



5 December 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Sentiment in global financial markets was mixed, as expectations of a further cut in the fed funds rate at next week's FOMC meeting remaining intact, but momentum in the US labour market appeared less clear.

The latest US weekly initial jobless claims data delivered a notable surprise, registering the biggest decline in more than three years and challenging the message from the weak ADP private sector payrolls estimate released earlier in the week.

The S&P 500 traded within a relatively tight range, ultimately posting a small 0.1% loss. US Treasuries sold off, with the belly of the curve driving losses.

Australian bonds also sold off again, with the 10Y yield rising 6bp. It is now up by 50bp since the end of October, and in that period the spread to US Treasuries has widened from 22bp to 60bp. Financial markets are now fully pricing in a 25bp RBA cash rate hike next year.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	61.8	0.5%	30 day BBSY	3.59	-0.01
AUD/USD	0.6612	0.2%	90 day BBSY	3.73	0.01
AUD/JPY	102.51	0.0%	180 day BBSY	4.04	0.01
AUD/GBP	0.4959	0.3%	1 year swap	3.83	0.06
AUD/NZD	1.1465	0.3%	2 year swap	3.95	0.06
AUD/EUR	0.5677	0.4%	3 year swap	4.04	0.07
AUD/CNH	4.6746	0.3%	4 year swap	4.11	0.07
AUD/SGD	0.8570	0.4%	5 year swap	4.19	0.06
AUD/HKD	5.1450	0.1%	6 year swap	4.27	0.06
AUD/CAD	0.9226	0.2%	7 year swap	4.35	0.06
EUR/USD	1.1648	-0.2%	8 year swap	4.42	0.06
USD/JPY	155.03	-0.1%	9 year swap	4.48	0.06
USD Index	99.03	0.2%	10 year swap	4.74	0.06

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,618	0.3%	Australia		
S&P 500	6,846	-0.1%	3 year bond	4.05	0.08
Japan Nikkei	51,028	2.3%	10 year bond	4.70	0.06
Hang Seng	25,936	0.7%	United States		
Euro Stoxx 50	5,718	0.4%	3-month T Bill	3.62	-0.01
UK FTSE100	9,711	0.2%	2 year bond	3.53	0.04
VIX Index	15.96	-0.7%	10 year bond	4.11	0.04

Commodities	Current	Change	Other (10 year yields)		
CRB Index	303.92	0.5%	Germany	2.77	0.02
Gold	4207.52	0.1%	Japan	1.94	0.05
Copper	11450.00	-0.3%	UK	4.44	-0.01

			Sydney Futures Exchange	Current	Change
Oil (WTI futures)	59.71	1.3%	10 yr bond	4.71	-0.01
Coal (coking)	205.75	-0.7%	3 yr bond	4.07	-0.02
Coal (thermal)	108.25	-0.7%	3 mth bill rate	3.69	-0.01
Iron Ore	104.35	0.1%	SPI 200	8,623	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:

Sentiment in global financial markets was mixed, with many investors maintaining a positive outlook on AI, and expectations of a further cut in the fed funds rate at next week's FOMC meeting remaining intact. However, concerns persisted regarding stretched valuations in major US tech stocks, while momentum in the US labour market appeared less clear. The latest US weekly initial jobless claims data delivered a notable surprise, registering the biggest decline in more than three years and challenging the message from the weak ADP private sector payrolls estimate released earlier in the week.

- The US equity market lacked clear direction. The S&P 500 traded within a relatively tight range, ultimately posting a small 0.1% loss. US tech stocks rose modestly, led by Meta, which rallied following the announcement of significant budget cuts for next year. European stocks advanced, with the Euro Stoxx 50 up 0.4%, driven by gains in the automotive and industrial sectors. The FTSE 100 in the UK also rose, by 0.2%. In Japan, local tech sector stocks alongside a weak Yen supported the Nikkei 225, which jumped 2.3%. Domestically, the ASX 200 gained 0.3%.
- In the bond market, US Treasuries sold off, with the belly of the curve driving losses. The 3Y and 5Y yields rose 5bp, while the 10Y increased by 4bp. The probability of a fed funds rate cut next week eased slightly but remained above 90%. The German 10Y Bund yield rose 2bp, while Gilts outperformed, with the 10Y yield down 1bp, as market participants awaited the UK Debt Management Office's announcement of Gilt issuance details for 2026. JGB yields continued to climb, with the 10Y rising to 1.94%, the highest level since 2007. However, strong demand in the 30Y JGB auction capped the 30Y yield, which declined 3bp.
- Australian bonds also sold off again, with the 10Y yield rising 6bp. It is now up by 50bp since the end of October, and in that period the spread to US Treasuries has widened from 22bp to 60bp. Financial markets are now fully pricing in a 25bp RBA cash rate hike next year.
- The DXY ticked up by 0.2% to 99.0. The EUR and GBP depreciated by 0.2% and 0.1% respectively, while the Yen strengthened by a similar amount, maintaining the 155 handle. The AUD appreciated for a third consecutive day, up 0.2%, rising above 0.66 for the first time since late October.
- The fruitless conclusion of US envoy Steve Witkoff's talks with Putin supported crude, with the WTI January contract up 1.3% to \$59.71. Copper eased 0.3% from record highs, as some investors suggested that current price levels are not sustainable. Gold and iron ore were little changed.

Today's key data and events

Time	Event	Exp	Prev
10:30	JP Household Spending Oct	1.0%	1.8%
21:00	EZ GDP Q3 T	0.2%	0.2%
2:00	US Personal Income Sep	0.4%	-
2:00	US Personal Spending Sep	0.3%	-
2:00	US PCE Deflator Sep	0.3%	-
2:00	US Core PCE Deflator Sep	0.2%	-
2:00	US Uni. Of Michigan Sentiment Dec Prel.	52pts	51pts
7:00	US Consumer Credit Oct	US\$11b	US\$13.1b

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 contrast to the weaker ADP employment data released this week, which indicated deteriorating conditions in the US labour market, **US initial jobless claims** surprised to the downside, falling to just 191k, the lowest level in more than three years. The reading might have been affected by distortions around Thanksgiving.

US factory orders rose 0.2%*mm* in September, with durable goods orders up 0.5%*mm* in the final release, unchanged from the flash reading. Capital goods excluding defence and aircraft increased by 0.9%*mm* for a second consecutive month, resulting in Q3 growth of 1.8%, up from -0.5% in Q2.

Euro area retail sales were flat in October, as a 0.3%*mm* rise in spending on food was offset by lower spending in non-food categories. On a three-month basis, growth eased to a seven-month low of 0.3%, suggesting momentum is slowing, despite a slight uptick in consumer sentiment recently.

Local Data:

In Australia, **household spending** rose 1.3%*mm* in October, marking the strongest monthly rise since early 2024. Given revisions to earlier estimates, the indicator has not recorded a fall since March 2024 ([see here](#)).

Australia's trade surplus widened slightly in October, but the headline balance masks big swings in gold exports and imports ([see here](#)).



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