2 September 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

It was a relatively quiet start to the week, with US markets closed for Labor Day and no major news or data developments internationally.

European equities managed to recover some ground after Friday's sell-off though performances were mixed, but Chinese stocks were clearly the outperformer, surging after Alibaba's recent bumper earnings results.

The US dollar held within recent ranges but results were mixed across the major DXY pairs, with the Euro and Sterling appreciating while the Japanese Yen and Canadian Loonie lost some ground. The Aussie dollar continued to appreciate within its broader multi-month range.

Gold prices continue to rally as expectations for US rate cuts solidify. Crude prices rose strongly after a weak opening.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.6	0.2%
AUD/USD	0.6554	0.2%
AUD/JPY	96.46	0.3%
AUD/GBP	0.4839	0.1%
AUD/NZD	1.1104	0.1%
AUD/EUR	0.5598	0.0%
AUD/CNH	4.6757	0.4%
AUD/SGD	0.8414	0.2%
AUD/HKD	5.1100	0.2%
AUD/CAD	0.9010	0.1%
EUR/USD	1.1709	0.2%
USD/JPY	147.18	0.1%
USD Index	97.69	-0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	0.01
90 day BBSY	3.61	-0.01
180 day BBSY	3.71	0.00
1 year swap	3.33	0.02
2 year swap	3.28	0.03
3 year swap	3.35	0.05
4 year swap	3.44	0.05
5 year swap	3.55	0.05
6 year swap	3.67	0.05
7 year swap	3.78	0.05
8 year swap	3.89	0.05
9 year swap	3.98	0.05
10 year swap	4.23	0.06

Equities	Close	Change
S&P/ASX 200	8,928	-0.5%
S&P 500	6,460	-0.6%
Japan Nikkei	42,189	-1.2%
Hang Seng	25,617	2.2%
Euro Stoxx 50	5,367	0.3%
UK FTSE100	9,196	0.1%
VIX Index	16.12	4.9%

Commodities	Current	Change
CRB Index	302.35	0.2%
Gold	3476.07	0.8%
Copper	9884	-0.2%
Oil (WTI futures)	64.61	0.9%
Coal (coking)	183.75	-2.3%
Coal (thermal)	110.80	0.3%
Iron Ore	102.25	-1.8%
ACCU	34.13	-4.1%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.42	0.02
10 year bond	4.32	0.04
United States		
3-month T Bill	4.04	-0.01
2 year bond	3.62	0.00
10 year bond	4.23	0.00
Other (10 year yields)		
Germany	2.75	0.02
Japan	1.63	0.03
UK	4.75	0.03

Sydney Futures Exchange	Current	Change
10 yr bond	4.36	0.02
3 yr bond	3.46	0.02
3 mth bill rate	3.56	0.00
SPI 200	8,886	-0.1%

Data as at 7:30am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

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Financial Markets:

- US markets were closed for Labor Day, with thin trading in futures markets pointing to a modest recovery following Friday's sell-off. European markets were largely in a holding pattern but ultimately clawed back a little bit of momentum, with the Euro Stoxx 50 up 0.3%. The rebound was clearer in German equities as the DAX finished 0.6% higher. The FTSE 100 eked out a 0.1% gain, barely making ground after four consecutive days of losses last week.
- In Asia, Chinese stocks were the clear outperformer after Alibaba's recent bumper earnings results, seeing the Hang Seng rise 2.2% and the CSI 300 lift 0.6%. Meanwhile, Tokyo pared back –1.2%, picking up from the US-driven sell-off on Friday. The ASX 200 also fell but to a lesser extent (–0.5%), with losses partly offset by bumper gains in the gold sub-sector. Futures markets are pointing to a marginally softer open this morning.
- Yield curves steepened marginally across Europe and the UK, with the 10-year Bund and Gilt up 2bps and 3bps to 2.75% and 4.75% respectively. Aussie government bond yields (futures) also rose, with the 3-year and 10-year both up 2 basis points to 3.46% and 4.36% respectively.
- The US dollar was more-or-less unchanged over Monday, reflecting a lack of news and events with other major asset markets closed in the US. The DXY was down just 0.1% and is trading around 97.70 at the time of writing. Investor sentiment will likely remain sensitive to any developments around President Trump's attempts to change the Fed Board's structure and dismiss Governor Cook.
- Performances were patchy across the major DXY pairs, with the Euro (+0.2%) and Sterling (+0.3%) making some ground while the Japanese Yen (–0.1%) and Canadian Loonie (–0.1%) both lost traction.
- The Aussie dollar continued to appreciate against the greenback (+0.2%) and is ultimately holding well within the 0.64-0.66 range that has prevailed over recent months. Upcoming GDP data, speeches from RBA Board members and US ISM and payrolls data will be key tests this week.
- •Oil prices held broadly within recent ranges, with the first generic WTI futures contract rising 0.9% to US$64.61/bbl after opening weaker. Copper prices edged slightly lower, down –0.2%. Gold meanwhile continues to track a solid rally as confidence over further FOMC rate cuts solidifies, up 0.8% to around US$3476/oz.

International Data and News:

In the Eurozone, the **unemployment rate** edged down from 6.3% in June to 6.2% in July, the lowest level on record, marking a continuation of a steady multi-year downtrend

Today's key data and events

For	Data/Event	Exp	Prev
8:45am	NZ Terms Of Trade Q2	1.9%	1.9%
11:30am	AU Current Account Balance Q2	-$16b	-$14.7b
7:00pm	EZ HICP Aug Prel.	2.0%	2.0%
11:45pm	US S&P Manufacturing PMI Aug Final	53.3pts	53.3pts
12:00am	US ISM Manufacturing Aug	49pts	48pts
12:00am	US Construction Spending Jul	-0.1%	-0.4%

Times are AEST. All data forecasts are m/m or q/q and seasonally adjusted unless otherwise specified. Forecasts for Australian data are our forecasts and for other countries they are consensus forecasts.

Among the largest member states, only Italy reported a decrease, from 6.2% to 6.0%, while the unemployment rates in Germany, France, and Spain remained unchanged at 3.7%, 7.6%, and 10.4%, respectively. Overall, this

In China, the **RatingDog manufacturing PMI** (formerly Caixin) provided a different spin on the current health of the manufacturing sector, rising from 49.5 to 50.5 in August. This survey's focus on smaller export-oriented firms suggests that Chinese manufacturers are weathering the impact associated with US tariffs and broader uncertainty. This is in contrast to the official NBS PMIs over the weekend – focused on larger firms – which suggested that Chinese manufacturing activity remains in a slight contraction.

Local Data and News:

The **Q2 Business Indicators** (see here) printed to the weaker side of expectations, suggesting economic activity may have been on weaker footing than initially anticipated. In terms of direct inputs into GDP, private non-farm inventories were the key downside surprise, which are set to detract 0.4ppts from economic activity in Q2. Elsewhere across the partial data: growth in corporate profits was weaker than anticipated despite sales volumes moving higher, all while the current rate of growth in the total wage bill continues to steadily moderate. Overall, the data points to some downside risk to growth, but today we will receive some further crucial updates on public demand the external sector ahead of the full Q2 GDP update on tomorrow.

Meanwhile, **dwelling approvals** (see here) also surprised to the downside, falling –8.2% in July. This marks a continued run of extreme monthly swings associated with volatility in the lumpy 'units' category, down –22% in the month alone. The backdrop is becoming more supporting for approvals medium-term, underscored by easing cost pressures and burgeoning homebuyer sentiment. As far as **house prices** are concerned (see here), the RBA's rate cutting cycle is clearly in the drivers seat, but it will only be a matter of time before affordability constraints begin to rear its head again.

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