5 November 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

The Democrats swept the US mid-term elections, taking control of both houses of Congress, with Vice President Vance blaming the result on the war with Iran and President Trump stating that he currently has no plans to strike Iran again, raising hopes that a quicker end to the conflict could now be in sight.

Oil prices responded decisively to the election result and President Trump's comments, with Brent tumbling around 8% to US$95.4/bbl, its lowest level in around two months, as markets pared back some of the geopolitical risk premium built into crude.

The sharp fall in oil drove a rebound in risk sentiment, sending US and European equities markedly higher while Treasuries rallied, with the 2Y and 10Y yields falling 6bps and 8bps respectively as some of the inflation risk premium embedded in rates unwound.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	64.7	0.0%
AUD/USD	0.7008	0.6%
AUD/JPY	111.06	0.5%
AUD/GBP	0.5202	0.2%
AUD/NZD	1.2465	0.0%
AUD/EUR	0.6241	0.3%
AUD/CNH	4.6782	0.7%
AUD/SGD	0.8964	0.4%
AUD/HKD	5.4981	0.6%
AUD/CAD	0.9788	0.3%
EUR/USD	1.1229	0.3%
USD/JPY	158.48	-0.1%
USD Index	101.53	-0.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.85	0.05
90 day BBSY	4.98	0.02
180 day BBSY	5.32	0.01
1 year swap	4.95	-0.01
2 year swap	4.81	-0.05
3 year swap	4.73	-0.07
4 year swap	4.73	-0.07
5 year swap	4.75	-0.07
6 year swap	4.80	-0.08
7 year swap	4.84	-0.08
8 year swap	4.89	-0.08
9 year swap	4.94	-0.08
10 year swap	4.98	-0.08

Equities	Close	Change
S&P/ASX 200	8,834	-0.6%
S&P 500	7,698	1.7%
Japan Nikkei	62,189	-1.4%
Hang Seng	23,920	1.7%
Euro Stoxx 50	6,266	2.0%
UK FTSE100	10,829	1.8%
VIX Index	16.84	-19.2%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.75	0.00
10 year bond	5.08	0.00
United States		
3-month T Bill	4.02	0.00
2 year bond	4.57	-0.06
10 year bond	4.89	-0.08
Other (10 year yields)		
Germany	3.27	-0.06
Japan	2.82	0.04
UK	5.13	-0.13

Commodities	Current	Change
CRB Index	389.01	-2.3%
Gold	4063.51	3.4%
Copper	14011	-0.2%
Oil (WTI futures)	88.75	-7.6%
Coal (coking)	258.50	0.2%
Coal (thermal)	147.25	-1.1%
Iron Ore	91.85	1.3%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	5.04	-0.05
3 yr bond	4.69	-0.05
3 mth bill rate	4.77	0.00
SPI 200	9,025	1.9%

Data as at 7:30am AEDT. 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

The Democrats swept the US mid-term elections, winning both houses of congress. Vice President Vance blamed the war with Iran for the result, and President Trump has stated he currently has no plans to strike Iran again. Oil responded decisively to these results and comments, driving a rebound in risk sentiment overnight.

- Share markets bounced significantly higher as oil prices dropped sharply in the wake of the Democratic sweep of congress. In the US, the S&P 500 (+1.7%), Dow Jones (+3.2%) and NASDAQ (+1.8%) all jumped. Moves were similar across the pond, the Euro Stoxx 50 (+2.0%) and London's FTSE 100 (+1.8%) both bouncing higher too. Stocks were mixed across Asia, given it pre-dated the sharp fall in oil overnight, with gains in Hong Kong (+1.7%), Shanghai (+2.3%) and Seoul (+0.6%) met with a decline in Tokyo (1.4%). The ASX 200 also fell 0.6% yesterday, but following the action overnight, futures markets are pointing to a strong open this morning.
- Treasuries rallied in response to the sharp drop in oil prices following the outcome of the US midterm elections, seeing the 2Y drop 6bps to 4.57%, while the 10Y fell 8bps to 4.89%. Given the timing and quantum of rate hikes expected by the market has not shifted materially – still around 20bps prices in for November, and another 1-2 rate hikes pencilled in by mid-2027 – the drop yields overnight appears to speak more to an unwind of an inflation risk premium rather than a curbing of interest rate hike expectations at this stage.
- Yields moved in a broadly similar direction offshore, the 10Y Bund and Gilt down 6bps and 13bps respectively, while the 10Y JGB rose 4bps as it pre-dating much of the price action overnight. ACGBs were steady during local trading but rallied in futures trading overnight, both the 3Y and 10Y down 5bps. Market pricing tentatively suggests that the RBA's rate hike earlier this week will be the last of the cycle, with no further moves more than 50% priced in through to late-2027.
- The USD slipped overnight, the DXY down 0.3% to around 101.5. Most G10 currencies appreciated versus the greenback, including the Euro (+0.3%), Yen (+0.1%), Sterling (+0.4%) and Loonie (+0.3%). The Aussie dollar rose by a stronger clip, up 0.6% to be back above the USD0.70 mark. The Kiwi dollar also jumped 0.6% to be back above USD0.56, recovering from the sell-off during local hours after the downside surprise on labour market data.
- Crude oil prices continued to drift lower through much of yesterday as early results trickled in, before dropping sharply overnight as markets digested the Democratic sweep in the mid-term elections and President Trump's comments that he does not have plans to strike Iran, both taken as signs that a quicker end to the conflict could now be in sight. Brent dropped 7.9% to US$95.4/bbl, the lowest level in about two months. Against the backdrop of a softer USD and lower real yields, gold prices managed to jump back above the US$4,000/oz mark overnight. Metals were much more stable meanwhile, LME copper and aluminium nudging 0.2% lower and 0.1% higher respectively.

Today's key data and events

Time	Event	Exp	Prev
11:30	AU Trade Balance Sep	$1000m	$495m
11:30	JP S&P Global Services PMI Oct Final	-	52pts
21:00	EZ PPI Sep	2.6%	1.9%
23:00	GB BoE Policy Decision	4.00%	3.75%
0:30	US Productivity Q3 Prel.	2.6%	1.4%
0:30	US Initial Jobless Claims 31/10/2026	196k	194k

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.

International Data

In the US, September's **trade balance** was slightly better than expected, holding to a deficit of US$105bn versus expectations for a modest deterioration. The result comes as exports rose 1.9% while imports gained 1.2%. Meanwhile, the **ISM services** index edged down from 54.9 to 54.5 in October. In the component detail, new orders deteriorated materially, the sub-index falling from 59.8 to 55.9; but employment strengthened at the margin, from 50.1 to 51.4. Prices paid were little changed in the month at an elevated 73.0.

In the Euro Area, October's **CPI** met expectations, rising 0.4% in the month and 4.0% over the year on a headline basis, versus 3.8%yr in September. On a core basis, inflation was unchanged at 2.5%yr.

Domestic Data

In Australia, **household spending** rose 0.6%mth in September on a nominal basis, though price gains look to have played a significant role, with real spending up 0.7%qtr in Q3 (see here).

In New Zealand, the Q3 **labour market statistics** came in weaker than Westpac and the RBNZ anticipated, as the unemployment rate rose to 5.7% (see here). Our NZ Chief Economist considers the impact of the data on the RBNZ here.

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