



9 October 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

The FOMC minutes confirmed that policy makers are inclined to lower the fed funds rate further before year-end. While they assessed that the downside risks to the employment growth in the US had increased, they also noted upside risks to inflation.

In France, outgoing Prime Minister Sebastien Lecornu indicated President Macron would appoint a new prime minister within two days, suggesting sufficient support has been secured for the National Assembly to continue, avoiding a fresh election.

Global financial markets regained their footing after yesterday's setback. The S&P 500 rose 0.6%, fully recouping Tuesday's 0.4% decline, and European equity markets were stronger too.

The euro also slipped 0.2%, as positive news from France was overshadowed by weakness in Germany's industrial sector. AUD firmed slightly to 0.6587.

## Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	61.2	-0.3%	30 day BBSY	3.57	-0.01
AUD/USD	0.6587	0.1%	90 day BBSY	3.63	-0.01
AUD/JPY	100.58	0.6%	180 day BBSY	3.83	-0.01
AUD/GBP	0.4915	0.3%	1 year swap	3.46	0.00
AUD/NZD	1.1385	0.3%	2 year swap	3.46	0.00
AUD/EUR	0.5664	0.3%	3 year swap	3.51	0.01
AUD/CNH	4.7096	0.1%	4 year swap	3.58	-0.01
AUD/SGD	0.8533	0.3%	5 year swap	3.67	-0.01
AUD/HKD	5.1253	0.1%	6 year swap	3.77	-0.01
AUD/CAD	0.9192	0.1%	7 year swap	3.87	-0.01
EUR/USD	1.1630	-0.2%	8 year swap	3.96	-0.01
USD/JPY	152.70	0.5%	9 year swap	4.04	-0.02
USD Index	98.88	0.3%	10 year swap	4.29	-0.02

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,948	-0.1%	<b>Australia</b>		
S&P 500	6,752	0.6%	3 year bond	3.56	-0.01
Japan Nikkei	47,735	-0.5%	10 year bond	4.36	-0.02
Hang Seng	26,829	-0.5%	<b>United States</b>		
Euro Stoxx 50	5,650	0.6%	3-month T Bill	3.84	0.01
UK FTSE100	9,549	0.7%	2 year bond	3.58	0.02
VIX Index	16.36	-5.1%	10 year bond	4.13	0.00

Commodities	Current	Change	Other (10 year yields)		
CRB Index	302.12	0.3%	Germany	2.68	-0.03
Gold	4044.45	1.5%	Japan	1.69	0.00
Copper	10669.00	-0.9%	UK	4.71	-0.01

			Sydney Futures Exchange	Current	Change
Oil (WTI futures)	62.43	1.1%	10 yr bond	4.36	-0.02
Coal (coking)	192.00	-1.0%	3 yr bond	3.58	0.00
Coal (thermal)	105.75	-0.6%	3 mth bill rate	3.58	0.00
Iron Ore	103.85	0.2%	SPI 200	9,016	0.5%
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:

Global financial markets regained their footing after yesterday's setback. The FOMC minutes confirmed that policy makers are inclined to lower the fed funds rate further before year-end. While they assessed that the downside risks to the employment growth in the US had increased, they also noted upside risks to the inflation outlook. In France, outgoing Prime Minister Sebastien Lecornu indicated President Macron would appoint a new prime minister within two days, suggesting sufficient support has been secured for the National Assembly to continue, avoiding a fresh election.

- Following a retreat in major equity markets the previous day, US equities traded in the green again, reflecting resilient demand despite elevated valuations. The S&P 500 rose 0.6%, fully recouping Tuesday's 0.4% decline. European stocks followed suit, with favourable political developments in France providing further impetus. The Eurostoxx 50 advanced 0.6%, while the FTSE 100 in the UK climbed 0.7%. In contrast, Asian markets were mixed, with caution in the tech sector weighing on performance. The Hang Seng reopened after a holiday, shedding 0.5%, while the Nikkei 225 continued to trim gains after surging nearly 5% earlier in the week. The domestic ASX 200 ended the session marginally lower, down 0.1%.
- In the bond market, US Treasuries reversed early gains, closing the session little changed at the longer end, with softer demand at the 10Y auction a likely trigger of the switch. The 10Y yield held at 4.13%. German Bunds rallied, with the 10Y yield falling 3bp following a sharp decline in German industrial production. Equivalent French yields dropped 6bp to 3.57%. Australian yields eased by 1-2bp across the curve.
- The DXY index extended its upward momentum for a third consecutive day, rising 0.3% to 98.9. The yen continued to depreciate, losing 0.5%. The euro also slipped 0.2%, as positive news from France was overshadowed by weakness in Germany's industrial sector. The NZD fell 0.2%, paring earlier losses after the RBNZ's 50bp rate cut. The AUD firmed slightly to 0.6587.
- Crude oil prices remained supported, following OPEC+ decision last weekend to increase supply by less than anticipated. The EIA's report of a substantial drawdown in gasoline and distillate inventories added further upward pressure, with WTI rising 1.1% to \$62.4. Gold climbed 1.5%, surpassing \$4,000, as demand for safe-haven assets persisted amid the ongoing US government shutdown.

## International Data:

The minutes of the FOMC's September meeting brought more insights into the reasoning behind the decision to resume

## Today's key data and events

Time	Event	Exp	Prev
11:30pm	US Initial Jobless Claims	228k	-

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.

the monetary policy easing by cutting fed funds rate by 25bp. Most notably, the minutes confirmed that the policy makers "judged that downside risks to employment had increased over the intermeeting period and that upside risks to inflation had either diminished or not increased".

With regards to the assessment of the labour market, the minutes carried a quite balanced tone, indicating that low job growth reflected weakness in both labour supply and demand, and other important labour market metrics did not signal a sharp deterioration in the labour market conditions.

Meanwhile, on the inflation front, "a majority of participants emphasized upside risks to their outlooks for inflation". There was consensus that tariffs have put an upward pressure on prices, however, a few participants noted that "progress of inflation toward the Committee's 2 percent objective had stalled, even excluding the effects of this year's tariff increases". While there was a range of views about the current policy restrictiveness, "most judged that it likely would be appropriate to ease policy further over the remainder of this year".

**German industrial production** surprised to the downside in August, reporting the biggest decline in almost three and a half years of 4.3%*mt*. The weakness was mainly driven by manufacturing, which dropped 5.6%*mt*, with annual plant closures in the auto sector providing downward pressure. Energy production also fell, down 0.5%*mt*, while construction rose 0.6%*mt*. So far in Q3, production is down by 1% from the Q2 levels suggesting that the German industrial sector will most likely remain a drag on growth in the second half of the year, dampening hopes of a more meaningful economic recovery in the very near-term.

## Local Data:

In New Zealand, the RBNZ cut the OCR by 50bps to 2.50%. It also signalled that further easing is likely. Our base case of a further 25bp cut to 2.25% at the 26 November meeting remains ([see here](#)).



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