17 November 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

There was a risk off tone to end the week with equities generally selling off, haven currencies edging out small gains, while bond yields increased as investors reacted to hawkish Fed speak and growing uncertainty over fiscal settings in the UK.

Yields across the gilts curve shifted higher, while the British pound and equities were sold off as reports emerged the UK Chancellor would drop plans to increase taxes because of improved fiscal forecasts.

The Aussie ended the week higher (at 0.6538), holding on to most of the gains recorded early in the week following the RBA Deputy Governor speech on Monday.

Oil was higher amid increasing geopolitical tensions, while copper and aluminum declined as partial economic data coming out of China disappointed to the downside.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.1	-0.5%
AUD/USD	0.6538	0.1%
AUD/JPY	101.02	0.1%
AUD/GBP	0.4966	0.3%
AUD/NZD	1.1507	-0.3%
AUD/EUR	0.5625	0.2%
AUD/CNH	4.6413	0.1%
AUD/SGD	0.8484	-0.1%
AUD/HKD	5.0814	0.1%
AUD/CAD	0.9174	0.1%
EUR/USD	1.1621	-0.1%
USD/JPY	154.55	0.0%
USD Index	99.30	0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	0.00
90 day BBSY	3.70	0.01
180 day BBSY	3.95	0.02
1 year swap	3.63	0.00
2 year swap	3.69	0.00
3 year swap	3.77	0.00
4 year swap	3.85	0.00
5 year swap	3.94	0.00
6 year swap	4.02	0.00
7 year swap	4.11	0.00
8 year swap	4.19	0.01
9 year swap	4.27	0.01
10 year swap	4.52	0.01

Equities	Close	Change
S&P/ASX 200	8,635	-1.4%
S&P 500	6,734	-0.1%
Japan Nikkei	50,377	-1.8%
Hang Seng	26,572	-1.8%
Euro Stoxx 50	5,694	-0.9%
UK FTSE100	9,698	-1.1%
VIX Index	19.83	-0.9%

Commodities	Current	Change
CRB Index	302.35	0.0%
Gold	4084.06	-2.1%
Copper	10852.00	-0.9%
Oil (WTI futures)	60.09	2.4%
Coal (coking)	198.50	-0.5%
Coal (thermal)	113.90	1.4%
Iron Ore	102.55	0.0%
ACCU	37.75	10.6%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.76	-0.04
10 year bond	4.44	0.02
United States		
3-month T Bill	3.79	-0.01
2 year bond	3.61	0.01
10 year bond	4.15	0.03
Other (10 year yields)		
Germany	2.72	0.03
Japan	1.71	0.01
UK	4.57	0.14

Sydney Futures Exchange	Current	Change
10 yr bond	4.49	0.03
3 yr bond	3.82	0.03
3 mth bill rate	3.66	0.01
SPI 200	8,626	-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 ended Friday's session mixed with the S&P 500 and Nasdaq retracing early losses while the Dow Jones remained firmly in the red. Hawkish Fed speak saw investors pull back on the pace of expected rate cuts, weighing on sentiment. A bounce back in the tech mega caps, after being under pressure for most of the week, helped to limit losses. The week ahead is expected to be more volatile than usual with the US government planning to slowly release the backlog of data now that the shutdown has come to an end. The S&P 500 closed 0.1% lower to end the week 0.1% higher. The Dow Jones Industrial Average declined 0.7% to end the week 0.3% higher. While the tech heavy Nasdaq eked out a 0.1% gain on Friday to end the week 0.5% lower.
- European markets ended Friday's session firmly in the red despite the rally late in the day. Growing uncertainty over US monetary policy and the fiscal outlook in the UK weighed on sentiment. In particular, reports UK Chancellor Reeves was planning to drop plans to lower income tax thresholds because of improved fiscal forecasts sparked a sell-off in UK stocks, Gilts and the pound. The Euro Stoxx 50 declined 0.9%, the German DAX closed 0.7% lower, and the FTSE 100 in London declined 1.2% after falling as much as 2% during the session. Asian markets ended firmly in the red on the back of the softer than expected data coming out of China, with the Nikkei closing 1.8% lower, the CSI 300 down 1.6%, and the Hang Seng down 1.9%. In the local market, the ASX 200 closed 1.4% lower. Futures point to a soft start to today's session.
- There was a slight selloff in Treasuries to end the week amid hawkish Fed speak from several officials. This saw the 2-year US bond yield increase 1bp to 3.61%, while the 10-year US bond yield increased 3bps to at 4.15%. Interest-rate futures are pricing in around 75bps of cuts by the end of 2026 (down from 85bps one week ago), with the first full rate cut expected by March 2026. There is now around a 40% chance of a cut priced in for December, down from around 65% one week ago and 95% one month ago. Yields were higher across Europe, with 10-year yields up 14bps in the UK and 3bps in Germany, to 4.57% and 2.72%, respectively. The sell off in Gilts amid uncertainty over fiscal settings impacted yields across the curve with longer term (30-year) yields up almost 17bps on the day.
- Local yields were also higher on futures, with the 3-year bond yield up 3bps to 3.82% and the 10-year also up 3bps to 4.49%. The yields curve shifted almost 10bps higher last week, following hawkish comments from the RBA Deputy Governor. Traders remain divided on whether the RBA will cut again this cycle, with around 13bps of cuts priced in through the end of 2026.

Today's key data and events

Time	Event	Exp	Prev
8:30am	NZ BusinessNZ PSI Oct	-	48.3pts
8:45am	NZ Food Price Index Oct	-	-0.4%
10:50am	JP GDP Q3 Prel.	-0.6%	0.5%
11:00am	GB Rightmove House Prices Nov	-	0.3%
3:30pm	JP Industrial Production Sep Final	-	2.2%
12:30am	CA CPI Oct	-	2.4%
12:30am	US Fed Empire State Nov	7.6pts	10.7pts

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 US dollar index edged 0.1% higher to 99.30 s the DXY index ed between gains and losses. The US dollar lost ground for the second consecutive week, down 0.3% on the back of a 0.2% fall in the previous week. The euro was broadly unchanged at 1.1621, while the USD/JPY pair remaining at 154.55. The British pound declined 0.5% after pairing back losses of up to 0.7%.
- The Aussie edged 0.1% higher to 0.6538 against the greenback in a volatile session that saw AUD/USD reach a high of 0.6551. The Aussie ended the week around 0.7% higher, holding on to most of Monday's gains following the RBA Deputy Governor's speech.
- Commodities were generally lower. Gold declined 2.1% to around US$4,085 an ounce. Copper fell almost 1.0% to US$10,852 a tonne amid softer than expected partial economic data coming out of China. Crude markets climbed 2.4%, with West Texas Intermediate trading at around US$61/bbl after Ukraine attacked a Russian oil port and Iran seized a tanked near the Strait of Hormuz. Iron ore was broadly unchanged at US$102 a tonne.

International Data:

Bloomberg is reporting the **US and Switzerland** have reached a trade agreement to lower tariffs on Swiss goods to 15% and the that the US President will cut tariff for Latin American countries to address high food prices.

FOMC member Logan said she won't support another interest rate cut unless the data warrants it: "I think it would be hard to support another rate cut unless we were to get convincing evidence that inflation is really coming down faster than my expectations or that we were seeing more than the gradual cooling that we've been seeing in the labour market".

Schmid said additional interest-rate cuts could do more to ingrain higher inflation than shore up the labour market: "I do not think further cuts in interest rates will do much to patch over any cracks in the labour market — stresses that more likely than not arise from structural changes in technology and immigration policy. However, cuts could have longer-lasting effects on inflation as our commitment to our 2% objective increasingly comes into question".

Bostic said: “I’ve been able to get behind the last two cuts, and we’ll see what happens for this next one. I want the information to guide where I think the appropriate policy should be”.

Year-to-date growth in **Chinese** retail sales edged down in October to a modest 4.3%. Annual growth in industrial production was little changed at 6.1%ytd, but fixed asset investment deteriorated further to -1.7%ytd from -0.5%ytd in September. Property investment continued to contract at a rapid rate in the month, -14.7%ytd as residential property sales declined 9.4% and prices declined another 0.5% for new homes and 0.7% for existing. Sentiment is clearly in need of material active support if aggregate growth is to hold up in 2026 and beyond.

Euro Area GDP growth for Q3 was confirmed at 0.2% in the second estimate but the annual rate was edged up to 1.4%yr. The trade balance widened from EUR10.6bn to EUR18.7bn in September.

Local Data:

There was no top tier data released last Friday.

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