



13 August 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

The headline US CPI matched consensus expectations, and while services inflation picked up, market participants took comfort from the fact that there was no bigger impact from higher import tariffs.

In Australia, the RBA brought no major surprises and cut cash rate for a third time in this cycle, to 3.60%. Their updated forecasts showed a more pessimistic view about near-term GDP growth largely driven by assumptions of weaker productivity growth.

Shifting expectations for the US monetary policy drove the short-end of the US Treasury curve lower. The S&P500 made steady gains to finish the day 1.1% higher.

Following the RBA announcement, the Australian government yields reversed increases earlier in the trading session and ended the day 1-2bp lower across the curve.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	60.3	-0.3%	30 day BBSY	3.63	-0.02
AUD/USD	0.6527	0.3%	90 day BBSY	3.68	-0.02
AUD/JPY	96.44	0.0%	180 day BBSY	3.84	-0.02
AUD/GBP	0.4834	-0.3%	1 year swap	3.31	-0.04
AUD/NZD	1.0962	0.0%	2 year swap	3.24	-0.05
AUD/EUR	0.5592	-0.2%	3 year swap	3.29	-0.04
AUD/CNH	4.6902	0.1%	4 year swap	3.38	-0.02
AUD/SGD	0.8387	0.0%	5 year swap	3.49	-0.01
AUD/HKD	5.1233	0.3%	6 year swap	3.61	0.00
AUD/CAD	0.8989	0.2%	7 year swap	3.72	0.00
EUR/USD	1.1673	0.5%	8 year swap	3.82	0.00
USD/JPY	147.78	-0.2%	9 year swap	3.92	0.00
USD Index	98.08	-0.4%	10 year swap	4.15	-0.02
Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,881	0.4%	Australia		
S&P 500	6,446	1.1%	3 year bond	3.39	-0.01
Japan Nikkei	42,718	2.1%	10 year bond	4.24	0.00
Hang Seng	24,970	0.3%	United States		
Euro Stoxx 50	5,336	0.1%	3-month T Bill	4.12	-0.02
UK FTSE100	9,148	0.2%	2 year bond	3.73	-0.04
VIX Index	14.73	-9.4%	10 year bond	4.29	0.00
Commodities	Current	Change	Other (10 year yields)		
CRB Index	295.36	-0.1%	Germany	2.74	0.05
Gold	3348.26	0.2%	Japan	1.50	0.01
Copper	9840	1.1%	UK	4.63	0.06
Oil (WTI futures)	63.09	-1.4%	Sydney Futures Exchange	Current	Change
Coal (coking)	191.50	-0.3%	10 yr bond	4.27	0.00
Coal (thermal)	113.00	-1.0%	3 yr bond	3.38	-0.02
Iron Ore	104.60	0.9%	3 mth bill rate	3.53	0.00
ACCU	34.13	-4.1%	SPI 200	8,858	0.2%

Data as at 7:05am 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:

All eyes in financial markets were on the US CPI data release. In the event, the headline CPI matched consensus expectations, and while services inflation picked up, market participants took comfort from the fact that there was no bigger impact from higher import tariffs. The data helped to solidify market expectations that the fed will cut interest rates in the September policy meeting.

In Australia, the RBA brought no major surprises and cut cash rate for a third time in this cycle, to 3.60%. Their updated forecasts showed a more pessimistic view about near-term GDP growth largely driven by assumptions of weaker productivity growth. However, market reaction to the announcement was modest, as the central bank's assessment of the inflation outlook and the labour market conditions remained little changed.

- The S&P500 made steady gains to finish the day 1.1% higher. Asian equities also traded in the green, with easing concerns over the US tariffs and speculation of additional fiscal support driving optimism in Japan. European benchmark indices reported only modest gains, while domestic ASX 200 was up 0.4%.
- Shifting expectations for the US monetary policy drove the short-end US Treasury yields lower, with the 2Y yield down 4bp. Stronger employment growth in the UK supported Gilt yields and pushed the 10Y 6bp higher. German Bunds also sold off, gaining 5bp at the 10Y point. Following the RBA announcement, the Australian government yields reversed increases earlier in the trading session and ended the day 1-2bp lower across the curve.
- In FX markets, the DXY lost 0.4% falling back towards the 98.0 mark. EUR and GBP were main beneficiaries, both gaining 0.5%. Yen strengthened more modest 0.2%. AUD also underperformed, posting 0.3% appreciation.
- Crude resumed the downward trend, with September WTI contract falling 1.4% to \$63.1, as market participants contemplated possible outcomes of the President Trump's meeting with Putin this Friday. Updated OPEC forecasts showed expectations of tighter conditions in the crude market next year. Copper and iron ore made strong gains around 1%.

International Data:

The **US CPI** rose 0.2%*mth* in July, in line with expectations, and matching the average pace in the first half of the year. More volatile food and energy components saw inflation easing, but the underlying inflationary pressures in core categories picked up slightly. Indeed, the core CPI's 0.3%*mth* increase was the steepest since January. Core goods inflation was well-behaved, reporting an unchanged 0.2%*mth* increase, suggesting no

Today's key data and events

For	Data/Event	Exp	Prev
8:45am	NZ Card Spending Jul	-	-0.2%
11:30am	AU Wage Price Index Q2	0.8%	0.9%
11:30am	AU Housing Finance Approvals Q2	2.0%	-1.6%

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.

additional upward pressure on prices from higher import tariffs. Meanwhile, services inflation rose to 0.4%*mth* from June's 0.25%*mth*, which was very close to the average seen since the start of the year. A 4.0%*mth* jump in airline fares was one of the key drivers, but inflation in recreational services, education services, and medical care picked up too.

The **US NFIB Small Business Optimism** Indicator increase by 1.7pts in July to 100.3, above the long-term average of 98, with more respondents reporting improved expectations about future business conditions and assessing that it is a good time to expand their business. Their view of labour market conditions also improved after a sharp decline in June.

The **euro area ZEW survey** of financial market experts echoed the latest Sentix survey results and showed a decline in economic sentiment this month, following the announcement of the EU-US trade deal. After rising significantly over the previous three months from the trough in April, the headline economic expectations index declined by 11 points this month to 25.1, a level matching the average since the start of 2024. The survey results suggest that the 15% baseline tariff agreed with the US might be higher than many had anticipated, with concerns over access to the US market dampening the earlier optimism about euro area growth prospects following the announcement of a large fiscal stimulus in Germany.

The latest **UK jobs data** painted a picture of somewhat firmer momentum in the labour market. The headline three-month UK unemployment rate registered 4.7% in June, 0.5 ppt higher than a year ago, but unchanged from the prior month. More notably, the headline three-month employment growth accelerated to a nine-month high of 238k. Encouragingly, the figures confirmed that people started to return to the labour market, helping to offset a rise in inactivity seen since the start of the pandemic in early 2020. And with labour supply increasing, wage growth eased further. Indeed, private sector regular wages, the BoE's preferred measure, increased at a three-month pace of 4.8%, down from 4.9% in May.

Local Data:

RBA cuts cash rate 0.25ppts to 3.6%, with more cuts assumed to be needed to keep inflation at target. Worst-case outcomes on global trade have been avoided, but RBA is now more pessimistic about near-term growth in output and productivity ([see here](#)).

After a solid bounce in June, Australia's business conditions pared back in July, falling from +7 to +5 index points ([see here](#)).



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