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MORNING REPORT

Today's economic developments and market movements.

Key themes

Confirmation that Hamas and Israel agreed to a ceasefire provided a more positive backdrop for financial markets. Nevertheless, movements in global markets were mixed, with stretched valuations in US equities continuing to concern investors.

The S&P 500 fell 0.3%, marking its second daily loss this week. European equity markets also weakened, but the Nikkei 225 rose 1.8%, despite reports that new ruling party leader Sanae Takaichi faces challenges securing support from the long-term coalition partners.

US Treasury yields rose across the curve, despite strong demand at the 30Y auction. The French 10Y yield was little changed, allowing French spreads to narrow for a second straight day. Domestic yields were broadly steady.

FX trends from recent days persisted. The AUD continued to weaken, dropping 0.5% to 0.6550.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.6	0.7%
AUD/USD	0.6552	-0.5%
AUD/JPY	100.29	-0.3%
AUD/GBP	0.4927	0.3%
AUD/NZD	1.1407	0.2%
AUD/EUR	0.5667	0.1%
AUD/CNH	4.6771	-0.7%
AUD/SGD	0.8517	-0.2%
AUD/HKD	5.0987	-0.5%
AUD/CAD	0.9187	0.0%
EUR/USD	1.1561	-0.6%
USD/JPY	153.07	0.2%
USD Index	99.43	0.5%

Equities	Close	Change
S&P/ASX 200	8,970	0.2%
S&P 500	6,733	-0.3%
Japan Nikkei	48,580	1.8%
Hang Seng	26,753	-0.3%
Euro Stoxx 50	5,626	-0.4%
UK FTSE100	9,509	-0.4%
VIX Index	16.44	0.9%

Commodities	Current	Change
CRB Index	299.33	-0.9%
Gold	3975.56	-1.6%
Copper	10868.00	1.9%
Oil (WTI futures)	61.45	-1.8%
Coal (coking)	192.25	0.1%
Coal (thermal)	106.25	0.5%
Iron Ore	105.30	0.7%
ACCU	37.75	10.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.58	0.00
90 day BBSY	3.63	0.00
180 day BBSY	3.83	0.00
1 year swap	3.48	0.02
2 year swap	3.48	0.02
3 year swap	3.53	0.02
4 year swap	3.61	0.03
5 year swap	3.70	0.03
6 year swap	3.81	0.04
7 year swap	3.90	0.04
8 year swap	3.99	0.04
9 year swap	4.08	0.04
10 year swap	4.32	0.03

Government Bond Yields	Close	Change
Australia		
3 year bond	3.56	0.00
10 year bond	4.35	-0.01
United States		
3-month T Bill	3.86	0.01
2 year bond	3.59	0.01
10 year bond	4.14	0.03
Other (10 year yields)		
Germany	2.70	0.02
Japan	1.70	0.01
UK	4.75	0.04

Sydney Futures Exchange	Current	Change
10 yr bond	4.39	0.02
3 yr bond	3.59	0.01
3 mth bill rate	3.57	0.00
SPI 200	8,962	-0.4%

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.



Mantas Vanagas
Senior Economist, Westpac Group

Financial Markets:

Confirmation that Hamas and Israel agreed to a ceasefire provided a more positive backdrop for financial markets. Nevertheless, movements in global markets were mixed, with stretched valuations in US equities continuing to concern investors. Progress in Washington towards resolving the US government shutdown, now in its ninth day, remained limited, with President Trump maintaining threats to cut federal jobs and reduce funding for Democrat-backed programmes.

- US equities closed lower again, indicating that after a strong rally in recent months, concerns about overstretched AI sector valuations may be gaining traction. The S&P 500 fell 0.3%, marking its second daily loss this week. European markets also weakened, with the Euro Stoxx 50 down 0.4% as automotive and banking shares led declines. Japanese equities outperformed - the Nikkei 225 rose 1.8% - despite reports that new ruling party leader Sanae Takaichi faces challenges securing support from the long-term coalition partners. Domestically, the ASX200 edged up 0.2%.
- In bond markets, US Treasury yields rose across the curve, despite strong demand at the 30Y auction. The 10Y yield increased 2bp to 4.14%. The equivalent Bund yield also rose 2bp. The French 10Y yield was little changed, allowing French spreads to narrow for a second straight day as markets are awaiting President Macron's decision on a new Prime Minister. UK Gilts underperformed – the 10Y yield climbed 4bp as fiscal risks remained a concern. Domestic yields were broadly steady.
- FX market trends from recent days persisted. The DXY index extended its rally, gaining 0.5% to 99.40. The increasing possibility of avoiding new elections in France did not keep EUR from depreciating further – it fell 0.6%, for the first time since early August dipping below 1.16. The yen weakened for a sixth consecutive day, down 0.2%. GBP was among the worst performers, falling 0.8%. The AUD declined 0.5% to 0.6550.
- The Israel-Hamas ceasefire in the Middle East weighed on crude, with WTI falling 1.8% to \$61.50. Gold also retreated, losing 1.6% to fall back below \$4,000. However, copper surged nearly 2%, supported by Chinese demand following the Golden Week holiday.

International Data:

Fed Governor Michael Barr emphasised the need for a cautious approach when considering further fed funds rate cuts at the next meeting at the end of the month. “Do we move down another step, which might help on the labour-market side but might present additional risks on the inflation side?”, he asked. Barr noted the possibility that tariffs could begin to lift inflation more significantly, even though their

Today's key data and events

Time	Event	Exp	Prev
1:00am	US Wholesale Inventories Aug Final	-0.2%	-0.2%
8:30am	NZ Manufacturing PMI Sep	-	49.9pts
9:00am	AU RBA's Bullock and Kent-Testimony	-	-
1:00am	US Uni. Of Michigan Sentiment Oct Prel.	54pts	55.1pts

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.

impact so far has been smaller than many expected. While he acknowledged recent softening in employment growth, he concluded that the labour market remains broadly balanced, though it is now more susceptible to negative shocks.

New York Fed President John Williams revealed that he is focusing more on the labour market risks. If the economy evolves as expected, he will support further interest rate cuts.

Local Data:

In New Zealand, Stats NZ's published an update on household income, assets and savings ([see here](#)).



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