21 September 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Equity markets were mixed as inflation concerns and Middle East tensions offset optimism around AI. The S&P 500 rose 0.2% and finished the week broadly unchanged, while European shares fell sharply and ASX futures point to a soft open.

Bond yields continued to rise following the Fed's rate hike, with the US 10-year Treasury yield reaching 5.0%. Markets now price around 33bps of additional tightening by end-2026, while Aussie markets imply a cash rate of 4.76% by year-end.

The Aussie finished the week 0.7% lower against the greenback, with this week's labour report likely to drive near-term price action. Despite the BoJ raising rates by 25bps, the yen weakened as two policymakers dissented and Governor Ueda cautioned against moving too quickly.

Oil prices eased despite Middle East supply risks, with Saudi Aramco working to restore pipeline capacity following recent attacks.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	66.0	0.3%
AUD/USD	0.7121	0.1%
AUD/JPY	111.71	0.7%
AUD/GBP	0.5315	-0.1%
AUD/NZD	1.2448	0.4%
AUD/EUR	0.6203	0.1%
AUD/CNH	4.7706	0.1%
AUD/SGD	0.9093	0.2%
AUD/HKD	5.5905	0.2%
AUD/CAD	0.9958	0.1%
EUR/USD	1.1486	0.1%
USD/JPY	156.88	0.6%
USD Index	100.22	0.0%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.47	-0.01
90 day BBSY	4.74	-0.01
180 day BBSY	5.14	0.01
1 year swap	4.96	0.06
2 year swap	5.00	0.06
3 year swap	4.99	0.05
4 year swap	4.99	0.05
5 year swap	5.01	0.05
6 year swap	5.04	0.05
7 year swap	5.08	0.05
8 year swap	5.12	0.05
9 year swap	5.15	0.05
10 year swap	5.19	0.05

Equities	Close	Change
S&P/ASX 200	8,731	0.0%
S&P 500	7,651	0.2%
Japan Nikkei	65,019	1.4%
Hang Seng	24,751	0.6%
Euro Stoxx 50	6,236	-1.4%
UK FTSE100	10,659	-1.5%
VIX Index	14.81	-4.1%

Commodities	Current	Change
CRB Index	422.55	-0.7%
Gold	4378.63	0.9%
Copper	14522	0.2%
Oil (WTI futures)	100.30	-1.6%
Coal (coking)	262.00	-3.3%
Coal (thermal)	146.10	-1.5%
Iron Ore	97.10	-0.1%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.93	-0.03
10 year bond	5.27	-0.04
United States		
3-month T Bill	3.98	0.01
2 year bond	4.74	0.08
10 year bond	5.00	0.07
Other (10 year yields)		
Germany	3.52	0.04
Japan	2.99	0.00
UK	5.30	0.07

Sydney Futures Exchange	Current	Change
10 yr bond	5.34	0.05
3 yr bond	5.01	0.06
3 mth bill rate	4.63	0.00
SPI 200	8,711	-0.7%

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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Today's key data and events

Time	Event	Exp	Prev
9:01	GB Rightmove House Prices Sep	-	-2.0%
22:30	US Chicago Fed Activity Index Aug	-0.1pts	-0.1pts
16:00	GB Public Sector Borrowing Aug	-	£1.8b

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

- After a volatile week that included a US Fed rate hike and US Treasury yields pushing towards 5%, market moves were relatively subdued on Friday. Equities were mixed, sovereign bond yields ticked higher, oil prices fell, and the US dollar was broadly unchanged.
- In energy markets, reports indicated that Saudi Aramco told several European refiners they would receive no crude next month after a pipeline to the Red Sea was attacked. Despite the BoJ delivering a 25bp rate hike to 1.25%, the yen fell as Governor Ueda struck a cautious tone on further tightening. The move was also overshadowed by dissent from two appointees of PM Takaichi.
- Key US equity indices were mixed as concerns about inflation and ongoing Middle East tensions offset optimism surrounding AI. The S&P 500 rose 0.2% to 7,651 to finish the week broadly unchanged. The Dow Jones Industrial Average fell 0.2% and finished the week 1.7% lower. The tech-heavy Nasdaq outperformed, gaining 0.4% on the day to end the week 0.7% higher.
- European equities were weaker, weighed down by automakers after Volkswagen AG cut its profit outlook and ongoing Middle East tensions triggering concerns around global energy supplies. The Euro Stoxx 50 fell 1.4%, Germany's DAX dropped 1.6%, the FTSE 100 declined 1.5%, France's CAC lost 1.5%, and the Swiss Market Index closed 1.2% lower. Asian markets were mixed, with the Nikkei rising 1.4% and the Hang Seng gaining 0.6%. Locally, the S&P/ASX 200 was broadly unchanged at 8,731. Equity futures point to a softer open, with the SPI 200 down 0.7% to 8,711.
- The bond market sell-off continued with yields ticking higher. The yield on the policy-sensitive two-year US Treasury rose 8bps to 4.74%, while the 10-year Treasury yield increased 7bps to 5.0%. Traders are now pricing around 33bps of rate hikes by the end of 2026 and almost 85bps by the end of 2027. Germany's 10-year Bund yield rose 4bps to 3.52%, while UK 10-year gilt yields increased 7bps to 5.30%. Japanese 10-year government bond yields were unchanged at 2.99%.
- Australian bond markets were weaker in futures trading, with the 3-year government futures yield rising 6bps to 5.01% and the 10-year futures yield increasing 5bps to 5.34%. OIS pricing now implies a cash rate of around 4.76% by year-end, consistent with Westpac Economics' updated rates outlook. Markets have also priced in a further 25bp rate hike over 2027. The labour force survey later this week will be closely watched and is likely to influence market pricing, with investors currently expecting further rate hikes through 2027.
- In foreign exchange markets, the US dollar was broadly unchanged, with the DXY holding at 100.22. The Australian dollar rose 0.1% against the US dollar to US$0.7121. Against major crosses, the Australian dollar gained 0.7% against the yen and 0.4% against the New Zealand dollar, while easing 0.1% against sterling. It rose 0.1% against the euro, Chinese yuan and Canadian dollar, and gained 0.2% against the Singapore dollar. Price action this week is likely to be driven by the labour force survey, with a stronger-than-expected outcome likely to provide the Australian dollar with a tailwind.
- Commodity markets were mixed overnight. The CRB Index fell 0.7%, while WTI crude oil declined 1.6% to US$100.30 a barrel. Bloomberg reported that Saudi Aramco is working to partially restore flows through its East-West pipeline within days following the recent drone attacks, with full capacity expected to be restored within six weeks. The company is also reportedly increasing exports from facilities located outside the Strait of Hormuz.
- Gold rose 0.9% to US$4,379/oz, copper gained 0.2%, and coking coal increased 3.3%. In contrast, thermal coal fell 1.5%, iron ore edged 0.1% lower to US$97.10/t, and ACCU prices declined 4.3%.

International Data

The **Bank of Japan** raised its policy rate by 25bp to 1.25%. Another hike remains on the cards, although the extent of additional tightening beyond 1.5% will likely depend on how growth evolves amid ongoing external uncertainties.

US industrial production was unchanged in August after a 0.2% gain in July. Manufacturing production fell 0.3% in August, reversing July's 0.2% increase.

The US leading index printed at -0.1% in August, suggesting underlying momentum in the economy remains consistent with trend growth.

UK retail sales surprised to the upside in August, rising 0.5% in the month. This reverses July's 0.5% decline and leaves sales up 2.4% versus a year ago. Ex auto fuel, sales were up 0.6% in the month and 2.7% over the year.

Local Data

We released the **Westpac economics Coast to Coast** for the September quarter 2026 which includes updated activity and labour market forecasts across state economies (see here for the full report).

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