

21 July 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Friday's flow of economic data was inconsequential for markets which continued to mull over the landing point for tariffs.

EU officials are set to meet this week to formulate retaliatory measures to be used if US trade talks fail.

Meanwhile, the Financial Times reported that Trump is pushing for a minimum tariff of 15%-20% with the EU.

Japan's ruling coalition is reported to have lost its upper house majority in the weekend's election. However, Prime Minister Shigeru Ishiba said he intends to stay on.

US equities stalled near record high's on Friday night in a mixed session across the Northern Hemisphere.

Treasury yields were lower across the curve as the Fed's Governor Waller hinted he would dissent on a vote to hold rates steady at the July meeting.

The US dollar paused its recent upswing with the Aussie holding above 65c.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.3	0.3%
AUD/USD	0.6514	0.3%
AUD/JPY	96.54	0.4%
AUD/GBP	0.4852	0.3%
AUD/NZD	1.0918	-0.2%
AUD/EUR	0.5599	0.0%
AUD/CNH	4.6770	0.2%
AUD/SGD	0.8368	0.3%
AUD/HKD	5.1126	0.3%
AUD/CAD	0.8938	0.1%
EUR/USD	1.1634	0.3%
USD/JPY	148.21	0.2%
USD Index	98.48	-0.3%

Equities	Close	Change
S&P/ASX 200	8,757	1.4%
S&P 500	6,297	0.0%
Japan Nikkei	39,819	-0.2%
Hang Seng	24,826	1.3%
Euro Stoxx 50	5,359	-0.3%
UK FTSE100	8,992	0.2%
VIX Index	16.41	-0.7%

Commodities	Current	Change
CRB Index	306.12	0.6%
Gold	3349.94	0.3%
Copper	9635	-0.1%
Oil (WTI futures)	67.34	-0.3%
Coal (coking)	180.50	2.0%
Coal (thermal)	112.95	-0.7%
Iron Ore	102.15	-0.1%
ACCU	34.13	-4.1%

Data as at 7:50am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.81	-0.01
90 day BBSY	3.74	-0.02
180 day BBSY	3.77	-0.05
1 year swap	3.33	-0.08
2 year swap	3.26	0.00
3 year swap	3.32	0.01
4 year swap	3.43	0.00
5 year swap	3.55	0.00
6 year swap	3.68	0.01
7 year swap	3.80	0.01
8 year swap	3.91	0.01
9 year swap	4.01	0.01
10 year swap	4.24	0.01

Government Bond Yields	Close	Change
Australia		
3 year bond	3.41	-0.02
10 year bond	4.34	-0.01
United States		
3-month T Bill	4.23	-0.01
2 year bond	3.87	-0.04
10 year bond	4.42	-0.04

Other (10 year yields)		
Germany	2.70	0.02
Japan	1.54	-0.03
UK	4.67	0.02

Sydney Futures Exchange	Current	Change
10 yr bond	4.38	0.01
3 yr bond	3.41	0.00
3 mth bill rate	3.57	0.00
SPI 200	8,688	-0.6%



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Financial Markets:

- US equities stalled near record highs on Friday. The S&P 500 was flat, while the NASDAQ eked out a 0.1% gain. The major bourses were mixed in Europe, the Euro Stoxx 50 down 0.3%, while the FTSE 100 gained 0.2% in London. The ASX 200 jumped 1.4% on Friday to a fresh record high but futures have sold off some what from Friday's close suggesting a pull-back at the open this morning.
- There was a modest rally in US rates markets on Friday with 2-and-10-year yields down 4 basis points to 3.87% and 4.42%, respectively. There's almost zero chance priced-in for a Fed rate cut at its July meeting with the next cut not fully priced until the October meeting.
- Aussie bond futures are little changed after bond yields edged a couple basis points lower on Friday. An RBA rate cut remains fully priced-in for the August meeting after last week's surprise labour force data.
- The US dollar gave up ground against most of its G10 counterparts with the DXY pulling back to 98.48. That said, the DXY's recent up-trend remains in-tact for now and there is plenty still to navigate on tariffs. The Aussie dollar failed its attempt to take on 0.6550 and is trading back down around the 65c handle.
- Iron ore prices were flat on Friday but futures have jumped 1.4% in early trade this morning to US\$102.15. Prices are now 12% above June's low. Crude futures were little changed with WTI around US\$67 per barrel.

International Data:

July's preliminary University of Michigan consumer sentiment index edged higher to 61.8, largely on the back of a lift in the assessment of current conditions. Headline sentiment remains well below average. 1-year and 5-year inflation expectations both fell modestly signalling an easing of concern over the scale of tariffs.

US housing starts rebounded in June, rising 4.6% after a 9.7% decline in May. Starts are around the average of the past year but 27% below their post-pandemic high of 2022. Building permits edged up 0.2% in June after declining 2.0% in May. Permits are roughly 5% below the average of the past year and 27% down on 2022's post-pandemic high.

He said that while it's important not to dissent regularly, officials should take the step "if you make it very clear you think at this moment in time this is an important thing to do.... The private sector is not doing as well as everybody thinks it is. Most of the employment growth we saw last month was in the public sector, and that means the private sector is not doing particularly well".

Today's key data and events

For	Data/Event	Exp	Prev
8:45am	NZ CPI Q2	0.6%	0.9%
9:01am	GB Rightmove House Prices Jul	-	-0.3%
12:00am	US Leading Index Jun	-0.3pts	-0.1pts

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.

Local Data:

There were no major data releases on Friday.



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