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MORNING REPORT

Today's economic developments and market movements.

Key themes

It was a volatile session in financial markets, with geopolitical developments continuing to dominate the news flow. The White House indicated it is considering restrictions on exports to China in response to China's curbs on rare earths exports.

The US has lifted restrictions for Ukraine to use long-range missiles, which could significantly affect the dynamics of the war. Additionally, the US is preparing to announce further sanctions against Russia.

The S&P 500 fell 0.5%, its worst result since last Thursday. Movements in government bond markets were generally muted, but the Gilts were an exception, with yields falling following a lower-than-expected UK CPI data release.

Crude oil rallied as markets priced in the impact of new US sanctions against Russia, with headlines indicating a focus on Russian energy companies. WTI rose 4.2% to \$59.60.

Data snapshot

FX Last 24 hrs	Current	Change
TDI	60.7	0.2%
AUD/USD	0.6490	0.0%
AUD/JPY	98.65	0.1%
AUD/GBP	0.4859	0.1%
AUD/NZD	1.1308	0.1%
AUD/EUR	0.5592	0.0%
AUD/CNH	4.6257	0.0%
AUD/SGD	0.8423	0.0%
AUD/HKD	5.0445	0.0%
AUD/CAD	0.9077	-0.2%
EUR/USD	1.1606	0.1%
USD/JPY	151.99	0.0%
USD Index	98.92	0.0%

Equities	Close	Change
S&P/ASX 200	9,030	-0.7%
S&P 500	6,699	-0.5%
Japan Nikkei	49,308	0.0%
Hang Seng	25,782	-0.9%
Euro Stoxx 50	5,639	-0.8%
UK FTSE100	9,515	0.9%
VIX Index	18.68	4.5%

Commodities	Current	Change
CRB Index	297.93	0.9%
Gold	4101.82	-0.6%
Copper	10663.00	0.4%
Oil (WTI futures)	59.62	4.2%
Coal (coking)	194.50	0.0%
Coal (thermal)	106.70	0.2%
Iron Ore	104.00	0.6%
ACCU	37.75	10.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.51	0.01
90 day BBSY	3.54	0.00
180 day BBSY	3.70	0.01
1 year swap	3.33	0.01
2 year swap	3.32	0.01
3 year swap	3.36	0.01
4 year swap	3.44	0.02
5 year swap	3.53	0.02
6 year swap	3.63	0.02
7 year swap	3.73	0.02
8 year swap	3.82	0.01
9 year swap	3.90	0.02
10 year swap	4.13	0.01

Government Bond Yields	Close	Change
Australia		
3 year bond	3.34	0.01
10 year bond	4.11	0.00
United States		
3-month T Bill	3.79	0.00
2 year bond	3.44	-0.01
10 year bond	3.96	-0.01
Other (10 year yields)		
Germany	2.56	0.01
Japan	1.65	-0.02
UK	4.42	-0.06

Sydney Futures Exchange	Current	Change
10 yr bond	4.13	0.00
3 yr bond	3.36	0.01
3 mth bill rate	3.40	-0.04
SPI 200	9,017	-0.2%

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:

It was a volatile session in financial markets, with geopolitical developments continuing to dominate the news flow. The White House indicated it is considering restrictions on exports to China in response to China's curbs on rare earths exports. Treasury Secretary Scott Bessent noted that any such measures would be coordinated with other major economies. Meanwhile, following the cancellation of the meeting between President Trump and Putin, the US appears to be increasing pressure on Russia. It has lifted restrictions for Ukraine to use long-range missiles, which could significantly affect the dynamics of the war. Additionally, the US is preparing to announce further sanctions against Russia in the coming days.

On the data front, UK inflation came in below both market and Bank of England expectations, increasing the likelihood that the Bank of England will continue cutting the Bank Rate this quarter.

- Most major equity benchmark indices ended the day lower. In the US, the S&P 500 fell 0.5%, its worst result since last Thursday. Megacaps led the decline, at one stage trading 1.7% lower before trimming losses. European markets saw similar trends, with the Euro Stoxx 50 dropping 0.8% as mixed earnings reports weighed on sentiment. The UK equity market was an exception, with the FTSE 100 gaining 0.9%, supported by expectations of a further Bank Rate cut this quarter. In Asia, the Japanese Nikkei 225 was little changed, while the Hang Seng and Chinese stocks declined. The domestic ASX 200 finished down 0.7%.
- Movements in government bond markets were generally muted, with yields shifting in different directions. The US Treasury yield curve moved about 1bp lower, with the 10Y yield down to 3.96%. Tomorrow's US CPI data release will be closely watched; with the ongoing government shutdown and limited official economic data, it may provide investors with a sense of direction for yields going forward. German Bund yields rose about 1bp, while UK Gilts outperformed - 2Y yields fell 9bp and 10Y yields dropped 6bp. Australian 10Y government bond yields were little changed, with the 3Y yield up 1bp.
- In the FX market, the DXY was unchanged, remaining just below 99.0. EUR rose 0.1%, while GBP slipped 0.1%. The yen was steady, just below 152.0. The AUD was also steady at 0.6490.
- Crude oil rallied as markets priced in the impact of new US sanctions against Russia, with headlines indicating a focus on Russian energy companies. WTI rose 4.2% to \$59.60. After a steep fall the previous day, gold retreated further – down 0.6% - despite ongoing geopolitical tensions. Copper and iron ore both traded higher, up 0.4% and 0.6% respectively.

Today's key data and events

Time	Event	Exp	Prev
11:30pm	US Initial Jobless Claims	225k	-
-	US Building Permits Sep Final	-	-
1:00am	EZ Consumer Confidence Oct Prel.	-15pts	-14.9pts
1:00am	US Existing Home Sales Sep	1.5%	-0.2%
2:00am	US Kansas City Fed Oct	2pts	4pts

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:

UK inflation was weaker than expected in September, with prices flat in the month. Annual headline inflation held at 3.8%yr, marking the third consecutive month at this level. The September outcome was 0.2ppt below the Bank of England's forecast. Core inflation edged down 0.1ppt to 3.5%yr, although services inflation was unchanged at 4.7%yr. Recent UK labour market data indicate softening conditions, and the downside surprise in inflation increases the likelihood of further rate cuts this quarter. The Monetary Policy Committee's decision in November is likely to be finely balanced. They may choose to wait to confirm that inflation is returning to its expected downward path, suggesting that the outcome of the final monetary policy meeting this year will depend on data released between now and mid-December, including details of the government budget due in late November.



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