7 October 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Political developments outside of the US, including the resignation of French Prime Minister Lecornu and the election of Senae Takaichi as leader of the Liberal Democrats ahead of the general election, incited major moves across markets.

French stocks and bonds sold off against this backdrop of renewed political stability concerns. Takaichi's intentions for expansionary policy saw stocks rally, but fears that it could hamper the BoJ's rate hiking cycle saw yields on ultras move higher.

Meanwhile in the US, the announcement of a multi-billion dollar deal between AMD and OpenAI reinvigorated momentum in tech stocks.

OPEC+ announced a smaller-than-expected hike in production, seeing crude prices lift. Gold prices are lifting against the backdrop of a US government shutdown, which is delaying the release of key economic data.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.2	-0.2%
AUD/USD	0.6617	0.2%
AUD/JPY	99.46	2.2%
AUD/GBP	0.4908	0.2%
AUD/NZD	1.1326	0.0%
AUD/EUR	0.5649	0.4%
AUD/CNH	4.7251	0.3%
AUD/SGD	0.8546	0.4%
AUD/HKD	5.1495	0.2%
AUD/CAD	0.9230	0.2%
EUR/USD	1.1712	-0.3%
USD/JPY	150.30	1.9%
USD Index	98.10	0.4%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.59	0.00
90 day BBSY	3.64	-0.02
180 day BBSY	3.82	-0.03
1 year swap	3.48	0.02
2 year swap	3.48	0.03
3 year swap	3.54	0.04
4 year swap	3.62	0.03
5 year swap	3.71	0.04
6 year swap	3.82	0.04
7 year swap	3.92	0.04
8 year swap	4.01	0.04
9 year swap	4.09	0.04
10 year swap	4.33	0.05

Equities	Close	Change
S&P/ASX 200	8,981	-0.1%
S&P 500	6,742	0.4%
Japan Nikkei	47,945	4.8%
Hang Seng	26,958	-0.7%
Euro Stoxx 50	5,629	-0.4%
UK FTSE100	9,479	-0.1%
VIX Index	16.4	-1.5%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.55	0.00
10 year bond	4.33	0.00
United States		
3-month T Bill	3.86	-0.01
2 year bond	3.59	0.02
10 year bond	4.16	0.04
Other (10 year yields)		
Germany	2.72	0.02
Japan	1.69	0.03
UK	4.74	0.05

Commodities	Current	Change
CRB Index	301.03	0.6%
Gold	3959.90	1.9%
Copper	10654	-0.6%
Oil (WTI futures)	61.75	1.4%
Coal (coking)	193.75	0.4%
Coal (thermal)	107.15	-0.8%
Iron Ore	104.15	0.1%
ACCU	37.75	10.6%

Sydney Futures Exchange	Current	Change
10 yr bond	4.41	0.00
3 yr bond	3.61	0.00
3 mth bill rate	3.58	0.00
SPI 200	9,021	0.2%

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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Over the weekend and in recent hours, political developments have been at the forefront of global news. In France, Prime Minister Lecornu surprisingly resigned from his position, though President Macron has asked for 48 hours to negotiate and come to an agreement and maintain political stability.

Meanwhile in Japan, Sanae Takaichi was elected as the new leader of the Liberal Democratic Party ahead of the general election later this month. This sent the USD/JPY back to 150 on anticipatory fears that her intention for expansionary policy could create speedbumps for the Bank of Japan's careful and gradual rate hiking cycle, though much of the specific detail around policy is yet to be confirmed.

The US government remains in shutdown, resulting in the delay of key economic data including nonfarm payrolls that were initially due last Friday.

Financial Markets:

- Equities rallied in the US following the announcement of a multibillion dollar deal between AMD and OpenAI, seeing the tech-heavy NASDAQ rise 0.7%, the S&P 500 lift 0.4%, while the Dow Jones fell slightly by –0.1%. European equities were weaker following the French PM's resignation, with the French CAC 40 down –1.4%. The Euro Stoxx 50 and London's FTSE also fell –0.4% and –0.1% respectively.
- Stocks were mixed across Asia, with Tokyo soaring following the nomination of Sanae Takaichi as their leader of the Liberal Democrats (+4.8%), while Hong Kong continued to fall back after a bumper weak last week (–0.7%). The ASX 200 posted a modest fall yesterday (–0.1%) but futures markets are pointing to a positive open this morning.
- The USD broadly strengthened overnight, with the DXY rising 0.4% to 98.10. This was largely due to a sharp weakening in the Japanese Yen, with the USD/JPY rising 1.9% back above the USD150 mark following the surprise nomination of Sanae Takaichi. Meanwhile, the Euro also weakened following the political turmoil in France, with the EUR/USD sliding –0.3%.
- Moves across the rest of the main DXY pairs were modest, with the Sterling and Loonie broadly flat. The Aussie dollar held onto its 0.66 handle after appreciating around 0.2% versus the greenback. With a lack of local data this week, developments in the US as it pertains to the shutdown will be a key source of event risk.
- The Treasury yield curve bear steepened overnight, with the 2-year rising 2bps to 3.59% while the 10-year rose 4bps to 4.16%. Meanwhile in Australia, government bond (futures) yields were unchanged. Market pricing is little changed from last week, with swaps markets pricing in one rate cut by March for the RBA, while futures markets point to four rate cuts by end-2026 for the FOMC.

Today's key data and events

Time	Event	Exp	Prev
-	CN Foreign Reserves Sep	US$3332b	US$3322.1b
10:30am	AU WBC-MI Consumer Sentiment Oct	-	95.4pts
10:30am	JP Household Spending Aug	1.2%yr	1.4%yr
11:30am	AU ANZ Job Ads Sep	-	0.1%
11:30pm	US Trade Balance Aug	-US$61b	-US$78.3b
2:00am	US NY Fed 1-Yr Expectations Sep	-	3.2%yr

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.

- Political turmoil in France send yields higher, with the 10-year up 6bps to 3.57% on the French 10-year rose 6bps, sending the French/German spread up to 85bps, its highest since late-2024. In Japan, a possible expansionist agenda from Takaichi incited a larger response in ultras, with the 30-year yield up 13bps to 3.30%.
- Crude prices rallied on the back of a smaller-than-expected production hike from OPEC+ over the weekend, with WTI futures up 1.4% to US$61.75/bbl. Despite a USD appreciation, gold prices continued to rally amid the ongoing government shutdown, rising 1.9% to around US$3960/oz. Copper prices fell (–0.6%) while iron ore posted a modest lift (+0.1%).

International Data:

Amid the ongoing **government shutdown in the US**, the release of nonfarm payrolls data has been delayed.

On Friday, the US **ISM services PMI** surprised to the downside, falling from 52.0 in August back to the breakeven mark at 50.0 in September. New orders looks to be the chief culprit behind recent volatility, unwinding August's temporary surge and slipping back into contraction. Other sub-components are following recent trends and corroborates the risks present in other official data: employment is holding within weak territory, consistent with delayed hiring efforts (+0.7pts to 46.5), while prices paid continues to show echo risks of lingering cost pressures (+0.2pts to 69.4).

In Japan, the **jobless rate** rose by more than expected, from a cycle low of 2.3% in July to 2.6% in August, and the **job-to-applicant ratio** fell to its lowest level since 2022, currently at 1.20. On the whole, the results are still consistent with a tight labour market that has recently lost some momentum at the margin.

On Monday, **retail sales** in the Eurozone came in broadly as expected, rising 0.1% in August to be up 1.0%yr, a deceleration from 2.1%yr in July. Slowing but still positive growth in retail sales is reflective of the region's gradual recovery in household consumption. Still, the **Sentix investor confidence** survey continues to emphasise that while the outlook has improved there remains some uncertainties, with the headline index at –5.4 in October.

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