27 November 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Firming expectations for FOMC rate cuts remains the key theme globally, with futures markets pointing to an 80% chance of an FOMC rate cut in December.

Equity prices continue to rally globally against this backdrop, with all major indices finishing in the green. Treasury yields were meanwhile little-changed, rising slightly at the short-end.

The UK Budget was received relatively well by markets, with evidence of wider fiscal headroom sparking a rally in Gilts and the Sterling.

Locally, hotter-than-expected inflation data drove a sell-off in ACGBs, a swift repricing of RBA cash rate expectations, and a lift in the Aussie dollar. The RBNZ's 25bp cut also looked like the last move of the easing cycle, seeing a rally in the NZD.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.9	0.3%
AUD/USD	0.6520	0.8%
AUD/JPY	102.00	1.0%
AUD/GBP	0.4925	0.2%
AUD/NZD	1.1448	-0.5%
AUD/EUR	0.5623	0.6%
AUD/CNH	4.6093	0.6%
AUD/SGD	0.8457	0.5%
AUD/HKD	5.0714	0.8%
AUD/CAD	0.9154	0.4%
EUR/USD	1.1597	0.2%
USD/JPY	156.45	0.3%
USD Index	99.57	-0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.61	0.01
90 day BBSY	3.71	0.01
180 day BBSY	3.96	0.02
1 year swap	3.68	0.06
2 year swap	3.76	0.10
3 year swap	3.85	0.10
4 year swap	3.92	0.10
5 year swap	4.00	0.09
6 year swap	4.08	0.08
7 year swap	4.16	0.08
8 year swap	4.24	0.07
9 year swap	4.31	0.07
10 year swap	4.57	0.07

Equities	Close	Change
S&P/ASX 200	8,607	0.8%
S&P 500	6,829	0.9%
Japan Nikkei	49,559	1.8%
Hang Seng	25,928	0.1%
Euro Stoxx 50	5,656	1.5%
UK FTSE100	9,692	0.9%
VIX Index	17.06	-8.1%

Commodities	Current	Change
CRB Index	297.85	1.2%
Gold	4165.44	0.8%
Copper	10975	1.5%
Oil (WTI futures)	58.70	1.3%
Coal (coking)	198.00	-0.5%
Coal (thermal)	111.10	-0.8%
Iron Ore	106.00	0.7%
ACCU	37.75	10.6%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.88	0.14
10 year bond	4.53	0.10
United States		
3-month T Bill	3.75	0.06
2 year bond	3.48	0.02
10 year bond	4.00	0.00
Other (10 year yields)		
Germany	2.67	0.00
Japan	1.81	0.00
UK	4.42	-0.07

Sydney Futures Exchange	Current	Change
10 yr bond	4.51	-0.04
3 yr bond	3.89	-0.02
3 mth bill rate	3.67	0.00
SPI 200	8,656	0.3%

Data as at 7:30am 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 equities continued to rally against the backdrop of firming expectations of FOMC rate cuts. The S&P 500 (+0.9%) rose and a bounce-back in Nvidia saw the NASDAQ lift too (+1.0%), though US trading was already lighter in the run-up to Thanksgiving market closure. The Euro Stoxx 50 (+1.5%) and the UK's FTSE 100 (+0.9%) largely followed suit.
- Asian equity indices followed the US higher with outsized gains in Tokyo (+1.8%) and Seoul (+2.7%), but smaller lifts in Shanghai (+0.6%) and Hong Kong (+0.1%). The ASX 200 finished 0.8% higher yesterday, and futures markets are point to a positive open this morning.
- The treasury yield curve flattened slightly, with the 2Y lifting 2bps to 3.48% while the 10Y held steady at 4.00%. Futures markets still see a circa 80% chance on an FOMC rate cut in December, with around three-and-a-half rate cuts pencilled in through to the end of next year.
- The UK Budget was received relatively well by markets, despite some initial turmoil on the OBR publishing its report prematurely. Wider fiscal headroom sparked a rally Gilts that saw the 10Y fall 7bps to 4.42%, back to around early November levels. Bunds were little-changed on the day.
- During the local session, ACGBs sold-off materially in response to hotter-than-expected inflation data, seeing the 3Y and 10Y yields lift 14bps and 10bps to 3.88% and 4.53% respectively, with the latter now at its highest since May and its spread to UST 10s at its widest in over three years. Swaps markets reacted swiftly to effectively price out any modest chance of RBA rate cuts, even putting in a chance of hikes in late-2026.
- The USD finished slightly lower on the day, with the DXY falling –0.1% to around 99.57 at the time of writing. The Euro (+0.2%) and Sterling (+0.6%) were the main beneficiaries, with the latter bolstered by positive budget receptions. The Japanese Yen bucked the wider trend, falling –0.3% against the greenback.
- The Aussie dollar lifted decently following the above-consensus CPI print, regaining a 0.65 handle and settling 0.8% higher to USD0.6520, although this is still well within recent ranges. The Kiwi dollar also rose after yesterday's 25bp rate cut was seen as likely to be the RBNZ's last move of the easing cycle, seeing the NZD/USD finish 1.3% higher at USD0.5695.
- Crude traded steady for most of the session before rallying in recent hours, seeing WTI futures lift 1.3% to US$58.70/bbl. Metals are lifting against the risk-on backdrop, with copper (+1.5%) and aluminium (+2.1%) posting solid gains. Gold prices are also drifting higher, up 0.8% to around US$4,165/oz. Iron ore fell slightly but continues to trade above the US$105/mt mark on expectations of soon-to-be-announced policy stimulus in China.

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Real Retail Sales Q3	0.6%	0.5%
11:00	NZ ANZ Business Confidence Nov	-	58.1pts
11:30	AU Private New Capital Expenditure Q3	0.5%	0.2%
12:30	CN Industrial Profits Oct	-	21.6%
20:00	EZ M3 Money Supply Oct	2.8%	2.8%
21:00	EZ Economic Confidence Nov	97pts	96.8pts
–	US Thanksgiving – Markets Closed	–	–

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.

International Data:

In the US, the **Federal Reserve's Beige Book** suggested that economic activity remained stable in November, but with consumer spending declining further. Expectations about growth ahead were largely unchanged. Some districts reported uptick in layoffs, but hiring freezes and replacement-only hiring were the more prominent theme. The report highlighted tariff-induced increase in input costs, which contributed to moderate price increases. Fed contacts expected further upward pressure on prices, but "plans to raise prices in the near term were mixed", likely reflecting margin compression.

Data-wise, headline **durable goods orders** posted a 0.5% gain in September, though various measures of core orders beat expectations. This, together with a surprising fall in weekly **initial jobless claims** painted a more positive picture on the economy. However, a subsequent downside surprise on the **Chicago PMI**, which continues to point to downside risks around activity, tempered the shift in tone.

In the **UK Budget**, Chancellor Rachel Reeves announced £26bn of tax increases, helping address concerns of financial markets and some MPs in her own party. The biggest increase came from freezing personal tax thresholds for additional three years, which together with other measures will raise UK tax burden by 3ppts to the record high 38% of GDP. Spending was raised by about £11bn, including an increase funding for child benefits. New measures gave Chancellor larger-than-expected buffer against the fiscal rules of around £22bn, up from around £10bn previously. This will provide a bigger cushion to absorb economic shocks in the future without further fiscal policy changes.

Local Data:

In Australia, the **October CPI** was broadly in line with Westpac's forecast but materially higher than the market consensus, up 3.8%yr (see here). **Q3 Construction Activity** fell –0.7% due to technicalities around imported mining structures; outside of this, activity was solid (see here).

In New Zealand, the **RBNZ** cut the OCR by 25bps to 2.25% and signalled a neutral bias, likely indicating that the latest move marks the end of the current cutting cycle (see here).

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