8 August 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Trump's advisor Miran has been appointed to the Fed's interest rate setting committee, where he is likely to promote Trump's view that interest rates should be significantly lower. Governor Waller, who voted to lower the fed funds rate in the last FOMC meeting, appears to be the main candidate to replace Chair Powell.

Bank of England cut Bank Rate by 25bp, as expected, but the split vote and the Governor's comments about an uncertain policy path going forward added to the hawkish tone in the Gilt market.

European equities outperformed, with the Euro Stoxx 50 gaining 1.3%, as optimism rose over the potential for achieving a ceasefire in Ukraine after the Kremlin said that Putin is going to meet President Trump next week.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.4	0.2%
AUD/USD	0.6523	0.3%
AUD/JPY	95.98	0.2%
AUD/GBP	0.4852	-0.3%
AUD/NZD	1.0940	-0.2%
AUD/EUR	0.5592	0.3%
AUD/CNH	4.6849	0.3%
AUD/SGD	0.8368	0.2%
AUD/HKD	5.1211	0.3%
AUD/CAD	0.8961	0.3%
EUR/USD	1.1665	0.1%
USD/JPY	147.13	-0.2%
USD Index	98.09	-0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.68	0.00
90 day BBSY	3.74	0.02
180 day BBSY	3.87	0.05
1 year swap	3.35	0.00
2 year swap	3.27	0.00
3 year swap	3.31	-0.01
4 year swap	3.39	-0.01
5 year swap	3.49	-0.01
6 year swap	3.60	-0.01
7 year swap	3.71	-0.01
8 year swap	3.81	-0.01
9 year swap	3.91	0.00
10 year swap	4.16	0.01

Equities	Close	Change
S&P/ASX 200	8,831	-0.1%
S&P 500	6,340	-0.1%
Japan Nikkei	41,059	0.6%
Hang Seng	25,082	0.7%
Euro Stoxx 50	5,332	1.3%
UK FTSE100	9,101	-0.7%
VIX Index	16.57	-1.2%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.39	-0.01
10 year bond	4.24	-0.01
United States		
3-month T Bill	4.14	0.00
2 year bond	3.73	0.01
10 year bond	4.25	0.02
Other (10 year yields)		
Germany	2.63	-0.02
Japan	1.49	-0.01
UK	4.55	0.02

Commodities	Current	Change
CRB Index	293.87	0.3%
Gold	3396.38	0.8%
Copper	9684	0.1%
Oil (WTI futures)	63.84	-0.8%
Coal (coking)	193.50	1.0%
Coal (thermal)	116.00	-0.9%
Iron Ore	101.90	0.4%
ACCU	34.13	-4.1%

Sydney Futures Exchange	Current	Change
10 yr bond	4.28	0.01
3 yr bond	3.40	0.01
3 mth bill rate	3.54	0.00
SPI 200	8,757	-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.

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Financial Markets:

Markets have been closely following news about new appointments to the Fed. President Trump confirmed that Stephen Miran, the President's top economic advisor at the White House, has been appointed as Federal Reserve Board Governor. He will serve only until the end of January, while the search for a permanent replacement continues. In the meantime, Miran will be able to vote on interest rate decisions in the committee, where he is likely to promote Trump's view that interest rates should be significantly lower. Reports also suggested that Christopher Waller, a Federal Reserve Governor, is emerging as a top candidate to replace Fed Chair Jerome Powell. Waller was one of the two dissenters in the last FOMC meeting, voting to lower the policy rate.

- US equity market ended the day little changed. The S&P 500 rallied at the beginning of the session, but reversed course later to post a -0.1% daily return. European equities outperformed, with the Euro Stoxx 50 gaining 1.3%, as optimism rose over the potential for achieving a ceasefire in Ukraine after the Kremlin said that Putin is going to meet President Trump next week. Equities in the UK posted losses, while the domestic ASX200 also traded in the red.
- In the bond markets, US Treasury yields rose further, gaining 2bp at the 10Y tenor. Weaker demand at the 30Y Treasury auction added to the upward pressure. UK Gilts sold off, mainly at the short end of the curve, as markets reacted to the Bank of England policy announcement. The decision to lower Bank Rate by 25bp matched expectations, but the split vote and the Governor's comments about an uncertain policy path going forward added to the hawkish tone. Bunds rallied somewhat, while Aussie yields inched lower.
- In the FX market, the DXY index maintained its downward trend, inching 0.1% lower. GBP strengthened by 0.7%, but moves in EUR and Yen were much more muted. AUD gained 0.3%, as the Australian goods trade surplus bounced back up in June.
- Oil extended its march lower, with the September WTI contract easing 0.7% to $63.8, thanks to fading geopolitical risks against a backdrop of rising supply. Gold rose 0.8%, supported by the prospects of lower interest rates following the news about the Fed appointments. Copper and iron ore rose slightly.

International Data:

The **Bank of England's Monetary Policy Committee** cut Bank Rate by 25bp to 4.0%, as we and markets expected. For the first time ever, the MPC was required to vote a second time after a three-way split in the first vote failed to secure a majority for any outcome. In the finely balanced second vote, five members supported the 25bp cut, while four preferred the alternative of keeping the policy rate unchanged.

In the press conference, Governor Bailey admitted that while the policy rate remains on a downward trajectory, the monetary policy path has become more uncertain, as the committee tries to balance upside risks to inflation and downside risks to activity and the labour market, which are likely to pull inflation lower in the medium term. Against this backdrop, the committee maintained its forward guidance of "a gradual and careful approach to the further withdrawal of monetary policy restraint." While we expect the MPC to proceed particularly carefully going forward, we believe that the easing pace of 25bp per quarter will be maintained into next year.

The overnight data flow brough a few second-tier US data releases. The **initial jobless claims** edged up last week from 219k to 226k, remaining consistent with little-to-no aggregate retrenchment of staff by employers. **Wholesale inventories** eked out a 0.1% gain in June according to the final estimate. **Consumer credit** met expectations in June, rising $7.4bn after a $5.1bn increase in May. **The New York Fed's 1-year household inflation expectation** rose at the margin in July to 3.1%; however, against the decade average of 3.4%, this is a benign result.

Local Data:

Higher coal exports, and a drop back in total imports supported a recovery in Australia's goods trade surplus in June (see here).

Today's key data and events

For	Data/Event	Exp	Prev
-	CN Current Account Balance Q2 Prel.	-	US$165.4b
9:30am	JP Household Spending Jun	2.6%	4.7%
9:50am	JP Current Account Balance Jun	¥1806.1b	¥3436.4b

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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