



18 September 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

The FOMC delivered on the widely expected 25bp rate cut and signalled a further four rate cuts, two of which are expected to be delivered before the end of the year.

Chair Powell noted the shift in labour market conditions but characterised the decision more so as “risk management”, providing more balanced commentary around risks, resulting mixed moves across markets.

Treasuries initially rallied after the decision but subsequently sold-off as the commentary was digested, seeing the yield curve shift higher and steepen at the margin.

FX markets were initially erratic but the USD ultimately came out on top, with the DXY moving higher. Against the backdrop of a USD appreciation, crude oil snapped a three-day winning streak and gold moved off record highs.

## Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.5	0.0%
AUD/USD	0.6650	-0.5%
AUD/JPY	97.73	-0.1%
AUD/GBP	0.4878	-0.3%
AUD/NZD	1.1152	-0.1%
AUD/EUR	0.5630	0.0%
AUD/CNH	4.7211	-0.5%
AUD/SGD	0.8486	-0.3%
AUD/HKD	5.1733	-0.5%
AUD/CAD	0.9161	-0.2%
EUR/USD	1.1812	-0.5%
USD/JPY	146.96	0.3%
USD Index	97.03	0.4%

Equities	Close	Change
S&P/ASX 200	8,818	-0.7%
S&P 500	6,600	-0.1%
Japan Nikkei	44,790	-0.2%
Hang Seng	26,908	1.8%
Euro Stoxx 50	5,370	0.0%
UK FTSE100	9,208	0.1%
VIX Index	15.72	-3.9%

Commodities	Current	Change
CRB Index	303.60	-1.2%
Gold	3659.90	-0.8%
Copper	9996	-1.3%
Oil (WTI futures)	64.00	-0.8%
Coal (coking)	189.00	0.3%
Coal (thermal)	108.00	1.0%
Iron Ore	105.90	-0.3%
ACCU	37.75	10.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.59	0.00
90 day BBSY	3.61	0.00
180 day BBSY	3.73	0.00
1 year swap	3.35	0.00
2 year swap	3.31	0.01
3 year swap	3.37	0.02
4 year swap	3.45	0.01
5 year swap	3.54	0.01
6 year swap	3.64	0.01
7 year swap	3.74	0.01
8 year swap	3.84	0.01
9 year swap	3.92	0.01
10 year swap	4.18	0.03

Government Bond Yields	Close	Change
<b>Australia</b>		
3 year bond	3.41	-0.01
10 year bond	4.22	0.00
<b>United States</b>		
3-month T Bill	3.87	0.00
2 year bond	3.55	0.05
10 year bond	4.09	0.06

Other (10 year yields)		
Germany	2.68	-0.02
Japan	1.60	0.00
UK	4.63	-0.01

Sydney Futures Exchange	Current	Change
10 yr bond	4.29	0.03
3 yr bond	3.46	0.02
3 mth bill rate	3.58	0.00
SPI 200	8,793	-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:

- The Fed delivered on the widely expected 25bp rate cut and the 'dot plots' signalled a further two rate cuts this year, in line with market pricing. However, Chair Powell's comments proved to be more balanced (i.e. less dovish) than markets anticipated, seeing share markets finished broadly mixed. The S&P 500 edged -0.1% lower, the NASDAQ -0.3%, while the Dow Jones managed to lift +0.6%.
- European markets were similarly mixed. The Euro Stoxx 50 held flat, while both Germany's DAX and London's FTSE 100 rose 0.1%, putting only a small dent in the cumulative losses experienced so far this week.
- The rally in Hong Kong stocks has shown few signs of letting up thanks to the momentum in tech, with a 1.8% gain putting the year-to-date appreciation at 34%. The ASX 200 meanwhile fell -0.7% with losses broad-based across sectors. Futures markets are pointing to another soft open this morning.
- FX markets were far more erratic in the immediate aftermath of the decision, with the DXY nearly testing a low just of 96.2 mark before whipsawing back toward 97.0, with the index ultimately settling around 0.4% higher at 97.03.
- All G10 currencies depreciated against the greenback. This was particularly evident for the Euro (-0.5%), but in context, the decline did little to offset even yesterday's solid gain. The Japanese Yen (-0.3%), Sterling (-0.2%) and Loonie (-0.3%) all pared back, but moves were modest within recent ranges.
- The Aussie dollar was subject to similar trends, temporarily jumping above 0.67 for the first time in nearly a year, before ultimately paring back -0.5% to around 0.6650, still well within the range traded over the past week.
- Treasuries initially rallied after the decision, but ultimately continued to sell-off as Chair Powell continued to note the risk of persistent inflation that needs to be managed. The 2-year rose 5bps to 3.55%, while the 10-year rose 6bps to 4.09%.
- Aussie government bonds (futures) broadly followed suit but to a more modest degree, with the 3-year rising 2bps and the 10-year rising 2bps. Across the pond, longer-dated bond yields fell, with the 10-year Bund and Gilt down 2bps and 1bp respectively.
- Crude oil snapped its three-day winning streak as the USD appreciated and traders digested the Fed and weaker inventories data, with the first-generic futures contract for WTI fell -0.8% to US\$64.00/bbl. The USD's bounce saw gold move off a record high, paring back -0.8% from a record high to trade around the US\$3660/oz mark. Copper and iron ore was also softer, easing -1.3% and -0.3% respectively.

## Today's key data and events

For	Data/Event	Exp	Prev
8:45am	NZ GDP Q2	-0.2%	0.8%
9:50am	JP Machinery Orders Jul	-1.5%	3.0%
11:30am	AU Employment Aug	21k	24.5k
11:30am	AU Unemployment Rate Aug	4.2%	4.2%
9:00pm	GB BoE Policy Decision	4%	4%
10:30pm	US Initial Jobless Claims	240k	263k
10:30pm	US Philly Fed Sep	1.8pts	-0.3pts
12:00am	US Leading Index Aug	-0.2pts	-0.1pts

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 **FOMC** cut the fed funds rate by 25bps to a mid-point of 4.125% as widely expected. The 'dot plots' showed that the median Committee member expects there to be another 100bps of rate cuts beyond today's decision, with 50bps of that occurring before the end of this year. The latter is broadly in line with expectations, but the scale of rate cuts in 2026 was below market expectations prior to the decision.

This return back to 'neutral' policy is expected to occur alongside a recovery to trend GDP growth through to 2028 (1.8%), an unemployment rate that moves to the longer-run estimate of full employment (4.2%), and an inflation outlook that remains relatively benign, moving close to target by 2027 (2.1%).

In the subsequent press conference, Chair Powell made clear that the labour market can no longer be characterised as "very solid", but his commentary arguably took a more balanced approach in speaking to the risks to around employment and inflation – the outlooks for which remain very uncertain.

Further north, the **Bank of Canada** eased by 25bps to 2.50%. The statement was arguably more dovish than expected, noting that inflation pressures are abating and that downside risks for activity and the labour market remain. Today's decision is seen as creating a better balance of risks. The Committee is willing to ease further if deemed appropriate given incoming data.

In the Eurozone, the final estimate to **August's CPI** read saw inflation return back to target at 2.0%yr, with core inflation only modestly above at 2.3%yr. In the UK, **August's CPI** data was as expected, printing 3.8%yr on the headline measur.

## Local Data and News:

In Australia, the **Westpac-MI Leading Index** slipped from +0.11% in July to -0.16% in August, pointing to a loss of economic momentum heading into year-end (see [here](#)).

In New Zealand, the **Q2 Balance of Payments** brought about substantial revisions that have lowered recent estimates of the current account deficit (see [here](#)). Also, the **Q3 Westpac McDermott Miller Consumer Confidence** survey reported a slight pull-back, down -0.3ppts to 90.9, still well below historical averages (see [here](#)).



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