29 October 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Investors piled into risker assets as confidence grows the US and China will reach a trade deal, and the US Fed will cut rates this week. This saw a broad-based rally in markets with key US equities indices setting fresh records.

There was a slight sell off in bonds which saw shorter term to maturity yields tick higher in the US and Europe. The US dollar was lower as risk appetite increased.

The Aussie was the clear outperformed, up 0.6% against the Greenback, with local yields on futures ticking higher across the curve.

Overnight, the RBA Governor reiterate the RBA's view that the labour market remains "a little tight" despite the increase in the unemployment rate to 4.5% in September, and did not dismiss the suggestion that the NAIRU was higher than previously thought. The market is now pricing in a 15% chance of a rate cut in November – down from around 60% on Friday.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.0	0.3%
AUD/USD	0.6555	0.6%
AUD/JPY	100.21	0.6%
AUD/GBP	0.4916	0.5%
AUD/NZD	1.1362	0.3%
AUD/EUR	0.5630	0.5%
AUD/CNH	4.6597	0.4%
AUD/SGD	0.8498	0.5%
AUD/HKD	5.0915	0.6%
AUD/CAD	0.9172	0.6%
EUR/USD	1.1645	0.2%
USD/JPY	152.89	0.0%
USD Index	98.81	-0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.49	-0.02
90 day BBSY	3.55	-0.01
180 day BBSY	3.74	0.00
1 year swap	3.41	0.07
2 year swap	3.39	0.06
3 year swap	3.43	0.05
4 year swap	3.50	0.05
5 year swap	3.59	0.04
6 year swap	3.69	0.04
7 year swap	3.79	0.04
8 year swap	3.88	0.03
9 year swap	3.96	0.03
10 year swap	4.20	0.03

Equities	Close	Change
S&P/ASX 200	9,056	0.4%
S&P 500	6,874	1.2%
Japan Nikkei	50,512	2.5%
Hang Seng	26,434	1.0%
Euro Stoxx 50	5,711	0.6%
UK FTSE100	9,654	0.1%
VIX Index	15.85	-3.2%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.41	0.04
10 year bond	4.18	0.04
United States		
3-month T Bill	3.72	-0.04
2 year bond	3.50	0.02
10 year bond	3.99	-0.01
Other (10 year yields)		
Germany	2.62	-0.01
Japan	1.67	0.01
UK	4.40	-0.03

Commodities	Current	Change
CRB Index	301.54	-0.5%
Gold	3990.56	-3.0%
Copper	11029.00	0.6%
Oil (WTI futures)	61.38	-0.2%
Coal (coking)	198.00	0.0%
Coal (thermal)	108.50	0.7%
Iron Ore	105.55	1.4%
ACCU	37.75	10.6%

Sydney Futures Exchange	Current	Change
10 yr bond	4.18	-0.02
3 yr bond	3.44	0.02
3 mth bill rate	3.40	0.00
SPI 200	9,041	-0.4%

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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Today's key data and events

Time	Event	Exp	Prev
12:00am	US FHFA House Prices Aug	0.0%	-0.1%
12:00am	US S&P/Cs Home Price Index Aug	-0.1%	-0.1%
1:00am	US Richmond Fed Oct	-10pts	-17pts
1:00am	US Consumer Confidence Oct	93.4pts	94.2pts

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.

Financial Markets:

- The rally in equity markets picked up steam overnight as investors grew increasingly optimistic that a US and China trade deal will be struck. Bloomberg is reporting that trade negotiators have agreed on several wins for both President Donald Trump and Xi Jinping to unveil at the APEC summit later this week. This news, coupled with an expected US Fed rate cut on Wednesday (US time), saw investors pile on into riskier assets. The S&P 500 was 1.2% higher, while the tech heavy Nasdaq gained 1.9%. The Dow Jones Industrial Average was also 0.7% in the green.
- European markets also gained on the back of the 'risk on' sentiment and as investors look to central bank decisions later this week. The Euro Stoxx 50 closed 0.6% higher, the FTSE 100 in London was up 0.1%, Germany's DAX climbed 0.3% as the business climate index increased due to improving expectations for the coming months, and the CAC in Paris gained 0.2%. Asian markets were generally higher with the Nikkei closing 2.5% higher, the Hang Seng closing 1.1% higher and the CSI 300 up 1.2%. In the local market, the ASX 200 closed 0.4% in the green. Futures are pointing to a strong start to today's session.
- Global bonds were generally sold off at the shorter end of the curve as investors' risk appetite increased. Treasuries were mixed ahead of the US Fed meeting with yields on shorter term to maturity bonds increasing 2bps to 3.50%, while 10-year US bond yield unchanged at 3.99%. Interest-rate futures have a rate cut fully priced in for the October US Fed meeting (24.5bps) and a total of 115 basis points of cuts priced in over the remainder of 2025 and 2026.
- Local yields were higher on futures with the 3-year bond yield futures increasing 4bps to 3.41%, and the 10-year bond yield futures also up 4bps to 4.18%, following the slightly more hawkish than expected comments by the RBA Governor last night. Interest-rate futures have now priced in a 15% chance of a November rate cut and around 40bps of cuts over the remainder of 2025 and 2026 – one cut fully priced in by February 2026. This is down from the 55% chance of a November rate cut to end last week.
- The US dollar index edged 0.1% lower to 98.81 as risk sentiment improved. This saw the euro gain 0.2% to 1.1645 while the Yen was unchanged against the Greenback. The Aussie was the clear outperformer, up 0.6% to 0.6555. The AUD/USD pair tested 0.6560 several times through the session but settled at just below this level. Risk on sentiment, slightly more hawkish than expected comments by the RBA Governor last night, and expected cuts by the US Fed later this week supported the Aussie.
- Commodities were mixed. Gold continues to fall, now sitting at US$3,990 per ounce. Crude markets were broadly unchanged with West Texas Intermediate sitting at US$61.38/bbl. Iron Ore gained 1.4% to US$105.55 a tonne amid positive macro developments, with trading activity remained modest.

International Data:

The **Dallas Fed Manufacturing Activity survey** of Texas business executives indicated an improvement in business conditions in October, with the headline indicator rising nearly 4pts to -5, slightly below the Q3 average of -3.2, but above the long-term average of around -10. Current production and new orders indicators were largely unchanged from September.

Chinese industrial profits surged 21.6%yr in September, marking the fastest pace in one and a half years. On a year-to-date basis, growth accelerated from 0.9%yr to 3.2%yr. Manufacturing profits led the gains, indicating that Chinese producers remain competitive and profitable despite US import tariffs and continued weakness in domestic demand, which is driving domestic prices lower.

The German Ifo Business Climate index increased in October from 87.7 to 88.4, matching the Q3 average. This result suggested that momentum in the largest euro area economy remained subdued this month. Businesses reported that the present situation deteriorated for a third consecutive month, with the relevant index dropping to an eight-month low of 85.3. However, the expectations component rose by almost 2pts to 91.6, the highest level since early 2022

Domestic Data:

At the ABE Annual Dinner in Sydney, **RBA Governor Michele Bullock** covered a range of issues from the impact of recent reviews on the central banks' culture to the RBA's deliberate strategy to maintain most of the employment gains from the pandemic. A few more telling comments saw the market read the Governor's communication as hawkish. Firstly, and despite the increase in the unemployment rate to 4.5%, the Governor still believes the labour market is "a little tight". Secondly, she noted the RBA is expecting a trim mean inflation outcome for Q3 of 0.6%qtr, and that something like 0.9%qtr would be considered a material upside surprise. And finally, when pushed about the possibility of a higher NAIRU, she didn't seem overly concerned, rather reiterated that the data flow will provide the signal (in this case it could be higher than expected inflation and unemployment).

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