26 September 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Despite an upward revision to Q2 US GDP, showing the fastest growth in nearly two years, markets remained largely on the back foot, as concerns over stretched valuations in the US equity market persisted.

Comments from Federal Reserve officials overnight once again underscored the diversity of views among FOMC members regarding the appropriate path for US monetary policy.

US Treasuries continued to sell off. The yield curve flattened as short-term yields rose by 5bp, the 10Y increased by 3bp to a three-week high of 4.17%, while super-longs remained largely unchanged.

The market-implied path for the RBA cash rate shifted higher again. Current pricing suggests around a 60% probability of a rate cut before year-end. We maintain our base case of RBA interest rate cuts in November, February, and May.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.2	–0.2%
AUD/USD	0.6540	–0.7%
AUD/JPY	97.97	0.0%
AUD/GBP	0.4900	0.1%
AUD/NZD	1.1340	0.0%
AUD/EUR	0.5607	0.0%
AUD/CNH	4.6732	–0.5%
AUD/SGD	–.8458	0.0%
AUD/HKD	5.0919	–0.6%
AUD/CAD	0.9117	0.0%
EUR/USD	1.1666	–0.6%
USD/JPY	149.80	0.6%
USD Index	98.44	0.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	0.01
90 day BBSY	3.65	0.05
180 day BBSY	3.81	0.10
1 year swap	3.47	0.02
2 year swap	3.46	0.04
3 year swap	3.54	0.07
4 year swap	3.62	0.06
5 year swap	3.71	0.06
6 year swap	3.81	0.06
7 year swap	3.91	0.06
8 year swap	4.00	0.06
9 year swap	4.08	0.06
10 year swap	4.32	0.05

Equities	Close	Change
S&P/ASX 200	8,773	0.1%
S&P 500	6,605	–0.5%
Japan Nikkei	45,755	0.3%
Hang Seng	26,485	–0.1%
Euro Stoxx 50	5,445	–0.4%
UK FTSE100	9,214	–0.4%
VIX Index	16.74	3.5%

Commodities	Current	Change
CRB Index	303.35	0.2%
Gold	3749.44	0.4%
Copper	10260.00	–0.7%
Oil (WTI futures)	65.25	0.4%
Coal (coking)	187.00	0.0%
Coal (thermal)	107.20	0.7%
Iron Ore	105.90	–0.3%
ACCU	37.75	10.6%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.55	0.04
10 year bond	4.35	0.06
United States		
3–month T Bill	3.88	0.01
2 year bond	3.66	0.05
10 year bond	4.17	0.02
Other (10 year yields)		
Germany	2.77	0.02
Japan	1.65	0.00
UK	4.76	0.09

Sydney Futures Exchange	Current	Change
10 yr bond	4.43	0.04
3 yr bond	3.62	0.05
3 mth bill rate	3.58	0.00
SPI 200	8,809	0.1%

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:

Despite an upward revision to Q2 US GDP, showing the fastest growth in nearly two years, markets remained largely on the back foot, as concerns over stretched valuations in the US equity market persisted. Comments from Federal Reserve officials overnight once again underscored the diversity of views among FOMC members regarding the appropriate path for US monetary policy. Bowman and Miran continued to highlight downside risks and the merits of a proactive policy stance, while Goolsbee and Schmid maintained a cautious outlook on inflation.

- Most major equity benchmark indices closed lower. The S&P 500 declined 0.5%, extending its losses for a third consecutive day, led by major technology stocks where valuation concerns are most pronounced. In Europe, the Euro Stoxx 50 lost 0.4%, with healthcare stocks down almost 2% as the US initiated national security investigations into imports of robotics, industrial machinery, and medical equipment. In Asia, the Nikkei 225 sustained its upward momentum, gaining 0.3%. Since the start of the month, it has rallied nearly 8.5%, outperforming other major indices. Domestically, the ASX200 was little changed, recording a modest 0.1% gain.
- In bond markets, US Treasuries continued to sell off. The yield curve flattened as short-term yields rose by 5bp, the 10Y increased by 3bp to a three-week high of 4.17%, while super-longs remained largely unchanged. UK Gilts experienced sharper yield rises, with the 10Y up 9bp to 4.76%, following two Gilt auctions this week that saw weak demand, reflecting growing concerns over the UK's fiscal outlook ahead of November's budget announcement. Bund yield movements were more muted, with the 10Y yield up 2bp to 2.77%.
- Australian yields were 4-6bp higher across the curve, and the market-implied path for the RBA cash rate shifted higher again. Current pricing suggests around a 60% probability of a rate cut before year-end. We maintain our base case of RBA interest rate cuts in November, February, and May.
- In FX markets, the DXY index appreciated by 0.6% for the second consecutive day, reaching 98.4, its highest level since the start of the month. Both the EUR and JPY depreciated by 0.6%, while GBP fell 0.8%. The Australian dollar declined 0.7%, marking its steepest daily loss since mid-August.
- After heightened volatility in recent days, major commodity markets were comparatively stable. Crude oil maintained the gains achieved over the past couple of days, with WTI adding a further 0.4% to rise above $65.00. Copper remained above $10,000, while gold continued to trade near all-time highs.

Today's key data and events

Time	Event	Exp	Prev
8:00am	NZ ANZ Consumer Confidence Sep	–	92pts
9:30am	JP Tokyo Sep	2.8%	2.6%
10:30pm	US Personal Income Aug	0.3%	0.4%
10:30pm	US Personal Spending Aug	0.5%	0.5%
10:30pm	US PCE Deflator Aug	0.3%	0.2%
10:30pm	US Core PCE Deflator Aug	0.2%	0.3%
12:00am	US Uni. Of Michigan Sentiment Sep Final	55.4pts	55.4pts

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:

US Q2 GDP was revised up in the third estimate from 3.3%qtr annualised to 3.8%qtr. Stronger consumption drove the revision, with growth adjusted from 1.6% to a near-trend 2.5%atr annualised. Annual revisions (covering data from 2020 to 2025) were immaterial, with annual real GDP growth between 2019 and 2024 remaining at 2.4%.

US durable goods orders rose 2.9%mth in August, offsetting July's 2.7%mth decline. Core orders (non-defence, ex-aircraft) increased 0.6%mth in August following a revised 0.8%mth gain in July (previously 1.1%mth). Overall, these figures indicate continued modest growth in aggregate US business investment.

The US advance goods trade balance narrowed in August from $102.8bn to $85.5bn, as exports fell 1.3%mth while imports declined 7.0%mth. Wholesale inventories edged down 0.2%mth in August. Existing home sales also posted a 0.2%mth decline.

US initial jobless claims fell to 218k last week from 232k the previous week. Claims remain near record lows, consistent with little-to-no net job shedding.

Local Data:

In Australia, job vacancies fell by 9.2k (-2.7%) between May and August, reversing the gains recorded last quarter (see here).

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