10 September 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Despite the record downward revision to past US payrolls and growing geopolitical tension in the middle east, there was a risk on tone as traders locked in a September rate cut, with the magnitude of the cut likely to be determined by US CPI to be released later this week.

US equities were higher while Europe markets were mixed.

Treasuries were sold off which saw the US yield curve shift higher. Yields also increased across Europe and locally, futures were higher.

The US dollar was higher while the Aussie reached its highest level in two months (0.6620) against the Greenback on the back of an increase in the price of iron ore to above US$107 a tonne (for the first time since early 2025).

Oil spiked following Israel's strike in Doha but has pared back some of the initial reaction to still finish 0.7% higher.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.0	0.3%
AUD/USD	0.6584	–0.1%
AUD/JPY	97.07	–0.2%
AUD/GBP	0.4868	0.0%
AUD/NZD	1.1113	0.1%
AUD/EUR	0.5624	0.3%
AUD/CNH	4.6907	–0.1%
AUD/SGD	0.8446	–0.2%
AUD/HKD	5.1287	–0.2%
AUD/CAD	0.9115	0.2%
EUR/USD	1.1709	–0.5%
USD/JPY	147.42	–0.1%
USD Index	97.77	0.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.61	0.00
90 day BBSY	3.63	0.01
180 day BBSY	3.75	0.01
1 year swap	3.37	0.03
2 year swap	3.32	0.04
3 year swap	3.38	0.05
4 year swap	3.45	0.04
5 year swap	3.55	0.03
6 year swap	3.65	0.03
7 year swap	3.76	0.03
8 year swap	3.85	0.03
9 year swap	3.94	0.02
10 year swap	4.20	0.06

Equities	Close	Change
S&P/ASX 200	8,804	–0.5%
S&P 500	6,513	0.3%
Japan Nikkei	43,459	–0.4%
Hang Seng	25,938	1.2%
Euro Stoxx 50	5,369	0.1%
UK FTSE100	9,243	0.2%
VIX Index	15.04	–0.5%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.43	0.01
10 year bond	4.26	–0.01
United States		
3–month T Bill	3.92	0.02
2 year bond	3.56	0.07
10 year bond	4.09	0.05
Other (10 year yields)		
Germany	2.66	0.02
Japan	1.57	0.00
UK	4.62	0.02

Commodities	Current	Change
CRB Index	300.14	0.2%
Gold	3626.72	–0.3%
Copper	9976.00	0.2%
Oil (WTI futures)	62.68	0.7%
Coal (coking)	186.50	0.1%
Coal (thermal)	105.50	–1.9%
Iron Ore	106.55	1.8%
ACCU	37.75	10.6%

Sydney Futures Exchange	Current	Change
10 yr bond	4.32	0.02
3 yr bond	3.47	0.03
3 mth bill rate	3.59	0.02
SPI 200	8,807	0.0%

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 finished higher despite early falls which were triggered by the record downward revision to past US payrolls. These revisions suggest the US labour market was much weaker than previously thought over the year to March 2025. Traders now see a rate cut as almost certain, with the magnitude of the cut likely to be dictated by US inflation data to be released later this week. Tech meagstocks were higher led by Alphabet stocks after a spokesperson for the company said its cloud business would likely see a $58 billion revenue boost by 2027. The S&P 500 Index ended the session 0.3% higher to set a fresh record close, while the Dow Jones Industrial Average and the Nasdaq both rose 0.4%.
- European markets were mixed as political uncertainty in France, soft German car trade numbers and the escalation of tensions in the middle east weighed on sentiment. French Prime Minister Bayrou lost a confidence vote, which saw President Macron appoint Defence Minister Lecornu as the country's next prime minister. This helped France's CAC 40 finish 0.2% higher, reversing some of the 3.3% loss recorded last week. The Euro Stoxx 50 edged 0.1% higher, the FTSE 100 gained 0.2%, while the German Dax lost 0.4% led by car manufacturing stocks. Asian markets were mixed with the CSI 300 down 0.7%, the Hang Seng up 1.2% and the Nikkei down 0.4%. In the local market, the ASX 200 finished 0.5% lower. Futures are pointing to a neutral start to today's session.
- Despite the record downward revision to past US payrolls, Treasuries were sold off which saw the US yield curve shift higher. The 2-year US bond yield closed 7 basis points higher at 3.56%. The 10-year US bond yield increased 5 basis points to 4.09%, while the 30-year US bond yield increased almost 4 basis points to 4.73%. Interest-rate futures have 27 basis points of cuts priced in for the September US Fed meeting. There are almost 6 rate cuts (or 145 basis points of cuts) priced in over 2025 and 2026. Yields were also higher in Europe, with 10-year bond yields 2 basis points higher in the UK to 4.62%, 2 basis points higher in Germany to 2.66%, but were 1 basis point lower in France to 3.47% (in line with yields in Italy).
- Local yields followed the lead from the US and Europe, also increasing in overnight futures trade. The 3-and-10-year futures were 3 and 2 basis points higher at 3.47% 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 49 basis points of cuts priced in over the remainder of 2025 and 2026.
- On the back of the higher yields, the US dollar index edged 0.3% higher to 97.77. The Japanese Yen increased, with the USD/JPY pair down 0.1% to 147.42. The euro was one of the worse performers, down 0.5% 1.1709.
- The Aussie was broadly unchanged against the Greenback at 0.6584 after hitting a 2-month high of 0.6620 during the session, on the back of the increase in iron ore prices. 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.
- Oil finished higher with the West Texas Intermediate for October up 0.7% to US$62.68/bbl, down from the intraday spike of US$63.67/bbl following Israel's strike in Doha. Reports suggest Israel conducted an unprecedented strike against senior Hamas leaders in the Qatari capital of Doha, further increasing tensions in the region. Iron Ore futures spiked to be higher than US$107 a tonne, the highest intraday level since late February, on expectations that Chinese demand will increase significantly following the temporary closure of steel mills in northern China. Gold was a little softer on the back of the higher US dollar while copper rose 0.2% to $9,9976 a tonne on the London Metal Exchange.

Today's key data and events

For	Data/Event	Exp	Prev
8:45am	NZ Net Migration Jul	-	1670k
11:30am	CN CPI Aug	-0.2%	0.0%
10:30pm	US PPI Aug	0.3%	0.9%
12:00am	US Wholesale Inventories Jul Final	0.2%	0.2%

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:

The **US NFIB Small Business Optimism Index** has been on an upward trajectory since the Liberation Day shock and the data for August showed another small increase from 100.3 to 100.8, the highest level since the start of the year. However, most major subcomponents were slightly weaker – a lower share of respondents expected business conditions to improve or that it is good time to expand. Despite the decline, both subindices remained at historically high levels. The assessment of the labour market deteriorated, from net balance of -2 to -5, below the 2024 and H1 2025 averages.

The **Bureau of Labor Statistics** in the US revised down the level payrolls in March 2025 by 911k, more than expected. The new numbers imply that the payrolls increase in the year to March was about half of 1.78mn indicated previously. While the monthly data have not been revised at this point, this cuts the average month increase over that period to just 73k, suggesting that the US labour market was in a significantly worse condition before the Liberation Day tariff shock.

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Local Data and News:

The **Westpac–Melbourne Institute Consumer Sentiment Index** declined 3.1% to 95.4 in September, from 98.5 in August. The sentiment recovery that first gained momentum about a year ago continues to move along in fits and starts. Last month's positive response to a third 25bp interest rate cut from the RBA has been followed by another pull-back. At 95.4, the latest Index read is still 2.5% above its July level and 5.9% above the low seen following the tariff-related turmoil in April but firmly back in 'cautiously pessimistic' territory overall (further details available here).

The **Q2 National and Labour Accounts** showed workers are receiving a larger slice of the 'economic pie,' with growth in costs moderating and demand remaining soft enough to help ensure these lower costs are passed on. Moderating growth in the economy's cost base coupled with a reduced ability to pass on costs in higher prices is, from a central bank's perspective, a sweet spot. It means costs are coming down and demand is soft enough so that these lower costs are passed on, reducing inflationary pressures (further details available here).

The **business conditions index** reversed the two-point decline seen in July, returning to +7 – the same level recorded in June. At this level, the index aligns with its long-term average, suggesting that businesses perceive current conditions as largely consistent with historical norms. Among the key sub-indices, the bounce was evident in profitability (+2 points to 4) and employment (+3 points to 5), while the trading conditions index remained unchanged at 12. Business confidence fell 3 points in August, following four consecutive months of improving sentiment and leaves confidence also close to long run average levels. Forward orders increased again while capacity utilisation also lifted in the month (further details available here).

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