6 November 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Stocks partially recovered from yesterday's sell-off as investors bought the dip, driving gains in the US and across Europe.

Treasuries sold-off in the wake of firmer economic data and the US government announcing its intention to increase bond auction sizes over the coming quarters.

The USD traded broadly steady after strengthening the day prior, seeing the Euro, Sterling and Japanese Yen continue to trade at varying multi-month lows.

Overnight, the US Supreme Court heard arguments in the appeal cases brought by the Administration after the Federal Court found against President Trump's bilateral tariffs earlier in 2025. It is not clear when the Justices will return with their verdict, though the matters are being expedited, so a decision by year end is possible.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.9	-0.5%
AUD/USD	0.6507	0.3%
AUD/JPY	100.28	0.6%
AUD/GBP	0.4987	0.1%
AUD/NZD	1.1489	-0.1%
AUD/EUR	0.5663	0.2%
AUD/CNH	4.6400	0.2%
AUD/SGD	0.8504	0.2%
AUD/HKD	5.0595	0.3%
AUD/CAD	0.9180	0.3%
EUR/USD	1.1491	0.1%
USD/JPY	154.11	0.3%
USD Index	100.16	-0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	0.01
90 day BBSY	3.69	0.01
180 day BBSY	3.92	0.00
1 year swap	3.56	0.01
2 year swap	3.57	0.01
3 year swap	3.63	0.02
4 year swap	3.70	0.02
5 year swap	3.79	0.02
6 year swap	3.88	0.02
7 year swap	3.97	0.02
8 year swap	4.06	0.03
9 year swap	4.13	0.03
10 year swap	4.38	0.03

Equities	Close	Change
S&P/ASX 200	8,802	-0.1%
S&P 500	6,824	0.8%
Japan Nikkei	50,212	-2.5%
Hang Seng	25,935	-0.1%
Euro Stoxx 50	5,669	0.2%
UK FTSE100	9,777	0.6%
VIX Index	17.37	-8.6%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.63	-0.05
10 year bond	4.31	-0.04
United States		
3-month T Bill	3.79	0.00
2 year bond	3.63	0.05
10 year bond	4.15	0.07
Other (10 year yields)		
Germany	2.67	0.02
Japan	1.66	-0.01
UK	4.46	0.04

Commodities	Current	Change
CRB Index	302.28	-0.6%
Gold	3986.50	1.4%
Copper	10698	0.3%
Oil (WTI futures)	59.62	-1.6%
Coal (coking)	200.00	-0.4%
Coal (thermal)	113.70	-0.1%
Iron Ore	102.85	-0.1%
ACCU	37.75	10.6%

Sydney Futures Exchange	Current	Change
10 yr bond	4.38	0.05
3 yr bond	3.67	0.03
3 mth bill rate	3.63	0.23
SPI 200	8,874	0.8%

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:

With government data still disrupted by the shutdown, the focus was on a set of private sector indicators – namely ADP employment and ISM services – both of which printed above expectations. This saw expectations for a December rate cut from the FOMC pare back marginally, sparking a sell-off in treasuries. However, this was further compounded by the US government announcing its intention to increase bond auction sizes over the "next several quarters", strengthening the supply outlook for treasuries. Meanwhile, yesterday's pull-back in US equities – associated with concerns around overvaluation in the tech sphere – proved to be only temporary as investors bought the dip, driving a partial retracement in the major indices. The US dollar traded broadly steady.

- The S&P 500 and NASDAQ rebounded from yesterday's decline and partially retraced those losses, lifting 0.7% and 0.9% respectively. Gains were led by chipmakers, who were at the centre of yesterday's sell-off. Over in Europe, the Euro Stoxx 50 posted a small increase (+0.2%), but London's FTSE 100 rose strongly (+0.6%), buoyed by the stabilisation in US markets and a stronger services activity data.
- Stocks were generally weaker across Asia following the US' sell-off the prior day, falling particularly sharply in Tokyo (–2.5%) and Seoul (–2.9%), while Hong Kong posted a more modest fall (–0.1%). The ASX 200 also fell slightly (–0.1%), but following the global rally overnight, futures markets are pointing to a solid open this morning.
- Treasury yields sold-off notably in a combination of firmer economic data and a stronger supply outlook for the securities. The 2-year rose 5bps to 3.63% while the 10-year rose 7bps to 4.15%, back to similar levels being traded about a month ago. Expectations for Fed rate cuts pared back marginally, with December move now around 62% priced in, although the profile further out is little-changed, with a total of three rate cuts fully priced in by late 2026.
- Yields elsewhere also edged higher, with the 10-year Bund and Gilt lifting 2bps and 4bps to 2.67% and 4.46% respectively. Aussie government (futures) yields rose too, with the 3-year up 3bps and the 10-year up 5bps. Market pricing from swaps remains somewhat lumpy, but it continues to indicate the markets lack of conviction over the possibility for an RBA rate cut next year.
- The USD held broadly steady, with the DXY trading a tight range around yesterday's close and ultimately finishing at 100.18 at the time of writing. The Aussie dollar made up a bit more ground overnight (+0.3%), continuing to hover around the USD0.65 mark, as was the case over much of late October.

Today's key data and events

Time	Event	Exp	Prev
11:30am	AU Trade Balance Sep	$4000m	$1825m
11:30am	JP Jibun Bank Services PMI Oct Final	-	52.4pts
9:00pm	EZ Retail Sales Sep	0.2%	0.1%
11:00pm	GB BoE Policy Decision	4.00%	4.00%

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.

- Moves across the DXY pairs were fairly mixed and modest. The Euro posted a small gain, but it did little to shake-off the USD bid over the past week as the cross holds just under USD1.15, around three-month lows. It is a similar story for the Sterling, a small lift overnight sees the cross in the around six-month lows (USD1.3050), while the Japanese Yen trades around its weakest levels since February, back above JPY154.
- Oil prices fell overnight amid lower trading volumes and a large increase in inventory data, seeing the first-generic futures contract for WTI down –1.6% to US$59.62/bbl. Gold regained some of the lost ground from yesterday's sell-off, rising 1.4% to around US$3,986/oz. Copper prices also posted a modest lift, up 0.3% back to toward the US$10,700/mt mark. Iron ore prices rose intraday but struggled to hold onto momentum, finishing broadly flat from yesterday's close.

International Data:

In the US, **ADP Employment** rose 42k in October following a 29k decline in September, printing slightly above expectations. Over the past six months, employment growth has average a 20k gain per month, consistent with a labour market that has effectively stalled. This trend matches the views of respondents to the Federal Reserve's Beige Book.

Meanwhile, the **ISM Services PMI** surprised to the upside in October, rising to 52.4 from 50.0. This result compares to a 5-year average of 55.2. While new orders improved markedly in the month, the index lifting from 50.4 to 56.2, the employment index was little changed at 48.2, below the 5-year average of 50.7.

Overnight, the **US Supreme Court** heard arguments in the appeal cases brought by the Administration after the Federal Court found against President Trump's bilateral tariffs earlier in 2025. It is not clear when the Justices will return with their verdict, though the matters are being expedited, so a decision by year end is possible.

Local Data:

In New Zealand, the **Q3 Labour Market Statistics** came in broadly as expected, with employment growth holding flat and the unemployment rate ticking up slightly (see here).

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