25 September 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets were generally subdued as oil prices and bond yields continued to advance, while President Xi's Washington visit got underway with discussions focused on security, technology and AI. Separately, the US-China trade truce was extended until January 2027.

Global equities were little changed overall, with US markets flat and European equities modestly lower.

US Treasury yields continued to rise amid ongoing volatility in oil markets, while Australian government bond yields also moved higher in line with global moves despite softer labour market data.

The US dollar strengthened modestly, with the AUD falling against most major currencies.

Oil prices retraced most of their recent losses following Houthi attacks on Saudi oil infrastructure, with markets largely looking through the prospect of a potential US-Iran agreement.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.3	-0.8%
AUD/USD	0.7013	-0.4%
AUD/JPY	111.40	0.0%
AUD/GBP	0.5305	-0.2%
AUD/NZD	1.2381	-0.2%
AUD/EUR	0.6162	-0.4%
AUD/CNH	4.7092	-0.3%
AUD/SGD	0.8975	-0.4%
AUD/HKD	5.4995	-0.4%
AUD/CAD	0.9913	-0.2%
EUR/USD	1.1380	0.0%
USD/JPY	158.85	0.3%
USD Index	101.26	0.2%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.53	0.01
90 day BBSY	4.79	0.02
180 day BBSY	5.18	0.03
1 year swap	4.97	-0.01
2 year swap	5.04	-0.03
3 year swap	5.04	-0.03
4 year swap	5.03	-0.04
5 year swap	5.05	-0.03
6 year swap	5.08	-0.02
7 year swap	5.12	-0.02
8 year swap	5.16	-0.01
9 year swap	5.20	-0.01
10 year swap	5.23	-0.01

Equities	Close	Change
S&P/ASX 200	8,702	-0.7%
S&P 500	7,704	0.0%
Japan Nikkei	65,514	0.8%
Hang Seng	24,761	-0.3%
Euro Stoxx 50	6,273	-0.4%
UK FTSE100	10,680	-0.2%
VIX Index	15.67	3.2%

Government Bond Yields	Close	Change
Australia		
3 year bond	5.03	0.09
10 year bond	5.37	0.12
United States		
3-month T Bill	4.07	0.04
2 year bond	4.92	0.03
10 year bond	5.20	0.08
Other (10 year yields)		
Germany	3.60	0.04
Japan	3.08	0.09
UK	5.38	0.03

Commodities	Current	Change
CRB Index	423.32	0.9%
Gold	4275.10	-0.3%
Copper	14621	0.0%
Oil (WTI futures)	94.72	2.8%
Coal (coking)	265.50	0.6%
Coal (thermal)	147.80	0.6%
Iron Ore	95.70	-0.2%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	5.43	0.03
3 yr bond	5.07	0.02
3 mth bill rate	4.63	0.00
SPI 200	8,711	-0.3%

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 were subdued overnight as oil prices and global bond yields continued to move higher. The rise in oil prices followed reports that Saudi Arabia had intercepted missiles launched by the Houthis towards Saudi Aramco port facilities on the Red Sea. Prices briefly retraced after reports emerged that US and Iranian negotiators were exploring a phased agreement on the sidelines of the UN General Assembly that would see Tehran reopen the Strait and Washington lift its blockade of Iranian ports. However, the move proved short lived, with markets increasingly looking through preliminary announcements.

Elsewhere, President Xi's Washington visit is underway, with President Trump noting yesterday that discussions will focus on security, technology and AI. Ahead of President Xi's arrival, US Treasury Secretary Scott Bessent announced that the current trade truce would be extended until January 2027, mitigating a need to discuss the trade relationship while President Xi is in Washington.

- US equities were little changed as the headwinds from higher oil prices and rising bond yields were partly offset by reports of a potential phased agreement between the US and Iran. The S&P 500 and NASDAQ were unchanged, while the Dow Jones fell 0.3%. European equities were weaker, with the Euro Stoxx 50 down 0.4% and the FTSE 100 falling 0.2%.
- Asian markets were mixed. Korean markets were closed, while the Nikkei 225 rose 0.8% following a three-day holiday as investors caught up with the recent AI-led rally. The Hang Seng fell 0.3%. Locally, the ASX 200 declined 0.7%.
- Continued volatility in oil markets pushed US Treasury yields higher, with the 2-year yield rising 3bps and the 10-year yield gaining 8bps. Futures markets price the probability of an October hike at just above 70%, while a December move remains fully priced, taking the implied year-end fed funds rate to 4.26%.
- Australian government bond yields rose in line with higher global yields, although gains were tempered by softer labour market data. The 3-year yield rose 9bps, while the 10-year yield gained 12bps. Swap markets now view a September rate hike as close to a certainty, with pricing implying around a 95% probability, while a move in November remains fully priced, taking the implied year-end cash rate to 4.73%.
- The US dollar continued to strengthen, with the DXY up 0.2%. The AUD fell 0.4% to 0.7013 against the greenback and fared little better against the major crosses. The sterling declined 0.2%, the yen fell 0.3%, and the euro was broadly unchanged against the USD.
- Oil prices rose throughout the session as reports emerged that the Houthis had launched missiles towards Saudi Arabia's key oil export facilities at Yanbu on the Red Sea. Any optimism surrounding a potential US-Iran agreement was quickly outweighed by renewed supply concerns. Brent rose 3.8% to US$107/bbl, while WTI gained 2.8% to US$94.7/bbl. Dated Brent continued to trade at a substantial premium, reaching US$125.5/bbl.
- Gold declined 0.3% as higher bond yields weighed on sentiment. Copper was unchanged, with weaker risk sentiment offset by stronger Chinese buying ahead of the Mid-Autumn Festival holiday. Aluminium fell 0.2%, while iron ore declined 0.2%.

Today's key data and events

Time	Event	Exp	Prev
9:01	GB GfK Consumer Sentiment Sep	-16pts	-14pts
18:00	EZ M3 Money Supply Aug	3.5%	3.4%
22:30	US Durable Goods Orders Aug Prel.	-0.3%	1.1%
0:00	US Uni. Of Michigan Sentiment Sep Final	47.5pts	47.8pts

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 unchanged last week at 197k, a historically low level.

US building permits fell 2.1% in August. The current level of permits is near the lows of the past 5 years.

US new home sales rose 6.4% in August, ahead of expectations, and July's decline was revised from -10.5% to -4.3%. This leaves sales around the average of the past 5 years. Interest rates, construction costs and uncertainty continue to cap activity in the sector.

The Kansas City manufacturing index rose from 10 to 14 in September, signalling above-average momentum in the region's economy.

Overnight, **NY Fed President Williams** characterised another hike by year end as "reasonable" given he believes the FOMC have "a lot of work to do" to bring inflation down sustainably. **Philadelphia Fed President Paulson** believes further tightening may prove necessary, while **Cleveland Fed President Hammack** highlighted the risk to inflation expectations from a series of supply shocks, which the US economy is currently experiencing.

Germany's IFO business climate index strengthened a touch in September to 89.9 as firms' current assessment and expectations both improved. The headline index is currently in line with the 5-year average.

Local Data

August **labour force** data showed employment rebounding by 39.5k. However, a rise in the participation rate to 67.1% saw the unemployment rate increase to 4.6%. While some of August's strength may reflect residual seasonality and partially unwind in September, the broader picture remains one of a gradually cooling labour market (see here).

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