



29 September 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

Sentiment received a boost from the better-than-expected US consumer spending data. Further, with the PCE deflator coming in as expected, concerns over 'sticky inflation' limiting the US Fed's ability to adjust rates was also alleviated, also supporting sentiment.

US equities finished the session higher despite going backwards over the week. European equity markets ended the week higher.

US Treasury yields were little changed on the day but finished the week higher, which also saw the US dollar end the week in the green.

Domestically, last week we saw a 15 basis points increase across the yield curve on the back of the stronger-than-expected inflation gauge. The first full rate cut has been pushed out to March 2026 from November 2025, and there around 30 basis points of cuts priced in by the end of 2026 – down from around 50 basis points a week ago.

## Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	60.9	-0.5%	30 day BBSY	3.59	0.00
AUD/USD	0.6542	0.0%	90 day BBSY	3.65	0.00
AUD/JPY	97.87	-0.1%	180 day BBSY	3.83	0.02
AUD/GBP	0.4879	-0.5%	1 year swap	3.47	0.00
AUD/NZD	1.1337	0.0%	2 year swap	3.47	0.00
AUD/EUR	0.5595	-0.2%	3 year swap	3.53	-0.01
AUD/CNH	4.6765	0.1%	4 year swap	3.61	-0.01
AUD/SGD	0.8457	-0.1%	5 year swap	3.70	-0.01
AUD/HKD	5.0934	0.1%	6 year swap	3.80	-0.01
AUD/CAD	0.9144	0.3%	7 year swap	3.90	-0.01
EUR/USD	1.1703	0.3%	8 year swap	3.99	0.00
USD/JPY	149.49	-0.2%	9 year swap	4.08	-0.01
USD Index	98.15	-0.4%	10 year swap	4.31	-0.01

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,788	0.2%	<b>Australia</b>		
S&P 500	6,644	0.6%	3 year bond	3.59	0.04
Japan Nikkei	45,355	-0.9%	10 year bond	4.39	0.04
Hang Seng	26,128	-1.3%	<b>United States</b>		
Euro Stoxx 50	5,500	1.0%	3-month T Bill	3.86	-0.03
UK FTSE100	9,285	0.8%	2 year bond	3.64	-0.01
VIX Index	15.29	-8.7%	10 year bond	4.18	0.01

Commodities	Current	Change	<b>Other (10 year yields)</b>		
CRB Index	305.03	0.0%	Germany	2.75	-0.03
Gold	3759.98	0.3%	Japan	1.65	0.00
Copper	10162.20	-0.8%	UK	4.75	-0.01

			<b>Sydney Futures Exchange</b>	<b>Current</b>	<b>Change</b>
Oil (WTI futures)	65.72	1.1%	10 yr bond	4.41	-0.02
Coal (coking)	187.00	0.0%	3 yr bond	3.61	-0.01
Coal (thermal)	106.40	1.3%	3 mth bill rate	3.58	0.00
Iron Ore	103.50	-0.1%	SPI 200	8,840	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 snapped a three-day losing streak to finish Friday's session in the green. The Fed's preferred inflation gauge, the PCE deflator, came in as expected, which helped alleviate concerns sticky inflation would put a halt to the Fed's cutting cycle. Sentiment also received a boost from the better-than-expected US personal consumption data (0.6%*mth* v 0.5%*mth* expected), which suggests the US consumer remains more resilient than previously thought. The S&P 500 closed 0.6% higher but finished the week 0.3% lower – only the second weekly loss in the past eight weeks. The Dow Jones Industrial Average gained 0.7% on Friday but also finished the week in the red, 0.2% lower. The Nasdaq closed 0.4% higher on Friday to end the week 0.7% in the red.
- European markets were also higher as sentiment received a boost from the stronger-than-expected US consumer spending data. This has outweighed concerns over the impact of new tariffs on patented drugs and other household items. The Euro Stoxx 50 was closed 1.0% higher on Friday and finished the week 0.8% higher. The FTSE 100 closed 0.8% higher to finish the week 0.7% in the green. The German DAX closed 0.9% higher to end the week 0.4% in the green. Asian markets were lower on Friday with the Nikkei closing 0.9% lower, the Hang Seng down 1.4%, while the CSI 300 closed 1.0% lower. In the local market, the ASX 200 ended the week 0.2% higher after chalking up three consecutive weeks of losses. Futures are pointing to a solid start to today's session.
- There were modest moves in US bond yields. The 2-year US bond yield closed 1 basis point lower at 3.64% but finished the week 7 basis points higher. The 10-year US bond yield increased 1 basis points to 4.18% and finished the week 5 basis points higher, while the 30-year US bond yield was unchanged at 4.75%. Interest-rate futures have a rate cut almost fully priced in for the October Fed meeting (22.4 basis points) and a total of 100 basis points of cuts priced in over the remainder of 2025 and 2026. Yields were higher in Europe, with 10-year bond yields up 1 basis point in the UK to 4.74%; 3 basis points in Germany to 2.74%; and 3 basis points in France to 3.57%.
- Local yields were slightly lower on futures with the 3-year bond yield futures 1 basis point lower at 3.61%, and the 10-year bond yield futures 2 basis point lower at 4.41%. Over the week however, the policy sensitive 2-year bond yield increased around 16 basis points, while the 10-year yield increased almost 15 basis points in response to the stronger-than-expected monthly inflation gauge. Interest-rate futures now have a rate cut fully priced in by March 2026, with only 30 basis points of cut expected over 2025 and 2026 – down

## Today's key data and events

For	Data/Event	Exp	Prev
6:30pm	GB Net Mortgage Lending Aug	£4.8b	£4.5b
7:00pm	EZ Consumer Confidence Sep Final	-	-14.9pts
7:00pm	EZ Economic Confidence Sep	95.3pts	95.2pts
12:00am	US Pending Home Sales Aug	0.0%	-0.4%

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.

from around 50 basis points a week ago before the release of the monthly inflation gauge.

- The US dollar index declined 0.4% to 98.15, unwinding some of the gains from the previous two session. Despite this, the US dollar index finished 0.5% higher in weekly terms, only the second weekly increase in the past eight weeks. The euro increased 0.3% to 1.1703 while the Yen also advanced 0.2% on the day.
- The Aussie was broadly unchanged at 0.6542 and traded within a narrow range (0.6521 to 0.6552). The Aussie is now floundering after testing the 0.6700 level a little over a week ago. Stronger-than-expected US economic data, including on consumer spending, plus hawkish comments from several US Fed officials, are now seeing the Aussie come under slight selling pressure.
- Oil was 1.1% higher with the West Texas Intermediate ending the week close to US\$66/bbl. Increasing pressure on Russia to end its war in Ukraine could see supply becoming more restricted in the near-term providing oil with a tailwind. Gold was 0.3% higher at US\$3,760 as investors increasingly expect the US Fed to cut rates again overtime. Iron Ore was broadly unchanged at US\$103.50 a tonne.

## International Data and News:

**US President Trump** announced that the US will impose new tariffs, starting from 1 October, on patented drugs (at a rate of 100%), kitchen cabinets and bathroom vanities (at a rate of 50%), and upholstered furniture (at a rate of 30%).

**US PCE inflation** printed in line with expectations in August, with headline prices rising 0.3%*mth* (2.7%*yr*) and 0.2%*mth* (2.9%*yr*) excluding food and energy. Personal income and spending were marginally stronger than expected in the month, with income rising 0.4%*mth* and spending 0.6%*mth*, compared to 0.4%*mth* and 0.5%*mth* in July. Growth in spending ahead of income in recent months has required the savings rate to be run down, from its most recent peak of 5.7% in April to 4.6% in August.

**University of Michigan consumer sentiment** fell in September from 58.2 to 55.1 according to the final estimate (preliminary 55.4) - the seventh-lowest reading since records began in 1952. Expectations and current conditions are both weak, with households concerned over the cost of living and uneasy over the outlook for the labour market.

**Fedspeak** was mixed on Friday, Bowman again highlighting downside risks for employment and arguing for additional easing while Barkin showed more confidence in the health of the labour market.

**Chinese industrial profits** surged in August, with annual growth jumping from -1.5%yr to +20.4%yr in the month. On a year-to-date basis, growth recovered from -1.7%ytd to +0.9%ytd. Authorities intend to strengthen profitability across the economy over time, but the current volatility likely has more to do with the implementation of US tariffs and associated changes in production chains.

## **Local Data and News:**

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



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