9 September 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

After last week's weak US jobs data, financial markets remained on edge regarding the Fed's policy outlook, continuing to push expected policy rate path lower. Current market pricing now implies nearly three 25bp cuts by year-end.

Despite Prime Minister Shigeru Ishiba's resignation announcement, Japanese equities continued their strong gains – the Nikkei 225 climbed 1.5% – as markets appear focused on progress it signals and the prospect of additional fiscal stimulus.

The euro appreciated 0.4%, even as political uncertainty surged in France, as Prime Minister Francois Baurou's is now expected to resign after losing a parliamentary confidence vote over his fiscal consolidation plans. AUD gained 0.5% reaching 0.6590.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.8	0.3%
AUD/USD	0.6587	0.5%
AUD/JPY	97.15	0.6%
AUD/GBP	0.4866	0.3%
AUD/NZD	1.1095	-0.2%
AUD/EUR	0.5603	0.2%
AUD/CNH	4.6940	0.5%
AUD/SGD	0.8465	0.4%
AUD/HKD	5.1363	0.4%
AUD/CAD	0.9097	0.2%
EUR/USD	1.1763	0.4%
USD/JPY	147.52	0.0%
USD Index	97.46	-0.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	0.00
90 day BBSY	3.63	-0.01
180 day BBSY	3.74	-0.03
1 year swap	3.34	0.00
2 year swap	3.28	-0.01
3 year swap	3.33	0.00
4 year swap	3.42	0.00
5 year swap	3.51	-0.01
6 year swap	3.62	-0.01
7 year swap	3.73	-0.01
8 year swap	3.83	-0.01
9 year swap	3.92	-0.02
10 year swap	4.15	-0.04

Equities	Close	Change
S&P/ASX 200	8,850	-0.2%
S&P 500	6,495	0.2%
Japan Nikkei	43,644	1.5%
Hang Seng	25,634	0.8%
Euro Stoxx 50	5,363	0.8%
UK FTSE100	9,221	0.1%
VIX Index	15.11	-0.5%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.42	-0.05
10 year bond	4.28	-0.06
United States		
3-month T Bill	3.93	0.01
2 year bond	3.49	-0.02
10 year bond	4.04	-0.03
Other (10 year yields)		
Germany	2.64	-0.02
Japan	1.57	-0.01
UK	4.61	-0.04

Commodities	Current	Change
CRB Index	299.40	0.5%
Gold	3635.98	1.4%
Copper	9976.00	0.2%
Oil (WTI futures)	62.42	0.9%
Coal (coking)	186.33	0.4%
Coal (thermal)	107.50	-1.3%
Iron Ore	105.70	0.6%
ACCU	37.75	10.6%

Sydney Futures Exchange	Current	Change
10 yr bond	4.27	-0.04
3 yr bond	3.41	-0.03
3 mth bill rate	3.57	0.00
SPI 200	8,830	-0.3%

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.

Mantas Vanagas
Senior Economist, Westpac Group
P: +61 422 030 326
E: mantas.vanagas@westpac.com.au

Financial Markets:

After last week's weak US jobs data, financial markets remained on edge regarding the Fed's policy outlook, continuing to push expected policy rate path lower. Current market pricing now implies nearly three 25bp cuts by year-end. The upcoming releases of US producer and consumer price data will be closely watched for further insights. In the meantime, early-week data we have received so far has been largely secondary. Chinese trade figures continued to highlight that weak exports to the US are being counterbalanced by rising exports to other Asian countries. The New York Fed Survey noted that US consumer inflation expectations ticked higher last month. Meanwhile, in Europe, German industrial production rose in July, but the Sentix confidence survey suggests weakening momentum later in Q3.

- Most equity markets traded in positive territory. The S&P 500 gained 0.2%, bouncing back after Friday's losses following the payrolls report. European equities mirrored this trend, with the Euro Stoxx 50 up 0.8%. The FTSE 100 edged up by 0.1%. Despite Prime Minister Shigeru Ishiba's resignation announcement, Japanese equities continued their strong gains – the Nikkei 225 climbed 1.5% - as markets appear focused on progress it signals and the prospect of additional fiscal stimulus. The domestic ASX 200 underperformed, slipping by 0.2%.
- Major bonds extended their rally. The 10-year US Treasury yield fell by 3bp to 4.04%, a similar level was last seen just after Liberation Day in early April. The short end of the Treasury curve rallied by a similar margin, but longer maturities outperformed, with the 30-year yield down 7bp to 4.69%, having flirted with 5% just last week. Other major government bonds followed a similar pattern: 10-year Gilt and Bund yields eased by 4bp and 2bp, respectively. Australian yields declined by 4-6bp across the curve.
- In foreign exchange markets, the DXY index eased 0.3% to below 97.50. The Japanese yen held steady at 147.50, while the euro appreciated 0.4%, even as political uncertainty surged in France, as Prime Minister Francois Baurou's is now expected to resign after losing a parliamentary confidence vote over his fiscal consolidation plans. AUD gained 0.5% reaching 0.6590. It rose above 0.66 very briefly in July, but before that, it had not been at that level since last November.
- Crude oil prices stabilised after recent sharp declines, largely reflecting production increases agreed at the OPEC+ meeting over the weekend. WTI rose almost 0.9% to $62.4. Gold advanced further to $3,636. Iron ore also climbed, marking a fifth consecutive day of gains.

International Data:

China's trade figures revealed an improved balance in August, with the surplus rising by nearly $4bn to $102.3bn, surpassing the year-to-date average of almost $98bn. Export growth slowed from 7.2%yr to a six-month low of 4.4%yr, while import growth declined from 4.1%yr to 1.3%yr. The country breakdown continued to indicate that declining Chinese exports to the US are being offset by stronger exports to other Asian markets. In fact, exports to the US were about a third lower than in the second half of 2024, but shipments to most Asian countries continued to see double-digit growth. Exports to Australia also remained robust, increasing by 10.4%yr.

The US consumer credit flows picked up in July, reaching $16.0bn – the second highest level this year -which suggests that after a recovery in Q2, credit flows may remain elevated in Q3.

The New York Fed Survey of Consumer Expectations showed that near-term US inflation expectations edged up in August, rising from 3.09% to 3.20% at the one-year horizon, perhaps due to consumers beginning to notice higher prices on certain goods affected by increased import tariffs. Inflation expectations at the three- and five-year horizons remained little changed. Comparable survey measures from the University of Michigan and market-implied breakeven rates also indicated elevated inflation expectations last month.

Ahead of next week's euro area **industrial production** release for July, equivalent **German** data suggested a potential recovery in Q3 after a Q2 decline. In July, Germany – the region's largest economy – saw industrial production rise for the first time in four months, up 1.3%mth. With an upward revision to prior month's readings, the latest figures now imply the underlying trend over the last year has been broadly flat, rather than declining.

The Sentix euro area confidence survey indicated that, after a positive start to the quarter, growth prospects deteriorated later in Q3. The headline index fell for a second month in September, down 5.5 points to -9.2, only slightly above the average for the first half of the year. Both the current situation and expectations sub-indices declined by a similar margin, with the latter now nearly back at zero – around a midway point between March's peak of 18.0 and April's low of -15.8.

Today's key data and events

For	Data/Event	Exp	Prev
10:30am	AU Westpac-MI Consumer Sentiment Sep	-	98.5pts
11:30am	AU NAB Business Conditions Aug	-	5pts
8:00pm	US NFIB Small Business Optimism Aug	100.5pts	100.3pts

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.

Corporate Directory

Westpac Economics / Australia

Sydney
Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis
Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan
Head of Australian Macro–Forecasting
E: mhassan@westpac.com.au

Elliot Clarke
Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner
Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk
Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante
Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas
Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells
Economist
E: ryan.wells@westpac.com.au

Illiana Jain
Economist
E: illiana.jain@westpac.com.au

Jameson Coombs
Economist
E: jameson.coombs@westpac.com.au

Neha Sharma
Economist
E: neha.sharma1@westpac.com.au

Westpac Economics / New Zealand

Auckland
Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold
Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon
Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs
Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod
Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark
Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva
1 Thomson Street
Suva, Fiji

Shamal Chand
Senior Economist
E: shamal.chand@westpac.com.au

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