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MORNING REPORT

Today's economic developments and market movements.

Key themes

US inflation figures were softer than anticipated, reinforcing expectations for further monetary policy easing at the next FOMC meeting.

Ahead of President Trump's meeting with Chinese leader Xi Jinping on Thursday, China appears to have agreed to delay controls on rare earth exports in exchange for the removal of the threat of a 100% US tariff.

Most major equity benchmark indices advanced on Friday, but changes in major government bond yield were mixed. The DXY held flat.

This week's economic events calendar includes the Q3 Australian CPI data release, and the Fed, ECB, BoJ and BoC policy announcements.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.8	0.3%
AUD/USD	0.6544	0.5%
AUD/JPY	100.01	0.6%
AUD/GBP	0.4914	0.6%
AUD/NZD	1.1323	0.0%
AUD/EUR	0.5626	0.4%
AUD/CNH	4.6574	0.4%
AUD/SGD	0.8490	0.4%
AUD/HKD	5.0846	0.5%
AUD/CAD	0.9165	0.6%
EUR/USD	1.1632	0.1%
USD/JPY	152.82	0.2%
USD Index	98.95	0.0%

Equities	Close	Change
S&P/ASX 200	9,019	-0.2%
S&P 500	6,792	0.8%
Japan Nikkei	49,300	1.4%
Hang Seng	26,160	0.7%
Euro Stoxx 50	5,675	0.1%
UK FTSE100	9,646	0.7%
VIX Index	16.37	-5.4%

Commodities	Current	Change
CRB Index	302.98	-0.7%
Gold	4113.05	-0.3%
Copper	10962.00	1.0%
Oil (WTI futures)	61.50	-0.5%
Coal (coking)	198.00	0.2%
Coal (thermal)	110.65	-0.4%
Iron Ore	104.20	-0.4%
ACCU	37.75	10.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.51	-0.01
90 day BBSY	3.56	0.01
180 day BBSY	3.74	0.03
1 year swap	3.34	-0.02
2 year swap	3.33	-0.02
3 year swap	3.38	-0.02
4 year swap	3.46	-0.02
5 year swap	3.55	-0.01
6 year swap	3.65	-0.02
7 year swap	3.75	-0.02
8 year swap	3.85	-0.02
9 year swap	3.93	-0.01
10 year swap	4.17	-0.01

Government Bond Yields	Close	Change
Australia		
3 year bond	3.37	0.01
10 year bond	4.14	0.02
United States		
3-month T Bill	3.76	-0.04
2 year bond	3.48	-0.01
10 year bond	4.00	0.00
Other (10 year yields)		
Germany	2.63	0.04
Japan	1.66	-0.01
UK	4.43	0.01

Sydney Futures Exchange	Current	Change
10 yr bond	4.16	0.01
3 yr bond	3.40	0.02
3 mth bill rate	3.40	0.00
SPI 200	9,061	0.3%

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:

On Friday, attention centred on the US CPI, a rare release of official US economic data amid the ongoing government shutdown. Inflation figures were softer than anticipated, reinforcing expectations for further monetary policy easing at the next FOMC meeting. Over the weekend geopolitical developments were in focus, with news reports indicating that, ahead of President Trump's meeting with Chinese leader Xi Jinping on Thursday, negotiators from both sides have agreed to preliminary terms of a deal. Notably, China appears to have agreed to delay controls on rare earth exports in exchange for the removal of the threat of a 100% US tariff. Meanwhile, President Trump threatened to raise tariffs on Canadian exports to the US by an additional 10% in response to an advertising campaign run by the province of Ontario, which cited President Ronald Reagan's criticism of tariffs.

This week's economic events calendar is packed with major announcements. Domestically, the Q3 CPI data, due on Wednesday, will be a crucial input into the RBA's next policy decision. Internationally, financial markets will closely monitor monetary policy decisions from key central banks, including the Fed on Wednesday, and the Bank of Japan, Bank of Canada, and European Central Bank on Thursday.

- Most major equity benchmark indices advanced on Friday, supported by rising expectations of further monetary policy easing in the US. The S&P 500 gained 0.8%, led by a 1.6% increase in the tech sector. However, this rally did little to boost investor sentiment in Europe, where the Euro Stoxx 50 edged up only 0.1%. UK equities showed greater momentum, with financial sector stocks helping to lift the FTSE 100 by 0.7%. In Asia, the Nikkei rose 1.4% as new Prime Minister Sanae Takaichi signalled new measures to ease cost-of-living pressures and boost defence spending. The domestic ASX 200 fell 0.4%.
- In bond markets, the short end of the US Treasury curve rallied slightly, with the 2Y yield falling 1bp. Markets are fully pricing in 25bp fed funds rate cuts at each of the remaining two FOMC meetings this year. Firmer euro area PMIs prompted German bunds to sell off by around 4-5bp across the curve. Gilt yields also moved higher, mainly at the short end, while JGB long-dated yields declined, despite Japanese CPI data showing a rise in headline inflation. Australian government yields increased by 2bp at the 10Y. Market pricing indicates more than a 50% chance of an RBA policy rate cut at next week's Monetary Policy Board meeting.
- The DXY index was little changed on Friday, remaining just below 99.0. Movements in most major currencies were relatively modest – Yen depreciated by 0.2%, GBP also weakened by 0.2%, while EUR was supported by stronger-than-expected PMIs, gaining 0.1%. AUD appreciated 0.5%.

Today's key data and events

Time	Event	Exp	Prev
12:30pm	CN Industrial Profits Sep	-	20.4%
7:15pm	AU RBA's Bullock-Fireside Chat	-	-
8:00pm	EZ M3 Money Supply Sep	2.7%	2.9%
11:30pm	US Durable Goods Orders Sep Prel.	0.2%	-
1:30am	US Dallas Fed Manufacturing Activity Oct	-7.8pts	-8.7pts

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.

- In commodity markets, the rally in crude prices seen earlier last week lost steam. The WTI was down 0.5%, leaving the weekly gain at 6.9%. Gold fell 0.3%, ending the week down by more than 3% compared to the prior Friday. Iron ore also declined by 0.4%.

International Data:

The US CPI came in slightly below market expectations, printing at 0.3%*mth* against the consensus forecast of 0.4%*mth*. Food inflation slowed, while energy rose over the month. Core CPI increased by 0.2%*mth*, helped materially by a 0.2%*mth* gain in the shelter component. Other core services posted modest increases of 0.2%*mth*, as did core goods prices. Both headline and core annual inflation remained one percentage point above the FOMC's target, sitting at 3.0%*yr*.

The S&P Global manufacturing PMI for the US was little changed in October at 52.2. The services PMI rose by 1pt to 55.2, and the composite index advanced 0.9pt to reach 54.8, its second-highest level so far in 2025, indicating that the US economy entered Q4 on a firmer footing. However, household sentiment remains subdued. The University of Michigan consumer sentiment index was revised lower in the final October estimate, declining from 54.5 to 53.6, marking one of the lowest readings on record.

In the euro area, the HCOB manufacturing PMI remained steady in October at 50.0. The services PMI improved from 51.3 to a fourteen-month high of 52.6, lifting the composite PMI to 52.2, well above both the Q3 and year-to-date averages of 51.0 and 50.6 respectively, suggesting a strengthening growth momentum.

UK economic activity, as measured by S&P Global PMIs, continued to lag. Manufacturing PMI improved from 46.2 to 49.6 in October, and the services PMI edged up from 50.8 to 51.1, resulting in a composite PMI increase of 1.0pt. Nonetheless, at 51.1, the composite indicator signalled that UK growth at the start of Q4 was below that of both the US and the euro area. Meanwhile, UK retail sales data pointed to stronger consumer spending at the end of Q3, with September sales volumes rising 0.5%*mth*, similar to the pace of the previous two months. Annual sales growth increased to 1.5%*yr*, or 2.3%*yr* excluding auto fuel, marking the fastest pace in five months. The GfK consumer confidence survey showed improved sentiment in October, up to -17, though still below its historical average.



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