11 September 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

The producer prices, announced overnight, highlighted downside risks to US inflation. Market pricing continues to imply a small possibility of a cut larger than 25bp at next week's FOMC meeting.

The S&P 500 index in the US rose for a third consecutive day, gaining 0.3%. Short-term US Treasury yields were about 1-2 basis points lower. Despite heightened volatility in foreign exchange markets, the DXY index ended the trading session little changed, down just 0.1%.

The Australian dollar outperformed, breaking through 0.66 and trading at its highest level since last November.

In Europe, while today's European Central Bank monetary policy meeting is expected to leave interest rates unchanged, the central bank's communication and updated economic projections will be closely watched for any indication of possible further cuts.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.1	0.2%
AUD/USD	0.6618	0.4%
AUD/JPY	97.52	0.5%
AUD/GBP	0.4890	0.4%
AUD/NZD	1.1132	0.2%
AUD/EUR	0.5655	0.3%
AUD/CNH	4.7079	0.4%
AUD/SGD	0.8482	0.4%
AUD/HKD	5.1515	0.4%
AUD/CAD	0.9167	0.6%
EUR/USD	1.1695	-0.1%
USD/JPY	147.40	0.0%
USD Index	97.85	0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	-0.01
90 day BBSY	3.64	0.01
180 day BBSY	3.77	0.02
1 year swap	3.35	-0.02
2 year swap	3.30	-0.02
3 year swap	3.35	-0.02
4 year swap	3.42	-0.03
5 year swap	3.52	-0.03
6 year swap	3.62	-0.03
7 year swap	3.72	-0.03
8 year swap	3.82	-0.04
9 year swap	3.91	-0.03
10 year swap	4.16	-0.04

Equities	Close	Change
S&P/ASX 200	8,830	0.3%
S&P 500	6,532	0.3%
Japan Nikkei	43,838	0.9%
Hang Seng	26,200	1.0%
Euro Stoxx 50	5,361	-0.1%
UK FTSE100	9,225	-0.2%
VIX Index	15.35	2.1%

Commodities	Current	Change
CRB Index	301.85	0.6%
Gold	3640.75	0.4%
Copper	10013.00	1.0%
Oil (WTI futures)	63.72	1.7%
Coal (coking)	187.00	0.3%
Coal (thermal)	103.80	-1.6%
Iron Ore	106.90	-0.5%
ACCU	37.75	10.6%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.44	0.01
10 year bond	4.27	0.01
United States		
3-month T Bill	3.94	0.00
2 year bond	3.54	-0.01
10 year bond	4.05	-0.04
Other (10 year yields)		
Germany	2.65	-0.01
Japan	1.57	0.00
UK	4.63	0.01

Sydney Futures Exchange	Current	Change
10 yr bond	4.27	-0.03
3 yr bond	3.44	-0.01
3 mth bill rate	3.59	0.01
SPI 200	8,808	-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:

Ahead of next week's Fed monetary policy meeting, where the FOMC is widely expected to resume interest rate cuts, the focus of financial markets this week is primarily on US inflation data. The CPI figures will be released today, and the weaker-than-expected Producer Price Index (PPI) figures announced overnight have highlighted downside risks. In Europe, while today's European Central Bank monetary policy meeting is expected to leave interest rates unchanged, the central bank's communication and updated economic projections will be closely watched for any indication of possible further cuts.

- Sentiment in the major equity markets was generally positive. The S&P 500 index in the US rose for a third consecutive day, gaining 0.3%, with technology stocks – Oracle in particular – leading the advance. European stocks posted small losses, largely reflecting heightened security risks after Nato forces shot down Russian drones over Poland. Meanwhile, Asian equities outperformed, with Japan's Nikkei 225 up 0.9%, marking a fourth sizeable daily gain in the last five days, and Hong Kong's Hang Seng rising 1.0%, extending its rally into a fourth day. Australia's ASX 200 gained 0.3% after losing 0.7% in the previous two days.
- The PPI release miss did not have a significant impact on major bond yields. Short-term US Treasury yields were about 1-2 basis points lower. Longer-term yields shifted down by roughly 4 basis points. Market pricing continues to imply a small possibility of a cut larger than 25bp at next week's FOMC meeting. Movements in major European bond yields were minimal, with 10-year Gilts and Bunds remaining within 1 basis point of the previous day's values. Australian yields followed were similarly little changed, although futures are pointing to a lower 10-year yield at today's market opening.
- Despite heightened volatility in foreign exchange markets, the DXY index ended the trading session little changed, down just 0.1%. Movements in other major currencies were also minor. The euro remained close to 1.17, the yen held steady around 147.50, and the pound was broadly flat at 1.3530. The Australian dollar outperformed, breaking through 0.66 and trading at its highest level since last November.
- In commodity markets, crude oil continued to recoup some of last week's losses, amid escalating tensions in the Middle East and news reports that President Trump has asked EU officials to impose steep tariffs on China and India, both major purchasers of Russian oil. The WTI crude rose 1.7% to $63.70. Copper climbed above $10,000 on supply concerns at the world's second-largest mine in Indonesia. Iron ore eased back slightly, down 0.5%, following strong gains over the past few days.

Today's key data and events

For	Data/Event	Exp	Prev
-	CN M2 Money Supply Aug	8.6%	8.8%
10:15pm	EZ ECB Policy Decision	2.2%	2.2%
10:30pm	US CPI Aug	0.3%	0.2%
10:30pm	US Initial Jobless Claims	235k	237k

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:

The US Producer Price Index surprised to the downside in August, declining 0.1%mth in the month against a 0.3%mth expectation. The increase in July was revised down to 0.7%mth form 0.9%mth reported previously. Core PPI (excluding food and energy) also rose by 0.3%mth. The downside surprise in August came from one category, trade services, which saw the pace of inflation easing to 0.3%mth in August after 0.6%mth in July. These results point to a delay in the passthrough of tariffs and other costs in the supply chain, at least in part due to soft end demand and uncertainty over the policy outlook.

China's CPI declined to an annual rate of -0.4%yr in August, down from zero in July. In contrast, PPI inflation improved from a very weak -3.6%yr to a -2.9%yr, still indicating strong deflationary pressures in the economy. Until excess capacity is fully utilised and consumer demand strengthens, the CPI and PPI are set to remain weak.

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