



19 December 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

US inflation surprised to the downside, but with reports of data quality issues and a lack of component detail, owing to the government shutdown, reactions in rates markets were underwhelming and market pricing barely budged.

The ECB and Bank of England had policy decisions overnight, with the former deciding to hold and the latter cutting rates by 25bps, both as expected. Yields were little-changed as a result.

Equities snapped back from a recent weak patch in the US, sparked by solid earnings results in the chip manufacturing space. The USD traded a tight range and held broadly steady.

Geopolitical risks around US-Venezuela and Russia-Ukraine are front-of-mind for oil markets, buoying recent gains.

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Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	61.6	-0.2%	30 day BBSY	3.60	-0.01
AUD/USD	0.6613	0.1%	90 day BBSY	3.77	-0.01
AUD/JPY	102.88	0.0%	180 day BBSY	4.14	0.01
AUD/GBP	0.4941	0.1%	1 year swap	3.88	-0.01
AUD/NZD	1.1455	0.1%	2 year swap	3.99	-0.02
AUD/EUR	0.5640	0.2%	3 year swap	4.07	-0.01
AUD/CNH	4.6511	0.0%	4 year swap	4.14	-0.01
AUD/SGD	0.8531	0.0%	5 year swap	4.21	-0.02
AUD/HKD	5.1459	0.1%	6 year swap	4.28	-0.03
AUD/CAD	0.9113	0.1%	7 year swap	4.36	-0.03
EUR/USD	1.1725	-0.1%	8 year swap	4.43	-0.03
USD/JPY	155.57	-0.1%	9 year swap	4.50	-0.03
USD Index	98.41	0.0%	10 year swap	4.77	-0.02

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,588	0.0%	Australia		
S&P 500	6,766	0.7%	3 year bond	4.09	-0.03
Japan Nikkei	49,002	-1.0%	10 year bond	4.74	0.00
Hang Seng	25,498	0.1%	United States		
Euro Stoxx 50	5,742	1.1%	3-month T Bill	3.52	-0.02
UK FTSE100	9,838	0.6%	2 year bond	3.46	-0.02
VIX Index	17.08	-3.1%	10 year bond	4.12	-0.04

Commodities	Current	Change	Other (10 year yields)		
CRB Index	293.21	-0.2%	Germany	2.85	-0.01
Gold	4333.66	-0.1%	Japan	1.97	0.00
Copper	11778	0.3%	UK	4.48	0.01

			Sydney Futures Exchange	Current	Change
Oil (WTI futures)	56.02	0.1%	10 yr bond	4.78	-0.02
Coal (coking)	212.25	0.8%	3 yr bond	4.18	0.00
Coal (thermal)	106.70	0.0%	3 mth bill rate	3.70	0.00
Iron Ore	104.60	1.2%	SPI 200	8,620	0.6%
ACCU	36.13	-4.3%			

Data as at 7:15am AEDT. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.


Ryan Wells

Economist, Westpac Group

P: +61 401 423 628

E: ryan.wells@westpac.com.au

Financial Markets:

- US equities snapped back from its recent weak patch, sparked by solid earnings and a constructive outlook for Micron, a major American chip manufacturer. The S&P 500 (+0.7%), Dow Jones (+0.3%) and NASDAQ (+1.5%) are all in the green. The Euro Stoxx 50 (+1.1%) and London's FTSE 100 (+0.6%) rode this momentum late in their sessions too.
- Stocks were more subdued across Asia, taking the cue from an AI-driven sell-off in yesterday's US session. South Korea's KOSPI (-1.5%), Japan's Nikkei 225 (-1.0%) and Shanghai's CSI 300 (-0.6%) all declined. The ASX 200 held steady as broad-based gains offset a sharper sell-off in energy and utilities. Futures markets are pointing to a solid open this morning.
- Although the November CPI came in much weaker than expected, treasury yields edged only slightly lower given some reports of data quality issues and a lack of component detail, owing to the government shutdown interfering with data collection. The 2Y fell 2bps to 3.46%, the lower end of recent ranges, while the 10Y fell 4bps to 4.12%. Market pricing was little-changed, with two more FOMC rate cuts still priced in by September 2026
- The ECB and Bank of England's policy decisions met expectations, the former holding steady while signalling while the latter cut by 25bps and signalled cautious approach to further easing ahead.. Yields were little changed as a result, with the 10Y Bund edging 1bp lower to 2.85% while the 10Y Gilt ticked up 1bp to 4.48%.
- ACGBs steepened during the local session, with the 3Y down 3bps to 4.09% while the 10Y held steady at 4.74%, both trading a tight range just shy of last week's peak. Swaps markets continue to price in at least one RBA rate hike next year.
- The USD remained broadly steady and traded a fairly tight range, with the DXY index finishing broadly flat at around 98.40 at the time of writing. Moves were modest across the major pairs, but the main driver of a marginally stronger USD was a slight pull-back in the Euro (-0.1%), while the Japanese Yen, Sterling, and Loonie all posted modest gains of +0.1%.
- The Aussie dollar briefly traded below USD0.66 in the local session but has managed to lift slightly against the greenback since (+0.1%), ending a run of five straight sessions of decline and now trading around USD0.6615.
- Crude is benefitting from a tense geopolitical backdrop, with President Trump's interference with Venezuelan oil supply and the fragile standing of Russia-Ukraine peace talks pushing concerns over the global supply glut out of the fore. The first generic futures contract for WTI rose 0.1% to US\$56.02/bbl.

Today's key data and events

Time	Event	Exp	Prev
8:00	NZ ANZ Consumer Confidence Dec	-	98.4pts
8:45	NZ Trade Balance Nov	-	-\$1.5bn
10:30	JP CPI Nov	2.9%	3.0%
11:00	NZ ANZ Business Confidence Dec	-	67.1pts
11:01	GB Gfk Consumer Sentiment Dec	-18pts	-19pts
11:30	AU Private Sector Credit Nov	0.6%	0.7%
18:00	GB Public Sector Borrowing Nov	£10.0b	£17.4b
18:00	GB Retail Sales Nov	0.3%	-1.1%
-	JP BoJ Policy Decision	0.75%	0.50%
2:00	EZ Consumer Confidence Dec Prel.	-14.0pts	-14.2pts
2:00	US Existing Home Sales Nov	1.2%	1.2%
2:00	US Uni. Of Michigan Sentiment Dec Final	53.5pts	53.3pts

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.

- Base metals finished slightly higher, although the impetus from a softer US inflation print was fairly limited, as was the case in rates markets. The three-month rolling forward contract for LME copper and aluminium both finished 0.3% higher. Gold edged slightly lower but continues to trade broadly around recent highs, down -0.1% to US\$4,334/oz.

International Data:

The **ECB** voted unanimously to hold policy rates steady in December, as expected. Inflation was revised up for 2026 as a result of a slower descent in services inflation (core inflation now 2.2%yr), but it is still expected to stabilise at target in 2027/2028 (1.9%yr and 2.0%yr). Economic growth projections have been revised up, to 1.4% in 2025, 1.2% in 2026 and 1.4% in 2027, where growth is expected to remain in 2028. President Lagarde and the Governing Council made clear they are not "pre-committing to a particular rate path" with global uncertainty elevated.

The **Bank of England** lowered the bank rate by 25bps to 3.75%, as expected. Governor Bailey tipped the balance to favour a cut in a 5-4 vote, after deciding last month to "wait and see if the durability of disinflation is confirmed", which has evidently transpired. Upside risks to inflation and downside risks to growth were front-of-mind for doves, while hawks are more concerned about persistent inflation. Assessments on the restrictiveness of policy are a greater focus, as "judgements around further policy easing will become a closer call."

In the US, **November's CPI** surprised materially to the downside, with annual headline inflation falling from 3.0% to 2.7% and core inflation from 3.0% to 2.6%. Effectively no detail was given for the month of November, and there was no October report owing to the shutdown; so it is difficult to assess whether this is a one-off surprise or a lasting shift in the pulse of US prices, hence the underwhelming reaction in rates markets and Fed pricing.

The **Philly Fed Manufacturing Index** and **Kansas City Fed Manufacturing Index** both deteriorated materially in December, falling –8.5pts and –7pts respectively in the month. All of the regional surveys continue to show heightened volatility, but broadly are pointing to soft business conditions with downside risks. Meanwhile, weekly **initial jobless claims** edging lower from 237k to 224k confirms that job shedding remains at historically low levels.

Local Data:

In New Zealand, **Q3 GDP** rose 1.1%, firmer than the RBNZ's expectation and implying less excess capacity ([see here](#)).

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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

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