20 October 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

After a lacklustre start to the session, risk sentiment received a boost amid the US President's constructive tone toward trade negotiations with China. President Trump said high tariffs on China were "not sustainable" and that the US is "going to be fine with China."

On the back of this US equities received a boost after starting the session lower. There was a slight sell off in Treasuries which saw the US yield curve shift higher and the US dollar was broadly unchanged.

The lack of data due to the ongoing US government shutdown has meant volatility remains high as risk appetite has become more responsive to evolving news.

The Aussie was higher after starting the session lower and tested the 0.6500 mark on two separate occasions. Gold slipped from recent record levels, oil was broadly unchanged, and iron ore remains around the US$104 a tonne level.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.2	-0.5%
AUD/USD	0.6494	0.1%
AUD/JPY	97.70	0.1%
AUD/GBP	0.4834	0.1%
AUD/NZD	1.1326	0.0%
AUD/EUR	0.5565	0.3%
AUD/CNH	4.6283	0.2%
AUD/SGD	0.8411	0.2%
AUD/HKD	5.0448	0.1%
AUD/CAD	0.9104	-0.1%
EUR/USD	1.1670	-0.1%
USD/JPY	150.43	0.0%
USD Index	98.43	0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.52	-0.04
90 day BBSY	3.55	-0.07
180 day BBSY	3.69	-0.13
1 year swap	3.34	-0.01
2 year swap	3.32	-0.02
3 year swap	3.37	0.02
4 year swap	3.44	0.00
5 year swap	3.53	0.00
6 year swap	3.63	0.01
7 year swap	3.73	0.01
8 year swap	3.83	0.01
9 year swap	3.91	0.01
10 year swap	4.15	0.02

Equities	Close	Change
S&P/ASX 200	8,995	-0.8%
S&P 500	6,664	0.5%
Japan Nikkei	47,582	-1.4%
Hang Seng	25,247	-2.5%
Euro Stoxx 50	5,607	-0.8%
UK FTSE100	9,355	-0.9%
VIX Index	20.78	-17.9%

Commodities	Current	Change
CRB Index	293.35	-0.2%
Gold	4251.82	-1.7%
Copper	10604.00	-0.4%
Oil (WTI futures)	57.54	0.1%
Coal (coking)	195.00	0.0%
Coal (thermal)	111.45	0.2%
Iron Ore	104.10	-1.0%
ACCU	37.75	10.6%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.31	-0.06
10 year bond	4.10	-0.05
United States		
3-month T Bill	3.83	-0.02
2 year bond	3.46	0.03
10 year bond	4.01	0.03
Other (10 year yields)		
Germany	2.58	0.01
Japan	1.63	-0.03
UK	4.53	0.03

Sydney Futures Exchange	Current	Change
10 yr bond	4.17	0.06
3 yr bond	3.38	0.06
3 mth bill rate	3.53	0.07
SPI 200	9,003	-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.

Pat Bustamante
Senior Economist, Westpac Group
P: +61 468 571 786
E: pat.bustamante@westpac.com.au

Financial Markets:

- After starting the day lower, US equities ended the choppy session in the green, supported by President's Trump more constructive tone toward trade negotiations with China. The US President said "I think we're going to be fine with China, but we have to have a fair deal. It's got to be fair." The S&P 500, Dow Jones Industrial Average and Nasdaq all finished the session 0.5% in the green, to end the week 1.7%, 1.6% and 2.1% higher, respectively.
- European markets were generally lower as sentiment took a hit due to concerns related to the difficulties faced by two US regional banks and the potential for these issues to be more systemic. The DAX (-1.8% and -1.7% over the week) was hit particularly hard with Deutsche Bank and Commerzbank both down by more than 6% on the day. Risk off tone was also felt more broadly with the Euro Stoxx 50 down 0.8% but was 1.4% higher over the week, and the FTSE 100 down 0.9% to end the week 0.8% lower. Asian markets were generally lower with the Nikkei closing 1.4% lower, the Hang Seng closing 2.5% lower and the CSI 300 down 2.3%. In the local market, the ASX 200 closed 0.8% lower to finish the week 0.4% in the green. Futures are pointing to a soft start to today's session.
- There was a slight sell off in Treasuries as US markets were buoyed by the President's more constructive tone toward China, which saw the yield curve shift marginally higher. The 2-year US bond yield closed 3 basis points higher at 3.46%. The 10-year US bond yield also closed 3 basis points higher at 4.01%. Interest-rate futures have a rate cut fully priced in for the October US Fed meeting (25.3 basis points) and a total of 128 basis points of cuts priced in over the remainder of 2025 and 2026. Yields were higher across Europe, with 10-year bond yields 3 basis points higher in the UK to 4.53%; 1 basis point higher in Germany to 2.58%; and 3 basis points higher in France to 3.36%. This was before France's unscheduled credit downgrade to A+ from AA- by S&P, due to the country's budget uncertainty remaining "elevated" over the weekend.
- Local yields increased on futures with the 3-year bond yield futures 6 basis point higher at 3.38%, and the 10-year bond yield futures also 6 basis points higher at 4.17%. Interest-rate futures continue to factor in a 80% chance of a November rate cut and there are now 50 basis points of cuts priced in over the remainder of 2025 and 2026 – one cut fully priced in by December 2025 and another by May 2026.

Today's key data and events

Time	Event	Exp	Prev
8:45am	NZ CPI Q3	3.0%	2.7%
10:01am	GB Rightmove House Prices Oct	-	0.4%
1:00pm	CN GDP Q3	4.7%	5.2%
1:00pm	CN Retail Sales YoY YTD Sep	4.4%	4.6%
1:00pm	CN Industrial Production YoY YTD Sep	6.1%	6.2%
1:00pm	CN Fixed Asset Investment YoY YTD Sep	0.1%	0.5%

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 edged 0.1% higher to 98.43 as it more than retraced the fall to 98.030 in early trade following the President's remarks. The euro slipped 0.3% to 1.1655 while the Yen also fell 0.1% on the day against the Greenback. The Aussie edged 0.2% higher to 0.6484. The AUD/USD pair reached a session low of 0.6444 before testing the 0.6500 mark on two separate occasions.
- Oil was broadly unchanged with West Texas Intermediate remaining at around US$57.50/bbl. Gold slipped 1.7% to fall below the US$4,300 an ounce mark. Iron Ore was broadly unchanged at US$104.10 a tonne.

International Data:

Presidents Trump told reporters at the White House that the US is doing well in trade negotiations with China, noting that his meeting with President Xi is likely to go ahead in late October.

Euro Area September headline inflation was confirmed at 0.1% and 2.2%yr in the final estimate. But annual core inflation was edged up from 2.3%yr to 2.4%yr.

St Louis Fed President Musalem noted that the Fed hasn't finished the job with inflation. He was open to supporting another cut to aid the labour market if further risks emerge, but believes policy should be determined on a meeting-by-meeting basis.

Local Data:

There was no top tier data released on Friday.

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

IQ
westpaciq.com.au

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