11 November 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Oil prices extended their decline, with Brent briefly falling below US$90/bbl as easing US-Iran tensions initially supported global markets.

US markets reversed sharply as hotter-than-expected inflation and hawkish Fed commentary drove a repricing of the policy outlook. The 2-year Treasury yield jumped 16bps, while US equities declined, led by tech stocks.

Fed Governor Waller signalled support for further tightening, with the October core CPI result meeting his threshold for considering a larger move. Dallas Fed President Logan also struck a hawkish tone, backing at least two further hikes and signalling scope for a faster pace of tightening. Markets lifted December hike pricing to 28bps and fully priced two hikes by March.

The US dollar strengthened broadly, with the DXY up 0.6% and the AUD falling 0.9% to 0.6866.

Gold futures fell 2.7% to below US$4,030/oz.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	64.1	0.2%
AUD/USD	0.6866	-0.9%
AUD/JPY	109.02	-0.3%
AUD/GBP	0.5144	-0.2%
AUD/NZD	1.2254	-0.4%
AUD/EUR	0.6150	-0.3%
AUD/CNH	4.5845	-0.8%
AUD/SGD	0.8801	-0.6%
AUD/HKD	5.3865	-0.8%
AUD/CAD	0.9737	-0.4%
EUR/USD	1.1165	-0.5%
USD/JPY	158.79	0.6%
USD Index	102.23	0.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.85	-0.01
90 day BBSY	4.99	0.00
180 day BBSY	5.33	0.01
1 year swap	4.96	0.04
2 year swap	4.82	0.04
3 year swap	4.75	0.04
4 year swap	4.74	0.05
5 year swap	4.76	0.05
6 year swap	4.81	0.06
7 year swap	4.85	0.06
8 year swap	4.89	0.05
9 year swap	4.94	0.06
10 year swap	4.97	0.05

Equities	Close	Change
S&P/ASX 200	9,129	1.1%
S&P 500	7,509	-0.5%
Japan Nikkei	60,460	2.9%
Hang Seng	24,557	0.4%
Euro Stoxx 50	6,328	0.6%
UK FTSE100	10,752	-0.3%
VIX Index	19.97	0.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.66	-0.01
10 year bond	4.99	-0.01
United States		
3-month T Bill	4.11	0.06
2 year bond	4.73	0.16
10 year bond	4.98	0.10
Other (10 year yields)		
Germany	3.32	0.05
Japan	2.70	0.03
UK	5.22	0.09

Commodities	Current	Change
CRB Index	386.13	-1.0%
Gold	4027.06	-2.7%
Copper	13679	-1.6%
Oil (WTI futures)	86.21	-0.7%
Coal (coking)	254.00	0.4%
Coal (thermal)	138.80	0.8%
Iron Ore	92.35	-0.2%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	5.05	0.05
3 yr bond	4.72	0.06
3 mth bill rate	4.77	0.00
SPI 200	9,123	-0.4%

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.

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Financial Markets

The overarching theme driving markets was the continued decline in oil prices, with Brent briefly falling below US$90/bbl for the first time since late August after President Trump said further strikes on Iran would not be necessary as he sought a diplomatic resolution. The move initially supported equities and bonds globally. However, US markets reversed course following hawkish comments from Fed officials and hotter-than-expected October inflation data, prompting a sharp repricing of the Fed outlook.

- US equities opened higher on lower oil prices, but gains were fully unwound by the close. The S&P 500 fell 0.5%, the Dow Jones 0.4% and the Nasdaq 0.9%. European markets were mixed, with the Euro Stoxx 50 advancing 0.6%, while the FTSE 100 fell 0.3%.
- Asian equities advanced, led by a rally in tech stocks. South Korea's Kospi surged 4.4% and Japan's Nikkei 225 rose 2.9%, its best session since early October. The Hang Seng and CSI 300 gained 0.4% and 0.1%, respectively. Meanwhile, the ASX 200 rose 1.1%, led by interest rate-sensitive sectors.
- US Treasury yields surged, led by the front end, as stronger inflation validated earlier hawkish comments from Fed Governor Waller. He had backed a December hike and flagged consideration of a 50bp move if core CPI rose by at least 0.3%, a threshold subsequently met by the October inflation report. Dallas Fed's Logan reinforced the hawkish shift after the data, signalling the Fed may need to tighten more rapidly. The 2-year yield jumped 16bps to 4.73% and the 10-year rose 10bps to 4.98%, while futures markets lifted December hike pricing to 28bps (vs. 21bps yesterday) and fully priced two hikes by March. The 10-year bund yield rose 5bps, while the 10-year gilt yield rose 9bps.
- Australian government bond yields were little changed, with both the 3-year and 10-year yields edging 1bp lower. The NAB business survey and Westpac-MI consumer sentiment index showed pessimism persisting among businesses and households, particularly surrounding the outlook. Markets continue to see the RBA's tightening cycle as effectively complete, pricing just a 4% chance of a December hike and 20% by February.
- The US dollar strengthened, with the DXY rising 0.6% to 102.2 as major currencies weakened against it. The AUD was the hardest hit, falling 0.9% to 0.6866, while the pound declined 0.7%, the yen 0.6% and the euro 0.5%.
- Oil prices continued to decline, with Brent down 0.9% to US$91.8/bbl after briefly dipping below US$90/bbl, while WTI fell 0.7% to US$86.2/bbl. Gold sold off sharply following the CPI data, with futures falling 2.7% to below US$4,030/oz. Base metals were also weaker, with copper down 1.6% and aluminium 1.8% lower.

Today's key data and events

Time	Event	Exp	Prev
-	CN M2 Money Supply Oct y/y	7.2%	7.2%
11:30	AU Dwelling Finance Approvals Q3	–8.0%	–5.2%

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

The **US headline CPI** met our expectations in October but was a touch above the consensus expectation, up 0.4%. Energy and food both contributed meaningfully to the result. **Core inflation** was also stronger than expected at the margin, prices up 0.3%. Core goods inflation has accelerated in the past four months as tariffs, tech and energy input cost inflation is passed through. Prices have averaged a 0.2% monthly gain, which was also seen in October. Shelter meanwhile continued to rise at an above-average pace, gaining 0.3%. Core inflation ex shelter remains benign at 2.4% on a six-month annualised basis, emphasising that the price pressures the FOMC have direct influence over are contained. Note, annual rates of inflation were not published this month owing to the effects of the Federal Government shutdown on the CPI release a year ago.

Fed Governor Waller expressed confidence in the labour market and underlying growth capacity of the US economy, but significant concern over the strength and persistence of inflation, focusing in particular on the passthrough of energy and technology input inflation. His conclusion for policy was clear: "if, as I expect, the monthly rate of inflation improves in October, I am leaning toward supporting an increase in our policy rate of 25bps at the FOMC's December meeting"; but "if the October CPI inflation data out later today are similar to the past two monthly readings—with core CPI inflation around 0.3% or even higher—then a stronger policy move may be needed. In that case, I believe a 50bp hike in the policy rate should be considered at the December meeting. Hiking only 25bps would put our credibility at risk, a risk I am not eager to take". **Dallas Fed President Logan** subsequently supported at least two additional 25bp hikes, potentially at a more rapid pace than seen of late.

The **NFIB small business index** was essentially unchanged in October at 97.8, in line with the historic average.

Domestic Data

The **Westpac-MI consumer sentiment index** fell 2.7% to a four-year low of 78.2 in November, with the decline driven by a sharp deterioration in the near-term economic outlook. Consumers also became more downbeat on house prices and increasingly concerned about job security, while more than 70% expect mortgage rates to rise over the coming year (see here).

The **NAB business survey** showed confidence fell 1pt to –15 in October, remaining deeply pessimistic and in the bottom 5% of historical outcomes. Forward orders deteriorated sharply, falling 11pts to –12, their weakest reading since the height of the pandemic, while capital expenditure intentions also declined (see here).

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