MARKET UPDATE

Monthly Market Highlights

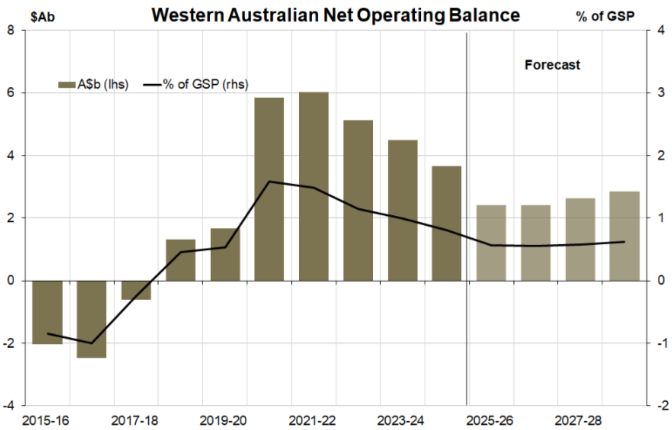
SEPTEMBER 2025

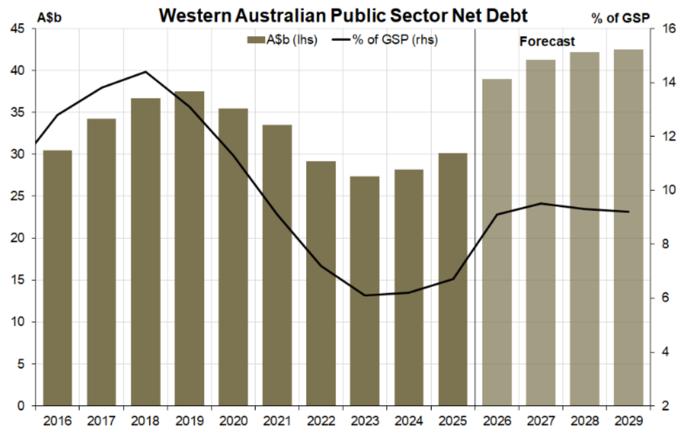
Western Australian Data Highlights

- As expected, the RBA kept the cash rate target at 3.60% in September, but turned a bit more hawkish.
- Western Australian employment rose by 1.2% over the year to August, while the unemployment rate was 3.8%.
- Perth home prices rose by 1.6% in September and dwelling approvals fell by 7.3% in August.
- 2024-25 Report on State Finances revealed stronger operating surplus, while net debt was revised down.
- WATC has issued a new 5.0% coupon benchmark bond, maturing on 21 October 2037.

2024-25 Annual Report on State Finances

- On 26 September 2025, the Western Australian Government released its 2024-25 Annual Report on State Finances, revealing a significantly better fiscal position of the State than envisaged in the 2025-26 Budget issued on 19 June 2025.
- The general government sector recorded an operating surplus of A$3.7b in 2024-25, which is A$1.1b above the surplus estimated in the 2025-26 Budget.
- The stronger fiscal position was thanks to revenue turning out to be A$1.3b (2.7%) above the level estimated in the Budget, partially offset by slightly higher expenses.
- The higher-than-estimated revenue reflected mainly higher Commonwealth grants (A$1.1b above the budget), due to the earlier-than-expected receipt of a A$1.0b grant from the DisabilityCare Australia Fund. This grant reimbursed the State for the costs incurred in the prior years due to the transition to the National Disability Insurance Scheme. Higher sales of goods and services by some State Government departments also contributed to the upward revision, being A$0.2b higher than envisaged in the Budget.
- The general government expenses were A$180 million higher than anticipated in the Budget, primarily due to somewhat larger expenses on health care and disability schemes.
- At the same time, total public sector net debt at 30 June 2025 was A$3.4b lower than estimated at the Budget, at A$30.2b, which is 6.7% of the State's estimated gross state product, well below the levels observed in the other States.
- Western Australia remains the only Australian State with 'triple A' ratings from both S&P Global and Moody's, confirming international recognition of the State's strong financial management and strength of its economy.
- The recognition of Western Australia's strong economic and fiscal situation was also reflected in the most recently issued 2037 WATC bond, which saw demand well in excess of the target size, with around half coming from offshore investors, including seven new clients, five of whom were international investors.





Source: Western Australian Department of Treasury and Finance

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Australian Interest Rates (%)			FX and Equities		
RBA Cash Rate Target	3.60	(0 pt)	AUD/USD	0.6613	(↑1.1%)
90-Day Bank Bills	3.58	(↑1 pt)	AUD/JPY	97.82	(↑1.7%)
3-year Australian Government Bond	3.55	(↑15 pt)			
10-year Australian Government Bond	4.30	(↑3 pt)	ASX200	8849	(↓124 pt)

Market Summary

- The RBA Monetary Policy Board left the cash rate target unchanged at 3.60% during its September meeting, as expected. The post-meeting statement signalled a reduced appetite for rate cuts in the coming months, since there is a reasonable risk that Q3 trimmed mean inflation could turn out to be higher than the RBA had forecast in its recent projection round in August. Market expectations for cash rate cuts were scaled down significantly as a result, with the probability of a cut in November now well below 50% and a February cut not fully priced in. However, cash rate futures are still pricing in one more and most likely a final rate cut for Q2 2025.
- The scaling back of cash rate cut expectations led to a considerable increase in 3-year Australian Government bond yields in September, while 10-year yields rose only a little, held down by global factors, particularly the resumption of the easing cycle by the US Federal Reserve and geopolitical concerns, which increased demand for safe-haven assets. Spreads between WATC and Commonwealth bond yields generally narrowed in September and remained smaller than those of peers.
- The Australian dollar was the strongest G10 currency in September, supported by the scaling back of cash rate cut expectations and a rise in prices of its major export commodities, particularly iron ore and gold.
- The Australian benchmark equity index, the ASX 200, lost 1.4% in September, which was its first monthly decline since March. Materials, benefiting from the rise in commodity prices, was the only sector that registered a gain, while sentiment towards other sectors was dented by the prospect of fewer rate cuts in Australia.

WATC Benchmark Bond Yields				
Maturity	**Yield 30/9/2025**		**Spread to AGS 30/9/2025**	
23 July 2025	3.52	(↑12 pt)	-3 pt	(↓3 pt)
21 October 2026	3.58	(↑16 pt)	+8 pt	(-)
21 October 2027	3.69	(↑14 pt)	+16 pt	(↓2 pt)
20 July 2028	3.84	(↑12 pt)	+23 pt	(↓5 pt)
24 July 2029	4.02	(↑11 pt)	+28 pt	(↑1 pt)
22 October 2030	4.17	(↑7 pt)	+29 pt	(↓1 pt)
22 October 2031	4.31	(↑4 pt)	+33 pt	(↓7 pt)
20 July 2033	4.46	(↑1 pt)	+36 pt	(↓9 pt)
24 October 2034	4.70	(-)	+47 pt	(↓4 pt)
24 October 2035	4.76	(↓2 pt)	+46 pt	(↓5 pt)
21 October 2037	5.02	(-)	+57 pt	(-)
23 July 2041	5.27	(↓1 pt)	+62 pt	(↓6 pt)