



4 July 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Donald Trump's 'One Big Beautiful Bill' passed the House. The policy will add a net \$3.4 trillion to the already precarious budget deficit, but will also support growth in the near-term.

With that out of the way, focus pivots back to the July 9 deadline for reciprocal tariffs. Vietnam said negotiators are still finalizing the details of the trade deal Trump announced Wednesday. Only two framework agreements have been signed so far ahead of the deadline.

US jobs data surprised solidly to the upside, prompting traders to trim bets on Fed rate cuts.

US equities rallied to fresh record highs, bond yields jumped across the curve and the US dollar was firmer.

Stocks and bonds rallied in the UK after Chancellor Rachel Reeves reaffirmed a commitment to fiscal discipline.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	60.3	-0.2%	30 day BBSY	3.64	-0.01
AUD/USD	0.6568	-0.2%	90 day BBSY	3.63	-0.01
AUD/JPY	95.22	0.7%	180 day BBSY	3.80	0.00
AUD/GBP	0.4811	-0.3%	1 year swap	3.26	0.03
AUD/NZD	1.0824	0.1%	2 year swap	3.19	0.03
AUD/EUR	0.5587	0.2%	3 year swap	3.26	0.03
AUD/CNH	4.7081	-0.1%	4 year swap	3.35	0.02
AUD/SGD	0.8377	0.0%	5 year swap	3.46	0.01
AUD/HKD	5.1534	-0.2%	6 year swap	3.57	0.01
AUD/CAD	0.8924	-0.2%	7 year swap	3.69	0.01
EUR/USD	1.1756	-0.4%	8 year swap	3.79	0.01
USD/JPY	144.97	0.9%	9 year swap	3.89	0.00
USD Index	97.14	0.4%	10 year swap	4.12	0.02
Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,596	0.0%	Australia		
S&P 500	6,279	0.8%	3 year bond	3.32	0.02
Japan Nikkei	39,786	0.1%	10 year bond	4.18	0.03
Hang Seng	24,070	-0.6%	United States		
Euro Stoxx 50	5,343	0.5%	3-month T Bill	4.25	0.02
UK FTSE100	8,823	0.6%	2 year bond	3.88	0.10
VIX Index	16.38	-1.6%	10 year bond	4.35	0.07
Commodities	Current	Change	Other (10 year yields)		
CRB Index	299.93	-0.3%	Germany	2.62	-0.05
Gold	3326.12	-0.9%	Japan	1.44	0.01
Copper	10011	-0.6%	UK	4.54	-0.07
Oil (WTI futures)	67.00	-0.7%	Sydney Futures Exchange	Current	Change
Coal (coking)	179.00	-0.1%	10 yr bond	4.25	0.03
Coal (thermal)	113.85	-1.3%	3 yr bond	3.34	0.04
Iron Ore	96.80	1.4%	3 mth bill rate	3.55	0.00
ACCU	35.58	0.6%	SPI 200	8,611	0.3%

Data as at 7:40am 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 rallied in the US and Europe overnight with the former extending fresh record highs on the back of Trump's spending package passing congress. In contrast, it was a relatively benign session in Asia yesterday; the ASX 200 was flat near its record high but futures are 0.3% firmer this morning.
- US Treasury yields sold off sharply as solid labour market data undermined expectations for Fed rate cuts. The 2-year yield jumped 10 basis points to 3.88%, while the 10-year was up 7 basis points to 4.35%. There's now around 50 basis points of Fed rate cuts priced in by the end of 2025, down from around 65 basis points yesterday.
- Aussie bond futures followed the move in the US but didn't match the magnitude. 3-and-10-year futures yields are up 3 and 4 basis points, respectively. An RBA rate cut next week remains a done-deal for markets, but the odds of a follow-up in August has slipped back to around 65% after being as high as 80% earlier in the week.
- The US dollar caught a bid on the higher yield structure with the DXY Index gaining for a second day. That said, the US dollar is not far off multi-year lows and remains susceptible to further selling pressure ahead of the reciprocal tariff deadline next week.
- The Aussie dollar again failed to break through resistance around 0.6590 but retained its poise after a brief flush lower to 0.6537. The AUD/USD is holding comfortably within its 6-month up-trend and recent momentum on the crosses remains bullish. Next week's reciprocal tariff deadline will be an important hurdle for the Aussie given it's been carrying a solid risk premium associated with a tariff-induced China slowdown.
- Crude futures dipped on reports OPEC+ has begun discussing another 411k barrel-a-day production boost for August ahead of the cartel's video-conference this weekend. Gold dropped back below US\$3,350 despite fiscal concerns associated with the passage of the 'One Big Beautiful Bill'.

International Data:

US non-farm payroll figures for June firmer than expected with payrolls rising 147k versus expectations for a 106k gain. This was accompanied by a modest upward revision to the prior 2-months figures. The unemployment rate ticked down to 4.1%, beating expectations for a lift to 4.2%, though this was largely attributed to a fall in participation. Overall, it's a picture of resilience rather than resurgence for the US labour market, but that will be enough for the Fed to remain patient and digest the implications of tariffs.

The ISM services index improved in June, rising from 49.9 to a relatively benign 50.8. New orders rebounded strongly in the

Today's key data and events

For	Data/Event	Exp	Prev
9:30am	JP Household Spending May	1.2%	-0.1%
11:30am	AU Household Spending Indicator May	0.5%	0.1%
7pm	EZ PPI May	-0.6%	-2.2%

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.

month, from 46.4 to 51.3, while prices paid ticked down a little but remained elevated.

Activity in China's services sector remains benign as consumers continue to hold back. The Caixin services purchasing managers' index (PMI) fell to 50.6 in June, marking a nine-month low. Services activity was already facing hurdles, which have now been compounded by trade-war concerns.

Local Data:

Australia's goods trade balance narrowed to a \$2.2bn surplus in May, the narrowest in almost five years. The move was underpinned by a fall in exports across all major categories, while imports firmed considerably - providing some potential green shoots for domestic demand. Overall, the numbers remain muddled by the uncertain impacts of the fluid tariff situation, leaving us cautious of taking too much signal from the data.



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