



4 August 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

Markets reacted decisively to the weaker than expected US jobs report, soft partial economic data coming out of the US, and President Trump's revamped tariff plan announced late last week.

There was a sea of red across major equity indices as stocks were sold off, with most indices finishing the week firmly in the red.

Treasuries rallied with the 2-year US bond yield down 28 basis points. Traders are now expecting around 60 basis points of cuts from the US Fed this year, double the 30 basis points expected before the jobs report.

The US dollar declined 0.8% on the back of the lower yields, while the Aussie finished almost 0.8% higher. The Yen outperformed, up 2.2% against the Greenback.

Over the weekend OPEC+ agreed to add 547k barrels a day next month.

## Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	60.1	-0.3%	30 day BBSY	3.72	0.00
AUD/USD	0.6474	0.8%	90 day BBSY	3.74	0.01
AUD/JPY	95.41	-1.5%	180 day BBSY	3.86	0.03
AUD/GBP	0.4874	0.2%	1 year swap	3.32	-0.05
AUD/NZD	1.0933	0.2%	2 year swap	3.24	-0.07
AUD/EUR	0.5583	-0.8%	3 year swap	3.27	-0.09
AUD/CNH	4.6535	0.5%	4 year swap	3.36	-0.07
AUD/SGD	0.8346	0.1%	5 year swap	3.47	-0.05
AUD/HKD	5.0799	0.7%	6 year swap	3.59	-0.05
AUD/CAD	0.8922	0.2%	7 year swap	3.70	-0.05
EUR/USD	1.1587	1.5%	8 year swap	3.80	-0.05
USD/JPY	147.40	-2.2%	9 year swap	3.89	-0.04
USD Index	99.14	-0.8%	10 year swap	4.13	-0.07

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,662	-0.9%	<b>Australia</b>		
S&P 500	6,238	-1.6%	3 year bond	3.46	0.04
Japan Nikkei	40,800	-0.7%	10 year bond	4.32	0.05
Hang Seng	24,508	-1.1%	<b>United States</b>		
Euro Stoxx 50	5,166	-2.9%	3-month T Bill	4.17	-0.07
UK FTSE100	9,069	-0.7%	2 year bond	3.68	-0.28
VIX Index	20.38	21.9%	10 year bond	4.22	-0.16

Commodities	Current	Change	Other (10 year yields)		
CRB Index	295.28	-1.5%	Germany	2.68	-0.02
Gold	3363.48	2.2%	Japan	1.56	0.00
Copper	9595	0.2%	UK	4.53	-0.04

			Sydney Futures Exchange	Current	Change
Oil (WTI futures)	67.33	-2.8%	10 yr bond	4.25	-0.10
Coal (coking)	187.50	0.3%	3 yr bond	3.33	-0.13
Coal (thermal)	117.25	-0.1%	3 mth bill rate	3.57	0.00
Iron Ore	100.60	0.6%	SPI 200	8,587	-0.4%
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.

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## Financial Markets:

- Equities were sold off as the economic data coming out of the US suggested the economy was slowing more quickly than previously expected. The S&P 500 declined 1.6% to be 2.4% lower in weekly terms, with most sectors finishing the day in the red. The Nasdaq slid 2.2% to also be down 2.2% in weekly terms, while the Dow Jones fell 1.2% to finish the week almost 3.0% lower.
- European markets also finished the session in the red as uncertainty around President Trump's tariff plan hit sentiment. The FTSE 100 in London declined 0.7% and finished the week 0.6% lower. The German DAX dropped 2.7% to finish 3.3% lower in weekly terms, while the Euro Stoxx 50 finished 2.9% lower and was 3.5% lower over the week. The ASX 200 declined 0.9%, which wiped out the gains made early in the week. Futures are pointing to a soft open this morning.
- The US yield curve shifted lower, with the 2–10-year yield spread increasing to above 50 basis points for the first time since early July. The 2-year US bond yield declined 28 basis points (by more than an entire 25 basis point cut) to 3.68%, while the 10-year US bond yield declined 16 basis points to 4.22%. Interest-rate futures now have an 87% chance of a September US Fed cut, up from 40% before the release of the jobs report. The rally in treasuries spread globally, with yields also sliding in Europe – the policy sensitive 2-year bond yields dropped 7 and 4 basis points in the UK and Germany, respectively.
- At home, treasuries were also sold off with the 3-and-10-year futures down 13 and 10 basis points to 3.33% and 4.25%, respectively. Interest-rate futures now have a rate cut for August fully priced in, and there are around 60 basis points of cuts priced in over 2025.
- After six consecutive sessions of gains, the US dollar declined 0.8% on the back of the hit to sentiment and lower yields. The US dollar index fell to a low of 98.611 and continues to trade around this level. The Japanese Yen outperformed, with the USD/JYP pair sliding 2.2% to 147.70, while the euro was 1.5% higher at 1.1587, helping to reverse some of last week's losses.
- The Aussie rose 0.8% against the Greenback, increasing from the one month low of 0.6419 to a session high of 0.6493 and continues to trade around this level. Beyond the near-term volatility, we see upside for the AUD/USD pair, as trade policy uncertainty diminishes, the US economy slows and possible future stimulus coming out of China supports activity.
- Gold was 2.2% higher as traders increased their bets of further US Fed rate cuts. Oil fell on speculation OPEC+ members would approve another jumbo output hike for

## Today's key data and events

For	Data/Event	Exp	Prev
11:00am	AU M1 Inflation Gauge Jul	-	2.4%
6:30pm	EZ Sentix Investor Confidence Aug	6.9pts	4.5pts
12:00am	US Factory Orders Jun	-4.8%	8.2%
12:00am	US Durable Goods Orders Jun Final	-9.3%	-9.3%

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.

September. This was subsequently confirmed over the weekend with OPEC+ agreeing to add 547k barrels a day next month. The WTI fell almost 3% to US\$67.33/bbl. Copper and Iron Ore stabilised, with Iron Ore continuing to trade a touch above US\$100/t.

## International Data:

**US nonfarm payrolls** rose 73k in July, well below the 110k expected by the market. There were also significant revisions to previous months, with the June result revised from the initial estimate of 147k to just 14k, while May's estimate was revised down by 125k. With these revisions, the average monthly gain over a moving three-month window went from a pace of around 150k to just 35k.

The US unemployment rate rose to 4.2% in July, from 4.1% in June. The number of unemployed persons increased 221k, while the labour force contracted by 38k. On wages, average hourly earnings rose 0.3%*mt* and 3.9%*yr* in June, in line with market expectations.

These outcomes suggest that the US labour market, and the broader economy, may be cooling more rapidly than initially thought, with implications for monetary policy.

The **ISM manufacturing** index decreased 1 point to 48 index points in July, below the 49.5 points expected by the market. The employment sub index slid to the lowest level in more than five years, with new orders also falling for the sixth straight month.

**Construction spending** fell 0.4%*mt* in June, much worse than the flat outcome expected by the market. This was the eighth consecutive month of lower construction spending, with residential construction down 0.7% and non-residential construction 0.1% lower.

The **University of Michigan's consumer sentiment index** was confirmed at 61.7 points in July, broadly in line with the preliminary read of 61.8 points. This was the second consecutive monthly gain. One-year inflation expectations dropped for a second straight month, from 5.0% in June to 4.5% in July.

President Trump unveiled several **new tariffs** late last week, which reportedly lifts the average US tariff rate on goods from across the world to 15.2%, around six times higher than they were a year ago. This included a 35% tariff on imports from Canada; Switzerland's exporters were hit with 39% tariffs; a tariff rate of 15% on the EU was confirmed; and an across-the-board tariff of 15% on all other trading partners (with Australia

still attracting a 10% tariff rate). The President also excluded the most widely imported form of copper from tariffs.

The **Caixin Manufacturing PMI for China** fell to 49.5 points in July, from 50.4 in June and below the 50.2 points expected by the market. This was the second contraction in factory activity in three months, driven a fall in new export orders.

**Japan S&P global manufacturing PMI** was finalised at 48.9 points in July, slightly up from the preliminary estimate of 48.8 points, but down from June's print of 50.1 points. This was the 12th read below the neutral mark of 50 points over the past 13 months. Jobs to applications in Japan decreased to 1.22 in June from 1.24 in May, hitting its lowest level since March 2022.

## Local Data:

**House prices** rose 0.6%*mth* in July and 3.0%*yr* in annual terms. For the third time this year, all capitals recorded a monthly rise. Across the majors, Melbourne was up 0.4%*mth*, Sydney was up 0.6%*mth*, Brisbane and Adelaide rose 0.7%*mth* and Perth outperformed with 1.0%*mth* gain. Demand for housing is now clearly responding to the rate cuts already in place, and the rate cuts expected to occur, driving a clear upturn in the house price cycle.

**Producer (or wholesale) prices** continue to ease, up 0.7%*qtr* in June to be 3.4% higher in annual terms – the lowest annual growth rate since the September quarter 2021. The cost of construction inputs increased 0.9%*qtr* in June to be a benign 1.6% higher in annual terms.



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