Monthly economic report

The global economy

Economic data released over February suggested that the global economy had maintained the momentum it achieved over 2025. Perhaps of more interest were the prospective shifts in policy. In this regard, Japan was noteworthy with Prime Minister Takaichi gaining a super-majority at the snap election that she called in February. This will enable her to push through her fiscal stimulus policies and potentially exert pressure on the Bank of Japan to keep monetary policy easier for longer.

In the US, employment firmed a little in January after ending 2025 on a weaker footing. With inflation remaining sticky above 2%, this resulted in policymakers at the US Federal Reserve (US Fed) suggesting there was little reason to ease policy further. Despite that, investors still expect the US central bank to cut interest rates in the second half of 2026.

Chinese economic data remains unimpressive, although consistent with its pace over 2025. The one bright spot for the Chinese economy over the last year has been export growth and that remains buoyant. At the same time, there is still little sign that China's property market is turning around, and Chinese policymakers appear comfortable with this state of play.

European economic activity also remains fairly steady although firms appear to be getting more confident that German fiscal stimulus will be supportive, while inflation is coming in marginally softer than expected. The European Central Bank, however, appears very comfortable with maintaining current policy settings.

The Australian economy

The Reserve Bank of Australia (RBA) raised its policy rate by 25bps at its February policy meeting. Investors expect the RBA to raise interest rates again in May, although January inflation data was inconclusive as to whether inflation in the March quarter would remain at 0.9% – which is the RBA's expectation – or come in at 0.8%. In addition, RBA commentary since the February policy meeting has been cautious, suggesting that it is difficult to know what the next move in policy would be.

Economic data released over February generally disappointed expectations after surprising to the upside in January. Consumer confidence fell by 2.3% and business conditions eased back, and in December, household spending fell by 0.4% and building approvals declined by 14.9% – almost fully reversing the spike in the previous month. Australian business investment was steady in the December quarter after jumping higher in the September quarter. While most firms expect to keep investment fairly steady over the next 18 months, there are two key exceptions where firms are looking to boost spending significantly – utility companies and data centre firms.

The RBA's decision to raise interest rates in February – only the second major central bank to do so in this cycle – also raised questions about the role of Commonwealth Government fiscal policy in keeping inflation elevated. While Treasurer Chalmers maintains that Federal policy wasn't a factor, reports suggest that the upcoming Commonwealth budget may contain spending cuts and taxation increases which would weaken price pressures.

Financial market commentary

It was another positive month for investors, with most equity markets moving higher and bond yields declining. That said, there was a lot of intraday volatility and US technology stocks came under selling pressure.

Equity markets (performance in local currency, excluding dividends)

Global equities (MSCI All Countries excluding Australia) rose by 0.5% over February, with the MSCI Emerging Markets index – up 5.6% – again recording a very strong gain.

Amongst developed markets, the US again underperformed in February recording a 0.9% decline. This reflected some scepticism amongst investors that the large technology firms will be able to generate sufficient revenue gains to justify huge investments that they are undertaking. At the same time, investors punished some software firms that may became redundant as a result of advances in Artificial Intelligence.

The ASX200 performed strongly in February managing to record a gain of 3.7%, as investors were pleased with some of the earning reports from Australian banks. European stocks also rose by 3.7% in February, but it was the Japanese equity market that was once again the standout performer. Japanese stocks followed up a strong performance in January with a 10.4% rise in February after Japan's Prime Minister Takaichi won the election convincingly and ensured that more fiscal stimulus will be forthcoming.

Bond yields

After rising in January, global bond yields tended to fall in February without any major driver of the movements. That said, growing risk of conflict in the Middle East was consistent with some 'risk-off' behaviour at the end of the month. In the US, 10-year yields fell by 30bps, German 10-year yields fell by 20bps, and Japanese 10-year yields fell by 13bps.

Australian 10-year bond yields declined by 16bps over February, while 3-year yields also fell in the month despite the RBA's decision to raise interest rates by 14bps. TCorp 10-year bond yields fell by 12bps over February.

Currency and commodity markets

Oil prices rose by 2.5% over February from US$70.7 per barrel to US$72.5 per barrel. There was, however, a fair bit of volatility over the month, with the oil price falling as far as US$66.3 per barrel as hopes for a deal between Iran and the US waxed and waned. Meanwhile, iron ore prices fell below $100 per tonne as Chinese policy makers indicated that no major stimulus would be arriving soon.

The Australian dollar performed strongly over February, rising by 3.8% against its US counterpart. While such large movements often reflect what is happening with the US dollar more than the Australian dollar, that was not the case in February as the Australian dollar also rose by more than 3% against the Euro, Japanese Yen and Chinese Renminbi. The RBA's decision to hike rates in February was the key trigger for that performance.

Financial market performance

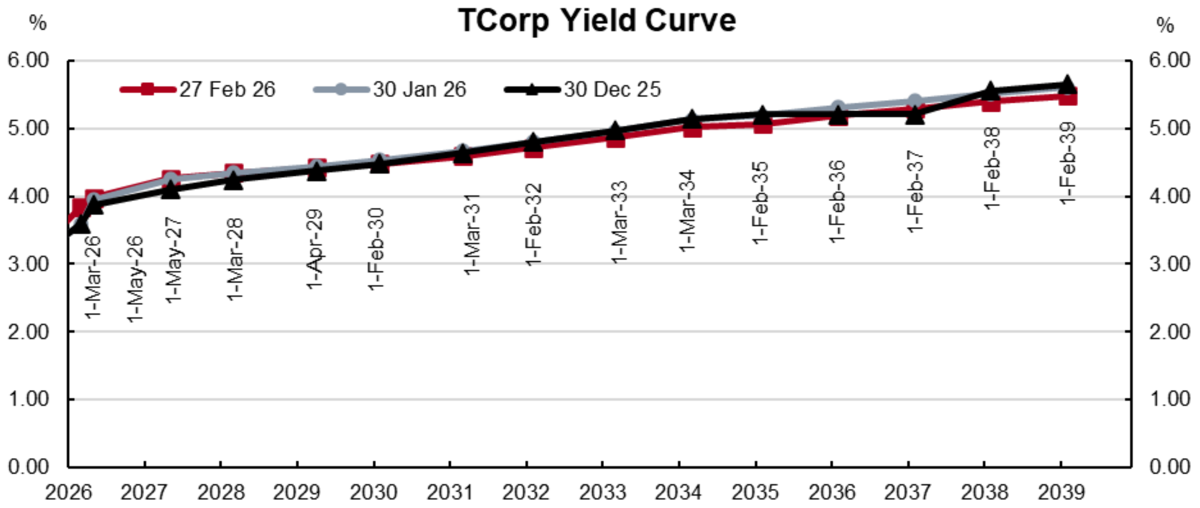
Currency markets **February 2026**	Previous month close	Month high	Month low	Month close	Month change
AUD/USD	0.671	0.703	0.668	**0.696**	3.8% ▲
AUD/EUR	0.570	0.589	0.568	**0.588**	3.1% ▲
AUD/JPY	104.54	107.92	104.43	**107.79**	3.1% ▲
AUD/GBP	0.496	0.510	0.496	**0.509**	2.6% ▲
AUD/BRL	3.673	3.665	3.587	**3.665**	-0.2% ▼
AUD/INR	60.23	64.67	60.03	**64.06**	6.4% ▲
AUD/CNY	4.693	4.889	4.658	**4.845**	3.2% ▲

Equity markets* **February 2026**	Previous month close	Month high	Month low	Month close	Month change
MSCI World ex Australia	4657	4705	4578	**4682**	0.5% ▲
MSCI Emerging Markets	1528	1619	1494	**1611**	5.4% ▲
S&P/ASX200	8869	9199	8709	**9199**	3.7% ▲
S&P/ASX Small Ordinaries	3870	3809	3570	**3762**	-2.8% ▼
S&P500 (US)	6939	6976	6798	**6879**	-0.9% ▼
FTSE 100 (UK)	10224	10911	10309	**10911**	6.7% ▲
Stoxx600 (Europe)	611	634	612	**634**	3.7% ▲
DAX (Germany)	24539	25289	24491	**25284**	3.0% ▲
CAC 40 (France)	8127	8621	8180	**8581**	5.6% ▲
Nikkei 225 (Japan)	53323	58850	52655	**58850**	10.4% ▲
Hang Seng (HK)	27387	27266	26381	**26631**	-2.8% ▼
Shanghai Composite (China)	4118	4163	4016	**4163**	1.1% ▲
Bovespa (Brazil)	181364	191490	181708	**188787**	4.1% ▲
IPC (Mexico)	67599	71601	67599	**71406**	5.6% ▲
S&P/BSE Sensex (India)	82270	84274	81287	**81287**	-1.2% ▼

*Returns are in local currency, and exclude dividend payments

Bond markets (%) **February 2026**	Previous month close	Month high	Month low	Month close	Month change
RBA Official Cash Rate	3.60	3.85	3.60	**3.85**	0.25 ▲
90 Day Bank Bill	3.84	3.99	3.85	**3.99**	0.15 ▲
180 Day Bank Bill	4.09	4.33	4.11	**4.33**	0.24 ▲
New institutional term deposits	3.80	3.80	3.80	**3.90**	0.10 ▲
3 Year CGS Bond	4.27	4.35	4.21	**4.22**	-0.05 ▼
10 Year CGS Bond	4.81	4.87	4.65	**4.65**	-0.16 ▼
10 Year US Bond	4.24	4.28	3.94	**3.94**	-0.30 ▼
10 Year German Bond	2.84	2.89	2.64	**2.64**	-0.20 ▼
10 Year Japanese Bond	2.25	2.29	2.09	**2.12**	-0.13 ▼

TCorp bonds (%) **February 2026**	**Previous month close**	**Month high**	**Month low**	**Month close**	**Month change**
20-May-26	3.95	4.02	3.94	**3.98**	0.03 ▲
20-May-27	4.25	4.34	4.24	**4.27**	0.01 ▲
20-Mar-28	4.35	4.46	4.34	**4.35**	0.00 ▼
20-Apr-29	4.44	4.53	4.42	**4.42**	-0.02 ▼
20-Feb-30	4.54	4.62	4.48	**4.48**	-0.05 ▼
20-Mar-31	4.67	4.75	4.60	**4.60**	-0.07 ▼
20-Feb-32	4.80	4.89	4.72	**4.72**	-0.08 ▼
08-Mar-33	4.97	5.05	4.87	**4.87**	-0.10 ▼
20-Mar-34	5.14	5.22	5.02	**5.02**	-0.12 ▼
20-Feb-35	5.19	5.27	5.07	**5.07**	-0.12 ▼
20-Feb-36	5.31	5.40	5.19	**5.19**	-0.12 ▼
20-Feb-37	5.41	5.49	5.29	**5.29**	-0.12 ▼
24-Feb-38	5.52	5.59	5.39	**5.39**	-0.12 ▼
22-Feb-39	5.61	5.68	5.48	**5.48**	-0.13 ▼
CIB 2.50% 20 Nov 35	2.98	3.04	2.76	**2.76**	-0.22 ▼



Source: TCorp

Commodity markets (US$) **February 2026**	**Previous month close**	**Month high**	**Month low**	**Month close**	**Month change**
Brent Oil (per barrel)	70.7	72.5	66.3	72.5	2.5% ▲
Iron Ore (per tonne)	102.7	105.6	98.2	99.1	-3.5% ▼

TCorp forecasts	**Dec-25**	**Jun-26**	**Dec-26**	**Jun-27**
RBA Official Cash Rate	3.60	4.10	4.10	3.60
90 Day Bank Bill	3.74	4.25	4.00	3.50
10 Year CGS Bond	4.74	4.50	4.00	4.00

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About New South Wales Treasury Corporation (TCorp)

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