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%

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%

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%

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

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

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.

Ryan Wells
Economist, Westpac Group
P: +61 401 423 628
E: ryan.wells@westpac.com.au

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	
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.

Corporate Directory

Westpac Economics / Australia

Sydney
Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis
Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan
Head of Australian Macro–Forecasting
E: mhassan@westpac.com.au

Elliot Clarke
Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner
Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk
Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante
Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas
Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells
Economist
E: ryan.wells@westpac.com.au

Illiana Jain
Economist
E: illiana.jain@westpac.com.au

Neha Sharma
Economist
E: neha.sharma1@westpac.com.au

Westpac Economics / New Zealand

Auckland
Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold
Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon
Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs
Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod
Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark
Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva
1 Thomson Street
Suva, Fiji

Shamal Chand
Senior Economist
E: shamal.chand@westpac.com.au

Things you should know

We respect your privacy: You can view our privacy statement at Westpac.com.au. Each time someone visits our site, data is captured so that we can accurately evaluate the quality of our content and make improvements for you. We may at times use technology to capture data about you to help us to better understand you and your needs, including potentially for the purposes of assessing your individual reading habits and interests to allow us to provide suggestions regarding other reading material which may be suitable for you.

Disclaimer

This information has been prepared by Westpac and is intended for information purposes only. It is not intended to reflect any recommendation or financial advice and investment decisions should not be based on it. This information does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter into a legally binding contract. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision.

This information may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure this information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of this information, or otherwise endorses it in any way. Except where contrary to law, Westpac Group intend by this notice to exclude liability for this information. This information is subject to change without notice and none of Westpac or its related entities is under any obligation to update this information or correct any inaccuracy which may become apparent at a later date. This information may contain or incorporate by reference forward-looking statements. The words "believe", "anticipate", "expect", "intend", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. Past performance is not a reliable indicator of future performance, nor are forecasts of future performance. Whilst every effort has been taken to ensure that the assumptions on which any forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from any forecasts.

Conflicts of Interest: In the normal course of offering banking products and services to its clients, the Westpac Group may act in several capacities (including issuer, market maker, underwriter, distributor, swap counterparty and calculation agent) simultaneously with respect to a financial instrument, giving rise to potential conflicts of interest which may impact the performance of a financial instrument. The Westpac Group may at any time transact or hold a position (including hedging and trading positions) for its own account or the account of a client in any financial instrument which may impact the performance of that financial instrument.

Author(s) disclaimer and declaration: The author(s) confirms that (a) no part of his/her compensation was, is, or will be, directly or indirectly, related to any views or (if applicable) recommendations expressed in this material; (b) this material accurately reflects his/her personal views about the financial products, companies or issuers (if applicable) and is based on sources reasonably believed to be reliable and accurate; (c) to the best of the author's knowledge, they are not in receipt of inside information and this material does not contain inside information; and (d) no other part of the Westpac Group has made any attempt to influence this material.

Further important information regarding sustainability-related content: This material may contain statements relating to environmental, social and governance (ESG) topics. These are subject to known and unknown risks, and there are significant uncertainties, limitations, risks and assumptions in the metrics, modelling, data, scenarios, reporting and analysis on which the statements rely. In particular, these areas are rapidly evolving and maturing, and there are variations in approaches and common standards and practice, as well as uncertainty around future related policy and legislation. Some material may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. There is a risk that the analysis, estimates, judgements, assumptions, views, models, scenarios or projections used may turn out to be incorrect. These risks may cause actual outcomes to differ materially from those expressed or implied. The ESG-related statements in this material do not constitute advice, nor are they guarantees or predictions of future performance, and Westpac gives no representation, warranty or assurance (including as to the quality, accuracy or completeness of the statements). You should seek your own independent advice.

Additional country disclosures:

Australia: Westpac holds an Australian Financial Services Licence (No. 233714). You can access Westpac's Financial Services Guide here or request a copy from your Westpac point of contact. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice.

New Zealand: In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac (NZ division) or Westpac New Zealand Limited (company number 1763882), the New Zealand incorporated subsidiary of Westpac ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address www.westpac.co.nz.

Singapore: This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients of this material in Singapore should contact Westpac Singapore Branch in respect of any

Disclaimer continues overleaf ▶

matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore.

Fiji: Unless otherwise specified, the products and services for Westpac Fiji are available from www.westpac.com.fj © Westpac Banking Corporation ABN 33 007 457 141. This information does not take your personal circumstances into account and before acting on it you should consider the appropriateness of the information for your financial situation. Westpac Banking Corporation ABN 33 007 457 141 is incorporated in NSW Australia and registered as a branch in Fiji. The liability of its members is limited.

Papua New Guinea: Unless otherwise specified, the products and services for Westpac PNG are available from www.westpac.com.pg © Westpac Banking Corporation ABN 33 007 457 141. This information does not take your personal circumstances into account and before acting on it you should consider the appropriateness of the information for your financial situation. Westpac Banking Corporation ABN 33 007 457 141 is incorporated in NSW Australia. Westpac is represented in Papua New Guinea by Westpac Bank - PNG - Limited. The liability of its members is limited.

U.S: Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. The services and products referenced above are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Westpac Capital Markets, LLC ('WCM'), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ('the Exchange Act') and member of the Financial Industry Regulatory Authority ('FINRA'). In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WCM other than as provided for in certain legal agreements between Westpac and WCM and obligations of WCM do not represent liabilities of Westpac.

This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. Transactions by U.S. customers of any securities referenced herein should be effected through WCM. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person of WCM or any other U.S. broker-dealer under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

UK and EU: The London branch of Westpac is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA (Financial Services Register number: 124586). The London branch of Westpac is registered at Companies House as a branch established in the United Kingdom (Branch No. BR000106). Details about the extent of the regulation of Westpac's London branch by the PRA are available from us on request.

Westpac Europe GmbH ("WEG") is authorised in Germany by the Federal Financial Supervision Authority ('BaFin') and subject to its regulation. WEG's supervisory authorities are BaFin and the German Federal Bank ('Deutsche Bundesbank'). WEG is registered with the commercial register ('Handelsregister') of the local court of Frankfurt am Main under registration number HRB 118483. In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WEG other than as provided for in certain legal agreements (a risk transfer, sub-participation and collateral agreement) between Westpac and WEG and obligations of WEG do not represent liabilities of Westpac.

This communication is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. This communication is not being made to or distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, this communication is being made only to and is directed at (a) those persons falling within the definition of Investment Professionals (set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")); (b) those persons falling within the definition of high net worth companies, unincorporated associations etc. (set out in Article 49(2)of the Order; (c) other persons to whom it may lawfully be communicated in accordance with the Order or (d) any persons to whom it may otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". Westpac expressly prohibits you from passing on the information in this communication to any third party.

This communication contains general commentary, research, and market colour. The communication does not constitute investment advice. The material may contain an 'investment recommendation' and/or 'information recommending or suggesting an investment', both as defined in Regulation (EU) No 596/2014 (including as applicable in the United Kingdom) ("MAR"). In accordance with the relevant provisions of MAR, reasonable care has been taken to ensure that the material has been objectively presented and that interests or conflicts of interest of the sender concerning the financial instruments to which that information relates have been disclosed.

Investment recommendations must be read alongside the specific disclosure which accompanies them and the general disclosure which can be found here. Such disclosure fulfils certain additional information requirements of MAR and associated delegated legislation and by accepting this communication you acknowledge that you are aware of the existence of such additional disclosure and its contents.

To the extent this communication comprises an investment recommendation it is classified as non-independent research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and therefore constitutes a marketing communication. Further, this communication is not subject to any prohibition on dealing ahead of the dissemination of investment research.