



16 September 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

It was a relatively quiet start to the week on the data front. Progress on US-China trade negotiations remain gradual, with the latest being a framework for a deal around TikTok being reached, while other discussions around trade and export controls are ongoing.

Markets continued to position themselves ahead of what is set to be a very busy week of international monetary policy decisions.

Treasuries and stocks rallied while the USD sold off in anticipation of a widely expected 25bp rate cut from the Fed. Whether the dot plots and associated commentary from Chair Powell prove more dovish or balanced is the key focus for markets.

The Aussie dollar continues to impress, building on last week's momentum and holding more sustainably above the 0.6650 level, currently around 0.6670.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	61.5	0.0%	30 day BBSY	3.59	-0.01
AUD/USD	0.6669	0.3%	90 day BBSY	3.63	-0.01
AUD/JPY	98.32	0.1%	180 day BBSY	3.75	0.01
AUD/GBP	0.4905	0.0%	1 year swap	3.35	-0.01
AUD/NZD	1.1169	0.1%	2 year swap	3.31	-0.02
AUD/EUR	0.5671	0.1%	3 year swap	3.35	-0.03
AUD/CNH	4.7485	0.2%	4 year swap	3.44	-0.03
AUD/SGD	0.8540	0.0%	5 year swap	3.53	-0.03
AUD/HKD	5.1897	0.3%	6 year swap	3.63	-0.03
AUD/CAD	0.9189	-0.2%	7 year swap	3.74	-0.03
EUR/USD	1.1762	0.2%	8 year swap	3.83	-0.02
USD/JPY	147.40	-0.2%	9 year swap	3.91	-0.02
USD Index	97.35	-0.2%	10 year swap	4.16	0.00

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,853	-0.1%	Australia		
S&P 500	6,615	0.5%	3 year bond	3.46	0.03
Japan Nikkei	44,768	0.9%	10 year bond	4.27	0.06
Hang Seng	26,447	0.2%	United States		
Euro Stoxx 50	5,440	0.9%	3-month T Bill	3.90	-0.04
UK FTSE100	9,277	-0.1%	2 year bond	3.54	-0.02
VIX Index	15.69	6.3%	10 year bond	4.04	-0.03
			Other (10 year yields)		
Commodities	Current	Change	Germany	2.69	-0.02
CRB Index	305.47	1.2%	Japan	1.59	0.00
Gold	3678.99	1.0%	UK	4.63	-0.04
Copper	10186	1.2%			
Oil (WTI futures)	63.30	1.0%	Sydney Futures Exchange	Current	Change
Coal (coking)	186.50	0.1%	10 yr bond	4.27	-0.05
Coal (thermal)	103.95	1.1%	3 yr bond	3.44	-0.03
Iron Ore	107.15	-0.4%	3 mth bill rate	3.58	0.00
ACCU	37.75	10.6%	SPI 200	8,890	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:

- US markets started the week in the green, with all eyes on a fully priced in rate cut from the Fed later this week. The S&P 500 rose 0.5% while the tech-heavy NASDAQ outperformed with a 0.9% gain. European markets were mixed, with the Euro Stoxx 50 also lifting 0.9%, led by defence and luxury stocks. Meanwhile, Germany's DAX posted a more tepid 0.2% lift, while London's FTSE 100 dipped -0.1%.
- Much of Asia was in the green, with stocks in Tokyo (+0.9%) and Hong Kong (+0.2%) continuing to build on last week's momentum. However, the ASX 200 dipped -0.1% on losses across healthcare and materials. Futures markets are pointing to a positive open.
- Treasuries rallied in anticipation of the widely expected 25bp rate cut from the Fed this week. This saw yields move lower across the curve, with the 2Y down 2bps to 3.53%, the 10Y down 3bps to 4.04% and the 30Y down 2bps to 4.66%.
- Beyond September, markets continue to aggressively price in a deep and extended rate cutting cycle from the Fed. In doing so, markets will be closely watching the dot plots and Chair Powell's commentary for 'dovish' signals that indicate a willingness to look past inflation risks and respond to a weaker labour market outlook.
- Aussie government bond yields (futures) broadly followed suit, with the 3Y down 3bps and the 10Y down 5bps. Yields also fell across the UK and Germany.
- The USD weakened across all G10 currencies, seeing the DXY index fall -0.2% to 97.35, toward the lower end of the range traded over the past month. Across the major DXY pairs, the Canadian Loonie outperformed with a 0.5% gain, back toward the middle of the post-Liberation Day range. This was closely followed by the Sterling (+0.4%) and the Euro (+0.3%), both of which are back near recent highs. The Japanese Yen rose 0.2% but largely remains tightly range-bound between USD146.50 to USD149.
- The Aussie dollar continues to impress, building on last week's momentum and holding more sustainably above the 0.6650 level, currently around 0.6670. The Fed's guidance following their decision is the key event risk this week for the AUD/USD, and if it were to land more dovish than anticipated, further upside for the Aussie is likely in store.
- Crude oil prices started the week on firm footing, with the first-generic futures contract for WTI rising 1.0% to US\$63.30/bbl. Concerns over Russian supply alongside pressure on Europe from the US to reduce reliance on Russian oil is providing near-term upside, but the risk of global oversupply looms as a key downside risk to prices medium-term. Gold meanwhile surged to another fresh record high, up 1.0% to around US\$3680/oz. Copper prices rose 1.2%.

Today's key data and events

For	Data/Event	Exp	Prev
8:45am	NZ Food Price Index Aug	-	0.7%
9:50am	AU RBA's Hunter-Fireside Chat	-	-
4:00pm	GB ILO Unemployment Rate Jul	4.7%	4.7%
7:00pm	EZ Zew Survey Of Expectations Sep	-	25.1pts
7:00pm	EZ Industrial Production Jul	0.4%	-1.3%
10:30pm	CA CPI Aug	0.0%	0.3%
10:30pm	US Retail Sales Aug	0.2%	0.5%
10:30pm	US Import Price Index Aug	-0.2%	0.4%
12:00am	US Business Inventories Jul	0.2%	0.2%
12:00am	US NAHB Housing Market Sep	33pts	32pts

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:

- In China, August's activity data continued to highlight the challenges facing the economy as momentum across the consumer and housing sectors remain lacklustre, providing a cause for further, targeted stimulus to build confidence and jumpstart these areas of the economy. Growth in **retail sales** was a touch softer than expected, paring back from 4.8%yr ytd to 4.6%yr ytd, driven by weaker spending on household appliances. Meanwhile, **fixed asset investment** surprised materially to the downside, falling from 1.6%yr ytd to 0.5%yr ytd. Signalling a clear lack of confidence in the economic outlook, **property investment** slipped further from -12.0%yr to -12.9%yr. Trade and **industrial production** remain key pillars of support against this backdrop, the latter holding broadly steady at around 6.2%yr ytd.
- In the US, the **NY Fed Empire Index** showed a deterioration in local manufacturing conditions in the month, slipping from +11.9 in August to -8.7 in September. These regional surveys are prone to large swings, but on balance, the data shows that a sustainable recovery in manufacturing conditions remains elusive, with only short 'bursts' of expansion being followed by longer periods of contraction. That both current and expected employment continued to weaken provides yet another signal of a slowing labour market.
- In the Eurozone, the **trade surplus** widened slightly from €3.7bn in June to €5.3bn in July, driven by a decline in imports amid virtually flat export growth.



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