14 August 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Financial markets continued to assess the implications of the benign US CPI inflation print from earlier this week for US monetary policy, pricing in more interest rate cuts. US Treasury Secretary Scott Bessent suggested that the policy rate should be 150-175bp lower.

Expectations of lower interest rates supported US equities, but megacaps were on the back foot. US Treasuries rallied, gaining 4-6bp across the curve. Markets are now pricing in a scenario of a bigger than 25bp cut by the FOMC in September.

Australian yields were consistent with the global pattern, falling 2bp at the 10Y. AUD rose 0.2%, as Australian wage growth for Q2 matched consensus expectations.

Crude extended its downward trend for another day, as the EIA report revealed that US crude inventories rose to the highest level in about two months.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.5	0.3%
AUD/USD	0.6545	0.2%
AUD/JPY	96.49	-0.1%
AUD/GBP	0.4822	-0.3%
AUD/NZD	1.0956	-0.1%
AUD/EUR	0.5591	0.0%
AUD/CNH	4.6991	0.2%
AUD/SGD	0.8382	0.0%
AUD/HKD	5.1377	0.2%
AUD/CAD	0.9007	0.2%
EUR/USD	1.1707	0.3%
USD/JPY	147.40	-0.3%
USD Index	97.79	-0.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.62	-0.01
90 day BBSY	3.68	0.00
180 day BBSY	3.80	-0.04
1 year swap	3.29	-0.03
2 year swap	3.20	-0.03
3 year swap	3.25	-0.04
4 year swap	3.34	-0.05
5 year swap	3.44	-0.05
6 year swap	3.56	-0.05
7 year swap	3.67	-0.05
8 year swap	3.77	-0.05
9 year swap	3.86	-0.05
10 year swap	4.10	-0.05

Equities	Close	Change
S&P/ASX 200	8,827	-0.6%
S&P 500	6,467	0.3%
Japan Nikkei	43,275	1.3%
Hang Seng	25,614	2.6%
Euro Stoxx 50	5,388	1.0%
UK FTSE100	9,165	0.2%
VIX Index	14.49	-1.6%

Commodities	Current	Change
CRB Index	294.82	-0.2%
Gold	3355.86	0.2%
Copper	9803	-0.4%
Oil (WTI futures)	62.72	-0.7%
Coal (coking)	190.75	-0.4%
Coal (thermal)	112.75	-0.2%
Iron Ore	103.70	-0.9%
ACCU	34.13	-4.1%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.36	-0.03
10 year bond	4.22	-0.02
United States		
3-month T Bill	4.10	-0.03
2 year bond	3.67	-0.06
10 year bond	4.23	-0.06
Other (10 year yields)		
Germany	2.68	-0.06
Japan	1.51	0.01
UK	4.59	-0.04

Sydney Futures Exchange	Current	Change
10 yr bond	4.23	-0.02
3 yr bond	3.34	-0.02
3 mth bill rate	3.52	0.00
SPI 200	8,826	0.4%

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.

Mantas Vanagas
Senior Economist, Westpac Group
P: +61 422 030 326
E: mantas.vanagas@westpac.com.au

Financial Markets:

On a quiet day for top-tier economic data releases in the US and other major economies, financial markets continued to assess the implications of the benign US CPI inflation print from earlier this week for US monetary policy, pricing in more interest rate cuts. US Treasury Secretary Scott Bessent made an explicit intervention into the realm of the central bank – in the past, top officials in the administration usually refrained from passing judgment about monetary policy – by saying that the FOMC could cut the fed funds rate by 50bp in the September meeting and that, in his view, the policy rate should be 150-175bp lower. On the geopolitical front, the focus is on tomorrow's meeting between President Trump and Putin in Alaska.

- Expectations of lower interest rates supported US equity valuations. However, the S&P 500 gained only 0.3%, as megacaps were on the back foot. The Euro Stoxx 50 caught up with the gains seen in the US markets yesterday, rising 1.0%. Healthcare, consumer products, and tech were leading the way. The FTSE 100 in the UK underperformed, rising 0.2%, but Asian markets were in a positive mood again. The Japanese benchmark index made another leap ahead, up 1.3%, leaving the weekly return at 6.1%. Meanwhile, the Hang Seng surged 2.6%. The ASX 200 slipped 0.6%, mainly due to the weakness in the financial stocks.
- In the bond markets, against the dovish backdrop supported by this week's US CPI print and expectations of a nomination of a dovish Fed Chair, US Treasuries rallied, gaining 4-6bp across the curve. The 10Y yield declined 6bp to 4.23%. Markets are now pricing in a scenario of a bigger than 25bp cut by the FOMC in September. Bunds and Gilts followed US Treasuries higher, in both cases with gains skewed towards the long end of the curve. Australian yields were consistent with the global pattern, falling 2bp at the 10Y.
- In FX markets, the DXY index lost 0.3%, falling below 98.0. Since the start of this month, the index is down by more than 2%. EUR gained 0.3%, rising above 1.17, and GBP outperformed, climbing 0.6%. AUD rose 0.2%, as Australian wage growth for Q2 matched consensus expectations.
- Crude extended its downward trend for another day, as the EIA report revealed that US crude inventories rose to the highest level in about two months. The September WTI contract was down 0.7% to $62.7. Copper lost 0.4%, while iron ore was down 0.9%, reversing the equivalent increase from the day before.

Local Data:

Australian wages are tracking much as we, and the RBA, have been expecting. The WPI is very stable series and as such is unlikely to surprise and presents no risk to the medium-term

Today's key data and events

For	Data/Event	Exp	Prev
11:30am	AU Employment Jul	25k	2k
11:30am	AU Unemployment Rate Jul	4.2%	4.3%
4:00pm	GB GDP Q2 Prel.	0.1%	0.7%
4:00pm	GB Trade Balance Jun	-£5800b	-£5699b
7:00pm	EZ GDP Q2 S	0.1%	0.1%
7:00pm	EZ Industrial Production Jun	-1.0%	1.7%
10:30pm	US PPI Jul	0.2%	0.0%
10:30pm	US Initial Jobless Claims	225k	226k

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.

outlook for inflation and thus interest rates (see here).

The total value of Australian dwelling finance approvals rose 2.0%qtr in Q2, with the Q1 decline pared back (see 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

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