18 September 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets were buoyed after the Fed's latest rate hike, with Chair Warsh's commitment to tackling inflation reassuring investors, while the BoE left rates unchanged.

Global equities advanced, led by the US as easing bond yields supported risk sentiment.

US Treasury yields retreated as investors took comfort in the Fed's inflation-fighting resolve and softer oil prices, while Australian bond yields continued to move lower. Locally, markets will closely watch testimony from senior RBA officials before the House of Representatives this morning.

The recent US dollar rally stalled, with gains across most major currencies offsetting weakness in the sterling.

Oil prices remained elevated but extended their recent pullback, while lower yields supported gains in gold, and a larger-than-expected decline in Chilean production forecasts for 2026 buoyed copper.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.8	-0.2%
AUD/USD	0.7111	0.3%
AUD/JPY	110.89	0.1%
AUD/GBP	0.5324	0.5%
AUD/NZD	1.2402	0.0%
AUD/EUR	0.6196	0.2%
AUD/CNH	4.7667	0.2%
AUD/SGD	0.9072	0.2%
AUD/HKD	5.5786	0.3%
AUD/CAD	0.9948	0.4%
EUR/USD	1.1476	0.1%
USD/JPY	155.97	-0.2%
USD Index	100.22	0.0%

Equities	Close	Change
S&P/ASX 200	8,732	0.4%
S&P 500	7,638	1.1%
Japan Nikkei	64,136	0.3%
Hang Seng	24,604	-0.4%
Euro Stoxx 50	6,323	0.9%
UK FTSE100	10,816	1.2%
VIX Index	15.44	-12.8%

Commodities	Current	Change
CRB Index	425.46	-0.2%
Gold	4341.67	1.8%
Copper	14492	1.8%
Oil (WTI futures)	101.26	-1.1%
Coal (coking)	271.00	-0.7%
Coal (thermal)	145.30	-0.5%
Iron Ore	96.60	0.6%
ACCU	36.13	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.47	0.02
90 day BBSY	4.74	0.01
180 day BBSY	5.13	0.02
1 year swap	4.90	0.01
2 year swap	4.93	-0.06
3 year swap	4.94	0.00
4 year swap	4.94	-0.01
5 year swap	4.96	-0.02
6 year swap	4.99	-0.02
7 year swap	5.03	-0.03
8 year swap	5.07	-0.03
9 year swap	5.11	-0.03
10 year swap	5.14	-0.03

Government Bond Yields	Close	Change
Australia		
3 year bond	4.96	-0.03
10 year bond	5.30	-0.05
United States		
3-month T Bill	3.96	-0.01
2 year bond	4.66	-0.07
10 year bond	4.93	-0.09
Other (10 year yields)		
Germany	3.48	-0.03
Japan	3.00	-0.01
UK	5.22	-0.07

Sydney Futures Exchange	Current	Change
10 yr bond	5.29	-0.05
3 yr bond	4.96	-0.03
3 mth bill rate	4.63	0.00
SPI 200	8,825	0.6%

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 were buoyed overnight as the Fed's latest rate hike and Chair Warsh's commitment to tackling inflation reassured investors. While tighter policy poses risks to growth, the relatively contained reaction in longer-dated yields suggested markets viewed the Fed as remaining in control of inflation, providing support to sentiment. Elsewhere, the BoE left rates unchanged, noting little evidence that elevated energy prices were generating broader second-round inflation effects.

- US equities moved higher as bond yields eased, with the S&P 500 posting its strongest gain in over a month, rising 1.1%. The NASDAQ led advances, up 1.7%, while the Dow Jones gained 0.6%. In Europe, the Euro Stoxx 50 rose 0.9% and the FTSE 100 gained 1.2% following the BoE's decision to leave rates unchanged.
- Asian markets were mixed. The Nikkei 225 rose 0.3%, with a weaker yen following the Fed's rate hike supporting exporter stocks, although caution ahead of today's BoJ policy decision limited gains. The KOSPI was unchanged, while the Hang Seng fell 0.4% as concerns grew that higher global borrowing costs could undermine the nascent housing market recovery. Locally, the ASX 200 gained 0.4%.
- US Treasuries snapped their recent losing streak as markets took comfort from the Fed's inflation-fighting resolve, while softer oil prices also supported demand. The 2-year Treasury yield fell 7bps, while the 10-year yield declined 9bps to 4.94%, moving back below 5%. Futures markets continue to price the probability of an October hike at just over 50%, while a December move remains fully priced, taking the implied year-end fed funds rate to 4.20%. Elsewhere, 10-year gilt yields fell 7bps following the BoE decision, while Japan's 10-year government bond yield eased 1bp ahead of today's BoJ meeting.
- Australian government bond yields continued to retreat, with the 3-year yield falling 3bps and the 10-year yield declining 5bps. Swap markets continue to price the probability of a September rate hike at around 70%, while a move in November remains fully priced, taking the implied year-end cash rate to 4.71%. Markets will closely watch testimony from senior RBA officials before the House of Representatives at 9:30am AEST.
- The recent rally in the US dollar stalled, with the DXY broadly unchanged. The AUD rose 0.3% to 0.7111, while the NZD gained 0.3%, the yen added 0.2%, and the euro rose 0.1%. Sterling was the exception, falling 0.2% against the greenback.
- Oil prices remained elevated but continued to ease after Saudi Arabia earlier outlined plans to restore capacity at its East-West pipeline. Brent fell 1.5% to US$104/bbl, while WTI declined 1.1% to US$101/bbl.

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Food Price Index Aug	-	0.1%
8:45	NZ Trade Balance Aug	-	-NZ1949m
9:01	GB GfK Consumer Sentiment Sep	-16pts	-14pts
9:30	JP CPI Aug	2.0%	1.9%
16:00	GB Retail Sales Aug	-0.2%	-0.5%
-	JP BoJ Policy Decision	1.2%	1.0%
0:00	US Leading Index Aug	0.1pts	0.2pts

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.

- Gold rose 1.8% as yields moved lower, while copper gained 1.8%, supported by a more stable global outlook and a larger-than-expected decline in Chilean production for 2026. Aluminium rose 1.0%, while iron ore gained 0.6%.

International Data

US initial jobless claims edged down to 196k last week from 206k the week prior.

The **Philadelphia Fed business outlook index** deteriorated from 47.4 to 37.8 in September, although at that level it remains materially above average.

US housing starts fell a further 2.6% in August, though the decline was offset by a revision to the prior month (from -12.4% to -9.0%). **Building permits** fell 2.7% in the month, reversing much of July's 4.3% gain. **Pending home sales** edged up 0.3% in August, but are still 4.9% lower over the year. Overall, the outlook for housing construction remains very weak.

The **Bank of England** decided to hold the Bank Rate at 3.75% in September in a 6-3 decision. The Committee is cognisant that headline inflation is well above target at 3.1%yr, but this is almost entirely due to energy price developments and "there is little evidence of significant knock-on effects on prices and wages". That said, the longer the conflict persists, the higher the likelihood of secondary inflation effects, requiring tighter monetary policy. Also arguing for a measured and careful response to the current inflationary threat is that, absent the crisis, the Bank of England was projected to have been easing through 2026. Monetary policy is therefore tighter than it would have otherwise been, with implications for both inflation and activity. We expect the Committee will decide to hike in coming months, but likely only once.

The **Euro Area CPI** was unrevised in the final estimate for August at 0.4%, though the annual rate was edged down to 3.2%yr. Annual core inflation was unrevised at 2.4%yr

Local Data

In New Zealand, Q2 **GDP** rose 0.2%qtr, reinforcing the message that the economy has remained resilient despite headwinds from the Middle East conflict (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

IQ
westpaciq.com.au

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