



15 December 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

The risk off tone to finish the week saw key US equity indices lose ground, led by tech stocks. European markets also closed lower while Asian futures are pointing to a soft start to today's session.

On the back of hawkish comments from Fed officials, there was a slight selloff in longer term to maturity Treasuries, which saw yields tick higher. This was a global trend with 10-year bond yields generally lifting 1-3bps across Europe. Domestically, yields continued to tick higher on futures.

Despite the small gain on Friday, the US dollar has fallen almost 2% over the past 3 weeks. The Aussie continues to consolidate gains, trading above 0.6650.

The Federal government will release the 2025-26 MYEFO this week, which is expected to show a slightly better bottom line in the near term due to higher than expected commodity prices.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	62.1	0.2%	30 day BBSY	3.60	0.00
AUD/USD	0.6652	-0.2%	90 day BBSY	3.76	0.00
AUD/JPY	103.66	0.0%	180 day BBSY	4.12	0.00
AUD/GBP	0.4975	0.0%	1 year swap	3.89	-0.01
AUD/NZD	1.1461	-0.1%	2 year swap	4.03	-0.01
AUD/EUR	0.5667	-0.2%	3 year swap	4.11	-0.01
AUD/CNH	4.6923	-0.1%	4 year swap	4.18	0.00
AUD/SGD	0.8593	-0.2%	5 year swap	4.26	0.00
AUD/HKD	5.1808	-0.1%	6 year swap	4.34	0.01
AUD/CAD	0.9159	-0.2%	7 year swap	4.41	0.01
EUR/USD	1.1740	0.0%	8 year swap	4.48	0.01
USD/JPY	155.81	0.1%	9 year swap	4.54	0.01
USD Index	98.40	0.1%	10 year swap	4.81	0.02

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,697	1.2%	Australia		
S&P 500	6,827	-1.1%	3 year bond	4.11	0.00
Japan Nikkei	50,837	1.4%	10 year bond	4.73	0.01
Hang Seng	25,977	1.7%	United States		
Euro Stoxx 50	5,721	-0.6%	3-month T Bill	3.53	-0.04
UK FTSE100	9,649	-0.6%	2 year bond	3.52	-0.02
VIX Index	15.74	6.0%	10 year bond	4.18	0.03
			Other (10 year yields)		
			Germany	2.86	0.01
			Japan	1.95	0.02
			UK	4.52	0.03

Commodities	Current	Change	Sydney Futures Exchange	Current	Change
CRB Index	298.29	-0.8%	10 yr bond	4.76	0.03
Gold	4299.63	0.5%	3 yr bond	4.15	0.02
Copper	11515.00	-2.9%	3 mth bill rate	3.70	0.00
Oil (WTI futures)	57.44	-0.3%	SPI 200	8,659	-0.6%
Coal (coking)	207.00	-0.1%			
Coal (thermal)	107.75	0.5%			
Iron Ore	100.95	-1.0%			
ACCU	37.75	10.6%			

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 losses on Friday amid a selloff in tech stocks, triggered by renewed investor concerns over potential over-investment in AI. Oracle sank after it pushed back the completion dates for some of the data centres, while Broadcom also took a hit after failing to meet its own revenue expectations. The S&P 500 declined 1.1% on Friday to finish the week 0.6% lower. The Dow Jones Industrial Average fell 0.5% but finished the week 1.0% higher. The tech-heavy Nasdaq declined 1.7% on the day to end the week 1.6% in the red.
- The selloff in tech stocks hit sentiment in European markets which generally finished in the red. The Euro Stoxx 50 closed 0.6% lower, Germany's DAX dropped 0.5%, the FTSE 100 fell 0.6%, France's CAC lost 0.2%, while the Swiss Market Index closed 0.1% lower. Asian markets were higher with the Nikkei closing 1.4% in the green, the Hang Seng closing 1.8% higher with the CSI 300 0.6% higher. In the local market, the ASX 200 closed 1.2% higher to end the week up 0.7% in the green. Futures are pointing to a negative start to today's session.
- Treasuries were mixed, with yields at the shorter end of the curve shifting lower, while longer term to maturity yields ticking higher. The shift higher at the longer end likely reflects hawkish comments made by the dissenting members of the Fed's policy making committee. The 2-year US bond yield declined 2bps to 3.52%, while the 10-year US bond yield increased 3bps to 4.18. Following last week's rate cut, interest-rate futures are pricing in a total of 55bps of cuts over the year to the end of 2026.
- Local yields were higher on futures, with the 3-year bond yield increasing 1bp to 4.11% and the 10-year yield also up 1bp to 4.73%. Over the week, 2-year government bond yields increased 8bps while the longer ten-year yields increased almost 5bps. Traders are now pricing in a full rate hike by August 2026 and a total of 40bps of hikes over 2026.
- The US dollar index closed 0.1% higher at 98.40 during Friday's session, to finish the week 0.6% lower. The US dollar index has now fallen for three consecutive weeks by almost 2.0% as traders price in further US Fed rate cuts. There were modest movements elsewhere.
- The Aussie finished 0.2% lower at 0.6652 to finish the week 0.2% higher against the Greenback. The solid demand read for Q3, coupled with growing signs the economic recovery is gaining momentum, continues to provide the Aussie with support.

Today's key data and events

Time	Event	Exp	Prev
8:30	NZ BusinessNZ PSI Nov	-	48.7pts
10:50	JP Takan Large Manufacturers Q4	15pts	14pts
11:01	GB Rightmove House Prices Dec	-	-1.8%
13:00	CN Retail Sales YoY YTD Nov	4.2%	4.3%
13:00	CN Industrial Production YoY YTD Nov	6.0%	6.1%
13:00	CN Fixed Asset Investment YoY YTD Nov	-2.3%	-1.7%
13:20	AU RBA's Brischetto-Speech	-	-
21:00	EZ Industrial Production Oct	0.8%	0.2%
0:30	CA CPI Nov	2.3%	2.2%
0:30	US Fed Empire State Dec	10pts	18.7pts
2:00	US NAHB Housing Market Dec	39pts	38pts

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.

- Commodities were generally lower led by copper, oil and iron ore. Gold remained broadly unchanged at around US\$4,300 an ounce. Copper slipped after setting fresh records during the previous session but remains elevated. Fears the US could impose tariffs on copper next year continue to prompt traders to ramp up shipments to the US. Crude markets were marginally lower with the West Texas Intermediate trading at around US\$57.50/bbl amid growing concerns of a supply glut. Iron ore declined 1.0% to US\$101 a tonne.

International Data:

President of the Cleveland Fed, **Beth Hammack**, said she would prefer interest rates to be slightly more restrictive: "Right now, we've got policy that's right around neutral. I would prefer to be on a slightly more restrictive stance to help continue to put pressure."

Austan Goolsbee, President of the Federal Reserve Bank of Chicago, said: "I am not hawkish on rates for next year. I'm one of the most optimistic folks about how rates can go down in the coming year", but "Given that inflation has been above our target for four and a half years, further progress on it has been stalled for several months, and almost all the business people and consumers we have spoken to in the district lately identify prices as a main concern, I felt the more prudent course would have been to wait for more information".

Jeffrey Schmid, President of the Federal Reserve Bank of Kansas City, said he dissented against the decision to lower interest rates because inflation remains too high, noting "I have not fundamentally changed my views on the economy relative to October. Inflation remains too high, the economy shows continued momentum, and the labour market — though cooling — remains largely in balance, I view the current stance of monetary policy as being only modestly, if at all, restrictive".

UK GDP disappointed in October, declining 0.1%. On a 3-month average basis, activity is also down 0.1%. Industrial production met expectations in October, rebounding 1.1% in the month after declining 2.0% in September.

The **UK trade deficit** gapped wider in October from GBP1.1bn to GBP4.8bn. The result was due to a surge in imports, up 4.5%, while exports were little changed, -0.3%. Precious metals trade created significant volatility in the month.

The **Bank of Canada** left its policy rate unchanged as expected at 2.25%. The current policy rate is assessed by the BoC as consistent with meeting their inflation objective in the medium term while the economy recovers from recent disruptions. Employment growth has shown promise in recent months, and activity growth is anticipated to strengthen in 2026.

Local Data:

There was no top tier economics data released on Friday.

Westpac Economics released the final **Market Outlook** for the year which provides our latest thinking on Australia, markets and the global economy (see [here](#)).



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