11 September 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Iranian officials warned they were prepared to escalate the conflict should US attacks continue, fuelling concerns that tensions could become more prolonged and driving oil prices and global bond yields higher.

Global equities declined as higher oil prices, rising bond yields and persistent inflation concerns weighed on risk sentiment.

US Treasury yields rose sharply as markets increased expectations for further Fed tightening, with today's US CPI release expected to provide an important test of the policy outlook. European bond yields also moved higher following the ECB's widely anticipated 25bp rate hike.

The USD strengthened ahead of today's US CPI release.

Oil prices surged to their highest level since May, while copper posted a sharp decline amid reports a proposed US tariff had stalled over concerns around inflation and the potential impact on US manufacturing.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	66.3	-0.2%
AUD/USD	0.7158	-0.8%
AUD/JPY	110.53	-0.2%
AUD/GBP	0.5297	-0.6%
AUD/NZD	1.2344	-0.1%
AUD/EUR	0.6164	-0.6%
AUD/CNH	4.8059	-0.7%
AUD/SGD	0.9078	-0.5%
AUD/HKD	5.6129	-0.8%
AUD/CAD	0.9901	-0.6%
EUR/USD	1.1612	-0.2%
USD/JPY	154.42	0.6%
USD Index	99.09	0.3%

Equities	Close	Change
S&P/ASX 200	8,819	-1.0%
S&P 500	7,592	-0.6%
Japan Nikkei	65,271	0.2%
Hang Seng	24,954	-1.3%
Euro Stoxx 50	6,269	-0.7%
UK FTSE100	10,609	-0.6%
VIX Index	17.84	8.4%

Commodities	Current	Change
CRB Index	429.15	1.4%
Gold	4319.32	-1.8%
Copper	14234	-3.6%
Oil (WTI futures)	103.87	8.1%
Coal (coking)	274.00	0.0%
Coal (thermal)	150.40	-0.5%
Iron Ore	97.70	-1.3%
ACCU	36.13	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.43	0.01
90 day BBSY	4.68	0.01
180 day BBSY	5.04	0.03
1 year swap	4.88	0.04
2 year swap	4.94	0.07
3 year swap	4.94	0.09
4 year swap	4.95	0.09
5 year swap	4.98	0.09
6 year swap	5.01	0.08
7 year swap	5.04	0.07
8 year swap	5.09	0.07
9 year swap	5.13	0.07
10 year swap	5.17	0.07

Government Bond Yields	Close	Change
Australia		
3 year bond	4.85	0.03
10 year bond	5.25	0.04
United States		
3-month T Bill	3.85	0.04
2 year bond	4.59	0.16
10 year bond	4.96	0.12
Other (10 year yields)		
Germany	3.50	0.06
Japan	2.92	0.04
UK	5.37	0.11

Sydney Futures Exchange	Current	Change
10 yr bond	5.36	0.11
3 yr bond	4.99	0.14
3 mth bill rate	4.63	0.01
SPI 200	8,730	-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

Markets moved lower overnight after Iranian officials stated the country was prepared to escalate the conflict should the US continue its attacks. The comments heightened concerns that tensions in the Middle East could prove more prolonged, driving Brent crude to its highest level since May and pushing bond yields sharply higher on inflation concerns. Elsewhere, the ECB delivered a widely expected 25bp rate hike, while elevated energy prices linked to the Middle East conflict and ongoing Russia-Ukraine tensions remained a key focus.

- US equities declined as higher oil prices and rising Treasury yields weighed on sentiment. The S&P 500 fell 0.6%, as did the Dow Jones, while the NASDAQ lost 0.7%. European equities were also weaker following the ECB's latest rate increase and accompanying comments on persistent inflation risks. The Euro Stoxx 50 fell 0.7%, while the FTSE 100 declined 0.6%.
- Elevated oil prices also weighed on Asian markets. The Hang Seng fell 1.3%, while the KOSPI lost 0.3%. The Nikkei 225 was more resilient, rising 0.2% amid strength in banks and a rebound in chipmakers. Locally, the ASX 200 declined 1.0%.
- US Treasury yields rose sharply as oil prices extended their gains and concerns around a prolonged Middle East conflict intensified. The 2-year Treasury yield rose 16bps, while the 10-year yield increased 12bps. Futures markets now place the probability of a September rate hike at just over 70%, while an October move remains fully priced, taking the implied year-end fed funds rate to 4.08%. Tonight's US CPI release is expected to be a key determinant of the Fed policy outlook. In Europe, Bund yields also moved sharply higher at the front end of the curve, with the 2-year yield rising 16bps and the 10-year yield gaining 6bps following the ECB's latest decision.
- Australian government bond yields rose on inflation concerns stemming from higher oil prices. The 3-year yield gained 3bps, while the 10-year yield rose 4bps. Swap markets price the probability of a September rate hike at around 65%, while a move in November remains close to fully priced at 98%, taking the implied year-end cash rate to 4.76%.
- The USD strengthened as Fed tightening expectations increased ahead of the US CPI release, with the DXY up 0.3%. The AUD fell 0.8% to 0.7158, while the yen declined 0.6%, sterling lost 0.3%, and the euro slipped 0.2% against the greenback.
- Comments from Iranian officials that the country was prepared to escalate the conflict if attacked drove a sharp rise in oil prices. Brent rose 7.7% to US$109/bbl, while WTI gained 8.1% to US$104/bbl. This while Saudi Arabia told OPEC its crude oil production had fallen to its lowest level since 1990. Gold fell 1.8% as markets increased expectations for Fed tightening, while iron ore declined 1.3%. Copper dropped 3.6% after reports emerged that a proposed US tariff on the metal had stalled amid concerns by US officials that higher input costs could further exacerbate inflation and weigh on manufacturing activity.

Today's key data and events

Time	Event	Exp	Prev
8:30	NZ Manufacturing PMI Aug	-	54.3pts
16:00	GB Trade Balance Jul	-£4995b	-£5537b
22:30	US CPI Aug	0.4%	0.1%
0:00	US Uni. Of Michigan Sentiment Sep Prel.	51pts	51.7pts

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 at 206k last week.

The **US PPI** met expectations in August, growth accelerating from a revised 0.1% (prev 0.0%) in July to 0.4% in August. Excluding food and energy, growth was a touch weaker than expected at 0.2%, offset by a 0.1ppt upward revision to July to 0.3%. Annual PPI inflation accelerated to 5.4%, and 4.6% excluding food and energy.

US existing home sales fell 2.0% in August after a 1.7% decline in July.

The **ECB delivered a 25bp hike at their September meeting** as expected. The risks were characterised as skewed towards inflation, with inflation "to remain well above target for an extended period" primarily as a result of the effect on energy prices of the Middle East conflict and the Russia / Ukraine war. The "new ECB staff projections sees headline inflation averaging 3.0% in 2026, 2.5% in 2027 and 2.1% in 2028". "For inflation excluding energy and food, the baseline foresees 2.5% in 2026, 2.6% in 2027 and 2.3% in 2028." These forecasts are unchanged for 2026, but higher in 2027 and 2028 than in June. Despite the persistence in inflation and need for tighter policy, the ECB remains constructive on the growth outlook. "The baseline projection for economic growth is 0.9% for 2026, 1.4% for 2027 and 1.5% for 2028. This is an upward revision for both 2026 and 2027, mainly reflecting the greater than expected resilience of the euro area economy." The Governing Council is acutely aware of the uncertainty and risks ahead, and are committed to determining policy meeting by meeting. From this guidance, it is clear the Council are comfortable with their current position and ability to adjust policy as needed in a timely manner in the months ahead to meet their mandate in the medium term.

Local Data

The **Westpac–DataX Card Tracker Index** edged lower from its early August record high, declining 1.1pts to 158.1 (see here).

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