



18 August 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Investors were cautious ahead of the Trump-Putin summit in Alaska, which failed to deliver a 'deal'. US and European equities generally finished lower, pulling back from recent record highs.

Treasuries sold off as US retail trade continued to show resilience, consumer inflation expectations jumped, and US import prices spiked.

The US dollar index was lower with the Yen and euro outperforming. Better than expected GDP data coming out of Japan helped the Nikkei jump 1.7% on Friday.

The Aussie continued to trade above 0.6500 with some near-term upside.

Gold was flat, oil declined, while iron ore increased to above US\$102/t.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.3	-0.3%
AUD/USD	0.6507	0.2%
AUD/JPY	95.78	-0.2%
AUD/GBP	0.4801	0.0%
AUD/NZD	1.0990	0.1%
AUD/EUR	0.5559	-0.3%
AUD/CNH	4.6779	0.3%
AUD/SGD	0.8346	0.0%
AUD/HKD	5.0928	0.1%
AUD/CAD	0.8994	0.2%
EUR/USD	1.1703	0.5%
USD/JPY	147.19	-0.4%
USD Index	97.85	-0.4%

Equities	Close	Change
S&P/ASX 200	8,939	0.7%
S&P 500	6,450	-0.3%
Japan Nikkei	43,378	1.7%
Hang Seng	25,270	-1.0%
Euro Stoxx 50	5,449	0.3%
UK FTSE100	9,139	-0.4%
VIX Index	15.09	1.8%

Commodities	Current	Change
CRB Index	295.54	0.2%
Gold	3336.19	0.0%
Copper	9766	-0.4%
Oil (WTI futures)	62.80	-1.8%
Coal (coking)	190.00	-0.3%
Coal (thermal)	112.10	-0.4%
Iron Ore	102.95	1.0%
ACCU	34.13	-4.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.62	0.00
90 day BBSY	3.67	0.00
180 day BBSY	3.78	0.00
1 year swap	3.31	0.01
2 year swap	3.24	0.01
3 year swap	3.30	0.01
4 year swap	3.39	0.01
5 year swap	3.50	0.02
6 year swap	3.62	0.03
7 year swap	3.73	0.03
8 year swap	3.83	0.03
9 year swap	3.93	0.03
10 year swap	4.17	0.04

Government Bond Yields	Close	Change
Australia		
3 year bond	3.35	0.01
10 year bond	4.23	0.02
United States		
3-month T Bill	4.11	0.00
2 year bond	3.75	0.02
10 year bond	4.32	0.03
Other (10 year yields)		
Germany	2.79	0.08
Japan	1.57	0.02
UK	4.70	0.05

Sydney Futures Exchange	Current	Change
10 yr bond	4.30	0.04
3 yr bond	3.39	0.03
3 mth bill rate	3.53	0.00
SPI 200	8,843	-0.6%

Data as at 7:00am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.



Pat Bustamante
Senior Economist, Westpac Group
P: +61 468 571 786
E: pat.bustamante@westpac.com.au

Financial Markets:

- The rally in US equities lost steam on Friday with major equity indices closing lower. The flow of economic data suggested the US economy continues to slow but inflation risk remain elevated, with inflation expectation spiking and import prices increasing strongly. The S&P 500 closed 0.3% lower in New York but was 0.9% higher in weekly terms. The Nasdaq fell 0.4% but finished the week 0.8% in the green. The Dow Jones Industrial Average advanced 0.1% on Friday and was 1.7% higher over the week.
- European markets were mixed on Friday as investors waited for the outcomes of the Trump-Putin summit in Alaska. The Euro Stoxx 50 was 0.3% higher on Friday and finished the week 1.9% in the green. The FTSE 100 lost 0.4% on Friday and finished the week 0.5% in the green. The DAX closed 0.1% lower but was 0.8% higher over the week. The Japanese Nikkei jumped 1.7% on the back of solid economic data. In local markets, the ASX 200 finished the week 1.5% higher, making a gain of 0.7% on Friday, led by financial shares. Futures are positing to a soft start to the week.
- Treasuries were sold off as US consumer inflation expectations spiked and US import prices increased by more than expected. The 2-year US bond yield increased 2 basis points to 3.75%, while the 10-year US bond yield increased 3 basis points to 4.32%. Interest-rate futures now have an 85% chance of a September US Fed cut, and around 54 basis points of cuts over 2025, down from around 58 basis points of cuts a week ago. Yields were also higher in Europe, with 10-year bond yields up 8 basis points and 5 basis points in Germany and the UK to 2.79% and 4.70%, respectively.
- At home, the 3-and-10-year futures increased 3 and 4 basis points to 3.39% and 4.30%, respectively. Interest-rate futures have a rate cut fully priced in for the November RBA Board meeting and a total of 60 basis points of cuts priced in over the remainder of 2025 and 2026.
- The US dollar index fell 0.4% to 97.85 on the back of dovish comments from Fed officials and further uncertainty over trade policy. The US dollar finished in the red for the second consecutive week. The Japanese Yen outperformed on the back of solid GDP data which strengthen the case for the BoJ to raise rates again this year. The USD/JYP pair declined 0.4% to 147.19. The euro also ended the week on a high note, up 0.5% to 1.1703 – the euro has increased around 1% against the Greenback over the past two weeks.
- The Aussie was 0.2% higher against the Greenback at 0.6507. The AUD/USD pair traded above the 0.65 mark for most of the week. The still cautious message from the RBA Board, the fall in the unemployment rate, dovish comments from some Fed officials and a new Fed Board seat nominee that leans on the Trump-loyal should provide the Aussie with

Today's key data and events

For	Data/Event	Exp	Prev
8:30am	NZ BusinessNZ PSI Jul	-	47.3pts
9:01am	GB Rightmove House Prices Aug	-	-1.2%
12:00am	US NAHB Housing Market Aug	34pts	33pts

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.

near term upside. In addition, possible stimulus on the back of the weaker than expected Chinese partial economic data for July also provides the Aussie with some upside.

- Gold was flat while oil was weighed down by continued concerns around oversupply and uncertainty over the meeting between President Trump and President Vladimir Putin. The WTI declined almost 2.0% to US\$62.80/bbl. Further, the Energy Information Administration released an updated outlook for the WTI which also weighed on sentiment. The Agency's forecasts the WTI could fall below US\$60 in the final three months of 2025 and fall fellow US\$50 a barrel for the first nine months of 2026. Iron Ore was 1.0% higher at US\$102.95/t.

International Data:

President Trump said the US may provide security guarantees to Ukraine with the EU and other countries. Following the Trump-Putin summit, the US President said, "there's no deal until there's a deal... [and that] We're going to stop ... thousands of people a week from being killed, and President Putin wants to see that as much as I do."

The flow of US data showed the economy continues to slow in an orderly manner. However, consumer confidence fell unexpectedly, inflation expectations jumped and import prices spiked showing foreign producers are not likely to absorb tariffs on imports into the US.

US retail sales increased 0.5%*mt* in July, a touch below the 0.6%*mt* expected by the market. Online and car sales underpinned much of the gain over the month. Sales in the control group (excludes cars, gas, food services and building materials) gained 0.5%*mt* in July, a touch stronger than the 0.4%*mt* expected by the market, suggesting the consumer remains somewhat resilient.

The Fed Empire State manufacturing PMI increased to 11.9 points in August (from 5.5 points in July), beating the flat outcome expected by the market. This was the highest outcome since November 2024. New orders and shipments increased while input cost pressures remained elevated.

The University of Michigan consumer sentiment index declined to 58.6 points in August, from the 61.7 points recorded in July. This was well below the 62 points expected by the market. The fall was mainly due to inflation concerns and deteriorating buying conditions for durable goods. The year-ahead inflation expectations increased to 4.9% in August from 4.5% in July, and the five-year expectations gauge also rose to 3.9% from 3.4%.

Import prices in the US increased 0.4%*mt* in August, well above the 0.1%*mt* expected by the market. It was the sharpest increase since April 2024 and reflects increase foreign prices and a softer US dollar. **Industrial production** disappointed in July, declining 0.1%. This was offset by a 0.1% upgrade to June to 0.4%. US inventories increased 0.2%*mt* in June, up from May's flat read. The rise was led by an increase in wholesale, retail and manufacturing inventories. On a yearly basis, total business inventories were up 1.6%*yr*.

San Francisco **Fed President Mary Daly** still thinks two cuts this year will be appropriate. She said "making a more gradual move in a series of moves as the economy warrants it—I think that's the appropriate place to be."

China's economy slowed more sharply than expected in July following the solid start to the year. Industrial production grew 5.7%*yr* in July, a step down from the 6.8%*yr* recorded in June and the 6.0%*yr* expected by the market.

Investment increased 1.6%*ytd* in July, significantly slower than the gain of 2.7%*ytd* expected by the market and 2.8%*ytd* recorded in June. The contraction in property investment worsened, while infrastructure and manufacturing investment slowed significantly over the month.

Finally, retail sales increased 3.7%*yr* in July, down from 4.8%*yr* in June and softer than the gain of 4.6%*yr* expected by the market. Taken together these outcomes suggest the economy had experienced a broad-based slowdown in July as the direct and indirect (or confidence) impacts of US trade policy begin to bite.

Japan's economy grew 0.3%*qtr* in the June quarter, stronger than the 0.1%*qtr* expected by the market and the upwardly revised 0.1%*qtr* increase (from an initial flat read) recorded in the March quarter. Private consumption continued to grow while business investment accelerated over the quarter. Net trade also made a strong contribution as exporters rushed to get orders out before US tariffs were in place. Japan's industrial production was confirmed at 2.1%*mt* in June, above the flash data of 1.7%*mt*. The outcome was driven by strong gains in transport equipment excluding cars and electronic parts and devices.

New Zealand's manufacturing industry expanded in July, following two consecutive months of contraction. Food prices rose another 0.7%*mt* in July to be 5% higher in annual terms. The price gains were driven by fresh fruit and vegetables, meat, and milk products.

Local Data:

There was no significant top tier data released on Friday. Westpac Economics' August Market Outlook was released (see [here](#)) with an assessment of current economic conditions and updated forecasts.



Corporate Directory

Westpac Economics / Australia

Sydney

Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis

Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan

Head of Australian Macro-Forecasting
E: mhassan@westpac.com.au

Elliot Clarke

Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner

Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk

Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante

Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas

Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells

Economist
E: ryan.wells@westpac.com.au

Illiana Jain

Economist
E: illiana.jain@westpac.com.au

Jameson Coombs

Economist
E: jameson.coombs@westpac.com.au

Neha Sharma

Economist
E: neha.sharma1@westpac.com.au

Westpac Economics / New Zealand

Auckland

Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold

Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon

Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs

Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod

Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark

Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva

1 Thomson Street
Suva, Fiji

Shamal Chand

Senior Economist
E: shamal.chand@westpac.com.au



 westpaciq.com.au

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