1 December 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Key US equity indices recorded gains after a technical outage at the Chicago Mercantile Exchange disrupted premarket trade. European markets were also higher.

Yields on Treasuries were little changed while the US dollar edged lower to finish the week 0.7% lower – the largest weekly loss since early August – amid growing expectation of further rate cuts starting with a 25bp cut in December.

At home yields ticked higher with the policy sensitive 2-year bond yield almost 12bps higher over the week, following the stronger than expected inflation print and growing evidence the upturn in activity is gathering momentum.

Traders are now pricing in a greater chance of a hike next year, expecting the cash rate to end 2026 at 3.70% (10bps higher than today's cash rate).

Gold and copper rallied.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.2	0.0%
AUD/USD	0.6550	0.2%
AUD/JPY	102.30	0.2%
AUD/GBP	0.4950	0.3%
AUD/NZD	1.1423	0.2%
AUD/EUR	0.5647	0.2%
AUD/CNH	4.6313	0.2%
AUD/SGD	0.8493	0.2%
AUD/HKD	5.1002	0.3%
AUD/CAD	0.9153	-0.2%
EUR/USD	1.1598	0.0%
USD/JPY	156.18	-0.1%
USD Index	99.46	-0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	0.00
90 day BBSY	3.71	-0.01
180 day BBSY	4.02	0.00
1 year swap	3.72	0.00
2 year swap	3.80	0.01
3 year swap	3.88	0.00
4 year swap	3.95	0.00
5 year swap	4.03	0.00
6 year swap	4.11	0.00
7 year swap	4.19	0.00
8 year swap	4.26	0.00
9 year swap	4.33	0.00
10 year swap	4.59	0.01

Equities	Close	Change
S&P/ASX 200	8,614	0.0%
S&P 500	6,849	0.5%
Japan Nikkei	50,254	0.2%
Hang Seng	25,859	-0.3%
Euro Stoxx 50	5,668	0.3%
UK FTSE100	9,721	0.3%
VIX Index	16.35	-5.0%

Commodities	Current	Change
CRB Index	301.49	1.2%
Gold	4239.44	2.0%
Copper	11189.00	2.3%
Oil (WTI futures)	58.55	-0.2%
Coal (coking)	197.50	0.3%
Coal (thermal)	110.85	0.9%
Iron Ore	102.45	0.2%
ACCU	37.75	10.6%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.87	0.03
10 year bond	4.51	0.02
United States		
3-month T Bill	3.71	-0.04
2 year bond	3.49	0.01
10 year bond	4.01	0.02
Other (10 year yields)		
Germany	2.69	0.01
Japan	1.81	0.01
UK	4.44	-0.01

Sydney Futures Exchange	Current	Change
10 yr bond	4.54	0.01
3 yr bond	3.91	0.00
3 mth bill rate	3.69	0.02
SPI 200	8,628	0.0%

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:

- Key US equity indices recoded gains in thin trading following Thanksgiving. Growing optimism of further US rate cuts starting from December helped boost sentiment and propel stocks to near record highs. This occurred after a technical outage at the Chicago Mercantile Exchange disrupted premarket activity. The S&P 500 rose 0.5% on Friday to finish the week 3.7% higher and reverse the 2.0% fall recorded during the prior week. The Dow Jones Industrial Average advanced 0.6% on ZZ Friday to finish the week 3.2% higher. The tech-heavy Nasdaq increased 0.7% on the day to end the week a solid 4.9% higher. However, it chalked up its first monthly loss (down 1.5%) since March this year, reflecting recent volatility in tech stocks as investors question some stretched valuations in the sector.
- European markets were also firmly in the green on the back of growing optimism of further US rate cuts and benign economic data coming out of Europe. BBG is also reporting the German government's €500 billion infrastructure spending plan likely to boost the economy and see valuations increase to fresh highs over the next year. The Euro Stoxx 50, Germany's DAX. the FTSE 100 and France's CAC all increased 0.3% on the day. Asian markets were also generally higher with the Nikkei closing 0.2% higher and the SSI 300 closing 0.3% in the green. In the local market, the ASX 200 was broadly unchanged but ended the week 2.4% higher after finishing lower for the past four consecutive weeks. Futures are pointing to a positive start to today's session.
- Treasuries were sold off which saw the yield curve shift higher. The 2-year US bond yield increased 1bp to 3.69%, while the 10-year US bond yield increased 2bp to 4.0%. Over the week yields were broadly unchanged. Interest-rate futures are pricing in an 85% probability that the US Fed will reduce rates by 25bps in December, pricing in around 90bps of cuts over the year to the end of 2026. Yields were mixed across Europe, with 10-year yields down 1bp in the UK but 1bp higher in Germany, to 4.44% and 2.68%, respectively.
- Local yields were higher on futures, with the 3-year bond yield increasing 3bps to 3.87% and the 10-year yield increasing 2bps to 4.51%. Over the week, 2-year government bond yields increased almost 12bps following the stronger than expected inflation print. Traders are now pricing in a greater chance of a hike next year, expecting the cash rate to end 2026 at 3.70% (or 10bps higher than today's level).

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Building Permits Oct	-	7.2%
11:00	AU MI Inflation Gauge Nov	-	3.1%
11:30	AU Business Indicators Q3	1.6%	-2.4%
11:30	AU Inventories Q3	0.0%	0.1%
11:30	AU ANZ Job Ads Nov	-	-2.2%
11:30	JP Jibun Bank Manufacturing PMI Nov Final	-	48.8pts
12:45	CN Caixin Manufacturing PMI Nov	50.5pts	50.6pts
20:00	EZ HCOB Manufacturing PMI Nov Final	49.7pts	49.7pts
20:30	GB S&P Manufacturing PMI Nov Final	50.2pts	50.2pts

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.

- The US dollar index edged 0.1% lower to 99.46 during Friday's session, to finish the week 0.7% lower. This was the largest weekly fall since the first week of August and reflects growing expectation that the US Fed will resume cutting rates in December. The euro and the yen were both broadly unchanged at 1.1598 and 156.18 (for the USD/JPY pair), respectively.
- The Aussie edged 0.2% higher to 0.6550 and finished the week 1.5% higher against the Greenback. The stronger than expected inflation read, coupled with growing signs the economic recovery is gaining momentum, provided the Aussie with support. We expect the Aussie to at least consolidate above 0.6500 this week, particularly if the Q3 National Accounts prints a solid outcome and stronger than expected outcome.
- Commodities were generally higher led by solid gains in gold and copper. Gold increased 2.0% to US$4,239 an ounce amid growing expectations of further US rate cuts. Silver and copper set fresh records in volatile trade following the outage on CME Group's Chicago Mercantile Exchange. Silver jumped as much as 5.9% to US$56.53 an ounce, while copper futures finished 2.3% higher in London after reaching an all time high of US$11,210 a tonne. Crude markets were broadly unchanged with the West Texas Intermediate trading at around US$58/bbl. Iron ore increased 0.2% to US$102.45 a tonne.

International Data:

China's official PMIs surprised to the downside in November, suggesting that the world's second largest economy saw its economic growth softening into the year end. The manufacturing PMI rose just 0.2pt, but, at 49.2, it remained in the contractionary territory for an eight consecutive month pointing to sluggish manufacturing activity. Some details of the survey were a touch more positive – for example, the manufacturing production index rose to the neutral level of 50, while the assessment of new orders was less negative, up from 48.8 to 49.2.

Meanwhile, the non-manufacturing PMI index declined by 0.6pts to 49.5, which was the first sub-50 reading since the end of 2022. It left the composite index at only 49.7, down by almost a point in the last two months. In Q4 so far, the average of the composite PMI is at 49.9, down from 50.4 in Q3.

In October, the **Japanese unemployment rate** remained at 2.6% for third consecutive month, disappointing consensus expectations of a 0.1ppt decrease. The job-to-applicant ratio ticked lower to 1.18, down from 1.20 in September and 1.26 earlier this year, signalling slightly loosening conditions. Nevertheless, the ratio remains well above its historical norms, suggesting excess demand in the Japanese labour market.

Local Data:

We expect the **September quarter National Accounts** to show Australia's recovery gathered momentum, with the economy expanding 0.8% over Q3 and 2.3%yr in year-ended terms - a touch above the RBA's updated trend estimate of +2.0%yr but broadly consistent with Westpac Economics' estimate of trend (further details here).

Private sector credit growth accelerated in recent months, with October data showing a robust 0.7%mth increase, exceeding our forecast and consensus expectations. Housing credit growth remained firm, with owner-occupier growth steady at 0.5%mth and investor credit surging to 0.9%mth, the fastest since early 2015. Business credit rebounded to 0.8%mth, after a couple of softer months, confirming that momentum in business credit remains intact (further details here).

Business confidence in NZ rose to 67.1 in November from 58.1 in the prior month, while firms' own-activity expectations rose to 53 – both measures reaching their highest levels in 11 years (further details here).

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