20 August 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Moves in overnight trade were muted as investors await US Fed Chair Powell's address on Friday and assess the impacts of a possible ceasefire in the Ukraine.

US equities were generally lower led by tech stocks. European markets closed higher, buoyed by growing optimism of a peace deal between Russia and Ukraine.

There was a slight risk off tone with Treasuries rallying overnight and the US dollar pushing higher for a second straight session. The Aussie declined 0.6% to a two-week low and remains below the 0.6500 handle.

Oil was lower, while iron ore remains above US$100/t.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.1	-0.5%
AUD/USD	0.6453	-0.6%
AUD/JPY	95.29	-0.7%
AUD/GBP	0.4784	-0.5%
AUD/NZD	1.0952	-0.1%
AUD/EUR	0.5540	-0.5%
AUD/CNH	4.6388	-0.6%
AUD/SGD	0.8294	-0.5%
AUD/HKD	5.0330	-0.8%
AUD/CAD	0.8950	-0.1%
EUR/USD	1.1646	-0.1%
USD/JPY	147.66	-0.2%
USD Index	98.28	0.1%

Equities	Close	Change
S&P/ASX 200	8,896	-0.7%
S&P 500	6,411	-0.6%
Japan Nikkei	43,546	-0.4%
Hang Seng	25,123	-0.2%
Euro Stoxx 50	5,483	0.9%
UK FTSE100	9,189	0.3%
VIX Index	15.57	3.9%

Commodities	Current	Change
CRB Index	294.05	-0.7%
Gold	3315.55	-0.5%
Copper	9766	-0.4%
Oil (WTI futures)	62.54	-1.4%
Coal (coking)	189.75	0.0%
Coal (thermal)	112.00	0.7%
Iron Ore	100.65	-0.4%
ACCU	34.13	-4.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.61	0.00
90 day BBSY	3.63	-0.01
180 day BBSY	3.74	-0.02
1 year swap	3.32	0.01
2 year swap	3.26	0.02
3 year swap	3.33	0.01
4 year swap	3.42	0.01
5 year swap	3.53	0.01
6 year swap	3.65	0.01
7 year swap	3.77	0.01
8 year swap	3.87	0.01
9 year swap	3.97	0.01
10 year swap	4.22	0.01

Government Bond Yields	Close	Change
Australia		
3 year bond	3.43	0.05
10 year bond	4.33	0.06
United States		
3-month T Bill	4.10	-0.02
2 year bond	3.75	-0.01
10 year bond	4.31	-0.03
Other (10 year yields)		
Germany	2.75	-0.01
Japan	1.60	0.03
UK	4.74	0.00

Sydney Futures Exchange	Current	Change
10 yr bond	4.35	-0.01
3 yr bond	3.43	-0.01
3 mth bill rate	3.54	0.00
SPI 200	8,871	0.2%

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

Today's key data and events

For	Data/Event	Exp	Prev
9:50am	JP Machinery Orders Jun	-0.5%	-0.6%
12:00pm	AU RBA's McPhee, Jones-Panel Discussion	-	-
12:00pm	NZ RBNZ Policy Decision	3%	3.25%
4:00pm	GB CPI Jul	0.0%	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.

Financial Markets:

- Tech stocks led major US equity indices lower, as investors wait for US Fed Chair Powell's Jackson Hole address on Friday. Nvidia fell 3.5% while Advanced Micro Devices slumped 5.4%. These companies recently agreed to pay the US Government 15% of revenue from the sales of certain AI chips to China. Most sectors outside tech stocks made gains with the Dow Jones Industrial Average up a little less than 0.1% and seven of the eleven primary S&P 500 sectors ending in the green. The S&P 500 closed 0.6% lower, while the Nasdaq declined 1.5% - its second-worst drop since April.
- European markets were higher, buoyed by ongoing talks which could see the conflict in Ukraine come to an end. President Trump is pushing summit between Ukraine and Russia, urging both leaders to show "flexibility". The Euro Stoxx 50 was 0.9% higher, the FTSE 100 closed 0.3% higher, while the German DAX ended the session 0.5% in the green. Asian markets were generally lower with the recent rally in the Nikkei losing steam (-0.4%) and the Hang Seng down 0.2%. In local markets, the ASX 200 closed 0.7% lower, with CSL the biggest drag falling 17% as earnings were softer than expected. Futures are pointing to a positive start to the session.
- Treasuries rose and yields fell ahead of US Fed Chair Powell's Jackson Hole address, with traders firming up bets on a September cut. The 2-year US bond yield declined 1 basis point to 3.75%, while the 10-year US bond yield declined 3 basis points to 4.31%. Interest-rate futures now have an 85% chance of a September US Fed cut, and around 55 basis points of cuts over 2025. Yields were also generally lower in Europe, with overnight moves quite small and well within recent ranges.
- At home, the 3-and-10-year futures both fell 1 basis point to 3.43% and 4.35%, respectively. Interest-rate futures have a rate cut fully priced in for the November RBA Board meeting and a total of 51 basis points of cuts priced in over the remainder of 2025 and 2026.
- The US dollar index edged higher for a second straight session, up 0.1% to 98.28. The Japanese Yen firmed with the USD/JYP pair 0.2% lower at 147.66. The euro was sold off for a second consecutive session, down 0.1% to 1.1646 after a solid end to last week.
- The Aussie was 0.6% lower against the Greenback at 0.6453. The AUD/USD pair continued to trade below the 0.6500 handle, hitting two-week lows of 0.6450 and remaining round this level. Despite this day-to-day volatility, there is some near-term upside for the Aussie given the still cautious message from the RBA Board and dovish comments from Fed officials, with FOMC member Bowman stating she has not changed her view overnight and is expecting the US Fed to continue easing (she dissented against the decision to hold during the Fed's July meeting).
- Gold, copper and oil were all lower overnight. Oil declined as traders assessed the impacts of a ceasefire in Ukraine, which could see fewer restrictions on Russian oil exports. The WTI lost almost 1.5% falling to US$62.54/bbl. Iron Ore was 0.4% lower at US$100.65/t. Copper was lower despite reporting that China's copper production fell to 1.27 million tons in July, from a record high in June.

International Data:

US housing starts surprised to the upside in July, rising 5.2%. This follows an upwardly revised June gain of 5.9%. B**uilding permits** fell 2.8%, however, after a 0.1% decline in June. Housing starts are close to the average of the past 5 years, but the pipeline is weak, with building permits 15% below the 5 year average.

Local Data:

The **Westpac–Melbourne Institute Consumer Sentiment** Index posted a solid gain in August, up 5.7% to 98.5 points. Sentiment is now just 1.6% away from being back in positive territory, something which hasn't been seen in 42 consecutive months. The RBA's third rate cut for the year provided a clear boost. However, the lift was broad-based and not just confined to those with a mortgage, as consumers are now less anxious about their finances and cautiously positive on the economy and labour market. Home-buyer sentiment jumped 10.5% higher, with consumers remaining bullish on house prices.

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

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