

Monthly economic report

The global economy

Risk sentiment among investors deteriorated throughout most of November but was more positive toward the end of the month. Investors appear to be getting increasingly nervous about the high valuations of the large AI-related companies and whether they can earn the expected return on the enormous amount of investment they are undertaking. While earnings have exceeded expectations to date – and driven strong gains in US equities in recent years – the equity market remains vulnerable to a reassessment of earnings outlook for these firms.

The outlook for the US economy was little changed in November as the US Government shutdown delayed the release of most official economic data. Some data that was not collected during the shutdown will be permanently missed, including some inflation data and labour market data.

The impact of tariffs on imported goods prices has so far been limited, but several large US retailers have indicated that larger price rises will occur in the first half of 2026 as they start to sell higher-cost inventory. US labour market data, belatedly released for September, was mixed and is unlikely to shed much light for the US Federal Reserve (Fed) ahead of its December policy meeting.

Recent commentary by US Fed members has been mixed, with some members more concerned about upside risks to inflation while others are more worried about labour market weakness. Dovish commentary by two influential US Fed members in late November saw investors increase their expectations of a December rate cut to an 85% likelihood, up from 40% in mid-November.

Investors still anticipate 4 more interest rate cuts by the US Fed over the next 18 months, to a policy rate of 3%. This stands in sharp contrast to the outlook for interest rates in Australia, where no further rate cuts are expected. The divergence has led to Australian 10-year bond yields being noticeably higher than US 10-year bond yields (~50bps).

Elsewhere, the Reserve Bank of New Zealand cut rates by 25bps, to 2.25%, and signalled that the easing cycle has likely finished. The Bank of England left rates on hold in a close 5-4 decision. Inflation has been stickier in the UK but is gradually falling. The UK budget was well-received by investors who have been worried about the UK's fiscal deficits.

The Australian economy

The Reserve Bank of Australia (RBA) left interest rates unchanged in November, as was widely expected. The stronger inflation data in recent months is likely to make the RBA more concerned that the economy is already operating at close to its full capacity. Barring a sharp and unexpected deterioration in the labour market, the RBA's cautious and data-dependent approach implies that it is likely to keep rates on hold until it has a clearer picture on the inflation outlook.

Although the labour market has been loosening very gradually, recent stronger data is likely to have confirmed the RBA's view that the labour market remains 'a little tight'. Wages growth is still elevated at 3.4%, business and consumer sentiment has improved, and the housing market has strengthened quickly. House prices, building approvals and lending for housing has risen briskly, with lending to investors in NSW particularly strong. This has led the Australian Prudential

Regulation Authority (APRA) to announce a limit on the share of new loans that banks can make to borrowers with high debt-to-income ratios (6 or more). The 20% limit will apply separately to owner-occupier and investor lending. Importantly, the limit should not constrain new housing supply as it excludes loans for the purchase or construction of new dwellings.

Investors have reassessed the Australian interest rate outlook after the run of stronger domestic data and now see the next move in interest rates as likely to be up. Discussion of a rate rise seems premature, however, as there is not enough evidence that inflation is reaccelerating. In fact, some of the pressure on wages and inflation in recent months has reflected delayed pass through of previous high inflation and does not suggest that the economy is overheating. For example, wages growth remains elevated because of strong public sector wages rises, driven by enterprise bargaining agreements that are 'catching up' to the high inflation of the past few years. In contrast, private sector wages growth is now at 3.2% – only a bit above the level that the RBA assesses to be consistent with inflation at 2.5%.

Financial market commentary

Markets had a 'risk-off' tone for most of November, compared to strong risk sentiment in the preceding few months. Country specific developments that shifted investors' views of fiscal situations and interest rate outlooks were a notable driver of markets.

Equity markets (performance in local currency, excluding dividends)

Equity market moves were mixed across economies in November. The MSCI World (ex-Australia) index rose by 0.2% while the MSCI Emerging Markets index fell 2.5%. The US S&P500 was little changed, with weakness in the technology sector dragging down the index. The ASX200 underperformed again, falling by 3%, on expectations of higher domestic interest rates.

Japan's equity market was also weak in November, declining by 4.1%. Investors have become more concerned that the new pro-growth government will increase Japan's budget deficit and inflation. This has seen long-term Japanese bond yields rise, the Japanese yen depreciate further, and the Nikkei underperform in November.

Bond yields

Weaker global risk sentiment saw US 10-year bond yields fall by 6bps in November, with a rise in the US unemployment rate – from 4.3% to 4.4% – also contributing. Australian bond yields rose sharply after the stronger inflation data, with 3-year yields ending the month 27bps higher and 10-year yields rising 22bps. Elsewhere, Japanese 10-year bond yields rose 14bps, while moves in bond yields across Europe were smaller and mixed.

The spread between 10-year TCorp and Australian Government bonds yields rose by 2bps in November, to 63bps.

Currency and commodity markets

The Australian dollar was little changed against the US dollar in November. Weaker risk sentiment saw the Australian dollar depreciate in the first half of the month, but this was retraced alongside the sharp rise in Australian bond yields.

Lower US bond yields saw the US dollar depreciate slightly against a broad range of currencies. The notable exception was the Japanese yen, which depreciated further against the US dollar. The yen has now reversed its appreciation against the US dollar in the first half of the year, unlike the Swiss franc and euro which are still 11-12% stronger against the US dollar.

Financial market performance

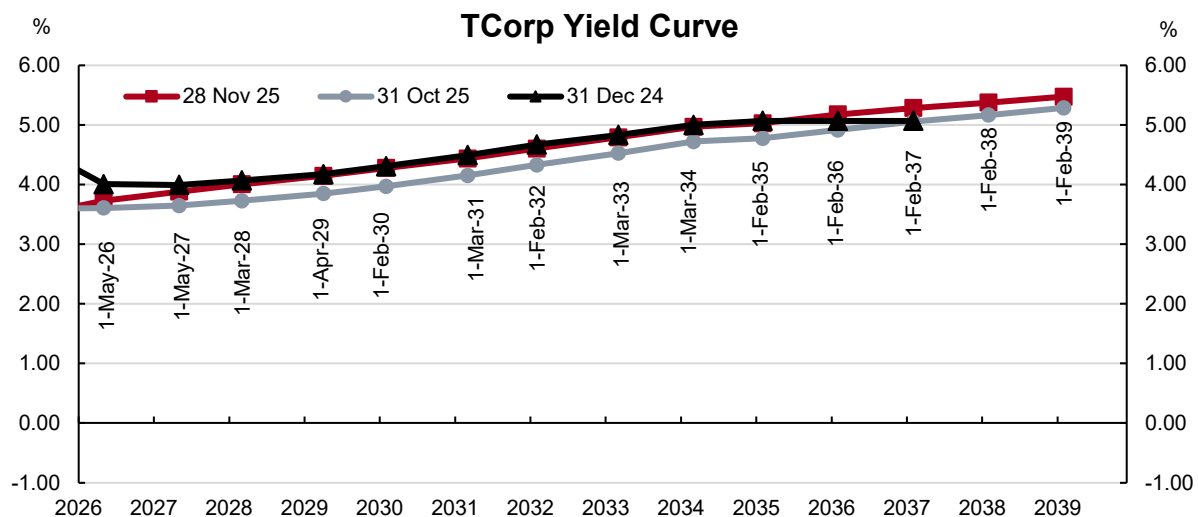
Currency markets November 2025	Previous month close	Month high	Month low	Month close	Month change
AUD/USD	0.655	0.655	0.644	0.655	0.1% ▲
AUD/EUR	0.567	0.567	0.559	0.565	-0.4% ▼
AUD/JPY	100.79	102.30	99.18	102.30	1.5% ▲
AUD/GBP	0.498	0.498	0.491	0.495	-0.5% ▼
AUD/BRL	3.519	3.505	3.435	3.494	-0.7% ▼
AUD/INR	58.10	58.59	57.13	58.59	0.9% ▲
AUD/CNY	4.660	4.655	4.583	4.634	-0.6% ▼

Equity markets* November 2025	Previous month close	Month high	Month low	Month close	Month change
MSCI World ex Australia	4518	4545	4341	4530	0.2% ▲
MSCI Emerging Markets	1402	1410	1334	1367	-2.5% ▼
S&P/ASX200	8882	8895	8417	8614	-3.0% ▼
S&P/ASX Small Ordinaries	3781	3765	3519	3722	-1.5% ▼
S&P500 (US)	6840	6852	6539	6849	0.1% ▲
FTSE 100 (UK)	9717	9911	9507	9721	0.0% ▲
Stoxx600 (Europe)	572	584	562	576	0.8% ▲
DAX (Germany)	23958	24381	23092	23837	-0.5% ▼
CAC 40 (France)	8121	8241	7950	8123	0.0% ▲
Nikkei 225 (Japan)	52411	52411	48538	50254	-4.1% ▼
Hang Seng (HK)	25907	27073	25220	25859	-0.2% ▼
Shanghai Composite (China)	3955	4030	3835	3889	-1.7% ▼
Bovespa (Brazil)	149540	159072	150454	159072	6.4% ▲
IPC (Mexico)	62769	64321	61672	63597	1.3% ▲
S&P/BSE Sensex (India)	83939	85720	83216	85707	2.1% ▲

*Returns are in local currency, and exclude dividend payments

Bond markets (%) November 2025	Previous month close	Month high	Month low	Month close	Month change
RBA Official Cash Rate	3.60	3.60	3.60	3.60	0.00 –
90 Day Bank Bill	3.64	3.67	3.63	3.66	0.03 ▲
180 Day Bank Bill	3.88	3.97	3.86	3.97	0.09 ▲
New institutional term deposits	3.90	3.90	3.80	3.80	-0.10 ▼
3 Year CGS Bond	3.60	3.88	3.63	3.87	0.27 ▲
10 Year CGS Bond	4.30	4.53	4.31	4.51	0.22 ▲
10 Year US Bond	4.08	4.16	3.99	4.01	-0.06 ▼
10 Year German Bond	2.63	2.72	2.64	2.69	0.06 ▲
10 Year Japanese Bond	1.67	1.82	1.66	1.81	0.14 ▲

TCorp bonds (%)	Previous month close	Month high	Month low	Month close	Month change
November 2025					
20-May-26	3.61	3.73	3.62	3.73	0.12 ▲
20-May-27	3.65	3.88	3.67	3.88	0.24 ▲
20-Mar-28	3.73	4.00	3.76	4.00	0.28 ▲
20-Apr-29	3.85	4.15	3.89	4.15	0.30 ▲
20-Feb-30	3.97	4.28	4.01	4.28	0.31 ▲
20-Mar-31	4.15	4.44	4.19	4.44	0.28 ▲
20-Feb-32	4.33	4.61	4.37	4.60	0.27 ▲
08-Mar-33	4.52	4.79	4.56	4.79	0.27 ▲
20-Mar-34	4.72	4.98	4.76	4.97	0.25 ▲
20-Feb-35	4.78	5.03	4.81	5.03	0.25 ▲
20-Feb-36	4.92	5.18	4.95	5.18	0.26 ▲
20-Feb-37	5.05	5.28	5.08	5.28	0.23 ▲
24-Feb-38	5.17	5.38	5.19	5.37	0.21 ▲
22-Feb-39	5.29	5.49	5.31	5.47	0.19 ▲
CIB 2.50% 20 Nov 35	2.56	2.71	2.56	2.61	0.05 ▲



Source: TCorp

Commodity markets (US\$)	Previous month close	Month high	Month low	Month close	Month change
November 2025					
Brent Oil (per barrel)	65.1	65.2	62.5	63.2	-2.9% ▼
Iron Ore (per tonne)	105.7	105.8	102.6	105.8	0.1% ▲

TCorp forecasts	Dec-25	Jun-26	Dec-26	Jun-27
RBA Official Cash Rate	3.60	3.10	2.85	2.85
90 Day Bank Bill	3.60	3.25	3.00	3.25
10 Year CGS Bond	4.25	3.75	3.50	3.50



Level 7, Deutsche Bank Place
126 Phillip Street
Sydney NSW 2000, Australia

T +61 2 9325 9325

W www.tcorp.nsw.gov.au

ABN 99 095 235 825

About New South Wales Treasury Corporation (TCorp)

TCorp provides best-in-class investment management, financial management, solutions and advice to the New South Wales (NSW) public sector. TCorp is NSW's sovereign investment manager, responsible for A\$119 billion of assets under management, and acts as the central borrowing authority of the state, with a balance sheet of A\$196 billion. It is rated Aaa (Stable) by Moody's, AAA (Stable) by Fitch, and AA+ (Negative) by S&P.

Disclaimer

The opinions, forecasts and data contained in this report is based on the research of TCorp as at the date of publication and is subject to change without notice. TCorp is not responsible for the accuracy, adequacy, currency or completeness of any information in the report provided by third parties. This report is provided for general information purposes only and should not be relied upon for investment or trading purposes. This Report is not intended to forecast or predict future events.

Unauthorised copying and distribution of this material is prohibited.

© New South Wales Treasury Corporation 2025. All rights reserved.