



12 October 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Risk sentiment improved after President Trump noted the US would avoid military action against Iran before the midterm elections, helping markets recover from a volatile week.

Global equities advanced, with US stocks rebounding from the prior session's technology-led sell-off and European markets outperforming.

US Treasury yields were little changed, with European bond yields ending the week lower. The US Treasury market will be closed on Monday for Columbus Day.

Investor focus has shifted to upcoming US inflation data and Fed commentary, shaping expectations for the FOMC's October meeting.

Commodity prices generally advanced, with oil remaining sensitive to geopolitical developments even as plans for additional Russian diesel supply offered some prospect of relief for global fuel markets.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	64.8	0.2%
AUD/USD	0.6978	0.3%
AUD/JPY	110.46	0.6%
AUD/GBP	0.5272	0.2%
AUD/NZD	1.2427	0.1%
AUD/EUR	0.6237	0.5%
AUD/CNH	4.6705	0.1%
AUD/SGD	0.8931	0.2%
AUD/HKD	5.4762	0.3%
AUD/CAD	0.9957	0.6%
EUR/USD	1.1189	-0.2%
USD/JPY	158.26	0.2%
USD Index	102.21	0.1%

Equities	Close	Change
S&P/ASX 200	8,717	0.6%
S&P 500	7,812	0.6%
Japan Nikkei	69,031	0.0%
Hang Seng	24,211	1.8%
Euro Stoxx 50	6,173	0.8%
UK FTSE100	10,552	1.1%
VIX Index	14.84	-3.7%

Commodities	Current	Change
CRB Index	414.73	0.7%
Gold	4194.24	1.5%
Copper	14540	1.6%
Oil (WTI futures)	91.85	0.4%
Coal (coking)	270.00	1.1%
Coal (thermal)	152.25	-0.3%
Iron Ore	91.35	-0.7%
ACCU	36.13	-4.3%

Data as at 7:00am AEDT. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.61	0.00
90 day BBSY	4.82	0.00
180 day BBSY	5.21	0.00
1 year swap	4.91	0.00
2 year swap	4.93	0.02
3 year swap	4.94	0.04
4 year swap	4.96	0.02
5 year swap	4.99	0.02
6 year swap	5.04	0.02
7 year swap	5.10	0.01
8 year swap	5.15	0.00
9 year swap	5.19	0.00
10 year swap	5.24	0.00

Government Bond Yields	Close	Change
Australia		
3 year bond	4.90	0.00
10 year bond	5.34	-0.06
United States		
3-month T Bill	4.05	0.01
2 year bond	4.79	0.03
10 year bond	5.24	0.01
Other (10 year yields)		
Germany	3.48	-0.01
Japan	3.02	-0.08
UK	5.44	-0.04

Sydney Futures Exchange	Current	Change
10 yr bond	5.36	0.01
3 yr bond	4.93	0.02
3 mth bill rate	4.77	0.00
SPI 200	8,786	0.4%



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Financial Markets

Markets regained some footing to close off the week after President Trump said the US would not strike Iran before next month's midterm elections, supporting risk sentiment and helping equities recover. However, tensions flared again over the weekend, with an attack on Saudi Arabia's main airport and a US strike on a commercial tanker in the Gulf of Oman. On Friday, President Trump also announced that Russia would supply 13.5 million barrels of diesel to global markets through October to help ease fuel shortages and lower prices, a move that would mark a significant departure from years of sanctions despite the ongoing war in Ukraine. US bond markets will be closed on Monday for Columbus Day, although equity markets remain open.

- US equities closed higher on Friday, capping a volatile week that saw sharp moves in both bond yields and energy markets. The S&P 500 rose 0.6%, although it remained below the record high reached earlier in the week. The Dow Jones gained 0.8%, while the Nasdaq also advanced 0.8%, rebounding from Thursday's tech-led sell-off amid concerns over the pace of AI-related growth. European equities outperformed as volatility in regional bond markets eased, with the Euro Stoxx 50 rising 0.8% and the FTSE 100 up 1.1%.
- Asian equities delivered a mixed performance on Friday. The Nikkei 225 closed flat, recovering from an intraday decline of 1.3% after reports that OpenAI's revenue targets may indeed be reached. The CSI 300 was up 0.2%, while the Hang Seng rose 1.8%, supported by gains in technology stocks. The ASX 200 advanced 0.6%, with futures pointing to a further gain at today's open. South Korea's Kospi was closed for Hangul Day.
- US Treasury yields were little changed as investors digested President Trump's pledge not to take military action against Iran until after the midterm elections. The 2-year and 10-year Treasury rose 3bps and 1bp respectively, with the latter holding at 5.24%, below the 24-year high reached earlier in the week. Attention now turns to the September CPI report, due Wednesday night (11:30pm AEDT), and comments from Fed Chair Warsh, both of which are expected to shape market expectations ahead of the FOMC's October meeting. Futures currently assign a 17% probability to an October rate hike and have almost fully priced in a hike by December, leaving the implied year-end policy rate at 4.13%.
- European bonds ended lower after a volatile week. The 10-year bund yield fell 1bp, while the 10-year gilts declined 4bps. France's 10-year OAT yield also dropped 4bps, although concerns over the government's ability to reduce the budget deficit to 5% of GDP by 2027 continue to weigh on sentiment.

Today's key data and events

Time	Event	Exp	Prev
-	CN M2 Money Supply Sep	7.4%	7.5%

Times are AEDT. 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.

- In Australia, the 3-year government bond yield was unchanged at 4.90%, while the 10-year yield fell 6bps to 5.34%. Attention this week will centre on the September Labour Force Survey, due Thursday, where a moderation in the participation rate from its near 115-year high is expected to keep the unemployment rate broadly steady (see our preview). Swap markets continue to assign only a modest probability to further policy tightening, with around 26% odds of a November rate hike currently priced.
- The US dollar index rose modestly, gaining 0.1%. The AUD rose against the greenback, up 0.3% to 0.6978. Other crosses against the USD were mixed, with the yen up 0.2%, euro losing 0.2% and the pound flat.
- Commodities were mostly higher. Oil prices recovered from early losses, with Brent crude rising 0.4% to US\$104.7/bbl and WTI also gaining 0.4%. Elsewhere, gold advanced 1.5% and copper rose 1.6%, while iron ore bucked the trend, falling 0.7% amid a subdued outlook for demand.

International Data

In the US, the **University of Michigan consumer sentiment** deteriorated marginally in the preliminary October print, the headline index declining from 48.1 to 46.3. Current conditions fell from 50.9 to 44.7 while expectations edged up to 47.3. Historically low sentiment is yet to stop consumers from spending though, with real consumption growth remaining robust through 2026.



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