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MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets opened on a broadly positive note, buoyed by NVIDIA's consensus-beating earnings. However, the rally proved short-lived as concerns about stretched technology stock valuations resurfaced.

The release of US payrolls data for September surprised to the upside with 119k new jobs, prompting investors to consider the likely next FOMC policy move very carefully.

The S&P 500 gained around 2% in early trading, but trended downwards to finish the day 0.9% lower. US Treasuries rallied despite the stronger payrolls figure, with the market apparently focusing more on the uptick in the unemployment rate.

Australian government bond yields also climbed by 5bp at the 10Y point, as RBA Assistant Governor Sarah Hunter reiterated the RBA's view that the Australian labour market remains a little tight.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.0	0.3%
AUD/USD	0.6456	-0.3%
AUD/JPY	101.70	-0.1%
AUD/GBP	0.4933	-0.6%
AUD/NZD	1.1530	-0.3%
AUD/EUR	0.5595	-0.4%
AUD/CNH	4.5951	-0.4%
AUD/SGD	0.8441	-0.3%
AUD/HKD	5.0266	-0.4%
AUD/CAD	0.9096	-0.1%
EUR/USD	1.1538	0.0%
USD/JPY	157.53	0.2%
USD Index	100.17	-0.1%

Equities	Close	Change
S&P/ASX 200	8,553	1.2%
S&P 500	6,580	-0.9%
Japan Nikkei	49,824	2.6%
Hang Seng	25,836	0.0%
Euro Stoxx 50	5,570	0.5%
UK FTSE100	9,528	0.2%
VIX Index	25.52	7.9%

Commodities	Current	Change
CRB Index	299.24	-1.4%
Gold	4084.31	0.2%
Copper	10738.00	-0.1%
Oil (WTI futures)	59.14	-0.5%
Coal (coking)	198.00	0.1%
Coal (thermal)	114.25	0.7%
Iron Ore	104.20	-0.4%
ACCU	37.75	10.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	0.00
90 day BBSY	3.69	-0.01
180 day BBSY	3.92	0.00
1 year swap	3.62	0.01
2 year swap	3.67	0.02
3 year swap	3.74	0.00
4 year swap	3.83	-0.01
5 year swap	3.92	-0.01
6 year swap	4.01	0.00
7 year swap	4.11	-0.01
8 year swap	4.19	-0.01
9 year swap	4.27	-0.01
10 year swap	4.52	-0.01

Government Bond Yields	Close	Change
Australia		
3 year bond	3.76	0.05
10 year bond	4.47	0.05
United States		
3-month T Bill	3.77	-0.01
2 year bond	3.56	-0.04
10 year bond	4.10	-0.03
Other (10 year yields)		
Germany	2.72	0.01
Japan	1.82	0.05
UK	4.59	-0.02

Sydney Futures Exchange	Current	Change
10 yr bond	4.47	-0.01
3 yr bond	3.79	-0.01
3 mth bill rate	3.65	0.00
SPI 200	8,445	-1.5%

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:

Markets opened on a broadly positive note in yesterday's session, buoyed by NVIDIA's consensus-beating earnings announced after trading hours on Wednesday, which lifted major equity markets globally. However, the rally proved short-lived as concerns about stretched technology stock valuations resurfaced. The release of US payrolls data for September, delayed due to the US government shutdown, further complicated the picture for financial markets. The data surprised to the upside with 119k new jobs, prompting investors to consider the likely next FOMC policy move very carefully.

- In equity markets, the S&P 500 gained around 2% in early trading, but trended downwards to finish the day 0.9% lower. Technology stocks fell 2%. Intraday volatility was evident, with the VIX index spiking from approximately 20 to 28 before settling near 25. Most other major equity benchmark indices managed to hold onto gains. In Europe, the Euro Stoxx 50 rose 0.4%, while Japan's Nikkei 225 gained 2.6%. Chinese stocks, however, closed mostly lower despite news that the Chinese government is considering new measures to support the housing market. Potential options include subsidies to help cover interest costs and income tax rebates for mortgage holders. The domestic ASX 200 was among the stronger performers, rising 1.2%.
- In bond markets, US Treasuries rallied despite the stronger payrolls figure, with the market apparently focusing more on the uptick in the unemployment rate. Treasury yields were 1-4bp lower across the curve, with the 10Y yield returning to 4.11%, close to its average over recent weeks. Market expectations for a fed funds rate cut next month were little changed in the end, with the probability remaining at around one third.
- Among other major government bonds, Gilts rallied as markets continued to digest the decrease in UK inflation announced on Wednesday. Bunds sold off, with the 10Y yield moving 1bp lower. JGBs underperformed, with the 10Y yield rising 5bp to 1.82%, as news wires reported that Japanese Prime Minister Takaichi's government will announce ¥17.7trn of new spending today, significantly more than former PM Ishiba's planned ¥13.9trn. Domestic yields also climbed by 5bp at the 10Y point, as RBA Assistant Governor Sarah Hunter reiterated the RBA's view that the Australian labour market remains a little tight.
- In FX markets, the DXY, having climbed above 100 on Wednesday, was little changed, easing 0.1%. The EUR was steady at 1.1540, while the GBP rose 0.2%, rebounding from Wednesday's lows. The AUD depreciated for a third time this week, down 0.3%.

Today's key data and events

Time	Event	Exp	Prev
08:45	NZ Trade Balance Oct	-	-1355
10:30	JP Natl CPI YoY Oct	3	2.9
11:01	GB GfK Consumer Confidence Nov	-18	-17
11:30	S&P Japan PMI Composite Nov P	-	51.5
18:00	GB Retail Sales MoM Oct	-0.2	0.5
20:00	HCOB Eurozone Composite PMI Nov	52.5	52.5
20:30	S&P Global UK Composite PMI Nov	51.75	52.2
21:00	EZ Negotiated Wages Q3 %Yr	2.45	3.95
01:45	S&P Global US Composite PMI Nov	54.6	54.6
02:00	US U. of Mich. Sentiment Nov F	50.6	50.3

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.

- Crude prices fell as investors assessed reports of a Ukraine peace plan drafted by Washington in cooperation with Russia. While the proposal appears completely unacceptable to Ukraine, President Zelenskiy agreed to collaborate with the US on further development. The December WTI contract fell 0.5% to \$59.10. Gold and copper were little changed, while iron ore eased 0.4%.

International Data:

US nonfarm payrolls rose 119k in September, partly offset by a 33k reduction in the gains seen in July and August. The three-month average is now 62k, the top of the estimated range of job gains consistent with labour demand and supply being in balance. The unemployment rate rose from 4.3% to 4.4%, mainly accounted for by higher labour force participation, rather than job shedding. Hourly earnings growth was benign, wages up 0.2%^{mt} in September and 3.8% over the year, unchanged from the prior month and very similar to growth seen since the start of this year.

Among other US data, **initial jobless claims** were little changed last week at 220k versus its end-September level, prior to the shutdown, continuing to signal stable US labour market conditions. Meanwhile, existing home sales rose 1.2% in October, leaving the level of sales 36% below the most recent peak of early-2022.

Euro area consumer confidence was unchanged at 14.2 in November. Although the reading was marginally below the average of the past five years, it exceeded the Q3 average of -15.0, suggesting that momentum around consumer spending has improved somewhat this quarter.



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