12 September 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

The long-awaited US CPI printed broadly as expected, but markets were ultimately caught by another weak reading on the labour market, bolstering the case for an imminent Fed rate cut.

US share markets rallied off the back of the dataflow, with Europe following to a milder degree. Treasuries also rallied as traders cemented the view for two more Fed rate cuts before year-end and around four more next year.

All G10 currency pairs strengthened against the USD. The Aussie dollar was a clear outperformer, breaking above the 0.6650 mark for the first time since November 2024.

Crude oil prices pared back after IEA projections warned of the impact of global oversupply amid OPEC+ production hikes. Gold prices edged slightly lower.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.1	0.0%
AUD/USD	0.6657	0.7%
AUD/JPY	98.04	0.5%
AUD/GBP	0.4906	0.4%
AUD/NZD	1.1145	0.1%
AUD/EUR	0.5675	0.4%
AUD/CNH	4.7358	0.6%
AUD/SGD	0.8537	0.6%
AUD/HKD	5.1863	0.7%
AUD/CAD	0.9209	0.5%
EUR/USD	1.1733	0.3%
USD/JPY	147.22	-0.2%
USD Index	97.53	-0.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	0.00
90 day BBSY	3.63	0.00
180 day BBSY	3.75	-0.02
1 year swap	3.34	-0.01
2 year swap	3.29	-0.01
3 year swap	3.34	-0.02
4 year swap	3.40	-0.03
5 year swap	3.49	-0.03
6 year swap	3.58	-0.04
7 year swap	3.68	-0.04
8 year swap	3.78	-0.04
9 year swap	3.86	-0.05
10 year swap	4.12	-0.04

Equities	Close	Change
S&P/ASX 200	8,805	-0.3%
S&P 500	6,587	0.8%
Japan Nikkei	44,373	1.2%
Hang Seng	26,086	-0.4%
Euro Stoxx 50	5,387	0.5%
UK FTSE100	9,298	0.8%
VIX Index	14.71	-4.2%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.42	-0.02
10 year bond	4.23	-0.04
United States		
3-month T Bill	3.93	-0.01
2 year bond	3.54	0.00
10 year bond	4.02	-0.02
Other (10 year yields)		
Germany	2.66	0.00
Japan	1.58	0.01
UK	4.61	-0.03

Commodities	Current	Change
CRB Index	300.32	-0.5%
Gold	3634.07	-0.2%
Copper	10052	0.4%
Oil (WTI futures)	62.29	-2.2%
Coal (coking)	186.75	-0.1%
Coal (thermal)	102.00	-1.7%
Iron Ore	105.65	-1.3%
ACCU	37.75	10.6%

Sydney Futures Exchange	Current	Change
10 yr bond	4.22	-0.03
3 yr bond	3.42	-0.01
3 mth bill rate	3.58	0.00
SPI 200	8,854	0.5%

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.

- US markets rallied off a dataflow that bolstered views for an imminent Fed rate cut – with inflation broadly at-consensus and further evidence of a weakening labour market. The S&P 500 rose 0.8%, the NASDAQ posted a similar gain of 0.7%, while the Dow Jones outperformed with a 1.4% lift.
- Europe largely followed suit but to a slightly milder extent on average, seen across the Euro Stoxx 50 (+0.5%), London's FTSE 100 (0.8%) and Germany's DAX (+0.3%).
- Results were somewhat mixed across Asia, with Tokyo reaching another fresh record high (+1.2%), Shanghai continuing to benefit from AI-driven momentum (+2.3%) while Hong Kong pared back slightly (–0.4%). The ASX 200 shared a similar fate, pulling back –0.3%. Futures markets are pointing to a positive open this morning, though.
- The USD weakened across all G10 currencies. The DXY initially traded back up to be north of 98 before falling away sharply following weaker-than-expected labour market data, seeing the index drop to around the 97.50 level where it continues to trade at the time of writing, marking a –0.3% drop since yesterday's close.
- All G10 currency pairs strengthened against the greenback, with the Euro (+0.3%) and Sterling (+0.3%) rising back to levels seen earlier this week, while the Japanese Yen (+0.2%) and Canadian Loonie (+0.2%) posted slightly more modest gains.
- The Aussie dollar has navigated a plethora of US data-based event risks this week, and has ultimately come out with strength. This is not only evident in the scale of the appreciation overnight (+0.7%), to be back above the 0.6650 mark, but also in the cumulative gains over the past five days, up +2.2% since last week.
- The long end of the Treasury yield curve rallied as rate cut bets were solidified, with the 2Y holding steady at 3.54% while the 10Y shed 2bps to 4.02%. Markets continue to fully price in two rate cuts before year-end and hold onto nearly an additional four rate cuts next year.

Today's key data and events

For	Data/Event	Exp	Prev
8:30am	NZ Manufacturing PMI Aug	-	52.8pts
8:45am	NZ Card Spending Aug	-	0.6%
1:40pm	AU RBA's Jones-Speech	-	-
2:30pm	JP Industrial Production Jul Final	-	-1.6%
4:00pm	GB Trade Balance Jul	-£4100b	-£5015b
12:00am	US Uni. Of Michigan Sentiment Sep Prel.	58pts	58.2pts

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.

- Moves elsewhere were bit more mixed and marginal, with Bunds bear flattening and Gilts bull flattening. Aussie bond yields (futures) followed a broadly similar pattern to the US, with the 3Y down just 1bp while the 10Y fell 3bps.
- Momentum in crude oil prices was checked after IEA projections emphasised the risk of global oversupply as OPEC+ reinvigorates production. The first-generic futures contract for WTI fell –2.2% to US$62.29/bbl. Iron ore continues to trade above the US$105 mark while copper lifted 0.4% to US$10,052. Gold prices edged slightly lower, down –0.2% to around US$3,634/oz.

International Data:

In the US, **headline consumer inflation** rose 0.4% (2.9%yr) in August, while **core consumer inflation** held at 3.1%yr. The detail showed some further evidence of a gradual pass-through of tariffs, with momentum in core goods inflation clearly higher over the past six months. Capacity constraints remain a key concern for services though, both now and into the medium-term. In total, this week's data makes the case that wholesalers and retailers are mostly absorbing the initial impact of tariffs, but the concern is that businesses cannot do this indefinitely given the scale of the increase in tariffs, which doubled in effective terms in August.

Meanwhile, **initial jobless claims** posted a notable bump higher last week. While there may have been some abnormal impact from weather distortions, this still represents a meaningful jump higher against the backdrop of other labour market data that is also showing a clear softening trend.

The **ECB** decided to leave monetary policy unchanged, as widely expected. The Governing Council's updated macroeconomic projections featured minimal changes to the outlook – GDP is forecast to print 1.2%, 1.0% and 1.3% in 2025, 2026 and 2027 respectively, while inflation is expected to print 2.1%, 1.7% and 1.9% over the same time periods. President Lagarde took time to underscore the resilience of the region's economy thus far, while the US-EU trade agreement fosters a more even balance of risks around economic activity. Forward guidance was also little-changed: a "data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance". The central risk is for inflation to drop too far below the ECB's 2% target toward the end of its forecast horizon, especially given the starting point of weaker growth.

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