



1 August 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

Markets continued to assess the impact of evolving US trade policies, with Mexico's negotiation deadline extended and the US President demanding better deals from the world's largest drug makers.

This saw the US dollar make gains for the sixth consecutive session, while the Aussie continued to soften.

Key global equities were lower as the tech led rally lost steam throughout the session.

US yields were higher at the shorter end of the curve as traders paired back their rate cut expectations. The flow of US economic data was on the firmer side with the inflation print in line with expectations but jobless claims better than expected. All eyes will be on tonight's non-farm payroll print.

## Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	60.3	-0.2%	30 day BBSY	3.73	-0.02
AUD/USD	0.6429	-0.1%	90 day BBSY	3.73	-0.02
AUD/JPY	96.88	0.7%	180 day BBSY	3.83	0.00
AUD/GBP	0.4866	0.1%	1 year swap	3.37	0.02
AUD/NZD	1.0904	-0.1%	2 year swap	3.31	0.02
AUD/EUR	0.5630	-0.2%	3 year swap	3.36	0.03
AUD/CNH	4.6339	-0.2%	4 year swap	3.43	0.02
AUD/SGD	0.8345	0.0%	5 year swap	3.53	0.01
AUD/HKD	5.0460	-0.1%	6 year swap	3.64	0.00
AUD/CAD	0.8900	0.1%	7 year swap	3.75	-0.01
EUR/USD	1.1417	0.1%	8 year swap	3.85	-0.01
USD/JPY	150.73	0.8%	9 year swap	3.94	-0.01
USD Index	100.07	0.3%	10 year swap	4.20	0.01

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,743	-0.2%	<b>Australia</b>		
S&P 500	6,339	-0.4%	3 year bond	3.42	0.03
Japan Nikkei	41,070	1.0%	10 year bond	4.26	0.00
Hang Seng	24,773	-1.6%	<b>United States</b>		
Euro Stoxx 50	5,320	-1.4%	3-month T Bill	4.23	0.00
UK FTSE100	9,133	0.0%	2 year bond	3.96	0.02
VIX Index	16.72	8.0%	10 year bond	4.37	0.00

Commodities	Current	Change	Other (10 year yields)		
CRB Index	299.78	-1.8%	Germany	2.70	-0.01
Gold	3289.93	0.5%	Japan	1.56	0.00
Copper	9674	-1.0%	UK	4.57	-0.03

			Sydney Futures Exchange	Current	Change
Oil (WTI futures)	69.34	-0.9%	10 yr bond	4.32	0.03
Coal (coking)	187.00	-1.8%	3 yr bond	3.44	0.03
Coal (thermal)	117.40	0.3%	3 mth bill rate	3.57	0.00
Iron Ore	100.45	-1.9%	SPI 200	8,639	-0.7%
ACCU	34.13	-4.1%			

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:

- A tech led rally lost steam throughout the session as investors digested the US inflation print, firmer than expected labour report and President Trump sent letters calling on the world's largest drugmakers to cut US prices. Meta surged 11.3% and Microsoft jumped 4.1% after both companies reported stronger than expected quarterly results. Overall, the broad-based S&P 500 declined 0.4%, after gaining as much as 1% in early trade, while the tech-rich Nasdaq fell 0.03% and the Dow Jones finished 0.7% lower.
- Equity markets in Europe finished lower as mining stocks slumped, and investors reacted to the flow of US data. Mining stocks declined on the 50% tariff that President Trump is imposing on some imports of copper. The FTSE 100 in London declined 0.05%, Germany's DAX dropped 0.7%, and the Euro Stoxx 50 finished 1.4% lower. The ASX 200 declined 0.15%, after the strong gains made in the previous session. Futures are pointing to a soft open this morning.
- The US yield curve flattened overnight as shorter term to maturity yields increased. The 2-year US bond yield increased 2 basis points 3.96% while the 10-year US bond yield was flat at 4.37%. Traders have paired back their rate cut expectations with one rate cut fully priced in for December and only 33 basis points of cuts priced in over 2025 (down from 43 basis points at the start of the week).
- At home, a sell-off in Treasuries saw yields edge increase yesterday, which continued overnight. The 3-and-10-year futures both increased three basis points to 3.44% and 4.32%, respectively. The market has fully priced in a rate cut for August, and there are 61 basis points of cuts priced in over 2025.
- The US dollar continued to edge higher, increasing for a sixth straight day to reach a two month high of 100.101 during the session. It is currently trading a touch above the 100.00 mark. The Euro traded sideways, and the Yen hit a four-month low against the Greenback as comments from BoJ Governor Kazuo Ueda were seen as less hawkish than expected.
- The Aussie extended its decline, reaching a low of 0.6424 against the Greenback, and continues to trade at this level. Beyond the near-term volatility, we see upside for the AUD/USD pair, as trade uncertainty diminishes, the US economy slows and possible future stimulus coming out of China supports activity.
- Crude markets were lower on news OPEC members may approve another jumbo output hike for September. The WTI fell almost 1% to US\$69.34/bbl. Gold was higher on global uncertainty, while Copper, Iron Ore and Coal lost ground. Iron Ore continues to trade above US\$100/t.

## Today's key data and events

For	Data/Event	Exp	Prev
12:01am	AU Corelogic Home Value Index Jul	-	0.6%
8:00am	NZ ANZ Consumer Confidence Jul	-	98.8pts
8:45am	NZ Building Permits Jun	-	10.4%
9:30am	JP Job-to-Applicant Jun	120.0%	120.0%
10:30am	JP Jibun Bank Manufacturing PMI Jul Final	-	48.8pts
11:30am	AU PPI Q2	-	3.7%
11:45am	CN Caixin Manufacturing PMI Jul	50.2pts	50.4pts
6:00pm	EZ HCOB Manufacturing PMI Jul Final	49.8pts	49.8pts
6:30pm	GB S&P Manufacturing PMI Jul Final	48.2pts	48.2pts
10:30pm	US Non-Farm Payrolls Jul	103.5k	147k
10:30pm	US Average Hourly Earnings Jul	0.3%	0.2%
10:30pm	US Unemployment Rate Jul	4.2%	4.1%
11:45pm	US S&P Manufacturing PMI Jul Final	49.7pts	49.5pts
12:00am	US ISM Manufacturing Jul	49.5pts	49pts
12:00am	US Construction Spending Jun	0.0%	-0.3%
12:00am	US Uni. Of Michigan Sentiment Jul Final	62pts	61.8pts

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:

President Trump will sign an executive order imposing new **tariff rates** on trading partners that take effect from tomorrow. He has struck deals with the European Union, the UK, Japan and South Korea. The US extended Mexico's current tariff rates for 90 days to allow more time for talks.

The **US PCE deflator** was as expected in June, rising 0.3% on a headline and core basis, for annual growth of 2.6%yr and 2.8%yr respectively. Personal income growth bounced back in the month, rising 0.3% after a 0.4% decline in May. Personal spending was a touch softer than expected in June at 0.3%, though a minor revision to May's growth rate made up for it. Real personal spending eked out a 0.1% gain after a 0.2% decline in May. The US consumer looks to have ended Q2 with very little momentum and risk aware.

**US Initial jobless** claims rose 218k, better than the 224k expected by the market. Continuing claims were at 1946k, also better than the 1953k expected by the market. These outcomes are consistent with a still solid labour market

**Euro Area** unemployment was unchanged at 6.2% in June after the May outcome was revised down from 6.3%.

**China's** official NBS PMIs provided little new information in July, the manufacturing index edging down from 49.7 to 49.3 and the services index from 50.5 to 50.1. Historically, these outcomes are consistent with GDP at or above 5.0%.

The **BoJ** left policy settings unchanged at its July meeting but revised up its inflation outlook, particularly for the current fiscal year ending March 2026. Median estimates for CPI (ex. fresh food) were nudged up to 2.7%yr for FY2025 (ending March 2026) from 2.2% previously.

## Local Data:

Yesterday's flow of domestic data was mixed. **Nominal retail trade** grew 1.2%*mt* in June, driven by end of financial year discounting. Retail volumes (which feed into the national accounts outcome) rose a more modest 0.3% in the June quarter, with retail volumes on a per capita basis down 0.1%*qtr* in June, following a fall of 0.4%*qtr* in March. This suggests that the modest recovery in household spending continued over the June quarter.

**Credit** flowing to the private sector grew 0.6%*mt* in June and lifted to a pace of annual pace of 6.8%*yr*. Growth in housing credit continues to pick up, lifting almost 6.0%*yr* in June, in part due to lower interest rates and as more consumers expect further cash rate cuts. There was a pick-up in other personal credit, rising 0.8%*mt* in June, the largest monthly increase since December 2007. Finally, business credit continues to chalk up gains, up 0.5%*mt* in June with annual growth at a solid 9.0%*yr*.

The number of **dwellings approved** reach their highest level since August 2022. The increase was driven by a strong rise in private medium and high-density dwellings, which rose 33.1%*mt*. In year average terms, the total number of dwellings approved increased 13.5% in the 2025FY, showing that the housing construction cycle has well and truly passed its trough.

**Export prices** fell 4.5%*qtr* in June, and 3.3%*yr* in annual terms. This was driven by further falls in the prices of our key commodity exports, falling 7.2% in the June quarter and 8.7%*yr* in annual terms. The main drivers of the fall were iron ore, down 9.0%*qtr*, and coal, down 10.4%*qtr*. Gold continued to make gains given the uncertain global backdrop, up 12.1%*qtr* in June. Import prices on the other hand declined at the more modest rate of 0.8%*qtr* in June but were 1.4%*yr* higher in annual terms. This shows that we are unable to rely on our terms of trade to deliver gains in living standards going forward.



# Corporate Directory

## Westpac Economics / Australia

### Sydney

Level 19, 275 Kent Street  
Sydney NSW 2000  
Australia

E: [economics@westpac.com.au](mailto:economics@westpac.com.au)

### Luci Ellis

Chief Economist Westpac Group  
E: [luci.ellis@westpac.com.au](mailto:luci.ellis@westpac.com.au)

### Matthew Hassan

Head of Australian Macro-Forecasting  
E: [mhassan@westpac.com.au](mailto:mhassan@westpac.com.au)

### Elliot Clarke

Head of International Economics  
E: [eclarke@westpac.com.au](mailto:eclarke@westpac.com.au)

### Sian Fenner

Head of Business and Industry Economics  
E: [sian.fenner@westpac.com.au](mailto:sian.fenner@westpac.com.au)

### Justin Smirk

Senior Economist  
E: [jsmirk@westpac.com.au](mailto:jsmirk@westpac.com.au)

### Pat Bustamante

Senior Economist  
E: [pat.bustamante@westpac.com.au](mailto:pat.bustamante@westpac.com.au)

### Mantas Vanagas

Senior Economist  
E: [mantas.vanagas@westpac.com.au](mailto:mantas.vanagas@westpac.com.au)

### Ryan Wells

Economist  
E: [ryan.wells@westpac.com.au](mailto:ryan.wells@westpac.com.au)

### Illiana Jain

Economist  
E: [illiana.jain@westpac.com.au](mailto:illiana.jain@westpac.com.au)

### Jameson Coombs

Economist  
E: [jameson.coombs@westpac.com.au](mailto:jameson.coombs@westpac.com.au)

### Neha Sharma

Economist  
E: [neha.sharma1@westpac.com.au](mailto: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](mailto:economics@westpac.co.nz)

### Kelly Eckhold

Chief Economist NZ  
E: [kelly.eckhold@westpac.co.nz](mailto:kelly.eckhold@westpac.co.nz)

### Michael Gordon

Senior Economist  
E: [michael.gordon@westpac.co.nz](mailto:michael.gordon@westpac.co.nz)

### Darren Gibbs

Senior Economist  
E: [darren.gibbs@westpac.co.nz](mailto:darren.gibbs@westpac.co.nz)

### Satish Ranchhod

Senior Economist  
E: [satish.ranchhod@westpac.co.nz](mailto:satish.ranchhod@westpac.co.nz)

### Paul Clark

Industry Economist  
E: [paul.clarke@westpac.co.nz](mailto:paul.clarke@westpac.co.nz)

## Westpac Economics / Fiji

### Suva

1 Thomson Street  
Suva, Fiji

### Shamal Chand

Senior Economist  
E: [shamal.chand@westpac.com.au](mailto:shamal.chand@westpac.com.au)



 [westpaciq.com.au](http://westpaciq.com.au)

©2025 Westpac Banking Corporation ABN 33 007 457 141 (including where acting under any of its Westpac, St George, Bank of Melbourne or BankSA brands, collectively, “Westpac”). References to the “Westpac Group” are to Westpac and its subsidiaries and includes the directors, employees and representatives of Westpac and its subsidiaries.

### Things you should know

We respect your privacy: You can view our [privacy statement at Westpac.com.au](#). Each time someone visits our site, data is captured so that we can accurately evaluate the quality of our content and make improvements for you. We may at times use technology to capture data about you to help us to better understand you and your needs, including potentially for the purposes of assessing your individual reading habits and interests to allow us to provide suggestions regarding other reading material which may be suitable for you.

This information, unless specifically indicated otherwise, is under copyright of the Westpac Group. None of the material, nor its contents, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party without the prior written permission of the Westpac Group.

### Disclaimer

This information has been prepared by Westpac and is intended for information purposes only. It is not intended to reflect any recommendation or financial advice and investment decisions should not be based on it. This information does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter into a legally binding contract. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision.

This information may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure this information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of this information, or otherwise endorses it in any way. Except where contrary to law, Westpac Group intend by this notice to exclude liability for this information. This information is subject to change without notice and none of Westpac or its related entities is under any obligation to update this information or correct any inaccuracy which may become apparent at a later date. This information may contain or incorporate by reference forward-looking statements. The words “believe”, “anticipate”, “expect”, “intend”, “plan”, “predict”, “continue”, “assume”, “positioned”, “may”, “will”, “should”, “shall”, “risk” and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. Past performance is not a reliable indicator of future performance, nor are forecasts of future performance. Whilst every effort has been taken to ensure that the assumptions on which any forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from any forecasts.

**Conflicts of Interest:** In the normal course of offering banking products and services to its clients, the Westpac Group may act in several capacities (including issuer, market maker, underwriter, distributor, swap counterparty and calculation agent) simultaneously with respect

to a financial instrument, giving rise to potential conflicts of interest which may impact the performance of a financial instrument. The Westpac Group may at any time transact or hold a position (including hedging and trading positions) for its own account or the account of a client in any financial instrument which may impact the performance of that financial instrument.

**Author(s) disclaimer and declaration:** The author(s) confirms that (a) no part of his/her compensation was, is, or will be, directly or indirectly, related to any views or (if applicable) recommendations expressed in this material; (b) this material accurately reflects his/her personal views about the financial products, companies or issuers (if applicable) and is based on sources reasonably believed to be reliable and accurate; (c) to the best of the author’s knowledge, they are not in receipt of inside information and this material does not contain inside information; and (d) no other part of the Westpac Group has made any attempt to influence this material.

### Further important information regarding sustainability-related content:

This material may contain statements relating to environmental, social and governance (ESG) topics. These are subject to known and unknown risks, and there are significant uncertainties, limitations, risks and assumptions in the metrics, modelling, data, scenarios, reporting and analysis on which the statements rely. In particular, these areas are rapidly evolving and maturing, and there are variations in approaches and common standards and practice, as well as uncertainty around future related policy and legislation. Some material may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. There is a risk that the analysis, estimates, judgements, assumptions, views, models, scenarios or projections used may turn out to be incorrect. These risks may cause actual outcomes to differ materially from those expressed or implied. The ESG-related statements in this material do not constitute advice, nor are they guarantees or predictions of future performance, and Westpac gives no representation, warranty or assurance (including as to the quality, accuracy or completeness of the statements). You should seek your own independent advice.

### Additional country disclosures:

**Australia:** Westpac holds an Australian Financial Services Licence (No. 233714). You can access [Westpac's Financial Services Guide](#) [here](#) or request a copy from your Westpac point of contact. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice.

**Note:** Luci Ellis, Westpac Chief Economist is a member of the Australian Statistics Advisory Council (ASAC) which is a key advisory body to the Minister and the Australian Bureau of Statistics on statistical services. Luci does not have access to sensitive data/reports in her capacity as a member of ASAC.

**New Zealand:** In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac (NZ division) or Westpac New Zealand Limited (company number 1763882), the New Zealand incorporated subsidiary of Westpac (“WNZL”). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address [www.westpac.co.nz](http://www.westpac.co.nz).

Disclaimer continues overleaf ►



**Singapore:** This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients of this material in Singapore should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore.

**U.S:** Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. The services and products referenced above are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Westpac Capital Markets, LLC ("WCM"), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ('the Exchange Act') and member of the Financial Industry Regulatory Authority ('FINRA'). In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WCM other than as provided for in certain legal agreements between Westpac and WCM and obligations of WCM do not represent liabilities of Westpac.

This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. Transactions by U.S. customers of any securities referenced herein should be effected through WCM. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person of WCM or any other U.S. broker-dealer under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

**UK and EU:** The London branch of Westpac is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA (Financial Services Register number: 124586). The London branch of Westpac is registered at Companies House as a branch established in the United Kingdom (Branch No. BR000106). Details about the extent of the regulation of Westpac's London branch by the PRA are available from us on request.

Westpac Europe GmbH ("WEG") is authorised in Germany by the Federal Financial Supervision Authority ('BaFin') and subject to its regulation. WEG's supervisory authorities are BaFin and the German

Federal Bank ('Deutsche Bundesbank'). WEG is registered with the commercial register ('Handelsregister') of the local court of Frankfurt am Main under registration number HRB 118483. In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WEG other than as provided for in certain legal agreements (a risk transfer, sub-participation and collateral agreement) between Westpac and WEG and obligations of WEG do not represent liabilities of Westpac.

This communication is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. This communication is not being made to or distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, this communication is being made only to and is directed at (a) those persons falling within the definition of Investment Professionals (set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")); (b) those persons falling within the definition of high net worth companies, unincorporated associations etc. (set out in Article 49(2) of the Order); (c) other persons to whom it may lawfully be communicated in accordance with the Order or (d) any persons to whom it may otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". Westpac expressly prohibits you from passing on the information in this communication to any third party.

This communication contains general commentary, research, and market colour. The communication does not constitute investment advice. The material may contain an 'investment recommendation' and/or 'information recommending or suggesting an investment', both as defined in Regulation (EU) No 596/2014 (including as applicable in the United Kingdom) ("MAR"). In accordance with the relevant provisions of MAR, reasonable care has been taken to ensure that the material has been objectively presented and that interests or conflicts of interest of the sender concerning the financial instruments to which that information relates have been disclosed.

Investment recommendations must be read alongside the specific disclosure which accompanies them and the general disclosure which can be found [here](#). Such disclosure fulfils certain additional information requirements of MAR and associated delegated legislation and by accepting this communication you acknowledge that you are aware of the existence of such additional disclosure and its contents.

To the extent this communication comprises an investment recommendation it is classified as non-independent research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and therefore constitutes a marketing communication. Further, this communication is not subject to any prohibition on dealing ahead of the dissemination of investment research.