and July. The 3-month average pace stepped up to 71k, towards the top end of estimates consistent with demand and supply being in balance. **Average hourly earnings** were benign at 0.3% and 3.1%yr. The **unemployment rate** was unchanged at 4.1% despite a 0.2ppt increase in **participation** as individuals re-entered the workforce straight into employment. This outcome for the household survey only partly retraces the employment and participation declines seen since January 2025.

Euro Area retail sales surprised to the downside in July, declining 0.6% in the month. However, the June 0.3% decline was revised up to a 0.2% gain, offsetting much of the disappointment for July.

Local Data

In New Zealand, the June quarter **volume of building work** surprised to the upside, rising 4.8%qtr as both residential and non-residential construction activity strengthened (see here).

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