



21 August 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

The minutes from the latest FOMC meeting released overnight carried a hawkish tone, highlighting emphasis on inflationary risks.

President Trump called on Federal Reserve Governor Lisa Cook to resign over allegations that she may have provided false information to obtain more favourable mortgage terms.

US Treasuries rallied, and the higher-than-expected inflation print in the UK was largely overlooked in the Gilts market, with the 10Y Gilt yield falling 7bp. Australian yields followed the global trend, with the yield curve shifting 2-4bp lower.

The DXY index struggled to maintain direction. AUD extend a downward trend for third consecutive day, falling 0.3%. NZD weakened 1.2%, reacting to the RBNZ interest rate cut and the dovish tone in the central bank's forward guidance.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	59.9	-0.3%
AUD/USD	0.6431	-0.3%
AUD/JPY	94.76	-0.5%
AUD/GBP	0.4777	-0.1%
AUD/NZD	1.1048	0.9%
AUD/EUR	0.5518	-0.3%
AUD/CNH	4.6188	-0.4%
AUD/SGD	0.8266	-0.3%
AUD/HKD	5.0244	-0.1%
AUD/CAD	0.8920	-0.3%
EUR/USD	1.1654	0.0%
USD/JPY	147.35	-0.2%
USD Index	98.24	0.0%

Equities	Close	Change
S&P/ASX 200	8,918	0.2%
S&P 500	6,396	-0.2%
Japan Nikkei	42,889	-1.5%
Hang Seng	25,166	0.2%
Euro Stoxx 50	5,472	-0.2%
UK FTSE100	9,288	1.1%
VIX Index	15.69	0.8%

Commodities	Current	Change
CRB Index	296.01	0.7%
Gold	3348.43	1.0%
Copper	9720	0.3%
Oil (WTI futures)	63.21	1.4%
Coal (coking)	189.75	0.0%
Coal (thermal)	112.60	0.5%
Iron Ore	102.05	-0.3%
ACCU	34.13	-4.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.60	-0.01
90 day BBSY	3.62	-0.01
180 day BBSY	3.73	-0.01
1 year swap	3.28	-0.03
2 year swap	3.22	-0.04
3 year swap	3.27	-0.06
4 year swap	3.36	-0.06
5 year swap	3.47	-0.06
6 year swap	3.59	-0.06
7 year swap	3.71	-0.06
8 year swap	3.81	-0.06
9 year swap	3.91	-0.06
10 year swap	4.16	-0.05

Government Bond Yields	Close	Change
Australia		
3 year bond	3.40	-0.04
10 year bond	4.30	-0.03
United States		
3-month T Bill	4.11	0.00
2 year bond	3.75	0.00
10 year bond	4.29	-0.02

Other (10 year yields)		
Germany	2.72	-0.03
Japan	1.61	0.01
UK	4.67	-0.07

Sydney Futures Exchange	Current	Change
10 yr bond	4.30	-0.03
3 yr bond	3.39	-0.02
3 mth bill rate	3.53	0.00
SPI 200	8,899	0.2%

Data as at 7:05am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.



Mantas Vanagas
Senior Economist, Westpac Group
P: +61 422 030 326
E: mantas.vanagas@westpac.com.au

Financial Markets:

Ahead of the Jackson Hole conference, where Chair Powell is scheduled to speak tomorrow, the focus in financial markets was mainly on the news flow from the Fed. The minutes from the latest FOMC meeting, released overnight, carried a hawkish tone, highlighting emphasis in the committee's discussions on inflationary risks. Meanwhile, President Trump called on Federal Reserve Governor Lisa Cook to resign over allegations that she may have provided false information to obtain more favourable mortgage terms. Trump has been pressuring the Fed to lower interest rates, mainly by criticizing Chair Powell, and Cook's resignation would give him the opportunity to appoint another FOMC member favouring lower rates. On the economic data front, UK inflation data surprised to the upside, while the euro area inflation was confirmed at 2%, in line with the ECB's target.

- US equity markets remained the red, with the S&P500 index continuing its downward trend. Following a sharp selloff at the start of the trading session, the index managed to pare losses and finish the day down by 0.2%. The Eurostoxx 50 in Europe, where hopes of a peace deal in Ukraine supported a rally of almost 3% in the prior seven days, also fell 0.2%. The FTSE100 in the UK outperformed gaining 1.1%. Asian equities were mixed, and the domestic ASX200 rose 0.2%.
- US Treasuries rallied, despite inflation risks highlighted in the FOMC minutes. The 10Y yield was down 2bp. Bund yields also moved lower, while the higher-than-expected inflation print in the UK was largely overlooked in the Gilt markets, with the 10Y bond yield falling 7bp. Australian yields followed the global trend – the curve shifted 2-4bp lower – and futures are pointing to a further yield compression at the opening of today's trading.
- In FX markets, the DXY index struggled to maintain direction, eventually finishing the day unchanged. EUR also moved sideways, but GBP weakened by 0.3%. AUD continued its downward trend for the third consecutive day, falling 0.3% to 0.6430, down from 0.6507 at the end of last week. NZD weakened 1.2% reacting to the RBNZ interest rate cut and the dovish tone in the central bank's forward guidance.
- Crude reversed yesterday's losses, with the September WTI contract gaining 1.4% to \$63.2, as Russian foreign minister said that Russia must be included in Ukraine's security guarantees, a position that seems irreconcilable with any peace deal, and the EIA data revealed that US crude inventories fell more than expected last week. Gold gained 1%, while iron ore extended losses, falling 0.3%.

International Data:

The **FOMC's July meeting minutes** had a clear focus on the inflation outlook and uncertainty relating to the tariff pass through. "A few participants emphasized that they expected higher tariffs to lead only to a one-time increase.... [while a]

Today's key data and events

For	Data/Event	Exp	Prev
8:45am	NZ Trade Balance Jul	-	NZ\$142m
10:30am	JP Jibun Manufacturing PMI Aug Prel.	-	48.9pts
10:30am	JP Jibun Bank Services PMI Aug Prel.	-	53.6pts
4:00pm	GB Public Sector Borrowing Jul	£2b	£20.7b
6:00pm	EZ HCOB Manufacturing PMI Aug Prel.	49.5pts	49.8pts
6:00pm	EZ HCOB Services PMI Aug Prel.	50.8pts	51pts
6:30pm	GB S&P Manufacturing PMI Aug Prel.	48.3pts	48pts
6:30pm	GB S&P Services PMI Aug Prel.	51.8pts	51.8pts
10:30pm	US Initial Jobless Claims	225.7k	224k
10:30pm	US Philly Fed Aug	6.5pts	15.9pts
11:45pm	US S&P Manufacturing PMI Aug Prel.	49.7pts	49.8pts
11:45pm	US S&P Services PMI Aug Prel.	54.2pts	55.7pts

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.

few participants remarked that tariff-related factors, including supply chain disruptions, could lead to stubbornly elevated inflation." On the labour market, "participants observed that the unemployment rate remained low and that employment was at or near estimates of maximum employment". Softer economic growth could weigh on the labour market, but a decline in immigration has reduced the supply of new workers, limiting upside for the unemployment rate. On policy, a "majority of participants judged the upside risk to inflation as the greater of these two risks".

The **UK CPI** came in just above expectations in July at 3.8%yr (consensus 3.7%yr). Annual core inflation was in line with headline at 3.8%yr. Underlying these results, services inflation accelerated from 4.7%yr to 5.0%yr. Food and services inflation rates were also higher, but core goods inflation eased a touch.

Euro area July headline inflation was confirmed at 2.0%yr, unchanged from the prior month and in line with the ECB's target. And core inflation was also left unrevised at 2.3%yr, also matching its reading in the June.

Local Data:

The **RBNZ in New Zealand** cut the policy rate 25bps to 3%. The accompanying Statement was more dovish than expected. We now expect two further rate cuts ([see here](#)).



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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