16 October 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets lacked direction overnight with risk sentiment seemingly shifting during the session. On the one hand trade tensions between the US and China continue to be front of mind for investors, with US Treasury Secretary Bessent urging co-operation amongst Western nations to pressure China further.

On the other hand, strong earnings in US markets were supportive of sentiment which saw equities generally finish the higher. US bond yields were higher at the short end of the curve, while yields declined across Europe. The US dollar lost ground while the Aussie was higher, supported by slightly hawkish comments from the RBA's chief economist during a speech yesterday. Today's domestic jobs report provides a clear risk event for the Aussie.

Oils extended its recent slump on oversupply concerns, while gold hit a new record. Iron Ore continues to trade around US$105 a tonne.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.8	0.5%
AUD/USD	0.6511	0.4%
AUD/JPY	98.47	0.0%
AUD/GBP	0.4858	-0.2%
AUD/NZD	1.1380	0.3%
AUD/EUR	0.5590	0.0%
AUD/CNH	4.6430	0.3%
AUD/SGD	0.8438	0.2%
AUD/HKD	5.0617	0.4%
AUD/CAD	0.9144	0.4%
EUR/USD	1.1647	0.3%
USD/JPY	151.23	-0.4%
USD Index	98.71	-0.3%

Equities	Close	Change
S&P/ASX 200	8,991	1.0%
S&P 500	6,658	0.2%
Japan Nikkei	47,673	1.8%
Hang Seng	25,911	1.8%
Euro Stoxx 50	5,605	1.0%
UK FTSE100	9,425	-0.3%
VIX Index	20.93	0.6%

Commodities	Current	Change
CRB Index	293.61	-0.3%
Gold	4209.54	1.6%
Copper	10641.00	0.6%
Oil (WTI futures)	58.46	-0.4%
Coal (coking)	192.50	-0.5%
Coal (thermal)	112.80	2.5%
Iron Ore	104.50	0.0%
ACCU	37.75	10.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.56	0.01
90 day BBSY	3.61	0.00
180 day BBSY	3.78	-0.03
1 year swap	3.45	0.02
2 year swap	3.43	0.02
3 year swap	3.48	0.03
4 year swap	3.55	0.02
5 year swap	3.64	0.02
6 year swap	3.73	0.02
7 year swap	3.83	0.02
8 year swap	3.92	0.02
9 year swap	4.00	0.02
10 year swap	4.23	0.03

Government Bond Yields	Close	Change
Australia		
3 year bond	3.46	0.01
10 year bond	4.22	-0.02
United States		
3-month T Bill	3.86	0.04
2 year bond	3.50	0.02
10 year bond	4.03	0.00
Other (10 year yields)		
Germany	2.57	-0.04
Japan	1.65	0.00
UK	4.54	-0.05

Sydney Futures Exchange	Current	Change
10 yr bond	4.25	0.02
3 yr bond	3.50	0.02
3 mth bill rate	3.57	0.00
SPI 200	9,024	0.1%

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:

- US equities were generally higher in another volatile session where early gains were wiped away in a mid-session dip before valuations climbed again in late trade. Tech stocks and financials (including banks) led the market higher on the back of strong profit results from the likes of Bank of America and Morgan Stanley. The S&P 500 added 0.4%, with the tech heavy Nasdaq climbing 0.7%. The Dow Jones Industrial Average edged 0.1% lower following two consecutive session where it recorded solid gains.
- European markets were mixed with the Euro Stoxx 50 closing 1.0% higher, Germany's DAX closing 0.1% in the red, the FTSE 100 declining 0.3%, and France's CAC climbing almost 2.0%. The French market outperform on hopes of political stability with Prime Minister Sebastien Lecornu wining the support of the Socialist Party, which improves the likelihood his new Government will survive two no-confidence votes. Asian markets were higher with the Nikkei closing 1.8% higher, the Hang Seng closing 1.8% in the green and the CSI 300 up 1.5%. In the local market, the ASX 200 closed 1.0% higher with health-care and mining shares leading the market higher. Futures are pointing to a positive start to today's session.
- There were modest moves in US bond yields. The 2-year US bond yield closed 2 basis points higher at 3.50%. The 10-year US bond yield was unchanged at 4.03%, while the 30-year US bond yield declined 1 basis points to 4.62%. Interest-rate futures have a rate cut fully priced in for the October US Fed meeting (24.5 basis points) and a total of 120 basis points of cuts priced in over the remainder of 2025 and 2026. Yields were lower across Europe, with 10-year bond yields 5 basis points lower in the UK to 4.54%; 4 basis points lower in Germany to 2.57%; and 5 basis points lower in France to 3.34%.
- Local yields were also mixed on futures with the 3-year bond yield futures 1 basis point higher at 3.46%, and the 10-year bond yield futures 2 basis points lower at 4.22%. Interest-rate futures have fully priced in a rate cut by March 2026, with only around 34 basis points of cuts expected over 2025 and 2026. Prior to yesterday's comments made by the RBA's chief economist, Sarah Hunter, futures had priced in a full rate cut by February 2026 and a little over 36 basis points of cuts through the remainder of 2025 and next year.
- The US dollar index declined 0.3% to 98.71 to remain within recent ranges. The euro advanced 0.3% to 1.1647 while the Yen also gained, up 0.4% on the day against the Greenback. The Aussie gained 0.4% to 0.6511. The AUD/USD pair reached a session high of 0.6523 before pulling back in late trade. More hawkish than expected messaging from RBA's chief economist, Sarah Hunter, led to a paring back of rate cut expectation which also supported the Aussie. The jobs report to be released later this morning provides a key risk event for the AUD/USD pair.
- Oil extended the recent slump, with the West Texas Intermediate falling 0.4% to US$58.46/bbl on concerns over a long-anticipated supply glut. The International Energy Agency increased its estimate for record oversupply in 2026, with some exporters noting the supply glut is already starting to emerge.
- Gold continues its rally, up 1.6% to set yet another record high (US$4,209 an ounce) as investors increasingly expect the US Fed to cut rates again overtime. Iron Ore was broadly unchanged at US$104.50 a tonne.

Today's key data and events

Time	Event	Exp	Prev
6:45am	AU RBA's Bullock-Fireside Chat	-	-
8:45am	NZ Food Price Index Sep	-	0.3%
8:50am	AU RBA's Kent-Speech	-	-
10:50am	JP Machinery Orders Aug	0.5%	-4.6%
11:30am	AU Employment Sep	20k	-5.4k
11:30am	AU Unemployment Rate Sep	4.3%	4.2%
5:00pm	GB Trade Balance Aug	-£4805b	-£5260b
11:30pm	US Retail Sales Sep	0.4%	0.6%
11:30pm	US PPI Sep	0.3%	-0.1%
11:30pm	US Initial Jobless Claims	230k	-
11:30pm	US Phily Fed Oct	10pts	23.2pts
1:00am	US Business Inventories Aug	0.0%	0.2%
1:00am	US NAHB Housing Market Oct	33pts	32pts

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:

Euro Area industrial production beat expectations at the margin in August, declining 1.2% against an expectation of -1.6%. July's gain was also revised up from 0.3% to 0.5%.

The **NY Fed's Empire manufacturing survey** remained volatile in October, surging from -8.7 to +10.7. Conditions are disparate across the US manufacturing sector, with strength in AI and tech-related areas, but weakness is evident elsewhere.

US Treasury Secretary Bessent expressed a willingness to extend deadlines to create room for negotiation with China and again suggested Presidents Trump and Xi will meet towards the end of the month. At the same time though, he also brought up the potential for co-operation amongst Western nations to pressure China further. Fed Governor Stephen Miran meanwhile continued to highlight downside risks for the US economy and, in his view, the need for policy makers to respond pro-actively.

In the **October Beige Book**, economic activity was viewed to have "changed little on balance since the previous report" and "consumer spending, particularly on retail goods, [to have] inched down in recent weeks". "The outlook for future economic growth varied by District and sector. Sentiment reportedly improved in a few Districts, with some contacts expecting an uptick in demand over the next 6 to 12 months. However, many others continued to expect elevated uncertainty to weigh down activity."

On the labour market, "Employment levels were largely stable in recent weeks", though in "most" districts, more employers "reported lowering head counts through layoffs and attrition, with contacts citing weaker demand, elevated economic uncertainty, and, in some cases, increased investment in artificial intelligence technologies". "Prices rose further during the reporting period. Several District reports indicated that input costs increased at a faster pace due to higher import costs and the higher cost of services such as insurance, health care, and technology solutions. Tariff-induced input cost increases were reported across many Districts, but the extent of those higher costs passing through to final prices varied."

Local Data:

The **Westpac–Melbourne Institute Leading Index** increased to +0.04% in September from –0.16% in August. Despite this increase, the leading Index continues to show a moderation in momentum compared to the start of the year, with the pulse still pointing to around-trend growth in early 2026.

In a speech to the Citi Australia & New Zealand Investment Conference 2025, **Sarah Hunter, RBA Assistant Governor (Economic)**, provided further details around the implications of the RBA's recent downgrade to productivity from 1.0%yr to 0.7%yr. The key take out is potential growth is slower and therefore quarterly growth of 0.5%qtr is the norm going forward according to the RBA. In addition, Hunter noted that "underlying inflation in the September quarter is likely to be stronger than we anticipated. This may suggest that the labour market, and economic conditions more generally, remain a bit tighter than we had assessed..."

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