



8 July 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Most major equity indices fell, yields rose and USD appreciated, as President Trump announced that letters threatening tariffs ranging from 25% to 40% have been sent to a group of countries.

The S&P500 fell 0.8%, which was the worst daily result in three weeks. The US Treasury and UK Gilt yield curves shifted up by around 1-5bp, with losses concentrated at the long end.

Australian yields were 1-2bp lower, ahead of the today's RBA policy announcement today. Markets are pricing in an 80% probability of cash rate cut.

In FX markets, the DXY index rose 0.4% returning to above 97.5, a level last seen on 26 June. AUD depreciated 1.0% dipping below 0.65

Data snapshot

FX Last 24 hrs	Current	Change
TWI	59.9	-0.7%
AUD/USD	0.6493	-1.0%
AUD/JPY	94.83	0.1%
AUD/GBP	0.4773	-0.6%
AUD/NZD	1.0822	0.1%
AUD/EUR	0.5544	-0.4%
AUD/CNH	4.6607	-0.8%
AUD/SGD	0.8307	-0.5%
AUD/HKD	5.0959	-1.0%
AUD/CAD	0.8882	-0.5%
EUR/USD	1.1711	-0.6%
USD/JPY	146.05	1.1%
USD Index	97.56	0.4%

Equities	Close	Change
S&P/ASX 200	8,589	-0.2%
S&P 500	6,230	-0.8%
Japan Nikkei	39,588	-0.6%
Hang Seng	23,888	-0.1%
Euro Stoxx 50	5,342	1.0%
UK FTSE100	8,807	-0.2%
VIX Index	17.79	1.8%

Commodities	Current	Change
CRB Index	299.28	-0.2%
Gold	3336.50	0.0%
Copper	9830	-0.4%
Oil (WTI futures)	67.95	1.4%
Coal (coking)	177.00	-0.6%
Coal (thermal)	112.95	-0.7%
Iron Ore	95.45	-0.6%
ACCU	35.58	0.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.63	-0.03
90 day BBSY	3.63	0.00
180 day BBSY	3.82	0.00
1 year swap	3.25	0.01
2 year swap	3.19	0.02
3 year swap	3.25	0.02
4 year swap	3.35	0.02
5 year swap	3.46	0.03
6 year swap	3.58	0.03
7 year swap	3.70	0.03
8 year swap	3.81	0.04
9 year swap	3.90	0.04
10 year swap	4.13	0.03

Government Bond Yields	Close	Change
Australia		
3 year bond	3.31	-0.02
10 year bond	4.18	-0.01
United States		
3-month T Bill	4.24	-0.01
2 year bond	3.89	0.01
10 year bond	4.38	0.03
Other (10 year yields)		
Germany	2.64	0.04
Japan	1.46	0.03
UK	4.59	0.03

Sydney Futures Exchange	Current	Change
10 yr bond	4.26	0.04
3 yr bond	3.34	0.04
3 mth bill rate	3.58	0.02
SPI 200	8,523	-0.6%

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

Most major equity indices fell, government bond yields rose and USD appreciated, as President Trump announced that letters threatening tariffs ranging from 25% to 40% have been sent to a group of countries including Japan, South Korea, Malaysia, and Kazakhstan (25% tariff); South Africa (30%); Bangladesh (35%); and Laos (40%). Trump warned that any retaliation from those countries will result in the US adding an equivalent rate to the announced tariff. However, the reciprocal tariffs, including the newly announced levies, will not take effect until the 1 August, suggesting the US's willingness to extend ongoing negotiations with major partners. President Trump also threatened an additional 10% levy on "any country aligning themselves with the Anti-American policies of BRICS".

In terms of the overnight economic data flow, most notable results came from the euro area, where the Sentix sentiment survey suggested improving outlook ahead, but retail sales and industrial production figures were consistent with a more stable momentum in Q2.

- The S&P500 fell 0.8%, which was the worst daily result in three weeks. Tesla stocks were down more than 7% as market reacted to the weekend news that Elon Musk established a political party. In Europe, the Euro Stoxx 50 bucked the global trend and posted a solid 1.0% gain, however, it came on the back of an equivalent decline on Friday. Trading before the US unveiled new tariff plans, the Nikkei225 and Hang Seng in Asia and the domestic ASX200 were in the red.
- In the government bond markets, yields headed higher. The US Treasury and UK Gilt yield curves shifted up by around 1-5bp, with losses concentrated at the long end. German Bund followed a similar pattern, albeit with a touch smaller change. JGBs were little changes at shorter maturities, but the super-long yields rose by about 10bp. Australian yields were 1-2bp lower, ahead of the today's RBA policy announcement today. Markets are pricing in an 80% probability of cash rate cut.
- In FX markets, the DXY index rose 0.4% returning to above 97.5, a level last seen on 26 June. Yen was among the worst performers, depreciating 1.1%. Ahead of today's RBA announcement, AUD depreciated 1.0% dipping below 0.65. EUR slipped 0.5%, while GBP was down 0.4%.
- Crude futures made gains, despite the headwinds from the higher-than-expected rise in the supply agreed by OPEC+ over the weekend. Copper and iron ore traded lower on the back of the tariff headlines. Nevertheless, gold held steady.

International Data:

The Sentix investor confidence survey for July 2025 indicated improving euro area economic outlook ahead. The headline

Today's key data and events

For	Data/Event	Exp	Prev
9:50am	JP Current Account Balance May	¥3006.4b	¥2258b
11:30am	AU NAB Business Conditions Jun	-	0pts
2:30pm	AU RBA Policy Decision	3.60%	3.85%
8:00pm	US NFIB Small Business Optimism Jun	98.7pts	98.8pts
-	CN M2 Money Supply Jun	8.2%	7.9%
1:00am	US US NY Fed 1-Yr Expectations Jun	-	3.2%
5:00am	US Consumer Credit May	US\$10.5b	US\$17.9b

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.

index rose by 4.4 points to +4.5, marking its highest level since February 2022 and extending the recovery from the Liberation Day shock in April into a fourth consecutive month. This increase was driven by improvements in both the current situation and expectations about the future. The index for the latter, albeit still negative, was at the highest level in more than two years. The survey once again highlighted that momentum in the euro area economy is building, despite ongoing uncertainty regarding future trading arrangements with the US.

German industrial production surprised to the upside rising 1.2%*mth* in May. The headline index includes construction, excluding this component industrial production was up even more impressive 2.2%*mth*, which was the second-steepest increase in more than two years. With April having shown a 1.6%*mth* decline, the two months in Q2 so far suggest 0.2% industrial production growth in the quarter, well below Q1's 0.8% rise, but significantly above the mostly negative three-month average growth rates seen in 2023-2024.

Euro area retail sales reported a 0.7%*mth* drop, which was the sharpest decrease since August 2023. Given the increase in recent months, the April-May average was 0.3% higher compared to Jan-Mar, suggesting that the pace of growth in Q2 so far remained unchanged pace from Q1.

Local Data:

In Australia, the Westpac-DataX Card Tracker Index softened again over the last two weeks of June, unwinding most of the firming seen over the first half of the month ([see here](#)).



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