# Market Watch Weekly

04 SEPTEMBER 2026

## Highlights this week

- In Australia, the annual rate of real GDP growth slowed in Q2, but not as much as expected, with increased demand for electric vehicles supporting household consumption.
- From other domestic data, a rise in fuel and car import values in Q2 widened the current account deficit to its largest level on record, which was followed by a decline in the goods trade surplus in July. The Melbourne Institute inflation gauge suggested faster growth in consumer prices in August, likely on the back of the end of the fuel excise cut. The Cotality home value saw a broad-based decline in August, after a fall in dwelling approvals in July.
- Abroad, US ISM PMIs pointed to ongoing expansion in August, while US ADP employment growth slowed. Chinese PMIs were again mixed, pointing to either contraction or subdued growth.

## Highlights next week

- The key domestic events next week will be on Tuesday and will include the NAB business report for August, the Westpac consumer sentiment for September and an interview by the RBA Deputy Governor Andrew Hauser. There is also the Melbourne Institute consumer inflation expectations report for September on Thursday.
- The highlights offshore include US and Chinese inflation figures for August, as well as University of Michigan consumer sentiment survey, which will include consumer inflation expectations.

| 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 | 3.65 | (↑1 pt) | ASX200 | 9007 | (↓31 pt) |
| US (IOR) | 3.65 | (0 pt) | 90-day Bills | 4.59 | (↑5 pt) | 2-yr T-Notes | 4.34 | (↑11 pt) | S&P500 | 7748 | (↑17 pt) |
| Eurozone (Deposit) | 2.25 | (0 pt) | 3-yr T-Bond | 4.75 | (↑8 pt) | 10-yr T-Notes | 4.76 | (↑8 pt) | DJIA | 53686 | (↑117 pt) |
| UK | 3.75 | (0 pt) | 10-yr T-Bond | 5.18 | (↑7 pt) | Jap 10-yr | 2.91 | (0 pt) | Nikkei | 64724 | (↓1305 pt) |
| Japan (Target) | 1.00 | (0 pt) | 3-yr WATC Bond | 4.95 | (↑9 pt) | UK 10-yr | 5.13 | (↑10 pt) | CSI300 | 4593 | (↓37 pt) |
| China (1Y LPR) | 3.00 | (0 pt) | 10-yr WATC Bond | 5.52 | (↑8 pt) | Ger 10-yr | 3.34 | (↑9 pt) | Stoxx600 | 649 | (↓3 pt) |

Changes are since the previous issue of Market WATCh Weekly.

# Financial Markets

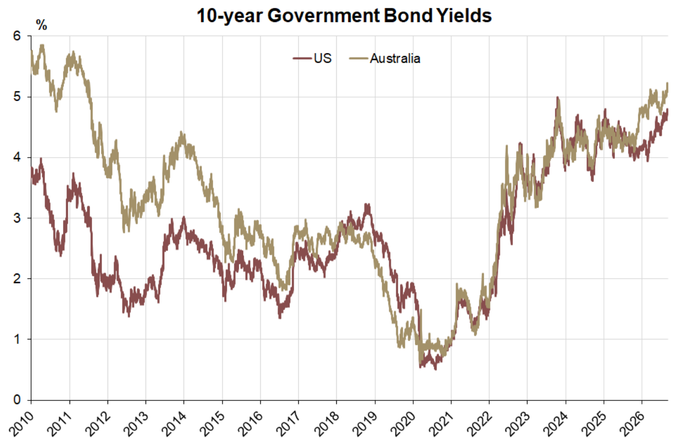
### Interest Rates

Government bond yields surged across the advanced economies this week, driven by concerns over higher inflation amid a rebound in oil prices and the hawkish tone of Fed Chair Kevin Warsh at the Jackson Hole symposium. US 10-year yields reached an equal three-year high this week, while their Australian equivalents are at 15-year highs.

At the Jackson Hole symposium, Chair Warsh reiterated that the Fed's priority is restoring price stability. He described the inflation goal as a 'firm, fixed target' and acknowledged the Fed's responsibility for inflation remaining above that goal.

At home, cash rate hike expectations intensified following the upside surprise to Q2 GDP figures. Currently, a 25bps hike is over 60% priced in for September and fully priced in for October.

Central banks that made rate decisions this week were hawkish as well, with the Reserve Bank of New Zealand lifting its official rate target by 25bps to 2.75% and signalling more increases, while the Bank of Canada turned more hawkish, leading to an intensification of policy rate hike expectations.




*Source: Bloomberg*

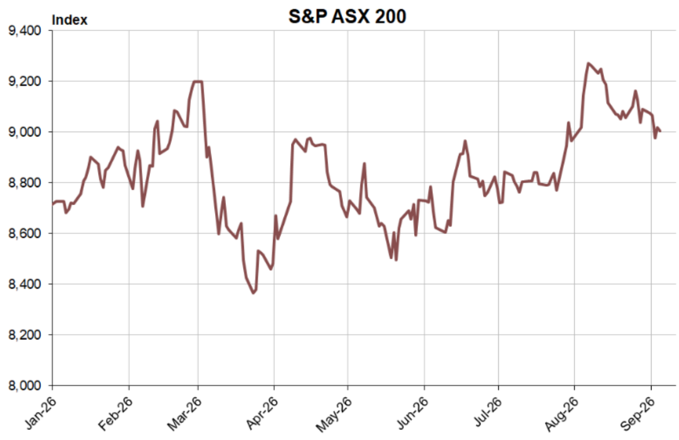
### Equities

US equities fell early in the week, as rising Fed rate hike expectations and higher Treasury yields amid renewed Middle East tensions and stronger oil prices weighed on sentiment.

The market later steadied before rallying sharply on Thursday, after what were seen as reassuring comments from Fed Governor Christopher Waller eased rate hike concerns.

In Australia, the ASX 200 declined over the first half of the week, pressured by weaker global markets and rising expectations of an RBA cash rate hike later this month.

The market has since recovered part of those early losses. Gains in financials were more than offset by declining mining stocks.




*Source: Bloomberg*

## Currencies

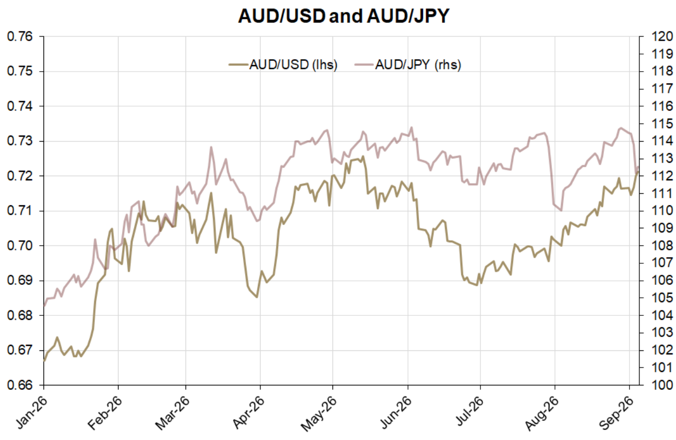
The Australian dollar appreciated against all the major currencies this week, with a notable exception of the Japanese yen.

The AUD was supported by a further intensification of cash rate hike expectations, a rise in commodity prices and reasonably solid global market sentiment in the second part of the week.

The AUD sat in the middle of the G10 currency ladder this week, surpassed by the oil-dependent Norwegian krone and Canadian dollar as well as the exceptionally strong Japanese yen.

The Japanese yen's strength was driven by intensifying speculation about imminent monetary policy tightening, with one of key central bank officials not ruling a supersized hike.

The New Zealand dollar was the weakest G10 currency this week.




Source: Bloomberg

| Spot Rates | Current | High | Low | Change (%) | 52-Week High | 52-Week Low |
|---|---|---|---|---|---|---|
| AUD/USD | 0.7208 | 0.7215 | 0.7121 | ↑0.2 | 0.7278 | 0.6421 |
| AUD/EUR | 0.6198 | 0.6204 | 0.6153 | ↑0.4 | 0.6207 | 0.4796 |
| AUD/GBP | 0.5327 | 0.5333 | 0.5271 | ↑0.7 | 0.5394 | 0.4796 |
| AUD/JPY | 112.46 | 114.72 | 111.70 | ↓1.9 | 114.96 | 96.26 |
| AUD/CNY | 4.8414 | 4.8457 | 4.7874 | ↑0.1 | 4.9567 | 4.5602 |
| EUR/USD | 1.1628 | 1.1641 | 1.1566 | ↓0.2 | 1.2081 | 1.1325 |
| GBP/USD | 1.3531 | 1.3565 | 1.3475 | ↓0.4 | 1.3868 | 1.3010 |
| USD/JPY | 156.01 | 160.39 | 155.30 | ↓2.1 | 163.99 | 145.49 |
| USD/CNY | 6.7167 | 6.7266 | 6.7165 | ↓0 | 7.1437 | 6.7165 |

| Forward Rates | Spot | 3M | 6M | 12M |
|---|---|---|---|---|
| AUD/USD | 0.7208 | 0.7196 | 0.7185 | 0.7165 |
| AUD/EUR | 0.6198 | 0.6167 | 0.6136 | 0.6078 |
| AUD/GBP | 0.5327 | 0.5318 | 0.5310 | 0.5299 |
| AUD/JPY | 112.46 | 111.49 | 110.54 | 108.75 |
| AUD/NZD | 1.2228 | 1.2180 | 1.2134 | 1.2055 |
| AUD/SGD | 0.9131 | 0.9060 | 0.8988 | 0.8843 |

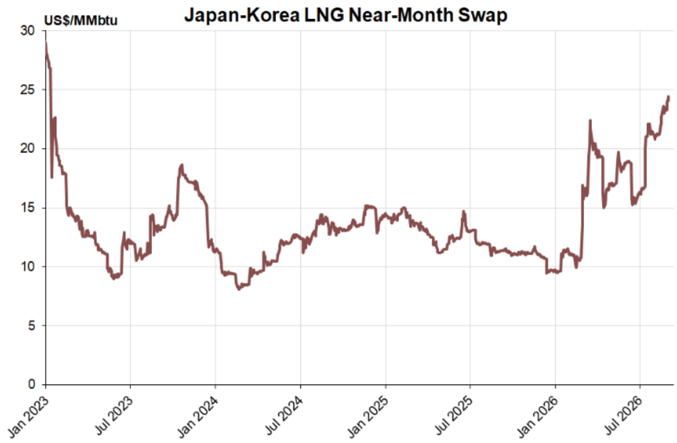
## Commodities

Renewed strikes between the US and Iran put upward pressure on oil and gas prices this week. With no clear path to resolving the conflict, Brent crude futures rose to their highest level since July.

Benchmark LNG prices in Europe and North Asia reached fresh post-2022 highs.

Gold fell to a three-week low early in the week, as rising Fed rate hike expectations pushed US Treasury yields higher. Prices later recovered, as yields eased and the US dollar weakened.

Iron ore futures slipped to the bottom of their recent range early in the week after another set of soft Chinese economic data, before rebounding to sit above last week's level.



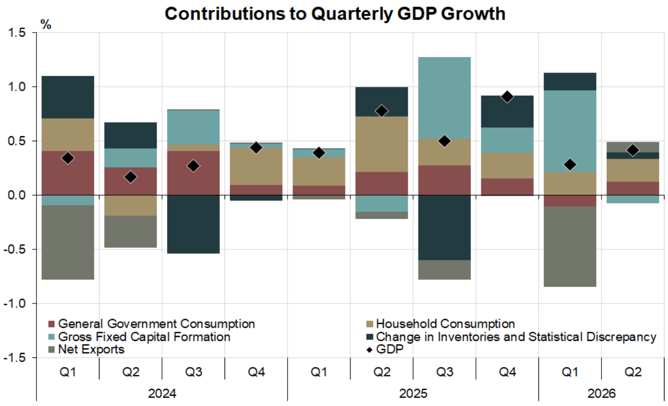

Source: Bloomberg

| | Current | High | Low | Change | 52-Week High | 52-Week Low |
|---|---|---|---|---|---|---|
| Gold (US$) | $4,472.62 | $4,510.85 | $4,282.69 | (↓$126.55) | $5,595.47 | $3,511.62 |
| Brent Crude Oil (US$) | $95.76 | $97.62 | $89.03 | (↑$6.19) | $126.41 | $58.72 |
| Mogas95* (US$) | $118.16 | $134.82 | $103.87 | (↑$5.25) | $150.55 | $68.52 |
| WTI Oil (US$) | $91.68 | $93.14 | $84.11 | (↑$8.15) | $119.48 | $54.98 |
| CRB Index | 416.70 | 417.30 | 406.36 | (↑11.53) | 417.30 | 291.69 |
| Iron Ore Price 61% Fe (US$) ** | $99.60 | $99.75 | $97.25 | (↑$1.4) | $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.

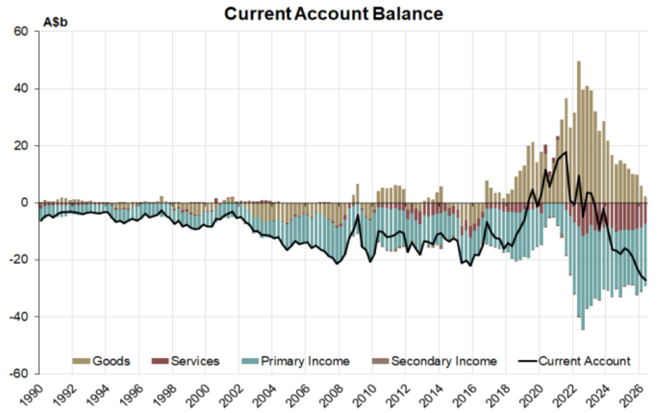
## Domestic Economy

***Real GDP*** *saw a solid increase in quarterly terms, with private investment being the only negative contributor.*



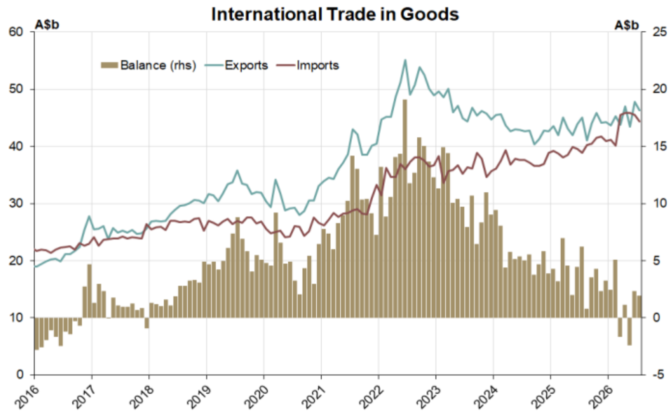

*Source: ABS*

*A surge in fuel and car import values took the* ***current account deficit*** *to the widest level on record in Q2…*



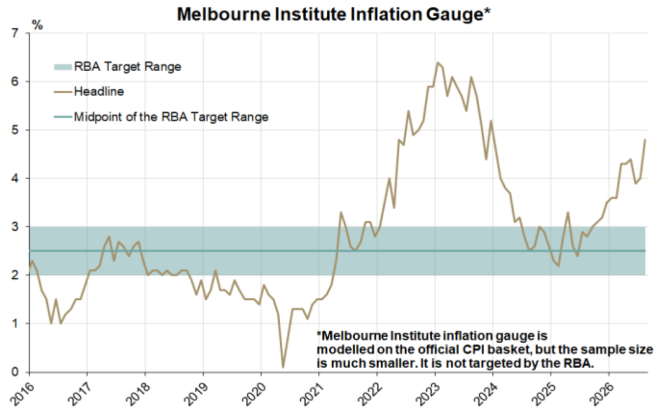

*Source: ABS*

*… which was followed by fall in the* ***trade surplus*** *in July amid a drop in non-monetary gold exports.*



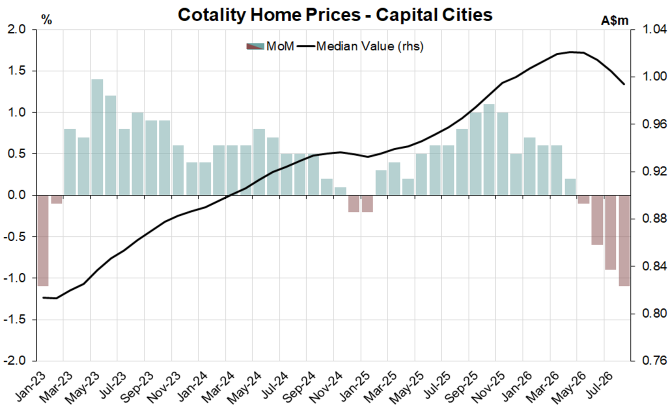

*Source: ABS*

***Melbourne Institute inflation gauge*** *suggests that consumer price growth continues to re-accelerate.*



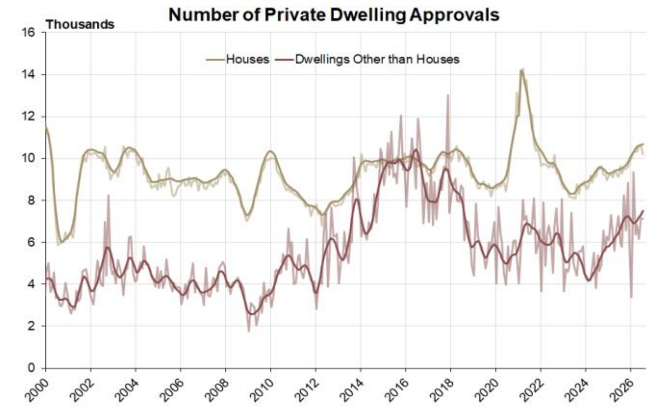

*Source: Bloomberg*

***Cotality house prices*** *are on a decline, dragged down by higher mortgage rates and tax policy changes…*




*Source: Cotality*

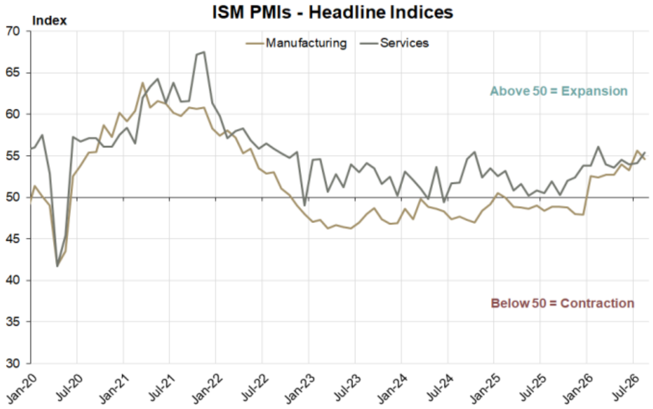
*… with supply conditions improving further, with* ***dwelling approvals*** *trending higher but remaining insufficient.*




*Source: ABS*

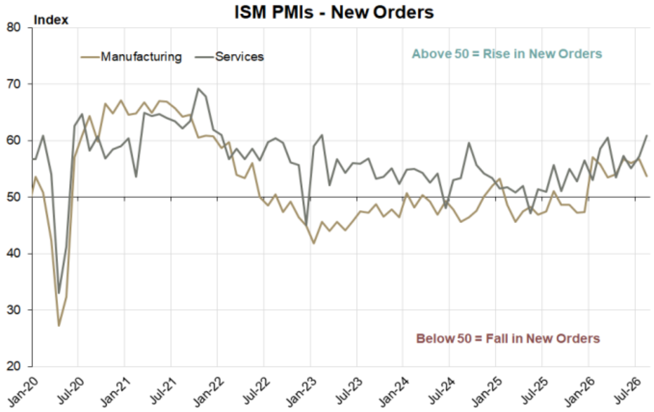
## Global Economy

*__US ISM PMIs__ pointed to ongoing and solid expansion in both manufacturing and services…*



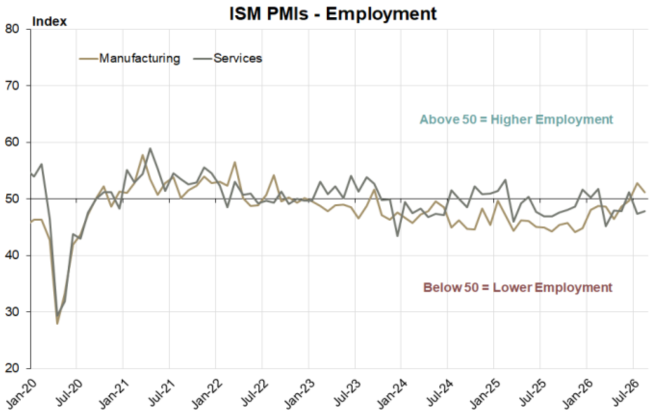

*Source: S&P Global*

*… while the __new orders__ subindices point to solid growth ahead, especially in services.*



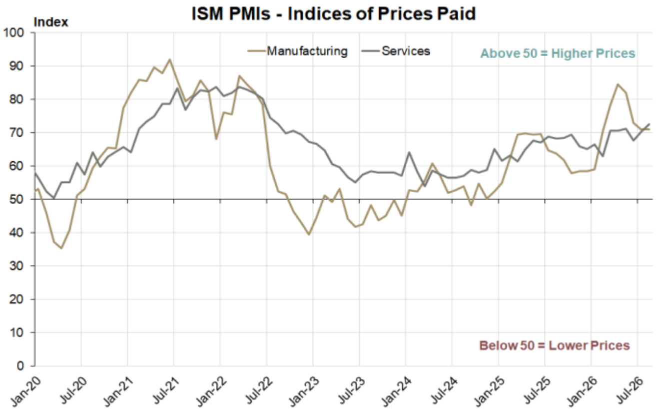

*Source: S&P Global*

*The ISM report also showed __US employment__ growth slowed down in services and fell in manufacturing.*



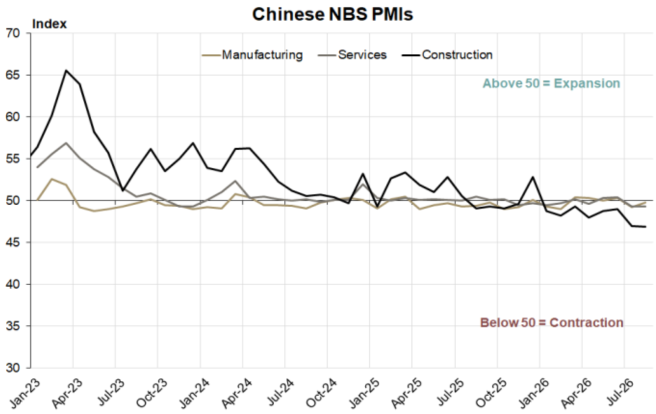

*Source: Bloomberg*

*According the ISM report, __US prices paid__ continue to climb at a solid pace, with slight acceleration in services.*



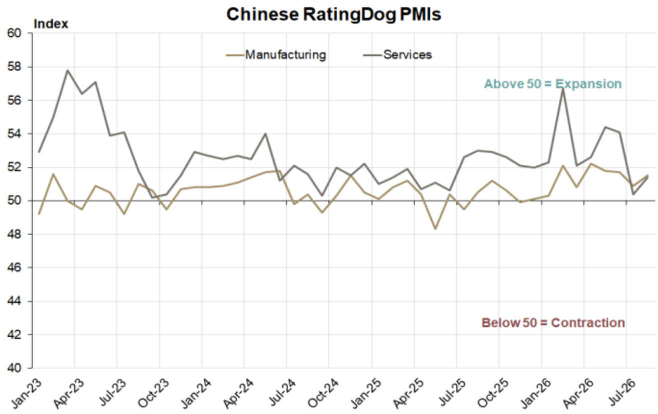

*Source: Bloomberg*

*Across the Pacific, the __Chinese NBS PMIs__ indicated contraction in manufacturing, services and construction.*




*Source: Bloomberg*

*In contrast, the __RatingDog PMIs__ suggested ongoing, albeit sluggish expansion in China.*




*Source: Bloomberg*

## Last Week

| Date | Event | Actual | Forecast | Previous | Comment |
|---|---|---|---|---|---|
| **Mon 31** | | | | | |
| AU | Melb. Inst. Inflation (YoY, Aug) | 4.8% | - | 4.0% | Likely impacted by the end of fuel excise cut. |
| AU | Private Sector Credit (MoM, Jul) | 0.6% | 0.7% | 0.8% | Slowdown in investor housing credit. |
| CH | NBS Composite PMI (Aug) | 49.5 | - | 49.3 | Manufacturing, services and construction all contracting. |
| | | | | | |
| **Tue 01** | | | | | |
| AU | Cotality Home Values (MoM, Aug) | -1.1% | - | -0.9% | Prices are now declining in all capital cities. |
| AU | Dwelling Approvals (MoM, Jul) | -3.6% | -5.0% | 6.9% | Both house and unit approvals are still trending upwards. |
| AU | Current Account Balance (Q2) | -A$27.2b | -A$30.0b | -A$25.4b | Dragged down by fuel and vehicle imports. |
| AU | ANZ Cons. Conf. (w/e 30 Aug) | 74.9 | - | 77.5 | Inflation expectations remained at an elevated 6.1%. |
| CH | RatingDog Manuf. PMI (Aug) | 51.5 | 50.7 | 50.9 | Output prices down for the first time in 2026 so far. |
| EZ | HICP (YoY, Aug, flash) | 3.3% | 3.3% | 2.9% | Core inflation declined by 0.1ppts to 2.4% vs 2% goal. |
| US | ISM Manufacturing PMI (Aug) | 54.6 | 55.2 | 55.6 | Price pressures in US manufacturing remain elevated. |
| US | JOLTS Job Openings (Jul) | 7.3m | 7.4m | 7.2m | 355k above the number of officially unemployed. |
| | | | | | |
| **Wed 02** | | | | | |
| AU | GDP (QoQ, Q2) | 0.4% | 0.3% | 0.3% | Annual rate slowed to 2.1% vs 1.8% market consensus. |
| NZ | RBNZ Decision (OCR) | 2.75% | 2.75% | 2.50% | Another rate hike expected from the RBNZ in late 2026. |
| CA | Bank of Canada (Policy Rate) | 2.25% | 2.25% | 2.25% | BoC more hawkish now, hike expectations intensified. |
| US | ADP Employment (MoM, Aug) | 38k | 47k | 46k | Slowdown driven by manufacturing jobs. |
| | | | | | |
| **Thu 03** | | | | | |
| AU | Goods Trade Balance (Jul) | A$1.9b | A$1.3b | A$2.3b | Dragged down by the volatile non-monetary gold exports. |
| CH | RatingDog Services PMI (Aug) | 51.4 | 50.6 | 50.4 | The RatingDog composite PMI up 1.3pts to 52.1. |
| US | ISM Services PMI (Aug) | 55.4 | 54.3 | 54.1 | The strongest pace of expansion since February. |
| US | Initial Jobless Claims (w/e 30 Aug) | 206k | 205k | 204k | Continued claims little changed in w/e 22 August. |
| | | | | | |
| **Fri 04** | | | | | |
| US | Non-farm Payrolls (MoM, Aug) | - | 55k | -23k | The decline in July driven by government and hospitality. |
| US | Unemployment Rate (Aug) | - | 4.1% | 4.1% | US labour force participation is on a steady decline. |

## Next Week

| Date | Event | Forecast | Previous | Comment |
|---|---|---|---|---|
| **Mon 07** | | | | |
| | *No market-moving data.* | | | |
| | | | | |
| **Tue 08** | | | | |
| AU | NAB Business Conditions (Aug) | - | 4 | Remain slightly below the long-run average. |
| AU | NAB Business Confidence (Aug) | - | -6 | Picked up from lows earlier this year, but still negative. |
| AU | Westpac Cons. Sentiment (MoM, Sep) | - | 6.0% | Despite the recent gains, remains very low. |
| AU | RBA Deputy Governor A. Hauser Speaks | - | - | Andrew Hauser's interview at the ABC's 7.30 report. |
| CH | Trade Balance (Aug) | US$123b | US$112b | Chinese exports and imports are rising in double-digits. |
| | | | | |
| **Wed 09** | | | | |
| CH | CPI (YoY, Aug) | 0.9% | 0.5% | Chinese demand pressure holding consumer prices down… |
| CH | PPI (YoY, Aug) | 3.7% | 3.5% | … even if cost pressures are on a rise. |
| | | | | |
| **Thu 10** | | | | |
| AU | MI Consumer Inflation Expectations (Sep) | - | 4.9% | Have been quite stable during the current fuel price shock. |
| EZ | ECB Decision (Deposit Rate) | 2.50% | 2.25% | A 25bps hike nearly fully priced in. |
| US | PPI (MoM, Aug) | 0.4% | 0.0% | Annual rate declined to the still-heightened 4.7% in July. |
| | | | | |
| **Fri 11** | | | | |
| UK | Monthly GDP (MoM, Jul) | - | 0.3% | Business surveys pointed to further growth in GDP. |
| US | CPI (MoM, Aug) | 0.4% | 0.1% | Annual rate was unchanged at 3.4% in July. |
| US | UoM Consumer Confidence (Sep, prel.) | 51.0 | 51.7 | US consumers remain downbeat. |