

Highlights this week

- In Australia, growth in retail trade and dwelling approvals disappointed in May. The goods trade surplus narrowed in May, dragged down by both lower exports and higher imports. The Melbourne Institute inflation gauge suggested that consumer price inflation remained in check in June. The Cotality home value index saw solid gains across most capital cities in June.
- Abroad, US Congress has passed the 'One Big Beautiful Bill', which is expected to lead to further deterioration of US fiscal position. US headline labour market data was stronger than expected in June, but details disappointed. US ISM services rose back into expansion in June, while manufacturing remained in contraction. Chinese PMIs generally pointed to slight expansion in June.

Highlights next week

- The key domestic event next week will be the RBA Monetary Policy Board decision on Tuesday, with another 25bps cut widely expected by the market participants. It will be followed by a press conference by RBA Governor Michele Bullock, which might provide some further clarity on rate outlook. Tuesday will also see the NAB business report for June, but the domestic calendar will be empty otherwise.
- The key event offshore will be the 'mini-Liberation Day' on 9 July, when the 'reciprocal' tariff pause is scheduled to expire. The other major highlight will be the FOMC minutes on Wednesday. Other events include the Chinese inflation figures for June, the NFIB US small business consumer confidence index and RBNZ rate decision, with no change expected this time.

Central Bank Rates (%)		Weekly Change	Australian Interest Rates (%)		Weekly Change	Major Overseas Interest Rates (%)		Weekly Change	Global Equities		Weekly Change
Australia	3.85	(0 pt)	O/N Interbank Cash	3.84	(0 pt)	USD 3-month	4.85	(0 pt)	ASX200	8609	(↑53 pt)
US (IOR)	4.40	(0 pt)	90-day Bills	3.58	(↓3 pt)	2-yr T-Notes	3.88	(↑14 pt)	S&P500	6279	(↑138 pt)
Eurozone	2.00	(0 pt)	3-yr T-Bond	3.36	(↑12 pt)	10-yr T-Notes	4.35	(↑9 pt)	DJIA	44829	(↑1442 pt)
UK	4.25	(0 pt)	10-yr T-Bond	4.21	(↑8 pt)	Jap 10-yr	1.46	(↑3 pt)	Nikkei	39882	(↓333 pt)
Japan (Target)	0.50	(0 pt)	3-yr WATC Bond	3.52	(↑8 pt)	UK 10-yr	4.54	(↑7 pt)	CSI300	3966	(↑12 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	4.80	(↑8 pt)	Ger 10-yr	2.62	(↑5 pt)	Stoxx600	544	(↑6 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets**Interest Rates**

Government bond yields increased across the advanced economies this week, mainly reflecting mounting fiscal concerns, but also less urgency to reduce interest rates in the US.

US Congress passed the 'One Big Beautiful Bill' this week, which is to be signed into law by US President Donald Trump later today. The bill permanently extends the personal income tax cuts introduced during the first Trump presidency, while introducing further tax deductions and credits. It also allocates additional funds for defence and border protection. The Congressional Budget Office estimates that the bill provisions will increase US deficits by a cumulative US\$3.4 trillion over the next decade.

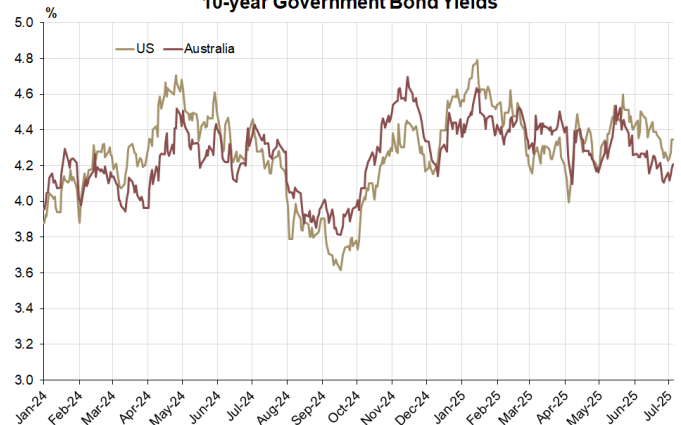
Market participants widely expect a 25bps cash rate cut from the RBA next week, but such a decision will be not be taken lightly, as implied by the futures pricing.

Equities

Equities had a positive week across most major markets, with the Australian and the US benchmarks hitting fresh record highs.

The rise in the US was possibly fuelled by expectations that President Trump's budget bill and its huge tax cuts would be passed by Congress. The market shook off the uncertainty ahead of next week's 9 July tariff deadline, suggesting traders expect the tariff issue will be deferred a little further down the road.

At home, the ASX 200 managed to exceed its 11 June high, with a 5% increase in the materials index leading the way, boosted by strong rises in miners. Financials were the laggard, with the index dropping 2%, partly due to a pullback on Commonwealth Bank shares after the sharp rise over the past three months.

10-year Government Bond Yields

Source: Bloomberg

S&P ASX 200

Source: Bloomberg

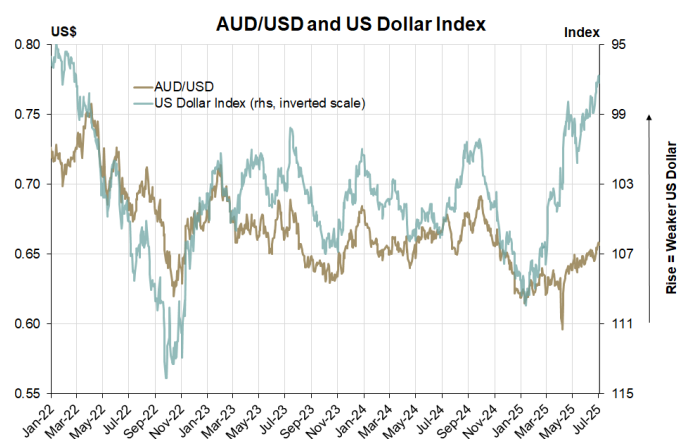
Currencies

It was a quite positive week for the Australian dollar, which appreciated against all the major currencies except for the stronger euro.

The bulk of the AUD's appreciation occurred on Monday, when optimism about trade talks with Canada and EU led to improvement in global market sentiment. The AUD/USD was directionless for the rest of the week, oscillating around its 2025 highs.

The current levels of the AUD/USD are mainly the result of the weak greenback. The US dollar index hit a yet another three-year low of Tuesday amid concerns over US public finances.

The AUD strengthened the most against the British pound, which was the second weakest currency this week. The GBP was dragged down by concerns over UK fiscal position, after the government failed to find support for significant welfare cuts.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6577	0.6590	0.6523	↑0.3	0.6942	0.5915
AUD/EUR		0.5588	0.5594	0.5562	↓0.3	0.6261	0.4620
AUD/GBP		0.4813	0.4834	0.4760	↑0.8	0.5279	0.4620
AUD/JPY		95.14	95.37	93.97	↑0.5	109.37	86.05
AUD/CNY		4.7107	4.7194	4.6683	↑0.1	4.9340	4.3523
EUR/USD		1.1770	1.1829	1.1708	↑0.6	1.1829	1.0141
GBP/USD		1.3665	1.3789	1.3563	↓0.6	1.3789	1.2100
USD/JPY		144.65	145.23	142.68	↑0.2	161.81	139.58
USD/CNY		7.1706	7.1743	7.1561	↓0	7.3511	7.0063
Forward Rates		Spot	3M	6M	12M		
AUD/USD		0.6577	0.6591	0.6605	0.6624		
AUD/EUR		0.5588	0.5565	0.5544	0.5504		
AUD/GBP		0.4813	0.4819	0.4826	0.4837		
AUD/JPY		95.14	94.35	93.62	92.36		
AUD/NZD		1.0815	1.0803	1.0796	1.0784		
AUD/SGD		0.8380	0.8342	0.8307	0.8242		

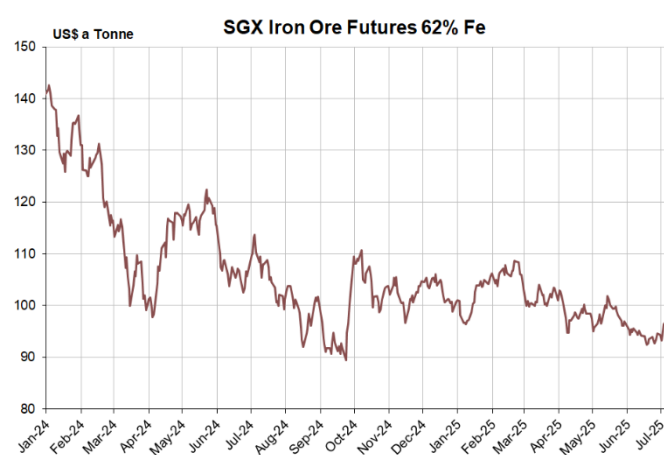
Commodities

Commodity prices lifted against the weaker US dollar almost across the board. However, this was due to a sharp rise on Wednesday that saw the CRB Commodity Price Index jump 1.6%, after falling to a one-month low on Tuesday.

The bounce may have been driven by the announcement of a US trade deal with Vietnam, which raised hopes that further deals are in the works ahead of next week's tariff deadline.

Oil prices bounced 3% on Wednesday to the highest levels since the post-ceasefire slump, before giving up some of those gains over the past two days.

The benchmark Singapore iron ore futures price is on track for its second weekly gain in a row after a soft start to the week, to currently be at its highest levels in over a month.



Source: Bloomberg

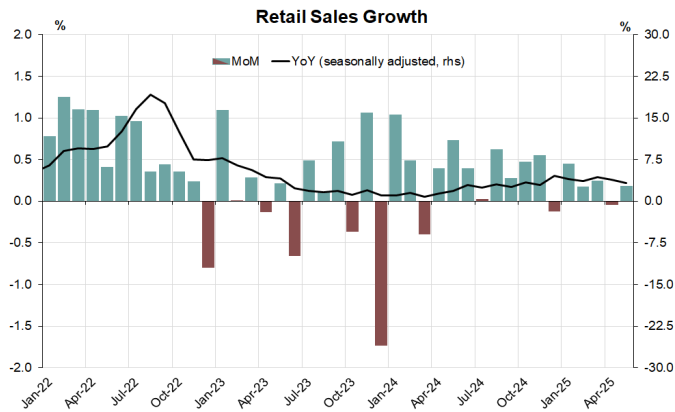
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,327.15	\$3,365.80	\$3,248.71	(↑\$22.04)	\$3,500.10	\$2,349.56
Brent Crude Oil (US\$)	\$68.76	\$69.21	\$66.34	(↑\$0.62)	\$86.92	\$58.40
Mogas95* (US\$)	\$78.26	\$78.70	\$75.87	(↓\$0.23)	\$97.02	\$67.57
WTI Oil (US\$)	\$67.03	\$67.58	\$64.50	(↑\$1.37)	\$84.52	\$55.12
CRB Index	299.93	300.71	296.05	(↑1.71)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$96.75	\$97.00	\$92.95	(↑\$2.2)	\$115.00	\$88.40

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.

** The Iron Ore Price is the SGX 62%Fe iron ore futures 2nd contract.

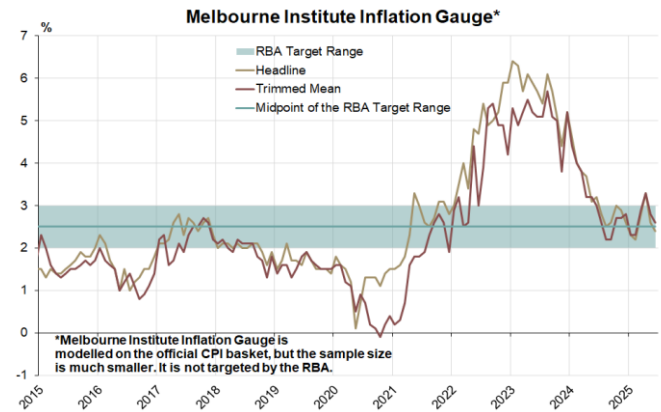
Domestic Economy

Retail trade picked up in May, albeit only a little, signalling the ongoing cautiousness of households...



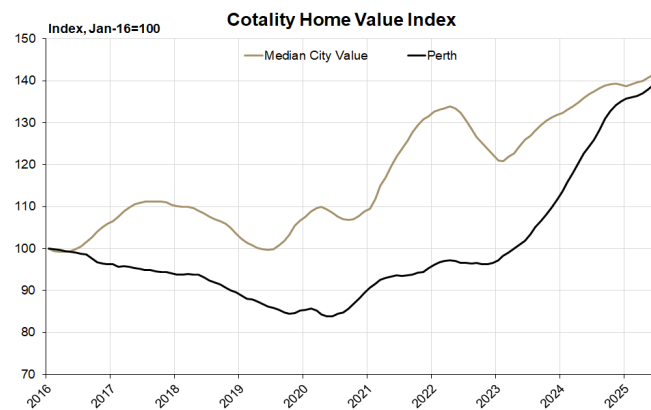
Source: ABS

... despite inflation remaining in check, as most recently signalled by the **Melbourne Institute gauge**.



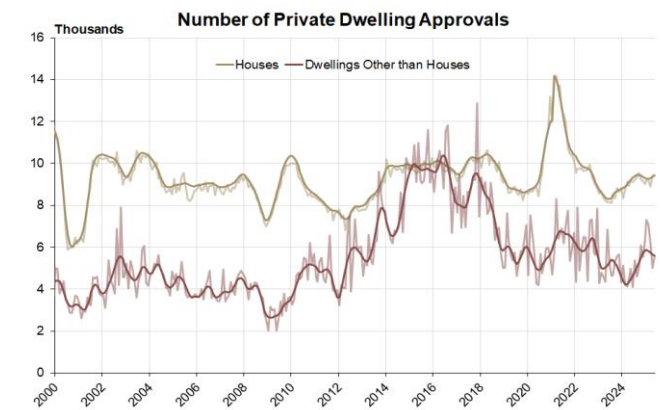
Source: Bloomberg

However, lower mortgage rates have translated into faster **home price growth** over the past few months...



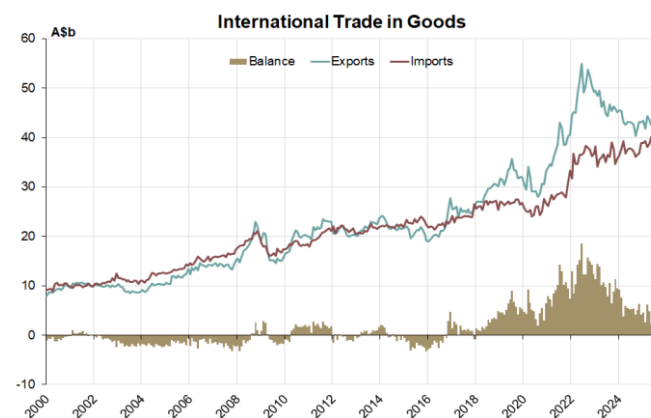
Source: Cotality / Bloomberg

... with subdued **dwelling approvals** suggesting supply will remain insufficient to meet demand.



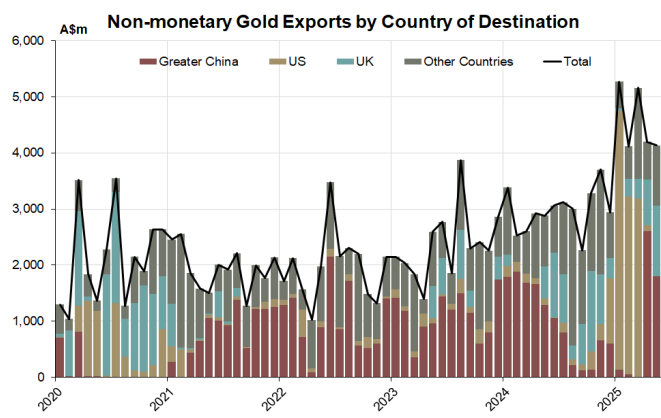
Source: ABS

Goods trade surplus narrowed in May, dragged down by lower exports and higher imports.



Source: ABS

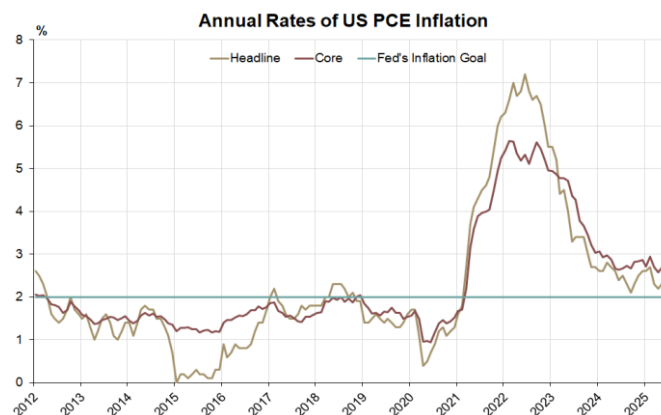
Despite a fall, **non-monetary gold exports** remain high, with China and UK now being the major destinations.



Source: ABS

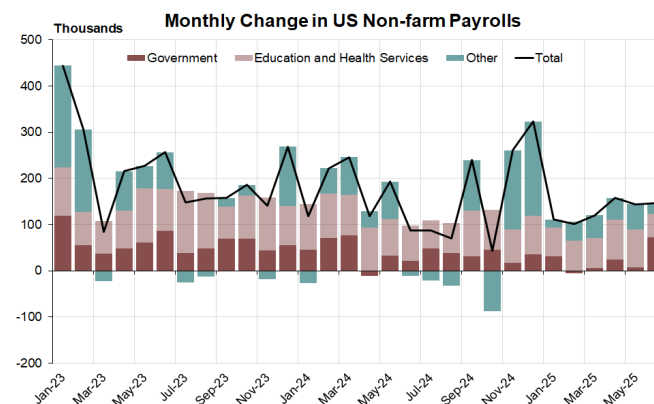
Global Economy

US PCE price inflation remains somewhat above the Fed's 2% goal.



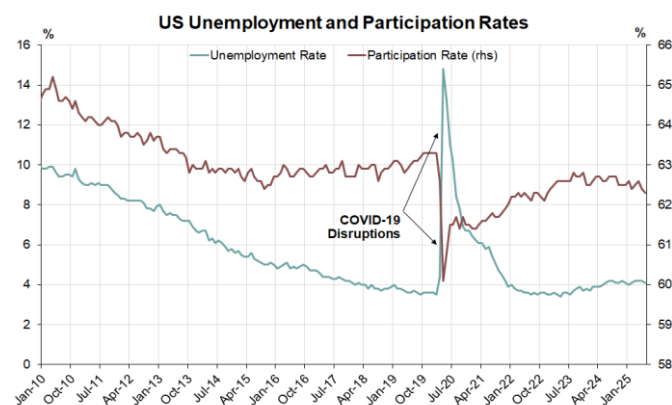
Source: Bloomberg

US non-farm payrolls saw a decent gain in June, though mainly due to jobs in the non-market sector.



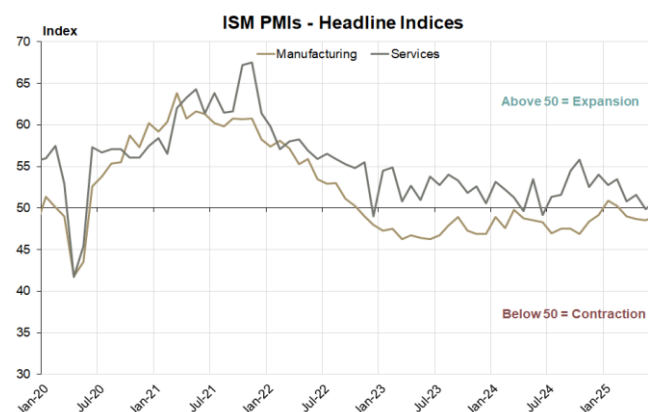
Source: Bloomberg

US unemployment rate declined a little in June, but this came after a fall in the participation rate.



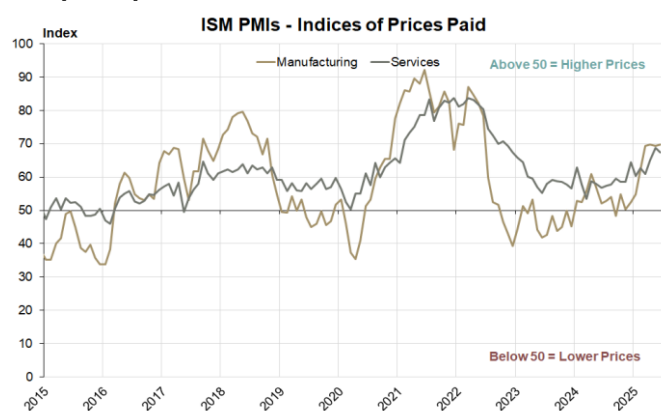
Source: Bloomberg

US ISM reports pointed to renewed expansion in services, while contraction in manufacturing slowed.



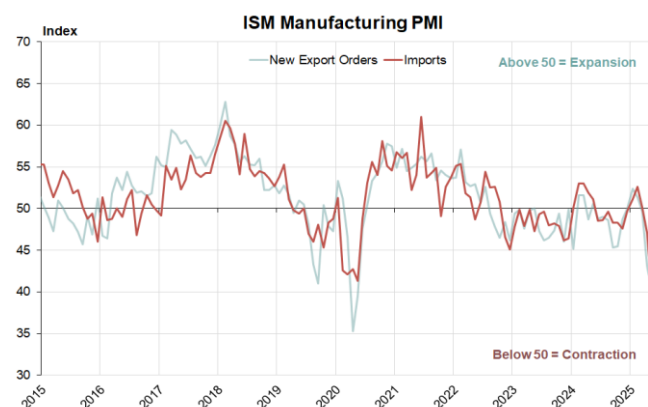
Source: Bloomberg

At the same time, the details of ISM surveys suggest that **price pressures** remain elevated in the US.



Source: Bloomberg

Foreign trade indicators in the ISM manufacturing survey have slightly improved, but remained in contraction.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 30					
AU	Private Sector Credit (MoM, May)	0.5%	0.6%	0.7%	Up 6.9% YoY, the most in over two years.
AU	MI Inflation (MoM, Jun)	0.1%	-	-0.4%	Annual rate of MI inflation declined by 0.2ppts to 2.4%.
CH	NBS Composite PMI (Jun)	50.7	-	50.4	Construction PMI up 1.8pts to a three-month high of 52.8.
Tue 01					
AU	Cotality Home Value (MoM, Jun)	0.6%	-	0.5%	Perth home prices saw a 0.8% gain in June.
AU	ANZ Cons. Conf. (w/e 28 Jun)	87.2	-	86.7	2Y consumer inflation expectations steady at 4.7%.
CH	Caixin Manufacturing PMI (Jun)	50.4	49.3	48.3	Came back to expansion just after one month of decline.
EZ	HICP (YoY, Jun)	2.0%	2.0%	1.9%	Core inflation unchanged at a three-year low of 2.3%.
US	ISM Manufacturing PMI (Jun)	49.0	48.8	48.5	Production subindex rose back into expansion in June.
US	JOLTS Job Openings (May)	7.8m	7.3m	7.4m	Still around 500k higher than the number of unemployed.
Wed 02					
AU	Retail Trade (MoM, May)	0.2%	0.5%	0.0%	Growth thanks to clothing and department stores.
AU	Dwelling Approvals (MoM, May)	3.2%	4.0%	-4.1%	Private sector houses saw only a 0.5% uptick in May.
US	ADP Employment (MoM, Jun)	-33k	98k	29k	This would have been the first decline since March 2023.
Thu 03					
AU	Goods Trade Balance (May)	A\$2.2b	A\$5.0b	A\$4.9b	Non-monetary gold imports still high.
CH	Caixin Services PMI (Jun)	50.6	50.9	51.1	Caixin composite PMI rose 1.7pts to 51.3.
US	ISM Services PMI (Jun)	50.8	50.6	49.9	Employment fell into contraction in June.
US	Non-farm Payrolls (MoM, Jun)	147k	106k	144k	Half of the increase came from government jobs.
US	Unemployment Rate (Jun)	4.1%	4.3%	4.2%	Participation rate fell to the lowest level since late 2022.
US	Initial Jobless Claims (w/e 28 Jun)	233k	241k	237k	Continued claims were steady at 1,964k in w/e 21 June.
Fri 04					
AU	Hsehold Spend. Ind. (MoM, May)	0.9%	0.5%	0.0%	Upside surprise thanks to higher discretionary spending.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 07				
AU	ANZ Indeed Job Ads (MoM, Jun)	-	-1.2%	Aussie job ads are still high by pre-COVID standards.
Tue 08				
AU	RBA Decision (Cash Rate Target)	3.60%	3.85%	A 25bps cut almost fully priced in by the markets.
AU	RBA Governor M. Bullock Speaks	-	-	Post-meeting press conference.
AU	NAB Business Conditions (Jun)	-	0	Correctly predicted weaker labour market conditions in May.
AU	NAB Business Confidence (Jun)	-	2	Remains weak despite some recent improvement.
US	NFIB Small Business Optimism (Jun)	97.9	98.8	Taxes, also tariffs, a top dampener of business growth.
Wed 09				
NZ	RBNZ Decision (Official Cash Rate)	3.25%	3.25%	RBNZ expected to resume rate cuts later this year.
CH	CPI (YoY, Jun)	0.0%	-0.1%	Chinese demand pressure remains very weak.
CH	PPI (YoY, Jun)	-3.1%	-3.3%	Chinese producer price deflation dampening prices worldwide.
US	FOMC Minutes	-	-	More details on an emerging FOMC split on the policy outlook.
Thu 10				
	No market moving data			
Fri 11				
UK	Monthly GDP (MoM, May)	-	-0.3%	PMIs pointed to slight growth.