08 September 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

The weaker than expected US nonfarm payroll report raised questions about the outlook for the US economy, with investors now expecting almost 3 rate cuts this year.

Major equity markets in the US and across Europe finished in the red.

Treasuries rallied with the policy sensitive 2-year bond yield down to its lowest level since 2022. Yields also fell across Europe and locally, futures were lower.

The US dollar was lower while the Aussie reached its highest level in six weeks against the Greenback. The Aussie is now consolidating above 0.6500.

Oil was lower on increasingly concerns around oversupply with reports suggesting Saudi Arabia wants OPEC+ to consider reviving more oil production. Gold continued to increase, while iron ore futures remained above US$104 a tonne.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.6	0.0%
AUD/USD	0.6557	0.6%
AUD/JPY	96.65	-0.1%
AUD/GBP	0.4850	0.0%
AUD/NZD	1.1125	-0.2%
AUD/EUR	0.5595	0.0%
AUD/CNH	4.6727	0.5%
AUD/SGD	0.8425	0.2%
AUD/HKD	5.1144	0.6%
AUD/CAD	0.9085	0.9%
EUR/USD	1.1717	0.6%
USD/JPY	147.43	-0.7%
USD Index	97.77	-0.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	0.00
90 day BBSY	3.63	0.00
180 day BBSY	3.76	0.00
1 year swap	3.34	-0.04
2 year swap	3.29	-0.04
3 year swap	3.33	-0.07
4 year swap	3.42	-0.08
5 year swap	3.52	-0.07
6 year swap	3.63	-0.07
7 year swap	3.74	-0.07
8 year swap	3.84	-0.06
9 year swap	3.93	-0.06
10 year swap	4.19	-0.05

Equities	Close	Change
S&P/ASX 200	8,871	0.5%
S&P 500	6,482	-0.3%
Japan Nikkei	43,019	1.0%
Hang Seng	25,418	1.4%
Euro Stoxx 50	5,318	-0.5%
UK FTSE100	9,208	-0.1%
VIX Index	15.18	-0.8%

Commodities	Current	Change
CRB Index	297.77	-0.9%
Gold	3586.69	1.2%
Copper	9838.61	0.0%
Oil (WTI futures)	61.87	-2.5%
Coal (coking)	185.50	0.3%
Coal (thermal)	108.90	-0.8%
Iron Ore	104.50	-0.3%
ACCU	34.13	-4.1%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.47	-0.01
10 year bond	4.34	-0.01
United States		
3-month T Bill	3.91	-0.07
2 year bond	3.51	-0.08
10 year bond	4.07	-0.09
Other (10 year yields)		
Germany	2.66	-0.06
Japan	1.58	-0.02
UK	4.65	-0.07

Sydney Futures Exchange	Current	Change
10 yr bond	4.32	-0.05
3 yr bond	3.43	-0.05
3 mth bill rate	3.58	0.00
SPI 200	8,848	-0.2%

Data as at 7:00am 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 stocks were sold off after two consecutive sessions of decent gains. The weaker than expected US jobs report had investors reassessing the outlook for the world's largest economy. After a positive start, major US equities retreated to finish in the red. The tech megastocks were also lower led by a 2.7% fall in the value of Nvidia, following reports that it is helping OpenAI design and produce an AI accelerator chip. The S&P 500 closed 0.3% lower to finish the week 0.3% in the green. The Dow Jones Industrial Average slid 0.5% on Friday to end the week 0.3% lower, while the Nasdaq was broadly unchanged and outperformed in weekly terms, finishing 1.1% higher
- European markets also closed lower with weaker than expected partial economic data in Germany, the UK and across the euro area hitting risk appetite. The Euro Stoxx 50 was 0.5% lower on Friday and finished the week 0.6% in the red. The FTSE 100 lost 0.1% to finish the week 0.2% higher, despite the downward revisions to retail trade figures coming out of the UK. The German DAX closed 0.7% lower to end the week 1.3% in the red, following the soft new manufacturing orders. Asian markets were generally higher with the CSI 300 up 2.2% on Friday, the Hang Seng finishing 1.4% higher and the Nikkei ending Friday's session 1.0% higher. In the local market, the ASX 200 finished the week 1.1% lower, despite closing 0.5% higher during Friday's session. Futures are pointing to a soft start to today's session.
- While the reactions of equities to the weaker than expected jobs report was muted, the Treasuries rally was anything but, with US two-year yields hitting their lowest level since 2022. The 2-year US bond yield closed 8 basis points lower at 3.51%. The 10-year US bond yield declined 9 basis points to 4.07%, while the 30-year US bond yield declined almost 10 basis points to 4.76%. Interest-rate futures also moved quickly in response to the labour report, pricing in almost 70 basis points of cuts this year, up from around 60 basis points before the jobs report. A September US Fed cut is now almost fully priced in by the market. Yields were also lower in Europe, with 10-year bond yields down 8 basis points in the UK to 4.64%, 6 basis points lower in Germany to 2.66% and 4 basis points lower in France to 3.45%.
- Local yields followed the lead from the US and Europe, also declining during Friday's session. The 3-and-10-year futures were both 5 basis points lower at 3.43% and 4.32%, respectively. Interest-rate futures have a rate cut almost fully priced in for the November RBA Board meeting and a total of 45 basis points of cuts priced in over the remainder of 2025 and 2026.

Today's key data and events

For	Data/Event	Exp	Prev
9:50am	JP GDP Q2 Final	0.3%	0.3%
9:50am	JP Current Account Balance Jul	¥3354.2b	¥1348.2b
6:30pm	EZ Sentix Investor Confidence Sep	-2pts	-3.7pts
12:00am	CN Trade Balance Aug	US$99.4b	US$98.2b
12:00am	CN M2 Money Supply Aug	8.6%	8.8%

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.

- On the back of the lower yields, the US dollar index declined 0.6% to 97.77. The DXY index finished the week broadly unchanged after falling in three of the past four weeks. The Japanese Yen increased, with the USD/JPY pair down 0.7% to 147.43. The euro increased 0.6% to 1.1717.
- The Aussie was 0.6% higher against the Greenback at 0.6557. The Aussie reached a six-week intraday high of 0.6589 during the session. The still cautious message from the RBA Board, the stronger than expected recent GDP and inflation data, the more dovish comments from US Fed Chair Powell, and now the weaker flow of US economic data, should provide the Aussie with some upside.
- Gold was 1.2% higher at US$3,586 an ounce following the fall in the US dollar and as risk appetite took a hit. Oil continued to slide with the West Texas Intermediate for October declining almost 3.0% to US$61.87/bbl. Reports suggest Saudi Arabia wants OPEC+ to consider reviving more oil production amid a push to reclaim market share, weighing on the price of oil and increasing concerns around excess supply. Iron Ore was broadly unchanged with futures in Singapore sitting at around US$104 a tonne.

International Data and News:

US nonfarm payrolls surprised to the downside in August, with just 22k new jobs reported in the month. Job creation in the prior two months was also revised down another 21k, keeping the 3-month average essentially unchanged at 29k.

While well below the average gain of 2024, 168k, as population growth has slowed abruptly in 2025, the current pace is only at the bottom of breakeven estimates -- i.e. it is not indicative of a rapid deterioration in the US labour market.

The household survey outcomes were consistent with this view, the unemployment rate edging up from 4.2% to 4.3% on a 0.1ppt increase in participation. Average hourly earnings growth also remained robust at 0.3%, 3.7%yr.

Euro Area Q2 GDP was confirmed at 0.1% in the third estimate, though the annual rate was edged up to 1.5%yr.

Household spending in Japan increased by 1.4%yr in July, following a 1.3%yr lift in June. The outcome was below 2.3%yr expected by the market.

Retail sales in the UK increased 0.6%mth in July, up from the 0.3%mth lift recorded in June. However, the June estimate was revision lower from the initial estimate of 0.9%mth. This saw retail sales grow 1.1% over the first six months 2025, compared with an initial estimate of 1.7%.

Local Data and News:

Q2 Labour Account confirmed the Australian labour market was re-entering a period of gradual softening. Over 2023 and 2024, the non-market sector was the chief driver of labour market strength, responsible for around 80% of total jobs growth by adding 643k jobs.

Growth in non-market sector jobs is slowing notably, down from 2.2%yr in Q4 to 1.1%yr currently. The contribution of health care and social assistance has halved over this period, but even with this, the current pace is still robust by historical standards. Meanwhile, market sector jobs are tracking a very gradual recovery, up to 0.7%yr currently, still a below-average pace. The improvement in the latter has largely centred around household services (namely accommodation and food).

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