

**Highlights this week**

- In Australia, the RBA unexpectedly kept its cash rate target unchanged at 3.85% this week, advising it would like to receive more information to confirm that underlying inflation is coming back to the mid-point of the target range.
- Data-wise, NAB business conditions and confidence improved markedly in June, following weakness in the previous month. ANZ Indeed job ads rose to the highest level in a year in June.
- Abroad, US President Donald Trump pushed back the re-introduction of 'reciprocal' tariffs until 1 August to allow more time for trade negotiations, while updating the tariff rates for some countries. He also announced a 50% tariff rate for copper, effective on 1 August, and warned of 200% tariffs for pharmaceuticals.

**Highlights next week**

- The key domestic highlights next week will be Westpac-Melbourne Institute consumer sentiment for July on Tuesday and the labour force survey for June on Thursday.
- The key releases offshore will include Chinese Q2 GDP, June activity data and June trade data as well as US inflation, retail sales and industrial production for June.

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	8588	(↓21 pt)
US (IOR)	4.40	(0 pt)	90-day Bills	3.73	(↑15 pt)	2-yr T-Notes	3.87	(↓1 pt)	S&P500	6280	(↑1 pt)
Eurozone (Deposit)	2.00	(0 pt)	3-yr T-Bond	3.46	(↑10 pt)	10-yr T-Notes	4.35	(0 pt)	DJIA	44651	(↓178 pt)
UK	4.25	(0 pt)	10-yr T-Bond	4.32	(↑11 pt)	Jap 10-yr	1.49	(↑3 pt)	Nikkei	39686	(↓196 pt)
Japan (Target)	0.50	(0 pt)	3-yr WATC Bond	3.63	(↑11 pt)	UK 10-yr	4.60	(↑5 pt)	CSI300	4010	(↑54 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	4.88	(↑8 pt)	Ger 10-yr	2.71	(↑9 pt)	Stoxx600	553	(↑9 pt)

Changes are since the previous issue of Market WATCH Weekly.

**Financial Markets****Interest Rates**

The RBA unexpectedly kept interest rates unchanged at the July meeting, with the cash rate target remaining at 3.85%. Market participants and most economists expected a 25bps cut in rates.

At the press conference, RBA Governor Michele Bullock said that the decision reflected just timing, not a change in direction. Most notably, the RBA is waiting for the Q2 CPI figures, due on 30 July, for confirmation that underlying inflation is sustainably coming back to the mid-point of the target range (2.5%).

The surprising RBA decision to keep rates on hold led to some scaling back of cash rate cut expectations. While an August cut is still widely expected by market participants, the futures market is pricing in 62bps of cuts for 2025 at the time of writing, which compares to 84bps a week ago. Commonwealth bond yields picked up as a result, in contrast to their US equivalents.

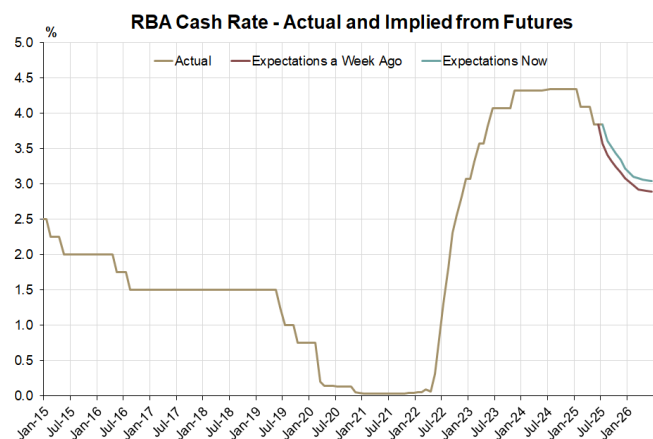
FOMC minutes brought no major surprises, highlighting inflation risks from tariffs and assessing that US monetary policy is well-positioned to respond to adverse developments if needed.

**Equities**

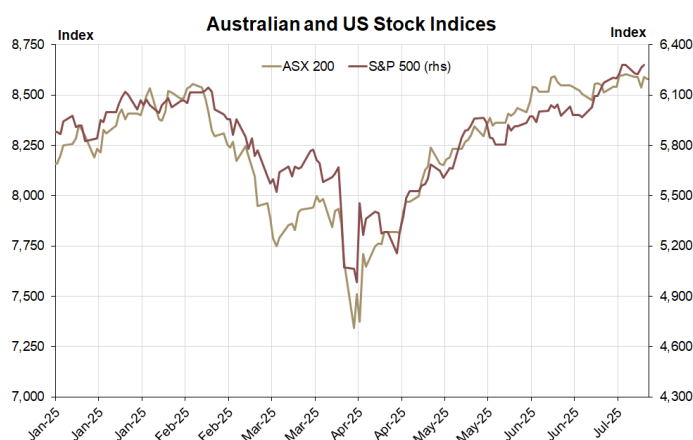
Global equity market sentiment was dented by fresh tariff news at the start of the week.

US President Donald Trump sent letters to multiple trading partners, containing updated tariff rates. At the same time, he also prolonged the 'reciprocal' tariff pause to allow more time for trade negotiations. This means that the updated tariff rates will become effective on 1 August should trade negotiations fail. President Trump also announced 50% tariffs on copper and warned of 200% tariffs on pharmaceuticals.

Equity markets eventually started to recover mid-week, allowing the US S&P 500 to nudge to a fresh record high on Thursday night. Having reached a record high a week ago, the Aussie ASX 200 was trading sideways, with no rate cut from the RBA having a very short-lived impact on the market.



Source: Bloomberg



Source: Bloomberg

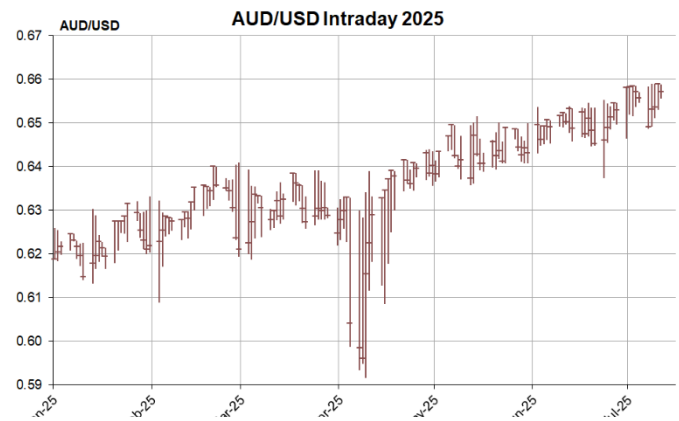
## Currencies

The Australian dollar has been the strongest member of the G10 currency basket this week, behind the Swedish krona and US dollar, with moves in the AUD/USD framed by US tariff announcements.

The AUD/USD fell below US\$0.65 for the first time since 25 June on Monday, as the Trump administration began sending letters to US trading partners advising them of their new tariff rates.

The Aussie bounced back on Tuesday following the surprise RBA decision not to cut the cash rate and held steady through the middle of the week, before breaking higher to hit a fresh eight-month high early this morning

However, things turned again, with the AUD/USD sinking this morning as the US announced a 35% tariff on Canadian imports.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6571	0.6595	0.6486	↓0.1	0.6942	0.5915
AUD/EUR		0.5626	0.5636	0.5526	↑0.7	0.6261	0.4620
AUD/GBP		0.4846	0.4857	0.4769	↑0.7	0.5259	0.4620
AUD/JPY		96.41	96.48	94.24	↑1.3	109.37	86.05
AUD/CNY		4.7258	4.7265	4.6534	↑0.3	4.9340	4.3523
EUR/USD		1.1676	1.1790	1.1663	↓0.8	1.1829	1.0141
GBP/USD		1.3559	1.3662	1.3526	↓0.8	1.3789	1.2100
USD/JPY		146.72	147.18	144.23	↑1.4	161.76	139.58
USD/CNY		7.1782	7.1835	7.1618	↑0.1	7.3511	7.0063

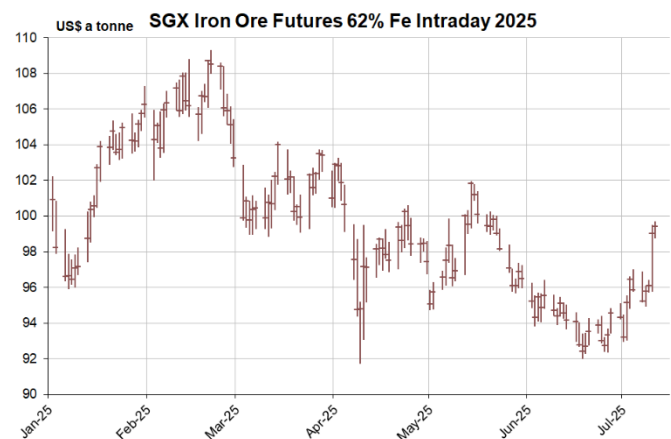
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6571	0.6581	0.6592	0.6607
AUD/EUR		0.5626	0.5600	0.5577	0.5535
AUD/GBP		0.4846	0.4850	0.4855	0.4864
AUD/JPY		96.41	95.57	94.79	93.48
AUD/NZD		1.0918	1.0901	1.0888	1.0869
AUD/SGD		0.8420	0.8376	0.8337	0.8264

## Commodities

Iron prices bounced this week, with the benchmark Singapore futures price rising to a seven-week high. The increase came as the Chinese Government signalled its intent to boost demand to support industry, and there were rumours of fresh efforts to aid the property sector.

Oil prices have been relatively steady over the past week. There was some volatility midweek, with Brent crude rising to a two-week high amid threats from Donald Trump of tighter sanctions on Russian oil exports. The upward pressure was maintained by news that Houthi rebels had sunk two cargo ships in the Red Sea, bringing Middle East tensions back to the headlines. However, prices retreated when demand concerns again came to the fore, as further evidence emerged of weak Chinese demand.

US copper prices surged to record highs, as President Trump announced a 50% tariff on copper imports would start on 1 August. US copper inventories have climbed to seven-year highs as importers rushed to get ahead of the long-signalled tariffs.



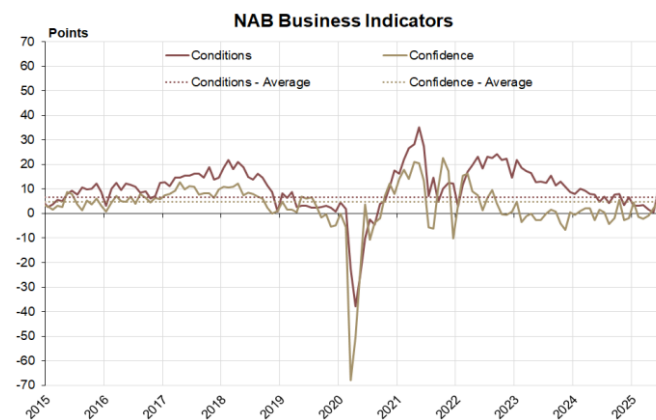
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,326.14	\$3,345.86	\$3,282.81	(↓\$1.01)	\$3,500.10	\$2,353.24
Brent Crude Oil (US\$)	\$68.86	\$70.71	\$67.22	(↑\$0.1)	\$85.81	\$58.40
Mogas95* (US\$)	\$78.81	\$80.23	\$76.82	(↑\$0.55)	\$96.02	\$67.57
WTI Oil (US\$)	\$66.84	\$68.94	\$65.40	(↓\$0.19)	\$83.82	\$55.12
CRB Index	300.37	302.29	299.28	(↑0.44)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$99.35	\$99.70	\$94.90	(↑\$2.6)	\$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.

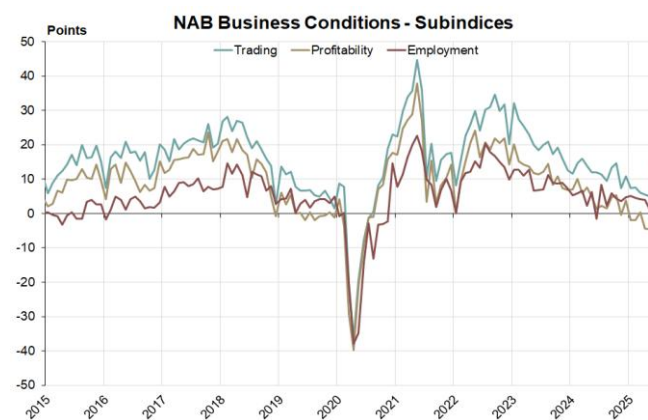
## Domestic Economy

**NAB business conditions and confidence improved markedly in June, to be at or above the series average.**



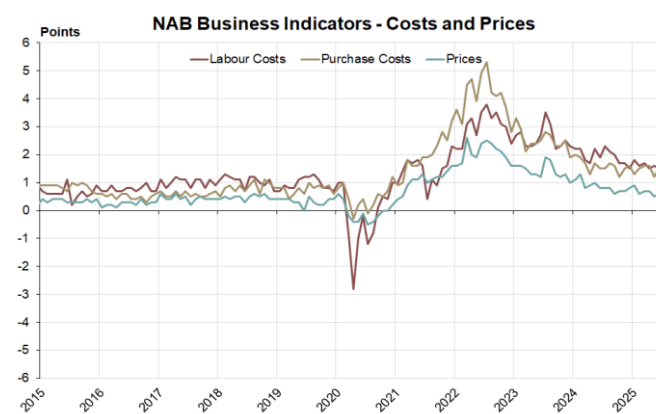
Source: Bloomberg

**The improvement in business conditions was broad-based, and particularly strong in trading conditions.**



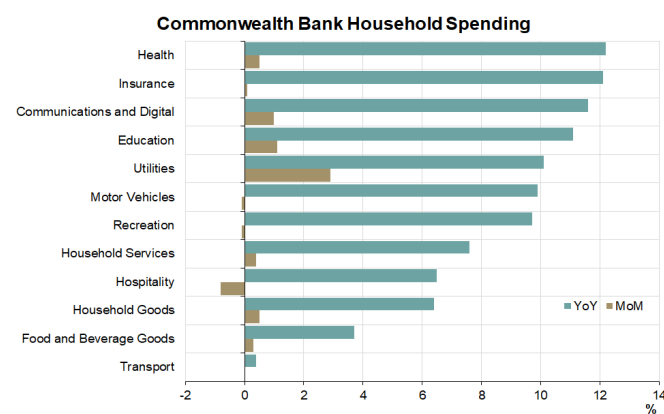
Source: Bloomberg

**The NAB survey also suggested that price and cost pressures are in check, but higher than before COVID.**



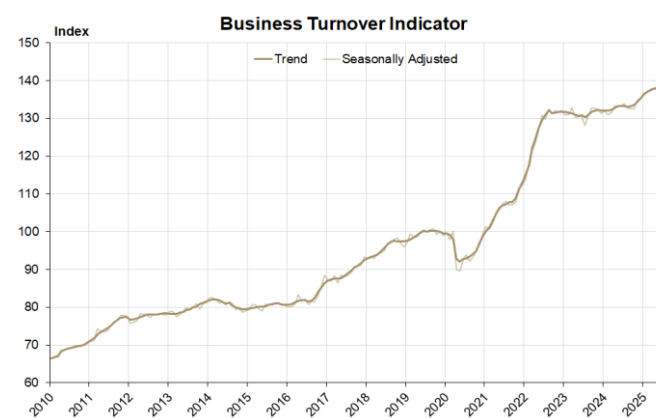
Source: Bloomberg

**Commonwealth Bank data suggest further and quite broad-based growth in household spending in June.**



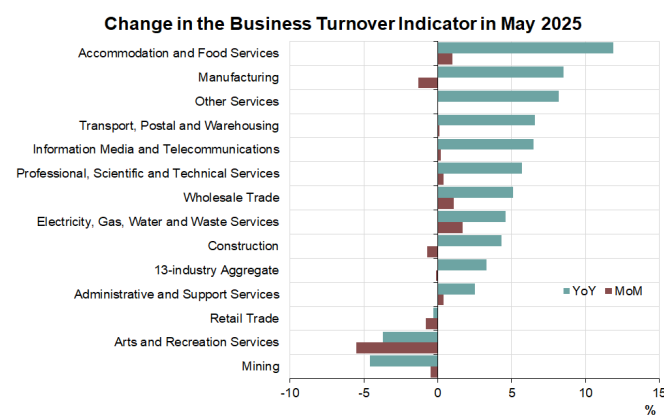
Source: Commonwealth Bank

**The business turnover indicator stabilised at a high level in May...**



Source: ABS

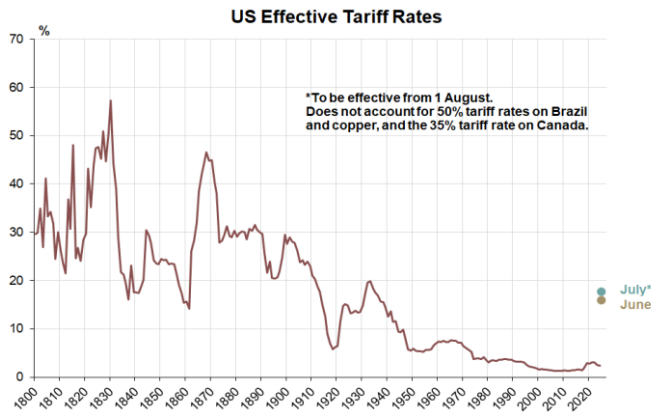
**... with gains in utilities, wholesale trade and hospitality offset by declines in recreation and manufacturing.**



Source: ABS

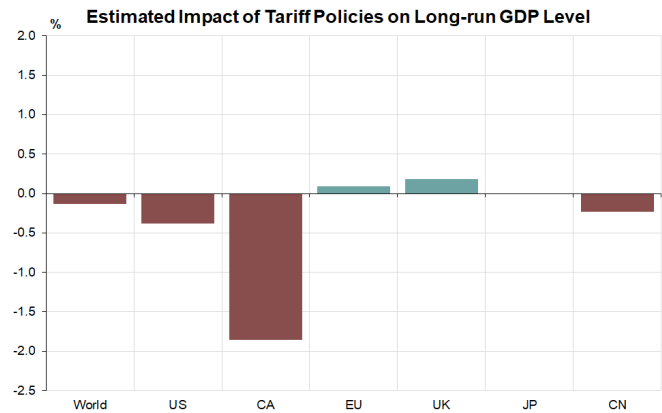
## Global Economy

The **US tariff rates** to be implemented should trade negotiations fail are largely the same as on 2 April.



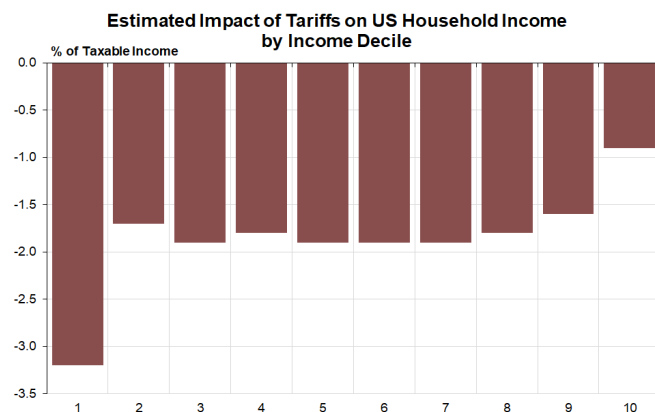
Source: Yale Budget Lab

Tariffs as of 7 July are estimated to have **moderate impact on long-term GDP** outside of Canada.



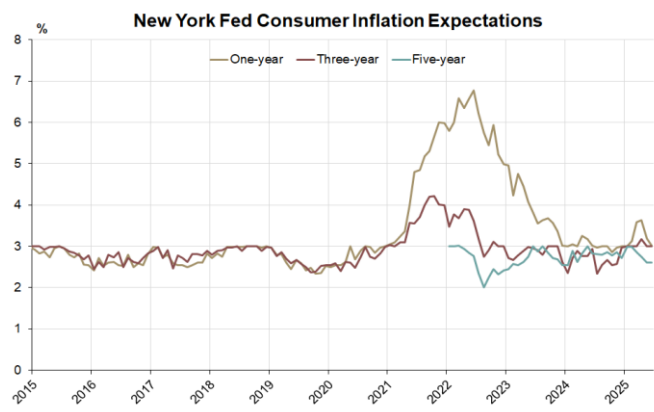
Source: Yale Budget Lab

The tariffs are also estimated to impact disproportionately the incomes of the **less privileged US households**.



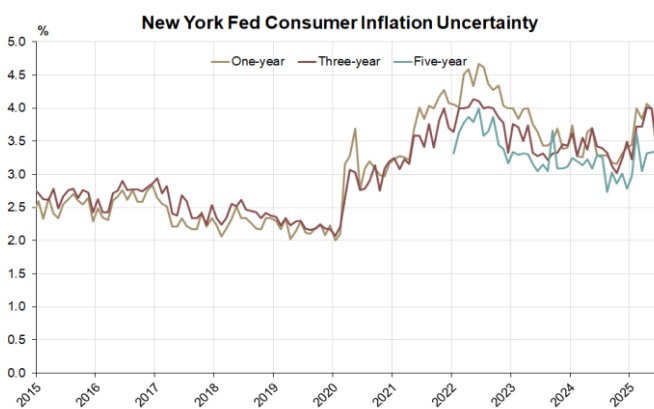
Source: Yale Budget Lab

**New York Fed inflation expectations** remain better anchored than their University of Michigan equivalents...



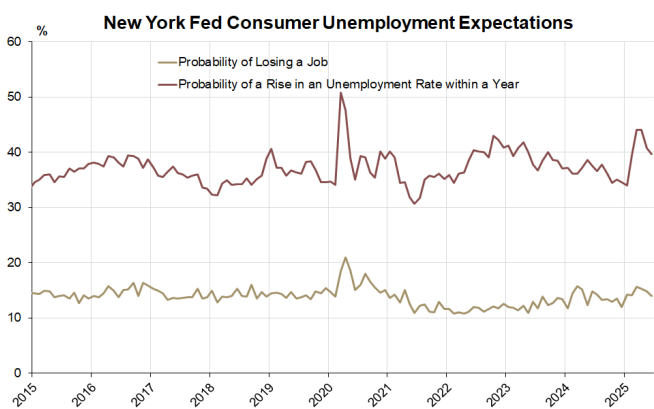
Source: New York Fed

... but the New York Fed survey also suggests that **inflation uncertainty** remains elevated.



Source: New York Fed

US households appear to be less concerned about **losing a job and unemployment** in the economy.



Source: New York Fed

## Last Week

Date	Event	Actual	Forecast	Previous	Comment
<b>Mon 07</b>					
AU	ANZ Indeed Job Ads (MoM, Jun)	1.8%	-	-0.6%	Climbed to the highest level in a year.
<b>Tue 08</b>					
AU	RBA Decision (Cash Rate Target)	3.85%	3.60%	3.85%	RBA waiting for confirmation underlying inflation is falling.
AU	RBA Governor M. Bullock Speaks	-	-	-	Governor confirmed that the next move will be a cut.
AU	NAB Business Conditions (Jun)	9	-	0	Broad-based improvement led by trading conditions.
AU	NAB Business Confidence (Jun)	5	-	2	Reached the highest level since October 2024.
AU	ANZ Consumer Conf. (w/e 5 Jun)	88.6	-	87.2	Consumer inflation expectations picked up to 5.0%.
US	NFIB Small Business Opt. (Jun)	98.6	98.6	98.8	Taxes, including tariffs, remain a top concern.
US	NY Fed Survey of Expect. (Jun)	-	-	-	Fall in 1Y expectations, otherwise steady and moderate.
<b>Wed 09</b>					
AU	RBA Deputy Governor Speaks	-	-	-	First round impacts of US tariffs to be 'relatively minor'.
NZ	RBNZ Decision (OCR)	3.25%	3.25%	3.25%	A cut in August is quite likely.
CH	CPI (YoY, Jun)	0.1%	-0.1%	-0.1%	Core inflation up 0.1ppts to 0.7% YoY.
CH	PPI (YoY, Jun)	-3.6%	-3.2%	-3.3%	The fastest pace of PPI deflation since mid-2023.
US	FOMC Minutes	-	-	-	No groundbreaking news.
<b>Thu 10</b>					
AU	Business Turnover (MoM, May)	-0.1%	-	0.3%	Despite a decline in May, remains up 3.3% YoY.
US	Initial Jobless Claims (w/e 5 Jun)	227k	235k	232k	Continued claims ticked up to just below 2 million.
<b>Tonight</b>					
UK	Monthly GDP (MoM, May)	-	0.1%	-0.3%	Slight increase also suggested by business surveys.

## Next Week

Date	Event	Forecast	Previous	Comment
<b>Mon 14</b>				
CH	Trade Balance (Jun)	US\$113b	US\$103b	Exports expected to accelerate, imports to rebound.
<b>Tue 15</b>				
AU	Westpac Consumer Sentiment (MoM, Jul)	-	0.5%	Could be affected by no cut from the RBA.
CH	GDP (YoY, Q2)	5.1%	5.4%	Expected to rise by 0.9% in the quarter.
CH	Retail Sales (YoY, Jun)	5.1%	6.4%	Outperformed other indicators in May.
CH	Industrial Production (YoY, Jun)	5.6%	5.8%	PMI figures provided mixed guidance for IP.
CH	Urban Fixed Asset Inv. (YoY YtD, Jun)	3.6%	3.7%	A key number for demand for Australian iron ore.
US	CPI (MoM, Jun)	0.3%	0.1%	Annual rate of CPI inflation expected to rise 0.3ppts to 2.7%.
<b>Wed 16</b>				
UK	CPI (MoM, Jun)	-	0.2%	May figures showed signs of moderation after the April spike.
US	Industrial Production (MoM, Jun)	0.1%	-0.2%	PMI surveys pointed to an increase in manufacturing.
US	PPI (MoM, Jun)	0.2%	0.1%	ISM PMIs suggested a rise.
US	Beige Book	-	-	Anecdotal information on economic activity in Fed districts.
<b>Thu 17</b>				
AU	Employment (monthly change, Jun)	25.0k	-2.1k	May decline followed several months of solid gains.
AU	Unemployment Rate (Jun)	4.1%	4.1%	Underemployment rate is a better measure of underutilisation.
AU	MI Consumer Inflation Expectations (Jul)	-	5.0%	Reached a two-year high in June.
UK	Unemployment Rate (May)	-	4.6%	UK claimant count rate picked up to 4.5% in May.
US	Retail Sales (MoM, Jun)	0.0%	-0.9%	Sales within the control group expected to rise by 0.4%.
<b>Fri 18</b>				
US	UMich Consumer Sentiment (Jul, prel.)	61.3	60.7	Will contain consumer inflation expectations.