



25 August 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets reacted decisively to US Fed Chair Powell's comments at the Jackson Hole Symposium on Friday. Powell's comments point to a "shifting balance of risks [that] may warrant adjusting our policy stance."

Equities surged, particularly in interest rate sensitive sectors with the Russel 400 up 4.0% on the day. The Dow Jones also set a fresh record high, while the S&P 500 and the Nasdaq both chalked up strong gains.

Treasures rallied as traders sure up their bets of further rate cuts, with the policy sensitive 2-year bond yield falling by more than 10 basis points. Yields also declined across Europe and in the domestic market.

The US dollar declined amid falling yields, with the Aussie one of the main beneficiaries from the risk on sentiment – up 1.1% to trade above 0.6500 against the Greenback for the first time in a week.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	59.7	0.2%	30 day BBSY	3.61	0.00
AUD/USD	0.6490	1.1%	90 day BBSY	3.61	-0.01
AUD/JPY	95.38	0.1%	180 day BBSY	3.72	0.01
AUD/GBP	0.4793	0.1%	1 year swap	3.29	-0.03
AUD/NZD	1.1057	0.2%	2 year swap	3.22	-0.04
AUD/EUR	0.5538	0.1%	3 year swap	3.27	-0.06
AUD/CNH	4.6554	1.0%	4 year swap	3.37	-0.06
AUD/SGD	0.8320	0.6%	5 year swap	3.48	-0.06
AUD/HKD	5.0743	1.1%	6 year swap	3.61	-0.05
AUD/CAD	0.8950	0.2%	7 year swap	3.73	-0.05
EUR/USD	1.1718	1.0%	8 year swap	3.83	-0.04
USD/JPY	146.94	-1.0%	9 year swap	3.92	-0.05
USD Index	97.72	-0.9%	10 year swap	4.16	-0.05

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,967	-0.6%	Australia		
S&P 500	6,467	1.5%	3 year bond	3.41	0.02
Japan Nikkei	42,633	0.1%	10 year bond	4.31	0.04
Hang Seng	25,339	0.9%	United States		
Euro Stoxx 50	5,488	0.5%	3-month T Bill	4.09	-0.05
UK FTSE100	9,321	0.1%	2 year bond	3.70	-0.10
VIX Index	14.22	-14.3%	10 year bond	4.25	-0.07

Commodities	Current	Change	Other (10 year yields)		
CRB Index	300.00	0.5%	Germany	2.72	-0.04
Gold	3371.86	1.0%	Japan	1.63	0.02
Copper	9724	0.0%	UK	4.69	-0.04

			Sydney Futures Exchange	Current	Change
Oil (WTI futures)	63.66	0.2%	10 yr bond	4.29	-0.05
Coal (coking)	189.13	-0.1%	3 yr bond	3.36	-0.06
Coal (thermal)	112.30	0.0%	3 mth bill rate	3.54	0.00
Iron Ore	102.35	1.7%	SPI 200	9,011	0.9%
ACCU	34.13	-4.1%			

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:

- US equities surged amid US Fed Chair Powell's comments at Jackson Hole on Friday, which signalled the Fed's assessment on the balance of risks is "shifting" away from upside inflation toward downside risks to the real economy and labour market, opening the door for further rate cuts. The S&P 500 closed around record levels while the Dow Jones set a fresh record high, with both indices chalking up gains over the week. Given recent trends, there could be further upside with Bloomberg reporting that since 2000, the S&P 500 has climbed 0.5% on average in the week following the Fed's Jackson Hole Symposium. The S&P 500 closed 1.5% higher to be 0.3% higher in week terms, while the Dow Jones Industrial Average advanced 1.9% on Friday and was 1.5% higher over the week. The Nasdaq gained 1.9% on Friday but finished the week 0.6% in the red.
- European markets also closed higher buoyed by Powell's remarks and optimism around economic resilience. The Euro Stoxx 50 was 0.5% higher on Friday and finished the week 0.7% in the green. The FTSE 100 gained 0.1% to set a fresh record high and finish the week 2.0% in the green, while the DAX closed 0.3% higher and was broadly unchanged in weekly terms. Asian markets finished higher with the CSI 300 up 2.1% to set a new record, the Hang Seng up 0.9% and the Nikkei up 0.1%. In the local market, the ASX 200 finished the week 0.3% higher, despite closing Friday's session 0.6% lower. Futures are pointing to a strong start to today's session.
- Treasuries rallied amid Powell's comments, driving the policy sensitive two-year bond yield down as much as 12 basis points during the session. The 2-year US bond yield closed 10 basis points lower at 3.70%, while the 10-year US bond yield dropped 5 basis points to 4.25%. The 30-year US bond yield fell 4 basis points to 4.87%. Interest-rate futures now have an 83% chance of a September US Fed cut, more than a full rate cut pencilled in by October, and around 130 basis points of cuts over 2025 and 2026 – up from around 124 basis points of cuts one week ago. Yields were also lower in Europe, with 10-year bond yields down four basis points in the UK, France and Germany to 3.93%, 2.18% and 1.94%, respectively.
- At home, the 3-and-10-year futures also fell 6 and 5 basis points to 3.36% and 4.29%, respectively. Interest-rate futures have a rate cut fully priced in for the November RBA Board meeting and a total of 55 basis points of cuts priced in over the remainder of 2025 and 2026.
- The US dollar index fell 0.9% to 97.72 on the back of lower yields and finished the week almost 0.2% lower. The US dollar index finished in the red for the third consecutive week. The Japanese Yen and the euro advanced with the USD/JYP pair down 1.0% to 146.94, while the euro spot

Today's key data and events

For	Data/Event	Exp	Prev
8:45am	NZ Real Retail Sales Q2	-0.3%	0.8%
10:30pm	US Chicago Fed Activity Index Jul	-0.1pts	-0.1pts
12:00am	US New Home Sales Jul	0.5%	0.6%
12:00am	US Building Permits Jul Final	-	-2.8%

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.

advanced 1.0% to 1.1718 – the euro has increased around 1.1% against the Greenback over the past two weeks.

- The Aussie was one of the main beneficiaries from the 'risk-on' sentiment, increasing 1.1% against the Greenback to 0.6490. The AUD/USD pair traded at just above the 0.6500 mark for the first time in a week, closing a touch below this level. The still cautious message from the RBA Board and the more dovish comments from US Fed Powell should provide the Aussie with near term upside.
- Gold was 1.0% higher at US\$3,372 an ounce amid the fall in the US dollar. Copper and oil stabilised, with metals remaining well within recent ranges. The WTI was broadly unchanged at US\$63.63/bbl. Iron Ore was 1.7% higher at US\$102.35/t amid planned shutdowns to improve Beijing air quality, which will help stabilise global steel prices.

International Data and News:

In his Jackson Hole address, **FOMC Chair Powell** highlighted upside risks for inflation and downside risks for the labour market. As per the consensus opinion in the FOMC's July meeting minutes, Chair Powell believes the Committee is well placed to adjust the stance of policy slowly as the evolving balance of risks warrant. Still, Chair Powell's remarks could be interpreted as putting a greater emphasis on downside risks for employment which "are rising" given the unemployment rate has only held its current level because of reduced migration and participation.

We and the market expect a 25bp cut in September and another in the December quarter. But, in contrast to the market, thereafter we expect persistence in inflation pressures to keep the Fed on hold -- assuming employment growth does not deteriorate from here.

Chair Powell also provided a briefing on the latest review of the Monetary Policy Framework. Changes are relatively limited but broadly support policy incorporating an assessment of current and expected inflation and labour market dynamics and risks without a need to make up for past deficiencies. It remains the case that a tight labour market is not assumed to lead to accelerating inflationary pressures, but risks will closely be monitored and assessed against the current stance of policy (i.e. risks are greater if policy is accommodative or neutral versus a restrictive setting).

President Trump said he will fire US Fed Governor Lisa Cook if she doesn't resign amid allegations of mortgage fraud.

Euro Area consumer confidence deteriorated at the margin in August, but at -15.5 is still broadly in line with the 5-year average.

UK Gfk consumer confidence rose from -19 to -17 in August, materially above the 5-year average and in line with the 20-year average.

Local Data and News:

Over the weekend, the Federal government announced it plans to fast-track the assessment of more than 26,000 new homes and freeze further changes to construction laws. The Minister for Housing said AI will help implement these changes.



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