21 October 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

China's Q3 GDP data indicated that the world's second-largest economy continues to grow at an above-5% pace. However, the monthly activity indicators once again underscored significant challenges ahead.

The US has signed a deal with Australia regarding access to critical minerals. This move is likely to provide Trump with additional leverage against China ahead of next week's meeting with President Xi Jinping.

Solid corporate earnings underpinned equity valuations in the US market. Asian equities also traded higher, buoyed by news that Japan's ruling LDP party reached a coalition agreement with Ishin, paving the way for newly elected LDP leader Sanae Takaichi to become prime minister.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.5	0.5%
AUD/USD	0.6513	0.2%
AUD/JPY	98.16	0.3%
AUD/GBP	0.4859	0.4%
AUD/NZD	1.1338	0.0%
AUD/EUR	0.5595	0.4%
AUD/CNH	4.6406	0.2%
AUD/SGD	0.8428	0.1%
AUD/HKD	5.0601	0.3%
AUD/CAD	0.9140	0.4%
EUR/USD	1.1640	-0.1%
USD/JPY	150.70	0.1%
USD Index	98.60	0.2%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.51	-0.01
90 day BBSY	3.54	-0.01
180 day BBSY	3.69	0.00
1 year swap	3.33	-0.01
2 year swap	3.30	-0.01
3 year swap	3.35	-0.02
4 year swap	3.43	-0.02
5 year swap	3.52	-0.02
6 year swap	3.62	-0.02
7 year swap	3.72	-0.02
8 year swap	3.81	-0.02
9 year swap	3.89	-0.02
10 year swap	4.13	-0.02

Equities	Close	Change
S&P/ASX 200	9,032	0.4%
S&P 500	6,737	1.1%
Japan Nikkei	49,186	3.4%
Hang Seng	25,859	2.4%
Euro Stoxx 50	5,681	1.3%
UK FTSE100	9,404	0.5%
VIX Index	18.44	-11.3%

Commodities	Current	Change
CRB Index	296.49	1.1%
Gold	4381.17	3.0%
Copper	10692.00	0.8%
Oil (WTI futures)	57.50	-0.1%
Coal (coking)	197.00	1.0%
Coal (thermal)	106.75	-1.1%
Iron Ore	103.50	-0.4%
ACCU	37.75	10.6%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.37	0.05
10 year bond	4.15	0.05
United States		
3-month T Bill	3.79	-0.04
2 year bond	3.46	0.00
10 year bond	3.98	-0.03
Other (10 year yields)		
Germany	2.58	0.00
Japan	1.67	0.04
UK	4.51	-0.03

Sydney Futures Exchange	Current	Change
10 yr bond	4.15	-0.02
3 yr bond	3.36	-0.01
3 mth bill rate	3.53	0.00
SPI 200	9,089	0.5%

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:

Sentiment in financial markets appears to have improved overnight, with major equity indices posting gains. China's Q3 GDP data indicated that the world's second-largest economy continues to grow at an above-5% pace. However, the monthly activity indicators once again underscored significant economic challenges, suggesting that growth is likely to ease unless Chinese authorities increase support for domestic demand. Attention is now firmly on the Fourth Plenum, which commenced yesterday, as observers look for insights into the Chinese government's evolving economic plans and priorities. Overnight reports confirmed that the US has signed a deal with Australia regarding access to critical minerals. This move is likely to provide Trump with additional leverage against China ahead of next week's meeting with President Xi Jinping, where the supply of critical minerals will be a key issue on the agenda.

- Solid corporate earnings underpinned equity valuations in the US market, with the S&P 500 rising 1.1% - one of its strongest performances in recent months. Asian equities also traded higher, buoyed by news that Japan's ruling LDP party reached a coalition agreement with Ishin, paving the way for newly elected LDP leader Sanae Takaichi to become prime minister. The Nikkei 225 index jumped 3.4%. A more constructive tone between the US and China helped lift the Hang Seng, which was up 2.4%. European equities posted solid gains, with the Euro Stoxx 50 increasing by 1.3%. Locally, the ASX 200 rose 0.4%, rebounding above the 9,000 mark.
- In bond markets, US Treasuries saw gains at the long end of the curve, with the 10Y yield down 3bp, falling below 4% once again, while the short end remained mostly unchanged, anchored by firm expectations of further Fed monetary policy easing. UK Gilts moved in the same direction, while German Bunds held steady. The 10Y JGB yield rose 4bp to 1.67%, as Bank of Japan Board Member Takata reiterated support for further monetary policy tightening. Australian government bond yields were 3-5bp higher across the curve, although futures suggest a modest decline at the market open today.
- In FX markets, the DXY rose 0.2% to 98.60. EUR depreciated for a second straight day, down 0.1%, while GBP fell 0.2%. Yen also weakened by 0.1%. NZD was among the top performers in the G10 basket, rising 0.3%, supported by accelerating CPI inflation in New Zealand. AUD was also stronger, up 0.2% to 0.6510.
- Crude was little changed, with the November WTI contract down just 0.1% to $57.5. Despite the stronger sentiment in financial markets, gold continued pushing new highs, gaining 3.0% to reach $4381. Iron ore remained on the downward pressure, extending its downward trend into a fifth consecutive day to settle at $103.5.

Today's key data and events

Time	Event	Exp	Prev
8:45am	NZ Trade Balance Sep	-	-$1185m
10:45am	AU RBA's Jones-Panel	-	-
11:30pm	CA CPI Sep	-0.1%	-0.1%
11:30pm	CA CPI Sep	2.2%	1.9%

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:

As the Fourth Plenum, where the Chinese communist party elites are expected to deliberate the contours of the five-year China economic plans, got underway, the major focus was on the release of latest China GDP and monthly activity figures. The GDP growth met our expectations, with the year-to-date growth rate edging down from 5.3% to 5.2%. Monthly activity data have been mixed, with the robust industrial production highlighting expanded levels of capacity. However, with fixed asset investment turning negative, property sector continuing to contract, and retail sales signalling lacklustre consumer demand, there were plenty of reasons for concerns. (See here for more details).

Local Data:

In New Zealand, consumer prices rose 1.0% in the September quarter. That saw annual inflation rising to 3.0%, from 2.7% in the year to June. The result was in line with our forecast and close to the RBNZ's forecast (see here).

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