



31 July 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

The FOMC left policy unchanged, with commentary highlighting inflation remains “somewhat elevated” while the labour market is “stable”. This was not as dovish as markets were hoping for, seeing traders pare back rate cut bets.

Meanwhile, US GDP data beat expectations as a result of a swing in net exports from earlier tariff-related weakness. The USD was bolstered by both of the above, with the DXY appreciating for the fifth consecutive session up to a two-month high.

Local markets have ‘locked-in’ an August RBA rate cut after the long-awaited Q2 CPI data confirmed inflation is heading towards the mid-point of the target range.

Copper prices fell sharply after President Trump carved out refined products from the 50% tariff. Concerns over potential US sanction on buyers of Russian oil sparked further rises in crude oil.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.4	-0.2%
AUD/USD	0.6436	-1.2%
AUD/JPY	96.19	-0.5%
AUD/GBP	0.4861	-0.3%
AUD/NZD	1.0909	-0.1%
AUD/EUR	0.5642	0.0%
AUD/CNH	4.6407	-0.7%
AUD/SGD	0.8340	-0.5%
AUD/HKD	5.0512	-1.2%
AUD/CAD	0.8900	-0.7%
EUR/USD	1.1407	-1.2%
USD/JPY	149.49	0.7%
USD Index	99.95	1.1%

Equities	Close	Change
S&P/ASX 200	8,756	0.6%
S&P 500	6,363	-0.1%
Japan Nikkei	40,655	0.0%
Hang Seng	25,177	-1.4%
Euro Stoxx 50	5,393	0.3%
UK FTSE100	9,137	0.0%
VIX Index	15.48	-3.1%

Commodities	Current	Change
CRB Index	305.24	-0.2%
Gold	3275.18	-1.5%
Copper	9698	-1.0%
Oil (WTI futures)	70.35	1.6%
Coal (coking)	190.50	0.5%
Coal (thermal)	117.10	-0.8%
Iron Ore	101.25	-1.0%
ACCU	34.13	-4.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.74	0.00
90 day BBSY	3.75	0.00
180 day BBSY	3.83	-0.01
1 year swap	3.35	-0.04
2 year swap	3.28	-0.03
3 year swap	3.34	-0.02
4 year swap	3.41	-0.05
5 year swap	3.52	-0.04
6 year swap	3.64	-0.04
7 year swap	3.76	-0.03
8 year swap	3.86	-0.03
9 year swap	3.95	-0.02
10 year swap	4.19	0.00

Government Bond Yields	Close	Change
Australia		
3 year bond	3.39	-0.07
10 year bond	4.26	-0.07
United States		
3-month T Bill	4.23	0.00
2 year bond	3.94	0.07
10 year bond	4.37	0.05
Other (10 year yields)		
Germany	2.71	0.00
Japan	1.56	-0.02
UK	4.60	-0.03

Sydney Futures Exchange	Current	Change
10 yr bond	4.32	0.03
3 yr bond	3.42	0.03
3 mth bill rate	3.57	0.00
SPI 200	8,693	-0.3%

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.


Ryan Wells

Economist, Westpac Group

P: +61 401 423 628

E: ryan.wells@westpac.com.au

Financial Markets:

- While the FOMC's decision to hold rates steady met consensus, markets were left desiring a little more around guidance for rate cuts, seeing US equities finish on the softer side. The S&P 500 fell -0.1% and the Dow Jones fell -0.4%. The NASDAQ managed to inch +0.1% higher though, and with Meta and Microsoft beating revenue expectations, price action was decidedly positive in post-market trading.
- Stocks held steady across most of Asia as traders braced for the FOMC's decision. Tokyo and Shanghai finished flat while Hong Kong fell -1.4%, reflecting caution after US-China trade talks concluded without a substantive agreement being made.
- The ASX 200 closed 0.6% higher, rallying off the back of constructive inflation data that has seen markets 'lock-in' an August RBA rate cut. Following the action overnight, though, futures markets are pointing to a softer open this morning.
- The US dollar appreciated for a fifth consecutive session, bolstered initially by an above-consensus Q2 GDP print, then further by a perceived lack of dovish guidance following the FOMC's decision to hold. The DXY finished 1.1% higher to 99.95, the closest its been to the 100 index level in just over two months.
- The move was felt across all DXY pairs, but once again, the Euro was hit hard, with the fall to around USD1.141 overnight adding to the cumulative -2.9% decline from around USD1.175 over the past three sessions, reaching a two-month low. The Japanese Yen and Sterling fell -0.7% and -0.8% respectively.
- The Aussie dollar reacted mildly to the inflation data and continued to trade a tight range around the USD0.6510 mark during the Asian session. However, the offshore news flow drove a sharp weakening versus the greenback, finishing -1.2% lower at USD0.6436. Medium-term, abating trade uncertainty and Chinese stimulus remain as key upside risks for the currency pair.
- Treasuries had a choppy session, selling-off following the activity data before recovering in the run-up to the FOMC decision, only to once again sell-off thereafter. The 2-year and 10-year yields rose 7bps and 5bps to 3.94% and 4.37% respectively. Futures markets are still pricing in at least one rate cut through the rest of the year, albeit less confidently.
- Australian government bonds rallied during the local session following the inflation data, seeing the yield curve shift an even leg lower, with the 3-year and 10-year down -7bps each to 3.39% and 4.26% respectively. Swaps markets have now 100% priced-in an August RBA rate cut and continue to expect a follow-up cut in November, in line with our own expectations.

Today's key data and events

For	Data/Event	Exp	Prev
9:20am	AU RBA's Hauser-Fireside Chat	-	-
9:50am	JP Industrial Production Jun Prel.	-0.8%	-0.1%
11:30am	AU Dwelling Approvals Jun	1.8%	3.2%
11:30am	AU Retail Sales Jun	0.4%	0.2%
11:30am	AU Real Retail Sales Q2	0.0%	0.0%
11:30am	AU Private Sector Credit Jun	0.5%	0.5%
11:30am	AU Export Price Index Q2	-3.0%	2.1%
11:30am	AU Import Price Index Q2	-0.4%	3.3%
11:30am	CN Manufacturing PMI Jul	49.7pts	49.7pts
11:30am	CN Non-Manufacturing PMI Jul	50.2pts	50.5pts
7:00pm	EZ Unemployment Rate Jun	6.3%	6.3%
10:30pm	US Personal Income Jun	0.2%	-0.4%
10:30pm	US Personal Spending Jun	0.4%	-0.1%
10:30pm	US PCE Deflator Jun	0.3%	0.1%
10:30pm	US Core PCE Deflator Jun	0.3%	0.2%
10:30pm	US Employment Cost Index Q2	0.8%	0.9%
10:30pm	US Initial Jobless Claims	223.5k	217k
11:45pm	US Chicago PMI Jul	42pts	40.4pts

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.

- Copper prices fell sharply after President Trump formally announced tariffs on the commodity, with the 50% rate applying only to semi-finished and copper-intensive derivative products, while refined materials have been carved out. COMEX copper futures plunged around -17% following the news, and the premium over LME copper has shrunk considerably.
- Meanwhile, concerns over potential US sanctions on buyers of Russian oil sparked further rises in crude prices, with the first-generic WTI futures contract up 1.6% to US\$70.35/bbl. Gold prices fell -1.5% to around US\$3275/oz and iron ore continues to trade above the US\$100/t mark.

International Data:

The **FOMC** voted to leave the fed funds rate unchanged at the July meeting, albeit with two dissents, Bowman and Waller preferring to cut at this meeting. The statement outlined that, while growth moderated in H1 2025, labour market conditions remain solid. Inflation meanwhile "remains somewhat elevated", running at an above-target rate abstracting from the impact of tariffs. Uncertainty is elevated and was little changed between the June and July meetings having "diminished" ahead of the June meeting. Made clear in the press conference is that downside risks need to be seen to justify a return to neutral policy from the currently modestly-restrictive stance. While activity growth is positive and the labour market in balance, i.e. the unemployment rate is stable, there is time to place moderate pressure on inflation to bring it closer to target without threatening full employment.

Also in the US, **Q2 GDP** rose 3.0% annualised following a -0.5% decline in Q1. Much of the turn in growth came as a

result of the trade balance, net exports' contribution swinging from a 5.2% annualised subtraction in Q1 to a 5.7% annualised contribution in Q2. In contrast, domestic demand growth was little changed, a 1.2% annualised gain in Q2 following a 1.6% annualised increase in Q1 – half the average of the 10 years prior. Notably, business investment grew strongly at 6.1% annualised; however, this looks to have been as a result of a one-off surge in Q1 to get ahead of tariffs, a 10.3% annualised increase in Q1 followed by a 1.9% gain in Q2. Overall, the data points to demand being restricted by monetary policy and fiscal policy causing significant uncertainty over the outlook. A further loss of momentum is likely in H2 2025, with the economy at risk of stalling.

In the Eurozone, **Q2 GDP** growth surprised to the upside at the margin, gaining 0.1% after a 0.6% rise in Q1. Annual growth is a touch above trend at 1.4%yr, supported by neutral monetary policy, a robust labour market and promised support from the public sector.

The **Bank of Canada** kept its policy rate at 2.75% in July. Like the global economy, Canada's economy was assessed to have shown resilience so far in 2025. Trade-exposed sectors have shown weaker demand for labour, but other sectors are in robust shape, with excess supply only slowly trending up. This disinflationary pressure will be judged against the inflationary consequence of tariffs in the months ahead to gauge the appropriate stance for policy. Downside risks for employment and activity will also be closely monitored.

Local Data:

In Australia, the long-awaited Q2 CPI confirmed that inflation is on track to sustainably return to the midpoint of the RBA's 2-3% target range. The 0.7% gain in headline inflation brought the annual pace down to 2.1%yr, largely driven by energy rebates which continue to suppress electricity prices. That said, the disinflationary pulse was clearly on display across the 'core' consumer basket, with underlying trimmed mean inflation now tracking a six-month annualised pace of 2.6%yr, a hair above the mid-point. The RBA should be comforted by these results, having just flagged concerns over upside risks back in July when it decided to delay its rate cut. This morning's speaking event with RBA Deputy Governor Hauser may provide more colour around the RBA's interpretation of the latest data, but overall, August is looking increasingly likely for the next rate cut to be delivered (see [here](#) and [here](#)).



Corporate Directory

Westpac Economics / Australia

Sydney

Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis

Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan

Head of Australian Macro-Forecasting
E: mhassan@westpac.com.au

Elliot Clarke

Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner

Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk

Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante

Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas

Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells

Economist
E: ryan.wells@westpac.com.au

Illiana Jain

Economist
E: illiana.jain@westpac.com.au

Jameson Coombs

Economist
E: jameson.coombs@westpac.com.au

Neha Sharma

Economist
E: 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

Kelly Eckhold

Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon

Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs

Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod

Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark

Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva

1 Thomson Street
Suva, Fiji

Shamal Chand

Senior Economist
E: shamal.chand@westpac.com.au



 westpaciq.com.au

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