6 November 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Risk sentiment soured overnight as the post-midterm bounce quickly unravelled, with concerns that the Democrat-controlled Congress could impose greater regulatory constraints on the AI infrastructure buildout weighing heavily on markets.

The sell-off centred on US tech, with the S&P 500 suffering its largest one-day fall since April 2025.

Treasuries rallied strongly amid the tech rout and a reassessment of the Fed outlook, with markets removing one rate hike from the Fed forward profile.

The Bank of England delivered a hawkish 25bp hike to 4.00%, with one dissenter favouring 50bps and Governor Bailey leaving the door open to further tightening if inflation risks persist, although another move appears more likely in early 2027 than next month.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	64.9	0.3%
AUD/USD	0.6933	-1.0%
AUD/JPY	109.41	-1.4%
AUD/GBP	0.5153	-0.9%
AUD/NZD	1.2387	-0.6%
AUD/EUR	0.6178	-1.0%
AUD/CNH	4.6210	-1.2%
AUD/SGD	0.8862	-1.1%
AUD/HKD	5.4362	-1.1%
AUD/CAD	0.9713	-0.8%
EUR/USD	1.1223	0.0%
USD/JPY	157.82	-0.4%
USD Index	101.56	0.0%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.86	0.01
90 day BBSY	4.99	0.01
180 day BBSY	5.32	0.00
1 year swap	4.92	-0.02
2 year swap	4.77	-0.03
3 year swap	4.68	-0.05
4 year swap	4.69	-0.04
5 year swap	4.71	-0.04
6 year swap	4.75	-0.04
7 year swap	4.80	-0.04
8 year swap	4.84	-0.04
9 year swap	4.89	-0.04
10 year swap	4.93	-0.04

Equities	Close	Change
S&P/ASX 200	9,065	2.6%
S&P 500	7,382	-4.0%
Japan Nikkei	61,078	-1.8%
Hang Seng	24,797	3.7%
Euro Stoxx 50	6,232	-0.5%
UK FTSE100	10,783	-0.4%
VIX Index	25.76	55.1%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.71	-0.05
10 year bond	5.01	-0.07
United States		
3-month T Bill	3.99	-0.04
2 year bond	4.45	-0.13
10 year bond	4.83	-0.06
Other (10 year yields)		
Germany	3.24	-0.03
Japan	2.79	-0.04
UK	5.13	0.00

Commodities	Current	Change
CRB Index	390.54	0.4%
Gold	4102.06	1.0%
Copper	13844	-1.2%
Oil (WTI futures)	90.63	2.8%
Coal (coking)	257.75	-0.3%
Coal (thermal)	144.95	-0.7%
Iron Ore	93.40	1.3%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	5.00	-0.02
3 yr bond	4.66	-0.04
3 mth bill rate	4.77	0.00
SPI 200	9,024	-0.6%

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

- Share markets were mixed across the globe. The US was in the throes of an aggressive sell-off overnight, with the post-midterm bounce in risk sentiment turning sour over expectations that the Democrats may introduce more regulatory pressures to slow the AI infrastructure buildout. The sell-off in chipmakers saw the NASDAQ drop 5.3% and the S&P 500 posting its largest one-day loss since April 2025 (–4.0%). Across the pond, losses were more contained for the Euro Stoxx 50 (–0.5%) and London's FTSE 100 (–0.4%). Asia was once again mixed: gains across Shanghai (+0.3%) and Hong Kong (+3.7%) versus declines in Tokyo (–1.8%) and Seoul (–5.3%). The ASX 200 jumped 2.6% yesterday, but following the action overnight, futures markets are pointing to a softer open.
- Treasuries continued to receive a strong bid overnight amid the tech stock rout, seeing the 2Y and 10Y fall 13bps and 6bps to 4.45% and 4.83% respectively. The risk-off move also reflects a re-evaluation of the Fed's likely path for policy following the Democrats mid-term election sweep – markets have removed one rate hike from the forward profile, now expecting 1-2 increases in 2027.
- Yields generally moved lower offshore albeit to a much smaller degree, with the 10Y Bund and JGB down 3bps and 4bps respectively. Despite a surprisingly hawkish rate hike from the Bank of England overnight, Gilt yields were unchanged on the day. ACGBs meanwhile rallied during local trading, the 3Y and 10Y down 5bps and 7bps respectively, with some of that momentum continuing in futures trading overnight. Market pricing suggests the RBA's rate hike earlier this week will likely mark the last of the current cycle.
- The USD had a somewhat choppy session overnight, leaving the DXY ultimately unchanged from yesterday's level at around 101.6. There were some offsetting moves in the crosses: while the Euro and Sterling both weakened 0.1% versus the greenback, the Japanese Yen strengthened 0.4%. However, the broader risk-off mood had a much larger impact on the Aussie dollar, which dropped 1.0% overnight to now trade around the USD0.693 mark, effectively unwinding all of yesterday's rally.
- Crude oil prices partially retraced yesterday's sharp fall that occurred in the wake of the Democratic sweep of the mid-term elections, with Brent rising 4.9% to US$98.3/bbl. There remains considerable uncertainty on the near-term prospects for the US-Iran war, with the recent price increase limited by reports that Iran and the US are reviewing proposals on a nuclear program. Copper suffered from the general risk-off mood, with the LME three-month rolling forward down 1.2% to around US$13,844/mt. Gold continued to climb higher against the backdrop of higher real yields, up 1.0% to around US$4,100/oz.

Today's key data and events

Time	Event	Exp	Prev
21:00	EZ Retail Sales Sep	-0.1%	0.1%
0:30	US Nonfarm Payrolls Oct	65k	29k
0:30	US Average Hourly Earnings Oct	0.3%	0.1%
0:30	US Unemployment Rate Oct	4.2%	4.2%
2:00	US UoM Sentiment Nov Prel.	48pts	48pts
7:00	US Consumer Credit Sep	US$13b	US$8.3b
-	CN Foreign Reserves Oct	-	US$3400.3b

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 UK, the **Bank of England** raised Bank Rate by 25bps to 4.00% at their November meeting as expected. One dissenter to the decision favoured a 50bp increase at this meeting. The Bank expects inflation to rise from 3.5%yr at September to 5.0% by mid-2027. The direct contribution of energy prices has driven the acceleration to date, and the "the degree of inflationary pressure in the pipeline is now sufficient to warrant an increase in Bank Rate". Activity data has also surprised to the upside in recent months, though "there remains limited evidence of knock-on effects on other prices and wages". In the press conference, Governor Bailey recognised the nascent improvement in energy price pressures of the past 48 hours and the effectiveness of monetary policy, but "Unless progress towards resolving the conflict is made, or there is other news which softens the risk to inflationary pressures, a further increase in Bank Rate may be warranted". Governor Bailey's tone and comments made in the minutes by other members of the Committee did not suggest this was a decision that needs to be made immediately, but rather a risk to be judged as additional information is received.

In the Euro Area, the **PPI** jumped 2.5% in September following a 2.0% increase in August, pulling the annual rate up to 11.1%yr. In the US, **initial jobless claims** edged down last week from 195k to 189k, a very low level versus history.

Domestic Data

In Australia, the **goods trade surplus** widened to $2.8bn in September, despite ongoing resilience in imports of data centre-related equipment (see here).

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