7 November 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

US Challenger jobs data indicated a spike in US job cuts, suggesting a possible cooling in US labour market conditions.

The Bank of England kept Bank Rate unchanged, but central bank communications suggested a likely shift towards monetary policy easing at the final policy meeting of the year next month.

US equities retreated again as concerns about AI valuations remained front and centre. The S&P fell 0.7% and was down 1.3% since last Friday. US Treasuries rallied, fully reversing Wednesday's sell-off.

Australian yields rose across the curve, with the 10Y up 5bp to 4.37%, the highest level in over a month. The AUD eased 0.3% to 0.6485.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.1	0.3%
AUD/USD	0.6485	-0.3%
AUD/JPY	99.31	-1.0%
AUD/GBP	0.4938	-1.0%
AUD/NZD	1.1499	0.1%
AUD/EUR	0.5616	-0.8%
AUD/CNH	4.6172	-0.5%
AUD/SGD	0.8455	-0.6%
AUD/HKD	5.0416	-0.3%
AUD/CAD	0.9150	-0.3%
EUR/USD	1.1544	0.5%
USD/JPY	153.14	-0.6%
USD Index	99.73	-0.5%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	0.00
90 day BBSY	3.69	0.00
180 day BBSY	3.93	0.01
1 year swap	3.54	-0.02
2 year swap	3.54	-0.03
3 year swap	3.58	-0.05
4 year swap	3.65	-0.04
5 year swap	3.73	-0.05
6 year swap	3.82	-0.05
7 year swap	3.91	-0.05
8 year swap	4.00	-0.05
9 year swap	4.08	-0.05
10 year swap	4.33	-0.05

Equities	Close	Change
S&P/ASX 200	8,828	0.3%
S&P 500	6,749	-0.7%
Japan Nikkei	50,884	1.3%
Hang Seng	26,486	2.1%
Euro Stoxx 50	5,611	-1.0%
UK FTSE100	9,736	-0.4%
VIX Index	19.01	5.6%

Commodities	Current	Change
CRB Index	302.28	-0.6%
Gold	3985.15	0.1%
Copper	10682.00	-0.1%
Oil (WTI futures)	59.40	-0.3%
Coal (coking)	202.00	1.0%
Coal (thermal)	117.50	0.9%
Iron Ore	102.60	0.4%
ACCU	37.75	10.6%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.66	0.03
10 year bond	4.37	0.05
United States		
3-month T Bill	3.76	-0.03
2 year bond	3.56	-0.07
10 year bond	4.09	-0.07
Other (10 year yields)		
Germany	2.65	-0.02
Japan	1.69	0.02
UK	4.43	-0.03

Sydney Futures Exchange	Current	Change
10 yr bond	4.33	-0.05
3 yr bond	3.63	-0.05
3 mth bill rate	3.63	0.00
SPI 200	8,839	-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 remained under pressure. With official US economic data releases unavailable due to the ongoing US government shutdown, investors turned their attention to the US Challenger jobs data. This report indicated a spike in US job cuts, suggesting a possible cooling in US labour market conditions. Comments from Fed officials were also closely monitored; however, they signalled no major changes in their assessment of the economic outlook, maintaining a consistent focus on inflation risks in the US.

In other major economies, a decline in euro area retail sales in September and a lacklustre recovery in German industrial production after a sharp contraction in August highlighted downside risks to euro area GDP growth. In the UK, the Bank of England kept Bank Rate unchanged, but central bank communications suggested a likely move towards monetary policy easing at the final policy meeting of the year next month.

- US equities retreated again as concerns about AI valuations remained front and centre. The S&P fell 0.7% and was down 1.3% since last Friday. European stocks followed suit, with the Euro Stoxx 50 falling 1.0%, as further pressure came from the consumer products and industrial sectors. Asian equities were notably stronger, with Japan's Nikkei posting a 1.3% gain after losing more than 4% over the previous two days. Domestically, the ASX 200 edged up a modest 0.3%.
- US Treasuries rallied, fully reversing Wednesday's sell-off. The 10Y yield dropped 7bp back to 4.09%, with similar moves across the yield curve. Gilts also rallied in response to the dovish tone from the Bank of England, and financial markets are now pricing in a 70% chance of a Bank Rate cut in December. In contrast, Australian yields rose across the curve, with the 10Y up 5bp to 4.37%, the highest level in over a month.
- In FX markets, the DXY retreated 0.5% to fall back below 100, as concerns about AI valuations and signs of weakening US labour market conditions prompted investors to seek opportunities elsewhere. The euro and pound were major beneficiaries – the former gained 0.5% to 1.1540, and the latter strengthened 0.7%, despite the Bank of England signalling further easing ahead. The yen also appreciated by 0.6% to 153.1. The AUD eased 0.3% to 0.6485.
- In commodity markets, crude oil prices declined as Saudi Arabia lowered the price of its supplies to Asia. The December WTI contract slipped 0.3% to $59.4. Gold and copper were little changed after larger moves earlier in the week. Iron ore edged 0.4% higher, following five consecutive daily losses.

Today's key data and events

Time	Event	Exp	Prev
-	CN Trade Balance Oct	US$96.8b	US$90.4b
10:30am	JP Household Spending Sep	2.5%	2.3%
7:00am	US Consumer Credit Sep	US$10b	US$0.4b

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:

US Challenger job cuts remained highly volatile in October, with the annual rate surging from -25.8% in September to 175.3%. This marks the fourth instance this year where the annual rate has climbed above 100%, only to recede in subsequent readings. The number of monthly job cuts now stands at 153,074 – a twenty-year high for October. Year-to-date, job cuts have exceeded one million.

FOMC members Hammack, Goolsbee, and Barr maintained a focus on inflation risks in their overnight remarks, despite the spike in Challenger job cuts.

Euro area retail sales underperformed in September, slipping 0.1%mth versus expectations for a 0.2%mth increase. In Q3, retail sales grew 0.2%, reflecting a notable slowdown from the 0.7% rise in Q2.

German industrial production growth fell short of expectations in September, rising 1.3%mth and failing to recover from the 3.7%mth decline in August (revised from -4.3%mth), driven by a sharp contraction in the autos sector.

The Bank of England's Monetary Policy Committee left Bank Rate unchanged at 4.0%. The decision details conveyed a dovish tone, with a narrow 5-4 vote highlighting divisions among committee members and signalling a potential shift towards policy easing in the near term. The minutes showed that, among the majority, four members cited persistent inflation as their main concern. The fifth member, Governor Bailey, however, noted rising slack in the UK economy, but preferred a "wait and see" approach to confirm the durability of disinflation in the upcoming developments this year.

The policy statement also indicated a clear bias towards easing. It acknowledged that UK inflation has peaked, with the headline CPI rate rising by more than 2ppt to 3.8%yr over the past twelve months. Pay growth and services inflation are moderating, and inflation risks are now more balanced. Forward guidance confirmed that the "Bank Rate is likely to continue on a gradual downward path" should the disinflation process persist.

Local Data:

Australian monthly goods trade data showed that gold outflows continue to drive volatility in Australian goods exports. In September, goods trade surplus recovered from $1.1bn to $3.9bn, close to the average level observed so far this year (see here).

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