



2 July 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Donald Trump's 'One Big Beautiful Bill' passed the senate by a slim 51-50 margin. A house vote is still required before the bill can be legislated.

Fed Chair, Jerome Powell, said the central bank probably would have cut rates further this year if it wasn't for tariffs. Powell declined to rule out a rate cut as soon as the July meeting, but reiterated the need to see the impacts of tariffs before acting.

Equities were mixed overnight, while the ASX 200 closed flat yesterday.

US treasury yields edged higher as US labour market data showed signs of resilience.

The bounce in yields gave the US dollar some reprieve, leaving the DXY little changed. The Aussie dollar explored fresh highs around 0.6590 continuing its impulsive upswing.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	60.4	0.5%	30 day BBSY	3.67	0.01
AUD/USD	0.6580	0.0%	90 day BBSY	3.65	-0.01
AUD/JPY	94.36	-0.4%	180 day BBSY	3.82	0.00
AUD/GBP	0.4787	-0.1%	1 year swap	3.22	0.00
AUD/NZD	1.0789	0.0%	2 year swap	3.14	0.01
AUD/EUR	0.5573	-0.1%	3 year swap	3.21	0.00
AUD/CNH	4.7130	0.1%	4 year swap	3.30	0.00
AUD/SGD	0.8375	0.1%	5 year swap	3.40	-0.01
AUD/HKD	5.1645	0.0%	6 year swap	3.50	-0.01
AUD/CAD	0.8978	0.3%	7 year swap	3.62	-0.01
EUR/USD	1.1806	0.2%	8 year swap	3.72	-0.01
USD/JPY	143.39	-0.4%	9 year swap	3.81	-0.01
USD Index	96.82	-0.1%	10 year swap	4.04	-0.02

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,541	0.0%	Australia		
S&P 500	6,198	-0.1%	3 year bond	3.26	0.00
Japan Nikkei	39,986	-1.2%	10 year bond	4.12	-0.05
Hang Seng	24,072	-0.9%	United States		
Euro Stoxx 50	5,282	-0.4%	3-month T Bill	4.22	0.00
UK FTSE100	8,785	0.3%	2 year bond	3.77	0.05
VIX Index	16.83	0.6%	10 year bond	4.24	0.01

Commodities	Current	Change	Other (10 year yields)		
CRB Index	296.05	-0.4%	Germany	2.57	-0.03
Gold	3339.80	1.1%	Japan	1.39	-0.04
Copper	9997	-0.1%	UK	4.45	-0.04

			Sydney Futures Exchange	Current	Change
Oil (WTI futures)	65.49	0.5%	10 yr bond	4.16	0.00
Coal (coking)	175.00	-0.3%	3 yr bond	3.26	0.02
Coal (thermal)	113.40	2.0%	3 mth bill rate	3.55	0.03
Iron Ore	93.60	-0.9%	SPI 200	8,558	0.2%
ACCU	35.58	0.6%			

Data as at 8:20am 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 mixed overnight, the S&P 500 and the NASDAQ pulled back from record highs, while the Dow Jones bucked the trend rising 0.9%. The major bourses in Europe were broadly lower with the exception of the FTSE 100 which posted a 0.3% gain in London. The ASX 200 closed flat yesterday, while futures traded a touch higher overnight.
- The JOLTS labour market survey prompted a modest sell-off in US rates following signs of resilience in the US labour market. The 2-year yield was 5 basis points higher at 3.77%, while the 10-year yield gained 1 basis point to 4.24%. Markets continue to price in at least 2 Fed rate cuts this year.
- Aussie bond futures followed the US moves overnight with yields up a couple of points in the 3-year tenor. Overall though, yields remain around their recent lows with a July rate cut a done deal as far as market pricing goes.
- The firmer labour market data provided a lifeline for the US dollar which remains under pressure. The DXY touched a fresh 3-year low of 96.38 before retracing the move to finish little changed on the day. The Aussie dollar probed higher, taking on fresh highs around 0.6590, despite firming views of a sharper RBA rate cutting cycle. Still, the AUD looks poised to continue its grind higher after underperforming broader US dollar weakness over recent month. That said, the tariff deadline next week looms as a potential hurdle should news sour.
- Crude rose on news Iran cut off access to information on nuclear activity and soaring northern hemisphere summer temperatures lifted demand for fuels. Brent futures closed up 0.7% at US\$67.23, while the WTI futures rose 0.5% to US \$65.45. Copper and aluminium rose again, helped by stronger China PMIs and the weaker US dollar.
- Gold climbed for the second day in a row up 1% in line with renewed US fiscal concerns following the US Senate passing the 'One Big Beautiful Bill'.

International Data:

Japan's June quarter Tankan survey highlighted emerging risks to the wage outlook. Business conditions are expected to weaken in the September quarter, with a 9-point decline from June, largely driven by softness in the auto industry. Overall, the survey results suggest that domestic economic conditions may become less conducive to further rate hikes, even if tariff impacts prove relatively benign.

The Caixin manufacturing purchasing managers' index (PMI) edged up to 50.4 in June from 48.3 previously, broadly consistent with Monday's official PMI reading.

Eurozone's preloiminary inflation numbers met expectations in

Today's key data and events

For	Data/Event	Exp	Prev
11:30am	AU Dwelling Approvals May	4.0%	-5.7%
11:30am	AU Retail Sales May	0.4%	-0.1%
7:00pm	EZ Unemployment Rate May	6.2%	6.2%
10:15pm	US ADP Employment Change Jun	95k	37k

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.

June with the CPI rising 0.3% in the month to be 2.0% higher in annual terms. Annual growth in core inflation was unchanged at 2.3%.

In the US, the June ISM manufacturing PMI continued recent themes. Activity remained broadly neutral, while prices paid, a leading indicator of inflation, remained elevated. Forward orders, an important proxy of future demand continued to show signs of weakness.

The JOLTS survey revealed underlying momentum in the US labour market remains solid. The number of job openings ticked up, continuing a stabilisation in labour demand. The layoff rate remained low, showing little signs of job shedding.

Local Data:

The Cotality home value index rose 0.6% in June, matching a 0.6% gain in May. Prices have now risen 2.3% since January, following a slight 0.8% decline around the turn of the year. Clearly, RBA rate cuts and the expectation of more to come is boosting buyer demand in the residential housing market.

NZ Building permits spiked 10.4% in May, partly unwinding a 14.6% fall in April. Overall, permits are trending mildly higher over the start of 2025 as lower rates support activity.



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