



9 December 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

There was a global sell off in bonds which saw yields tick higher following hawkish comments from US Fed and ECB officials.

US equities started the week off in the red as investors looked beyond the 25bps of cut expected this week to the rates outlook across 2026. This saw a 10bps pull back in cumulative expected rate cuts from the US Fed across 2026 over the past week.

The US dollar was slightly higher. The Aussie lost some ground after testing the 0.6500 mark on two separate occasions.

RBA messaging today will determine price action in the near term for the Aussie. The jobs report due on Thursday is also a risk event for the local currency, with a better-than-expected outcome likely reinforce RBA messaging.

## Data snapshot

FX Last 24 hrs	Current	Change
TWI	62.1	0.3%
AUD/USD	0.6625	-0.2%
AUD/JPY	103.26	0.1%
AUD/GBP	0.4970	-0.2%
AUD/NZD	1.1470	-0.2%
AUD/EUR	0.5691	-0.2%
AUD/CNH	4.6840	-0.2%
AUD/SGD	0.8596	-0.1%
AUD/HKD	5.1547	-0.3%
AUD/CAD	0.9174	0.0%
EUR/USD	1.1641	0.0%
USD/JPY	155.87	0.3%
USD Index	99.09	0.1%

Equities	Close	Change
S&P/ASX 200	8,624	-0.1%
S&P 500	6,835	-0.5%
Japan Nikkei	50,582	0.2%
Hang Seng	25,765	-1.2%
Euro Stoxx 50	5,726	0.0%
UK FTSE100	9,645	-0.2%
VIX Index	16.82	9.1%

Commodities	Current	Change
CRB Index	305.97	0.7%
Gold	4187.15	-0.3%
Copper	11636.00	0.1%
Oil (WTI futures)	58.80	-2.1%
Coal (coking)	204.67	-0.2%
Coal (thermal)	110.50	0.7%
Iron Ore	101.40	-1.3%
ACCU	37.75	10.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	0.00
90 day BBSY	3.74	0.01
180 day BBSY	4.10	0.02
1 year swap	3.87	0.02
2 year swap	3.99	0.03
3 year swap	4.07	0.03
4 year swap	4.16	0.03
5 year swap	4.23	0.03
6 year swap	4.31	0.03
7 year swap	4.39	0.03
8 year swap	4.46	0.02
9 year swap	4.52	0.02
10 year swap	4.78	0.02

Government Bond Yields	Close	Change
<b>Australia</b>		
3 year bond	4.04	0.03
10 year bond	4.70	0.02
<b>United States</b>		
3-month T Bill	3.62	0.00
2 year bond	3.58	0.02
10 year bond	4.17	0.03
<b>Other (10 year yields)</b>		
Germany	2.86	0.06
Japan	1.98	0.03
UK	4.53	0.05

Sydney Futures Exchange	Current	Change
10 yr bond	4.74	0.02
3 yr bond	4.09	0.02
3 mth bill rate	3.70	0.00
SPI 200	8,605	-0.3%

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 started the week off in the red amid higher yields in the US and globally, and growing expectations central banks including the Fed will take a more cautious approach to rate setting going forward. US Fed Chair front runner, Kevin Hassett, said it would be irresponsible for the central bank to commit to a rate path for the next six months. In addition, the US President flagged potential antitrust concerns over Netflix's planned takeover of Warner Brothers, which saw Netflix shares fall 4% on the day. The S&P 500 declined 0.5%, the Dow Jones Industrial Average closed 0.6% lower, while the tech-heavy Nasdaq declined 0.4%.
- European markets were mixed amid hawkish comments from ECB officials and stronger than expected industrial output data coming out of Germany. The Euro Stoxx 50 was unchanged, Germany's DAX gained 0.1%, while the FTSE 100 declined 0.2%. Asian markets were also mixed with the Nikkei (+0.2%) and CSI 300 (+0.8%) closing higher, supported by better-than-expected trade data coming out of China, while the Hang Seng closed 1.2% lower. In the local market, the ASX 200 closed 0.1% lower, paring back some larger losses chalked up in early trade. Futures are pointing to a negative start to today's session.
- Treasuries sold off which saw the yield curve shift around 3bps higher across the curve. Still elevated inflation expectations and hawkish comments from Fed chair contender, Kevin Hassett, saw yields edge higher. The 2-year US bond yield increased 2bps to 3.58%, while the 10-year US bond yield increased 3bps to 4.17. Interest-rate futures have fully priced in a 25bp rate cut this week but are now only expecting around 78bps of cuts over the year to the end of 2026, down from around 90bps a week ago. Yields were also higher across Europe and much of Asia, with 2-year bond yields up 3bps and 6bps to 3.80% and 2.15% in the UK and Germany, respectively.
- Local yields were higher on futures building on the increases recorded last week. The 3-year bond yield increased 3bps to 4.04% and the 10-year yield increased 2bps to 4.70%. Traders are now pricing in a full rate hike by August 2026 and virtually no chance of any change today when the RBA Board announces its final policy decision for the year.
- The US dollar index finished 0.1% higher at 99.09 in a volatile session which saw the DXY reach a high of 99.23. Higher yields and cautious messaging from Hassett are supporting the US dollar. There were modest movements elsewhere.

## Today's key data and events

Time	Event	Exp	Prev
11:30	AU NAB Business Conditions Nov	-	9pts
14:30	AU RBA Policy Decision 9/12/2025	3.6%	3.6%
22:00	US NFIB Small Business Optimism	98.3pts	98.2pts
-	CH M2 Money Supply Nov	8.2%	8.2%
2:00	US Jolts Job Openings Oct	7150k	-
8:45	NZ Net Migration Oct	-	1800k

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 lift in the Aussie lost some steam overnight, with the AUD/USD pair down 0.2% to 0.6625. The Aussie tested the 0.6500 mark on two separate occasions. The solid demand read for Q3, coupled with growing signs the economic recovery is gaining momentum, continues to provide the Aussie with support. Messaging from the RBA Board is likely to drive price action today, with a more hawkish tone likely to see the Aussie make further gains.
- Commodities were mixed with copper holding on to recent gains while crude markets fell overnight. Gold remained broadly unchanged at around US\$4,190 an ounce. Copper held on to recent gains in another volatile session driven by fears of a global supply shortage (on the back of mine disruption and possible US trade policy changes in 2026). Fears the US could impose tariffs on copper next year have prompted traders to ramp up shipments to the US. Crude markets were lower with the West Texas Intermediate trading at around US\$58.81/bbl as the Russian President promised "uninterrupted shipments" of crude to India. Iron ore declined 1.3% to US\$101.40 a tonne.

## International Data:

**Chinese monthly trade data** surprised to the upside in November, indicating that Chinese exporters are navigating the US tariff increases and ongoing trade uncertainties successfully. The trade surplus widened to \$111.7bn, the third highest level on record. Total exports rose by 5.9%yr, about 1ppt faster than the average pace over the previous six months. Exports to the US remained subdued, down nearly 30%yr, while exports to Australia surged and were 36% higher in year-ended terms, suggesting that higher US tariffs are diverting Chinese exports to other markets, including Australia. Meanwhile, imports rose 1.9%yr, consistent with the average pace recorded over the past six months.

**The Sentix survey of euro area** institutional and individual investors showed that sentiment improved to -6.2 in December, up from November's reading of -7.4, which matched the average for the first eleven months of the year. Both the current situation and expectations indices increased, however, the latter remained well below the values seen around mid-year, when the recovery following the Liberation Day tariff shock and optimism about increased fiscal spending in Germany boosted confidence.

**German industrial production** exceeded expectations in October, rising 1.8%*mth*, the steepest increase in seven months. Construction output jumped 3.3%*mth* and energy production increased 1.4%*mth*, while manufacturing output rose 1.5%*mth*, continuing its recovery from a sharp decline in August, when maintenance shutdowns caused output in the autos sector to plummet by more than 16%. In terms of levels, manufacturing output returned to the average seen during the first nine months of the year. However, given strong competition from China, it remains well below pre-pandemic norms.

**The New York Fed Survey of Consumer Expectations** showed that inflation expectations were stable in November. The one-year indicator remained at 3.2%, while three- and five-year measures moved sideways at 3.0%*yr*. Similar measures from the University of Michigan survey recently reported declining inflation expectations but from a higher level. They 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.

## Local Data:

There was no top tier economic data released yesterday.



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