



8 December 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Investors were cautious ahead of the Fed's final meeting for 2025, with markets almost fully pricing in a December cut.

Key US equity indices extended gains to finish the week slightly higher, while Euro markets were mixed. Treasuries were sold off which saw yields higher to remain within recent ranges.

The US dollar was unchanged on the day but has now fallen for two weeks. The Aussie outperformed as our economic fortunes diverge with the US.

Growing economic momentum and a resilient labour market provide the RBA Board with the backdrop for the final meeting of the year. Hawkish messaging from the Board is likely to provide the Aussie with further support.

Commodities were generally higher with copper setting fresh records, and crude markets ticking higher.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.9	0.2%
AUD/USD	0.6640	0.5%
AUD/JPY	103.16	0.6%
AUD/GBP	0.4980	0.4%
AUD/NZD	1.1495	0.2%
AUD/EUR	0.5703	0.5%
AUD/CNH	4.6936	0.4%
AUD/SGD	0.8604	0.5%
AUD/HKD	5.1703	0.5%
AUD/CAD	0.9174	-0.6%
EUR/USD	1.1642	0.0%
USD/JPY	155.33	0.1%
USD Index	98.99	0.0%

Equities	Close	Change
S&P/ASX 200	8,635	0.2%
S&P 500	6,870	0.2%
Japan Nikkei	50,492	-1.1%
Hang Seng	26,085	0.6%
Euro Stoxx 50	5,724	0.1%
UK FTSE100	9,667	-0.5%
VIX Index	15.41	-2.3%

Commodities	Current	Change
CRB Index	305.97	0.7%
Gold	4197.78	-0.2%
Copper	11620.00	1.5%
Oil (WTI futures)	60.08	0.7%
Coal (coking)	205.00	-0.4%
Coal (thermal)	109.25	0.9%
Iron Ore	103.20	-0.2%
ACCU	37.75	10.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	0.00
90 day BBSY	3.73	0.01
180 day BBSY	4.08	0.04
1 year swap	3.85	0.03
2 year swap	3.97	0.02
3 year swap	4.05	0.02
4 year swap	4.13	0.02
5 year swap	4.21	0.02
6 year swap	4.28	0.02
7 year swap	4.36	0.02
8 year swap	4.44	0.03
9 year swap	4.50	0.03
10 year swap	4.77	0.04

Government Bond Yields	Close	Change
Australia		
3 year bond	4.01	-0.04
10 year bond	4.68	-0.02
United States		
3-month T Bill	3.61	-0.01
2 year bond	3.56	0.04
10 year bond	4.14	0.04
Other (10 year yields)		
Germany	2.80	0.03
Japan	1.95	0.01
UK	4.48	0.04

Sydney Futures Exchange	Current	Change
10 yr bond	4.72	0.03
3 yr bond	4.07	0.02
3 mth bill rate	3.69	0.00
SPI 200	8,620	-0.2%

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 extended gains on Friday to close around record highs. Growing optimism of further US rate cuts helped boost sentiment as data was released showing only moderate growth in spending and steady core PCE inflation. The S&P 500 rose 0.2% on Friday to finish the week 0.3% higher, building on the 3.7% gain recorded during the prior week. The Dow Jones Industrial Average also advanced 0.2% on Friday to finish the week 0.5% higher. The tech-heavy Nasdaq increased 0.3% on the day to end the week a solid 0.9% higher.
- European markets were mixed with data showing growth in the zone was revised higher in the third estimate for Q3 to 0.3% (from 0.2qtr). Government spending and investment were the primary sources of growth in Q3. The Euro Stoxx 50 edged 0.1% higher, Germany's DAX gained 0.7%, the FTSE 100 declined 0.5%, France's CAC was broadly unchanged, and the Swiss Market Index rose 0.3%. Asian markets were also mixed with the Nikkei closing 1.0% lower, while the Hang Seng (+0.6%) and CSI 300 (+0/8%) closed higher. In the local market, the ASX 200 closed 0.2% higher to also end the week up 0.2%. Futures are pointing to a negative start to today's session.
- Treasuries were sold off which saw the yield curve shift 4bps higher across the curve. The pickup in consumer sentiment and hawkish comments from Fed officials saw yields edge higher. The 2-year US bond yield increased 4bps to 3.56%, while the 10-year US bond yield also increased 4bps to 4.14. Interest-rate futures are pricing in a 95% probability that the US Fed will reduce rates by 25bps this week, pricing in a total of 80bps of cuts over the year to the end of 2026.
- Local yields were higher on futures, with the 3-year bond yield increasing 2bps to 4.07% and the 10-year yield increasing 3bps to 4.72%. Over the week, 2-year government bond yields increased almost 14bps while the longer ten-year yields increased almost 17bps, following reports suggesting the RBA may be forced to hike early in 2026 if inflationary pressures extended into Q4 2025. Traders are now pricing in a full rate hike by September 2026 and virtually no chance of any change this week when the RBA Board meets for the final time in 1025.
- The US dollar index was broadly unchanged at 98.99 during Friday's session, to finish the week 0.5% lower. The US dollar index has now fallen for two consecutive weeks by around 1.2% as traders price in further US Fed rate cuts. There were modest movements elsewhere.

Today's key data and events

Time	Event	Exp	Prev
10:50	JP GDP Q3 Final	-0.5%	-0.4%
10:50	JP Current Account Balance Oct	¥3129.9b	¥4483.3b
20:30	EZ Sentix Investor Confidence Dec	-6.2pts	-7.4pts
3:00	US US NY Fed 1-Yr Expectations Nov	-	3.2%

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 Aussie outperformed, up 0.5% to 0.6640 to finish the week 1.4% higher against the Greenback. The solid demand read for Q3, coupled with growing signs the economic recovery is gaining momentum, provided the Aussie with support. Messaging from the RBA Board is likely to drive price action this week, with a more hawkish tone likely to see the Aussie make further gains.
- Commodities were generally higher led by solid gains in copper, crude and coal. Gold remained broadly unchanged at around US\$4,200 an ounce. Copper set fresh records in volatile trade driven by fears of a global supply shortage (on the back of mine disruption and possible policy changes) and optimism around further rate cuts in the US. Fears the US could impose tariffs on copper next year have prompted traders to ramp up shipments to the US. Crude markets were marginally higher with the West Texas Intermediate trading at around US\$60/bbl. Iron ore declined 0.2% to US\$103.20 a tonne.

International Data:

University of Michigan consumer sentiment largely reversed November's decline in December, rising to 53.3. However, that still leaves sentiment 20% below its 5-year average. The 5-10yr inflation expectations declined to 3.2% from 3.4%. The recovery in December was the result of a more favourable outlook, with current conditions edging lower in the month.

The much-delayed **September PCE** showed personal spending up 0.3% after a revised 0.5% gain in August (previously 0.6%), funded by a 0.4% gain in income. Real personal spending was flat in September following a revised 0.2% gain in August (previously 0.4%). The core PCE deflator slipped to 2.8%yr from 2.9%yr in the previous month.

Fed chair candidate Hassett said it's a good time for the Fed to "cautiously reduce rates", noting he would be disappointed if the economy grows at only 3% in the first and second quarters of 2026: "I would be disappointed with three. It could easily be a percent higher".

Euro Area GDP was edged higher in the third estimate for Q3 to 0.3% and 1.4%yr. Government spending and investment were the primary sources of growth in Q3.

Local Data:

The Q3 **labour accounts** showed that the number of filled jobs posted its largest gain in a year, lifting by 107.6k in Q3 after a meagre gain of just +52k over the first half of the year. Despite the lift in Q3, annual growth slid to 1.2%yr, the weakest pace since 2017 outside of the pandemic. We note that this weaker growth pace is largely due to a stronger base of comparison, given the same quarter last year reported a chunky gain of +185k (further details [available here](#)).



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