

Highlights this week

- In Australia, RBA minutes confirmed that the July decision not to cut the cash rate target was about the timing, not direction. However, during her speech at the Anika Foundation, RBA Governor Michele Bullock said that a rate cut in August is not warranted. The Westpac leading index suggested that economic activity growth will be only marginally above trend in three to nine months, while the less established S&P Global PMIs pointed to faster expansion in July.
- Abroad, S&P Global flash PMIs pointed to ongoing expansion in services across the major advanced economies, while manufacturing activity declined in July.

Highlights next week

- The key domestic event next week will be the Q2 CPI report on Wednesday, which will be a crucial release ahead of the RBA decision in mid-August. It will be followed by June reports on retail trade, dwelling approvals and private sector credit on Thursday, and the July Cotality home value indices on Friday.
- The calendar will be very busy offshore, with the highlights being the US PCE inflation for June, US labour market data for July as well as US and Chinese July PMI indices. It will also be a big week for central banking, with the Fed, Bank of Canada and Bank of Japan all announcing their monetary policy decisions, with no changes expected.

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	8669 (↓36 pt)
US (IOR)	4.40 (0 pt)	90-day Bills	3.72 (↑3 pt)	2-yr T-Notes	3.91 (↑2 pt)	S&P500	6363 (↑66 pt)
Eurozone (Deposit)	2.00 (0 pt)	3-yr T-Bond	3.48 (↑7 pt)	10-yr T-Notes	4.39 (↓5 pt)	DJIA	44694 (↑209 pt)
UK	4.25 (0 pt)	10-yr T-Bond	4.35 (↑1 pt)	Jap 10-yr	1.60 (↑5 pt)	Nikkei	41656 (↑1745 pt)
Japan (Target)	0.50 (0 pt)	3-yr WATC Bond	3.63 (↑5 pt)	UK 10-yr	4.62 (↓3 pt)	CSI300	4149 (↑115 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	4.87 (0 pt)	Ger 10-yr	2.70 (↑3 pt)	Stoxx600	552 (↑5 pt)

Financial Markets**Interest Rates**

Government bond yields generally picked up at the front end of sovereign yield curves of the major advanced economies but were little changed or declined for longer maturities.

Minutes from the July RBA Monetary Policy Board meeting confirmed that the majority of members supporting the decision to leave the cash rate target unchanged had preferred to wait for confirmation of a return to target from the more comprehensive quarterly CPI report.

RBA Governor Michele Bullock delivered her annual speech at the Anika Foundation on Thursday, with the key takeaway being that a rate cut in August is not warranted. This led to some scaling back of cash rate cut expectations, but the August cut remains almost fully priced in.

The ECB kept its policy rates unchanged yesterday, as expected, with President Christine Lagarde expressing a preference to keep rates on hold in the coming meetings.

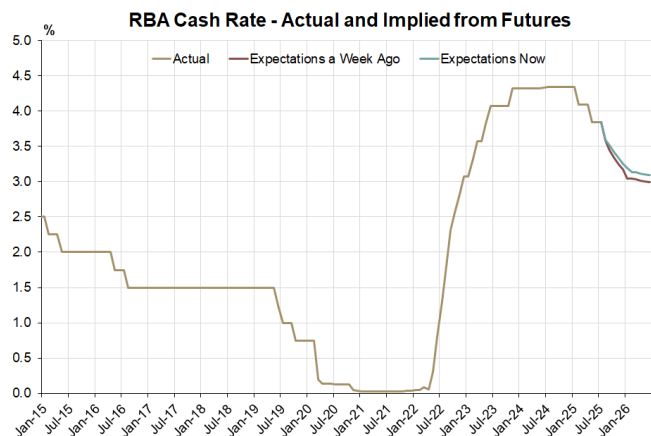
Equities

It was another positive week in the US equity market, as the sentiment was supported by news on preliminary trade deals with Japan and some further Asian economies. There were also hopes for a similar tentative trade agreement between the US and European Union.

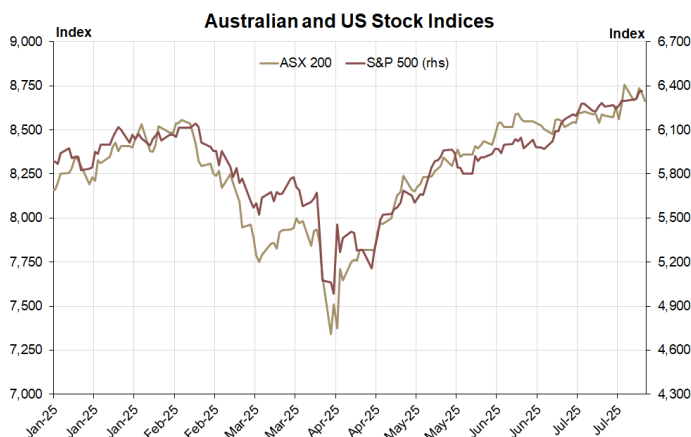
The gains came despite US President Donald Trump hinting at a hike in the minimum tariff rate to 15% from 10%.

The S&P 500 and Nasdaq both reached record highs on Thursday night, even though the equity market rally was losing its dynamism as trading week progressed.

The Australian share market also had a good start to the week, as a rise in iron ore prices supported mining stocks. However, the ASX 200 failed to surpass its record high from last Friday, and sentiment turned a bit sourer in the last two trading days of the week. At the time of writing, the ASX 200 is 0.4% down from its last Friday levels.



Source: Bloomberg



Source: Bloomberg

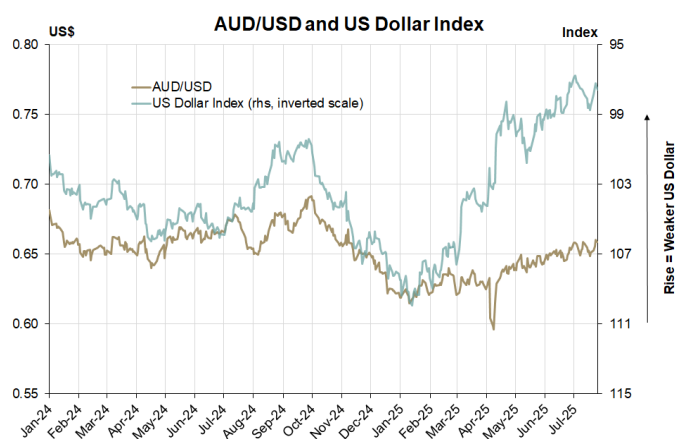
Currencies

It was a very good week for the Australian dollar, which appreciated against all the major currencies, particularly against the weaker greenback. The AUD/USD climbed to a fresh 2025 record high on Thursday.

The AUD was supported by good global market sentiment this week and a rise in iron ore futures. The appreciation occurred mainly in the second half of the week and followed directionless trade on Monday.

Despite its good performance, the AUD was surpassed by Scandinavian currencies and the New Zealand dollar this week.

The British pound was the weakest G10 currency, dragged down by disappointing PMI data. The Japanese yen was also one of the weakest currencies, despite appreciating quite sharply last weekend after the inconclusive parliamentary elections.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6595	0.6625	0.6498	↑1.4	0.6942	0.5915
AUD/EUR		0.5609	0.5634	0.5563	↑0.3	0.6261	0.4620
AUD/GBP		0.4882	0.4889	0.4826	↑0.8	0.5229	0.4620
AUD/JPY		97.03	97.14	95.63	↑0.4	102.41	86.05
AUD/CNY		4.7225	4.7383	4.6645	↑1.1	4.8726	4.3523
EUR/USD		1.1758	1.1789	1.1615	↑1.1	1.1829	1.0141
GBP/USD		1.3510	1.3589	1.3399	↑0.6	1.3789	1.2100
USD/JPY		147.12	148.66	145.86	↓1	158.87	139.58
USD/CNY		7.1547	7.1795	7.1491	↓0.4	7.3511	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6595	0.6606	0.6618	0.6633
AUD/EUR		0.5609	0.5584	0.5562	0.5520
AUD/GBP		0.4882	0.4886	0.4891	0.4899
AUD/JPY		97.03	96.22	95.47	94.17
AUD/NZD		1.0927	1.0910	1.0897	1.0874
AUD/SGD		0.8425	0.8381	0.8338	0.8263

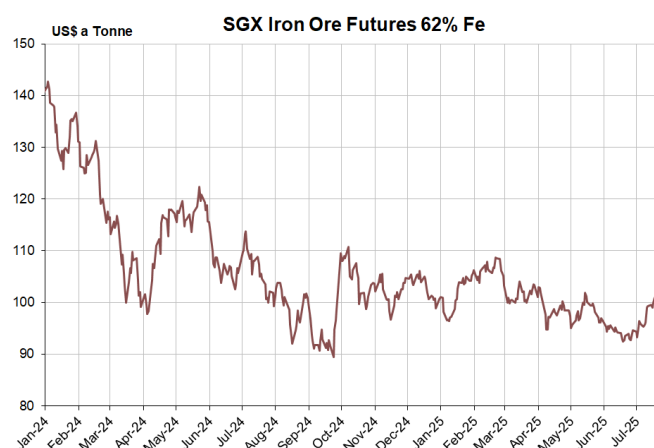
Commodities

This was a quite mixed week for commodities, but there was some positive news from the iron ore market.

After surpassing US\$100 per tonne last Friday, iron ore futures continued to climb in the first half of the week, to reach the highest levels since mid-February. The rise in iron ore futures was driven by news that the Chinese authorities plan to build the world's largest hydropower dam, with electricity generation capacity being three times greater than that of the Three Gorges dam.

Oil prices are slightly down for the week, with hardly any impact from a lower price cap imposed on Russian oil.

The gold price is up for the week, mainly due to its strong performance mid-week, when market participants were concerned about a possible interference in Fed activities by US administration. The price of the yellow metal eased towards the end of the week, as those concerns subsided.



Source: Bloomberg

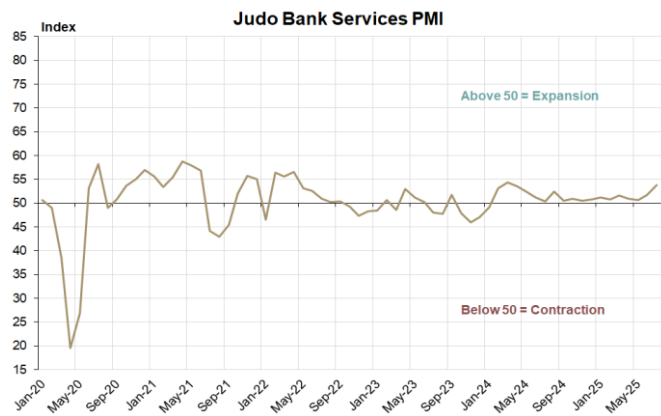
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,371.91	\$3,438.99	\$3,345.07	(↑\$31.99)	\$3,500.10	\$2,353.24
Brent Crude Oil (US\$)	\$69.33	\$69.63	\$68.00	(↓\$0.18)	\$82.63	\$58.40
Mogas95* (US\$)	\$77.97	\$78.71	\$76.55	(↓\$1.03)	\$95.91	\$67.57
WTI Oil (US\$)	\$66.17	\$67.76	\$64.71	(↓\$1.34)	\$80.77	\$55.12
CRB Index	304.37	306.12	303.79	(↑0.14)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$103.25	\$107.00	\$100.75	(↑\$1.2)	\$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.

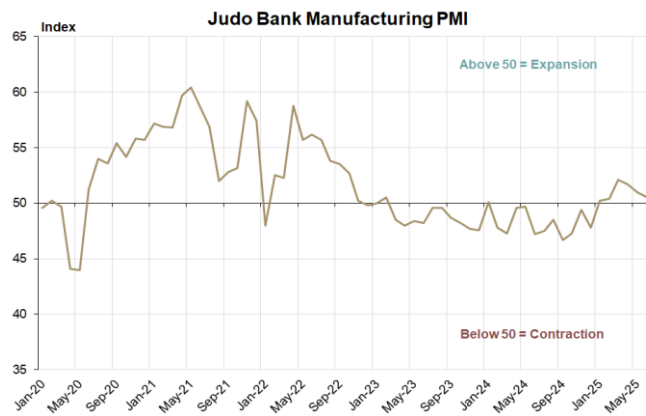
Domestic Economy

S&P Global services PMI now indicates the fastest expansion since 2022.



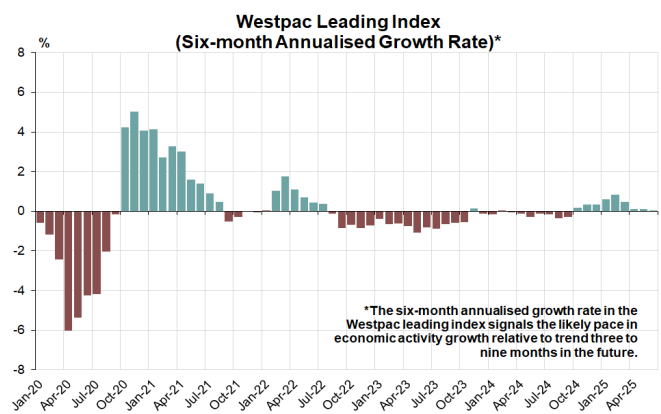
Source: ABS

Expansion in **manufacturing** is somewhat more modest but is gathering pace.



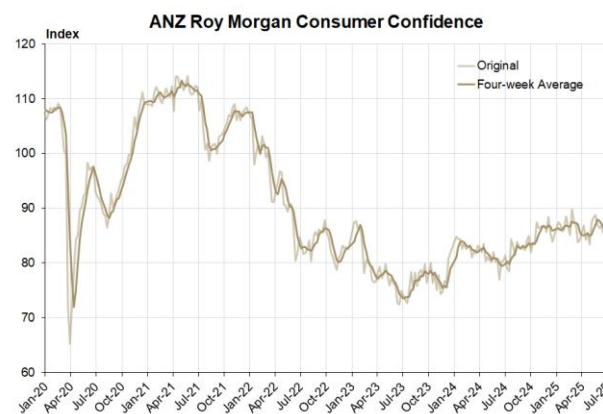
Source: ABS

The more established **Westpac leading index** suggests that growth will slow in the coming months.



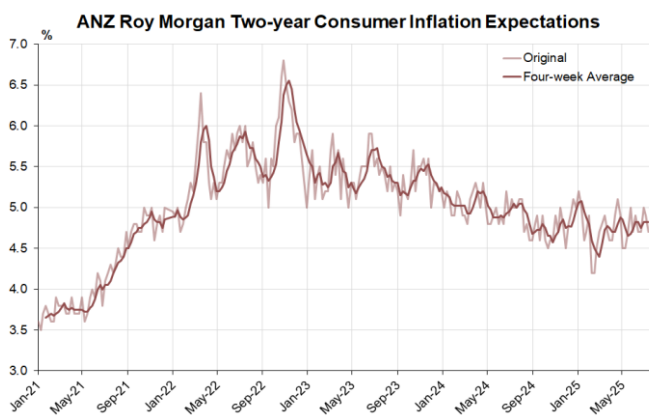
Source: Bloomberg

ANZ Roy Morgan consumer confidence has been directionless for a year...



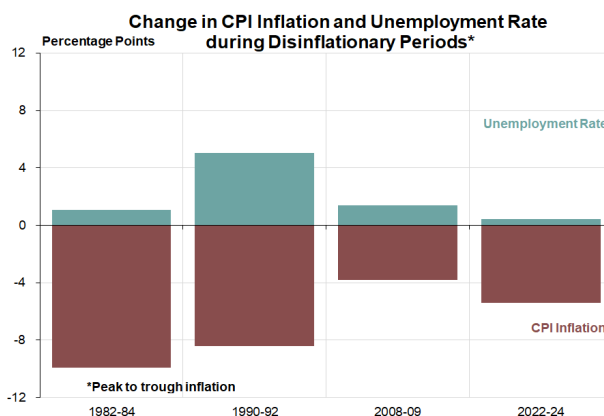
Source: Bloomberg

... with **consumer inflation expectations** stabilising well off their 2022 highs, but still at quite elevated levels.



Source: ANZ

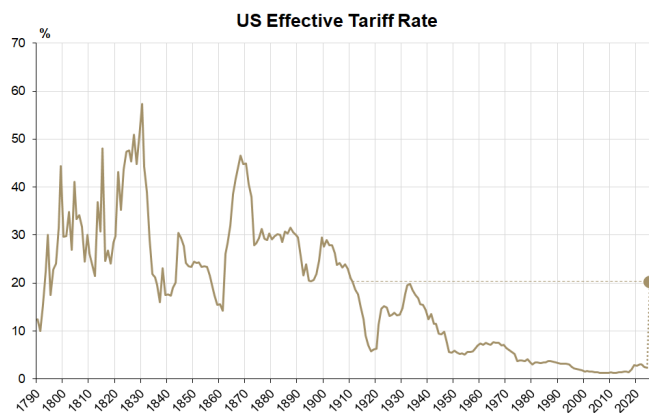
RBA Governor M. Bullock reminded in her speech that the recent disinflation occurred largely without job losses.



Source: ABS / RBA

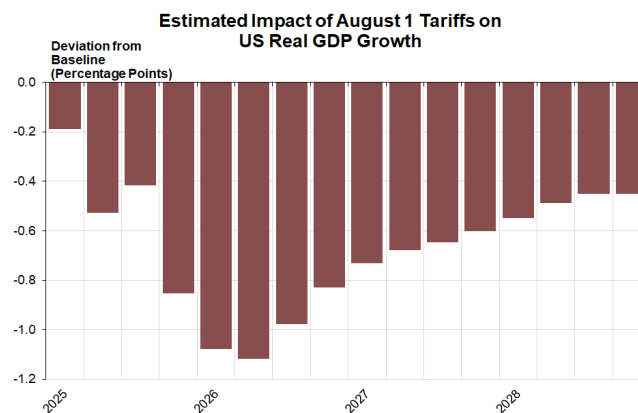
Global Economy

*If all trade negotiations fail within a week, **US effective tariff rate** will reach the highest level since 1911.*



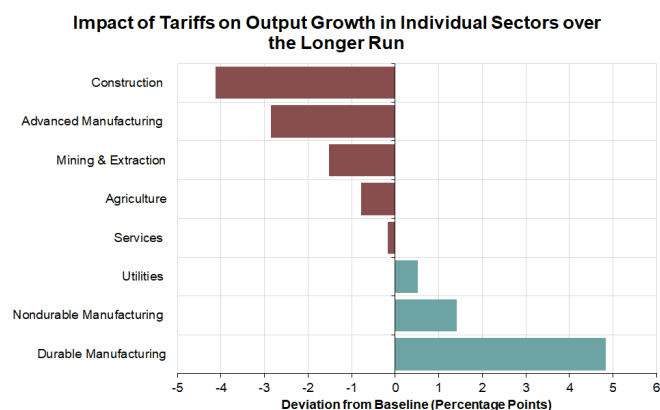
Source: Yale Budget Lab

*If the negotiations fail, the **annual rate of US GDP growth** could be 0.5-1.2ppts lower in the coming years.*



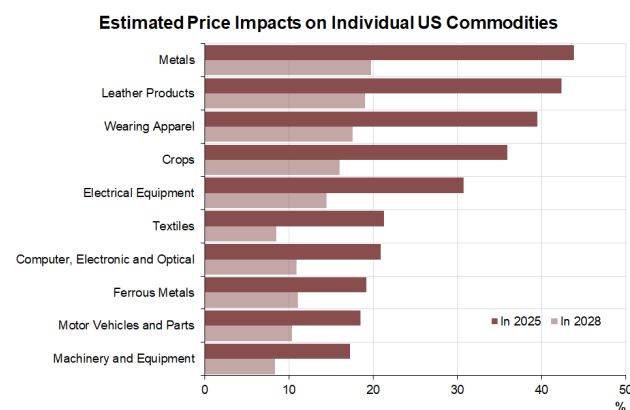
Source: Yale Budget Lab

*Tariffs are expected to trigger a **reallocation** of production across individual sectors of the US economy.*



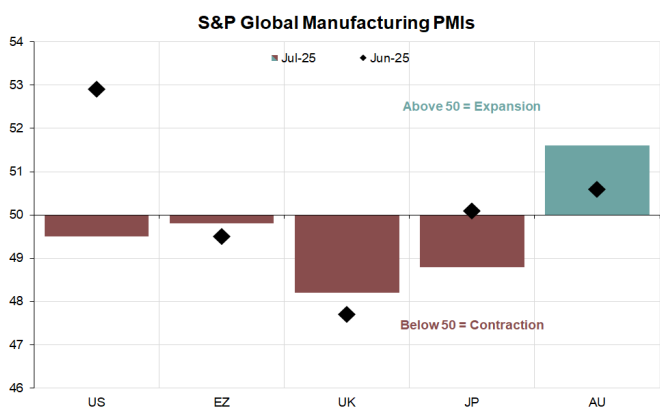
Source: Yale Budget Lab

*The tariffs are also expected to have persistent effects on **cost inflation** in selected US industries.*



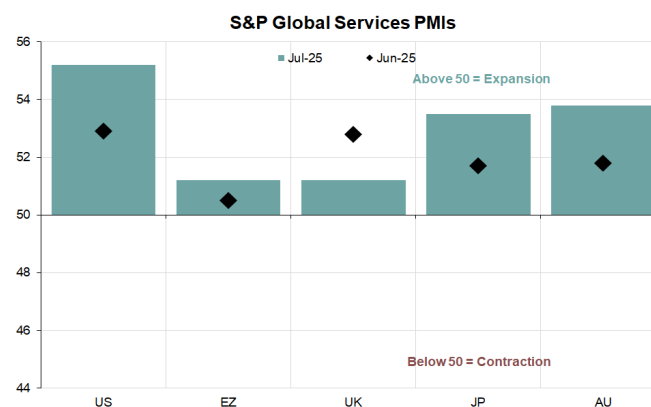
Source: Yale Budget Lab

*Meanwhile, the **S&P 500 PMIs** signal that tariffs are weighing on **manufacturing** in the major economies...*



Source: Bloomberg

*... while activity in **services** continues to expand across the advanced economies.*



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 21					
NZ	CPI (QoQ, Q2)	0.5%	0.6%	0.9%	Annual rate rose to 2.7%, but RBNZ had expected more.
CN	PBoC Announcement (5Y LPR)	3.50%	3.50%	3.50%	One-year loan prime rate also unchanged at 3.00%.
Tue 22					
AU	ANZ Cons. Conf. (w/e 19 Jul)	-0.2%	-	-2.4%	Consumer inflation expectations down 0.2ppts to 4.7%.
AU	RBA Minutes	-	-	-	RBA sticking with 'modest and gradual' easing.
Wed 23					
AU	Westpac Leading Index (Jun)	-0.03%	-	0.05%	Six-month annualised growth rate down to 0.03%.
US	Existing Home Sales (MoM, Jun)	-2.7%	-0.7%	1.0%	Remain close to over decade lows.
Thu 24					
AU	S&P Global Comp. PMI (Jul, flash)	53.6	-	51.6	Faster expansion in both services and manufacturing.
AU	RBA Governor M. Bullock Speaks	-	-	-	A rate cut in August not fully guaranteed.
JP	Jibun Bank Comp. PMI (Jul, flash)	51.5	-	51.5	Japanese manufacturing back in contraction.
EZ	HCOB Composite PMI (Jul, flash)	51.0	50.7	50.6	German economy near-stagnant, France in contraction.
EZ	ECB Decision (Deposit Rate)	2.00%	2.00%	2.00%	ECB President has clear preference for no further cuts.
UK	S&P Global Comp. PMI (Jul, flash)	51.0	51.8	52.0	Job shedding the fastest in five months.
US	New Home Sales (MoM, Jun)	0.6%	4.3%	-11.6%	The May plunge turned out to be a bit less dramatic.
US	CFNAI (Jun)	-0.10	-0.15	-0.16	Signals faster, albeit still sub-trend growth.
US	S&P Global Comp. PMI (Jul, flash)	54.6	52.8	52.9	Growth in the US economy is quite uneven.
US	Initial Jobless Claims (w/e 19 Jul)	217k	226k	221k	Four-week average the lowest level in three months.
Tonight					
US	Durable Goods Orders (MoM, Jun)	-	-10.7%	16.4%	Core orders expected to tick up by another 0.1%.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 28				
	No market moving data			
Tue 29				
US	JOLTS Job Openings (Jun)	-	7.8m	Still exceed the number of unemployed people in the US.
US	C-S Hse Price Index 20 Cities (MoM, May)	-	-0.3%	Saw a second consecutive decline in April.
US	Goods Trade Balance (Jun, adv.)	-US\$98b	-US\$96b	Remains around the 2023 levels despite the tariffs.
Wed 30				
AU	CPI (QoQ, Q2)	0.8%	0.9%	Trimmed mean inflation expected at 0.7% QoQ and 2.7% YoY.
CA	Bank of Canada Decision (Policy Rate)	2.75%	2.75%	Bank of Canada is now expected to be done for this cycle.
US	ADP Employment (monthly change, Jul)	80k	-33k	Turned out to be a poor predictor of the June gain, again.
US	GDP (QoQ annualised, Q2, 1st est.)	2.5%	-0.5%	A surge in imports ahead of tariffs expected to unwind.
US	FOMC Decision (IoER)	4.40%	4.40%	Fed's pause will continue until the tariff impacts are clearer.
Thu 31				
AU	Retail Trade (MoM, Jun)	0.3%	0.2%	The last retail trade report.
AU	Retail Sales Volumes (QoQ, Q2)	0.0%	0.0%	Q1 figures were more pessimistic than household spending.
AU	Dwelling Approvals (MoM, Jun)	2.9%	3.2%	Despite a gain in June, remain insufficient.
AU	Private Sector Credit (MoM, Jun)	-	0.5%	Monthly growth slowed in May, but remained decent.
AU	International Price Indices (Q2)	-	-	RBA commodity price index pointed to a fall in export prices.
JP	Bank of Japan Decision (Policy Rate)	0.50%	0.50%	Political uncertainty strengthens the case to stay put.
CN	NBS Composite PMI (Jul)	-	50.7	First insights into the Chinese economic activity in July.
US	Personal Spending (MoM, Jun)	0.4%	-0.1%	The expected increase is mainly due to price effects.
US	PCE Price Index (MoM, Jun)	0.3%	0.1%	Annual rate of PCE inflation to pick up 0.3ppts to 2.6%.
Fri 01				
AU	Cotality Home Value Index (MoM, Jul)	-	0.6%	The recent RBA rate cuts have sparked some acceleration.
AU	PPI (QoQ, Q2)	-	0.9%	Annual rate remained unchanged at 3.7% in Q1.
CN	Caixin Manufacturing PMI (Jul)	-	50.4	The export subindex will be closely followed for tariff impacts.
EZ	HICP (YoY, Jul)	-	2.0%	ECB appears content with the state of the euro area economy.
US	ISM Manufacturing PMI (Jul)	49.5	49.0	S&P Global PMI report also pointed to slight contraction.
US	Non-farm Payrolls (monthly change, Jul)	101k	147k	Half of the June gain came from government jobs.
US	Unemployment Rate (Jul)	4.2%	4.1%	Remains broadly in line the Fed's longer-run estimate of 4.2%.