



23 September 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

US equities picked up where they left off last week, extending gains for another session to record fresh record highs. European and Asian markets were mixed.

Yields on Treasuries ticked slightly higher amid several Fed officials suggesting a more cautious approach to the cutting cycle and emphasising that there remain upside inflation risks. Investors pulled back the likelihood of a US Fed rate cut in October following the comments.

The US dollar was slightly lower, losing the gains made during the previous session.

The Aussie remained around the 0.6600 mark, supported by the cautious messaging coming from the Governor during yesterday's testimony before parliamentarians.

## Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	61.0	0.0%	30 day BBSY	3.59	-0.01
AUD/USD	0.6596	0.1%	90 day BBSY	3.60	0.00
AUD/JPY	97.47	-0.1%	180 day BBSY	3.71	0.00
AUD/GBP	0.4883	-0.2%	1 year swap	3.36	0.03
AUD/NZD	1.1251	-0.1%	2 year swap	3.34	0.02
AUD/EUR	0.5591	-0.4%	3 year swap	3.40	0.02
AUD/CNH	4.6944	0.0%	4 year swap	3.48	0.01
AUD/SGD	0.8458	-0.1%	5 year swap	3.57	0.00
AUD/HKD	5.1259	0.0%	6 year swap	3.68	0.00
AUD/CAD	0.9115	0.4%	7 year swap	3.78	0.00
EUR/USD	1.1798	0.5%	8 year swap	3.88	0.00
USD/JPY	147.77	-0.2%	9 year swap	3.96	0.00
USD Index	97.34	-0.3%	10 year swap	4.21	0.03

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,811	0.4%	<b>Australia</b>		
S&P 500	6,694	0.4%	3 year bond	3.44	0.02
Japan Nikkei	45,494	1.0%	10 year bond	4.27	0.03
Hang Seng	26,344	-0.8%	<b>United States</b>		
Euro Stoxx 50	5,442	-0.3%	3-month T Bill	3.85	-0.03
UK FTSE100	9,227	0.1%	2 year bond	3.60	0.03
VIX Index	16.1	4.2%	10 year bond	4.15	0.02

Commodities	Current	Change	Other (10 year yields)		
CRB Index	297.75	-0.4%	Germany	2.75	0.00
Gold	3746.70	1.7%	Japan	1.65	0.01
Copper	9952.01	0.6%	UK	4.71	0.00

			Sydney Futures Exchange	Current	Change
Oil (WTI futures)	62.64	-0.1%	10 yr bond	4.33	0.02
Coal (coking)	187.67	0.4%	3 yr bond	3.49	0.03
Coal (thermal)	106.25	-1.2%	3 mth bill rate	3.58	0.00
Iron Ore	106.45	0.1%	SPI 200	8,867	0.2%
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 picked up where they left off last week, extending gains for another session to record fresh record highs. Tech stocks led the market higher with a basket tracking the Mag Seven tech stocks also closing at a fresh record. Nvidia advanced almost 4.0% following news it would invest as much as US\$100bn in OpenAI. The S&P 500 closed 0.4% higher. The Dow Jones Industrial Average gained 0.1%, while the Nasdaq outperformed, closing 0.7% in the green.
- European markets were mixed amid a deteriorating outlook for car manufacturers, offset by modest improvements in the eurozone's sentiment indicator. Porsche declined almost 5% after it announced delays to its planned EV rollout and downgraded its 2025 profit forecast, citing weak demand. Other car markets, including Mercedes-Benz and BMW, also finished in the red. The Euro Stoxx 50 closed 0.3% lower, while the German DAX closed 0.5% in the red. The FTSE 100 edged 0.1% higher. Asian markets were mixed with the Nikkei closing 1.0% higher following the sharp fall on Friday. The Hang Seng finished 0.8% lower while the CSI 300 closed 0.5% higher. In the local market, the ASX 200 started the week strongly, closing 0.4% in the green. Futures are pointing to a solid start to today's session.
- There was a slight sell off in Treasuries amid hawkish comments from Fed officials. The 2-year US bond yield closed 3 basis point higher at 3.60%. The 10-year US bond yield increased 2 basis points to 4.15%, while the 30-year US bond yield also increased 2 basis points to 4.76%. Interest-rate futures have pulled back the likelihood (89% from 92% late last week) of a follow up 25 basis point cut in October. A total of 100 basis points of cuts are priced in over the remainder of 2025 and 2026 – down from 110 basis points before the hawkish comments from Fed officials. Yields were broadly unchanged across the eurozone.
- Local yields were also slightly higher on futures with the 3-year bond yield futures 3 basis point higher at 3.49%, and the 10-year bond yield futures 2 basis point higher at 4.33%. Interest-rate futures now have a rate cut fully priced in for the December RBA Board meeting, with the likelihood of a cut in November now sitting at around 60% (from 90% before the RBA Governor's testimony before the House of Reps economics committee). A total of 45 basis points of cuts are priced in over the remainder of 2025 and 2026.
- The US dollar index declined 0.3% to 97.34, retracing the gains made during the previous session, while the euro outperformed increasing 0.5% to 1.1800. The Japanese Yen finished the session slightly higher 147.77, following Friday's volatile session triggered by the BoJ's policy announcement.

## Today's key data and events

For	Data/Event	Exp	Prev
6:00pm	EZ HCOB Manufacturing PMI Sep Prel.	50.8pts	50.7pts
6:00pm	EZ HCOB Services PMI Sep Prel.	50.5pts	50.5pts
6:30pm	GB S&P Manufacturing PMI Sep Prel.	47.1pts	47pts
6:30pm	GB S&P Services PMI Sep Prel.	53.5pts	54.2pts
11:45pm	US S&P Manufacturing PMI Sep Prel.	51.8pts	53pts
11:45pm	US S&P Services PMI Sep Prel.	53.9pts	54.5pts
-	US Building Permits Aug Final	-	-3.7%
12:00am	US Richmond Fed Sep	-8.7pts	-7pts

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 Aussie edged 0.1% higher to be a touch under 0.6600. The Aussie is now pushing to consolidate above the 0.6600 mark. The still cautious message from the RBA Board and the stronger than expected recent GDP and inflation data, should provide the Aussie with some upside.
- Oil was broadly unchanged with the West Texas Intermediate 0.1% lower at US\$62.64/bbl. Gold was 1.7% higher at US\$3,746 as investors increasingly expect the Fed to cut rates again overtime. Iron Ore was unchanged at US\$104.45 a tonne.

## International Data:

A number of US Fed officials made comments overnight ahead of US Fed Chair Powell's speech on Tuesday. Bostic, Musalem and Hammack remain in the more hawkish camp, Barkin was balanced, while Miran remains dovish.

**Atlanta Fed President Bostic** said he remains cautious about backing a rate cut in October due to inflation risks, noting "I am concerned about the inflation that has been too high for a long time. And so I today would not be moving or in favour of it, but we'll see what happens."

**St. Louis Fed's Musalem** said "I supported the 25bp reduction in the FOMC's policy rate last week as a precautionary move intended to support the labour market at full employment and against further weakening. However, I believe there is limited room for easing further without policy becoming overly accommodative."

**Cleveland Fed's Hammack** stressed the Fed faces challenges on both sides of its mandate, citing greater inflation risks. She noted "I think that we should be very cautious in removing monetary policy restriction. It worries me that if we remove that restriction from the economy, things could start overheating again."

**Richmond Fed's Barkin** said that a "modest amount" of tariff increases are passing through to consumers: "You're seeing some of it being borne by the exporter. You're seeing some of it being borne by the company, and you're some of it being passed on to consumers."

**Fed Governor Miran** argued that the US neutral rate has been pushed lower by lower immigration, tax changes, and higher

import tariffs. Therefore, Miran thinks that significant monetary policy easing is required to prevent unnecessarily slowing the economy, noting “the upshot is that monetary policy is well into restrictive territory. Leaving short-term interest rates roughly 2 percentage points too tight risks unnecessary layoffs and higher unemployment.”

**The Chicago Fed Activity Index**, a weighted average of 85 other monthly indicators measuring how the US economy is growing relative to its trend, rose in August from -0.28 to -0.12, the highest level since the Liberation Day shock. The production component was the main factor behind the improvement, and while the labour market indicator was also a touch higher, it remained close to the bottom of the recent range.

**Euro area consumer confidence** improved slightly in September, rising from -15.5 to -14.9, a level that matched the average in the first half of the year, but was well below the pre-pandemic average of around -5.5. On a quarterly basis, the survey signalled a small improvement in Q3, suggesting that the household consumption should support euro area GDP growth.

## Local Data:

There was no local top tier economic data released yesterday.



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