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MORNING REPORT

Today's economic developments and market movements.

Key themes

The meeting between President Trump and President Xi proved a success, with both sides stepping back from threatened actions and reversing some recent escalations.

Following interest rate cuts by the Fed and Bank of Canada on Wednesday, the latest policy announcements from the ECB and BoJ were less eventful – both central banks left policy rates unchanged.

Despite the positive news regarding US-China relations, US equity markets closed lower. US Treasury yields stabilised. The ECB's announcement prompted only a small reaction – Bund yields rose 1-2bp across the curve.

Commodity markets were mixed. Crude oil was little changed as Chinese purchases of Russian oil were not discussed during the Trump-Xi meeting.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.5	0.0%
AUD/USD	0.6549	-0.4%
AUD/JPY	100.91	0.5%
AUD/GBP	0.4982	0.0%
AUD/NZD	1.1414	0.1%
AUD/EUR	0.5663	-0.1%
AUD/CNH	4.6573	-0.2%
AUD/SGD	0.8516	-0.1%
AUD/HKD	5.0887	-0.4%
AUD/CAD	0.9159	-0.1%
EUR/USD	1.1564	-0.3%
USD/JPY	154.08	0.9%
USD Index	99.54	0.3%

Equities	Close	Change
S&P/ASX 200	8,886	-0.5%
S&P 500	6,828	-0.9%
Japan Nikkei	51,326	0.0%
Hang Seng	26,283	-0.2%
Euro Stoxx 50	5,699	-0.1%
UK FTSE100	9,760	0.0%
VIX Index	17.26	2.0%

Commodities	Current	Change
CRB Index	300.77	0.0%
Gold	4024.11	2.4%
Copper	10917.00	-2.4%
Oil (WTI futures)	60.31	-0.3%
Coal (coking)	200.00	0.5%
Coal (thermal)	112.30	-0.7%
Iron Ore	105.65	-0.7%
ACCU	37.75	10.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.59	0.06
90 day BBSY	3.70	0.09
180 day BBSY	3.94	0.13
1 year swap	3.53	-0.02
2 year swap	3.53	-0.03
3 year swap	3.59	-0.04
4 year swap	3.67	0.03
5 year swap	3.75	0.03
6 year swap	3.84	0.03
7 year swap	3.93	0.03
8 year swap	4.02	0.04
9 year swap	4.09	0.04
10 year swap	4.32	-0.04

Government Bond Yields	Close	Change
Australia		
3 year bond	3.61	0.04
10 year bond	4.31	0.08
United States		
3-month T Bill	3.75	-0.04
2 year bond	3.61	0.01
10 year bond	4.09	0.01
Other (10 year yields)		
Germany	2.64	0.02
Japan	1.66	0.00
UK	4.42	0.03

Sydney Futures Exchange	Current	Change
10 yr bond	4.30	-0.02
3 yr bond	3.62	0.00
3 mth bill rate	3.40	0.00
SPI 200	8,911	0.1%

Data as at 7:00am AEDT. 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:

Financial markets were met with a flurry of significant developments. The meeting between President Trump and President Xi proved a success, with both sides stepping back from threatened actions and reversing some recent escalations. The US agreed to halve the tariff related to fentanyl from 20% to 10%, while China committed to increasing enforcement against the production and distribution of chemicals used to make it. Additionally, China will resume purchases of US soybeans and delay the implementation of planned rare earth export restrictions.

Turning to central banks, following interest rate cuts by the Fed and Bank of Canada on Wednesday, policy announcements from the ECB and BoJ were less eventful. Both central banks left policy rates unchanged. BoJ Governor Ueda adopted a cautious stance, pushing back against claims that Japan's monetary policy tightening is falling behind the curve. Meanwhile, President Lagarde reaffirmed the ECB's assessment that underlying inflationary pressures remain consistent with the 2% target, reiterating that the ECB's monetary policy remains in a good place.

- Despite the positive news regarding US-China relations, US equity markets closed lower. The S&P 500 fell 0.9%, driven mainly by an 11% decline in Meta. European equity benchmarks saw smaller moves: the UK's FTSE 100 was largely unchanged, while the Euro Stoxx 50 slipped 0.1% amid mixed corporate earnings announcements. In Asia, performance was similarly subdued, with Japan's Nikkei flat and Chinese equities marginally lower. The domestic ASX 200 declined 0.5%, marking its third consecutive daily loss.
- Following a sharp sell-off in response to the Fed's policy announcement on Wednesday, US Treasury yields stabilised. The 10Y yield rose 1bp to 4.09%, with a similar increase at the short end. In Europe, the ECB's announcement prompted only a small reaction – Bund yields rose 1-2bp across the curve. UK Gilts underperformed slightly, with the 10Y yield up 3bp. JGB yields were mixed – short-dated maturities rallied 1bp, while the 10Y yield was flat. Australian yields continued to climb, with the 10Y gaining 8bp.
- The DXY index extended its advance, rising 0.3% to 99.5. Softening market conviction about further BoJ interest rate hikes sent Yen 0.9% lower. The euro weakened by 0.3%, despite Q2 euro area GDP growth slightly exceeding consensus. The AUD also eased by 0.3%, closing at 0.6550.
- Commodity markets were mixed. Crude oil was little changed as Chinese purchases of Russian oil were not discussed during the Trump-Xi meeting. WTI crude fell 0.3% to \$60.3. Copper dropped 2.4% amid reports that China may cap production capacity to limit competition. After four consecutive sessions

Today's key data and events

Time	Event	Exp	Prev
8:00am	NZ ANZ Consumer Confidence Oct	-	94.6pts
10:30am	JP Job-to-Applicant Sep	1.20	1.20
10:50am	JP Industrial Production Sep Prel.	1.5%	-1.5%
11:30am	AU PPI Q3	-	3.4%
11:30am	AU Private Sector Credit Sep	0.6%	0.6%
12:30pm	CN Manufacturing PMI Oct	49.6pts	49.8pts
12:30pm	CN Non-Manufacturing PMI Oct	50.1pts	50pts
9:00pm	EZ HICP Oct Prel.	2.1%	2.2%
12:45am	US Chicago PMI Oct	42pts	40.6pts

Times are AEDT. 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 the red, gold rebounded 2.4%.

International Data:

The **ECB monetary policy announcement** delivered no surprises, with the Governing Council keeping the Deposit Rate at 2.0%. The policy communications offered little new information. No updated economic projections were published this time, and the policy statement maintained the existing forward guidance – stating that the Governing Council “will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance”.

President Lagarde struck a somewhat more positive tone regarding the euro area's economic growth outlook, suggesting that the EU-US trade deal reached over the summer, the ceasefire in the Middle East, and progress in US-China trade negotiations have reduced some of the downside risks. Regarding inflation, Lagarde once again noted that underlying inflationary pressures remain consistent with the ECB's target, reiterating her view that monetary policy is in a good place.

While policymakers on the Governing Council appear comfortable with how the economy is evolving, we continue to believe that risks to the ECB's inflation forecasts – 2.1%yr this year, 1.7%yr in 2026, and 1.9%yr in 2027 – are skewed to the downside, especially given our expectations for a stronger euro exchange rate and lower oil prices compared to the ECB's assumptions. As a result, we continue to think that further monetary policy easing at some point next year remains likely.

Euro area GDP beat expectations in Q3, rising 0.2%qtr against a consensus forecast of 0.1%qtr and 0.1%qtr rise in Q2. German and Italian GDPs were unchanged, but France surprised significantly to the upside posting a 0.5%qtr increase, the steepest in two years. As expected, growth in Spain remain strong, at 0.6%qtr. **The euro area unemployment rate** remained near historical lows at 6.3% in September.

Local Data:

Business confidence in New Zealand picked up a little after the RBNZ's jumbo rate cut, but from levels that were very elevated in the first place ([see here](#)).



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