



10 July 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

President Trump announced a number of additional tariffs rates, with Brazil set to get a 50% tariff. Reports suggest that the EU is close to reaching a trade deal with the US.

The minutes of the latest FOMC meeting highlighted that the committee maintained a broadly positive view on the US economic outlook but also noted a risk that tariffs might cause persistent inflation.

Most equity markets were in risk-on mode, with a rally in tech stocks leading the US equity prices higher. US Treasuries rallied, with yields falling 4-6bp across the curve.

Australian yields took another step higher, as the markets continue to assess implication of RBA's surprise decision on Tuesday.

## Data snapshot

| FX Last 24 hrs | Current | Change |
|----------------|---------|--------|
| TWI            | 60.3    | 0.0%   |
| AUD/USD        | 0.6536  | 0.1%   |
| AUD/JPY        | 95.63   | -0.1%  |
| AUD/GBP        | 0.4811  | 0.1%   |
| AUD/NZD        | 1.0894  | 0.0%   |
| AUD/EUR        | 0.5576  | 0.1%   |
| AUD/CNH        | 4.6945  | 0.1%   |
| AUD/SGD        | 0.8368  | 0.1%   |
| AUD/HKD        | 5.1305  | 0.1%   |
| AUD/CAD        | 0.8944  | 0.3%   |
| EUR/USD        | 1.1719  | 0.0%   |
| USD/JPY        | 146.33  | -0.2%  |
| USD Index      | 97.51   | 0.0%   |

| Equities      | Close  | Change |
|---------------|--------|--------|
| S&P/ASX 200   | 8,539  | -0.6%  |
| S&P 500       | 6,263  | 0.6%   |
| Japan Nikkei  | 39,821 | 0.3%   |
| Hang Seng     | 23,892 | -1.1%  |
| Euro Stoxx 50 | 5,446  | 1.4%   |
| UK FTSE100    | 8,867  | 0.1%   |
| VIX Index     | 15.94  | -5.2%  |

| Commodities       | Current | Change |
|-------------------|---------|--------|
| CRB Index         | 301.65  | -0.2%  |
| Gold              | 3313.66 | 0.4%   |
| Copper            | 9630    | -1.6%  |
| Oil (WTI futures) | 68.27   | -0.1%  |
| Coal (coking)     | 176.00  | 0.6%   |
| Coal (thermal)    | 112.90  | 1.2%   |
| Iron Ore          | 96.60   | 0.3%   |
| ACCU              | 35.58   | 0.6%   |

| AUS Interest Rate Swaps | Last | Change |
|-------------------------|------|--------|
| 30 day BBSY             | 3.85 | 0.22   |
| 90 day BBSY             | 3.82 | 0.19   |
| 180 day BBSY            | 3.93 | 0.12   |
| 1 year swap             | 3.40 | -0.01  |
| 2 year swap             | 3.30 | -0.01  |
| 3 year swap             | 3.33 | -0.03  |
| 4 year swap             | 3.43 | -0.02  |
| 5 year swap             | 3.54 | -0.02  |
| 6 year swap             | 3.67 | -0.02  |
| 7 year swap             | 3.78 | -0.02  |
| 8 year swap             | 3.88 | -0.02  |
| 9 year swap             | 3.97 | -0.02  |
| 10 year swap            | 4.18 | -0.03  |

| Government Bond Yields | Close | Change |
|------------------------|-------|--------|
| <b>Australia</b>       |       |        |
| 3 year bond            | 3.47  | 0.05   |
| 10 year bond           | 4.34  | 0.08   |
| <b>United States</b>   |       |        |
| 3-month T Bill         | 4.25  | 0.01   |
| 2 year bond            | 3.84  | -0.05  |
| 10 year bond           | 4.33  | -0.07  |

| Other (10 year yields) |      |       |
|------------------------|------|-------|
| Germany                | 2.67 | -0.01 |
| Japan                  | 1.51 | 0.01  |
| UK                     | 4.61 | -0.02 |

| Sydney Futures Exchange | Current | Change |
|-------------------------|---------|--------|
| 10 yr bond              | 4.32    | -0.06  |
| 3 yr bond               | 3.43    | -0.03  |
| 3 mth bill rate         | 3.70    | 0.12   |
| SPI 200                 | 8,575   | 0.5%   |

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:

President Trump announced a number of additional tariffs rates. Among the more important trading partners, the US is going to impose 50% tariff on Brazil. Meanwhile, reports suggest that the EU is close to reaching a trade deal with the US, even though the conditions are likely to fall well short of what the European Commission had expected. The minutes of the latest FOMC meeting highlighted that the committee maintained a broadly positive view on the US economic outlook. Regarding the impact of tariffs on inflation, while a few committee members expect it to be a one-off price level increase, "most officials noted the risk that tariffs could have more persistent effects on inflation".

- Most equity markets were in risk-on mode, with a rally in tech stocks leading the US equity prices higher. Having lost 0.9% over the first two days of the week, the S&P500 index gained 0.6% in the last session. In Europe, the Euro Stoxx 50 jumped 1.4%, bringing the gain from last Friday's close to 3%. The FTSE100 in the UK was nearly flat, while Asian equities were mixed. The Nikkei225 was up 0.3% once again, but the Hang Seng index and the Chinese equity markets sank.
- US Treasuries rallied, with yields falling 4-7bp across the curve. The 10Y dropped to a seven-day low of 4.33%. German Bunds and UK Gilts underperformed, as the Bank of England report noted that UK yields might be more vulnerable going forward due to growing market influence of hedge funds. Australian yields took another step higher, as the markets continue to assess implication of RBA's surprise decision on Tuesday. The 10Y reached 4.34%, the highest level since late May.
- In FX markets, despite the new tariff announcements, the DXY index was unchanged at the market close for a second consecutive day. The Japanese Yen strengthen slightly, but most other major currencies saw minimal changes.
- Crude prices held broadly steady, even though the EIA reported that the US crude stockpiles rose 7.1mn barrels last week, the biggest gain since January. Copper traded on the LME was down significantly, with markets still digesting news that the US is going to impose a 50% tariff on copper.

## International Data:

The minutes of the FOMC's June meeting showed the Committee were broadly positive on the outlook for the economy at the time of the meeting, believing "the risks of higher inflation and weaker labour market conditions had diminished... citing a lower expected path of tariffs". Nonetheless, risks "remained elevated" and, from their discussion, the Committee seems to feel they will remain difficult to assess. More Committee members currently believe risks to inflation are of greater concern than those for the

## Today's key data and events

| For     | Data/Event                | Exp  | Prev  |
|---------|---------------------------|------|-------|
| -       | CN M2 Money Supply Jun    | 8.2% | 7.9%  |
| 8:45am  | NZ Net Migration May      | -    | 1810k |
| 10:30pm | US Initial Jobless Claims | 235k | 233k  |

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.

labour market. And, while the consensus view remains that the impact of tariffs on inflation is likely to be temporary, it still could take several months to show in the data and there is a risk that it proves persistent. In terms of the immediate outlook for policy, only a "couple" of members were open to considering a rate cut "as soon as at the next meeting". "Some" instead "saw the most likely appropriate path of monetary policy as involving no reductions in the target range for the federal funds rate this year". Remaining on hold while the myriad of immediate risks are assessed and thereafter taking a very cautious approach to easing looks to be the majority view of the Committee.

## Local Data:

The RBNZ left the OCR at 3.25% as expected. The RBNZ signalled that it will probably reduce the OCR at the August MPS if the dataflow and other developments over the next six weeks meet expectations ([see here](#)).



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