



17 July 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Speculation that President Trump is going to fire Fed Chair Powell, who he repeatedly criticized for keeping interest rate high, drove market sentiment overnight. President Trump played down the probability of that scenario.

The US Treasury yields fell, as markets tried to absorb the prospect of the Fed's diminished independence. Major equity markets showed mixed results. The S&P500 in the US rebounded after earlier losses, ending the day up 0.3%

The DXY index broke its upward trend that had persisted since the start of the month, falling 0.3% on the day. The AUD gained 0.2%.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	60.5	-0.2%	30 day BBSY	3.82	0.00
AUD/USD	0.6529	0.2%	90 day BBSY	3.77	0.00
AUD/JPY	96.53	-0.5%	180 day BBSY	3.85	0.02
AUD/GBP	0.4865	-0.1%	1 year swap	3.41	-0.02
AUD/NZD	1.0978	0.2%	2 year swap	3.34	-0.04
AUD/EUR	0.5608	-0.1%	3 year swap	3.38	-0.06
AUD/CNH	4.6878	0.2%	4 year swap	3.49	-0.04
AUD/SGD	0.8374	0.0%	5 year swap	3.61	-0.04
AUD/HKD	5.1248	0.2%	6 year swap	3.73	-0.04
AUD/CAD	0.8935	-0.1%	7 year swap	3.84	-0.04
EUR/USD	1.1639	0.3%	8 year swap	3.95	-0.04
USD/JPY	147.87	-0.7%	9 year swap	4.04	-0.04
USD Index	98.30	-0.3%	10 year swap	4.26	-0.06
Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,562	-0.8%	Australia		
S&P 500	6,264	0.3%	3 year bond	3.51	0.01
Japan Nikkei	39,663	0.0%	10 year bond	4.40	0.02
Hang Seng	24,518	-0.3%	United States		
Euro Stoxx 50	5,298	-1.0%	3-month T Bill	4.23	0.00
UK FTSE100	8,927	-0.1%	2 year bond	3.89	-0.05
VIX Index	17.16	-1.3%	10 year bond	4.46	-0.03
Commodities	Current	Change	Other (10 year yields)		
CRB Index	303.15	0.1%	Germany	2.69	-0.02
Gold	3347.13	0.7%	Japan	1.59	0.00
Copper	9635	-0.1%	UK	4.64	0.01
Oil (WTI futures)	66.59	0.1%	Sydney Futures Exchange	Current	Change
Coal (coking)	177.50	0.0%	10 yr bond	4.41	-0.03
Coal (thermal)	112.15	0.0%	3 yr bond	3.48	-0.03
Iron Ore	100.90	1.0%	3 mth bill rate	3.64	0.00
ACCU	34.13	-4.1%	SPI 200	8,590	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:

Speculation that President Trump is going to fire Fed Chair Powell, who he repeatedly criticized for keeping interest rate high, drove market sentiment overnight, with investors debating the implications of the Fed's loss of independence. Stock prices fell, the US dollar weakened, and yields declined as result. Reportedly, the idea was discussed in an Oval Office meeting between president and Republican lawmakers. Later, President Trump played down the probability of that scenario, saying "I don't rule out anything, but I think it's highly unlikely". On the economic data front, the US industrial production figures showed that the manufacturing sector maintained decent momentum in Q2, while PPI and Fed's Beige Book provided some evidence of the tariff-related price pressures.

- Major equity markets showed mixed results. The S&P500 in the US rebounded after earlier losses, ending the day up 0.3%. The Euro Stoxx 50 fell 1.0% on the day, mainly due to weaker earnings reports in the tech and automotive sectors. Results in the Asian stock exchanges were mixed – in Japan and China returns were roughly flat, but several smaller markets traded further in the red. The Australian ASX200 lost 0.8%.
- The 10Y US Treasury yield fell 3bp, while the short end of the curve dropped by around 5bp points, as markets tried to absorb the prospect of the Fed's diminished independence, which likely would imply that short-term interest rates would be lower. Bund yields were also lower, but Gilts underperformed, as UK CPI data surprised to the upside. Australian yields also rose slightly – the 10Y was up 2bp to 4.40% - but futures are pointing to a likely reversal today.
- In FX markets, the DXY index broke its upward trend that had persisted since the start of the month, falling 0.3% on the day. The AUD gained 0.2%, while the EUR and GBP appreciated 0.3%. Japanese Yen was among the biggest beneficiaries, strengthening 0.7%.
- Crude prices were on the downward trajectory earlier in the trading session, but news that last week US inventories declined at a much faster rate than expected supported prices later, with the August WTI contract finishing the day little changed. Iron ore increased 1.0%, reversing yesterday's 0.7% drop.

International Data:

In June, US industrial production growth rose from zero to a four-month high of 0.3% per month. Utility output was the main driver, rising 2.8% per month, as electricity production surged. Meanwhile, manufacturing output growth was muted at 0.1%*mth*, with production of motor vehicles declining by 4.6%*mth*. Overall, the figures suggest that in Q2 US manufacturers absorbed the tariff shock relatively well, with output continuing to grow on a three-month average basis, by

Today's key data and events

For	Data/Event	Exp	Prev
11:30am	AU Employment Jun	20k	-2.5k
11:30am	AU Unemployment Rate Jun	4.1%	4.1%
4:00pm	GB ILO Unemployment Rate May	4.6%	4.6%
10:30pm	US Retail Sales Jun	0.1%	-0.9%
10:30pm	US Import Price Index Jun	0.3%	0.0%
10:30pm	US Initial Jobless Claims	233.5k	227k
10:30pm	US Philly Fed Jul	-1pts	-4pts
12:00am	US Business Inventories May	0.0%	0.0%
12:00am	US NAHB Housing Market Jul	33pts	32pts

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.

0.5%, well above the 2024 averages.

The US Producer Price Index was unchanged in June, down from 0.3%*mth* growth in May. Most of the weakness was due to soft services prices, which eased by 0.1%. Goods prices rose 0.3% per month, the steepest in four months, but still below the high growth pace seen around the turn of the year. Similar to the CPI report released earlier this week, the PPI figures suggest some tariff pass-through, but the effect on inflation is offset by weakening price pressures in other categories.

The Federal Reserve's July Beige Book, a report of anecdotal information the regional Feds gather from their business and industry contacts, indicated that the US economy has gained some momentum recently. The previous report released in early June stated that "economic activity declined slightly," while the latest report described it as having "increased slightly." Characterization of the labour market also improved, but the assessment of price pressures was little changed from the previous report, even though "in all twelve Districts, businesses reported experiencing modest to pronounced input cost pressures related to tariffs." The report suggested that the degree to which firms are able to pass on those costs to their customers varied: "many firms passed on at least a portion of the cost increases", but some were not able to do that, absorbing the impact in their profit margins.

UK CPI inflation surprised on the upside, rising from 3.4%*yr* to 3.6%*yr*, the highest level since the start of 2024. Services inflation, which has fluctuated around a stubbornly high level close to 5% since last September, showed no signs of easing, moving sideways at 4.7%*yr*. In the core goods category, inflation picked up further, to 1.8%*yr*. This left the core rate up by 0.2 ppt to 3.7% per year, a touch above the average pace in H1 2025. Given no clear indication of a disinflationary trend, the figures represent a dilemma for the BoE. Governor Bailey struck a dovish tone recently, mentioning a possibility of more rapid Bank Rate cuts if the labour market data continues to disappoint; however, persistently high inflation would imply that the risk for interest rates remains skewed to the upside.



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