



14 October 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets reassessed the AI trade as a deepening semiconductor sell-off weighed on sentiment, although Fed President Williams' signal of one further hike this year, but little need for tightening beyond that, helped limit losses ahead of today's US CPI release.

Global equities came under pressure from the semiconductor sell-off, with Asian markets bearing the brunt of declines.

US Treasury yields saw only modest moves on their first trading day since Friday, with markets awaiting today's CPI release.

The US dollar eased, supporting gains across most major currencies, including the AUD.

Oil prices remained range-bound despite reports of escalating attacks on shipping through the Strait of Hormuz, while concerns around the AI trade weighed on copper and aluminium.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	64.7	-0.2%
AUD/USD	0.6983	0.3%
AUD/JPY	110.58	0.2%
AUD/GBP	0.5269	0.0%
AUD/NZD	1.2440	-0.1%
AUD/EUR	0.6236	0.0%
AUD/CNH	4.6737	0.3%
AUD/SGD	0.8936	0.3%
AUD/HKD	5.4801	0.3%
AUD/CAD	0.9927	-0.1%
EUR/USD	1.1198	0.4%
USD/JPY	158.36	-0.2%
USD Index	102.20	-0.4%

Equities	Close	Change
S&P/ASX 200	8,784	0.0%
S&P 500	7,809	0.0%
Japan Nikkei	67,778	-1.8%
Hang Seng	24,345	0.3%
Euro Stoxx 50	6,167	-0.6%
UK FTSE100	10,650	-0.1%
VIX Index	15.31	0.7%

Commodities	Current	Change
CRB Index	418.14	0.2%
Gold	4163.64	-0.2%
Copper	14578	-0.3%
Oil (WTI futures)	94.52	0.8%
Coal (coking)	267.00	0.0%
Coal (thermal)	153.10	1.0%
Iron Ore	90.75	-0.4%
ACCU	36.13	-4.3%

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.

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.62	0.01
90 day BBSY	4.82	-0.01
180 day BBSY	5.20	0.00
1 year swap	4.90	-0.01
2 year swap	4.91	-0.01
3 year swap	4.92	0.00
4 year swap	4.94	0.00
5 year swap	4.98	0.00
6 year swap	5.02	0.00
7 year swap	5.07	-0.01
8 year swap	5.12	-0.01
9 year swap	5.16	-0.01
10 year swap	5.21	-0.01

Government Bond Yields	Close	Change
Australia		
3 year bond	4.88	-0.02
10 year bond	5.29	-0.03
United States		
3-month T Bill	4.06	0.00
2 year bond	4.79	0.01
10 year bond	5.22	-0.02
Other (10 year yields)		
Germany	3.47	-0.01
Japan	3.01	-0.01
UK	5.45	0.01

Sydney Futures Exchange	Current	Change
10 yr bond	5.34	0.03
3 yr bond	4.93	0.04
3 mth bill rate	4.77	0.00
SPI 200	8,792	-0.3%



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Financial Markets

Markets paused to reassess the pace of the AI trade overnight, with a deepening sell-off in semiconductor stocks weighing on sentiment. Losses in the US were pared following comments from New York Fed President Williams, who suggested one further rate hike this year may be appropriate but saw little need for additional tightening beyond that. Attention now turns to today's US CPI release.

- US equities came under pressure from the global semiconductor sell-off, although comments from Fed President Williams helped limit declines. The S&P 500 finished little changed, while the NASDAQ fell 0.2% and the Dow Jones lost 0.4%. European equities were also caught up in the broader sell-off, with the Euro Stoxx 50 down 0.6% and the FTSE 100 slipping 0.1%.
- Asian markets bore the brunt of concerns around the AI trade, with semiconductor stocks falling sharply as investors weighed intensifying competition from China, elevated interest rates and stretched valuations. The heavily AI-exposed KOSPI led declines, falling 5.5%, while the Nikkei 225 lost 1.8%. The Hang Seng bucked the regional trend, gaining 0.3%, while locally the ASX 200 was broadly unchanged.
- US Treasury yields saw only modest moves on their first trading day since Friday. The 2-year yield rose 1bp, while the 10-year yield fell 2bps. Ahead of today's CPI release, futures markets assign just under a 22% probability to an October hike, while a December move remains fully priced, taking the implied year-end fed funds rate to 4.15%.
- Australian government bond yields edged lower on Tuesday, with the 3-year yield falling 2bps and the 10-year yield down 3bps. Swap markets remain cautious about pricing further tightening in 2026 following the release of the RBA's September meeting minutes, with the probability of a November hike sitting just under 26%, taking the implied year-end cash rate to 4.73%.
- The US dollar eased ahead of the US CPI release, with the DXY down 0.2%. The AUD gained 0.3% to 0.6983 against the greenback, while lacking clear direction against other major currencies. The euro and sterling both gained 0.4% against the USD, while the yen rose 0.2%.
- Oil prices remained range-bound despite reports of an escalation in Iranian attacks on shipping through the Strait of Hormuz. Brent fell 0.6% to US\$106/bbl, while WTI gained 0.8% to US\$94.5/bbl. Dated Brent maintained a sizeable premium, trading at US\$130/bbl. Gold eased 0.2% ahead of today's US CPI release, with comments from Fed President Williams helping to pare earlier losses. Copper and aluminium fell 0.3% and 0.5% respectively amid broader concerns around the AI trade, while iron ore declined 0.4%.

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Net Migration Aug	-	3010k
10:30	AU Westpac-MI Leading Index Sep	-	0.0%
12:30	CN PPI Sep	4.4%	3.8%
12:30	CN CPI Sep	1.0%	0.8%
13:00	CN Trade Balance Sep	US\$117.8b	US\$119.1b
23:30	US CPI Sep	0.6%	0.4%

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 existing home sales surprised to the upside in September, gaining 1.5%. However, the upside surprise was largely offset by a 1.2ppt downward revision to August's outcome, now -3.2%.

NFIB small business optimism soured further in September, the index declining to 97.9. That said, the current level is not an outright negative, being in line with the historic average.

Fed Governor Waller highlighted overnight that elevated long-term bond yields are aiding the FOMC's actions, limiting demand in interest rate sensitive sectors. AI investment was seen as having an impact on inflation through demand, though the call for capital from the sector is also a reason yields are at current levels. The productivity benefits of AI, which should aid the inflation fight, are believed to be a number of years away.

NY Fed President Williams maintained his expectation that one more hike was necessary this year, but also noted that he does not currently see a need to continue tightening in 2027. Cleveland Fed President Hammack's comments on Monday were more open ended regarding the outlook for policy.

Local Data

Business confidence declined 4pts to -13 as elevated fuel prices and higher interest rates weighed on sentiment, while **business conditions** remained unchanged at a weak -1 (see [here](#)).



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