1 September 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets opened the week cautiously as investors digested Warsh's Jackson Hole comments and a renewed escalation in US–Iran tensions, which revived concerns around geopolitical risk and inflation.

Brent crude oil prices rose back above US$90/bbl while equities markets were mostly softer, led by declines across the US and Europe. The USD gave back some recent gains, G10 currencies generally firmed though the Aussie and Kiwi held broadly steady.

Bond yields moved higher and curves steepened as markets priced a greater chance of further Fed tightening, while RBA market pricing remains close to a 50/50 chance of a September hike.

Partials released ahead of Australian Q2 GDP on Wednesday were broadly consistent with our expectations. Inventories did surprise to the downside, falling –0.2%, largely due to a run-down in mining inventories, while consumer-facing industries reported solid gains.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	66.2	-0.3%
AUD/USD	0.7166	0.0%
AUD/JPY	114.49	-0.2%
AUD/GBP	0.5289	-0.1%
AUD/NZD	1.2118	0.0%
AUD/EUR	0.6168	-0.2%
AUD/CNH	4.8141	-0.1%
AUD/SGD	0.9108	-0.2%
AUD/HKD	5.6168	0.0%
AUD/CAD	0.9929	-0.3%
EUR/USD	1.1617	0.3%
USD/JPY	159.78	-0.2%
USD Index	99.42	-0.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.35	0.00
90 day BBSY	4.60	0.00
180 day BBSY	4.93	0.00
1 year swap	4.71	-0.02
2 year swap	4.68	-0.02
3 year swap	4.65	-0.02
4 year swap	4.66	-0.02
5 year swap	4.70	0.00
6 year swap	4.74	-0.01
7 year swap	4.80	-0.01
8 year swap	4.85	-0.01
9 year swap	4.90	-0.01
10 year swap	4.95	-0.01

Equities	Close	Change
S&P/ASX 200	9,076	-0.2%
S&P 500	7,686	-0.3%
Japan Nikkei	66,312	-0.1%
Hang Seng	25,567	-0.1%
Euro Stoxx 50	6,420	-1.0%
UK FTSE100	10,824	0.3%
VIX Index	14.92	3.4%

Commodities	Current	Change
CRB Index	410.57	1.0%
Gold	4435.56	-0.4%
Copper	14294	0.1%
Oil (WTI futures)	85.76	2.8%
Coal (coking)	282.00	4.4%
Coal (thermal)	144.00	1.4%
Iron Ore	98.85	1.0%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.66	0.00
10 year bond	5.09	-0.01
United States		
3-month T Bill	3.74	0.01
2 year bond	4.34	0.00
10 year bond	4.75	0.03
Other (10 year yields)		
Germany	3.32	0.04
Japan	2.96	0.03
UK	5.06	0.03

Sydney Futures Exchange	Current	Change
10 yr bond	5.13	0.03
3 yr bond	4.67	0.01
3 mth bill rate	4.58	0.00
SPI 200	9,002	-0.2%

Data as at 7:15am 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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Today's key data and events

Time	Event	Exp	Prev
10:30	JP S&P Global Mfg PMI Aug Final	-	55.1pts
11:30	AU Current Account Balance Q2	-	-$27.1b
11:30	AU Dwelling Approvals Jul	-	7.2%
11:45	CN RatingDog Mfg PMI Aug	-	50.9pts
18:00	EZ S&P Global Mfg PMI Aug Final	-	52.8pts
18:30	GB Net Mortgage Lending Jul	-	£7.7b
18:30	GB S&P Mfg PMI Aug Final	-	51.5pts
19:00	EZ HICP Aug Prel.	-	2.9%
19:00	EZ Unemployment Rate Jul	-	6.3%
23:45	US S&P Mfg PMI Aug Final	-	53.2pts
0:00	US ISM Manufacturing Aug	55.4pts	55.6pts
0:00	US Jolts Job Openings Jul	7300k	7359k
0:00	US Construction Spending Jul	-0.1%	-0.1%

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.

Financial Markets

Markets started the week with a full plate, digesting comments from FOMC Chair Warsh at Jackson Hole over the weekend, while also considering the implications from another flare-up in tensions between the US and Iran. This comes as the US struck Larak Island in Iran and Iran retaliated with their own strikes against the UAE and Jordan, marking a re-escalation after about a month of relative calm.

- US share markets started the week in the red, with declines centred on the S&P 500 (–0.3%) and Dow Jones (–0.7%) while the tech-heavy NASDAQ only edged slightly lower (–0.1%). The Euro Stoxx 50 dropped more sharply (–1.0%), while London markets were closed for the Bank Holiday.
- Asian share markets were more mixed: stocks edged lower in Tokyo (–0.1%) and Hong Kong (–0.1%) while Shanghai (+0.3%) and Seoul (+0.5%) rallied. The ASX 200 slid –0.2%, with miners bearing the brunt of the fall following a fall in gold prices.
- Treasuries meanwhile sold off and the curve steepened as markets digested FOMC Chair Warsh's comments at Jackson Hole over the weekend, alongside the flare-up in Middle East tensions and its associated inflation risks. The 2Y yield was steady at 4.34% while the 10Y yield rose 3bps to 4.75%. The market's conviction over near-term Fed rate hikes continued to grow, a September move seen at a 65% chance while December remains fully priced in.
- Yields moved higher across other major markets against this backdrop, with the 10Y Bund up 5bps to 3.32% while the 10Y JGB rose 1bp to 2.94%. ACGB yields were little changed during local trading, but futures yields rose in trading overnight. Market pricing for the RBA has started the week largely where it left off last week: swaps markets seeing September as close to a 50/50 chance at a rate hike.
- The USD started the week by giving back a chunk of last week's gains, the DXY falling 0.3% to around 99.4. Markets are digesting several themes: Fed repricing, renewed escalation in the Middle East, and also in the background, Treasury Secretary Bessent's plans to accelerate the debt buy-back program.
- All G10 currencies rose against the greenback, including the Euro (+0.3%), Yen (+0.2%), Sterling (+0.1%) and Loonie (0.4%). However, moves for the Aussie and Kiwi dollars were far more limited, closer to holding steady, given the geopolitical risk backdrop.
- Crude oil prices continued to rally at the start of the week following the news of strikes being exchanged between the US and Iran over the weekend. Brent and WTI rose 3.0% and 2.8% to $90.7/bbl and $85.8/bbl respectively. The LME was closed for the UK's Summer Bank Holiday. Gold prices meanwhile edged slightly lower, down –0.4% to around US$4,435/oz following the lift in real yields and prospect of further Fed tightening.

International Data

In the US, the **Dallas Fed Manufacturing Index** surprised materially to the upside, jumping 10pts higher to 11.6, the strongest reading since January. Major survey components for production and new orders reported significant improvements, but the indicator for employment eased, and prices paid for raw materials rose to a new high.

FOMC Chair Warsh also spoke at the G20 meeting of finance ministers and central bankers, highlighting recent structural shifts in the global economy, where secular stagnation has been replaced by secular growth, and the global savings glut has become a global investment surge.

In China, the official **NBS PMIs** continued to point to a subdued growth story in August. While the manufacturing index rose by 0.6pts, at 49.8, it technically remains in contractionary territory. The non-manufacturing index remained unchanged at 49.0, a weaker-than-expected result.

Local Data

In Australia, partials released ahead of Q2 GDP on Wednesday were broadly consistent with our expectations. **Inventories** did surprise slightly to the downside, falling –0.2% in Q2, largely owing to a run-down in mining inventories, while consumer-facing industries reported solid gains (see here). Growth in **private sector credit** meanwhile slowed in July, with a pull-back in investor housing credit (see here).

In New Zealand, **business confidence** was little changed in August, with firms largely shaking off the resumed hostilities in the Middle East (see here).

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