



30 September 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Market moves were muted overnight with US and European equities edging out gains despite growing concerns around a possible US government shutdown from 1 October.

Yields were also slightly lower in the US and Europe, with the US dollar losing some of the gains chalked up last week.

The Aussie outperformed to increase to a session high of 0.6581 ahead of the RBA Board announcement at 2:30pm. While the RBA is expected to leave rates unchanged, the messaging in the policy statement and the press conference will be all important, providing insights on how the Board has interpreted the monthly inflation gauge.

Gold set a fresh record high, while oil declined sharply on fears OPEC+ will ramp up production next month.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	61.0	0.2%	30 day BBSY	3.58	-0.01
AUD/USD	0.6577	0.5%	90 day BBSY	3.64	0.00
AUD/JPY	97.78	-0.1%	180 day BBSY	3.82	-0.01
AUD/GBP	0.4897	0.4%	1 year swap	3.44	-0.03
AUD/NZD	1.1376	0.4%	2 year swap	3.43	-0.04
AUD/EUR	0.5609	0.3%	3 year swap	3.49	-0.04
AUD/CNH	4.6890	0.3%	4 year swap	3.57	-0.04
AUD/SGD	0.8484	0.3%	5 year swap	3.65	-0.05
AUD/HKD	5.1192	0.5%	6 year swap	3.75	-0.06
AUD/CAD	0.9151	0.1%	7 year swap	3.84	-0.06
EUR/USD	1.1727	0.2%	8 year swap	3.93	-0.06
USD/JPY	148.66	-0.6%	9 year swap	4.01	-0.06
USD Index	97.93	-0.2%	10 year swap	4.25	-0.06

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,863	0.9%	Australia		
S&P 500	6,661	0.3%	3 year bond	3.54	-0.05
Japan Nikkei	45,044	-0.7%	10 year bond	4.33	-0.05
Hang Seng	26,623	1.9%	United States		
Euro Stoxx 50	5,507	0.1%	3-month T Bill	3.86	0.00
UK FTSE100	9,300	0.2%	2 year bond	3.62	-0.02
VIX Index	16.12	5.4%	10 year bond	4.14	-0.04

Commodities	Current	Change	Other (10 year yields)		
CRB Index	302.59	-0.8%	Germany	2.71	-0.04
Gold	3833.55	2.0%	Japan	1.64	-0.01
Copper	10162.20	-0.8%	UK	4.70	-0.05

			Sydney Futures Exchange	Current	Change
Oil (WTI futures)	63.15	-3.9%	10 yr bond	4.35	-0.03
Coal (coking)	186.00	-0.5%	3 yr bond	3.57	0.00
Coal (thermal)	106.75	0.3%	3 mth bill rate	3.58	0.00
Iron Ore	103.30	-0.4%	SPI 200	8,910	0.2%
ACCU	37.75	10.6%			

Data as at 7:30am 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 started the week off on a positive note, with the S&P 500 up 0.3%, the tech-heavy Nasdaq closing 0.5% higher, while the Dow Jones Industrial Average rose 0.2%. The rally faded late in the session as investors shifted their attention to the potential US government shutdown from 1 Octboer; the evolving US trade policy with speculation duties could be announced on movies; and the flow of upcoming economic data. The gains were led by the consumer discretionary and tech sectors, with energy stocks lower on the back of sharp falls in oil.
- European markets also edged out gains as investors remain upbeat on growth prospects and further rate cuts in the US, which will boost global growth. The Euro Stoxx 50 closed 0.1% higher, the FTSE 100 closed 0.2% higher, while the German DAX was broadly unchanged. Asian markets were mixed with the Nikkei closing 0.7% lower, while the Hang Seng was 1.9% higher and the CSI 300 closed 1.5% higher. In the local market, the ASX 200 closed 0.9% higher led by financial and health care stocks. Futures are pointing to a positive start to today's session.
- There were modest moves in US bond yields. The 2-year US bond yield closed 2 basis points lower at 3.62%. The 10-year US bond yield declined 4 basis points to 4.14, while the 30-year US bond yield declined 5 basis points to 4.70%. Interest-rate futures have a rate cut almost fully priced in for the October US Fed meeting (22.3 basis points) and a total of 100 basis points of cuts priced in over the remainder of 2025 and 2026. Yields were also a touch lower across Europe, with 10-year bond yields 5 basis points lower in the UK to 4.70%; 4 basis points lower in Germany to 2.71%; and 4 basis points lower in France to 3.53%.
- Local yields were also slightly lower on futures with the 3-year bond yield futures 1 basis point lower at 3.57%, and the 10-year bond yield futures 3 basis points lower at 4.35%. Interest-rate futures have priced in effectively no chance of a rate cut when the RBA Board announces its decision today at 2:30pm. A rate cut is fully priced in by February 2026, with only around 30 basis points of cuts expected over 2025 and 2026 – down from around 50 basis points a week ago before the release of the monthly inflation gauge.
- The US dollar index declined 0.2% to 97.93 on the back of the lower yields and as investors become increasingly concerns over the prospect of a government shutdown. The euro advanced 0.2% to 1.1727 while the Yen outperformed, up 0.6% on the day against the Greenback.
- The Aussie shifted gears to increase 0.5% to 0.6577. The AUD/USD pair reached a session high of 0.6581 and remained around this level. More hawkish than expected messaging from the RBA Board today could provide the

Today's key data and events

For	Data/Event	Exp	Prev
12:30am	US Dallas Fed Manufacturing Activity	-1.6pts	-1.8pts
9:50am	JP Industrial Production Aug Prel.	-0.8%	-1.2%
10:00am	NZ ANZ Business Confidence Sep	-	49.7pts
11:30am	AU Dwelling Approvals Aug	2.6%	-8.2%
11:30am	AU Private Sector Credit Aug	0.6%	0.7%
11:30am	CN Manufacturing PMI Sep	49.6pts	49.4pts
11:30am	CN Non-Manufacturing PMI Sep	50.2pts	50.3pts
11:45am	CN Caixin Services PMI Sep	52.6pts	53pts
11:45am	CN Caixin Manufacturing PMI Sep	50.2pts	50.5pts
2:30pm	AU RBA Policy Decision	3.60%	3.60%
3:30pm	AU RBA's Bullock-Press Conference	-	-
4:00pm	GB GDP Q2 Final	0.3%	0.3%
11:00pm	US FHFA House Prices Jul	-0.1%	-0.2%
11:00pm	US S&P/Cs Home Price Index Jul	-0.2%	-0.2%
11:45pm	US Chicago PMI Sep	43.2pts	41.5pts
12:00am	US Jolts Job Openings Aug	7170k	7181k
12:00am	US Consumer Confidence Sep	96pts	97.4pts
12:01am	AU Corelogic Home Value Index Sep	-	0.8%

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.

Aussie with some further upside.

- Oil declined 3.9% with the West Texas Intermediate falling to US\$63.155/bbl on concerns OPEC+ will hike production again in November. Reports suggest OPEC+ is considering raising output by at least 137k barrel-a-day in a market where there is already expected to be a supply glut.
- Gold continues its rally, up 2.0% to set yet another record high (US\$3,833 an ounce) as investors increasingly expect the US Fed to cut rates again overtime and concerns about the US government shutdown increase. Iron Ore was broadly unchanged at US\$103.30 a tonne.

International Data and News:

US President Trump will meet with congressional leaders for last-minute talks ahead of a Senate vote on a funding extension Democrats previously rejected. There is little optimism with analyst placing the risk of a shutdown at over 70%. History suggests shutdown concerns may pressure stocks, with the S&P 500 dropping 15% in the first few weeks of December 2018 prior to the shutdown, according to Bloomberg Intelligence.

US pending home sales surged 4.0%^{mo}, the steepest since March, however, annual growth remained subdued, at only 0.5%^{yr}, as high interest rates continued to constrain housing market activity.

The **Dallas Fed Manufacturing survey**, a survey of Texas business executives, reported that business conditions deteriorated in September, with the relevant index falling by almost 7pts to -8.7, close to this year's average of -9.4. Major components for production, new orders and the number of

employees reported substantial weakening. On the inflation front, the raw material price index was little changed at an elevated level, while the finished product price index eased, highlighted pressure on profit margins.

New York Fed President John Williams' comments highlighted the nuanced position of the US economy at the moment, where there is "kind of re-balancing of the risks, from one where inflation was the big risk to one where employment and inflation – the risks to them – have moved closer together".

St. Louis Fed President Alberto Musalem also expressed his concerns about both employment and inflation, suggesting that he is open to further interest rate cuts, but noting the policy makers "need to tread cautiously because the room between now and the point where the policy could become overly accommodative is limited".

The **European Commission Economic Confidence index** was little changed in September, rising only 0.2pts to 95.5, a level a touch above the YTD average. Its average for Q3 as a whole was also 95.5, more than 1pt higher in comparison to Q2, suggesting somewhat stronger momentum this quarter, mainly due to improvements in the services and retail trade sectors. The consumer sentiment index was unchanged from the flash estimate of -14.9.

Local Data and News:

The **Federal budget** recorded a deficit of \$10bn (or 0.4% of nominal GDP) in the 2025FY, more than \$17bn better than expected back in March, mainly due to higher company and personal income tax. The small deficit comes even as payments grew to 26.2% of GDP – the highest ratio of payments to GDP in almost 40 years outside of the pandemic.

We expect at least part of the upside to receipts will carry forward. By using Westpac's commodity price forecasts instead of Treasury's conservative assumptions, we estimate that tax revenue from mining is likely to be \$40bn higher over the next five years than forecast in the March budget.

This will not be enough to cover higher spending, though. We therefore expect the Federal budget will remain in the red over the next decade (further information available [here](#)).



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