22 August 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

All eyes today are on the Fed Chair Powell's speech at the Jackson Hole Symposium later today, where he is expected to provide new insights into how US monetary policy is likely to evolve in the near term.

A sharp increase in the US manufacturing PMI suggested that producers in the US may be turning more optimistic about the potential impact if tariffs, likely supported by the announcements of the trade deals.

Financial markets were in a cautious mood, with most major equity indices easing, yields rising, and USD appreciating overnight.

The ASX200 index rose 1.1%, as positive earnings announcements and good performance in the financial sector drove equity prices higher. AUD was among better-performing currencies, weakening only 0.2%, as the DXY index gained 0.4%.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	59.6	-0.5%
AUD/USD	0.6420	-0.2%
AUD/JPY	95.23	0.5%
AUD/GBP	0.4788	0.1%
AUD/NZD	1.1035	-0.1%
AUD/EUR	0.5533	0.2%
AUD/CNH	4.6126	-0.2%
AUD/SGD	0.8275	0.1%
AUD/HKD	5.0174	-0.2%
AUD/CAD	0.8933	0.0%
EUR/USD	1.1606	-0.4%
USD/JPY	148.32	0.7%
USD Index	98.65	0.4%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.61	0.01
90 day BBSY	3.62	0.00
180 day BBSY	3.71	-0.02
1 year swap	3.31	0.03
2 year swap	3.26	0.04
3 year swap	3.33	0.06
4 year swap	3.43	0.07
5 year swap	3.54	0.07
6 year swap	3.66	0.07
7 year swap	3.77	0.07
8 year swap	3.88	0.06
9 year swap	3.97	0.06
10 year swap	4.21	0.05

Equities	Close	Change
S&P/ASX 200	9,019	1.1%
S&P 500	6,370	-0.4%
Japan Nikkei	42,610	-0.6%
Hang Seng	25,105	-0.2%
Euro Stoxx 50	5,462	-0.2%
UK FTSE100	9,309	0.2%
VIX Index	16.6	5.8%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.39	-0.01
10 year bond	4.28	-0.02
United States		
3-month T Bill	4.13	0.01
2 year bond	3.79	0.04
10 year bond	4.33	0.04
Other (10 year yields)		
Germany	2.76	0.04
Japan	1.61	0.00
UK	4.73	0.06

Commodities	Current	Change
CRB Index	298.42	0.8%
Gold	3338.71	-0.3%
Copper	9724	0.0%
Oil (WTI futures)	63.45	1.2%
Coal (coking)	189.25	-0.3%
Coal (thermal)	110.90	-1.5%
Iron Ore	101.25	0.4%
ACCU	34.13	-4.1%

Sydney Futures Exchange	Current	Change
10 yr bond	4.34	0.03
3 yr bond	3.44	0.04
3 mth bill rate	3.54	0.00
SPI 200	8,973	-0.1%

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:

All eyes today are on the Fed Chair Powell's speech at the Jackson Hole Symposium later, where he is expected to provide new insights into the likely path of US monetary policy in the near term. Ahead of the speech, financial markets were in a cautious mood, with most major equity indices easing, yields rising, and USD appreciating overnight. A sharp increase in the US manufacturing PMI suggested that US producers may be turning more optimistic about the potential impact from tariffs, likely supported by the announcements of the trade deals.

On the trade front, the US and EU released a statement, offering additional detail on the implementation of the trade deal agreed to on 27 July. The most significant concession the EU managed to secure appears to be the confirmation that car exports to the US will face a 15% levy, lower than the 25% tariff Trump imposed back in March. Much of the detail around European purchases of US energy products and investment in the US by European firms is still to be made available.

- The S&P500 index fell 0.4%, extending its descent into a fifth day and losing 1.5% over that period. The majority of Asian stocks also traded in the red, with Nikkei225 in Japan falling 0.6%, having lost almost 2% in the prior two days. The Euro Stoxx 50 index was down 0.2%, but the FTSE100 in the UK rose 0.2%. The Australian ASX200 outperformed, increasing 1.1%, as positive earnings announcements and good performance in the financial sector drove equity prices higher.
- The positive manufacturing PMI survey results in the US drove US Treasury yields 3-4bp higher across the curve. Similarly positive PMIs in the euro area and the UK supported yields there too, with markets assessing potential implications for the ECB and BoE policy decisions ahead. The 10Y Bund yield rose 4bp, while equivalent Gilt yield in the UK increased 7bp. The Australian yields were 1-2bp lower, but futures point to 3-4bp increase today.
- The DXY index appreciated, gaining 0.4% and reaching the highest level since 6 August. EUR fell 0.4% to 1.16, while GBP slipped 0.3% towards the 1.34 mark. Yen depreciated 0.7%, rising above 148. AUD was among better performing currencies, easing only 0.2%.
- Crude made further gains, with the September WTI contract rising to $63.5, as markets are looking for further signals how the Russia-Ukraine situation might evolve. Gold was down 0.3%, however, in the bigger picture, there are few signs that it is deviating from the broadly flat trend seen in the last several months in the $3275-$3400 range. After six consecutive days in the red, iron ore finally posted a modest gain of 0.4%.

Today's key data and events

For	Data/Event	Exp	Prev
9:01am	GB Gfk Consumer Sentiment Aug	-19pts	-19pts
9:30am	JP CPI Jul	3.1%	3.3%
12:00am	US Fed's Powell Speaks on Economic Outlook at Jackson Hole	-	-

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.

International Data:

S&P Global's US manufacturing PMI jumped from 49.8 to 53.3 in August, likely aided by progress towards bilateral trade deals with key trading partners. Meanwhile, the services PMI was little changed at 55.4, a level consistent with solid growth in the sector.

The HCOB euro area manufacturing PMI rose in the preliminary reading for August, from 49.8 to 50.5, the highest level in 38 months. The services PMI was little changed at 50.7, leaving the composite index rising slightly to 51.1. Euro area businesses continue to show resilience amid considerable global uncertainty.

S&P Global's UK manufacturing PMI deteriorated at the margin in August, from 48.0 to 47.3 signalling a faster rate of contraction for UK manufacturing. In contrast, the services PMI rose from 51.8 to 53.6, consistent with robust growth in the sector.

Initial jobless claims edged higher last week to 235k from 224k the week prior. Versus history, these are low levels consistent with limited turnover in the labour market.

Local Data:

The Westpac Economics team published the Westpac Quarterly Business Snapshot. The Cashflow Gauge paints a picture of a steady recovery in underlying cashflow conditions, but one that remains incremental rather than decisive (see here).

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