



24 July 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

The US trade deal with Japan, and reports suggesting trade talks with the EU are progressing well, provided markets with further confidence a worst-case scenario trade war would not eventuate.

The risk on sentiment that followed saw equities jump in the US, Europe and Japan, with Asian futures also pointing to a solid open.

The rally we have seen in Treasuries came to an end with yield curves in the US and Europe shifting higher. The US dollar declined as risk currencies, including the Aussie, benefited from the risk on tone overnight.

The Aussie was a standout, climbing 0.7% to trade above 0.66 and reach its highest intraday level since mid-November 2024.

## Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.6	0.5%
AUD/USD	0.6599	0.7%
AUD/JPY	96.63	0.6%
AUD/GBP	0.4859	0.3%
AUD/NZD	1.0920	0.0%
AUD/EUR	0.5605	0.6%
AUD/CNH	4.7195	0.5%
AUD/SGD	0.8425	0.6%
AUD/HKD	5.1797	0.7%
AUD/CAD	0.8976	0.7%
EUR/USD	1.1774	0.1%
USD/JPY	146.43	-0.1%
USD Index	97.20	-0.2%

Equities	Close	Change
S&P/ASX 200	8,737	0.7%
S&P 500	6,359	0.8%
Japan Nikkei	41,171	3.5%
Hang Seng	25,538	1.6%
Euro Stoxx 50	5,344	1.0%
UK FTSE100	9,061	0.4%
VIX Index	15.37	-6.8%

Commodities	Current	Change
CRB Index	303.85	0.0%
Gold	3387.29	-1.3%
Copper	9635	-0.1%
Oil (WTI futures)	65.25	-0.1%
Coal (coking)	193.00	-1.0%
Coal (thermal)	112.30	-0.2%
Iron Ore	104.15	-0.9%
ACCU	34.13	-4.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.75	-0.03
90 day BBSY	3.74	0.00
180 day BBSY	3.77	0.00
1 year swap	3.36	0.03
2 year swap	3.29	0.03
3 year swap	3.35	0.04
4 year swap	3.44	0.05
5 year swap	3.55	0.05
6 year swap	3.67	0.05
7 year swap	3.79	0.05
8 year swap	3.89	0.05
9 year swap	3.98	0.04
10 year swap	4.22	0.04

Government Bond Yields	Close	Change
<b>Australia</b>		
3 year bond	3.41	0.00
10 year bond	4.29	-0.01
<b>United States</b>		
3-month T Bill	4.24	0.03
2 year bond	3.88	0.05
10 year bond	4.38	0.04
<b>Other (10 year yields)</b>		
Germany	2.64	0.05
Japan	1.59	0.07
UK	4.64	0.07

Sydney Futures Exchange	Current	Change
10 yr bond	4.36	0.03
3 yr bond	3.44	0.03
3 mth bill rate	3.57	0.00
SPI 200	8,721	0.3%

Data as at 8:00am 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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Pat Bustamante  
Senior Economist, Westpac Group  
P: +61 468 571 786  
E: pat.bustamante@westpac.com.au

## Financial Markets:

- There was a sea of green with equities benefiting from the risk on tone overnight. Solid US earning reports this quarter are also providing a boost, with Bloomberg reporting that of the 110 companies with announced results, close to 90% have outperformed. The S&P 500 gained 0.8% to set a fresh record high, the Dow Jones closed 1.1% higher and the NASDAQ was up 0.6%.
- There was a similar story in Europe with the FTSE 100 up 0.4%, the DAX up 0.8%, and the Euro Stoxx 50 closing 1.0% higher. The Japanese Nikkei closed 3.5% higher on the back of the trade deal, with car manufacturers leading the way. The ASX 200 also benefited from the risk on tone closing 0.7% higher, with futures pointing to a solid open this morning.
- The five-day rally in Treasuries came to an end, which saw the US yield curve shift higher. The US 2-and-10-year yields were up 5 and 4 basis points to 3.88% 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 higher, up 5 and 7 basis points to 2.64% and 4.64% in Germany and the UK, respectively. Markets have priced-in almost no chance of a cut when the ECB meets tonight.
- The US dollar declined with risk currencies, including the Aussie, outperforming. The DXY index continues to lose ground, falling more than 1.2% this week and is now trading at around 97.20. The Aussie dollar outperformed, reaching a high of 0.6602 - its highest level against the greenback since mid-November 2024. The Aussie continues to trade above the 0.66 handle. The Japanese Yen and the Euro were both firmer.
- Gold slipped back from its 5-week highs as investors reacted to the positive US Japan trade deal. Crude markets also stabilised but gains were capped by a rise in Cushing inventory and the second rise in a row in distillate stocks. Iron ore was lower with commentators suggesting markets have become 'overly optimistic', but remains above US\$100t.

## International Data:

The US trade deal with Japan provided markets with further confidence a worst-case scenario trade war would not eventuate. Under the deal, an reciprocal across-the-board tariff of 15% will be levied for most traded goods and services (below the 25% threatened by President Trump), while US tariffs on cars will be levied at 12.5%. Additionally, the White House press announced Japan agreed to invest US\$550bn in the US as part of the deal, with 90% of the dividends from this investment remaining onshore in the US. This saw strong gains in Japanese equities, with Japanese yields also higher as investors viewed the deal as positive for activity.

## Today's key data and events

For	Data/Event	Exp	Prev
10:30am	JP Jibun Bank Services PMI Jul Prel.	-	51.7pts
1:05pm	AU RBA's Bullock-Speech	-	-
6:00pm	EZ HCOB Services PMI Jul Prel.	50.6pts	50.5pts
6:30pm	UK S&P Services PMI Jul Prel.	52.9pts	52.8pts
10:15pm	EZ ECB Policy Decision	2.2%	2.2%
10:30pm	US Initial Jobless Claims	226k	221k
10:30pm	US Chicago Fed Activity Index Jun	-0.2pts	-0.3pts
11:45pm	US S&P Services PMI Jul Prel.	53pts	52.9pts
12:00am	US New Home Sales Jun	4.2%	-13.7%
1:00am	US Kansas City Fed Jul	0pts	-2pts

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.

Reports also suggest the EU and US are progressing toward a deal that which will also see reciprocal across-the-board tariff of 15% for most products. Again, this outcome would be than the EUs threat of a 30% tariff on more than €100 billion of imported goods, in a no-deal scenario.

US existing home sales disappointed in June, falling 2.7%. The result wipes out May's 1.0% gain and leaves the level of sales 39% below its 2022 peak. High mortgage rates and uncertainty over the outlook continue to limit household appetite for large purchases and leverage.

Euro Area consumer confidence improved at the margin in July, rising from -15.3 to -14.7, a level broadly in line with the average of the past five years.

## Local Data:

The Westpac-Melbourne Institute Leading Index slowed to 0.03% in June from 0.11% in May. The main drag was from commodity prices, sentiment and hours worked. The Leading Index suggests activity will remain soft through the second half of the year.

More broadly, Westpac Economics expects the Australian economy to grow by just 1.7% over calendar 2025, a small improvement on the 1.3% gain in 2024 but still a disappointing result. It will mean annual growth has averaged just 1.5% since 2022, a cumulative decline in per capita terms and well below Australia's twenty-year average of 2.0%.



# Corporate Directory

## Westpac Economics / Australia

### Sydney

Level 19, 275 Kent Street  
Sydney NSW 2000  
Australia

E: [economics@westpac.com.au](mailto:economics@westpac.com.au)

### Luci Ellis

Chief Economist Westpac Group  
E: [luci.ellis@westpac.com.au](mailto:luci.ellis@westpac.com.au)

### Matthew Hassan

Head of Australian Macro-Forecasting  
E: [mhassan@westpac.com.au](mailto:mhassan@westpac.com.au)

### Elliot Clarke

Head of International Economics  
E: [eclarke@westpac.com.au](mailto:eclarke@westpac.com.au)

### Sian Fenner

Head of Business and Industry Economics  
E: [sian.fenner@westpac.com.au](mailto:sian.fenner@westpac.com.au)

### Justin Smirk

Senior Economist  
E: [jsmirk@westpac.com.au](mailto:jsmirk@westpac.com.au)

### Pat Bustamante

Senior Economist  
E: [pat.bustamante@westpac.com.au](mailto:pat.bustamante@westpac.com.au)

### Mantas Vanagas

Senior Economist  
E: [mantas.vanagas@westpac.com.au](mailto:mantas.vanagas@westpac.com.au)

### Ryan Wells

Economist  
E: [ryan.wells@westpac.com.au](mailto:ryan.wells@westpac.com.au)

### Illiana Jain

Economist  
E: [illiana.jain@westpac.com.au](mailto:illiana.jain@westpac.com.au)

### Jameson Coombs

Economist  
E: [jameson.coombs@westpac.com.au](mailto:jameson.coombs@westpac.com.au)

### Neha Sharma

Economist  
E: [neha.sharma1@westpac.com.au](mailto:neha.sharma1@westpac.com.au)

## Westpac Economics / New Zealand

### Auckland

Takutai on the Square  
Level 8, 16 Takutai Square  
Auckland, New Zealand

E: [economics@westpac.co.nz](mailto:economics@westpac.co.nz)

### Kelly Eckhold

Chief Economist NZ  
E: [kelly.eckhold@westpac.co.nz](mailto:kelly.eckhold@westpac.co.nz)

### Michael Gordon

Senior Economist  
E: [michael.gordon@westpac.co.nz](mailto:michael.gordon@westpac.co.nz)

### Darren Gibbs

Senior Economist  
E: [darren.gibbs@westpac.co.nz](mailto:darren.gibbs@westpac.co.nz)

### Satish Ranchhod

Senior Economist  
E: [satish.ranchhod@westpac.co.nz](mailto:satish.ranchhod@westpac.co.nz)

### Paul Clark

Industry Economist  
E: [paul.clarke@westpac.co.nz](mailto:paul.clarke@westpac.co.nz)

## Westpac Economics / Fiji

### Suva

1 Thomson Street  
Suva, Fiji

### Shamal Chand

Senior Economist  
E: [shamal.chand@westpac.com.au](mailto:shamal.chand@westpac.com.au)



 [westpaciq.com.au](http://westpaciq.com.au)

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