



22 September 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

Hopes of a US-China trade deal supported risk sentiment as President Trump and President Xi Jinping held their first discussion since June. US equities recorded fresh record highs for the second consecutive session.

Yields on Treasuries ticked slightly higher, which supported the US dollar. The Yen was broadly unchanged after increasing sharply following the BoJ announcement that it would begin to unwind its holdings of ETFs and JREITs. The Nikkei was lower and bond yields in Japan ticked higher as markets viewed the 7-2 vote to keep rates steady as a sign there is growing hawkish pressure within the BoJ.

The Aussie continues to trade around the 0.6600 mark. Further cautious messaging when the RBA Governor appears before the House of Reps economics committee this morning could provide the Aussie with a tailwind.

## Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	61.0	-0.2%	30 day BBSY	3.59	0.00
AUD/USD	0.6593	-0.3%	90 day BBSY	3.60	-0.01
AUD/JPY	97.55	-0.3%	180 day BBSY	3.72	0.00
AUD/GBP	0.4895	0.3%	1 year swap	3.34	0.00
AUD/NZD	1.1255	0.1%	2 year swap	3.32	0.01
AUD/EUR	0.5614	0.1%	3 year swap	3.38	0.02
AUD/CNH	4.6945	-0.1%	4 year swap	3.47	0.03
AUD/SGD	0.8468	-0.1%	5 year swap	3.57	0.03
AUD/HKD	5.1280	-0.3%	6 year swap	3.68	0.03
AUD/CAD	0.9087	-0.4%	7 year swap	3.78	0.03
EUR/USD	1.1746	-0.4%	8 year swap	3.87	0.03
USD/JPY	147.95	0.0%	9 year swap	3.96	0.03
USD Index	97.64	0.3%	10 year swap	4.18	0.02

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,774	0.3%	<b>Australia</b>		
S&P 500	6,664	0.5%	3 year bond	3.42	0.04
Japan Nikkei	45,046	-0.6%	10 year bond	4.24	0.05
Hang Seng	26,545	0.0%	<b>United States</b>		
Euro Stoxx 50	5,458	0.0%	3-month T Bill	3.87	-0.01
UK FTSE100	9,217	-0.1%	2 year bond	3.57	0.01
VIX Index	15.45	-1.6%	10 year bond	4.13	0.02

Commodities	Current	Change	Other (10 year yields)		
CRB Index	298.99	0.0%	Germany	2.75	0.02
Gold	3685.30	1.1%	Japan	1.65	0.04
Copper	9952.01	0.6%	UK	4.72	0.04

			Sydney Futures Exchange	Current	Change
Oil (WTI futures)	62.68	-1.4%	10 yr bond	4.29	0.00
Coal (coking)	187.00	-0.5%	3 yr bond	3.44	0.00
Coal (thermal)	109.10	-0.2%	3 mth bill rate	3.58	0.00
Iron Ore	107.35	0.8%	SPI 200	8,852	0.3%
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.

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## Financial Markets:

- US equities closed at fresh record highs for the second consecutive session, extending the rally which kicked off after the Fed cut rates earlier in the week. Reports the US President and President Xi Jinping held their first direct talks since June, which would be followed up by further talks during the APEC Summit late in the week, supported the risk on sentiment. Again, tech stocks outperformed led by Nvidia. The S&P 500 closed 0.5% higher and finished the week 1.2% in the green - chalking up its third consecutive week of gains. The Dow Jones Industrial Average gained 0.4% on Friday to end the week 1.1% higher, while the Nasdaq outperformed, closing 0.7% higher on Friday and ending the week 2.2% in the green - the largest weekly gain since early August this year.
- European markets were mixed ahead of economic indicators to be released early this week which will provide a real time read on the state of key euro area economies, including Germany and the UK. Despite this, European equities are hovering around the record highs recorded in March this year. The Euro Stoxx 50 was flat on Friday and finished the week 1.3% higher. The FTSE 100 dipped 0.1% to finish the week 0.7% in the red. The German DAX closed 0.2% lower to end the week 0.3% in the red.
- Asian markets also mixed with the CSI 300 up 0.1% on Friday and the Nikkei ending Friday's session 0.6% lower following the BoJ surprise announcement it would unwind its ETF holdings overtime. In the local market, the ASX 200 finished the week 1.0% lower, marking the third consecutive week of losses, despite closing 0.3% higher during Friday's session. Futures are pointing to a soft start to today's session.
- There was a slight sell off in Treasuries ahead of the 'triple-witching option expiry'. The 2-year US bond yield closed 1 basis point higher at 3.57%. The 10-year US bond yield increased 2 basis points to 4.13%, while the 30-year US bond yield also increased 2 basis points to 4.74%. Interest-rate futures have a rate cut almost fully priced in for the October Fed meeting and a total of 110 basis points of cuts priced in over the remainder of 2025 and 2026. Yields were slightly higher in Europe, with 10-year bond yields up 4 basis points in the UK to 4.71%, 2 basis points in Germany to 2.71% and 4 basis points in France to 3.56%. In Japan, the 10-year bond yield jumped 4 basis points to 1.63%, following the BoJ decision to hold rates steady - interest-rate futures have fully priced in a rate hike by March 2026.
- Local yields were broadly unchanged on futures with the 3-year futures sitting at 3.44% and the 10-year futures trading at 4.29%. The local yield curve steepened over the week with the 2-year yield down 13 basis points lower, while

## Today's key data and events

For	Data/Event	Exp	Prev
11:00am	AU RBA's Bullock-Testimony	-	-
10:30pm	US Chicago Fed Activity Index Aug	-0.2pts	-0.2pts
12:00am	EZ Consumer Confidence Sep Prel.	-15pts	-15.5pts

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.

the 10-year yields were 25 basis points higher. Interest-rate futures have a rate cut almost fully priced in for the November RBA Board meeting and a total of 45 basis points of cuts priced in over the remainder of 2025 and 2026.

- On the back of the slightly higher yields, the US dollar index advanced 0.3% to 97.64. The DXY index finished the week broadly unchanged after falling in five of the past six weeks. The Japanese Yen finished the session broadly unchanged at 147.95. The USD/JPY pair declined to 147.20 following the BoJ announcements, before recovering to a high of 148.82 and settling a touch under 148.00. The euro declined 0.4% to 1.1746.
- The Aussie was 0.3% lower against the Greenback at 0.6563. The Aussie traded within a narrow range (0.6586 to 0.6620) and is now pushing to consolidate above the 0.6600 mark. The still cautious message from the RBA Board, the stronger than expected recent GDP and inflation data, the more dovish comments from US Fed Chair Powell and the weaker flow of US economic data, should provide the Aussie with some upside.
- Oil declined for the third consecutive session as the call between President Trump and Chinese President Xi Jinping helped to reduce concerns the US would place indirect levies on Russian crude. West Texas Intermediate fell 1.4% to US\$62.68/bbl. Gold was 1.1% higher at US\$3,685 as investors increasingly expect the Fed to cut rates again next month. Iron Ore increased 0.8% to US\$107.35 a tonne as the US President stopped US Steel from halting its operations at a plant in Illinois.

## International Data and News:

**Minneapolis Fed President Neel Kashkari** said he supported the decision to lower interest rates this week and pencilled in two additional cuts this year: "I believe the risk of a sharp increase in unemployment warrants the committee taking some action to support the labour market". **Fed official Stephen Miran** said: "I will do independent analysis based on my interpretation of the data, based on my interpretation of the economy, and that's what I will do and that's all that I will do".

The **BoJ left rates unchanged** at 0.5%. However, the decision was not unanimous with BoJ board members Hajime Takata and Naoki Tamura voting in favour of a 25-basis point hike to 0.75%. Markets saw this as a sign of growing hawkish pressure inside the BoJ. The BoJ surprised markets by also announcing that it would start unloading about ¥335 billion a year of exchange-traded funds and Japan real estate investment trusts.

**Japan's headline inflation** rate slowed to 2.7%yr in August from 3.1%yr in July, largely because of temporary energy subsidies. The so-called core-core inflation read (excludes fresh food and energy) edged down to 3.3% in August, from 3.4%yr in July. This remains well above the BoJ's 2% target, with pass-through of high food costs and rising services wages remaining key drivers.

**UK GfK consumer confidence** deteriorated at the margin from -17 to -19 in September, broadly in line with expectations. The current level is modestly above the 5-year average and consistent with the 20-year average.

**UK retail sales** rose 0.5% in August after a 0.5% gain in July. Over the year, sales are up 0.7%, a modest gain. Auto fuel weighed on the monthly and annual gains; ex-fuel, sales rose 0.8% in August and 1.2% over the year.

## Local Data and News:

There was no local top tier economic data released on Friday.



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