



10 September 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets were in a holding pattern ahead of the expected cut to US rates, to be announced tomorrow morning (4am local time). While a cut is widely expected, investors will be dissecting Fed communication and changes to the 'dot plot' for clues on future moves.

US equities finished slightly lower, while European markets finished firmly in the red as Reuters reported the US was considering further tariffs, including on car parts.

There was small moves in yields, with the policy sensitive 2-year US yield down 3 basis points despite strong retail data.

The US dollar continued to fall while the Aussie held on to recent gains, reaching its highest level (0.6688) since November 2024. On the back of expected yield support, the euro reached a four year high.

Oil was higher, gold set a fresh record high, while iron ore continues to trade above US\$105 a tonne.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.5	0.0%
AUD/USD	0.6686	0.3%
AUD/JPY	97.94	-0.4%
AUD/GBP	0.4900	-0.1%
AUD/NZD	1.1164	0.0%
AUD/EUR	0.5635	-0.6%
AUD/CNH	4.7494	0.0%
AUD/SGD	0.8531	-0.1%
AUD/HKD	5.2016	0.2%
AUD/CAD	0.9184	0.0%
EUR/USD	1.1864	0.9%
USD/JPY	146.49	-0.6%
USD Index	96.65	-0.7%

Equities	Close	Change
S&P/ASX 200	8,878	0.3%
S&P 500	6,607	-0.1%
Japan Nikkei	44,902	0.3%
Hang Seng	26,439	0.0%
Euro Stoxx 50	5,372	-1.3%
UK FTSE100	9,196	-0.9%
VIX Index	16.36	4.3%

Commodities	Current	Change
CRB Index	307.28	0.6%
Gold	3693.44	0.4%
Copper	10146.23	1.2%
Oil (WTI futures)	64.56	2.0%
Coal (coking)	188.50	1.1%
Coal (thermal)	105.50	3.1%
Iron Ore	105.85	0.6%
ACCU	37.75	10.6%

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.

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.59	0.00
90 day BBSY	3.61	-0.02
180 day BBSY	3.73	-0.01
1 year swap	3.34	-0.01
2 year swap	3.31	0.00
3 year swap	3.35	0.00
4 year swap	3.44	0.00
5 year swap	3.53	0.00
6 year swap	3.63	0.00
7 year swap	3.73	0.00
8 year swap	3.83	-0.01
9 year swap	3.91	0.00
10 year swap	4.15	-0.01

Government Bond Yields	Close	Change
Australia		
3 year bond	3.42	-0.04
10 year bond	4.22	-0.05
United States		
3-month T Bill	3.86	-0.02
2 year bond	3.51	-0.03
10 year bond	4.03	-0.01

Other (10 year yields)		
Germany	2.69	0.00
Japan	1.60	0.01
UK	4.64	0.01

Sydney Futures Exchange	Current	Change
10 yr bond	4.26	0.00
3 yr bond	3.43	0.00
3 mth bill rate	3.58	0.00
SPI 200	8,841	-0.3%



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Financial Markets:

- The rally in US equities took a breather as investors' focus shifted to the US Federal Reserve decision. The S&P 500 and Nasdaq both pulled back from record highs to close 0.1% lower in New York – the Nasdaq snapped a nine-session winning streak, the longest since 2023. The Dow Jones Industrial Average closed 0.3% lower, paring early losses late in the session.
- European markets finished lower as concerns over US trade policy increased after Reuters reported the US is considering new levies on imported car parts. The Euro Stoxx 50 closed 1.3% lower. The FTSE 100 lost 0.9% ahead of the BoE meeting later this week where rates are expected to remain unchanged. The German Dax lost 1.8% despite improving investor confidence. Asian markets were mixed with the CSI 300 down 0.2%, the Hang Seng flat, while the Nikkei gained 0.3%. In the local market, the ASX 200 finished 0.3% higher led by energy and material stocks. Futures are pointing to a soft start to today's session.
- The rally in Treasuries continued ahead of the US Fed decision. The 2-year US bond yield closed 3 basis points lower at 3.51%. The 10-year US bond yield declined 1 basis point to 4.03%, while the 30-year US bond yield also fell 1 basis point to 4.65%. Interest-rate futures have 26 basis points of cuts priced in for the September US Fed meeting. There are almost 6 rate cuts (or 147 basis points of cuts) priced in over 2025 and 2026. Yields were slightly higher in Europe, with 10-year bond yields 1 basis points higher in the UK to 4.64%, 1 basis point higher in France to 3.49%, and unchanged in Germany at 2.69%.
- Local yields followed the lead from the US, also falling in overnight futures trade. The 3-and-10-year futures were 4 and 5 basis points lower at 3.42% and 4.22%, respectively. Interest-rate futures have a rate cut almost fully priced in for the November RBA Board meeting (around 22 basis points) and a total of 45 basis points of cuts priced in over the remainder of 2025 and 2026.
- On the back of the lower yields, the US dollar index declined 0.7% to 96.65 and traded at an intraday low of 96.556 – the lowest since 1 July 2025. Concerns over the independence of the Fed are also likely to be weighing on the Greenback. The Japanese Yen increased, with the USD/JPY pair down 0.6% to 146.49. The euro outperformed, up 0.9% to 1.1864 – the highest in four years, on the back of growing yield support. As noted, there are almost 6 rate US rate cuts priced in by markets, while the ECB is expected to leave rates unchanged.
- The Aussie held on to recent gains, up 0.3% to 0.6686. The AUD/USD pair reached an intraday high of 0.6688 – the highest level since November 2024. The still cautious

Today's key data and events

For	Data/Event	Exp	Prev
7:00am	NZ Westpac-MM Consumer Confidence Q3	-	91.2pts
8:45am	NZ Current Account Balance Q2	-NZ\$2.7b	-NZ\$2.3b
10:30am	AU Westpac-MI Leading Index Aug	-	0.1%
11:30am	AU RBA's Jones-Fireside Chat	-	-
4:00pm	GB CPI Aug	0.3%	0.1%
10:30pm	US Housing Starts Aug	-4.4%	5.2%
10:30pm	US Building Permits Aug Prel.	0.6%	-2.2%
11:45pm	CA BoC Policy Decision	2.50%	2.75%
4:00am	US FOMC Policy Decision	4.25%	4.50%

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.

message from the RBA Board, the stronger than expected recent GDP and inflation data, the more dovish comments from US Fed official, and the significant number of expected US rate cuts, should provide the Aussie with some upside.

- Oil finished higher with the West Texas Intermediate for October up 2.0% to US\$64.56/bbl as pressure mounted on Russia's oil exports and tensions in the Middle East increased. Ukrainian military forces have intensified strikes on Russian energy facilities, with data starting to show depressed output. In addition, reports suggest Western nations are considering fresh sanctions in a bid to push President Putin to the negotiating table. Gold rose to above US\$3,700 an ounce for the first time ever as the US continued to decline. Gold has surged by more than 40% this year. Iron Ore futures increased 0.6% to US\$105.58 a tonne, as China's daily steel output continues to show signs of improvement.

International Data and News:

US retail sales rose 0.6%*month* in August, exceeding consensus expectations of a 0.2%*month* lift. Sales in the control group, which provides the best indication of the impact on GDP, were up 0.7%*month* to leave the July and August average at 1.6%, well above the 1.0% reported for Q2, suggesting that the private consumption is on track to accelerate this quarter.

US industrial production slightly exceeded expectations in August, rising 0.1%*month*, with vehicles production providing a boost. July's print was revised down from -0.1%*month* to -0.4%*month*, and that profile implies a flat average output level so far in Q3, down from 1.0% growth in Q1 and 0.4% in Q2.

The NAHB single-family house builder confidence indicator in the US printed 32 in September, one of the lowest readings since 2012, when the US housing market started recovering post-GFC. It has been little changed at that level since May, suggesting lack of confidence among house builders in the uncertain economic environment.

The latest release of the **ZEW financial market experts survey** was consistent with mildly positive view for the euro area economic outlook. The headline expectations index

increased one point to 26.1, somewhat above the long-term and this year's averages (both closer to 20). The current conditions index rose by more than 2pts, implying that the economic situation over Q3 was the most favourable since Q1 2022.

Euro area industrial production rose 0.3%*mth* in July recovering from a 0.6%*mth* drop in June (revised up from -1.3%*mth*). The output level matched the average of the first half of the year and, even though it has recovered from the last years lows, it was no higher than two years ago suggesting continuing stagnation in the sector.

The latest **UK jobs data** for July suggested broadly stable conditions in the labour market. The headline three-month employment growth remained firm at 232k, little changed from the prior month and well above the average growth pace seen in the first half of the year. But the labour supply also continued rising, as the inactive population category maintained the downward trend seen for around a year. As a result, having drifted about 0.5ppt higher over the course of twelve months to May 2025, the headline three-month unemployment rate remained at 4.7% for a third month. The private sector regular wage growth eased 0.1ppt to 4.7%*yr*, but the deflationary impulse from the labour markets seems to have faded in recent months, with the three-month growth rate moving broadly sideways.

Local Data and News:

The **Westpac-ACCI Business Survey** showed conditions in Australia's manufacturing sector deteriorated moving into the second half of the year, with the Actual Composite slipping from an expansionary read of 51.5 in Q2 to a contractionary read of 48.8 in Q3. Despite this, manufacturers remained optimistic with the Westpac-ACCI Expected Composite remaining firmly in optimistic territory. There is a risk that manufacturers' strong expectations on the outlook are not met, particularly if recovery in private sector demand were to remain gradual and uneven.



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