



3 July 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Sentiment jumped as the US President announced that a trade deal with Vietnam had been struck ahead of the 9 July headline. This helped US equities reach a fresh record high, with investors largely shrugging off the weak ADP payroll figures.

UK gilts spiked and the Pound took a hit as the UK government scrapped its welfare reform legislation, making it harder for Chancellor Reeves to place the nations finances on a more sustainable footing. The selloff in gilts spread more broadly across Europe, with yields at the longer end of the curve finishing higher.

The US dollar and Aussie were broadly unchanged.

Iron ore rose to a 3-week high of US\$95.65 per barrel on hopes of fresh policy stimulus in China.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.4	0.0%
AUD/USD	0.6584	0.0%
AUD/JPY	94.57	0.2%
AUD/GBP	0.4820	0.8%
AUD/NZD	1.0817	0.2%
AUD/EUR	0.5581	0.1%
AUD/CNH	4.7155	0.0%
AUD/SGD	0.8382	0.0%
AUD/HKD	5.1682	0.0%
AUD/CAD	0.8948	-0.4%
EUR/USD	1.1796	-0.1%
USD/JPY	143.64	0.2%
USD Index	96.79	0.0%

Equities	Close	Change
S&P/ASX 200	8,598	0.7%
S&P 500	6,227	0.5%
Japan Nikkei	39,762	-0.6%
Hang Seng	24,221	0.6%
Euro Stoxx 50	5,319	0.7%
UK FTSE100	8,775	-0.1%
VIX Index	16.64	-1.1%

Commodities	Current	Change
CRB Index	300.71	1.6%
Gold	3357.45	0.6%
Copper	9869	-0.1%
Oil (WTI futures)	67.45	3.1%
Coal (coking)	179.25	2.4%
Coal (thermal)	115.40	0.7%
Iron Ore	95.65	2.1%
ACCU	35.58	0.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.65	-0.03
90 day BBSY	3.64	-0.01
180 day BBSY	3.81	-0.01
1 year swap	3.23	0.00
2 year swap	3.16	0.02
3 year swap	3.23	0.03
4 year swap	3.33	0.04
5 year swap	3.44	0.04
6 year swap	3.57	0.05
7 year swap	3.69	0.05
8 year swap	3.79	0.06
9 year swap	3.88	0.06
10 year swap	4.11	0.06

Government Bond Yields	Close	Change
Australia		
3 year bond	3.30	0.04
10 year bond	4.15	0.03
United States		
3-month T Bill	4.22	0.00
2 year bond	3.78	0.01
10 year bond	4.28	0.04
Other (10 year yields)		
Germany	2.66	0.09
Japan	1.43	0.04
UK	4.61	0.16

Sydney Futures Exchange	Current	Change
10 yr bond	4.22	0.04
3 yr bond	3.30	0.02
3 mth bill rate	3.55	0.03
SPI 200	8,587	-0.1%

Data as at 7:30am 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 generally higher, with the S&P 500 (0.5%) and Nasdaq (0.9%) both closing at fresh record highs, while the Dow Jones was broadly unchanged. President Trump's trade deal with Vietnam drove gains in Nike, On Holding and other clothing producers. European markets were mixed with the FTSE 100 closing 0.1% lower, while the Euro Stoxx 50 and the DAX closed 0.7% and 0.5% higher, respectively. The ASX 200 finish yesterday's session 0.7% higher, with futures pointing to a soft open this morning.
- Treasuries generally fell as the selloff in the UK spread. Concerns over the evolving fiscal outlook in the UK saw 10-year gilt shoot up 16 basis points, with the 30-year gilt 19 basis points higher. US treasuries also sold off as the market continues to assess the trajectory of public debt with the US 2-year yield 1 basis point higher and the 10-year yield up 5 basis points. Markets continue to price in at least 2 Fed rate cuts this year.
- Aussie bond futures followed the global moves overnight with yields creeping up, particularly at the longer end of the curve. The 3-and-10-year yields were 2 and 4 basis points higher, respectively. A July rate cut from the RBA remains more than 90% priced-in, with the market expecting around three 25bps cuts this year.
- The US dollar was broadly unchanged. After increasing to a session high of 97.152, the DXY retraced the gains to be at 96.776. The Aussie mirrored moves in the US dollar, retracing the fall to the session low 0.6582, to finish unchanged. The UK Pound was sold off on concerns over the fiscal outlook, falling almost 1% and touching a low of 1.3563.
- Crude jumped possibly in response to reports that Iran had been prepared to mine the Straits of Hormuz and had reportedly loaded mines onto naval vessels last month after Israel had launched pre-emptive attack. WTI futures rose 3.1% to US\$67.23.
- Gold gained 0.6% overnight, while iron ore rose to a 3-week high of US\$95.65 per barrel on hopes of fresh policy stimulus in China after a meeting of the Central Financial and Economic Affairs Commission on Tuesday.

International Data:

US ADP private payrolls were weak for a third consecutive month in June, a 33k decline following 60k and 29k gains in April and May respectively for a 19k average growth rate over the last three months. These results point to material downside risk for tonight's nonfarm payrolls report, which in contrast averaged a gain of 143k in April and May. Note, over the year to May 2025, both nonfarm payrolls and ADP payrolls averaged a monthly gain of around 140k.

Today's key data and events

For	Data/Event	Exp	Prev
11:30am	AU Goods Trade Balance May	\$4.8bn	\$5.4bn
11:45am	CH Caixin Services PMI Jun		51.1
11:00am	NZ ANZ Commodity Prices Jun		1.9%
10:30pm	US Trade Balance May	-\$69.8bn	-\$61.6bn
	US Employment Report Jun		
	Nonfarm Payrolls	120k	139k
	Unemployment Rate	4.3%	4.2%
	Avg Hourly Earnings	0.3%	0.4%
12:00am	US Factory Orders May	7.8%	-3.7%
	US Durable Goods Orders May		16.4%
	US ISM Services Jun	50.8	49.9

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 US President announced a deal had been made with Vietnam, with the country set to pay a 20% tariff on exports to the US while imports from America would have no levy. Goods deemed to be transshipped through the country face a 40% hit.

The Euro Area unemployment rate edged higher in May from 6.2% to 6.3%, remaining around its historic low.

Local Data:

Retail turnover rose a modest 0.2% mth in May, to be 3.3% higher in annual terms. There was a rebound in clothing & footwear and department stores in May, while food retailing fell for a second consecutive month. All major states recorded a rise, with WA making the largest monthly gain of 0.7%. These numbers continue to suggest that private consumer demand remains sluggish.

Total dwelling approvals increased 3.2% in May, to be 6.5% higher than a year ago. The recent upswings has been led by 'units' with detached house approvals relatively steady. The May month saw an 11% bounce in private unit approvals while private detached house approvals rose a modest 0.5%. Despite the monthly increase, approvals remain well down on the highs record coming out of the pandemic.



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