24 September 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Chair Powell, in his speech, emphasised that "near-term risks to inflation are tilted to the upside and risks to employment to the downside", highlighting the challenges of balancing the Fed's dual mandate in the current environment.

The latest PMIs indicated higher economic momentum this quarter in the US, weak but broadly stable growth in the UK, and a gradual recovery in the euro area.

Equity markets traded cautiously, with the S&P500 index falling 0.6%, marking the worst daily result since 2 September. In bond markets, US Treasuries rallied, with the yield curve shifting 2-5bp lower.

AUD continued trading around 0.66. NZD was 0.2% weaker, ahead of the expected announcement of the new RBNZ governor today.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.9	-0.2%
AUD/USD	0.6599	0.0%
AUD/JPY	97.44	-0.1%
AUD/GBP	0.4879	-0.1%
AUD/NZD	1.1264	0.1%
AUD/EUR	0.5586	-0.1%
AUD/CNH	4.6943	0.0%
AUD/SGD	0.8467	0.1%
AUD/HKD	5.1311	0.1%
AUD/CAD	0.9130	0.1%
EUR/USD	1.1815	0.1%
USD/JPY	147.66	0.0%
USD Index	97.24	-0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	0.01
90 day BBSY	3.61	0.01
180 day BBSY	3.73	0.01
1 year swap	3.35	-0.01
2 year swap	3.32	-0.02
3 year swap	3.38	-0.02
4 year swap	3.47	0.00
5 year swap	3.57	-0.01
6 year swap	3.67	-0.01
7 year swap	3.77	-0.01
8 year swap	3.87	-0.01
9 year swap	3.95	-0.01
10 year swap	4.18	-0.03

Equities	Close	Change
S&P/ASX 200	8,846	0.4%
S&P 500	6,657	-0.6%
Japan Nikkei	45,494	1.0%
Hang Seng	26,159	-0.7%
Euro Stoxx 50	5,472	0.6%
UK FTSE100	9,223	0.0%
VIX Index	16.64	3.4%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.44	0.00
10 year bond	4.26	0.00
United States		
3-month T Bill	3.83	-0.01
2 year bond	3.58	-0.02
10 year bond	4.11	-0.04
Other (10 year yields)		
Germany	2.75	0.00
Japan	1.65	0.00
UK	4.68	-0.03

Commodities	Current	Change
CRB Index	299.88	0.7%
Gold	3764.01	0.5%
Copper	9927.80	-0.2%
Oil (WTI futures)	63.65	2.2%
Coal (coking)	188.25	0.3%
Coal (thermal)	107.10	-0.5%
Iron Ore	106.05	-0.6%
ACCU	37.75	10.6%

Sydney Futures Exchange	Current	Change
10 yr bond	4.29	-0.02
3 yr bond	3.46	-0.01
3 mth bill rate	3.58	0.00
SPI 200	8,853	-0.3%

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:

President Trump's comments following his meeting with Ukraine's President Zelenskyy dominated news headlines. The US President noted that, with the support of its allies, Ukraine is positioned to reclaim all territory occupied by Russia.

On the economic front, financial markets closely monitored remarks from Federal Reserve officials. Chair Powell, in his speech, emphasised that "near-term risks to inflation are tilted to the upside and risks to employment to the downside", highlighting the challenges of balancing the Fed's dual mandate in the current environment. Different FOMC members weigh these risks differently; for example, Vice Chair for Supervision Bowman was decidedly dovish, warning that the FOMC might be falling behind as US labour market conditions deteriorate.

Regarding economic data releases, the latest PMIs indicated higher economic momentum this quarter in the US, weak but broadly stable growth in the UK, and a gradual recovery in the euro area.

- Equity markets traded cautiously, with the S&P500 index falling 0.6%, marking the worst daily result since 2 September. Most shares recorded gains, while losses were concentrated in the tech sector, as the Magnificent Seven dropped 1.5%. In other markets, the Euro Stoxx 50 gained 0.6%, with a slightly firmer composite PMI index providing some support. In contrast, the FTSE100 in the UK was unchanged. Meanwhile, Asian stocks were mixed, with the Nikkei maintaining upward momentum, while Chinese stocks traded lower. The Australian ASX200 index rose 0.4%.
- In bond markets, US Treasuries rallied, with the yield curve shifting 2-5bp lower. The 10Y yield registered its first daily decline in more than a week, falling to 4.11%. UK Gilts posted similar moves, with the 10Y down 3bp. Bunds and JGBs were more resilient, moving broadly sideways. Australian yields were also little changed, but futures point to lower yields at market opening today.
- In FX markets, the DXY index eased marginally, by 0.1% to 97.2, and movements in major currencies were minimal. EUR remained above 1.18, while GBP maintained its position above 1.35. AUD continued trading around 0.66. NZD was 0.2% weaker, ahead of the expected announcement of the new RBNZ governor today.
- Crude prices advanced as headlines indicated that President Trump and European Commission President Ursula von der Leyen "agreed on the need to cut Russia's revenue from fossil fuels, and fast". WTI rose 1.8% to $63.4. Gold increased further by 0.5%, while iron ore eased 0.6%.

International Data:

In his speech, **FOMC Chair Powell** largely repeated his key

Today's key data and events

Time	Event	Exp	Prev
10:30am	JP Jibun Bank Manufacturing PMI Sep Prel.	-	49.7pts
10:30am	JP Jibun Bank Services PMI Sep Prel.	-	53.1pts
11:30am	AU Monthly CPI Indicator Aug	2.9%	2.8%
12:00am	US New Home Sales Aug	-0.3%	-0.6%

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.

messages from the September meeting press conference, justifying the 25bp cut delivered with an increase in downside risks for the labour market. Chair Powell sees the resulting policy stance as modestly restrictive and therefore still helpful in managing lingering upside risks to inflation. Inflation above target and associated risks are still primarily seen as a consequence of tariff implementation. This is expected to be a one-off, albeit staged over a number of quarters. Risk management was the focus of both the prepared remarks and the Q&A, with Chair Powell making clear there is no "risk-free" path when there is tension between the FOMC's two mandates of full employment and inflation at target.

Vice Chair for Supervision Bowman's remarks were, in contrast, decidedly dovish. Bowman made clear that she believed inflation's persistence near 3.0%yr was broadly due to tariffs. Much of the rest of her remarks were focused on the deceleration underway in job creation. Given recent data updates, Vice Chair Bowman showed concern that the FOMC were falling behind in their policy actions. She sees a need to continue easing towards a neutral stance in coming months.

The S&P Global's US manufacturing PMI decreased 1pt to 52.0, matching the average in the four months following the Liberation Day tariff increases. The services index was down by 0.6pts, but at 53.9, it remained consistent with firm growth in the sector. The composite PMI, at 53.6 in September and averaging 54.4 for Q3, suggested an acceleration in US GDP growth this quarter. **The US Richmond Fed Manufacturing Survey** delivered a more pessimistic message, with the headline index falling by 10 points to -17, the second lowest level in the past twelve months.

The HCOB euro area manufacturing PMI has been on an upward trajectory this year, rising from 45.1 last December to 50.7 in August. However, the flash survey estimate for September showed renewed weakness, falling by 1.2pts to 49.5. The equivalent services survey rose 0.9pts, leaving the composite index 0.2pts higher at a sixteen-month high of 51.2, suggesting the euro area economy remains on a recovery path.

The S&P Global's UK PMIs surprised to the downside. The manufacturing index fell further into contractionary territory, by 0.8pts to 46.2. The services index declined by 2.3ppts, reversing August's increase of a similar size. The composite index was 2.5pts lower at 51.0, broadly in line with the average over the first eight months of this year, indicating weak but broadly stable underlying economic momentum in the UK.

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