17 December 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

The US payrolls data presented a mixed picture, but the broader trend of softening US labour market conditions remained in place.

US Treasuries rallied, with yields falling by 3-4bp across the curve. The S&P 500 index fell for a third consecutive day, down 0.3%.

UK labour market figures revealed that the unemployment rate continued its upward trend, while wage growth moderated further, reinforcing expectations that the Bank of England will move to ease monetary policy this week.

The AUD continued to trend lower, depreciating for the fourth consecutive day, but by only 0.1%.

Crude was under pressure again, as investors grew more optimistic about progress towards a peace agreement in the war in Ukraine.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.9	-0.2%
AUD/USD	0.6636	-0.1%
AUD/JPY	102.62	-0.4%
AUD/GBP	0.4942	-0.5%
AUD/NZD	1.1465	-0.2%
AUD/EUR	0.5643	-0.1%
AUD/CNH	4.6668	-0.2%
AUD/SGD	0.8549	-0.2%
AUD/HKD	5.1631	-0.1%
AUD/CAD	0.9123	-0.2%
EUR/USD	1.1757	0.0%
USD/JPY	154.65	-0.4%
USD Index	98.17	-0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	0.00
90 day BBSY	3.76	0.00
180 day BBSY	4.10	-0.01
1 year swap	3.89	0.05
2 year swap	4.01	0.04
3 year swap	4.08	0.05
4 year swap	4.16	0.05
5 year swap	4.23	0.04
6 year swap	4.31	0.03
7 year swap	4.38	0.03
8 year swap	4.45	0.03
9 year swap	4.51	0.03
10 year swap	4.77	0.02

Equities	Close	Change
S&P/ASX 200	8,599	-0.4%
S&P 500	6,793	-0.3%
Japan Nikkei	49,383	-1.6%
Hang Seng	25,235	-1.5%
Euro Stoxx 50	5,718	-0.6%
UK FTSE100	9,685	-0.7%
VIX Index	16.49	-0.1%

Commodities	Current	Change
CRB Index	291.69	-1.3%
Gold	4311.09	0.1%
Copper	11592.00	-0.5%
Oil (WTI futures)	55.25	-2.8%
Coal (coking)	211.00	1.4%
Coal (thermal)	106.00	-0.6%
Iron Ore	103.10	1.0%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.10	0.02
10 year bond	4.73	0.00
United States		
3-month T Bill	3.53	-0.01
2 year bond	3.48	-0.02
10 year bond	4.14	-0.03
Other (10 year yields)		
Germany	2.85	-0.01
Japan	1.96	0.00
UK	4.52	0.02

Sydney Futures Exchange	Current	Change
10 yr bond	4.78	0.00
3 yr bond	4.18	0.00
3 mth bill rate	3.70	0.00
SPI 200	8,600	0.0%

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.

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

Mantas Vanagas
Senior Economist, Westpac Group
P: +61 422 030 326
E: mantas.vanagas@westpac.com.au

Financial Markets:

Financial markets were generally on the defensive, with investors closely monitoring the release of the US October and November jobs figures, which had been delayed due to the government shutdown. The payrolls data presented a mixed picture, but the broader trend of softening US labour market conditions remained in place. Weak US retail sales and PMIs contributed to the subdued tone across markets.

Elsewhere, UK labour market figures revealed that the unemployment rate continued its upward trend, while wage growth moderated further. These results reinforced expectations that the Bank of England will move to ease monetary policy this week. Survey data from the euro area was mixed, although the underlying trend in the latest PMIs appears to indicate somewhat firmer momentum, which will be welcome news for the ECB's Governing Council, set to leave policy interest rates unchanged this week.

- Most major equity markets experienced declines. US technology stocks traded broadly sideways, nonetheless, the S&P 500 index fell for a third consecutive day, down 0.3%. European stocks mirrored this trend, with drops in energy and defence shares leaving the Euro Stoxx 50 0.6% lower. The FTSE 100 in the UK was also down by a similar margin. Asian equities posted even steeper losses, with the Nikkei 225 in Japan and the Hang Seng in Hong Kong both falling by around 1.5%. The domestic ASX 200 displayed greater resilience, declining just 0.4%.
- US Treasuries rallied following the release of the labour market data, with yields falling by 3-4bp across the curve. The 10Y yield dropped to 4.14%, a level last seen 10 days ago. German Bunds followed a similar pattern, with yields falling by around 1-2bp. UK Gilts sold off, as higher PMIs helped push yields slightly higher; the 10Y rose by 2bp, but market expectations for this week's BoE policy meeting remained stable, consistent with a 90% probability of a Bank Rate cut. Domestic yields were marginally higher at the short end, while the long end was little changed.
- In FX markets, the DXY dipped by 0.1% to 98.2, its lowest level since early October. The EUR was steady at 1.1760, while the GBP strengthened by 0.4%. The Japanese Yen also gained 0.4%. The AUD continued to trend lower, depreciating for the fourth consecutive day, but by only 0.1%.
- Crude oil was under pressure again, as investors grew more optimistic about progress towards a peace agreement in the war in Ukraine. The January WTI contract fell by 2.8% to $55.2. Copper eased by 0.5%, while gold remained largely unchanged.

Today's key data and events

Time	Event	Exp	Prev
7:00	NZ Westpac-MM Consumer Confidence Q4	-	90.9pts
8:45	NZ Current Account Balance Q3	-NZ$7.7b	-NZ$1b
10:30	AU Westpac-MI Leading Index Nov	-	0.1%
10:50	JP Machinery Orders Oct	-1.8%	4.2%
18:00	GB CPI Nov	3.5%	3.6%

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 the US, the October **payrolls figure** was notably weaker, showing a decline of 105k, primarily due to a sharp fall in government employment. In November, payrolls recovered, rising by 64k. This left average growth over the past five months at 23k, down from 83k in the first half of the year, confirming a marked slowdown in employment growth. Among other indicators, the unemployment rate increased by 0.2ppt over these two months to 4.6%, and average weekly earnings growth fell by the same margin to 3.5%yr, the slowest pace in this cycle, all suggesting that labour market conditions are deteriorating.

US retail sales data showed that spending was flat in October, marking the weakest result in five months. Volatile categories such as food and autos dragged on growth, however, when excluding these, sales were up 0.6%mth. Control group sales, which best indicate GDP impact, rose 0.8%mth, well above the average increase in 2025 to date of 0.3%mth.

The **US S&P Global PMIs** painted a subdued picture of the economic conditions at the end of the year. The manufacturing index slipped by 0.4pts in December, to 51.8, while the services index fell by 1.2ppt to 52.9. The composite PMI registered 53.0, its lowest in six months, implying that underlying US GDP growth momentum has slowed in Q4 compared with Q3.

The **HCOB euro area PMIs** disappointed, with the manufacturing index easing further below the neutral level to an eight-month low of 49.2 and the services index dropping 1.0pt. Nevertheless, at 52.6, the services index remained above the annual average. These results saw the composite PMI fall by 0.9 – the steepest decline in more than a year – to 51.9. On a three-month basis, the composite PMI rose by 1.4ppt in Q4 to 52.3, indicating firmer euro area economic growth this quarter.

The **S&P Global UK PMIs** were more robust, with the manufacturing and services indices rising by 1.0 and 0.8pt respectively, to 51.2 and 52.1. The composite PMI, at 52.1, continued to reflect ongoing economic expansion, although its quarterly average, at 51.8, was virtually unchanged from Q3, when UK GDP grew only 0.1%qtr.

The latest **UK jobs data** once again highlighted increasing slack in the labour market. Three-month employment growth was -16k, above consensus expectations, with single-month employment posting a notable rise in October. However, payroll employment – a more reliable but narrower measure –

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

weakened, dropping by 38k in the month, the largest fall since late 2020. This increase was mainly due to more people joining the labour force, though the unemployment level also dipped on a single-month basis. Nevertheless, the headline three-month unemployment rate edged up to 5.1%, a new high for this cycle.

UK's average weekly earnings growth continued to moderate, underlining that broader labour market conditions are gradually softening. The headline three-month growth fell from 4.9%yr to 4.7%yr. Private sector regular wages – an indicator closely watched by the BoE – showed a more pronounced adjustment, with three-month growth dropping by 0.3ppt to 3.9%yr. Its single-month growth of 3.5%yr matched the BoE's forecast for Q4, suggesting the data are likely to fall short of central bank expectations.

The latest **ZEW survey** of financial market experts signalled a more positive outlook for the euro area economy. The assessment of the current economic situation softened slightly compared to the previous month, but the expectations index jumped by nearly 9pts to 33.7, well above the 2024 average. The survey's measure of inflation expectations fell to a four-month low.

Local Data:

In Australia, **the Westpac–Melbourne Institute Consumer Sentiment Index** fell 9% to 94.5 in December from 103.8 in November (see here).

The Westpac-ACCI Actual Composite lifted from 49.4 in Q3 to 55.1 in Q4, marking the strongest reading since mid-2024, suggesting that conditions in the manufacturing sector improved significantly in the run-up to year-end (see here).

In New Zealand, **the Half-Year Economic and Fiscal Update** saw a slight downward revision to near-term bond issuance. However, the underlying fiscal picture is slightly weaker than in Budget 2025 with the return to surplus delayed another year (see here).

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

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

IQ
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 of 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.

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.