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MORNING REPORT

Today's economic developments and market movements.

Key themes

Global financial markets rallied after the US Senate approved a deal to fund the government until January, effectively ending the current shutdown. The deal now awaits final Senate approval before moving to the House of Representatives, where Democrats are likely to insist on further concessions.

Major equity benchmarks posted strong gains. The S&P 500 rose 1.5%, nearly recouping last week's 1.6% loss. US Treasuries sold off across the curve, with the short end rising 3bp and the 10Y yield up 2bp.

Australian bonds lagged, as the 10Y yield increased by 5bp, partly due to RBA Deputy Governor Andrew Hauser's comments on Australia's limited supply capacity. The AUD outperformed, rising 0.7%, one of its strongest moves in recent months.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.1	0.7%
AUD/USD	0.6538	0.7%
AUD/JPY	100.73	1.1%
AUD/GBP	0.4961	0.5%
AUD/NZD	1.1582	0.4%
AUD/EUR	0.5655	0.7%
AUD/CNH	4.6560	0.6%
AUD/SGD	0.8514	0.7%
AUD/HKD	5.0827	0.6%
AUD/CAD	0.9165	0.5%
EUR/USD	1.1561	0.0%
USD/JPY	154.07	0.4%
USD Index	99.58	0.0%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	0.00
90 day BBSY	3.69	0.01
180 day BBSY	3.92	0.00
1 year swap	3.57	0.03
2 year swap	3.59	0.05
3 year swap	3.64	0.04
4 year swap	3.72	0.05
5 year swap	3.80	0.05
6 year swap	3.89	0.05
7 year swap	3.98	0.05
8 year swap	4.07	0.05
9 year swap	4.14	0.05
10 year swap	4.38	0.05

Equities	Close	Change
S&P/ASX 200	8,836	0.8%
S&P 500	6,829	1.5%
Japan Nikkei	50,912	1.3%
Hang Seng	26,649	1.6%
Euro Stoxx 50	5,664	1.8%
UK FTSE100	9,787	1.1%
VIX Index	17.73	-7.1%

Commodities	Current	Change
CRB Index	300.91	0.0%
Gold	4114.16	2.8%
Copper	10796.00	0.7%
Oil (WTI futures)	60.06	0.5%
Coal (coking)	201.25	0.1%
Coal (thermal)	112.75	-1.2%
Iron Ore	101.90	0.9%
ACCU	37.75	10.6%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.69	0.05
10 year bond	4.40	0.05
United States		
3-month T Bill	3.78	0.02
2 year bond	3.59	0.03
10 year bond	4.11	0.02
Other (10 year yields)		
Germany	2.67	0.00
Japan	1.71	0.03
UK	4.46	0.00

Sydney Futures Exchange	Current	Change
10 yr bond	4.38	-0.03
3 yr bond	3.69	-0.02
3 mth bill rate	3.63	0.00
SPI 200	8,892	0.5%

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:

Global financial markets rallied after the US Senate approved a deal to fund the government until January, effectively ending the current shutdown. The agreement reverses the lay-offs initiated by the Trump administration, guarantees back pay for furloughed federal workers, and includes a vote on expiring healthcare tax credits – reflecting a compromise on the Democrats' demands to agree on their extension now. The deal now awaits final Senate approval before moving to the House of Representatives, where Democrats are likely to insist on further concessions.

- Major equity benchmarks posted strong gains. The S&P 500 rose 1.5%, nearly recouping last week's 1.6% loss. Technology stocks led the rally, up 2.7%, the best result in around six months. Positive sentiment extended to other markets, with banks and travel stocks driving the Euro Stoxx 50 up 1.8%. The FTSE 100 in the UK climbed 1.1%. Asian markets were also robust: the Nikkei gained 1.3% and the Hang Seng advanced 1.6%. Locally, the ASX 200 edged up 0.8%.
- US Treasuries sold off across the curve, with the short end rising 3bp and the 10Y yield up 2bp. European bonds showed more resilience: short-dated Gilts and Bunds sold off by about 1bp, while the 10Y remained unchanged. Attention in the UK remains focused on government finances, with growing expectations that Chancellor Rachel Reeves may need to raise taxes. Australian bonds lagged, as the 10Y yield increased by 5bp, partly due to RBA Deputy Governor Andrew Hauser's comments on Australia's limited supply capacity.
- In FX markets, despite significant intraday volatility, the DXY finished little changed at 99.6. The EUR was steady, while GBP gained 0.2%. The Yen was among the weakest performers, easing 0.4%. The AUD outperformed, rising 0.7%, one of its strongest moves in recent months.
- Major commodities benefited from prospects of the US government shutdown ending. The December WTI contract rose 0.5%, returning to $60. Gold surged 2.8% to $4113, reaching a two-and-a-half-week high. Copper and iron ore also strengthened, gaining 0.7% and 0.9% respectively.

International Data:

Among Fed speakers, **Fed Governor Stephen Miran** continued to advocate for a significantly looser monetary policy. He indicated that he would support a half-point cut to the fed funds rate at the December FOMC meeting. **San Francisco Fed President Mary Daly** also struck a dovish tone, cautioning against keeping interest rates elevated for too long. Meanwhile, **St Louis Fed President Alberto Musalem** sounded more hawkish, highlighting the potential for a rebound in economic activity early next year, once the US government shutdown ends.

The Sentix euro area confidence survey, which collects responses from both institutional and individual investors, recorded a 2pt decrease in its headline index for November, bringing it to -7.4, no better than the average for this year. The current situation index fell by 1.5pts and remained well below historical norms, while the expectations component, down 2.5pts, indicated that investor optimism for the future remains broadly consistent with its long-term average. The survey also noted a reduction in inflation concerns.

Today's key data and events

Time	Event	Exp	Prev
10:30am	AU Westpac-MI Consumer Sentiment Nov	-	92.1pts
10:50am	JP Current Account Balance Sep	¥2467.7b	¥3775.8b
11:30am	AU NAB Business Conditions Oct	-	8pts
1:00pm	NZ RBNZ Inflation Expectations Q4	-	2.3%
6:00pm	GB ILO Unemployment Rate Sep	4.9%	4.8%
9:00pm	EZ Zew Survey Of Expectations Nov	-	22.7pts
10:00pm	US NFIB Small Business Optimism Oct	98.5pts	98.8pts

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.

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