



18 July 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

US equities scaled fresh record highs again overnight as retail spending data surprised solidly to the upside, reinforcing lofty earnings expectations.

The US Congress passed the first federal legislation to regulate stablecoins with the measure on track to become law.

There were conflicting views from US Fed officials. Mary daly said two rate cuts remains reasonable for the remainder of the year while Adriana Kugler urged policymakers to keep rates steady for some time.

US treasury yields were little changed, while the dollar rose modestly and continued its July upswing.

A downside surprise in local labour market data, which saw the unemployment rate tick up to 4.3%, drove a rally in Aussie rates markets yesterday and drove a pullback in the Aussie dollar.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	60.1	-0.7%	30 day BBSY	3.82	0.00
AUD/USD	0.6491	-0.6%	90 day BBSY	3.76	-0.01
AUD/JPY	96.41	-0.1%	180 day BBSY	3.81	-0.04
AUD/GBP	0.4837	-0.6%	1 year swap	3.33	-0.08
AUD/NZD	1.0939	-0.4%	2 year swap	3.26	-0.08
AUD/EUR	0.5595	-0.2%	3 year swap	3.32	-0.07
AUD/CNH	4.6631	-0.6%	4 year swap	3.42	-0.07
AUD/SGD	0.8345	-0.4%	5 year swap	3.54	-0.06
AUD/HKD	5.0945	-0.6%	6 year swap	3.66	-0.06
AUD/CAD	0.8924	-0.1%	7 year swap	3.78	-0.05
EUR/USD	1.1602	-0.4%	8 year swap	3.90	-0.04
USD/JPY	148.53	0.5%	9 year swap	3.99	-0.04
USD Index	98.73	0.3%	10 year swap	4.22	-0.03
Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,639	0.9%	Australia		
S&P 500	6,297	0.5%	3 year bond	3.42	-0.09
Japan Nikkei	39,901	0.6%	10 year bond	4.35	-0.05
Hang Seng	24,499	-0.1%	United States		
Euro Stoxx 50	5,377	1.5%	3-month T Bill	4.23	0.00
UK FTSE100	8,973	0.5%	2 year bond	3.90	0.01
VIX Index	16.52	-3.7%	10 year bond	4.45	0.00
Commodities	Current	Change	Other (10 year yields)		
CRB Index	304.23	0.4%	Germany	2.68	-0.01
Gold	3339.65	-0.2%	Japan	1.57	-0.02
Copper	9635	-0.1%	UK	4.66	0.02
Oil (WTI futures)	67.62	1.7%	Sydney Futures Exchange	Current	Change
Coal (coking)	177.00	-0.3%	10 yr bond	4.37	-0.01
Coal (thermal)	119.40	0.4%	3 yr bond	3.40	-0.02
Iron Ore	102.05	0.9%	3 mth bill rate	3.57	-0.07
ACCU	34.13	-4.1%	SPI 200	8,650	0.4%

Data as at 8:20am 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:

- The S&P 500 and the NASDAQ closed at fresh record highs after lifting 0.5% and 0.8%, respectively. Strong US retail sales data boosted sentiment and reinforced strong earnings expectations. The mood was similarly upbeat in Europe with the Euro Stoxx 50 gaining 1.5% and the German Dax jumping 1.5%. The ASX 200 rose 0.9% yesterday, it too closing at a record high. Futures are currently up another 0.4% on yesterday's close.
- Treasury yields were little changed in the US overnight with policy expectation remaining solidly anchored around another 1-2 rate cuts from the Fed this year.
- Aussie 3-year bond yields tumbled 9 basis points yesterday on the downside surprise in employment numbers. The 10-year note also rallied 5 basis points. An August RBA rate cut is now 99% priced in with another expected in November.
- The US dollar was modestly firmer against every G10 counterpart yesterday, driving a lift in the DXY index and a continuation of its July up-trend. The Australian dollar was the weakest performer with softer labour market data eroding some of the support from the RBA's surprise pause last week. The AUD is now back below 65 cents and is testing the lower bounds of its recent upward trend channel.
- Crude prices jumped with WTI futures up 1.7% to US\$67.62 per barrel. Iron ore futures were firmer again, gaining 0.9% and rising to US\$102.05 - the highest level since February.

International Data:

US retail sales surprised solidly to the upside in June, suggesting the powerhouse of US economic growth continues to chug along despite the uncertainties posed by tariff policy. Retail sales jumped 0.6% in June, while the 'control group' measure which feeds into GDP numbers was up 0.5% in the month. The strong result was tempered somewhat by a downward revision to May's control group figures.

Initial jobless claims in the US slowed to 221k for the week ending July 12. Jobless claims remain low by historical standards, suggesting that job shedding remains scarce and the labour market is in solid health.

The UK's ILO unemployment rate edged up to 4.7% in May from 4.6% previously. This was despite an upside surprise in employment growth. Weekly earnings stepped down as expected but continued to grow at robust 5.0% annual pace.

Local Data:

Australia's June Labour Force Survey revealed employment growth has hit a soft patch over the last two months, seeing the employment-to-population ratio move slightly lower. Growth is coming off a high base and is likely to continue

Today's key data and events

For	Data/Event	Exp	Prev
9:30am	JP CPI Jun	3.3%	3.5%
10:30pm	US Housing Starts Jun	3.5%	-9.8%
10:30pm	US Building Permits Jun Prel.	-0.5%	-2.0%
12:00am	US UoM Consumer Sentiment Jul Prel.	61.5pts	60.7pts

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.

softening over the period ahead.

The unemployment rate lifted from 4.1% to 4.3% in June, driven by a surge in youth unemployment from 9.5% to 10.4%. While some of this is likely noise, the magnitude of the latest move raises the risk that total unemployment will grind higher over the rest of the year.

One month does not mark the start of a new trend, but the latest data raises the question of whether we are starting to see a material softening in the labour market.



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