Market Watch Weekly

14 AUGUST 2026

Highlights this week

- In Australia, the RBA kept the cash rate target unchanged but maintained a hawkish stance. NAB business conditions improved but remained below their long-run average, while business confidence was still negative in July. New home loans fell in Q2, driven in particular by a plunge in investor loans.
- Abroad, while military tensions between the US and Iran appear to have eased for now, hopes for an immediate reopening of the Strait of Hormuz were dashed this week, pushing oil prices slightly higher. US CPI and PPI inflation both declined further in July.

Highlights next week

- It will be a busy week domestically, with Westpac consumer sentiment for August on Tuesday, the Q2 wage price index on Wednesday, the July labour force survey and August inflation expectations on Thursday, and August S&P Global PMIs on Friday.
- The key offshore releases will be Chinese activity figures, US industrial production, FOMC minutes and S&P Global PMIs for the major advanced economies.

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	3.62	(↓4 pt)	ASX200	9188	(↓70 pt)
US (IOR)	3.65	(0 pt)	90-day Bills	4.51	(0 pt)	2-yr T-Notes	4.14	(↓10 pt)	S&P500	7799	(↑89 pt)
Eurozone (Deposit)	2.25	(0 pt)	3-yr T-Bond	4.49	(↓4 pt)	10-yr T-Notes	4.64	(↓3 pt)	DJIA	53840	(↓45 pt)
UK	3.75	(0 pt)	10-yr T-Bond	4.98	(↓2 pt)	Jap 10-yr	2.89	(↑9 pt)	Nikkei	68309	(↑3304 pt)
Japan (Target)	1.00	(0 pt)	3-yr WATC Bond	4.70	(↓2 pt)	UK 10-yr	4.95	(↑2 pt)	CSI300	4664	(↑8 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	5.34	(↓3 pt)	Ger 10-yr	3.13	(↓1 pt)	Stoxx600	659	(↑1 pt)

Changes are since the previous issue of Market WATCh Weekly.

Financial Markets

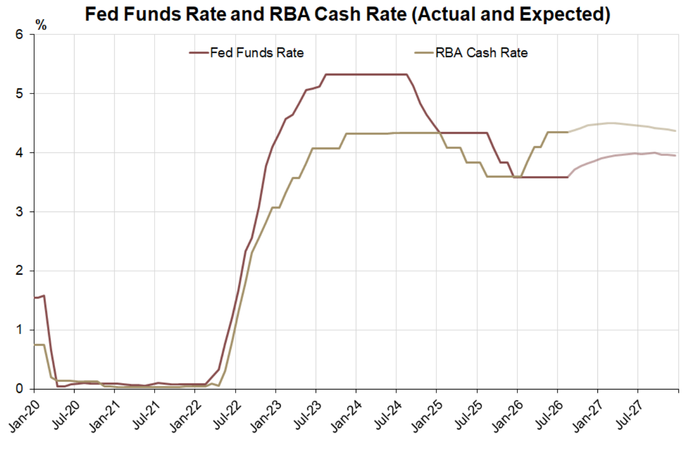
Interest Rates

As expected, the RBA Monetary Policy Board kept the cash rate target at 4.35% and maintained a hawkish tone, reiterating that it could raise rates if upside inflation risks materialise.

The RBA lowered its near-term inflation forecasts after Q2 inflation undershot expectations. However, underlying inflation is not expected to approach the midpoint of the 2-3% target band until late 2027, with risks slightly skewed to the upside.

The RBA acknowledged that labour market conditions had eased more than expected, but remained 'a little tight'. It revised unemployment forecasts upwards, although the projected peak of 4.8% remains low by historical standards.

The RBA's hawkish communication limited the decline in Commonwealth bond yields. US Treasury yields fell more sharply, as softer US inflation data lowered fed funds rate expectations. The probability of a 25bps fed funds rate hike in 2026 fell to around 90%, but such a move remains fully priced in for 2027.



Source: Bloomberg

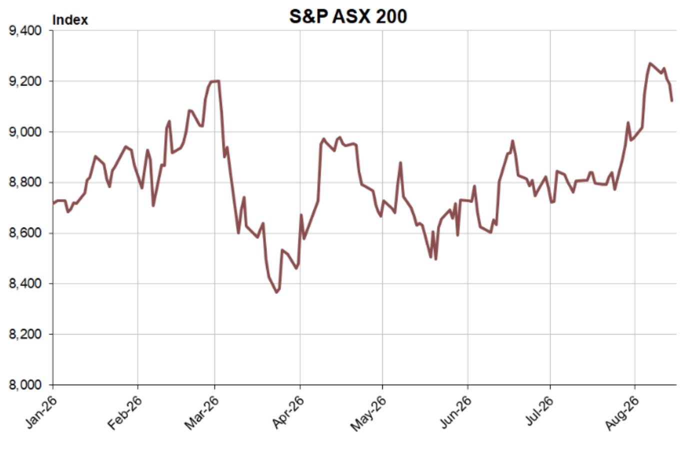
Equities

US equities edged lower early in the week, before rising over the past two days to close at a fresh record high overnight. The US market continues to be supported by strong semiconductor earnings, fuelled by demand for artificial intelligence infrastructure.

The ASX 200 continued to fall from the record high reached early last week, with financials being the biggest drag amid concerns over earnings headwinds from the emerging housing slowdown.

The major banks have reported double-digit declines in mortgage applications amid higher interest rates and tax changes.

Materials were the next biggest drag on the Australian market, reversing last week's strong rise, with BHP and Rio Tinto posting sharp declines.



Source: Bloomberg

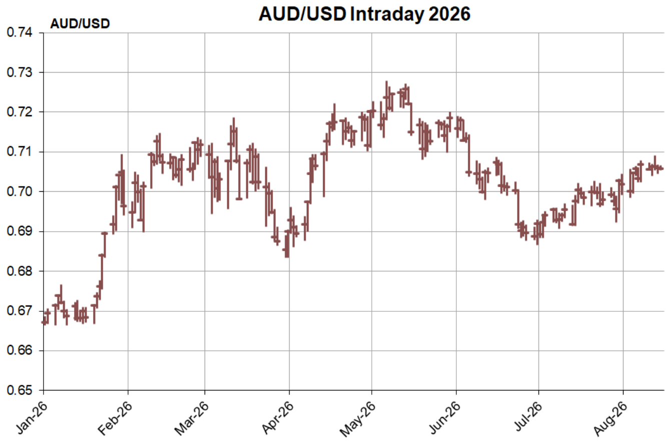
Currencies

The Australian dollar has been among the strongest G10 performers, behind only the oil-driven Canadian dollar and Norwegian krone, and has gained against all four majors.

The largest gain was against the Japanese yen, the weakest G10 currency this week. The yen is on track for a second consecutive weekly decline after late-July market intervention by Japan's Ministry of Finance and the US Treasury lifted it from 40-year lows.

AUD/USD traded in a narrow range this week after rising during last Friday's US session, supported by a weaker greenback following news of an unexpected decline in US non-farm payrolls in July. The AUD/USD fluctuated after Tuesday's RBA Monetary Policy Board meeting, but ended the day almost unchanged.

The exchange rate rose again on Wednesday as the US dollar slipped after the US CPI report, before trimming its gains as the big dollar picked up again.



Source: Bloomberg

Spot Rates	Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD	0.7063	0.7091	0.7040	↑0.5	0.7278	0.6415
AUD/EUR	0.6124	0.6134	0.6089	↑0.4	0.6207	0.4761
AUD/GBP	0.5236	0.5241	0.5211	↑0.3	0.5394	0.4761
AUD/JPY	112.63	112.76	111.18	↑1.3	114.92	94.40
AUD/CNY	4.7597	4.7808	4.7382	↑0.4	4.9567	4.5602
EUR/USD	1.1534	1.1567	1.1512	↑0.1	1.2081	1.1325
GBP/USD	1.3491	1.3543	1.3474	↑0.3	1.3868	1.3010
USD/JPY	159.45	159.57	157.54	↑0.7	163.99	145.49
USD/CNY	6.7441	6.7501	6.7418	↓0	7.1893	6.7418

Forward Rates	Spot	3M	6M	12M
AUD/USD	0.7063	0.7052	0.7041	0.7023
AUD/EUR	0.6124	0.6093	0.6063	0.6007
AUD/GBP	0.5236	0.5228	0.5221	0.5212
AUD/JPY	112.63	111.65	110.69	108.97
AUD/NZD	1.2066	1.2016	1.1972	1.1904
AUD/SGD	0.9043	0.8972	0.8900	0.8763

Commodities

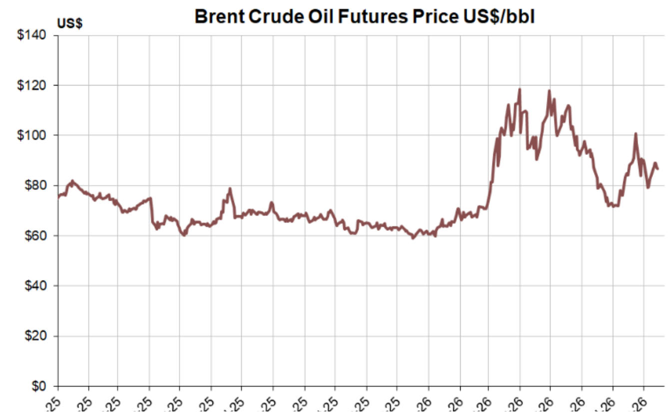
Oil prices rose over the past week as hopes faded for a near-term deal to reopen the Strait of Hormuz. The US and Iran remain far apart on key issues. US rhetoric has shifted from threats of an intensified bombing campaign to efforts to pressure Iran back to the table through sanctions and a naval blockade.

This strategy suggests oil shipments through the Strait could remain little more than a trickle for an extended period.

Cuts to 2026 demand forecasts by the International Energy Agency and OPEC this week have helped keep a lid on prices.

The International Energy Agency lowered its 2026 demand forecast by 1.6 million barrels per day in its August oil market report. Crude oil supply rose by 2.4 mb/d to 101.5 mb/d in July, but was 6.3 mb/d lower than a year earlier.

The gold price hit a two-month high on Wednesday before easing.



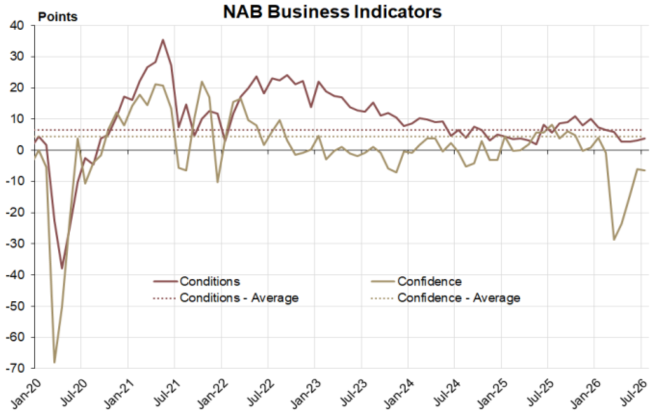
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US$)	$4,362.13	$4,449.72	$4,313.44	(↑$104.04)	$5,595.47	$3,311.60
Brent Crude Oil (US$)	$87.07	$90.07	$81.50	(↑$3.63)	$126.41	$58.72
Mogas95* (US$)	$107.77	$110.74	$102.02	(↑$7.28)	$150.55	$68.52
WTI Oil (US$)	$81.10	$84.61	$77.79	(↑$3.06)	$119.48	$54.98
CRB Index	388.37	393.19	380.83	(↑11.37)	406.18	291.69
Iron Ore Price 61% Fe (US$) **	$95.85	$96.40	$94.25	(↑$0.25)	$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.

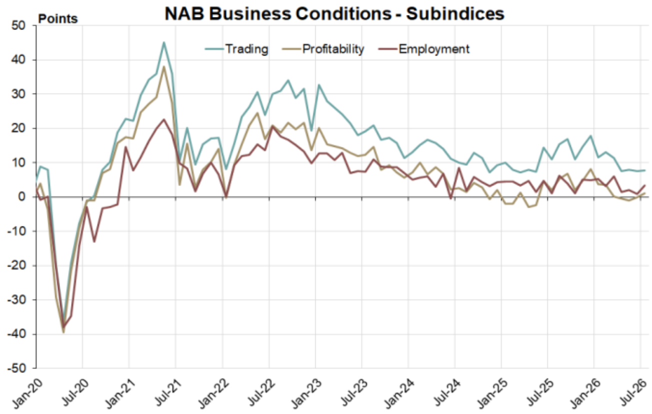
Domestic Economy

***NAB business conditions** improved slightly but remained below average, with confidence still negative.*



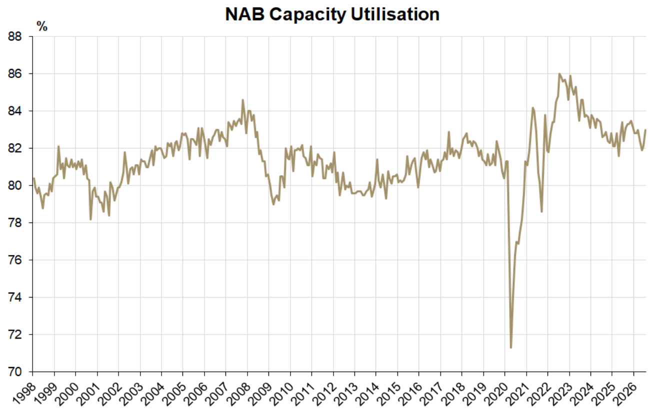
Source: Bloomberg

*The slight improvement in business conditions was helped by higher **employment and profitability**.*



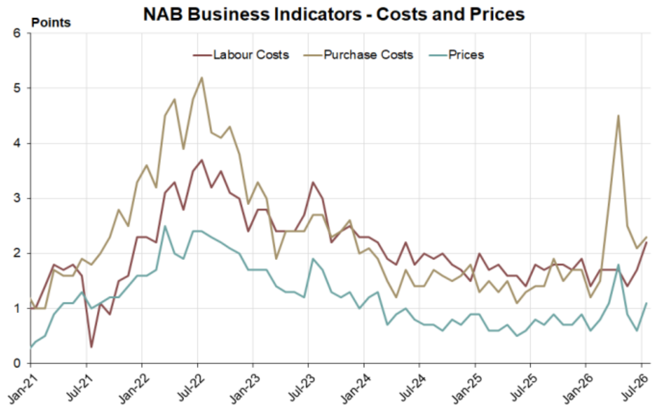
Source: Bloomberg

***Capacity utilisation** in Australian businesses has stabilised above pre-COVID levels.*



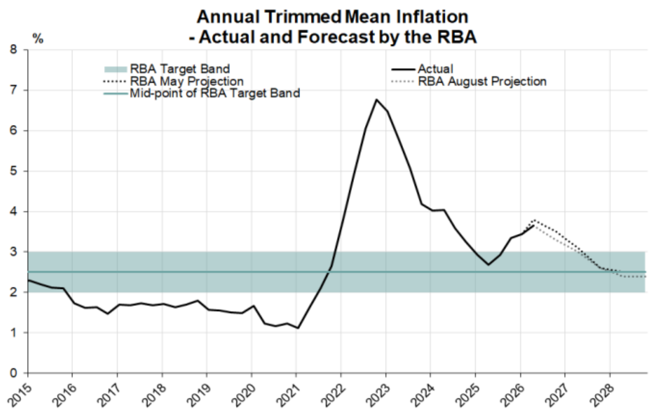
Source: Bloomberg

***Labour cost growth** continues to rise after the recent minimum and award wage increase.*



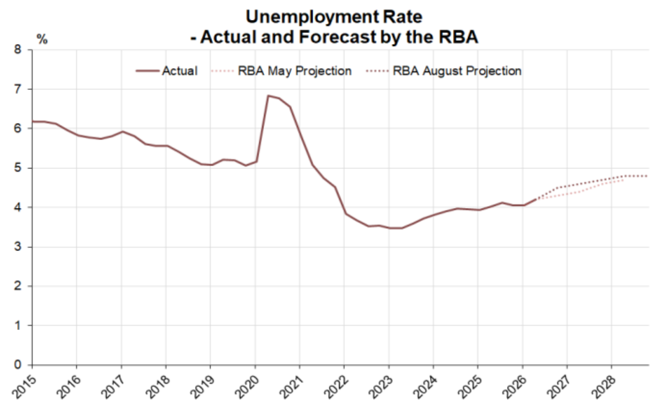
Source: ABC

*Despite downward revisions, the RBA still does not expect **inflation** to return to target until late 2027.*



Source: RBA

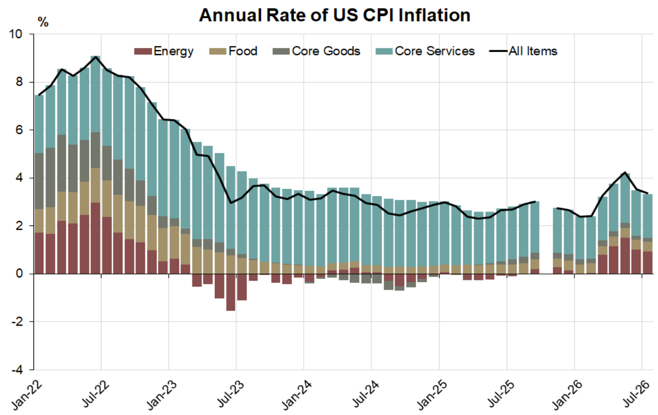
*The RBA has also revised the **unemployment rate** forecast upwards, though to still moderate levels.*



Source: RBA

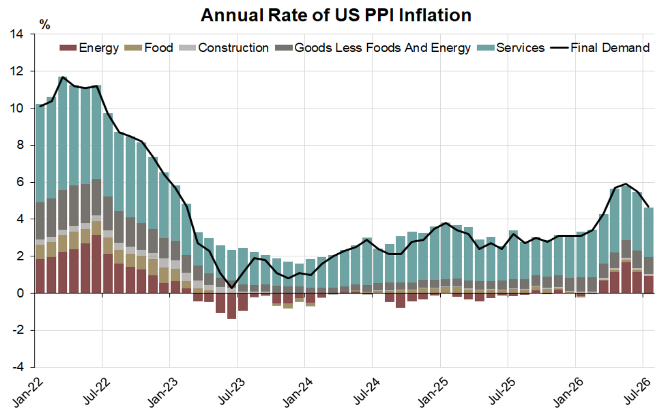
Global Economy

***US CPI inflation** continued to retreat in July, dragged down by energy prices.*



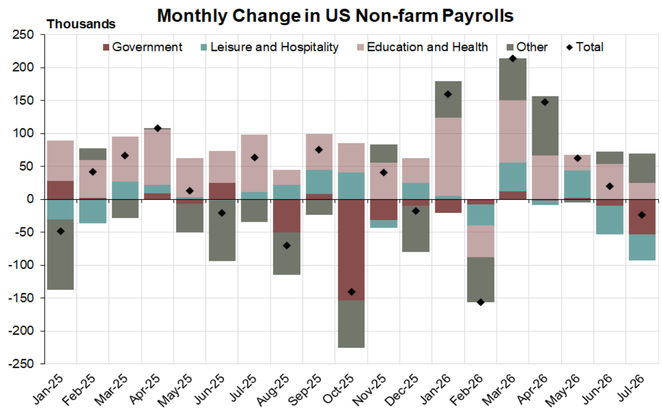
Source: Bloomberg

***US PPI inflation** is also declining, reaching its lowest level since the start of the US-Iran war.*



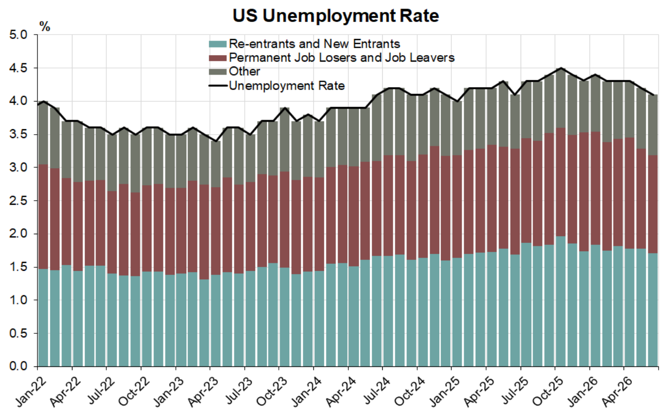
Source: Bloomberg

***US non-farm payrolls** fell in July, dragged down by a further drop in hospitality and government jobs.*



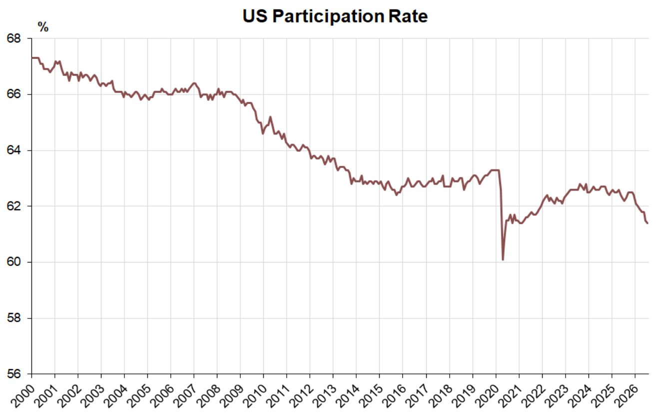
Source: Bloomberg

***US unemployment rate** is declining, partly reflecting fewer people entering the labour market…*



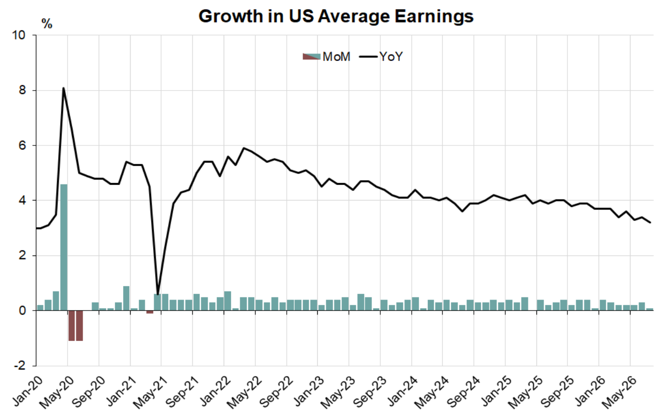
Source: Bloomberg

*… which adds to the ongoing downturn in the **US participation rate**.*



Source: Bloomberg

*Despite the shrinking labour force, **US wage growth** is decelerating to its slowest pace since 2021.*



Source: Bloomberg

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Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 10					
	No market moving data				
Tue 11					
AU	RBA Decision (Cash Rate)	4.35%	4.35%	4.35%	Further increases if inflation surprises to the upside.
AU	RBA Governor M. Bullock Speaks	-	-	-	A rate hike was discussed at the meeting.
AU	SoMP (Aug)	-	-	-	Inflation is not expected to return to target until late 2027.
AU	NAB Business Conditions (Jul)	3	-	4	WA had the strongest conditions on the mainland.
AU	NAB Business Confidence (Jul)	-6	-	-6	The June outcome was revised slightly lower.
AU	ANZ Cons. Conf. (w/e 8 Aug)	75.0	-	74.7	Inflation expectations rose as the fuel excise cut ended.
Wed 12					
US	CPI (MoM, Jul)	0.1%	0.1%	-0.4%	Annual inflation down to 3.4% (headline) and 2.5% (core).
Thu 13					
AU	RBA Deputy Gov. C. Kent Speaks	-	-	-	Monetary policy conditions are ‘somewhat restrictive’.
UK	GDP (QoQ, Q2)	0.4%	0.4%	0.6%	Upside surprise to consumption and investment.
US	PPI (MoM, Jul)	0.0%	0.2%	-0.1%	Annual rate down to 4.7%, the lowest since March.
US	Initial Jobless Claims (w/e 8 Aug)	209k	202k	200k	Continued claims little changed and below 1.8m.
Fri 14					
AU	New Home Loans (QoQ, Q2)	-5.2%	-5.3%	-3.4%	Investor loan value dropped by 10.2% in the quarter.
Tonight					
US	Retail Sales (MoM, Jul)	-	0.1%	0.2%	US consumers remain remarkably resilient…
US	UoM Consumer Conf. (Aug, prel.)	-	55.0	55.2	… despite depressed household sentiment in the country.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 17				
JP	GDP (QoQ, Q2)	0.5%	0.5%	Rebound in business spending expected.
CH	Retail Sales (YoY, Jul)	1.5%	1.0%	The timing of public holidays weighed on June sales.
CH	Industrial Production (YoY, Jul)	4.9%	5.3%	Supported partly by electric vehicle production.
CH	Urban Fixed Asset Inv. (YoY YtD, Jul)	-6.2%	-5.7%	The sharpest downturn since the depths of COVID-19.
Tue 18				
AU	Westpac Consumer Sent. (MoM, Aug)	-	4.1%	Consumer sentiment in Australia is still depressed.
UK	Unemployment Rate (Apr-Jun)	4.7%	4.9%	Claimant count figures suggested no change.
US	Industrial Production (Jul)	0.3%	0.1%	Business reports suggested a gain.
Wed 19				
AU	Wage Price Index (QoQ, Q2)	0.8%	0.8%	Annual rate expected to decline by 0.1ppts to 3.2%.
UK	CPI (YoY, Jul)	3.0%	2.6%	Above the 2% target almost continuously since 2021.
US	FOMC Minutes	-	-	Insights into the increasingly split FOMC discussion.
Thu 20				
AU	Employment (monthly change, Jul)	10.0k	76.3k	June’s surge is unlikely to be repeated.
AU	Unemployment Rate (Jul)	4.4%	4.4%	The RBA now forecasts a peak of 4.8% in late 2028.
AU	MI Consumer Inflation Expectations (Aug)	-	4.7%	Eased from recent highs.
CH	PBoC Announcement (5-year LPR)	3.50%	3.50%	The 1Y LPR is also expected to stay at a record low.
Fri 21				
AU	S&P Global Composite PMI (Aug, flash)	-	53.2	Quite choppy since the start of the US-Iran war.
JP	CPI (YoY, Jul)	2.0%	1.7%	Held down by base effects.
JP	S&P Global Composite PMI (Aug, flash)	-	52.7	Strong expansion in Japanese manufacturing continues.
EZ	S&P Global Composite PMI (Aug, flash)	-	52.0	Expansion in the euro area accelerated, but is still moderate.
UK	S&P Global Composite PMI (Aug, flash)	51.6	52.2	Emerged from a short-lived contraction in July.
US	S&P Global Composite PMI (Aug, flash)	-	54.5	Expansion in the US remains strong.