

7 July 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

There was risk off tone after President Trump announced that his administration would start sending out letters to set unilateral tariffs. The President said “10 or 12” letters would go out imposing tariffs ranging from 10%-70%, payable from 1 August 2025.

US equities were closed for 4 July Independence Day, but futures were lower, with European and Asian markets also generally lower. US bond yields finished the week higher with the US dollar index continuing to lose ground.

Closer to home, the ASX200 was broadly unchanged on Friday and with the Aussie slightly higher in weekly terms. A rate cut this week is almost fully priced in.

Crude was lower following OPEC+’s surprise decision to add more supply, while iron ore continued to make gains on hopes of further fiscal stimulus.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.3	0.0%
AUD/USD	0.6556	-0.2%
AUD/JPY	94.72	-0.5%
AUD/GBP	0.4803	-0.2%
AUD/NZD	1.0819	0.0%
AUD/EUR	0.5564	-0.4%
AUD/CNH	4.6961	-0.3%
AUD/SGD	0.8350	-0.4%
AUD/HKD	5.1459	-0.2%
AUD/CAD	0.8923	0.0%
EUR/USD	1.1778	0.2%
USD/JPY	144.47	-0.3%
USD Index	97.18	0.0%

Equities	Close	Change
S&P/ASX 200	8,603	0.1%
S&P 500	6,279	0.8%
Japan Nikkei	39,811	0.1%
Hang Seng	23,916	-0.6%
Euro Stoxx 50	5,289	-1.0%
UK FTSE100	8,823	0.0%
VIX Index	17.48	6.7%

Commodities	Current	Change
CRB Index	299.93	-0.3%
Gold	3337.15	0.3%
Copper	9923	-0.9%
Oil (WTI futures)	66.50	-0.7%
Coal (coking)	178.00	-0.6%
Coal (thermal)	110.85	-1.5%
Iron Ore	96.65	0.8%
ACCU	35.58	0.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.66	0.02
90 day BBSY	3.63	0.00
180 day BBSY	3.82	0.02
1 year swap	3.25	-0.01
2 year swap	3.18	-0.02
3 year swap	3.23	-0.03
4 year swap	3.33	-0.02
5 year swap	3.43	-0.02
6 year swap	3.55	-0.02
7 year swap	3.67	-0.02
8 year swap	3.77	-0.02
9 year swap	3.86	-0.02
10 year swap	4.10	-0.02

Government Bond Yields	Close	Change
Australia		
3 year bond	3.33	0.02
10 year bond	4.19	0.01
United States		
3-month T Bill	4.25	-0.01
2 year bond	3.88	0.00
10 year bond	4.35	0.00

Other (10 year yields)		
Germany	2.61	-0.01
Japan	1.44	-0.01
UK	4.55	0.01

Sydney Futures Exchange	Current	Change
10 yr bond	4.22	0.00
3 yr bond	3.32	0.00
3 mth bill rate	3.59	0.04
SPI 200	8,583	0.0%

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.



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

Financial Markets

- After closing at record levels, US equity markets were closed for the 4 July Independence Day holiday. Futures traded lower after President Trump's announced his administration would start setting unilateral tariffs. This triggered falls in markets more highly susceptible to tariffs in Europe and Asia. The Euro Stoxx 50 closed 1.0% lower, the DAX was down 0.6% while the FTSE 100 stabilised to finish broadly unchanged. The ASX 200 was broadly unchanged but finished the week 1.0% higher – the strongest week since mid-May.
- US Treasury markets were closed. There were small moves in other markets with yields slightly lower in Europe. There is around 50 basis points of cuts priced in by the end of 2025 in the US and the UK. Markets have priced in one more cut in Europe by the end of 2025.
- Aussie bond yields finished the week higher. The 3-and-10-year bond yields were up 2 and 1 basis point on Friday, respectively. Markets have almost fully priced in a rate cut when the RBA Board meets this week and is expecting two further 25 basis points cuts this year – in September and December to take the cash rate down to around 3.1% by the end of the year.
- The US dollar traded within a narrow range (96.859 to 97.107) to remain broadly unchanged but finished the week around 0.25% lower at 97.180. Recent downside has been driven by cyclical factors including a more dovish repricing of Fed expectations. The 9 July reciprocal tariff deadline remains a significant risk event for the DXY.
- The Aussie dollar ended Friday's session lower but was slightly higher over the week against the Greenback. Looking beyond shifts in risk sentiment, higher commodity prices, more dovish repricing of Fed expectations and new highs in equities are supportive of the AUD. Risks around the 9 July reciprocal tariff deadline are manageable given AUD is more susceptible to US-China negotiations, which are not central to the deadline. The market has almost fully priced in a rate cut by the RBA Board – a surprise pause this week would provide the Aussie with a tailwind.
- Crude futures were lower and remains susceptible to further falls following OPEC+'s surprise decision to add 548k b/d next month. OPEC+ noted that the decision was based on "current healthy market fundamentals" and that it may add the same amount in September.
- Gold retraced some of the falls in the previous session to trade around US\$3,350. Iron ore continued to record gains on the back of hopes of fresh policy stimulus in China after a meeting of the Central Financial and Economic Affairs Commission on Tuesday.

Today's key data and events

For	Data/Event	Exp	Prev
11:30am	AU ANZ-Indeed Job Ads Jun		-1.2%
12:00pm	CH Foreign Reserves Jun		US\$3.3tr
4:00pm	EZ Ger. Industrial Production May	-0.2%	-1.4%
7:00pm	EZ Retail Sales May	-0.6%	0.1%

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:

US President Trump announced that his administration will begin to notify nations of their new tariff rates in coming days, ahead of 9 July. President Trump stated that the tariffs will "range in value from maybe 60 or 70% tariffs to 10 and 20% tariffs", the top end of that range above the highest rates announced on Liberation Day. Negotiations with key nations including India, South Korea, Japan and Europe are still ongoing, but on Friday President Trump noted a preference to just "send a letter out and say what tariffs they are going to be paying". The new tariffs will reportedly be implemented 1 August, potentially giving some nations another three weeks to negotiate a better deal.

ECB President Lagarde said: "Our determination, our commitment, our duty is to keep price stability – and price stability is around 2% inflation...We have delivered, inflation is measured at 2%, and we will continue doing so...We are committed to that 2% target and we will do whatever it takes – to borrow a very famous formula – to make sure that it stays at that level...We have a lot of uncertainty, a lot of unpredictability around us at the moment, but on the price front, we will be certain and stable."

Local Data:

The monthly household spending indicator posted its strongest result of 2025, rising 0.9%*mtm* in May. The rise was led by a 3.7%*mtm* increase in clothing & footwear. Food and alcohol & tobacco were the only categories to see a fall. Spending rose across all states and territories, with Qld and WA in the lead. Together, the two states have contributed nearly half of the growth in spending over the past year, despite accounting for around one-third of total spend. Despite this lift, the indicator shows that spending in the first two months of Q2 2025 has been softer than previous quarters.



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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