



22 July 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

With limited top tier data released, traders focused on the possible fallout from ongoing trade negotiations.

US Treasury Secretary Bessent reportedly stated that US-China trade talks are in a "good place." While the White House press suggested further unilateral tariff letters may be issued before August.

US bond yields and the US dollar index declined amid this uncertainty. Longer term yields in Europe also declined overnight.

US equities continue to push higher on the back of solid earnings. While yesterday's rally ran out of puff late in the session, major US equity indices closed at fresh records.

Iron ore continues to increase as Chinese Premiere Li Qiang officially launched the Yarlung Zangbo River hydropower project. Futures are now trading at around US\$105 – highest level since late last year.

## Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.4	0.2%
AUD/USD	0.6524	0.2%
AUD/JPY	96.07	-0.7%
AUD/GBP	0.4836	-0.3%
AUD/NZD	1.0931	0.1%
AUD/EUR	0.5579	-0.3%
AUD/CNH	4.6779	0.1%
AUD/SGD	0.8352	-0.1%
AUD/HKD	5.1206	0.3%
AUD/CAD	0.8925	-0.1%
EUR/USD	1.1693	0.6%
USD/JPY	147.26	-1.0%
USD Index	97.85	-0.6%

Equities	Close	Change
S&P/ASX 200	8,668	-1.0%
S&P 500	6,306	0.1%
Japan Nikkei	39,819	-0.2%
Hang Seng	24,994	0.7%
Euro Stoxx 50	5,343	-0.3%
UK FTSE100	9,013	0.2%
VIX Index	16.65	1.5%

Commodities	Current	Change
CRB Index	304.79	-0.4%
Gold	3397.05	1.4%
Copper	9635	-0.1%
Oil (WTI futures)	67.20	-0.2%
Coal (coking)	187.50	3.9%
Coal (thermal)	110.75	-0.4%
Iron Ore	103.85	2.7%
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	3.79	-0.02
90 day BBSY	3.73	-0.01
180 day BBSY	3.77	0.00
1 year swap	3.33	-0.01
2 year swap	3.25	-0.01
3 year swap	3.31	-0.01
4 year swap	3.39	-0.04
5 year swap	3.50	-0.04
6 year swap	3.63	-0.05
7 year swap	3.75	-0.05
8 year swap	3.85	-0.05
9 year swap	3.95	-0.06
10 year swap	4.20	-0.03

Government Bond Yields	Close	Change
<b>Australia</b>		
3 year bond	3.40	0.00
10 year bond	4.32	-0.01
<b>United States</b>		
3-month T Bill	4.22	-0.01
2 year bond	3.86	-0.01
10 year bond	4.38	-0.04
<b>Other (10 year yields)</b>		
Germany	2.61	-0.08
Japan	1.54	0.00
UK	4.60	-0.07

Sydney Futures Exchange	Current	Change
10 yr bond	4.33	-0.02
3 yr bond	3.39	-0.01
3 mth bill rate	3.57	0.00
SPI 200	8,660	0.1%



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## Financial Markets:

- US equities advanced in a broad-based rally, with two of the three main indices hitting new highs. Stronger than expected earnings in the IT sector supported sentiment. The S&P 500 closed 0.1% higher while the NASDAQ advanced 0.4%. The Dow Jones was broadly flat. In Europe equities were mixed with the FTSE 100 up 0.2%, the DAX up 0.1%, but the Euro Stoxx 50 down 0.3%. The ASX 200 was unable to push higher closing 1.0% in the red but remains around record highs. Futures are pointing to a more positive open this morning.
- Treasuries continued to their modest rally, particularly at the longer end of the curve, as risk around trade policy prompt some safe have allocations. The US 2-and-10-year yields were down 1 and 4 basis points to 3.86% and 4.38%, respectively. There's almost zero chance priced-in for a Fed rate cut at its upcoming July meeting with the next cut fully priced in for October. In Europe, 10-year treasury yields were also lower, down 8 and 7 basis points to 2.61% and 4.60% in Germany the UK, respectively.
- Aussie bond futures were also lower with 3-and-10-year yields down 1 and 2 basis points to 3.39% and 4.33%, respectively. An RBA rate cut remains fully priced-in for August, with the market expecting around at least two 25 basis point cuts this year.
- The US dollar was sold off on the back of the lower yields and ongoing trade tensions with the EU. The DXY fell to a low of 97.7 before stabilising at a level closer to 98.0. The Aussie dollar failed to break through 0.6540 but ended the session higher against the Greenback. The yen rose about 1.0% against the Greenback given more certainty following the weekend elections.
- Iron ore prices jumped 2.7% to US\$103.85 on news that Chinese Premier Li Qiang had officially launched the Yarlung Zangbo River hydropower project in Tibet. The total planned investment in the project is a massive CNY 1.2tn.
- Gold climbed to the highest level in more than a month, as skittishness around tariffs negotiations grew. Crude was broadly unchanged with WTI around US\$67 per barrel.

## International Data:

The US leading index deteriorated at the margin in June, falling -0.3% to be 5.4% lower on a 6-month annualised basis. The leading index has been trending down since mid-2022 and currently is 10% below the average of the past 5 years.

## Local Data:

There were no major data releases yesterday.

## Today's key data and events

For	Data/Event	Exp	Prev
8:45am	NZ Trade Balance Jun		NZ\$1235m
11:30am	AU RBA Minutes		
4:00pm	GB Public Sector Borrowing Jun	£17.6b	£17.7b
10:30pm	US Fed's Powell Gives Welcome Remarks at Regulatory Conference	-	
12:00am	US Richmond Fed Jul	-2pts	-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.



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