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# MORNING REPORT

Today's economic developments and market movements.

## Key themes

Financial markets were closely watched news from the US Senate, where lawmakers debated President Trump’s “big, beautiful bill”.

In the US-EU trade negotiations, the EU expressed willingness to accept US’s 10% universal tariff in exchange for exemptions on key areas such as pharmaceuticals, semiconductors and aircrafts.

The US equity market ended a volatile quarter on a positive note. Despite the hawkish comments from Atlanta Fed President Bostic, US Treasuries rallied across the curve.

The DXY index fell 0.6%, leaving the June result at -2.5%, and AUD was among the biggest beneficiaries, appreciating 0.8%.

## Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.1	-0.2%
AUD/USD	0.6575	0.8%
AUD/JPY	94.72	0.3%
AUD/GBP	0.4790	0.6%
AUD/NZD	1.0797	0.1%
AUD/EUR	0.5580	0.2%
AUD/CNH	4.7073	0.5%
AUD/SGD	0.8362	0.5%
AUD/HKD	5.1633	0.8%
AUD/CAD	0.8948	0.3%
EUR/USD	1.1782	0.6%
USD/JPY	144.03	-0.4%
USD Index	96.78	-0.6%

Equities	Close	Change
S&P/ASX 200	8,542	0.3%
S&P 500	6,205	0.5%
Japan Nikkei	40,487	0.8%
Hang Seng	24,072	-0.9%
Euro Stoxx 50	5,303	-0.4%
UK FTSE100	8,761	-0.4%
VIX Index	16.73	2.5%

Commodities	Current	Change
CRB Index	297.28	-0.8%
Gold	3303.14	0.9%
Copper	9869	-0.1%
Oil (WTI futures)	64.95	-0.9%
Coal (coking)	175.50	-0.3%
Coal (thermal)	112.80	2.1%
Iron Ore	94.15	-0.3%
ACCU	35.58	0.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.66	-0.03
90 day BBSY	3.65	-0.01
180 day BBSY	3.83	0.01
1 year swap	3.22	-0.01
2 year swap	3.14	-0.01
3 year swap	3.20	0.00
4 year swap	3.30	0.00
5 year swap	3.41	0.00
6 year swap	3.52	0.00
7 year swap	3.64	0.00
8 year swap	3.74	0.00
9 year swap	3.84	0.00
10 year swap	4.06	0.00

Government Bond Yields	Close	Change
<b>Australia</b>		
3 year bond	3.26	0.02
10 year bond	4.16	0.03
<b>United States</b>		
3-month T Bill	4.19	-0.01
2 year bond	3.72	-0.03
10 year bond	4.23	-0.05
<b>Other (10 year yields)</b>		
Germany	2.61	0.02
Japan	1.43	-0.01
UK	4.49	-0.01

Sydney Futures Exchange	Current	Change
10 yr bond	4.18	-0.02
3 yr bond	3.27	0.00
3 mth bill rate	3.56	0.00
SPI 200	8,534	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.

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## Financial Markets:

Financial markets were closely watched news from the US Senate, where lawmakers debated President Trump's "big, beautiful bill". While Democrats are unified against the bill, Republicans are rushing to find a compromise that could ensure its passage ahead of Trump's 4 July deadline. News reports suggested that the US-EU trade negotiations are progressing as the 'Liberation Day' 90-day tariff pause is coming to its end. The EU expressed willingness to accept US's 10% universal tariff in exchange for exemptions on key areas such as pharmaceuticals, semiconductors and aircrafts. They are also seeking quotas to lower the industry-specific tariffs on car, and steel and aluminium exports to the US. Economic surveys from the US continue to highlight ongoing concerns about the state of the US economy amid tariff increases.

- The US equity market ended a volatile quarter on a positive note, with the S&P500 index rising 0.5% and surpassing 6200 for the first time, mainly thanks to gains in the tech sector. European stock markets traded mostly in the negative – both the Euro Stoxx 50 and the FTSE100 were lower. In Asia, the Nikkei225 jumped 0.8%, but other benchmark indices in the region were mixed. The domestic ASX200 index rose 0.3%.
- In the government bond markets, despite the hawkish comments from Atlanta Fed President Bostic, US Treasuries rallied across the curve, with the 10Y yield falling 5bp to 4.23%, the lowest level in approximately two months. In Europe, Bunds sold off despite the release of lower-than-expected German inflation data for June, but Gilt yields were slightly higher. The Aussie yields also rose – the 10Y rose 3bp to 4.16%, but futures are pointing to a likely decrease at the market open today.
- In FX markets, the DXY index fell 0.6%, leaving the June result at -2.5%. EUR and GBP appreciated by the same amount, while Japanese Yen underperformed gaining 0.4%. Meanwhile, AUD was among the biggest beneficiaries of USD weakness, appreciating 0.8%.
- Ahead of this weekend's OPEC+ meeting, where major oil producers are expected to agree on a further supply increase, crude traded in red. The August WTI contract declined almost 1% to \$64.9. Copper and iron ore were little changed.

## International Data:

The Dallas Fed Manufacturing Outlook Index, a survey of Texas business executives, continued recovering in June, rising by 2.6 to -12.7, a significantly higher level than April's trough of -35.8, but still below the average over the past eighteen months. Among the more positive details, the employment index rose to a twenty-month high, and the production indicator was little changed at a level matching its recent average. However, new

## Today's key data and events

For	Data/Event	Exp	Prev
8:45am	NZ Building Permits May	-	-15.6%
9:50am	JP Tankan Large Manufacturers Q2	10pts	12pts
11:45am	CN Caixin Manufacturing PMI Jun	49.3pts	48.3pts
7:00pm	EZ HICP Jun Prel.	2.0%	-
12:00am	US ISM Manufacturing Jun	48.7pts	48.5pts
12:00am	US Construction Spending May	-0.2%	-0.4%
12:00am	US Jolts Job Openings May	7300k	7391k

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.

orders were weak, implying that the near-term outlook remains cloudy. Prices paid for raw materials and prices received for final products rose further and were well above historical norms, signaling building inflationary pressures after the tariff increases. Meanwhile, the MNI Chicago Business Barometer suggested that the momentum in the economy was weak and stable in June, with the headline index moving broadly sideways at 40.4, well below the March's peak of 47.6.

Yesterday, China's official NBS PMIs pointed to ongoing gradual improvement in business sentiment at the end of Q2. Both the manufacturing and non-manufacturing indices increased by 0.2 ppt in June to three-month highs of 49.7 and 50.5 respectively. The former reading suggested that the manufacturing sector continued to contract for a third consecutive month since the tariff shock in early April. However, it is worth noting that the manufacturing index averaged less than 50 in 2023 and 2024, when the economy grew broadly in alignment with the current government's target pace of 5%yr. The composite index rose to 50.7, leaving the Q2 average at 50.4, down from 50.9 in Q4.

The final UK GDP estimate for Q1 confirmed the 0.7%qtr growth reported by preliminary data. Household consumption growth was revised higher to 0.4%qtr, but its impact was offset by lower business investment growth, revised from 5.9%qtr to 3.9%qtr. The UK economy almost certainly did not maintain its momentum in Q2, with GDP growth likely slowing to approximately zero.

Atlanta Fed President Raphael Bostic reiterated his view that at the moment there is not enough information to consider a change in the US monetary policy. He highlighted a risk that the price increases from tariffs might be longer-lasting resulting in more persistent inflation. Nevertheless, he still expects interest rate to go down – once this year and three times in 2026.

## Local Data:

Australia's private sector credit growth eased back to 0.5%mt in May, matching our expectations and the average pace for 2024, with annual growth rising to 6.9%yr, a new high in this cycle ([see here](#)).

In New Zealand, business confidence has recovered some of the initial shock of the US tariffs. Agriculture remains more upbeat than the more domestically-focused sectors ([see here](#)).



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