17 October 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

There was a risk off tone overnight amid concerns over the health of US regional banks (with more to report over the next few days), ongoing trade tensions and the US government shutdown.

In another volatile session, US equities finished firmly in the red after a positive start. European markets were higher as the political woes in France look to be stabilising. The risk off tone saw Treasuries rally and the US yield curve shift lower, with the US dollar declined.

The significant market reaction to the weaker than expected Aussie jobs report continued overnight, with yields on future continuing to fall and the Aussie losing further ground against the Greenback to reach a session low of 0.6471. Markets now have the likelihood of a November rate cut at around 80% (up from around 35% before the job's report) and around 46bps of cuts priced in over the next year (up from around 34bps).

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.5	-0.5%
AUD/USD	0.6484	-0.4%
AUD/JPY	97.50	-0.9%
AUD/GBP	0.4826	-0.7%
AUD/NZD	1.1329	-0.4%
AUD/EUR	0.5547	-0.8%
AUD/CNH	4.6193	-0.5%
AUD/SGD	0.8388	-0.6%
AUD/HKD	5.0385	-0.5%
AUD/CAD	0.9111	-0.4%
EUR/USD	1.1690	0.4%
USD/JPY	150.36	-0.5%
USD Index	98.35	-0.5%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.56	0.00
90 day BBSY	3.62	0.01
180 day BBSY	3.82	0.03
1 year swap	3.33	-0.12
2 year swap	3.29	-0.14
3 year swap	3.35	-0.14
4 year swap	3.44	-0.11
5 year swap	3.53	-0.10
6 year swap	3.63	-0.11
7 year swap	3.73	-0.10
8 year swap	3.82	-0.10
9 year swap	3.90	-0.09
10 year swap	4.12	-0.10

Equities	Close	Change
S&P/ASX 200	9,068	0.9%
S&P 500	6,624	-0.7%
Japan Nikkei	48,278	1.3%
Hang Seng	25,889	-0.1%
Euro Stoxx 50	5,652	0.8%
UK FTSE100	9,436	0.1%
VIX Index	24.84	20.3%

Commodities	Current	Change
CRB Index	293.85	0.1%
Gold	4319.35	2.7%
Copper	10647.00	0.1%
Oil (WTI futures)	57.54	-1.3%
Coal (coking)	195.00	1.3%
Coal (thermal)	111.20	0.5%
Iron Ore	104.20	-0.2%
ACCU	37.75	10.6%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.38	-0.09
10 year bond	4.15	-0.06
United States		
3-month T Bill	3.85	-0.02
2 year bond	3.42	-0.08
10 year bond	3.97	-0.06
Other (10 year yields)		
Germany	2.57	0.00
Japan	1.67	0.01
UK	4.50	-0.04

Sydney Futures Exchange	Current	Change
10 yr bond	4.15	-0.02
3 yr bond	3.36	-0.03
3 mth bill rate	3.53	0.07
SPI 200	9,068	-0.3%

Data as at 7:10am 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:

- Following a positive start to the day on the back of gains in tech stocks, US equities finished firmly in the red. US regional bank stocks lead the market lower driven by concerns about bad loans, while trade tensions and the ongoing US government shutdown continued to weigh on sentiment. US regional banks Zions Bancorp (-13%) and Western Alliance Bancorp (-11%) both recorded sharp falls after disclosing problems involving fraudulent and bad loans. The S&P 500 sank 0.6%, with the tech heavy Nasdaq reversed the previous session's gains to finish 0.5% lower. The Dow Jones Industrial Average close 0.7% lower.
- European markets were generally stronger after France's Prime Minister survived two no-confidence votes. The Euro Stoxx 50 climbed 0.8% higher, with France's CAC climbing almost 1.4% during the session. Germany's DAX closing 0.4% in the green, while the FTSE 100 edged 0.1% higher. Asian markets were generally higher with the Nikkei closing 1.3% higher, the Hang Seng closing 0.1% lower and the CSI 300 up 0.3%. In the local market, the ASX 200 closed 0.8% higher and the weaker than expected jobs report led to increasing bets of further rate cuts. Futures are pointing to a soft start to today's session.
- Treasuries rallied as trade tensions and the ongoing US government shutdown weighed on sentiment, which saw the yield curve shift lower. The 2-year US bond yield closed 8 basis points lower at 3.42%. The 10-year US bond yield closed 6 basis points lower at 3.97%. Interest-rate futures have a rate cut fully priced in for the October US Fed meeting (25.8 basis points) and a total of 128 basis points of cuts priced in over the remainder of 2025 and 2026. Yields were lower across Europe, with 10-year bond yields 4 basis points lower in the UK to 4.50%; unchanged in Germany to 2.57%; and 1 basis points lower in France to 3.33%.
- Local yields continued to fall on futures with the 3-year bond yield futures 3 basis point lower at 3.36%, and the 10-year bond yield futures 2 basis points lower at 4.15%. This follows sharp falls in yields after yesterday's weaker than expected jobs report, with the policy sensitive 2-year bond yield down 9 basis points (and at one point down more than 12 basis points). Interest-rate futures moved significantly following yesterday's data with the likelihood of a November rate cut now sitting at around 80% (from 35% before the labour force data) and there are now around 45 basis points of cuts priced in over the remainder of 2025 and 22026 (up from 34 basis points).

Today's key data and events

Time	Event	Exp	Prev
11:30pm	US Housing Starts Sep	1.0%	-8.5%
11:30pm	US Building Permits Sep Prel.	0.9%	-2.3%
11:30pm	US Import Price Index Sep	0.1%	0.3%

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 US dollar index declined 0.5% to 98.35 on the back of lower yield and increasing bets of further near-term US Fed rate cuts. The euro advanced 0.4% to 1.1690 while the Yen also gained, up 0.5% on the day against the Greenback. The Aussie declined 0.4% to 0.6484. The AUD/USD pair reached a session low of 0.6471 after the labour force reform dropped (lowest since August excluding falls late last week).
- Oil extended the recent slump, with the West Texas Intermediate falling 1.3% to a five-month low of US$57.54/bbl. This follows reports Presidents Trump and Putin will hold a summit in Budapest to discuss ending the war in Ukraine, which has the potential to increase the amount of supply coming out of Russia.
- Gold continues its astronomical rally, up 2.7% to set yet another record high (US$4,320 an ounce) as investors increasingly expect the US Fed to cut rates again overtime and amid the risk off tone overnight. Iron Ore was broadly unchanged at US$104.20 a tonne.

International Data:

Presidents **Trump and Putin** will hold a summit in Budapest to discuss ending the war in Ukraine. President Trump will also host Zelenskiy at the White House tonight.

The U**S Philadelphia Fed business outlook** remained volatile in October, falling from 23.2 to -12.8. The regional surveys continue to point to a wide variety of conditions by region and sub-sector.

The **NAHB housing market index** rose from 32 to 37 in October, the decline in the mortgage rate benefitting sentiment.

Fed **Governor Waller** continued to signal that moderate easing a quarter point at a time is sufficient to ward off the downside risks the US economy faces. **Governor Miran** again advocated for a more rapid easing cycle.

The **Euro Area's** trade balance outperformed in August, widening from EUR6.0bn in July to EUR9.7bn. The upside surprise came as a result of a 2.4% decline in imports partly offset by a 0.8% decline in exports.

UK GDP rose 0.1% in August as expected but was offset by a revised 0.1% decline in July (previously flat). The UK trade deficit was little changed in August at GBP3.4bn, inside the market's expectation.

Local Data:

Employment rose by +14.9k (+0.1%) in September, in line with Westpac's forecast (+15k) but below the market consensus (+20k). On a three-month average basis, employment growth has now slowed to 1.5%yr, down from 2.2%yr six months ago and now well below the long-run average pace of 1.9%yr.

This is currently weaker than population growth, seeing the employment-to-population continue to track a downtrend, currently at 64.0% in September. The unemployment rate jumped to a new cycle high of 4.5%, driven by stronger-than-expected labour force participation.

Underlying this slowdown in employment growth is a rebalancing across industries, with the contribution from the job-intensive 'care economy' falling while the market sector stages a gradual and 'patchy' recovery.

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