MARKET UPDATES

Market Watch Weekly

18 SEPTEMBER 2026

Highlights this week

- Abroad, the FOMC and Bank of Japan increased their policy rates, as expected. US retail sales rose strongly in August. Chinese economic activity data for August were again underwhelming.
- There were no data publications in Australia this week, but RBA speak remained hawkish, strengthening the case for a cash rate hike at the upcoming or next Monetary Policy Board meeting.

Highlights next week

- The key domestic events next week will be lots of RBA speak on Tuesday, the S&P Global PMIs on Wednesday and the labour force survey on Thursday.
- It will be a very quiet week for offshore data, with the S&P Global PMIs the only releases of note. Minor central banks in Europe are also set to announce their monetary policy decisions next week, with no changes expected.

Central Bank Rates (%)		Weekly Change	Australian Interest Rates (%)		Weekly Change	Major Overseas Interest Rates (%)		Weekly Change	Global Equities		Weekly Change
Australia	4.35	(0 pt)	O/N Interbank Cash	4.35	(0 pt)	USD 3-month	3.75	(↑7 pt)	ASX200	8747	(↑37 pt)
US (IOR)	3.90	(↑25 pt)	90-day Bills	4.69	(↑2 pt)	2-yr T-Notes	4.67	(↑9 pt)	S&P500	7638	(↑46 pt)
Eurozone (Deposit)	2.50	(0 pt)	3-yr T-Bond	4.94	(↓10 pt)	10-yr T-Notes	4.93	(↓3 pt)	DJIA	51778	(↓286 pt)
UK	3.75	(0 pt)	10-yr T-Bond	5.26	(↓12 pt)	Jap 10-yr	2.96	(↓3 pt)	Nikkei	64742	(↑1282 pt)
Japan (Target)	1.25	(↑25 pt)	3-yr WATC Bond	5.14	(↓10 pt)	UK 10-yr	5.22	(↓15 pt)	CSI300	4460	(↓16 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	5.62	(↓13 pt)	Ger 10-yr	3.48	(↓2 pt)	Stoxx600	643	(↑7 pt)

Changes are since the previous issue of Market WATCh Weekly.

Financial Markets

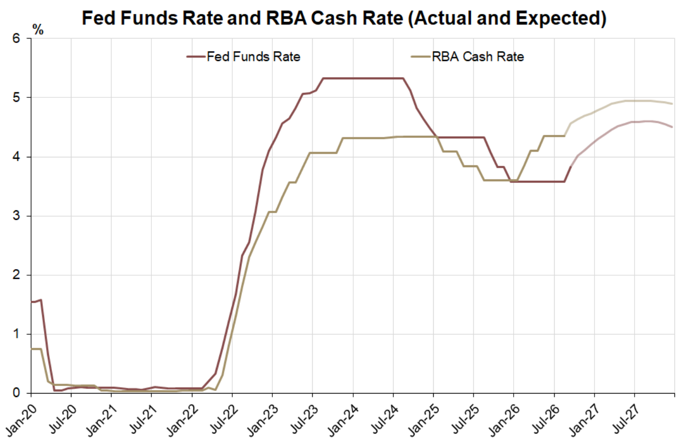
Interest Rates

Long-term government bond yields declined across the major advanced economies this week, especially at the back end of the yield curve, as oil prices retreated over the week. At the same time, yields increased or fell somewhat less at the front end of the yield curve, amid some hawkish monetary policy news.

The FOMC made a unanimous decision to increase the fed funds rate target range by 25bps to 3.75-4.00% and published a new set of economic projections showing one more fed funds rate hike this year. At the press conference, Fed Chair Kevin Warsh stressed that the FOMC is focused on delivering price stability.

The Bank of Japan increased its policy rate by 25bps to 1.25% today. This followed the Bank of England staying put on Thursday, while highlighting increasing risks of second-round effects.

At home, RBA officials spoke twice this week. Most importantly, at the House of Representatives committee hearing this morning, RBA Governor Michele Bullock reiterated that inflation is ‘too high’, while warning that the prolonged conflict in the Middle East increases the risk of inflation remaining high for longer. Much of the parliamentary hearing, as well as Monday’s fireside chat with Assistant Governor Sarah Hunter, focused on inflationary pressures from data centre construction. Overall, RBA commentary remains quite hawkish, and the risk of a September hike is high.



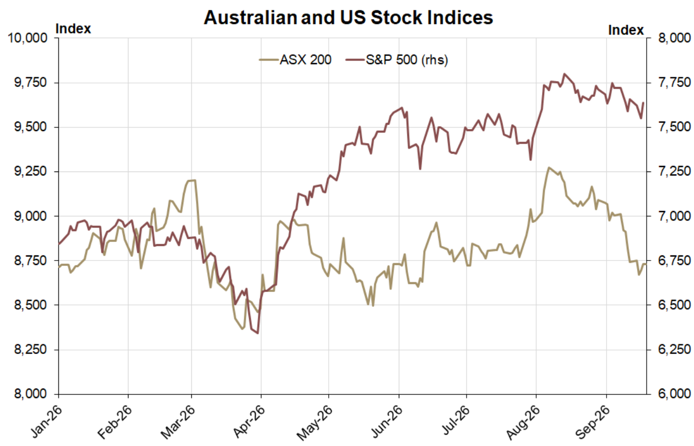
Source: Bloomberg

Equities

The US S&P 500 and the Aussie ASX 200 are both slightly higher than a week ago, though this masks some volatility on the way.

Global stock markets had a particularly weak start to the week, reflecting further escalation in the Middle East and warnings about excessive growth in artificial intelligence. Losses were extended on Tuesday in anticipation of the FOMC meeting and again on Wednesday, as communication around the fed funds rate hike was hawkish. However, Thursday brought some calm to global markets as oil prices retreated slightly.

The ASX 200 underperformed the S&P 500 a little, being dragged down by declines in materials and energy, as well as real estate ahead of the anticipated RBA cash rate hike in late September.



Source: Bloomberg

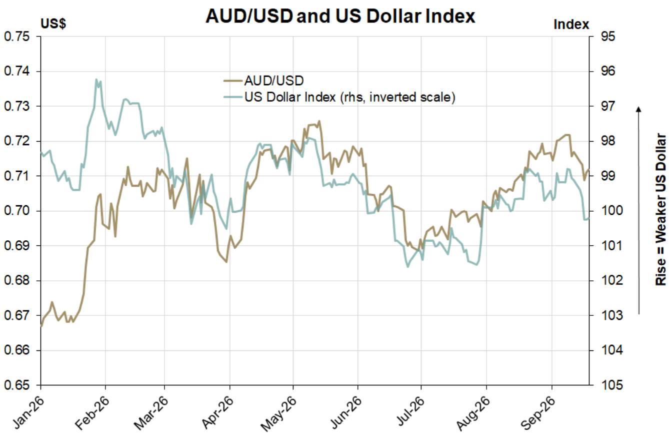
Currencies

The Australian dollar had a fairly positive week, even though it depreciated by 0.6% against a stronger US dollar, which was supported by hawkish Fed communication following monetary policy tightening in the US this week.

The AUD appreciated by around 0.5% against all major currencies except the greenback. It was also one of the strongest G10 currencies, alongside the Japanese yen and New Zealand dollar.

The Japanese currency was supported by the build-up of expectations for monetary policy tightening, which eventuated today. The New Zealand dollar, in turn, was propped up by the upside surprise to Q2 GDP growth figures this week.

The safe-haven Swiss franc was the weakest currency, reflecting easing focus on events in the Middle East as the week progressed.



Spot Rates	Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD	0.7114	0.7177	0.7075	↓0.6	0.7278	0.6421
AUD/EUR	0.6197	0.6205	0.6163	↑0.5	0.6218	0.4796
AUD/GBP	0.5325	0.5332	0.5277	↑0.5	0.5394	0.4796
AUD/JPY	111.14	111.20	109.67	↑0.5	114.96	96.26
AUD/CNY	4.7678	4.8203	4.7564	↓0.7	4.9567	4.5602
EUR/USD	1.1480	1.1612	1.1456	↓1.1	1.2081	1.1325
GBP/USD	1.3360	1.3541	1.3336	↓1.1	1.3868	1.3010
USD/JPY	156.22	156.42	153.38	↑1.1	163.99	146.59
USD/CNY	6.7061	6.7148	6.7042	↓0.1	7.1431	6.7042

Forward Rates	Spot	3M	6M	12M
AUD/USD	0.7114	0.7104	0.7096	0.7083
AUD/EUR	0.6197	0.6165	0.6136	0.6082
AUD/GBP	0.5325	0.5315	0.5308	0.5299
AUD/JPY	111.14	110.12	109.22	107.34
AUD/NZD	1.2437	1.2386	1.2340	1.2264
AUD/SGD	0.9077	0.9009	0.8940	0.8798

Commodities

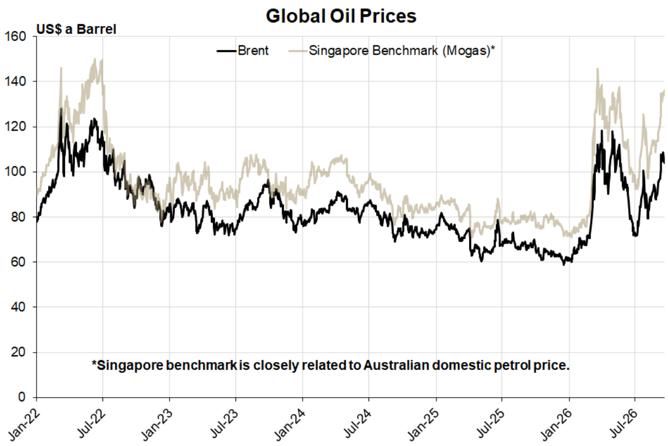
It was a choppy week for global oil prices. Oil prices generally climbed in the first half of the week, with some setbacks along the way.

The catalyst for this increase was news that Houthi rebels had taken over the entire Yemeni coast around the critical Bab al-Mandab strait, while the Saudi East-West pipeline, which bypasses the Strait of Hormuz, was seriously damaged.

However, reports that some Saudi Arabian oil is flowing through the Oman side of the Strait of Hormuz, along with monetary tightening in the US, pushed oil prices lower later in the week.

Overall, oil prices are down from last Friday, but remain elevated, with both Brent and WTI futures above US$100 a barrel.

Iron ore futures are slightly up for the week despite another set of underwhelming activity figures for China.



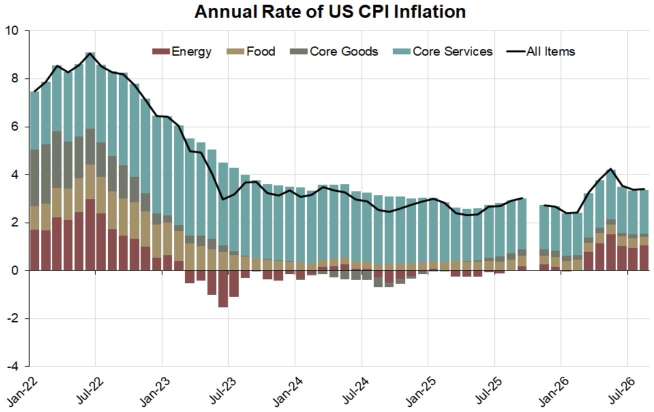
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US$)	$4,362.64	$4,381.04	$4,235.59	(↑$39.78)	$5,595.47	$3,628.07
Brent Crude Oil (US$)	$103.90	$109.80	$101.53	(↓$3.86)	$126.41	$58.72
Mogas95* (US$)	$136.02	$139.05	$129.14	(↑$0.26)	$150.55	$68.52
WTI Oil (US$)	$101.10	$106.75	$99.10	(↓$1.6)	$119.48	$54.98
CRB Index	425.46	429.12	423.08	(↓3.69)	429.15	291.69
Iron Ore Price 61% Fe (US$) **	$96.65	$96.85	$95.05	(↑$0.15)	$111.90	$92.85

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.
** The Iron Ore Price is the SGX 61% Fe iron ore futures 2nd contract.

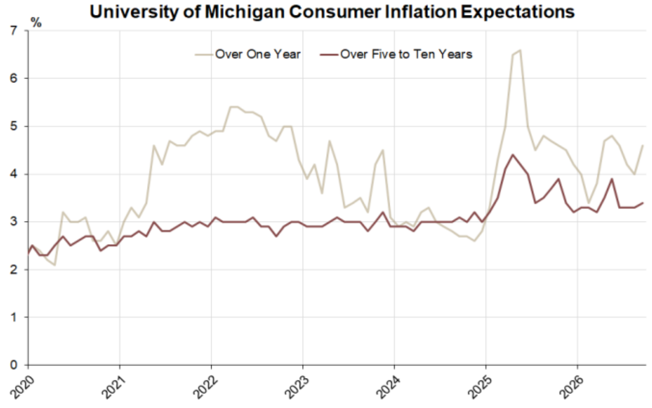
Global Economy

***US CPI inflation** stabilised at a heightened level in August, as energy price growth resumed accelerating.*



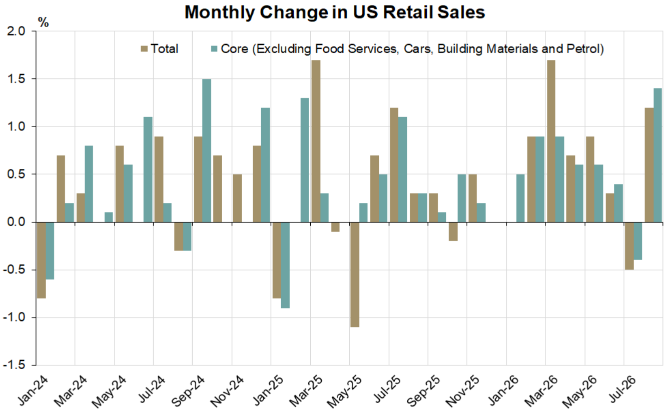
Source: Bloomberg

***US consumer inflation expectations** have picked up recently but remain well below their 2025 highs.*



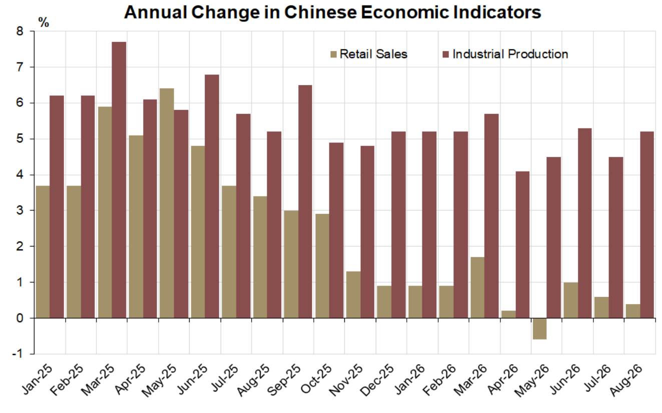
Source: Bloomberg

***US retail sales** saw a solid gain in August, with core sales growing the fastest in two years.*



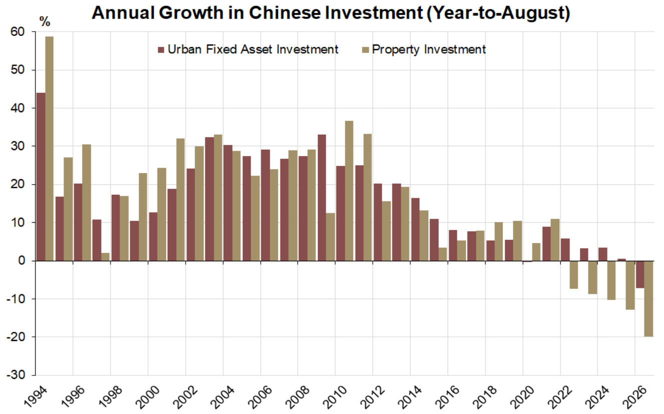
Source: Bloomberg

*At the same time, **Chinese retail sales** remained weak in August, while industrial production growth accelerated.*



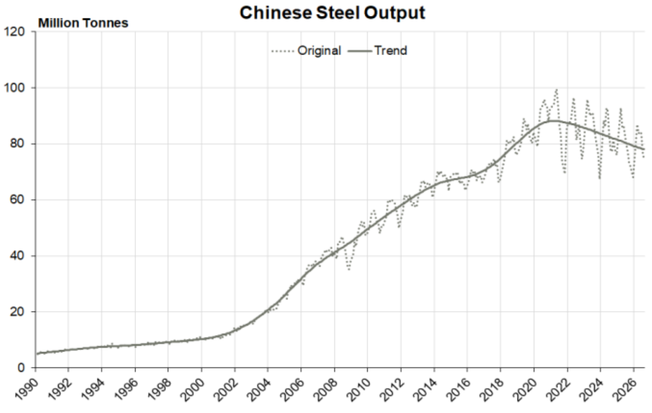
Source: Bloomberg

*In 2026 to August, the downturn in **Chinese investment** has been the worst since at least the early 1990s.*



Source: Bloomberg

***Chinese steel production** is trending downwards but remains high by historical standards.*



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 14					
AU	RBA Assistant Governor Speaks	-	-	-	Data centre boom could be adding to cost pressures.
Tue 15					
AU	ANZ Cons. Conf. (w/e 12 Sep)	73.9	-	71.9	Consumer inflation expectations down to 5.9%.
CN	Retail Sales (YoY, Aug)	0.4%	0.8%	0.6%	Chinese consumer demand remains weak.
CN	Industrial Production (YoY, Aug)	5.2%	4.8%	4.5%	Upside surprise due to slower decline in coal mining.
CN	Urban Asset Inv. (YoY YtD, Aug)	-7.2%	-7.1%	-6.7%	Property investment falling most on record (-19.9% YoY).
Wed 16					
AU	Westpac Lead. Index (MoM. Aug)	0.0%	-	0.0%	6-month annualised rate signals sub-trend growth ahead.
UK	CPI (YoY, Aug)	3.1%	3.1%	2.9%	Drifted further away from the Bank of England's goal.
US	Retail Sales (MoM, Aug)	1.2%	0.8%	-0.5%	Control group saw the strongest increase in two years.
US	FOMC Decision (IoRB)	3.90%	3.90%	3.65%	'Dot-plot' signals one more rate hike in 2026.
Thu 17					
NZ	GDP (QoQ, Q2)	0.2%	0.1%	0.9%	Annual growth at 2.6%, the fastest since mid-2023.
UK	BoE Decision (Bank Rate)	3.75%	3.75%	3.75%	BoE also discussed slowdown in quantitative tightening.
US	Initial Jobless Claims (w/e 12 Sep)	196k	207k	206k	Continued claims the lowest since early 2024.
Fri 18					
AU	RBA Governor M. Bullock Speaks	-	-	-	Inflation to remain above the 2-3% range for longer.
JP	BoJ Decision (Policy Rate)	1.25%	1.00%	1.00%	The Bank of Japan increased its policy rate…
JP	CPI (YoY, Aug)	1.9%	2.0%	1.9%	… as these are base effects that keep Japan inflation low.
Tonight					
US	Industrial Production (MoM, Aug)	-	0.3%	0.2%	Business reports suggest another gain.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 21				
CN	PBoC Announcement (5Y LPR)	3.50%	3.50%	1Y loan prime rate expected to remain unchanged at 3.00%.
Tue 22				
AU	RBA Governor Michele Bullock Speaks	-	-	Fireside chat at Committee for Economic Development.
AU	RBA Assistant Governor S. Hunter Speaks	-	-	Interview at the Pay Off 9Now.
AU	RBA Mon. Policy Board Member Speaks	-	-	Ian Ross speaking at the University of Melbourne.
Wed 23				
AU	S&P Global Composite PMI (Sep)	-	52.7	Failed to predict deterioration in NAB business conditions.
EZ	S&P Global Composite PMI (Sep)	-	52.0	Euro area…
UK	S&P Global Composite PMI (Sep)	-	52.0	… and UK showed signs of life ahead of the recent flare-up.
US	S&P Global Composite PMI (Sep)	-	56.0	US sees the strongest expansion of all major economies.
Thu 24				
AU	Employment (monthly change, Sep)	20.0k	-15.8k	The August decline came after a very strong result for July.
AU	Unemployment Rate (Sep)	4.5%	4.5%	While it has ticked up recently, it remains historically low.
JP	S&P Global Composite PMI (Sep)	-	53.5	Japanese economic growth driven by hi-tech manufacturing.
CH	SNB Decision (Policy Rate)	0.00%	0.00%	Rate hikes are expected even from the SNB in early 2027.
SE	Riksbank Decision (Policy Rate)	1.75%	1.75%	The Swedish Riksbank…
NO	Norges Bank Decision (Policy Rate)	4.25%	4.25%	… and the Norges Bank are both to start hiking in late 2026.
Fri 25				
US	Durable Goods Orders (MoM, Aug)	-0.3%	1.1%	Choppy aircraft orders are driving the volatility.