

14 July 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

The Trump Administration announced a 30% tariff rate for the EU and Mexico effective 1 August, but left the door open for each country to negotiate better terms.

The EU said it will postpone countermeasures to allow for further negotiation with the German Chancellor noting the proposed tariffs would hit exporters “to the core”.

The tariff announcements came after the market close and will be an important test as Asian markets reopen this morning.

Ahead of the EU/Mexico news, markets reacted to an array of other tariff threats including a 35% tariff on some Canadian goods.

US equities retreated and treasuries sold off. The US dollar was a touch firmer, continuing its modest upswing off multi-year lows.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	60.7	0.5%	30 day BBSY	3.84	0.00
AUD/USD	0.6565	-0.2%	90 day BBSY	3.78	-0.02
AUD/JPY	96.65	0.6%	180 day BBSY	3.85	-0.03
AUD/GBP	0.4867	0.5%	1 year swap	3.38	-0.01
AUD/NZD	1.0945	0.3%	2 year swap	3.31	0.00
AUD/EUR	0.5626	-0.1%	3 year swap	3.39	0.03
AUD/CNH	4.7083	-0.2%	4 year swap	3.48	0.03
AUD/SGD	0.8413	-0.1%	5 year swap	3.59	0.03
AUD/HKD	5.1536	-0.2%	6 year swap	3.72	0.04
AUD/CAD	0.8992	0.1%	7 year swap	3.83	0.04
EUR/USD	1.1670	-0.1%	8 year swap	3.94	0.04
USD/JPY	147.23	0.8%	9 year swap	4.03	0.04
USD Index	97.85	0.2%	10 year swap	4.25	0.03

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,580	-0.1%	Australia		
S&P 500	6,260	-0.3%	3 year bond	3.46	0.03
Japan Nikkei	39,570	-0.2%	10 year bond	4.33	0.04
Hang Seng	24,140	0.5%	United States		
Euro Stoxx 50	5,383	-1.0%	3-month T Bill	4.23	-0.02
UK FTSE100	8,941	-0.4%	2 year bond	3.89	0.01
VIX Index	16.4	3.9%	10 year bond	4.41	0.06
			Other (10 year yields)		
			Germany	2.73	0.02
			Japan	1.52	0.02
			UK	4.62	0.03

Commodities	Current	Change	Sydney Futures Exchange	Current	Change
CRB Index	303.52	1.0%	10 yr bond	4.40	0.03
Gold	3355.59	0.9%	3 yr bond	3.47	0.02
Copper	9630	-1.6%	3 mth bill rate	3.65	0.00
Oil (WTI futures)	68.45	2.8%	SPI 200	8,548	-0.2%
Coal (coking)	179.00	0.0%			
Coal (thermal)	120.20	1.5%			
Iron Ore	99.85	0.3%			
ACCU	35.58	0.6%			

Data as at 7:45am 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 retreated on Friday as an escalation of tariff threats halted a recent rally. The S&P eased 0.3%, while the NASDAQ sold off 0.2%. There was a sharper sell-off in Europe, with the Euro Stoxx 50 down 1.0% and the German Dax off 0.8%. The ASX 200 closed 0.1% lower and remains just 0.7% off of its record high.
- US treasuries sold off, particularly at the longer end of the yield curve joining a broader rise in yields across Europe. The exception was the short-end of the UK yield curve which rallied a touch on soft GDP data which suggested the need for further monetary easing.
- Aussie bond yields continued to drift higher during the physical session on Friday and futures have followed the global move higher again. That said, an RBA rate cut remains around 90% priced-in for August with market expectations of an end of year cash rate of around 3.25%. This should keep the short-end of the yield curve relatively anchored even after last week's surprise from the RBA.
- The US dollar is firmer, with the DXY index up to 97.85 after the Greenback gained against every G10 currency save the Japanese Yen. The Euro has underperformed following the latest tariff threat, slipping to 1.1670 but this barely showed up on the Aussie cross. The Aussie dollar remains towards the top end of its broad upswing since the start of the year after taking another probe just shy of 66 cents.
- Gold jumped as the tariff escalation drew more safe have demand. Copper continued to sell-off on the London Metals Exchange as traders anticipate US tariffs with stunt demand. Crude futures jumped, unwinding the prior day's fall. Meanwhile, it was reported that Saudi Arabia's increased oil output far above its OPEC+ quota last month.

International Data:

UK monthly GDP data surprised to the downside again in May. The economy contracted 0.1% after a 0.3% decline in April. This was against consensus expectations for a 0.1% gain. Manufacturing activity was the main driver of the weakness, falling 1.0%.

Local Data:

There were no major data releases on Friday.

Today's key data and events

For	Data/Event	Exp	Prev
8:30am	NZ BusinessNZ PSI Jun	-	44pts
8:45am	NZ Card Spending Jun	-	0.3%
9:50am	JP Machinery Orders May	-1.5%	-9.1%
12:00pm	CN Trade Balance Jun	US\$112.1b	US\$103.2b
2:30pm	JP Industrial Production May Final	-	0.5%

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.



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