28 September 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets ended a volatile week on a firmer footing as lower oil prices supported sentiment amid reports that US and Iranian negotiators were exploring a deal to reopen the Strait. However, President Trump rejected an Iranian proposal over the weekend.

US and European equities were buoyed by softer oil prices and easing bond yields, while Asian markets were more mixed.

Lower oil prices helped stabilise bond markets, while Australian government bond yields were little changed ahead of this week's RBA policy meeting, with markets continuing to price a high probability of further tightening.

The yen outperformed after Japanese officials raised concerns about currency weakness with US counterparts.

Oil prices retreated on Friday but remained firmly higher over the week as markets assessed developments in US-Iran negotiations.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.2	-0.2%
AUD/USD	0.7011	0.2%
AUD/JPY	110.23	-0.8%
AUD/GBP	0.5300	0.0%
AUD/NZD	1.2383	0.1%
AUD/EUR	0.6162	0.0%
AUD/CNH	4.7130	0.1%
AUD/SGD	0.8955	-0.2%
AUD/HKD	5.4995	0.2%
AUD/CAD	0.9916	0.2%
EUR/USD	1.1379	0.1%
USD/JPY	157.25	-1.0%
USD Index	100.97	-0.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.54	0.01
90 day BBSY	4.81	0.01
180 day BBSY	5.17	-0.01
1 year swap	4.95	-0.02
2 year swap	4.99	-0.05
3 year swap	4.99	-0.05
4 year swap	5.02	-0.01
5 year swap	5.05	0.00
6 year swap	5.09	0.00
7 year swap	5.13	0.01
8 year swap	5.17	0.01
9 year swap	5.22	0.02
10 year swap	5.25	0.02

Equities	Close	Change
S&P/ASX 200	8,665	-0.4%
S&P 500	7,743	0.5%
Japan Nikkei	66,364	1.3%
Hang Seng	24,510	-1.0%
Euro Stoxx 50	6,303	0.5%
UK FTSE100	10,695	0.1%
VIX Index	14.87	-5.1%

Commodities	Current	Change
CRB Index	418.54	0.0%
Gold	4284.81	0.2%
Copper	14622	0.0%
Oil (WTI futures)	92.41	-2.3%
Coal (coking)	265.00	-0.2%
Coal (thermal)	143.75	0.2%
Iron Ore	95.25	-0.6%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	5.01	-0.02
10 year bond	5.37	0.00
United States		
3-month T Bill	4.07	-0.01
2 year bond	4.85	-0.07
10 year bond	5.16	-0.04
Other (10 year yields)		
Germany	3.60	0.00
Japan	3.08	0.00
UK	5.37	-0.02

Sydney Futures Exchange	Current	Change
10 yr bond	5.39	0.00
3 yr bond	5.02	-0.02
3 mth bill rate	4.63	0.00
SPI 200	8,720	0.0%

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 a volatile week on a firmer footing, with lower oil prices supporting sentiment and pushing Treasury yields lower amid reports that US and Iranian negotiators were exploring a deal to reopen the Strait. However, President Trump rejected a proposal from Iran over the weekend, suggesting Tehran was eager to reach an agreement because it was "losing so badly". While the President indicated negotiations are expected to resume this week, Iran has maintained it will not soften its demands. Separately, reports emerged suggesting President Trump intends to resume the US bombing campaign against Iran after the mid-term elections, although he did not confirm the claims.

- US equities ended the week higher despite the midweek sell-off, with Friday's gains supported by lower oil prices and easing bond yields. The S&P 500 rose 0.5%, while the Dow Jones outperformed, gaining 0.9%, and the NASDAQ added 0.5%. European equities also moved higher, with the Euro Stoxx 50 rising 0.5% and the FTSE 100 up 0.1%.
- Asian markets were mixed on Friday. Korean markets remained closed for the Chuseok holiday, while the Nikkei 225 extended its gains, rising 1.3%, and the Hang Seng fell a further 1.0%. The ASX 200 declined 0.4%, leaving the index at its lowest level in more than three months.
- Lower oil prices helped stabilise US Treasury markets, with the yield curve steepening. The 2-year Treasury yield fell 7bps, while the 10-year yield declined 4bps, although it remained above 5.0%. Futures markets continue to price the probability of an October hike at just above 64%, while a December move remains fully priced, taking the implied year-end fed funds rate to 4.23%. Elsewhere, 10-year Bund and JGB yields were unchanged, while gilt yields fell 2bps.
- Australian government bond yields were little changed ahead of this week's RBA policy meeting, with the 3-year yield down 2bps and the 10-year yield unchanged. Swap markets continue to view a September rate hike as highly likely, with pricing implying around a 90% probability, while a move in November remains fully priced, taking the implied year-end cash rate to 4.75%.
- The US dollar recorded its first decline of the week on Friday, with the DXY down 0.3%. The AUD rose 0.2% to 0.7011, while the sterling and the euro both gained 0.1%. The yen outperformed, rising 1.0% against the greenback after Japanese officials discussed concerns around currency weakness with US counterparts.
- Oil prices retreated on Friday but remained firmly higher over the week as markets assessed reports of negotiations between the US and Iran to reopen the Strait, which President Trump has since rejected. Brent fell 2.1% to US$104/bbl, while WTI declined 2.3% to US$92.4/bbl. Dated Brent continued to trade at a substantial premium of US$123/bbl.

Today's key data and events

Time	Event	Exp	Prev
11:30	CN Industrial Profits Aug	-	11.2%
0:30	US Dallas Fed Manufacturing Sep	8.2pts	11.6pts

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 0.2% as Treasury yields eased, while copper was little changed and iron ore moved 0.6% lower.

International Data

US Durable goods orders were flat in August (market f/c: -0.3%mth), but core capex orders (non-defence ex-aircraft) rose a strong 1.6%mth.

The **University of Michigan** final confidence index for September was 48.1, up slightly from the preliminary reading but down from August reading of 51.7. Measures of 1-year and 5-10yr inflation expectations were confirmed at 4.6% and 3.4% respectively.

The **Cleveland Fed's Hammack** said that long-term yields were being driven by a combination of stronger growth, government debt worries and Fed policy expectations.

Local Data

The first estimate of the Q3 **Westpac-Nowcast** points to GDP growth of 0.6%qtr, suggesting the economy is proving more resilient than expected as investment tailwinds continue to offset the effects of higher interest rates and elevated fuel prices (see here).

We also released our September **Housing Pulse,** providing an updated assessment of Australia's housing market (see here).

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