27 August 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

President Trump announced that he has sufficient grounds to fire Fed Governor Lisa Cook following allegations that she provided false information to acquire more favourable mortgages. Cook confirmed she will not vacate the position, vowing to fight Trump's decision in courts.

US consumer sentiment declined, and while the durable goods orders signalled stronger underlying momentum in capex spending, broader near-term prospects for the US business investment remain weak.

US equities posted small gains, but most other major equity markets ended the day in red. US Treasuries rallied, with gains concentrated at the short end as markets increased their bets on a Fed interest rate cut in September.

The DXY index declined 0.2%, and most major currencies, including AUD, appreciated accordingly.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.1	0.0%
AUD/USD	0.6490	0.2%
AUD/JPY	95.68	-0.1%
AUD/GBP	0.4816	0.0%
AUD/NZD	1.1079	0.0%
AUD/EUR	0.5573	0.0%
AUD/CNH	4.6453	0.1%
AUD/SGD	0.8342	0.2%
AUD/HKD	5.0591	0.0%
AUD/CAD	0.8983	0.0%
EUR/USD	1.1645	0.2%
USD/JPY	147.38	-0.3%
USD Index	98.24	-0.2%

Equities	Close	Change
S&P/ASX 200	8,936	-0.4%
S&P 500	6,466	0.4%
Japan Nikkei	42,394	-1.0%
Hang Seng	25,525	-1.2%
Euro Stoxx 50	5,384	-1.1%
UK FTSE100	9,266	-0.6%
VIX Index	14.62	-1.1%

Commodities	Current	Change
CRB Index	298.46	-1.1%
Gold	3393.57	0.8%
Copper	9744	0.0%
Oil (WTI futures)	63.32	-2.3%
Coal (coking)	187.50	-0.3%
Coal (thermal)	111.80	-0.4%
Iron Ore	103.05	-0.9%
ACCU	34.13	-4.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.61	0.00
90 day BBSY	3.60	-0.01
180 day BBSY	3.70	-0.01
1 year swap	3.30	0.00
2 year swap	3.25	0.00
3 year swap	3.31	0.00
4 year swap	3.41	0.00
5 year swap	3.52	0.00
6 year swap	3.64	0.00
7 year swap	3.76	0.01
8 year swap	3.86	0.01
9 year swap	3.96	0.01
10 year swap	4.21	0.00

Government Bond Yields	Close	Change
Australia		
3 year bond	3.40	0.01
10 year bond	4.31	0.03
United States		
3-month T Bill	4.07	-0.01
2 year bond	3.68	-0.04
10 year bond	4.26	-0.01
Other (10 year yields)		
Germany	2.72	-0.03
Japan	1.63	0.01
UK	4.74	0.05

Sydney Futures Exchange	Current	Change
10 yr bond	4.33	-0.01
3 yr bond	3.41	0.00
3 mth bill rate	3.54	0.01
SPI 200	8,942	0.5%

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:

Financial markets remained cautious, as tensions between President Trump and the Fed rose to new highs. President Trump announced that he has sufficient grounds to fire Fed Governor Lisa Cook following allegations that she provided false information to acquire more favourable mortgages. Meanwhile, Cook confirmed that she is not going to vacate the position, vowing to fight Trump's decision in courts. Trump's campaign against Cook is consistent with his efforts to get the Fed to lower interest rates by appointing loyal people to decision-making positions. On the data front, US consumer sentiment declined, and while the durable goods orders signalled stronger underlying momentum in capex spending, broader near-term prospects for the US business investment remain weak, amid high economic uncertainty.

- US equities posted small gains, with the S&P500 rising 0.4%, as markets await Nvidia's Q2 results announcement today, which is likely to set a direction for the broader tech sector. In contrast, most other major equity markets traded in red. Both the Nikkei 225 and the Euro Stoxx 50 declined by more than 1%. The latter was driven primarily by concerns over future of the government in France, after Prime Minister Bayrou announced that he will ask parliament to vote on his fiscal tightening plan on 8 September. The FTSE100 in the UK outperformed, with 0.6% daily loss, while the domestic ASX200 was down 0.4%.
- US Treasuries rallied across the curve, with gains concentrated at the short end as markets increased their bets on the Fed interest rate cut in September. Currently, almost a 90% chance is priced in, up from around 80% at the start of the week. Bunds yields also declined, by 3bp at the 10Y, but Gilts sold off as Catherine Mann, one of the most hawkish members of the Monetary Policy Committee at the Bank of England, suggested that "more persistent hold on Bank Rate is appropriate right now". Australian yields also rose, by 1-3bp.
- In FX markets, the DXY index declined 0.2%, and most major currencies appreciated accordingly. Indeed, EUR, GBP and Yen gained 0.2%. AUD was up by the same amount, rising close to the 0.65 mark.
- After steady gains in the last four sessions, the risk off sentiment drove crude notably lower, with the WTI down 2.3% to $63.3. Golds advanced 0.8%, trading just below the $3400 mark. Iron ore was down 0.9%, partially reversing 2.7% surge yesterday.

International Data:

Following the University of Michigan consumer sentiment indicator release ten days ago, which showed that US consumer confidence declined in August, **the Conference Board Consumer Confidence index**, released overnight, also deteriorated signalling rising concerns about the future economic conditions. The headline index fell 1.3pts to 97.4, a level above the long-term term and the last six-month averages (both around 95.0), but well below the readings seen last year. Consumers' view of the present situation and future growth prospects were weaker, and their assessment of the labour market conditions – a share of respondents who think the jobs are plentiful minus a share who think jobs are hard to get – declined to the new lowest level since the peak of the pandemic.

The latest house price data also signalled ongoing concerns about the outlook for the US economy. Both **the S&P Cotality CS** and **the FHFA house price indices** declined in June, by 0.3%mth and 0.2% respectively. On both measures, prices fell in Q2 for the first time in more than two years.

The **US Durable Goods Orders** fell by 2.8%mth in July, registering a second significant monthly decline after a surge in May. Volatility in the transportation sector, aircraft orders in particular, pushed the headline measure lower. Orders for non-defence capital goods excluding transportation, which are often used to assess the underlying trends, increased 1.1%mth, indicating a firm start to the quarter after 0.5%qtr drop in Q2. More broadly, the picture for the US business investment remains subdued, amid ongoing uncertainty how the economy is going to evolve from this point.

After July's sharp decline to -20, the joint lowest level since the pandemic, the **US Richmond Fed Manufacturing Index** bounced back up this month to -7, historically still a subdued level. All major survey components, particularly new orders, were stronger, but remained in the pessimistic territory below zero.

Today's key data and events

For	Data/Event	Exp	Prev
10:30am	AU Westpac-MI Leading Index Jul	-	0.0%
11:30am	AU Monthly CPI Indicator Jul	2.3%	1.9%
11:30am	AU Construction Work Done Q2	1.0%	0.0%
11:30am	CN Industrial Profits Jul	-	-4.3%

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.

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