



10 December 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Key US equity indices lacked direction ahead of the US Fed's final policy decision of the year. Treasuries continued to be sold off which saw yields tick higher, supporting the US dollar.

The Aussie edged higher testing 0.6650 on several occasions following the RBA Governor's final press briefing for 2025, which was more hawkish than expected.

The Governor laid markers for a full pivot to a tightening bias, conditional on a strong Q4 CPI print.

This triggered a selloff in local bonds and equities, with the policy sensitive two-year bond rate increasing more than 10bps to the highest level since November 2024. This continued overnight with yields on futures increasing a further 3bps.

Oli declined with forecasters suggesting there could be a "super glut" next year.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	62.1	0.0%
AUD/USD	0.6638	0.2%
AUD/JPY	104.13	0.8%
AUD/GBP	0.4991	0.4%
AUD/NZD	1.1488	0.2%
AUD/EUR	0.5709	0.3%
AUD/CNH	4.6875	0.1%
AUD/SGD	0.8611	0.2%
AUD/HKD	5.1659	0.2%
AUD/CAD	0.9194	0.2%
EUR/USD	1.1626	-0.1%
USD/JPY	156.87	0.6%
USD Index	99.22	0.1%

Equities	Close	Change
S&P/ASX 200	8,586	-0.4%
S&P 500	6,848	0.0%
Japan Nikkei	50,655	0.1%
Hang Seng	25,434	-1.3%
Euro Stoxx 50	5,718	-0.1%
UK FTSE100	9,642	0.0%
VIX Index	16.64	-0.1%

Commodities	Current	Change
CRB Index	301.48	-1.5%
Gold	4208.12	0.4%
Copper	11487.00	-1.3%
Oil (WTI futures)	58.30	-1.0%
Coal (coking)	204.00	-0.3%
Coal (thermal)	111.15	-0.3%
Iron Ore	101.85	-0.3%
ACCU	37.75	10.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	0.00
90 day BBSY	3.75	0.01
180 day BBSY	4.09	0.00
1 year swap	3.95	0.08
2 year swap	4.10	0.10
3 year swap	4.18	0.10
4 year swap	4.25	0.09
5 year swap	4.32	0.08
6 year swap	4.39	0.07
7 year swap	4.46	0.07
8 year swap	4.53	0.06
9 year swap	4.59	0.06
10 year swap	4.85	0.06

Government Bond Yields	Close	Change
Australia		
3 year bond	4.14	0.10
10 year bond	4.76	0.05
United States		
3-month T Bill	3.62	-0.01
2 year bond	3.61	0.03
10 year bond	4.18	0.02
Other (10 year yields)		
Germany	2.85	-0.01
Japan	1.97	-0.01
UK	4.51	-0.02

Sydney Futures Exchange	Current	Change
10 yr bond	4.80	0.03
3 yr bond	4.20	0.03
3 mth bill rate	3.72	0.00
SPI 200	8,606	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.



Pat Bustamante
Senior Economist, Westpac Group
P: +61 468 571 786
E: pat.bustamante@westpac.com.au

Financial Markets:

- Key US equity indices were mixed and lacked direction ahead of the US Fed's final policy decision of the year. The S&P 500 (+0.01%) and the tech-heavy Nasdaq (+0.1%) held on to small gains, notwithstanding the fall in Nvidia shares after the US President said he will let the company export chips to China, with the US taking a 25% cut of revenue. The Dow Jones Industrial Average closed 0.3% lower, weighed down by a sharp 4.0% fall in JP Morgan shares following reports suggesting expenses for next year could come in higher than expected, about 9% above 2025 levels.
- European markets closed mostly in the red with the Euro Stoxx 50 down 0.1%, the FTSE 100 down 0.03%, France's CAC closing 0.7% lower, while Germany's DAX gained 0.5%. A stronger than expected October trade outcome supported valuations in Germany. Asian markets were also mixed with the Nikkei (+0.1%) higher, while the CSI 300 (-0.5%) and the Hang Seng (-1.3%) closed lower. In the local market, shares were sold off for a second consecutive day as expectation of rate hikes firmed. There were declines across the board. Futures are pointing to a positive start to today's session.
- Treasuries continued to be sold off which saw the yield curve shift around 3bps higher as investors assess the 2026 rates outlook beyond the 25bps cut pencilled in for later this week. The 2-year US bond yield increased 3bps to 3.61%, while the 10-year US bond yield increased 2bps to 4.17%. Interest-rate futures have fully priced in a 25bp rate cut this week but are now only expecting around 75bps of cuts over the year to the end of 2026, down from around 90bps a week ago. There was a slight rally in bonds over in Europe which saw yields tick lower after yesterday's gains. Two-year bond yields declined 3bps and 1bp to 3.77% and 2.15% in the UK and Germany, respectively.
- Local yields were higher on futures building on the spike in yields recorded following the RBA Governor's presser yesterday afternoon. The 3-year bond yield increased 3bps to 4.20% (highest level in over a year or since November 2024) and the 10-year yield also increased 3bps to 4.80%. Yesterday, the policy sensitive 2-year yield increased as much as 12bps before closing 10bps higher on the day. Traders are now pricing in almost two rate hikes over 2026 with the first hike fully priced in for June 2026.
- The US dollar index finished 0.1% higher at 99.22 in another volatile session which saw the DXY reach a high of 99.31. The Yen declined with the USD/JPY pair increasing 0.6% to 156.87 following the earthquake in northeast Japan.

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Net Migration Oct	-	1800k
12:30	CN PPI Nov	-2.0%	-2.1%
0:30	US Employment Cost Index Q3	0.9%	0.9%
1:45	CA BoC Policy Decision	2.2%	2.2%
6:00	US FOMC Policy Decision	3.8%	4.0%

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.

- At home, the Aussie found support following the hawkish messaging from the RBA Governor. The AUD/USD pair increased 0.2% to 0.6640, testing the 0.6650 on several occasions through the session. The RBA Governor noted that a cut was not considered at yesterday's meeting, instead the Board discussed conditions under which it will be forced to hike in February. The Governor also noted that cuts are inconsistent with where the Board sees the economy, at least in the near terms. Finally, the Governor implicitly endorsed market pricing which has at least one rate hike pencilled in for 2026.
- Commodities were mixed with copper, crude and iron ore ticking lower while gold edged higher. Gold increased 0.4% to US\$4,208 an ounce as the prospect of a US rate cut this week firmed. Copper ticked 1.3% lower notwithstanding BBG research forecasting supply will struggle keep pace with demand over 2026. Crude was 1.0% lower with the West Texas Intermediate trading at around US\$58/bbl as reports suggest there will be a "super glut" next year as a wave of new supplies may run up against sluggish demand. Iron ore declined 0.3% to US\$101.85 a tonne.

International Data:

Delayed release of the **JOLTS data** showed that **US job openings** increased sharply, rising from 7.23mn in August to 7.66mn in September and 7.67mn in October. This marks the highest level since the start of the year and suggests that the US labour market might be in somewhat better shape than previously thought. The increase pushed the vacancies-to-unemployment ratio up by 0.03ppt to 1.01, which is very close to the average of the prior six months. However, other details were somewhat weaker – both the quit rate and hire rate decreased by 0.2ppt, suggesting less dynamism in the market, and the layoff rate edged up by 0.1ppt to 1.2%.

The **NFIB Small Business Optimism Index** rose from 98.2 in October, the lowest level in six months, to 99.0 in November, which is very close to this year's average. The details of the survey were mixed. The proportion of businesses assessing it as a good time to expand was unchanged, but expectations about the future continued the recent downward trend and fell to a level matching the April reading, which reflected the spike in uncertainty following the Liberation Day tariff announcement.

Local Data:

As was widely expected, the **RBA Board** decided to leave rates on hold at 3.60% during the final meeting of 2025. While the policy statement was balanced, the Governor's media briefing was more revealing. The Governor noted that a cut was not considered this month, instead the Board discussed conditions under which it will be forced to hike in February 2026. The Governor also noted that cuts are inconsistent with where the Board sees the economy, at least in the near terms. Finally, the Governor implicitly endorsed market pricing which has at least one rate hike pencilled in for 2026. This led to a sell-off in bonds which saw policy sensitive yields increase 13bps.

The headline **business conditions index** fell from +10 to +7 in November, driven by falls in trading conditions (–6pts to +12) and profitability (–6pts to +4). After smoothing for regular monthly volatility, we find that business conditions are holding broadly steady around long-run average levels. At the same time, business confidence soured in November, down –5pts to +1. This may well prove to be short-lived given the month-to-month volatility in the survey (further details [available here](#)).



Corporate Directory

Westpac Economics / Australia

Sydney

Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis

Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan

Head of Australian Macro-Forecasting
E: mhassan@westpac.com.au

Elliot Clarke

Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner

Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk

Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante

Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas

Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells

Economist
E: ryan.wells@westpac.com.au

Illiana Jain

Economist
E: illiana.jain@westpac.com.au

Neha Sharma

Economist
E: neha.sharma1@westpac.com.au

Westpac Economics / New Zealand

Auckland

Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold

Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon

Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs

Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod

Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark

Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva

1 Thomson Street
Suva, Fiji

Shamal Chand

Senior Economist
E: shamal.chand@westpac.com.au



 westpaciq.com.au

©2025 Westpac Banking Corporation ABN 33 007 457 141 (including where acting under any of its Westpac, St George, Bank of Melbourne or BankSA brands, collectively, “Westpac”). References to the “Westpac Group” are to Westpac and its subsidiaries and includes the directors, employees and representatives of Westpac and its subsidiaries.

Things you should know

We respect your privacy: You can view the [New Zealand Privacy Policy here](#), or the Australian [Group Privacy Statement here](#). Each time someone visits our site, data is captured so that we can accurately evaluate the quality of our content and make improvements for you. We may at times use technology to capture data about you to help us to better understand you and your needs, including potentially for the purposes of assessing your individual reading habits and interests to allow us to provide suggestions regarding other reading material which may be suitable for you.

This information, unless specifically indicated otherwise, is under copyright of the Westpac Group. None of the material, nor its contents, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party without the prior written permission of the Westpac Group.

Disclaimer

This information has been prepared by Westpac and is intended for information purposes only. It is not intended to reflect any recommendation or financial advice and investment decisions should not be based on it. This information does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter into a legally binding contract. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision.

This information may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure this information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of this information, or otherwise endorses it in any way. Except where contrary to law, Westpac Group intend by this notice to exclude liability for this information. This information is subject to change without notice and none of Westpac or its related entities is under any obligation to update this information or correct any inaccuracy which may become apparent at a later date. This information may contain or incorporate by reference forward looking statements. The words “believe”, “anticipate”, “expect”, “intend”, “plan”, “predict”, “continue”, “assume”, “positioned”, “may”, “will”, “should”, “shall”, “risk” and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. Past performance is not a reliable indicator of future performance, nor are forecasts of future performance. Whilst every effort has been taken to ensure that the assumptions on which any forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from any forecasts.

Conflicts of Interest: In the normal course of offering banking products and services to its clients, the Westpac Group may act in several capacities (including issuer, market maker, underwriter,

distributor, swap counterparty and calculation agent) simultaneously with respect to a financial instrument, giving rise to potential conflicts of interest which may impact the performance of a financial instrument. The Westpac Group may at any time transact or hold a position (including hedging and trading positions) for its own account or the account of a client in any financial instrument which may impact the performance of that financial instrument.

Author(s) disclaimer and declaration: The author(s) confirms that (a) no part of his/her compensation was, is, or will be, directly or indirectly, related to any views or (if applicable) recommendations expressed in this material; (b) this material accurately reflects his/her personal views about the financial products, companies or issuers (if applicable) and is based on sources reasonably believed to be reliable and accurate; (c) to the best of the author’s knowledge, they are not in receipt of inside information and this material does not contain inside information; and (d) no other part of the Westpac Group has made any attempt to influence this material.

Further important information regarding sustainability related content: This material may contain statements relating to environmental, social and governance (ESG) topics. These are subject to known and unknown risks, and there are significant uncertainties, limitations, risks and assumptions in the metrics, modelling, data, scenarios, reporting and analysis on which the statements rely. In particular, these areas are rapidly evolving and maturing, and there are variations in approaches and common standards and practice, as well as uncertainty around future related policy and legislation. Some material may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. There is a risk that the analysis, estimates, judgements, assumptions, views, models, scenarios or projections used may turn out to be incorrect. These risks may cause actual outcomes to differ materially from those expressed or implied. The ESG-related statements in this material do not constitute advice, nor are they guarantees or predictions of future performance, and Westpac gives no representation, warranty or assurance (including as to the quality, accuracy or completeness of the statements). You should seek your own independent advice.

Additional country disclosures:

Australia: Westpac holds an Australian Financial Services Licence (No. 233714). You can access [Westpac’s Financial Services Guide here](#) or request a copy from your Westpac point of contact. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice.

New Zealand: In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac (NZ division) or Westpac New Zealand Limited (company number 1763882), the New Zealand incorporated subsidiary of Westpac (“WNZL”). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at www.westpac.co.nz.

Singapore: This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients of this material in Singapore should contact Westpac Singapore Branch in respect of any

Disclaimer continues overleaf ►

matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore.

Fiji: Unless otherwise specified, the products and services for Westpac Fiji are available from www.westpac.com.fj © Westpac Banking Corporation ABN 33 007 457 141. This information does not take your personal circumstances into account and before acting on it you should consider the appropriateness of the information for your financial situation. Westpac Banking Corporation ABN 33 007 457 141 is incorporated in NSW Australia and registered as a branch in Fiji. The liability of its members is limited.

Papua New Guinea: Unless otherwise specified, the products and services for Westpac PNG are available from www.westpac.com.pg © Westpac Banking Corporation ABN 33 007 457 141. This information does not take your personal circumstances into account and before acting on it you should consider the appropriateness of the information for your financial situation. Westpac Banking Corporation ABN 33 007 457 141 is incorporated in NSW Australia. Westpac is represented in Papua New Guinea by Westpac Bank - PNG - Limited. The liability of its members is limited.

U.S.: Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. The services and products referenced above are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Westpac Capital Markets, LLC ("WCM"), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ('the Exchange Act') and member of the Financial Industry Regulatory Authority ('FINRA'). In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WCM other than as provided for in certain legal agreements between Westpac and WCM and obligations of WCM do not represent liabilities of Westpac.

This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. Transactions by U.S. customers of any securities referenced herein should be effected through WCM. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person of WCM or any other U.S. broker-dealer under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

UK and EU: The London branch of Westpac is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA (Financial Services Register number: 124586). The London branch of Westpac is registered at Companies House as a branch established in the United Kingdom (Branch No. BR000106). Details about the extent of the regulation of Westpac's London branch by the PRA are available from us on request.

Westpac Europe GmbH ("WEG") is authorised in Germany by the Federal Financial Supervision Authority ('BaFin') and subject to its regulation. WEG's supervisory authorities are BaFin and the German Federal Bank ('Deutsche Bundesbank'). WEG is registered with the commercial register ('Handelsregister') of the local court of Frankfurt am Main under registration number HRB 118483. In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WEG other than as provided for in certain legal agreements (a risk transfer, sub-participation and collateral agreement) between Westpac and WEG and obligations of WEG do not represent liabilities of Westpac.

This communication is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. This communication is not being made to or distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, this communication is being made only to and is directed at (a) those persons falling within the definition of Investment Professionals (set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")); (b) those persons falling within the definition of high net worth companies, unincorporated associations etc. (set out in Article 49(2) of the Order); (c) other persons to whom it may lawfully be communicated in accordance with the Order or (d) any persons to whom it may otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". Westpac expressly prohibits you from passing on the information in this communication to any third party.

This communication contains general commentary, research, and market colour. The communication does not constitute investment advice. The material may contain an 'investment recommendation' and/or 'information recommending or suggesting an investment', both as defined in Regulation (EU) No 596/2014 (including as applicable in the United Kingdom) ("MAR"). In accordance with the relevant provisions of MAR, reasonable care has been taken to ensure that the material has been objectively presented and that interests or conflicts of interest of the sender concerning the financial instruments to which that information relates have been disclosed.

Investment recommendations must be read alongside the specific disclosure which accompanies them and the general disclosure which can be found here. Such disclosure fulfils certain additional information requirements of MAR and associated delegated legislation and by accepting this communication you acknowledge that you are aware of the existence of such additional disclosure and its contents.

To the extent this communication comprises an investment recommendation it is classified as non-independent research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and therefore constitutes a marketing communication. Further, this communication is not subject to any prohibition on dealing ahead of the dissemination of investment research.