2 October 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Financial markets were largely unperturbed as the US government entered a shutdown. The DXY index was steady at 97.76. Healthcare stocks drove gains in the US and European equity markets.

The overnight release of ADP payrolls measure, which signalled further weakening in US labour market momentum and reinforced market expectations of two Fed funds rate cuts before year-end. US Treasuries rallied, with the 2Y yield dropping 7bp and the 10Y yield declining 5bp.

The somewhat more hawkish tone of the RBA's communication on Tuesday continued to influence the Australian bond market, pushing yields higher across the curve, with the 10Y rising 7bp to 4.37%. AUD remained unchanged at 0.6610.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.2	-0.2%
AUD/USD	0.6613	0.0%
AUD/JPY	97.26	-0.6%
AUD/GBP	0.4908	-0.2%
AUD/NZD	1.1369	-0.4%
AUD/EUR	0.5638	0.0%
AUD/CNH	4.7147	0.0%
AUD/SGD	0.8521	-0.2%
AUD/HKD	5.1469	0.0%
AUD/CAD	0.9215	0.1%
EUR/USD	1.1731	0.0%
USD/JPY	147.07	-0.6%
USD Index	97.76	0.0%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.59	0.00
90 day BBSY	3.66	0.04
180 day BBSY	3.85	0.06
1 year swap	3.48	-0.01
2 year swap	3.46	-0.01
3 year swap	3.52	-0.02
4 year swap	3.60	0.00
5 year swap	3.70	0.01
6 year swap	3.80	0.01
7 year swap	3.90	0.01
8 year swap	3.99	0.00
9 year swap	4.07	0.02
10 year swap	4.29	0.00

Equities	Close	Change
S&P/ASX 200	8,846	0.0%
S&P 500	6,711	0.3%
Japan Nikkei	44,551	-0.8%
Hang Seng	26,856	0.9%
Euro Stoxx 50	5,581	0.9%
UK FTSE100	9,446	1.0%
VIX Index	16.29	0.1%

Commodities	Current	Change
CRB Index	300.51	0.0%
Gold	3865.74	0.2%
Copper	10379.00	1.1%
Oil (WTI futures)	61.78	-0.9%
Coal (coking)	190.00	-0.5%
Coal (thermal)	107.80	-0.7%
Iron Ore	103.65	0.2%
ACCU	37.75	10.6%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.58	0.03
10 year bond	4.37	0.07
United States		
3-month T Bill	3.84	-0.01
2 year bond	3.53	-0.07
10 year bond	4.10	-0.05
Other (10 year yields)		
Germany	2.71	0.00
Japan	1.65	0.00
UK	4.70	0.00

Sydney Futures Exchange	Current	Change
10 yr bond	4.36	-0.03
3 yr bond	3.58	-0.03
3 mth bill rate	3.58	0.00
SPI 200	8,922	0.5%

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:

Financial markets were largely unperturbed as the US government entered a shutdown. Historical precedent indicates that the economic fallout should be limited, provided the issue is resolved soon. Estimates suggest the 34-day partial shutdown reduced annualised US GDP growth by approximately 0.4ppt in Q1 2019. Nonetheless, other impacts are evident – for instance, this Friday's release of the US labour market report, a key checkpoint for markets and policymakers ahead of the FOMC meeting at month-end, is going to be cancelled. In its absence, full attention turned to the overnight release of ADP payrolls measure, which signalled further weakening in US labour market momentum and reinforced market expectations of two Fed funds rate cuts before year-end.

- Equity markets maintained their positive momentum despite the ongoing political deadlock in Washington. The S&P500, up 0.3%, extended its rally for a fourth consecutive day, led by healthcare stocks after Pfizer agreed to lower medicine prices in the US in exchange for a three-year import tariff reprieve. Healthcare stocks also drove gains in European equity markets, with the Euro Stoxx 50 rising 0.9% and the FTSE100 up 1.0%, marking the best performance since 21 August. In Asia, the Nikkei 225 continued trading in the red, while the Hang Seng index advanced 0.9%. Domestically, the ASX 200 moved broadly sideways.
- In bond markets, the weak ADP print sparked a rally of the US Treasuries, with the 2Y yield dropping 7bp and the 10Y yield declining 5bp. As the euro area HICP inflation print met consensus expectations, Bund yields were largely unchanged. Gilts remained steady at the long end, though short-maturity UK government bonds recorded modest gains. The somewhat more hawkish tone of the RBA's communication on Tuesday continued to influence the Australian bond market, pushing yields higher across the curve, with the 10Y rising 7bp to 4.37%.
- In FX markets, the DXY index was steady at 97.76. The yen appreciated 0.6%, making it the strongest performer, as Tankan survey results indicated slightly stronger momentum among large Japanese manufacturers in Q3. GBP rose 0.2%, while EUR traded sideways at 1.1730 and AUD remained unchanged at 0.6610.
- Crude was on the back foot again, with WTI declining nearly 1.0% to $61.8. The EIA reported an unexpected rise in US crude inventories last week, and data indicated that Saudi Arabia's exports in September reached an eighteen-month high. Gold edged up by 0.2% to $3,866, and iron ore advanced by the same amount, recovering losses from the end of last month.

Today's key data and events

Time	Event	Exp	Prev
11:30am	AU RBA Financial Stability Review	-	-
11:30am	AU Trade balance $bn	$6.2bn	$7.3bn
11:30am	AU Household Spending Yr	5.2%	5.1%
7:00pm	EZ Unemployment Rate Aug	6.2%	6.2%
10:30pm	US Initial Jobless Claims	225k	218k
12:00am	US Factory Orders Aug	1.4%	-1.3%
12:00am	US Durable Goods Orders Aug Final	2.9%	2.9%

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 ADP private payrolls indicated that labour market conditions weakened further. The August increase of 54k was revised to a 3k decline, while September recorded -32k, the weakest result since the peak of the pandemic. On average, the ADP measure closely tracks official non-farm payrolls, however, significant month-to-month variations can occur. For instance, in April, the difference between the two measures was almost 100k. In the following four months, the gap narrowed to within the -25k to +25k range.

The US ISM manufacturing PMI saw little change in September, remaining below the neutral level of 50.0 and continuing to signal a subdued outlook for the manufacturing sector. The headline index rose from 48.7 to 49.1, matching the average for the first eight months of this year. The production component showed signs of recovery, rising 3.2pts to 51.0 - a similar level to July – however, other indices remained in contractionary territory. For example, new orders fell 2.5pts to 48.9, and employment printed just above 45. The survey continued to highlight significant inflationary pressures, even though the prices indicator eased for the third consecutive month to 61.9.

The flash release of the Euro area HICP for September was in line with consensus expectations, at 2.2%yr, up from 2.0%yr in the previous three months. The increase was mainly driven by base effects in the energy component, where inflation rose from -2.0%yr to -0.4%yr. The core rate continued to move sideways, printing a fifth consecutive 2.3%yr, suggesting no cause for concern for the ECB.

Local Data:

In Australia, the Cotality home value index moved another step higher with prices up 0.9% in September (see here).

In New Zealand, residential building consent issuance has stabilised, but a material upswing isn't likely until well into next year (see here).

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