19 August 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

It as a fairly muted session overnight ahead US Fed Chair Powell's Jackson Hole remarks on Friday and as discussion to broker a peace deal between Russia and Ukraine continue.

US equities were broadly unchanged while European markets were mixed. Japanese stocks continued to record decent gains following the better-than-expected economic data released late last week.

The slight sell off in Treasuries continued with yields ticking higher across the curve. Moves in yields were mixed in Europe, higher in the UK but generally lower elsewhere in Europe.

The US dollar climbed on the back of yield support. The Aussie fell below the 0.6500 handle.

Oil stabilised, while iron ore remains above US$100/t.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.4	0.2%
AUD/USD	0.6493	-0.2%
AUD/JPY	96.00	0.2%
AUD/GBP	0.4808	0.2%
AUD/NZD	1.0961	-0.3%
AUD/EUR	0.5567	0.1%
AUD/CNH	4.6671	-0.2%
AUD/SGD	0.8341	-0.1%
AUD/HKD	5.0773	-0.3%
AUD/CAD	0.8960	-0.4%
EUR/USD	1.1664	-0.3%
USD/JPY	147.84	0.4%
USD Index	98.13	0.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.62	0.00
90 day BBSY	3.64	-0.03
180 day BBSY	3.76	-0.03
1 year swap	3.31	0.00
2 year swap	3.24	0.00
3 year swap	3.31	0.02
4 year swap	3.41	0.02
5 year swap	3.52	0.02
6 year swap	3.64	0.02
7 year swap	3.76	0.03
8 year swap	3.86	0.03
9 year swap	3.96	0.03
10 year swap	4.20	0.03

Equities	Close	Change
S&P/ASX 200	8,959	0.2%
S&P 500	6,449	0.0%
Japan Nikkei	43,714	0.8%
Hang Seng	25,177	-0.4%
Euro Stoxx 50	5,435	-0.3%
UK FTSE100	9,158	0.2%
VIX Index	14.99	-0.7%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.38	0.02
10 year bond	4.27	0.04
United States		
3-month T Bill	4.12	0.00
2 year bond	3.77	0.01
10 year bond	4.33	0.02
Other (10 year yields)		
Germany	2.76	-0.03
Japan	1.57	0.00
UK	4.74	0.04

Commodities	Current	Change
CRB Index	296.02	0.2%
Gold	3332.85	-0.1%
Copper	9766	-0.4%
Oil (WTI futures)	63.36	0.9%
Coal (coking)	189.83	-0.1%
Coal (thermal)	111.25	0.6%
Iron Ore	101.40	-0.5%
ACCU	34.13	-4.1%

Sydney Futures Exchange	Current	Change
10 yr bond	4.33	0.03
3 yr bond	3.41	0.03
3 mth bill rate	3.54	0.01
SPI 200	8,873	-0.3%

Data as at 6:45am 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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Today's key data and events

For	Data/Event	Exp	Prev
8:45am	NZ PPI Q2	-	2.1%
10:30am	AU Westpac-MI Consumer Sentiment Aug	-	93.1pts
10:30pm	CA CPI Jul	1.8%	1.9%
10:30pm	US Housing Starts Jul	-1.6%	4.6%
10:30pm	US Building Permits Jul Prel.	-0.4%	-0.1%

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.

Financial Markets:

- US equities were broadly unchanged and lacked direction for much of the session as investors wait for US Fed Chair Powell's Jackson Hole address on Friday, and President Trump held talks with the Ukrainian President and European leaders to broker a deal that will end the Russian/ Ukrainian conflict. Major US retailers, including Walmart and Target Corp, are also due to report this week. The S&P 500 and the Nasdaq were both flat, while the Dow Jones Industrial Average ticked 0.1%lower.
- Moves in European markets were also muted as investors take a wait and see approach ahead of key events this week. The Euro Stoxx 50 was 0.3% lower, the FTSE 100 gained 0.2%, while the DAX closed 0.2% lower. The Japanese Nikkei made further gains, 0.8% higher following the strong end to last week. In local markets, the ASX 200 finished 0.2% higher, setting a fresh record high. Seven sectors finished in the green, led by communications services. Futures are pointing to a soft start to today's session.
- The slight sell off in Treasuries continued overnight, but yields remain well within recent ranges. The 2-year US bond yield increased 1 basis point to 3.77%, while the 10-year US bond yield increased 2 basis points to 4.33%. Interest-rate futures now have an 84% chance of a September US Fed cut, and around 53 basis points of cuts over 2025. Yields were mixed in Europe, with the 2 and 10-year Gilts up 3 and 4 basis points to 3.95% and 4.74%, respectively. On the other hand, 2 and 10-year bond yields in Germany were both down 2 basis points at 1.95% and 2.76%, respectively.
- At home, the 3-and-10-year futures both increased 3 basis points to 3.41% and 4.33%, respectively. Interest-rate futures have a rate cut fully priced in for the November RBA Board meeting and a total of 57 basis points of cuts priced in over the remainder of 2025 and 2026.
- The US dollar index edged 0.3% higher to 98.15 on the back of higher US yields. The Japanese Yen slipped with the USD/ JYP pair 0.4% higher at 147.84. The euro was sold off, down 0.3% to 1.1664 after a solid end to last week.
- The Aussie was 0.2% lower against the Greenback at 0.6493. The AUD/USD pair dropped back below the 0.6500 handle, hitting lows of 0.6482 and remaining round this level. Despite this day-to-day volatility, there is some near-term upside for the Aussie given the still cautious message from the RBA Board and the new Fed Board seat nominee that leans on the Trump-loyal.
- Oil stabilised after falling close to 7% over the past two weeks. Traders continue to wait for the outcomes of the ongoing discussions to broker a peace deal between Russia and the Ukraine. Reporting suggests that Russia crude processing shrank to 5.14 million b/d last week because of drone attacks, down by more than 400,000 b/d from the average during the last week of July. The WTI gained almost 1.0% to US$63.36/bbl. Iron Ore was 0.5% lower at US$101.40/t.

International Data:

President Trump said said substantial progress is being made on efforts to end the war in Ukraine. He held talks with President Zelenskyy and European leaders overnight, and said he will talk with Putin, raising hope of progress.

The **NAHB single-family house builder** confidence indicator in the US remained little changed in August, at 32, one of the lowest readings since 2012, when the US housing market started recovering post-GFC. All three survey subcomponents, including expectations for sales over the next six months, remained at historically low levels, signalling lack of confidence in the demand for new housing.

The **euro area trade balance** deteriorated to only €2.8bn in June, the lowest level since mid-2023. Exports declined 2.4%mth, while imports jumped 3.1%mth. Looking through the monthly volatility, the data implied that euro area trade patterns remained quite resilient, despite the uncertainty around US tariffs in Q2. Indeed, the trade surplus for the quarter as a whole was €33.0bn, down from €63.1bn in Q1, but slightly higher than €31.7bn reported in Q4 last year. The changes were accounted for by the trade surplus with the US, when exports surged in Q1, ahead of the expected increase in tariffs, and now eased back down. The Q2 trade surplus with Australia was slightly higher compared to Q1, but very close to the average levels seen in 2024.

Local Data:

There was no significant top tier data released yesterday.

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