MARKET UPDATES

Market Watch Weekly

17 JULY 2026

Highlights this week

- Abroad, tensions in the Middle East continued, with the US resuming its naval blockade of Iranian ports. Oil prices have risen as a result, but remain well below the levels reached earlier in the war.
- US CPI and PPI inflation figures for June surprised to the downside, yet pointed to PCE inflation remaining above the 2% goal. US retail sales growth slowed in June, though mainly due to lower petrol prices ahead of the re-escalation of tensions in the Middle East. Chinese Q2 GDP data came in below expectations, reflecting an accelerating decline in investment, but retail sales and industrial production growth data surprised to the upside.
- In Australia, NAB business conditions remained below average in June, while business confidence improved, but remained negative. Westpac consumer sentiment pointed to somewhat smaller, yet persisting pessimism in July. Consumer inflation expectations dropped, though this preceded the recent pick-up in oil prices.

Highlights next week

- Apart from news on the ongoing tensions in the Middle East, the highlights offshore will include S&P Global PMIs for the major advanced economies and the ECB decision, though no changes in policy rates are expected.
- The only domestic events of note next week will be the June labour force survey on Thursday and PMIs for July on Friday.

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	3.66	(↓1 pt)	ASX200	8841	(↑48 pt)
US (IOR)	3.65	(0 pt)	90-day Bills	4.46	(0 pt)	2-yr T-Notes	4.14	(↓1 pt)	S&P500	7534	(↓10 pt)
Eurozone (Deposit)	2.25	(0 pt)	3-yr T-Bond	4.49	(↑7 pt)	10-yr T-Notes	4.55	(↑2 pt)	DJIA	52553	(↑66 pt)
UK	3.75	(0 pt)	10-yr T-Bond	4.91	(↑8 pt)	Jap 10-yr	2.72	(↓5 pt)	Nikkei	66836	(↓1989 pt)
Japan (Target)	1.00	(0 pt)	3-yr WATC Bond	4.70	(↑7 pt)	UK 10-yr	4.97	(↑7 pt)	CSI300	4698	(↓145 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	5.32	(↑8 pt)	Ger 10-yr	3.13	(↑5 pt)	Stoxx600	644	(↑3 pt)

Financial Markets

Interest Rates

As tensions in the Middle East continued during the week, pushing oil prices higher, concerns over inflation and monetary policy tightening rose, pushing government bond yields higher across the major advanced economies.

The US was a notable exception, with government bond yields rising only modestly for longer maturities, while shorter-term yields even declined. This came after US inflation figures surprised to the downside this week, leading to some easing of fed funds rate-tightening expectations.

Speaking before a US House of Representatives committee, Fed Chair Kevin Warsh cautioned against drawing conclusions from a single inflation report, vowed to bring inflation back to target and highlighted the Fed’s independence.

Meanwhile, the Bank of Canada left its policy rate unchanged at 2.25% yesterday, preferring to wait for greater clarity on the impact of the war in the Middle East. In contrast to the US, a 25 basis point hike is only 70% priced in for 2026.

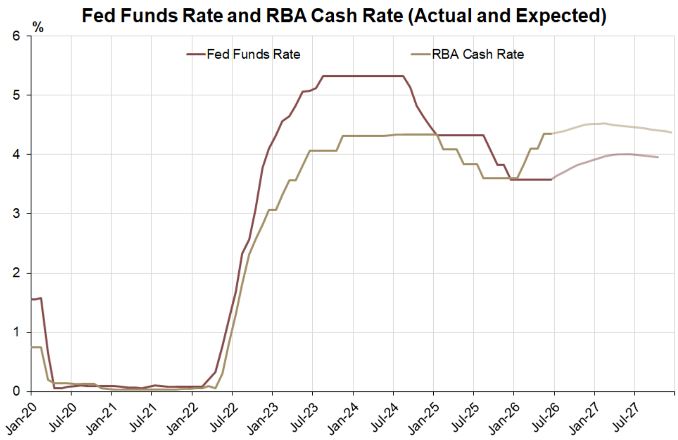
Aussie government bond yields picked up roughly in line with their equivalents in Europe and Japan. While RBA monetary policy tightening expectations increased a little, a 25bps hike is still less than 70% priced in for this year.

Equities

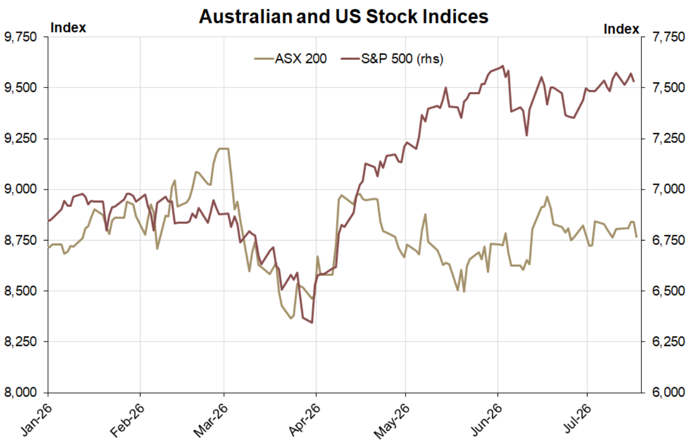
It was quite a choppy week for equities.

News of fresh tensions between the US and Iran led to limited declines on Wall Street on Monday, but this was followed by gains on Tuesday and Wednesday, with sentiment boosted by a decline in fed funds rate hike expectations after the downside surprise to US inflation figures. Thursday night saw fresh losses, as concerns over sustainability of the AI bubble resurfaced.

The ASX 200 was up by 0.5% for the week at the time of writing, with weekly gains and losses almost equally split across sectors. Materials led the declines, while consumer stocks and energy saw the largest gains.



Source: Bloomberg



Source: Bloomberg

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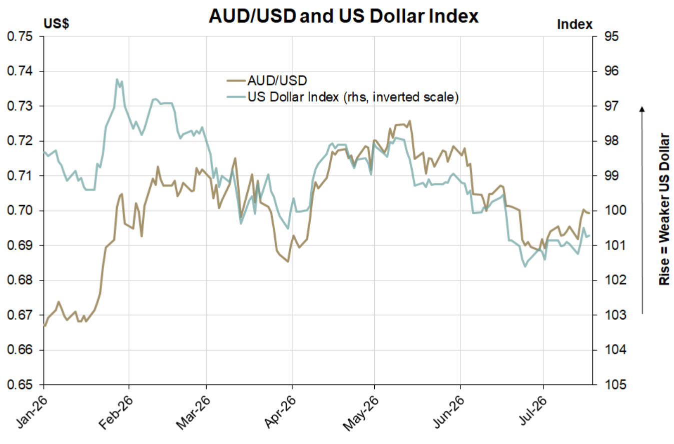
Currencies

Despite the choppy global sentiment, the Australian dollar appreciated this week, benefitting from higher global commodity prices and a slight intensification of RBA rate hike expectations.

The AUD/USD briefly rose above US$0.70, for the first time in a month, and is trading just below that mark at the time of writing.

The Aussie dollar is the third strongest G10 currency this week, surpassed only by the New Zealand dollar and Canadian dollar. While safe-haven currencies typically benefit from rising geopolitical tensions, the CHF and JPY depreciated this week and were the weakest currencies in the G10 group.

The US dollar also weakened marginally this week, reflecting a slight easing of the fed funds rate hike expectations after the downside surprise to inflation figures in the US.



Source: Bloomberg

Spot Rates	Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD	0.6999	0.7021	0.6913	↑0.7	0.7278	0.6415
AUD/EUR	0.6115	0.6126	0.6068	↑0.7	0.6207	0.4761
AUD/GBP	0.5193	0.5219	0.5167	↑0.4	0.5394	0.4761
AUD/JPY	113.69	113.88	112.20	↑1.3	114.92	94.40
AUD/CNY	4.7376	4.7517	4.6901	↑0.6	4.9567	4.5602
EUR/USD	1.1446	1.1483	1.1378	↑0.1	1.2081	1.1325
GBP/USD	1.3478	1.3558	1.3342	↑0.4	1.3868	1.3010
USD/JPY	162.43	162.55	161.63	↑0.5	162.84	145.49
USD/CNY	6.7728	6.7860	6.7646	↓0.1	7.2140	6.7555

Forward Rates	Spot	3M	6M	12M
AUD/USD	0.6999	0.6988	0.6977	0.6958
AUD/EUR	0.6115	0.6083	0.6052	0.5995
AUD/GBP	0.5193	0.5185	0.5178	0.5170
AUD/JPY	113.69	112.66	111.64	109.75
AUD/NZD	1.1970	1.1919	1.1875	1.1809
AUD/SGD	0.9032	0.8960	0.8887	0.8748

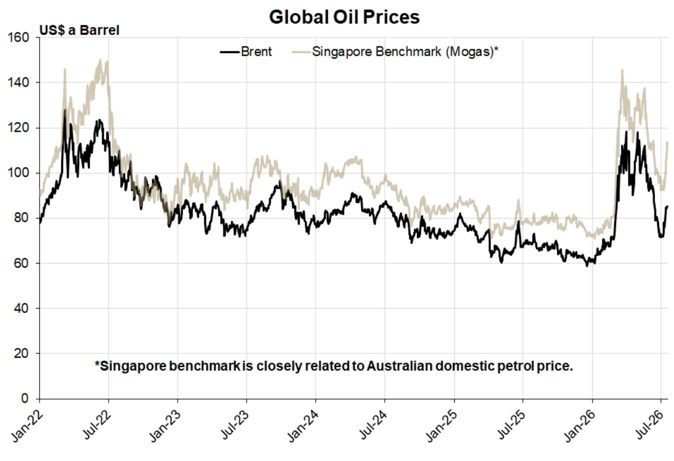
Commodities

The tensions in the Middle East continued to escalate this week. The US and Iran continued to exchange fire, while the US military announced that it had resumed the naval blockade of Iranian ports and was considering imposing a 20% charge on cargo shipping through the Strait of Hormuz at some point.

Traffic through the Strait has come to a halt, while Iran has told the Yemeni Houthis to prepare to block another critical passage, the Bab al-Mandab. US President Donald Trump did not refer much to the conflict with Iran in this speech this morning.

The further escalation of tensions in the Middle East saw oil prices spike to the highest levels in around a month. However, at just above US$85 a barrel at the time of writing, Brent futures are still far off the highs reached in the early days of the war.

Iron ore futures also picked up this week, after China showed a pick-up in imports of this commodity and a rise in steel output.



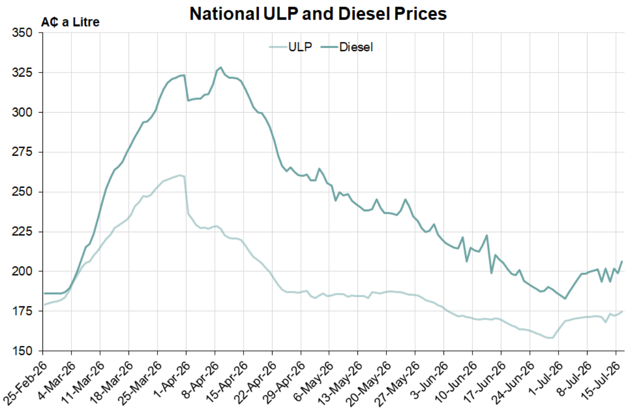
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US$)	$3,994.61	$4,103.67	$3,969.37	(↓$132.02)	$5,595.47	$3,268.18
Brent Crude Oil (US$)	$85.20	$87.55	$77.28	(↑$8.73)	$126.41	$58.72
Mogas95* (US$)	$113.13	$113.19	$95.01	(↑$19.09)	$150.55	$68.52
WTI Oil (US$)	$79.92	$81.27	$72.61	(↑$7.63)	$119.48	$54.98
CRB Index	375.97	379.33	366.16	(↑7.46)	406.18	291.69
Iron Ore Price 61% Fe (US$) **	$100.45	$100.95	$98.30	(↑$1.2)	$111.90	$95.10

*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.

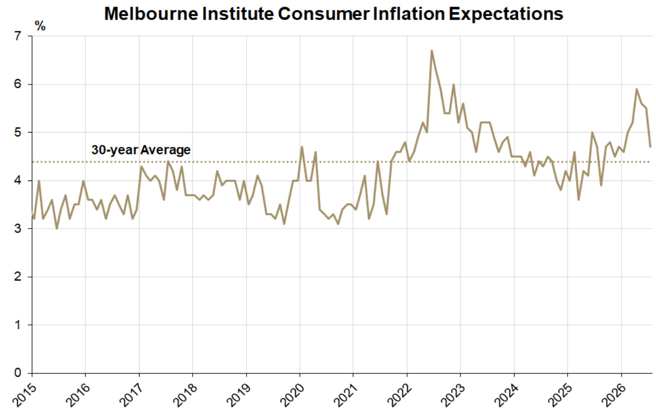
Domestic Economy

The impact of escalation of the US-Iran war on ***petrol and diesel prices*** *at home has been limited so far.*



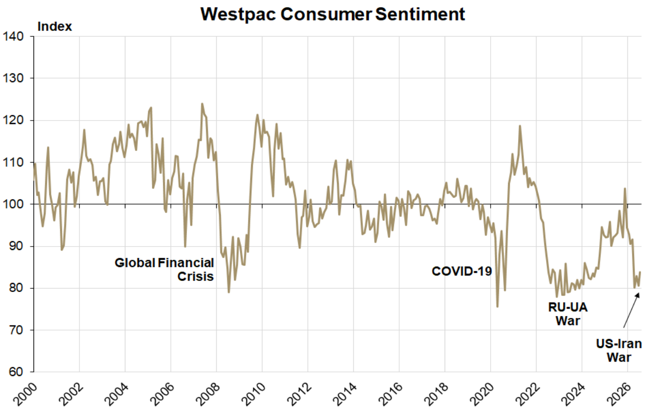
Source: ABC

Melbourne Institute consumer inflation *expectations fell ahead of the recent escalation in the Middle East.*



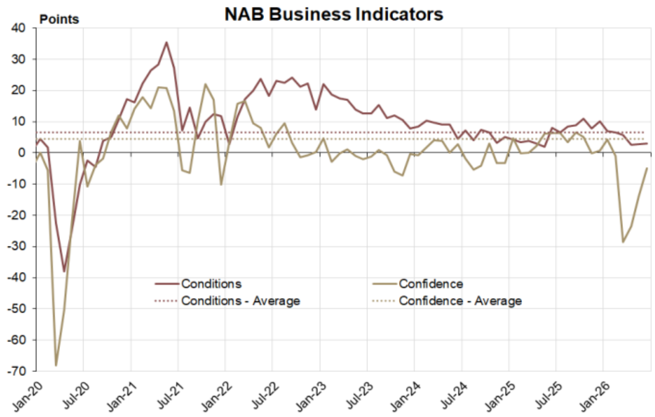
Source: Bloomberg

Westpac consumer confidence *has consolidated at a depressed level.*



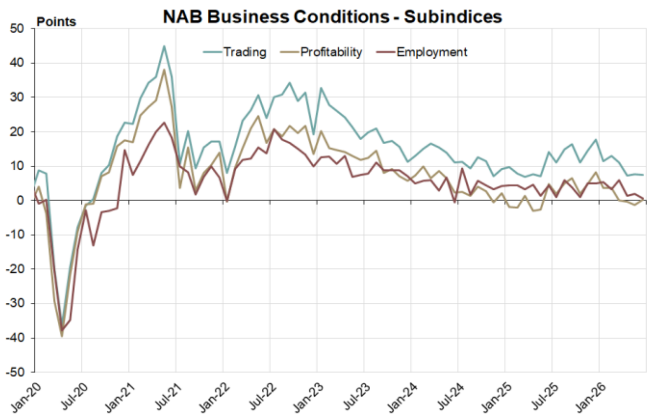
Source: Bloomberg

NAB business conditions *remain subpar and business confidence – despite improvement – is still negative.*



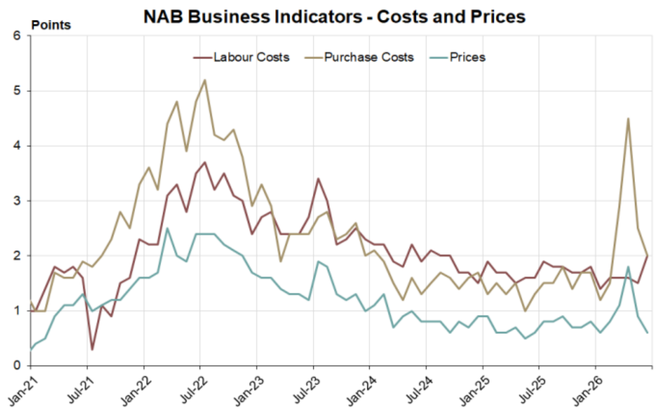
Source: Bloomberg

Employment conditions are now neutral, but ***profitability*** *turned back positive…*



Source: Bloomberg

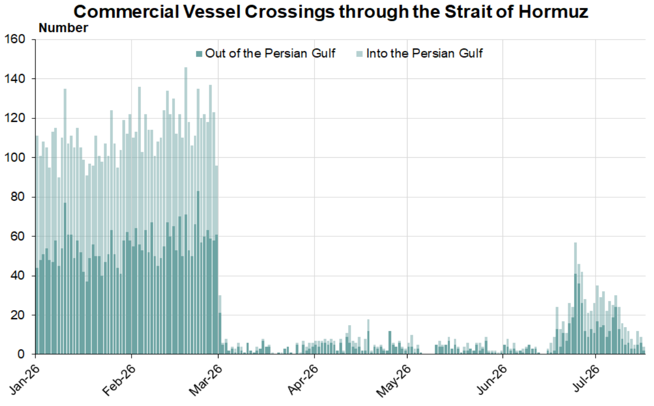
… as ***purchase cost pressures*** *eased; however, the minimum wage hike saw labour cost growth accelerate.*



Source: Bloomberg

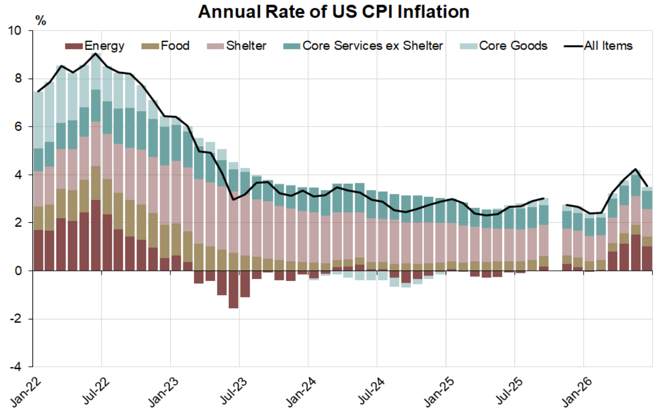
Global Economy

*The renewed naval blockade caused the maritime traffic through the **Strait of Hormuz** to come to a virtual halt.*



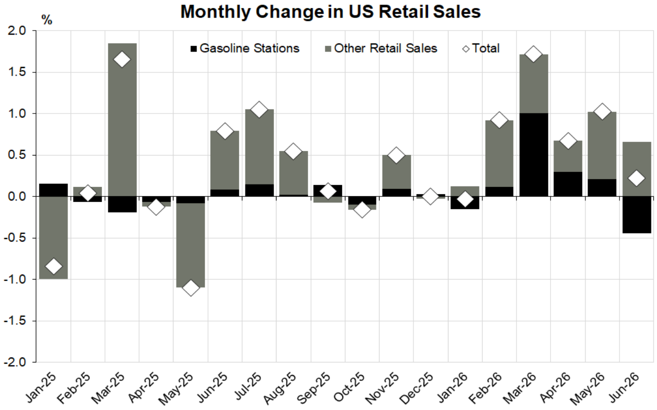
Source: Bloomberg

***US CPI inflation** fell in June, as energy price growth slowed ahead of the fresh tensions in the Middle East.*



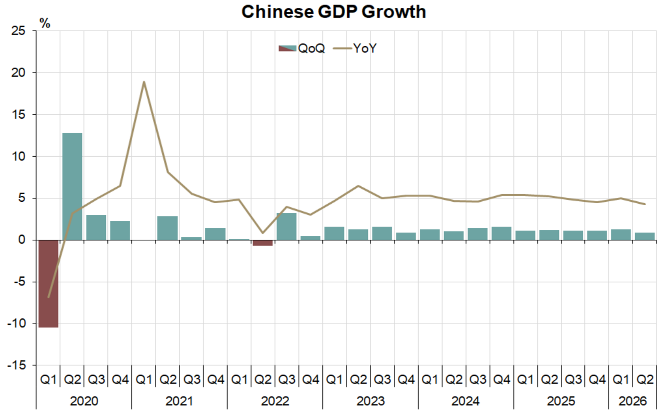
Source: Bloomberg

***US retail sales** growth slowed down in June, though mainly due to lower fuel prices before the escalation.*



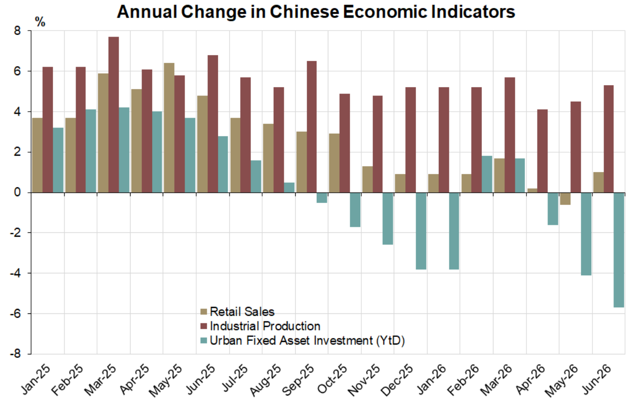
Source: Bloomberg

***Chinese GDP growth** decelerated in Q2, to be the slowest since late 2022 when constrained by lockdowns.*



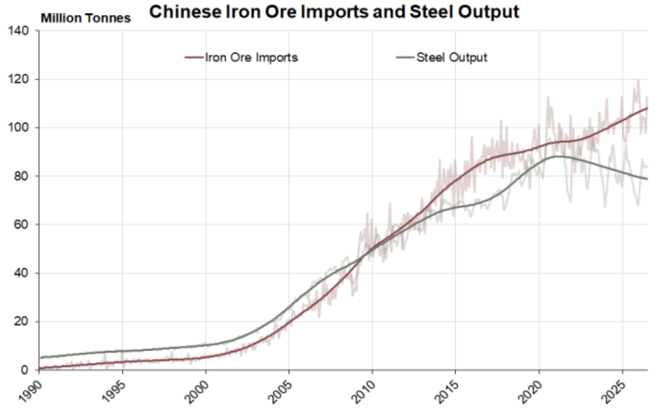
Source: Bloomberg

*The slowdown was caused by a faster **decline in investment**, while retail and manufacturing improved.*



Source: Bloomberg

***Chinese iron ore imports** continue to head upwards, while steel output rose above trend in June.*



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 13					
	No market moving data.				
Tue 14					
AU	NAB Business Conditions (Jun)	3	-	3	Profitability has turned back marginally positive.
AU	NAB Business Confidence (Jun)	-5	-	-14	Despite recent improvement, remains negative.
AU	Westpac Cons. Sent. (MoM, Jul)	4.1%	-	-2.9%	Still at depressed levels.
CN	Trade Balance (Jun)	US$126b	US$120b	US$105b	Iron ore imports rose by 6.4% over the year to June.
US	CPI (MoM, Jun)	-0.4%	-0.1%	0.5%	Annual rates still point to PCE inflation above the 2%.
US	Fed Chair Kevin Warsh Speaks	-	-	-	Sounded hawkish.
US	NFIB Business Optimism (Jun)	97.4	95.7	95.3	Precedes the recent flare-up in the Middle East.
Wed 15					
CN	GDP (YoY, Q2)	4.3%	4.5%	5.0%	Rose by 4.7% YoY YtD, still within the 4.5-5.0%. target.
CN	Retail Sales (YoY, Jun)	1.0%	-0.1%	-0.6%	Rise partly due to timing of the Dragon Boat Festival.
CN	Industrial Production (YoY, Jun)	5.3%	4.6%	4.5%	Annual steel production growth turned back positive.
CN	Urban Fixed Inv. (YoY YtD, Jun)	-5.7%	-5.0%	-4.1%	Property investment plunged by a record 18.0% YoY YtD.
CA	BoC Decision (Policy Rate)	2.25%	2.25%	2.25%	BoC prefers to wait through the impacts of the war.
US	PPI (MoM, Jun)	-0.3%	0.0%	0.6%	Annual producer price inflation declined to 5.5%.
US	Beige Book	-	-	-	Employment on a rise, price growth moderate to robust.
Thu 16					
AU	MI Cons. Infl. Expectations (Jul)	4.7%	-	5.5%	Drop precedes the recent escalation in the Middle East.
UK	Monthly GDP (MoM, May)	0.1%	0.0%	-0.1%	Industrial output and construction fell, services picked up.
US	Retail Sales (MoM, Jun)	0.2%	0.2%	1.0%	Retail sales control group picked up by 0.5%.
US	Initial Jobless Claims (w/e 11 Jul)	208k	217k	216k	The smallest number of claims in two months.
Fri 17					
US	US President D. Trump Speaks	-	-	-	Speech focused on the US domestic matters.
Tonight					
US	Industrial Production (MoM, Jun)	-	0.2%	0.1%	Manufacturing picked up by 0.1% in June.
US	UMich Consumer Sent. (Jul, prel.)	-	51.0	49.5	Inflation expectations forecast to hold broadly steady.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 20				
CN	PBoC Announcement (Five-year LPR)	3.50%	3.50%	One-year loan prime rate to be also kept at 3.00%.
Tue 21				
NZ	CPI (QoQ, Q2)	-	0.9%	Was traditionally a good indicator for Aussie inflation.
Wed 22				
UK	CPI (YoY, Jun)	-	2.8%	Has been sustainably above the BoE’s 2% target since 2021.
Thu 23				
AU	Employment (monthly change, Jun)	19.0k	40.3k	Choppy month-to-month, but trending upwards.
AU	Unemployment Rate (Jun)	4.4%	4.4%	Remains very low by historical standards.
EZ	ECB Decision (Deposit Rate)	2.25%	2.25%	A rate hike almost entirely priced in for the next meeting.
Fri 24				
AU	S&P Global Composite PMI (Jul, flash)	-	50.4	In and out of expansion since the start of the US-Iran war.
JP	CPI (YoY, Jun)	1.7%	1.5%	Held down by base effects.
JP	S&P Global Composite PMI (Jul, flash)	-	52.8	Japanese manufacturing activity is seeing a solid increase.
EZ	S&P Global Composite PMI (Jul, flash)	-	50.0	Manufacturing in expansion, services in contraction in June.
UK	S&P Global Composite PMI (Jul, flash)	-	49.3	June saw the strongest fall in services in 3.5 years.
US	S&P Global Composite PMI (Jul, flash)	-	51.9	US economy is outperforming most major advanced countries.