05 September 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

There was a risk on tone overnight as the flow of data was consistent with a softening in the US labour market. This is expected to be confirmed in tonight's all important jobs report, paving the way for a US rate cut in September.

US equities increased to set a fresh record high, while European markets were also higher. The rally in US Treasuries continued overnight with yields ticking lower across the curve. Yields were also generally lower across European markets.

The US dollar was broadly unchanged while the Aussie slipped 0.4% but remained above 0.6500. Movements elsewhere remained within recent ranges.

Oil was lower on increasing concerns around oversupply, while iron ore futures increased to above US$104 a tonne.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.6	0.2%
AUD/USD	0.6515	-0.4%
AUD/JPY	96.70	-0.1%
AUD/GBP	0.4850	-0.3%
AUD/NZD	1.1144	0.2%
AUD/EUR	0.5593	-0.3%
AUD/CNH	4.6511	-0.4%
AUD/SGD	0.8404	-0.2%
AUD/HKD	5.0826	-0.4%
AUD/CAD	0.9003	-0.2%
EUR/USD	1.1649	-0.1%
USD/JPY	148.42	0.3%
USD Index	98.29	0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	0.00
90 day BBSY	3.63	0.01
180 day BBSY	3.77	0.03
1 year swap	3.37	-0.01
2 year swap	3.33	-0.01
3 year swap	3.40	-0.01
4 year swap	3.49	0.00
5 year swap	3.59	0.00
6 year swap	3.70	-0.01
7 year swap	3.81	-0.01
8 year swap	3.91	-0.01
9 year swap	4.00	-0.01
10 year swap	4.24	-0.02

Equities	Close	Change
S&P/ASX 200	8,827	1.0%
S&P 500	6,502	0.8%
Japan Nikkei	42,580	1.5%
Hang Seng	25,059	-1.1%
Euro Stoxx 50	5,347	0.4%
UK FTSE100	9,217	0.4%
VIX Index	15.3	-6.4%

Commodities	Current	Change
CRB Index	300.35	-0.8%
Gold	3545.85	-0.4%
Copper	9976.00	-0.1%
Oil (WTI futures)	63.48	-0.8%
Coal (coking)	185.00	0.0%
Coal (thermal)	107.00	-1.4%
Iron Ore	104.45	1.5%
ACCU	34.13	-4.1%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.48	-0.05
10 year bond	4.35	-0.06
United States		
3-month T Bill	3.98	-0.04
2 year bond	3.59	-0.03
10 year bond	4.16	-0.06
Other (10 year yields)		
Germany	2.72	-0.02
Japan	1.60	-0.03
UK	4.72	-0.03

Sydney Futures Exchange	Current	Change
10 yr bond	4.38	0.00
3 yr bond	3.50	0.01
3 mth bill rate	3.59	0.01
SPI 200	8,866	0.6%

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:

- The rally in equities continued overnight with key US indices recording fresh record highs. The flow of data suggested the US labour market continues to ease with investors betting tonight's all important payrolls read will pave the way for a rate cut in September. The S&P 500 set a fresh record high, closing 0.8% higher with consumer discretionary and communication services leading the market higher. The Dow Jones Industrial Average also gained 0.8% while the Nasdaq outperformed, closing 1.0% in the green.
- European markets also climbed overnight as the volatility in bond markets dissipated and investors grew increasingly confident the Fed would cut in September. The Euro Stoxx 50 and the FTSE 100 both closed 0.4% in the green. Markets in France responded to reports that the President would avoid calling a snap election if his Prime Minister is removed, paring back losses to 0.3% during the session. The German DAX outperformed closing 0.7% higher. Asian markets were mixed with the CSI 300 down 2.1%, while the Nikkei closed 1.5% higher. In the local market, the ASX 200 finished 1.0% in the green, with nine out of eleven sectors ending higher, led by financials stocks. Futures are pointing to a soft start to today's session.
- The rally in Treasuries extended overnight as the flow of data was consistent with the US Fed cutting rates in September. The 2-year US bond yield closed 3 basis points lower at 3.59%. The 10-year US bond yield declined 6 basis points to 4.16%, while the 30-year US bond yield also fell 4 basis points to 4.85%. Interest-rate futures now have a rate cut in September fully priced in and around 141 basis points of cuts over 2025 and 2026. Yields were also lower in Europe, with 10-year bond yields down almost 5 basis points in France to 3.49%, 2 basis point in Germany to 2.72%, and 3 basis points in the UK to 4.72%.
- At home, the 3-and-10-year futures were broadly unchanged at 3.50% and 4.38%, respectively. Interest-rate futures have an 87% chance of a cut in November, with a full cut priced in for the RBA Board meeting in December. A total of 45 basis points of cuts priced in over the remainder of 2025 and 2026.
- The US dollar index traded within a narrow range (98.080 to 98.440) to be broadly unchanged at 98.29. President Trump's recent attempts to 'stack the Fed board' and dismiss Governor Cook is likely to weigh on the US dollar going forward. The Japanese Yen soften, with the USD/JPY pair down 0.3% to 148.42, while the euro was also broadly unchanged.
- The Aussie slipped 0.4% against the Greenback to 0.6515, remaining above the 0.6500 level. The still cautious message from the RBA Board, the stronger than expected Q2 GDP result, and the more dovish comments from US Fed Powell and other officials should provide the Aussie with some upside.
- Oil declined amid growing concerns OPEC will agree to boost supply at a meeting this weekend. The West Texas Intermediate futures declined almost 1.0% to US$63.48/bbl. Iron ore extended gains as production restrictions for some Chinese steel mills came to an end. Futures advanced as much as 1.5% to $104.45 a tonne. Gold and copper ended the session lower.

Today's key data and events

For	Data/Event	Exp	Prev
9:30am	JP Household Spending Jul	2.3%	1.3%
4:00pm	GB Retail Sales Jul	0.2%	0.9%
7:00pm	EZ GDP Q2 T	0.1%	0.1%
10:30pm	US Non-Farm Payrolls Aug	75k	73k
10:30pm	US Average Hourly Earnings Aug	0.3%	0.3%
10:30pm	US Unemployment Rate Aug	4.3%	4.2%

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.

International Data and News:

US initial jobless claims edged up last week from 229k to 237k. Private businesses added 54k jobs in August, following an upwardly revised 106y in July. This was below the 65k expected by the market. Combined with yesterday JOLTS figures, this data is pointing to a easing in US labour market conditions.

The **ISM services index** rose to 52.0 in August, a touch above the consensus expectation of 51.0. New orders provided significant support, increasing from 50.3 to 56.0. However, the employment index remained very weak at 46.5.

The **US trade balance** widened from $59.1bn to $78.3bn in July as imports rebounded 5.9% while exports gained just 0.3%.

NY Fed President Williams overnight highlighted his key views. Growth has slowed in 2025 and employment with it. He views the labour market to be in balance and expects this broadly to remain the case going forward. While he does not see evidence of second-round tariff impacts, Williams still expects consumer inflation to hold around 3% through the remainder of 2025 and only slow to 2.5% by end-2026. A slow return towards a neutral policy setting is expected if inflation abates as expected and the labour market remains in robust health.

Euro Area retail sales disappointed in July, declining 0.5%. However, July's disappointment was offset by a positive upward revision to June to 0.6%. Over the year, sales are up 2.2%yr.

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Local Data and News:

Spending momentum remained solid in July, with the ABS monthly h**ousehold spending indicator** rising 0.5%mth, lifting the annual growth rate to 5.1%yr – its strongest pace since November 2023. Excluding alcohol & tobacco spending was up 6.2%yr.

Services drove the gains and helped buffer the post-EOFY sales drop-off, rising 1.6%mth. Services spending has accounted for nearly three-quarters of the headline annual growth.

Higher gold, copper, and meat exports to the US alongside a decline in imports from Singapore drove a further increase in the **goods trade surplus** in July to $7.3bn, from $5.4bn in June.

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