14 September 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

A pullback in oil prices on reports of planned, but now postponed, talks between Iran and Gulf states supported sentiment on Friday. However, tensions remained elevated over the weekend as Houthi forces advanced and Saudi Arabia shut its East-West pipeline following reported strikes.

Global equities were mixed, with US and European markets rebounding on a US CPI outcome broadly in line with expectations and lower oil prices, while elevated energy costs continued to weigh on Asian markets.

Futures markets now price two additional Fed hikes this year following Friday's CPI release, which showed headline inflation accelerating in August, while Australian bond yields climbed to their highest level since 2011.

FX market moves were subdued, with the USD strengthening modestly.

Oil prices pared recent gains on Friday but remained sharply higher for the week.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	66.0	-0.5%
AUD/USD	0.7165	0.2%
AUD/JPY	110.01	-0.4%
AUD/GBP	0.5297	0.0%
AUD/NZD	1.2317	-0.1%
AUD/EUR	0.6178	0.2%
AUD/CNH	4.8066	0.0%
AUD/SGD	0.9087	0.1%
AUD/HKD	5.6216	0.2%
AUD/CAD	0.9935	0.5%
EUR/USD	1.1599	-0.1%
USD/JPY	153.59	-0.5%
USD Index	99.12	0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.44	0.01
90 day BBSY	4.72	0.03
180 day BBSY	5.08	0.04
1 year swap	4.93	0.05
2 year swap	4.99	0.05
3 year swap	4.99	0.04
4 year swap	5.00	0.04
5 year swap	5.02	0.04
6 year swap	5.05	0.05
7 year swap	5.09	0.05
8 year swap	5.13	0.04
9 year swap	5.17	0.04
10 year swap	5.21	0.04

Equities	Close	Change
S&P/ASX 200	8,741	-0.9%
S&P 500	7,657	0.9%
Japan Nikkei	64,011	-1.9%
Hang Seng	24,806	-0.6%
Euro Stoxx 50	6,325	0.9%
UK FTSE100	10,650	0.4%
VIX Index	15.84	-11.2%

Commodities	Current	Change
CRB Index	423.08	-1.4%
Gold	4349.08	0.7%
Copper	14240	0.0%
Oil (WTI futures)	100.05	-2.4%
Coal (coking)	271.00	-1.1%
Coal (thermal)	151.60	-1.8%
Iron Ore	96.25	-1.7%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	5.00	0.15
10 year bond	5.37	0.12
United States		
3-month T Bill	3.91	0.05
2 year bond	4.63	0.04
10 year bond	4.97	0.00
Other (10 year yields)		
Germany	3.50	0.00
Japan	2.99	0.06
UK	5.34	-0.03

Sydney Futures Exchange	Current	Change
10 yr bond	5.35	-0.02
3 yr bond	4.98	-0.02
3 mth bill rate	4.63	0.00
SPI 200	8,747	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.

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Financial Markets

Markets ended the week mixed. Elevated oil prices continued to weigh on Asian markets, while a US CPI outcome broadly in line with expectations, together with a pullback in oil prices, supported sentiment in Europe and the US. The decline in oil prices followed reports that Iran and Gulf states were planning to meet in Oman on Monday to discuss arrangements for shipping through the Strait, although the meeting has since been postponed.

Ongoing hostilities between Saudi-backed forces and the Houthis in Yemen kept tensions elevated over the weekend, with reports that Houthi forces had advanced towards Red Sea coastal areas. Separately, a drone attack launched from Iraq forced the shutdown of Saudi Arabia's East-West pipeline. Elsewhere, US leaders of the world's largest AI platforms called for a slowdown in the development of the most advanced AI models, citing technological risks.

- US equities posted their first gain of the week on Friday as an inflation print broadly in line with expectations and a drop in oil prices supported sentiment. The S&P 500 rose 0.9%, although it still ended the week lower overall, while the Dow Jones and NASDAQ both gained 1.0%. European equities also advanced, with the Euro Stoxx 50 rising 0.9% and the FTSE 100 up 0.4%.
- Elevated oil prices continued to weigh on Asian markets. The Nikkei 225 reversed Thursday's resilience to lead declines, falling 1.9%, while the KOSPI lost 1.8% and the Hang Seng declined 0.6%. Locally, the ASX 200 fell 0.9%, recording its weakest week since March.
- US Treasury yields moved modestly higher after US CPI accelerated in August, broadly matching expectations, while the core measure came in slightly above consensus. The 2-year Treasury yield rose 4bps, while the 10-year yield was unchanged. Futures markets lifted the probability of a September rate hike to just under 90%, while November and December moves remain fully priced, taking the implied year-end fed funds rate to 4.13%.
- Australian government bond yields tracked moves in Treasuries as elevated oil prices continued to fuel inflation concerns. Yields climbed to their highest level since 2011, with the 3-year yield rising 15bps and the 10-year yield gaining 12bps. Swap markets price the probability of a September rate hike at just below 80%, while a move in November remains fully priced, taking the implied year-end cash rate to 4.74%.
- FX market moves were relatively subdued. The USD strengthened modestly as markets increased expectations for further Fed tightening, with the DXY up 0.1%. The AUD rose 0.2% to 0.7165, while the yen gained 0.5% and sterling added 0.1%. The euro slipped 0.1% against the greenback.

Today's key data and events

Time	Event	Exp	Prev
8:30	NZ BusinessNZ PSI Aug	-	50.6pts
8:45	NZ Net Migration Jul	-	1610k
14:30	JP Industrial Production Jul Final	-	0.1%
22:30	CA CPI MoM Aug	0.0%	0.5%
22:30	CA CPI YoY Aug	3.0%	3.0%

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.

- Oil prices pared some recent gains on reports that Iran and Gulf states were planning discussions around shipping through the Strait on Friday, although Brent remained up 8.7% over the week. On Friday, Brent fell 2.8% to US$105/bbl, while WTI declined 2.4% to US$100/bbl. Despite firmer inflation data, gold rose 0.7%, while copper was unchanged, and iron ore declined 1.7% as elevated coking coal prices continued to weigh on steelmaker margins.

International Data

US CPI inflation accelerated in August from 0.1% to 0.4% as expected, keeping the annual rate at 3.4%. Food prices rose just 0.1%, but energy prices rebounded 2.1%, 16.3%yr. Excluding food and energy, prices rose 0.3% in the month and 2.4%yr, 0.1ppts lower than July's 2.5%yr. Within the core detail, goods inflation remained benign, prices rising 0.1%, 0.7%yr. Core service prices rose 0.3%, 3.0%yr, with shelter a dominant contributor given its weight (0.3%, 3.0%yr).

It remains the case that the CPI ex food, energy and shelter is below target at 1.8% on a six-month annualised basis, signalling that the current stance of policy is proving effective in bringing inflation to heal across discretionary items. Regardless, the FOMC will make the case that the headline measures have not made enough progress recently and there is therefore need to tighten policy further. A 25bp hike is expected this week, and another is likely at the next meeting in October. In our view, these decisions will be as much about restoring confidence in the bond market and managing medium-term inflation expectations as restricting current inflation. But the FOMC will justify the decision with the near-term inflation narrative.

University of Michigan consumer sentiment fell from 51.7 to 47.8 in the September preliminary reading. Current conditions edged down in the month (from 51.9 to 50.9), but it was principally a deterioration in expectations that drove the headline result (from 51.5 to 45.8). At the current level, expectations are weaker than they have been at any point since 1975, except for March 1980. Medium-term inflation expectations ticked higher in the month from 3.3% to 3.4%, while the 1-year view jumped from 4.0% to 4.6%.

UK monthly GDP surprised to the upside in July, rising 0.4% after a 0.3% increase in June. The 3-month average held at 0.4%.

Local Data

A full update to our forecasts has been published in our **September Market Outlook** (see here).

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