



23 July 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

The ECB left its key policy rates on hold as expected, but a “wait and see” approach puts growing expectations for a September rate cut in question.

European rates markets sold-off accordingly, with 2-year German Bund yields up 9 basis points.

There was a modest sell-off at the front end of the US rates curve as strong jobless claim data reaffirmed the resilience of the labour market. The long-end outperformed the move as concerns around the tenure of Jerome Powell as Fed chair continued to subside.

Equities were broadly firmer overnight with US and European bourses eking out gains alongside a solid lift in the UK's FTSE 100.

The US dollar was firmer halting a 4-day sell off, supported by the lift in short rates. The Aussie dollar briefly jumped to 0.6625 before pulling back below the 0.66 handle.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.9	0.5%
AUD/USD	0.6588	-0.2%
AUD/JPY	96.95	0.2%
AUD/GBP	0.4878	0.4%
AUD/NZD	1.0930	0.1%
AUD/EUR	0.5608	0.0%
AUD/CNH	4.7127	-0.1%
AUD/SGD	0.8421	-0.1%
AUD/HKD	5.1709	-0.2%
AUD/CAD	0.8990	0.1%
EUR/USD	1.1748	-0.2%
USD/JPY	147.17	0.3%
USD Index	97.49	0.3%

Equities	Close	Change
S&P/ASX 200	8,709	-0.3%
S&P 500	6,363	0.1%
Japan Nikkei	41,826	1.6%
Hang Seng	25,667	0.5%
Euro Stoxx 50	5,355	0.2%
UK FTSE100	9,138	0.8%
VIX Index	15.39	0.1%

Commodities	Current	Change
CRB Index	304.37	0.2%
Gold	3369.43	-0.5%
Copper	9635	-0.1%
Oil (WTI futures)	66.03	-1.4%
Coal (coking)	196.00	1.6%
Coal (thermal)	116.75	1.3%
Iron Ore	103.35	0.6%
ACCU	34.13	-4.1%

Data as at 8:05am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.75	-0.01
90 day BBSY	3.74	0.00
180 day BBSY	3.80	0.03
1 year swap	3.40	0.04
2 year swap	3.34	0.05
3 year swap	3.39	0.04
4 year swap	3.49	0.05
5 year swap	3.60	0.04
6 year swap	3.71	0.04
7 year swap	3.83	0.04
8 year swap	3.93	0.04
9 year swap	4.02	0.04
10 year swap	4.25	0.03

Government Bond Yields	Close	Change
Australia		
3 year bond	3.48	0.07
10 year bond	4.35	0.06
United States		
3-month T Bill	4.25	0.00
2 year bond	3.92	0.04
10 year bond	4.40	0.02

Other (10 year yields)		
Germany	2.70	0.06
Japan	1.61	0.02
UK	4.62	-0.01

Sydney Futures Exchange	Current	Change
10 yr bond	4.38	0.00
3 yr bond	3.48	0.01
3 mth bill rate	3.57	0.00
SPI 200	8,637	-0.4%



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Financial Markets:

- Donald Trump pressed Jerome Powell on cutting interest rates during a tour of renovations at the Fed's HQ. Trump said it was "not necessary" to fire Powell and that there was "no pressure" for him to resign but reiterated that "interest rates must come down". The news shakes some of the recent fears that the Fed Chair would be imminently replaced, though concerns around the malleability of Trump's May-26 appointee remain.
- Equities were broadly firmer overnight with US and European bourses eking out gains alongside a solid lift in the UK's FTSE 100. US equities continue to explore record highs which European benchmarks are not far from their own all-time highs. The ASX 200 pulled back 0.3% yesterday and futures continue to sell off overnight.
- Aussie bonds sold off yesterday following a speech from RBA Governor Michele Bullock which ultimately didn't provide much by way of new information but was interpreted as modestly 'hawkish'. Expectations for a rate cut in August were trimmed slightly but remain at around a 98% implied probability. Two-more rate cuts remain priced in by the end of the year. Futures were little changed overnight despite higher yields offshore.
- Rates markets sold off in the US and Europe on pull-back in rate cuts expectations. The catalyst in Europe came from the ECB's policy meeting which saw rates remain on hold as expected, but the guidance pointed to a more patient approach going forward. A strong initial jobless claims reading did the heavy lifting the US. 2-year yields jumped 4 and 9 basis points in the US and Germany, respectively. Curves were broadly flatter as easing concerns around the tenure of Jerome Powell saw the long-end modestly outperform.
- The US dollar was firmer against every G10 currency, halting a 4-day slide. The rise in the US yield structure was the likely culprit for the move as the trade complex remains in flux. The AUD outperformed the broader sell-off versus the greenback but finished below the 66c handle after a promising jump to 0.6625 proved short-lived. The Euro also outperformed, supported by its own jump in short rates.
- Gold pulled back on easing concerns around Jerome Powell's tenure and a lack of headlines on trade negotiations, but remains elevated. US crude futures lurched lower on news that the Trump Administration has greenlighted Chevron to resume pumping oil in Venezuela. The decision could add more than 200k barrels per day to US refiners' supply. Some of the froth came off the top of iron ore futures which pulled back but remain elevated at US\$103.35.

Today's key data and events

For	Data/Event	Exp	Prev
9:01am	UK Gfk Consumer Sentiment Jul	-20pts	-18pts
9:30am	JP Tokyo CPI y/y Jul	3.0%	3.1%
4:00pm	UK Retail Sales Jun	1.2%	-2.7%
6:00pm	EZ M3 Money Supply y/y Jun	3.7%	3.9%
10:30pm	US Durable Goods Orders Jun Prel.	-10.7%	16.4%

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.

International Data:

The ECB left its key lending rates on hold overnight, as widely expected. However, President Lagarde dashed firming expectations for a cut at the September meeting, noting the Governing Council is in "wait and see" mode as they await more certainty on where tariffs ultimately land. The ECB's read on the domestic economy suggested there may not be much more monetary support required in the near-term if tariff impacts prove to be benign with Lagarde noting "the economy has so far proven resilient overall in a challenged global environment".

US initial jobless claims dropped to 217k in the week ending 19 July, the lowest level since April. Historically low levels of jobless claims continue to suggest decelerating employment growth is resulting from softer job creation rather than labour shedding and supports the assessment that the labour market remains in very solid shape.

S&P preliminary purchasing managers' indices (PMI) were released overnight for July. The composite index was firmer in the US on the back of a large jump in services activity - to the highest level of 2025. However, this was partially offset by a slump in manufacturing activity which returned to contractionary territory. The opposite was the case across the Atlantic. The UK manufacturing PMI edged higher but remained in modest contraction, while services activity pulled back but held in expansionary territory. In the Eurozone, the composite measure edged higher on marginally gains in both services and manufacturing activity, the latter approach 'neutral' conditions for the first time since mid-2022.

Local Data:

RBA Governor Michele Bullock delivered a speech yesterday, discussing how the Board's price stability and full employment objectives are complimentary in the long-run. The address provided a little more colour on the RBA's assessment of the supply side of the economy, though this remains marred by uncertainty underpinning their cautious and gradual approach. Despite providing little new information on the near-term path of policy, the commentary was interpreted as mildly 'hawkish' by markets which ever so slightly trimmed expectations for a rate cut in August.



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