



9 July 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

The RBA threw a dummy pass on the eve of State of Origin, leaving the cash rate unchanged and fooling almost all.

The decision prompted a ~10bps repricing in rates market as the anticipated July cut was pushed to August.

US Tariffs remained the focus for markets overnight. A 50% tariff on US copper imports caught the lion's share of attention and sent copper futures flying in New York.

Trump reiterated that the new August deadline for revised reciprocal tariffs will not be extended... though the usual caveats to such statements continue to apply.

Equities were little changed in the US after a decent rally across Europe and Asia ex. Australia yesterday.

Rates in the US and Europe were higher and curves steeper overnight, extending the sell-off in Aussie bond futures.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.3	0.7%
AUD/USD	0.6526	0.6%
AUD/JPY	95.63	1.0%
AUD/GBP	0.4801	0.7%
AUD/NZD	1.0881	0.6%
AUD/EUR	0.5566	0.5%
AUD/CNH	4.6866	0.6%
AUD/SGD	0.8352	0.6%
AUD/HKD	5.1225	0.6%
AUD/CAD	0.8918	0.5%
EUR/USD	1.1723	0.1%
USD/JPY	146.54	0.4%
USD Index	97.51	0.0%

Equities	Close	Change
S&P/ASX 200	8,591	0.0%
S&P 500	6,226	-0.1%
Japan Nikkei	39,689	0.3%
Hang Seng	24,148	1.1%
Euro Stoxx 50	5,372	0.6%
UK FTSE100	8,854	0.5%
VIX Index	16.81	-5.5%

Commodities	Current	Change
CRB Index	302.29	1.0%
Gold	3301.92	-1.0%
Copper	9832	-0.6%
Oil (WTI futures)	68.33	0.6%
Coal (coking)	175.00	-0.6%
Coal (thermal)	114.35	1.2%
Iron Ore	96.00	0.6%
ACCU	35.58	0.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.63	0.00
90 day BBSY	3.63	-0.01
180 day BBSY	3.80	-0.02
1 year swap	3.39	0.15
2 year swap	3.31	0.12
3 year swap	3.36	0.10
4 year swap	3.46	0.11
5 year swap	3.56	0.10
6 year swap	3.69	0.10
7 year swap	3.80	0.10
8 year swap	3.90	0.10
9 year swap	3.99	0.09
10 year swap	4.21	0.08

Government Bond Yields	Close	Change
Australia		
3 year bond	3.42	0.11
10 year bond	4.26	0.08
United States		
3-month T Bill	4.24	0.00
2 year bond	3.89	0.00
10 year bond	4.40	0.02

Other (10 year yields)		
Germany	2.69	0.04
Japan	1.50	0.03
UK	4.63	0.05

Sydney Futures Exchange	Current	Change
10 yr bond	4.33	0.04
3 yr bond	3.43	0.02
3 mth bill rate	3.58	0.02
SPI 200	8,571	-0.1%

Data as at 7:45am AEST. 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:

- US equities were little changed overnight with no top tier data to digest. European markets were firmer though, with shares up ~0.5% across the major bourses in Europe and the UK. Key indices across Asia also finished in the green, Australia being the exception. The ASX 200 weathered the cash rate surprise fairly well to finish flat.
- Global rates continued to sell-off overnight. Two-year yields were flat in the US but up 1-4 basis points across Europe. The 10-year end of the yield curve underperformed, with yields up 2 basis points in the US and 3-4 basis points across Europe.
- Aussie bond futures are 2 and 4 basis points higher in the 3's and 10's, extending a decent sell-off yesterday post the RBA. The 3-year yield closed up 11 basis points yesterday following the RBA's surprise decision. A cut at the August RBA meeting is around 88% priced-in.
- The US dollar continued a multi-day uptrend on the month's early 3-year low, taking most of its gains from the Japanese Yen and British Pound. The Aussie dollar was the outperformer on the back of the RBA's hold decision after underperforming in recent days on reciprocal tariff headlines. The RBA decision should put the RBA on a little firmer footing to weather more tariff noise over the coming 24-48 hours and at 0.6526 the AUD/USD remains around the middle of its recent up-trend.
- Copper futures jumped 13% in New York following the US Administration's announcement of a 50% tariff on imports of the metal. In crude markets, the Energy Information Administration reported US output is expected to grow by 160k barrels per day this year. That said, crude futures were a little firmer on the day.

International Data:

There was a trickle of second tier US data overnight, that did little to shift the prevailing narrative. Consumer credit growth slowed to US\$5.10bn, underwhelming expectations for almost double that. However, looking through the month-to-month volatility growth remains fairly steady. The NY Fed's measure of 1-year ahead inflation expectations dropped for a second month in June, continuing its fall from a rapid increase in April on the back of reciprocal tariff announcements. But with reciprocal tariffs now back on the agenda, there's not much to see here for now. Finally, the NFIB small business survey was little change in June with optimism off its peak but well above the levels prevailing for the prior 3 years.

Local Data:

In a decision split 6 in favour, 3 against, the RBA Board decided to wait before cutting rates. It wasn't a shoo-in to cut, and in the end, the RBA chose caution over decisiveness.

Today's key data and events

For	Data/Event	Exp	Prev
9:00am	AU RBA's Hauser-Speech	-	-
11:30am	CN PPI Jun	-3.2%	-3.3%
11:30am	CN CPI Jun	-0.1%	-0.1%
12:00pm	NZ RBNZ Policy Decision	3.25%	3.25%
12:00am	US Wholesale Inventories May Final	-0.3%	-0.3%

Times are AEST. 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.

The post-meeting statement noted the gradual recovery in private sector demand and a tight labour market as justification for the decision. It also said that the Board judged that it could wait for a "little more information", which the Governor subsequently clarified included the quarterly CPI and another labour force release.

We read the tone of the media conference as flagging that the rate cut is still on for August, provided the trimmed mean inflation rate for June quarter does not surprise too much on the upside. Accordingly, we reinstate the likely timing of the next cut to August, though there is a small chance even this is delayed. We also retain the spread-out timing (November, February, May) of subsequent cuts as being in line with the cautious approach the RBA has flagged.

The results of the June NAB Business survey show the business sector remains stuck in limbo. Conditions are stable at around average levels but are not necessarily improving. Capacity constraints remain a challenge even with lacklustre growth. Meanwhile, confidence is volatile - a likely reflection of the increasingly uncertain world businesses are faced with.



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