30 September 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets drifted lower overnight as elevated long-dated bond yields and a lack of positive catalysts weighed on sentiment. Domestically, markets interpreted Governor Bullock's post-RBA meeting comments as relatively dovish, although Westpac Economics now views a November rate hike as the base case.

Global equities remained under pressure from elevated long-dated bond yields.

The US Treasury curve steepened following comments from NY Fed's Williams that there was no urgency for further tightening, while markets remain cautious about pricing additional RBA tightening in 2026.

The AUD lost its 70 handle against the USD and weakened against most major currencies.

Oil prices declined after Saudi Arabia restored around half the capacity of its East-West pipeline and the US announced plans to release up to 40 million barrels from strategic reserves.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	64.8	-0.6%
AUD/USD	0.6986	-0.5%
AUD/JPY	109.91	-0.5%
AUD/GBP	0.5281	-0.3%
AUD/NZD	1.2394	0.0%
AUD/EUR	0.6161	-0.2%
AUD/CNH	4.6863	-0.5%
AUD/SGD	0.8928	-0.4%
AUD/HKD	5.4809	-0.4%
AUD/CAD	0.9915	-0.3%
EUR/USD	1.1340	-0.3%
USD/JPY	157.32	-0.1%
USD Index	101.39	0.2%

Equities	Close	Change
S&P/ASX 200	8,709	0.3%
S&P 500	7,671	-0.2%
Japan Nikkei	65,481	-0.6%
Hang Seng	24,524	-0.5%
Euro Stoxx 50	6,320	0.3%
UK FTSE100	10,637	-0.5%
VIX Index	16.04	-0.2%

Commodities	Current	Change
CRB Index	409.45	-1.2%
Gold	4182.63	1.6%
Copper	14438	0.2%
Oil (WTI futures)	89.38	-3.5%
Coal (coking)	264.50	-0.8%
Coal (thermal)	146.40	-0.6%
Iron Ore	94.25	-1.2%
ACCU	36.13	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.58	0.01
90 day BBSY	4.82	0.01
180 day BBSY	5.20	0.02
1 year swap	4.94	-0.05
2 year swap	4.95	-0.09
3 year swap	4.97	-0.08
4 year swap	4.99	-0.07
5 year swap	5.03	-0.06
6 year swap	5.07	-0.06
7 year swap	5.13	-0.05
8 year swap	5.18	-0.04
9 year swap	5.22	-0.04
10 year swap	5.27	-0.03

Government Bond Yields	Close	Change
Australia		
3 year bond	4.97	-0.08
10 year bond	5.37	-0.04
United States		
3-month T Bill	4.05	-0.04
2 year bond	4.88	-0.05
10 year bond	5.24	0.00
Other (10 year yields)		
Germany	3.63	-0.02
Japan	3.09	-0.01
UK	5.41	-0.01

Sydney Futures Exchange	Current	Change
10 yr bond	5.38	-0.02
3 yr bond	4.94	-0.04
3 mth bill rate	4.63	0.00
SPI 200	8,747	-0.1%

Data as at 7:20am 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 drifted lower overnight, with a quiet news flow allowing prevailing risk aversion and persistently elevated long-dated bond yields to remain the dominant drivers of market sentiment. Domestically, the RBA Monetary Policy Board unanimously voted to raise the cash rate by 25bps to 4.60% at its September meeting. Markets generally interpreted Governor Bullock's post-meeting press conference as relatively dovish, pointing to comments suggesting the Board hopes the cumulative impact of this year's four rate hikes will prove sufficiently restrictive to return inflation to target.

- US equities extended their recent decline, with the S&P 500 down 0.2%, the Dow Jones falling 0.3%, and the NASDAQ easing 0.1%. European markets were more resilient, with the Euro Stoxx 50 gaining 0.3% and the DAX rising 0.1%, while the FTSE 100 fell 0.5%.
- Asian equities also moved lower on Tuesday, with gains in Treasuries during the previous session weighing on sentiment. The Nikkei 225 led declines, down 0.6%, while the Hang Seng fell 0.5% and the KOSPI declined 0.3%. Locally, the ASX 200 reversed earlier weakness to post a second consecutive gain, rising 0.3% as markets interpreted Governor Bullock's comments as dovish.
- The US Treasury yield curve steepened, with the 2-year yield falling 5bps while the 10-year yield was unchanged. The move at the front end followed comments from New York Fed's Williams, who suggested one further rate hike this year may be appropriate to contain inflation pressures, but added there was no urgency following this month's increase. Futures markets subsequently reduced the probability of an October hike to just under 50%, while a December move remains fully priced, taking the implied year-end fed funds rate to 4.20%.
- Australian government bond yields moved lower following the RBA decision, with the 3-year yield down 8bps and the 10-year yield falling 4bps. Swap markets remain cautious about pricing additional tightening following Governor Bullock's comments, with market probability of a November hike just above 40%, taking the implied year-end cash rate to 4.75%.
- The US dollar continued to advance, with the DXY up 0.2%. The AUD fell 0.5%, losing its 70 handle to finish at 0.6986, while also weakening against most major currencies. The euro declined 0.3% against the greenback, the sterling fell 0.2%, while the yen was the exception, rising 0.1%.
- News that Saudi Arabia had restored around half the capacity of its East-West pipeline, together with the release of up to 40 million barrels from US strategic petroleum reserves, weighed on oil prices. Brent fell 2.6% to US$103/bbl, while WTI declined 3.5% to US$89.4/bbl. Gold rose 1.6% as short-dated Treasury yields moved lower, while copper gained 0.2% after Chilean copper workers voted to strike following failed wage negotiations. Aluminium and iron ore both fell 1.2%.

Today's key data and events

Time	Event	Exp	Prev
9:50	JP Industrial Production Aug Prel.	1.4%	-0.2%
10:00	NZ ANZ Business Confidence Sep	-	53.7pts
11:30	AU Monthly CPI Indicator Aug	4.1%	3.5%
11:30	AU Private Sector Credit Aug	0.5%	0.6%
11:30	AU Dwelling Approvals Aug	-1.0%	-3.6%
11:30	CN Manufacturing PMI Sep	50.1pts	49.8pts
11:30	CN Non-Manufacturing PMI Sep	49.2pts	49pts
11:45	CN RatingDog Composite PMI Sep	-	52.1pts
11:45	CN RatingDog Services PMI Sep	51.3pts	51.4pts
11:45	CN RatingDog Manufacturing PMI Sep	51.7pts	51.5pts
16:00	GB GDP Q2 Final	0.4%	0.4%
22:15	US ADP Employment Change Sep	74k	38k
22:30	US Personal Income Aug	0.4%	0.4%
22:30	US Personal Spending Aug	0.8%	0.2%
22:30	US PCE Deflator Aug	0.3%	0.2%
22:30	US Core PCE Deflator Aug	0.3%	0.2%
22:30	US GDP Q2 T	1.5%	1.5%
22:30	US Wholesale Inventories Aug Prel.	0.4%	1.3%
23:45	US Chicago PMI Sep	51pts	47.1pts

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: The **JOLTS survey** reported a much larger than expected decline in job openings to 7079k in August, but the quits rate remained steady at 1.9% and the layoffs rate edged down to an historically low 1.0%. The **Conference Board's Consumer Confidence Index** slumped 6.7pts to 81.7 in September (market f/c: 89.0), marking the lowest reading since 2014. Both the present situation and expectations indices fell sharply as inflation expectations moved higher, while household's assessment of the ease of finding jobs also weakened to a more than 5-year low. The **S&P/CS 20-City home price index** rose 0.3%mth and 2.5%yr in July. **Fed Governor Barr** repeated that further interest rate increases will likely be necessary to tame inflation whereas the **NY Fed's Williams** said that just one further hike might be sufficient late in the year, adding that this month's hike had removed the urgency to act.

Local Data

As widely expected, the **RBA** raised the cash rate by 25bps to 4.60%, with the Board citing elevated energy prices alongside stronger-than-expected inflation and GDP outcomes. Westpac Economics now views a November rate hike as the base case, reflecting concerns around "much higher" global energy prices and signs firms are passing through higher costs (see here).

Separately, the August **Household Spending Indicator** was unchanged, with strength in transport spending masking a broader softening in household spending (see here).

In New Zealand, Treasury's **Pre-election Economic and Fiscal Update** was released (see here).

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