CIO Office Morning Notes

10 December 2025

US Treasuries experienced losses, particularly in the front-end and belly segments, primarily due to JOLTS job openings for September and October surpassing expectations. The yield curve flattened, with the 5s30s spread narrowing by approximately 2.5 basis points to around 103 basis points, marking its fourth consecutive decline since exceeding 110 basis points last week. The downward momentum began overnight following the Reserve Bank of Australia's decision to hold rates steady, signalling the conclusion of the easing cycle and Governor Bullock's indication of a potential rate hike in 2026. In the US session, most of the movement occurred after the release of the JOLTS data, which offered a somewhat more positive outlook for the labour market, as October job openings rose to 7.67 million and the job opening rate increased to 4.6%, the highest since May. Nonetheless, some concerns persisted as the layoff and discharge rate climbed from 1.1% in June–September to 1.2% in October, the highest in over a year. The NFIB Small Business Optimism Index also improved to 98.3, driven by expectations of higher sales.

The S&P 500 declined by 0.1%, while the Nasdaq edged up 0.1%. JPMorgan Chase & Co.'s projected expenditure of $105 billion for next year exceeded analyst expectations, resulting in a drop in its share price of 4.6%. SpaceX is advancing plans for an IPO that could surpass $30 billion, potentially marking the largest listing to date, with a targeted valuation of approximately $1.5 trillion.

The FOMC is expected to announce a 25-basis-point rate cut this evening. Market consensus anticipates a hawkish tone, with indications that further cuts are unlikely in subsequent meetings. The Fed will also provide updated Dot Plot and economic forecasts. A single dovish member could alter the median projection to two cuts for 2026. Chairman Powell is likely to highlight the Fed's data-driven approach, emphasising the evolving labour market. Meanwhile, Kevin Hassett, considered the leading candidate to succeed Powell under Trump, suggested there is significant scope to reduce rates, potentially beyond quarter-point cut in the future.

Markets this morning:

Asian equities opened lower this morning, with the Nikkei falling 0.4%. Japan's Producer Price Index matched expectations at 2.7%. Chinese markets led the decline, as the Hang Seng lost 0.4% and mainland shares dropped 0.7%, following a government report showing November CPI rose 0.7% year-on-year, up from 0.2% in October, while PPI remained in deflation at -2.2%. Silver surpassed $61 for the first time in history, and gold is trading at $4,208. US 10-year Treasury yields eased by 1 basis point to 4.18%. Brent crude is above $62, and Bitcoin has slipped below $92,500.

Upcoming key events/data:

In addition to the FOMC rate decision, today's data dossier features US MBA mortgage applications, the Q3 Employment Cost Index, and KSA Industrial Production data. UK's Rachel Reeves will appear before the Treasury Select Committee, and ECB President Lagarde is set to speak. Oracle and Adobe will release Q3 results, with Oracle's status as the largest non-financial investment grade debt issuer heightening concerns over AI-related debt issuance.

Have a good day!

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