



2 December 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

December has kicked off on shakier footing as a risk-off tone permeated through markets, with a sharp sell-off in crypto being met with a fall in equities across the US and Europe.

Governor Ueda commented that the Bank of Japan will “consider the pros and cons of raising the policy interest rate and make decisions as appropriate”, with the accompanying lift in rate hike expectations driving a sell-off in JGBs. Taking the cue from JGBs, bonds sold-off globally.

The DXY tested the crucial 99.0 level before returning back to around 99.4. The AUD's 0.65 handle is looking more assured, and this week's Q3 GDP data could support a further move higher, but any sustained uptrend has proven begrudging so far this year.

Crude rose following reports of damage to Russian energy infrastructure over the weekend, adding to concerns over near-term supply.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	61.3	0.2%	30 day BBSY	3.60	0.00
AUD/USD	0.6542	-0.1%	90 day BBSY	3.72	0.01
AUD/JPY	101.72	-0.6%	180 day BBSY	4.02	0.00
AUD/GBP	0.4952	0.0%	1 year swap	3.73	0.01
AUD/NZD	1.1426	0.0%	2 year swap	3.83	0.02
AUD/EUR	0.5635	-0.2%	3 year swap	3.92	0.04
AUD/CNH	4.6271	-0.1%	4 year swap	4.00	0.05
AUD/SGD	0.8481	-0.1%	5 year swap	4.07	0.05
AUD/HKD	5.0952	-0.1%	6 year swap	4.17	0.06
AUD/CAD	0.9157	0.0%	7 year swap	4.25	0.06
EUR/USD	1.1609	0.1%	8 year swap	4.33	0.06
USD/JPY	155.49	-0.4%	9 year swap	4.39	0.06
USD Index	99.41	0.0%	10 year swap	4.65	0.06

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,565	-0.6%	Australia		
S&P 500	6,823	-0.4%	3 year bond	3.89	0.02
Japan Nikkei	49,303	-1.9%	10 year bond	4.55	0.04
Hang Seng	26,033	0.7%	United States		
Euro Stoxx 50	5,667	0.0%	3-month T Bill	3.69	-0.02
UK FTSE100	9,703	-0.2%	2 year bond	3.53	0.05
VIX Index	17.04	4.2%	10 year bond	4.09	0.08

Commodities	Current	Change	Other (10 year yields)		
CRB Index	302.74	0.4%	Germany	2.75	0.06
Gold	4236.63	-0.1%	Japan	1.87	0.06
Copper	11252	0.6%	UK	4.48	0.04

			Sydney Futures Exchange	Current	Change
Oil (WTI futures)	59.46	1.6%	10 yr bond	4.60	0.03
Coal (coking)	202.00	2.3%	3 yr bond	3.94	0.02
Coal (thermal)	109.50	-1.2%	3 mth bill rate	3.67	0.00
Iron Ore	103.45	1.3%	SPI 200	8,588	0.1%
ACCU	37.75	10.6%			

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:

- A broader risk-off tone permeated through markets, emblemised by the sharp sell-off in crypto while equities snapped its five day winning streak in the US. The S&P 500 (–0.4%), Dow Jones (–0.7%) and NASDAQ (–0.4%) all declined. Losses were more modest over in Europe, with the Euro Stoxx 50 holding flat and London's FTSE 100 down –0.1%.
- The Hang Seng (+0.7%) and CSI 300 (+1.1%) were buoyed by growing optimism over US rate cuts. Meanwhile, the Nikkei 225 slid –1.9% after Governor Ueda's somewhat more hawkish remarks raised expectations for a rate hike. In a similar vein, the ASX 200 slipped –0.6%, but futures are pointing to a positive open this morning.
- Japanese rates markets moved swiftly after Governor Ueda commented that the Bank of Japan will "consider the pros and cons of raising the policy interest rate and make decisions as appropriate". The 10Y JGB moved to its highest yield since 2008, up 6bps to 1.87%, with a December rate hike now priced at an 86% chance versus 23% this time last week.
- With JGBs leading the charge, the sell-off in bonds spread globally overnight. The treasury yield curve steepened, with the 2Y and 10Y lifting 5bps and 8bps to 3.53% and 4.09% respectively. The 10Y Bund and Gilt also lifted 6bps and 4bps respectively. Aussie government (futures) yields also rose, with the 3Y and 10Y up 2bps and 3bps respectively.
- Futures markets in the US have moved to nearly fully price in a December FOMC rate cut, with close to four cuts priced in by early 2027. Meanwhile, futures markets in Australia are pricing in around a 50% chance of a rate hike by end-2027.
- The USD was under strong selling pressure in the first half of the session, with the DXY slipping –0.4% to test 99.0, but a stronger bid emerged in the later half of the session, seeing the index settle at 99.41. The Japanese Yen was the stand-out, appreciating 0.4% to hold more firmly onto a JPY155 handle. The Euro also saw a modest appreciation (0.1%), while the Sterling (–0.2%) and Loonie (–0.1%) slipped.
- The AUD/USD is looking more assured with a 0.65 handle. Last week's inflation and investment partials are setting up Wednesday's Q3 GDP data to confirm that a broadening economic recovery is underway. Although a more solid outcome could see the cross move higher, any sustained uptrend has proven begrudging so far this year. China's underperformance and global risk-off appetite could remain as key headwinds.
- Crude prices rose following reports of damage to Russian energy infrastructure over the weekend, adding to concerns over near-term supply, seeing WTI rise 1.6% to US\$59.46/bbl. The 'make-or-break' nature of this week's negotiations on

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Terms Of Trade Q3	0.4%	4.1%
11:30	AU Current Account Balance Q3	-\$13.2b	-\$13.7b
11:30	AU Dwelling Approvals Oct	-5.0%	12.0%
12:00	US FOMC Chair Powell – Speech	-	-
18:00	GB Nationwide House Prices Nov	0.0%	0.3%
21:00	EZ Unemployment Rate Oct	6.3%	6.3%
21:00	EZ HICP Nov Prel.	2.1%	2.1%

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 Russia-Ukraine war will remain key. Base metals continue to rally on firming US rate cut expectations, with copper and aluminium lifting 0.6% and 0.9% respectively. Gold held broadly steady around US\$4,237/oz.

International Data:

In the US, the **ISM Manufacturing PMI** weakened in Nov, with the headline index falling to 48.2 from 48.7. The often-volatile production index rose by more than 3pts in growth territory, but other major components were weaker still -- both new orders and employment declined by 2pts, indicating weakening demand and shrinking supply capacity.

In China, the **RatingDog Manufacturing PMI** came in below expectations, falling from 50.6 in October to a broadly neutral reading of 49.9 in November. The export-oriented gauge is not as weak as the official counterpart from NBS, but the signal is broadly consistent, in that it continues to flag the lingering risks around the domestic recovery.

Local Data:

In Australia, the **Q3 Business Indicators** broadly met our expectations, with a run-down in private non-farm business inventories resulting from firmer consumer demand (see [here](#)). Meanwhile, November's **Cotality home value index** reported a 1.0% gain in house prices, though performances are diverging across the capitals and dwelling tiers (see [here](#)).

In New Zealand, **building consent issuance** edged lower in October, but coming after sizeable increases over recent months, the front-end of the dwelling project pipeline is looking more positive (see [here](#)).



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