

Highlights this week

- In Australia, employment growth was virtually flat for the second month in a row in July, while the unemployment rate climbed to a 3.5-year high. Westpac consumer sentiment improved in July, despite no cut from the RBA, while Melbourne Institute consumer inflation expectations declined a little.
- Abroad, US CPI report for June came out mixed, while retail sales and industrial production saw moderate gains. Chinese GDP growth surprised to the upside in Q2, with industrial production taking over as a major growth driver towards the end of the quarter, while growth in retail sales and investment slowed. China's trade surplus rose in June, as a drop in exports to the US was more than offset by growth in shipments to other countries, particularly in Asia.

Highlights next week

- A very quiet week domestically, with RBA Monetary Policy Board minutes on Tuesday and July S&P Global flash PMIs on Thursday being the only releases of note.
- Thursday will also see a release of flash PMIs for all the major advanced economies. The other major event will be the ECB rate decision on Thursday, 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	8705 (↑117 pt)
US (IOR)	4.40 (0 pt)	90-day Bills	3.69 (↓4 pt)	2-yr T-Notes	3.89 (↑3 pt)	S&P500	6297 (↑17 pt)
Eurozone (Deposit)	2.00 (0 pt)	3-yr T-Bond	3.42 (↓5 pt)	10-yr T-Notes	4.45 (↑10 pt)	DJIA	44484 (↓166 pt)
UK	4.25 (0 pt)	10-yr T-Bond	4.34 (↑1 pt)	Jap 10-yr	1.55 (↑6 pt)	Nikkei	39910 (↑225 pt)
Japan (Target)	0.50 (0 pt)	3-yr WATC Bond	3.58 (↓5 pt)	UK 10-yr	4.66 (↑6 pt)	CSI300	4034 (↑24 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	4.86 (↓1 pt)	Ger 10-yr	2.68 (↓3 pt)	Stoxx600	547 (↓6 pt)

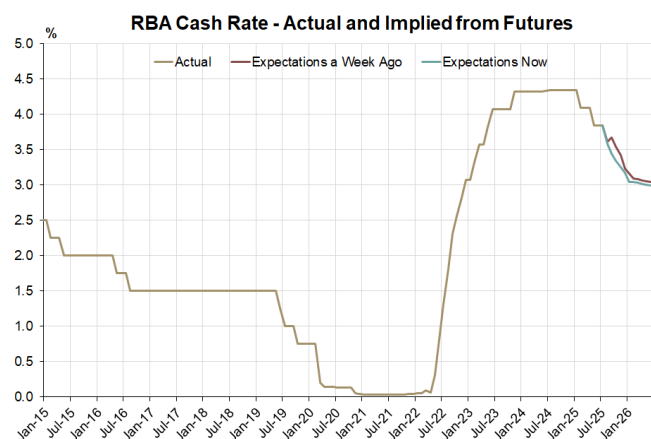
Changes are since the previous issue of Market Watch Weekly.

Financial Markets**Interest Rates**

US Treasury yields saw increases this week, mainly reflecting concerns over the inflationary impacts of tariffs and the associated scaling back of fed funds rate cut expectations.

Over the past weekend, US President Donald Trump sent tariff letters to Mexico and the European Union, announcing a 30% tariff rate. The conciliatory approach from the leaders of both economies helped ease concerns later in the trading week. However, the US CPI report for June brought some preliminary evidence of the inflationary impacts of tariffs, particularly for household furnishings, apparel, and recreational commodities.

At the same time, intensification expectations of a cash rate cut at home sparked by the disappointing results of the June labour force survey, saw Commonwealth bond yields retreat on Thursday. As a result, 3-year yields are down for the week, while 10-year yields are around the same level as a week ago.



Source: Bloomberg

Equities

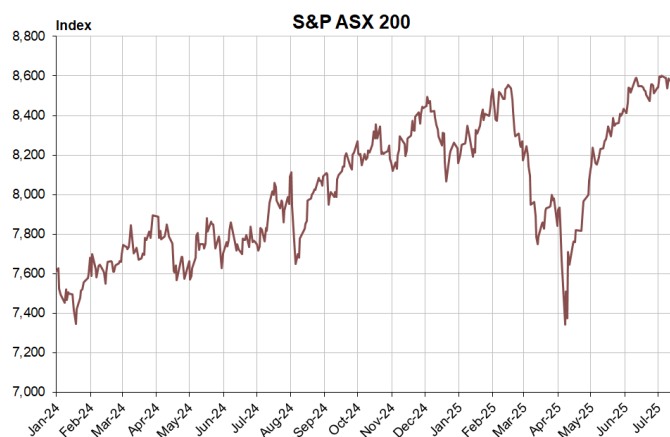
Aussie and US equities reached fresh record highs this week.

Traders in the US shook off further tariff announcements from President Trump, suggesting the negative impact of the announcements may be dissipating.

However, gains on Wall Street were uneven, with information technology leading the way with a 2% increase followed by 0.7% gain from industrials. Healthcare, energy and materials were the worst performers.

The Aussie market has been one of the standout performers, with the ASX 200 also climbing to record highs. The gain came despite a sharp drop on Wednesday, which saw the Aussie benchmark post its worst day in over two months.

All the industry sectors recorded gains this week, apart from a marginal fall in consumer staples, with info tech and health leading the way.



Source: Bloomberg

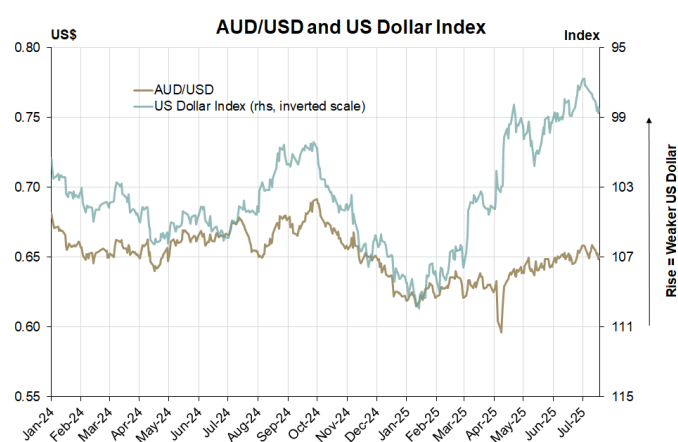
Currencies

The Australian dollar depreciated against most major currencies this week, dragged down by disappointing June labour force survey results, fresh tariff concerns, and mixed economic activity data from China.

The largest depreciation was against the greenback, which received a boost from a decline in fed funds rate cut expectations. However, the US dollar remains very weak, just 1.7% above its recent three-year low.

The AUD is a little higher versus the Japanese yen, which was weighed down by a scaling back of rate hike expectations following another decline in exports and inflation.

The Australian dollar is sitting in the middle of the G10 currency ladder, with the Swedish krona being the weakest and Canadian dollar being the strongest.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6503	0.6588	0.6455	↓1	0.6942	0.5915
AUD/EUR		0.5593	0.5645	0.5573	↓0.6	0.6261	0.4620
AUD/GBP		0.4842	0.4892	0.4820	↓0.1	0.5229	0.4620
AUD/JPY		96.60	97.43	96.00	↑0.2	105.77	86.05
AUD/CNY		4.6702	4.7181	4.6353	↓1.2	4.8938	4.3523
EUR/USD		1.1627	1.1721	1.1557	↓0.4	1.1829	1.0141
GBP/USD		1.3431	1.3504	1.3365	↓0.9	1.3789	1.2100
USD/JPY		148.54	149.18	146.86	↑1.2	158.87	139.58
USD/CNY		7.1822	7.1847	7.1662	↑0.1	7.3511	7.0063

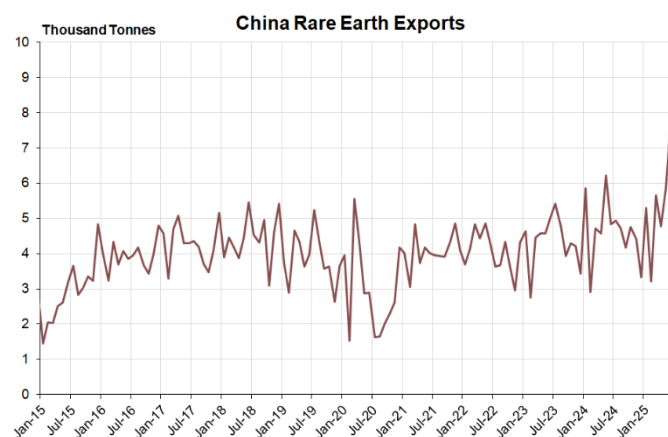
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6503	0.6514	0.6526	0.6544
AUD/EUR		0.5593	0.5568	0.5545	0.5504
AUD/GBP		0.4842	0.4846	0.4852	0.4863
AUD/JPY		96.60	95.77	95.02	93.72
AUD/NZD		1.0922	1.0907	1.0896	1.0879
AUD/SGD		0.8355	0.8311	0.8272	0.8199

Commodities

Oil prices jumped last Friday and rose further early on Monday, with Brent crude hitting a three-week high as traders prepared for a fresh round of trade sanctions on Russian oil exports. However, prices fell again after President Donald Trump announced a 50-day deadline for Russia to end the war or face stiffer penalties, including secondary tariffs on countries that buy Russian oil.

Iron ore futures prices have climbed above US\$100 / tonne for the first time since May and this morning, hit the highest level since early April. Sentiment over the week was boosted by news that Chinese iron ore imports hit a six-month high of 106 million tonnes in June, along with another solid increase in Chinese industrial production.

China's rare earths exports rose 32% to a 15-year high in June. The US and China reached an agreement to get rare earth exports moving again in June after Beijing imposed export controls in April as the US-China trade war spun out of control.



Source: Bloomberg

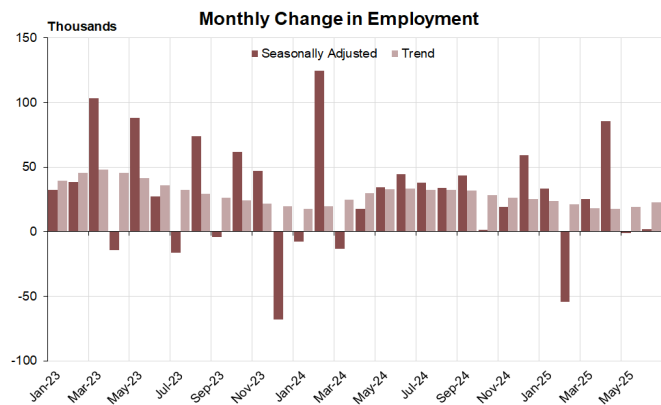
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,339.92	\$3,377.35	\$3,309.93	(↑\$13.78)	\$3,500.10	\$2,353.24
Brent Crude Oil (US\$)	\$69.51	\$71.53	\$67.71	(↑\$0.65)	\$83.22	\$58.40
Mogas95* (US\$)	\$78.99	\$81.50	\$77.13	(↑\$0.18)	\$95.91	\$67.57
WTI Oil (US\$)	\$67.51	\$69.65	\$65.42	(↑\$0.67)	\$83.82	\$55.12
CRB Index	304.23	304.23	302.70	(↑3.86)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$102.05	\$102.65	\$98.00	(↑\$2.7)	\$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.

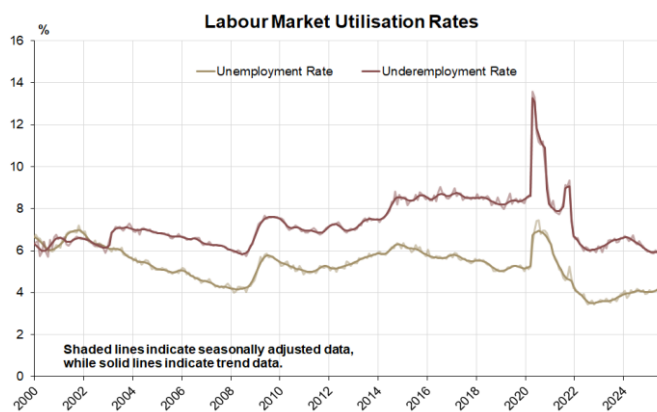
Domestic Economy

Employment stagnated again in seasonally adjusted terms in June but continued to climb in trend terms.



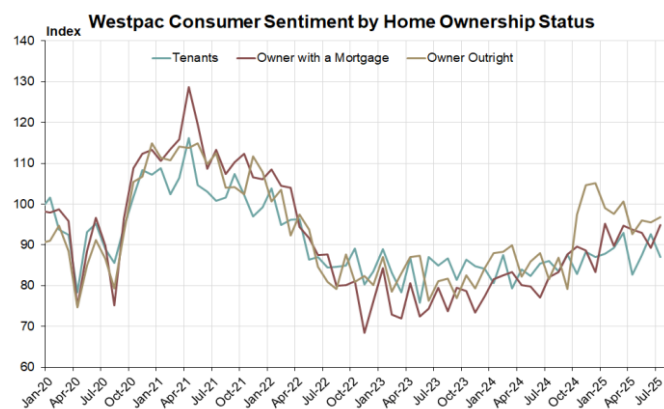
Source: ABS

The **unemployment rate** is clearly trending upwards, but remains low, similar to the underemployment rate.



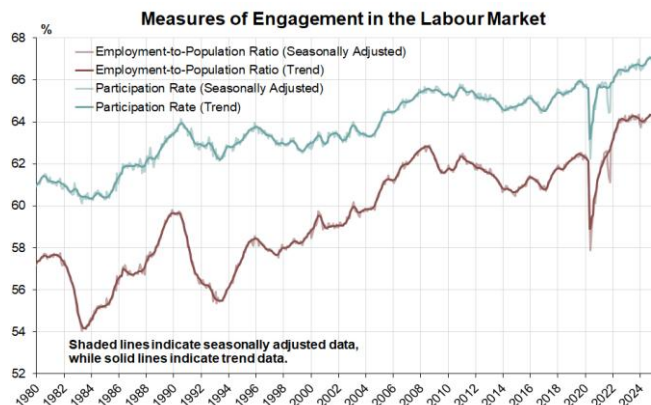
Source: ABS

... with confidence picking up among those who own a home outright and homeowners with a mortgage.



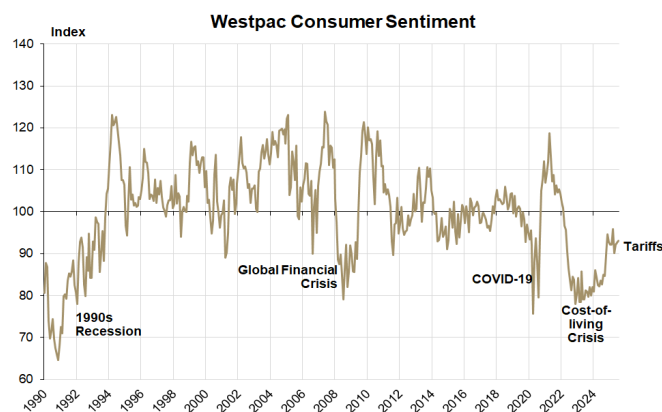
Source: Bloomberg

At the same time, **employment-to-population ratio and participation rate** have stabilised at a high level.



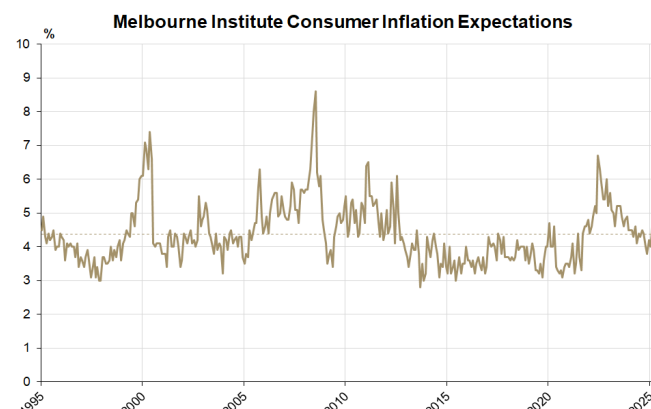
Source: ABS

Westpac Melbourne Institute consumer sentiment picked up a bit in July, despite no cut from the RBA...



Source: Bloomberg

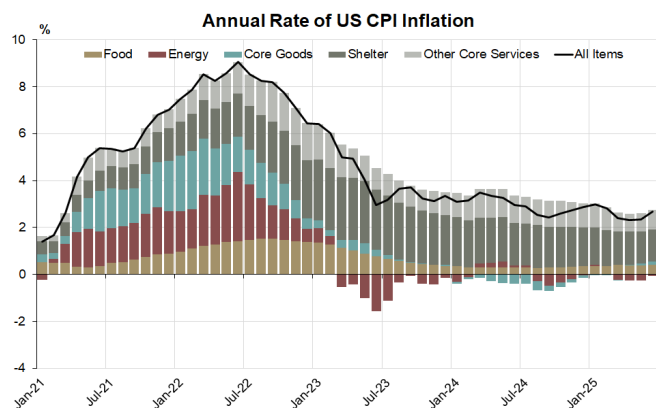
Melbourne Institute consumer inflation expectations eased in July but remained slightly above the average.



Source: Bloomberg

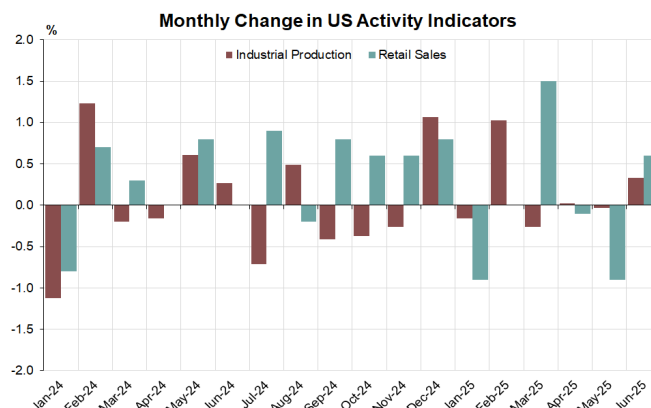
Global Economy

US annual CPI inflation resumed climbing in June, with goods price inflation turning positive amid tariffs.



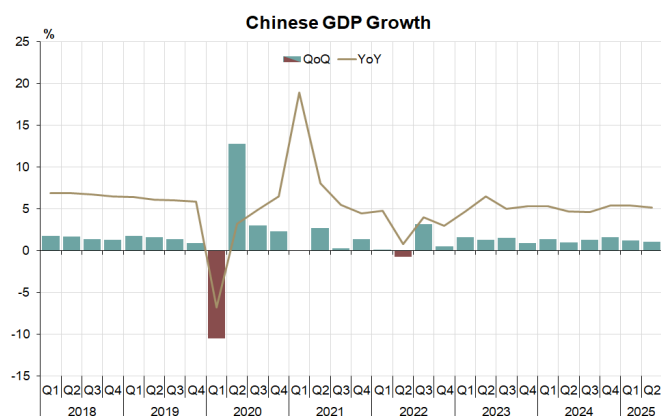
Source: Bloomberg

US retail sales and industrial production saw decent gains in June, after underperforming for two months.



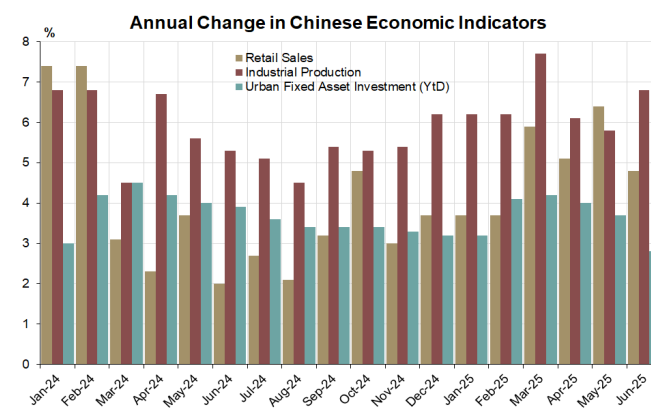
Source: Bloomberg

Despite a slight slowdown, **Chinese GDP growth** remained above the 5% target in the first half of 2025.



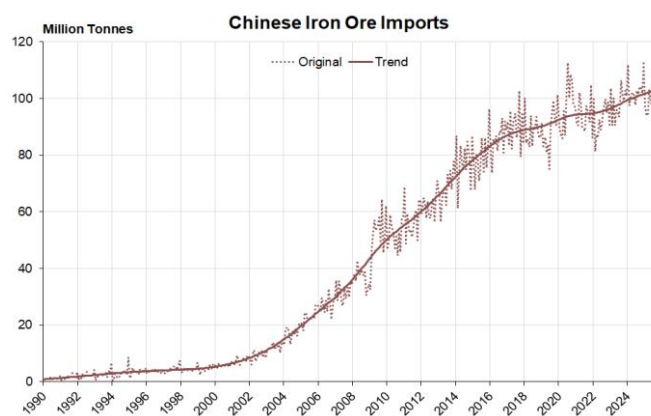
Source: Bloomberg

Chinese industrial production growth picked up in June, but retail sales and investment rose slower.



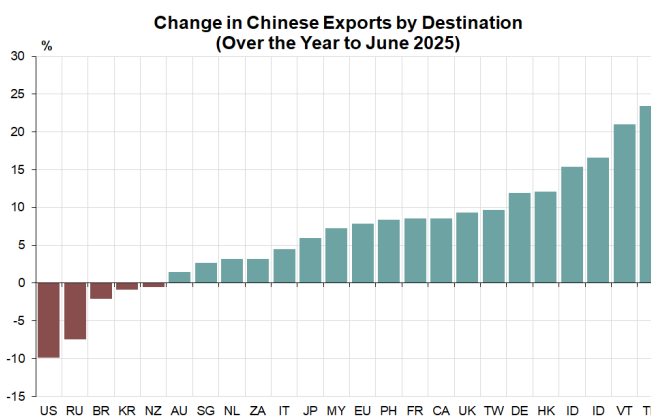
Source: Bloomberg

Chinese iron ore imports hit a six-month high in June despite the ongoing recession in the construction sector.



Source: Bloomberg

The drop in **Chinese exports** to the US due to tariffs was more than offset by gains in shipments elsewhere.



Source: Customs China

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 14					
CH	Trade Balance (Jun)	US\$115b	US\$112b	US\$103b	A fall in exports to the US offset by shipments elsewhere.
Tue 15					
AU	Westpac Cons. Sent. (MoM, Jul)	0.6%	-	0.5%	Increase despite no rate cut from the RBA.
CH	GDP (YoY, Q2)	5.2%	5.1%	5.4%	Rose 1.1% in the quarter.
CH	Retail Sales (YoY, Jun)	4.8%	5.3%	6.4%	Pull-back after a strong result in the previous month.
CH	Industrial Production (YoY, Jun)	6.8%	5.6%	5.8%	Steel output down 9.2%, but EV production up 18.8%.
CH	Urban Asset Inv. (YoY YtD, Jun)	2.8%	3.6%	3.7%	The pace of decline in property investment accelerated.
US	CPI (MoM, Jun)	0.3%	0.3%	0.1%	Tentative signs that tariffs are propping up inflation.
Wed 16					
UK	CPI (MoM, Jun)	0.3%	0.1%	0.2%	Increase driven by higher services price inflation.
US	Industrial Production (MoM, Jun)	0.3%	0.1%	0.0%	Increase driven by manufacturing and utilities.
US	PPI (MoM, Jun)	0.0%	0.2%	0.3%	Annual core PPI inflation the lowest since Nov 2023.
US	Beige Book	-	-	-	Activity improved a little between late May and early July.
Thu 17					
AU	Employment (MoM, Jun)	2.0k	20.0k	-1.1k	Hours worked fell by 0.8% in June.
AU	Unemployment Rate (Jun)	4.3%	4.1%	4.1%	This is the highest level since November 2021.
AU	MI Cons. Infl. Expectations (Jul)	4.7%	-	5.0%	The series average is 4.4% (since 1995).
UK	Unemployment Rate (May)	4.7%	4.6%	4.6%	Employment rose by 134k over three months to May.
US	Retail Sales (MoM, Jun)	0.6%	0.1%	0.9%	Control group saw a surprising 0.5% gain.
US	Initial Jobless Claims (w/e 12 Jul)	221k	233k	228k	Continued claims little changed at 1,956k in w/e 5 July.
Fri 18					
JP	CPI (YoY, Jun)	3.3%	3.3%	3.5%	'Core-core' inflation up 0.1ppts to 3.4%.
Tonight					
US	UMich Consumer Sent. (Jul, prel.)	-	61.5	60.7	Slightly less reliable after switching to online surveys.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 21				
CH	PBoC Announcement (5Y LPR)	3.50%	3.50%	One-year loan prime rate to stay at 3.00%.
Tue 22				
AU	RBA Monetary Policy Board Minutes	-	-	More details of the 6-3 split vote to keep rates on hold.
Wed 23				
US	Existing Home Sales (MoM, Jun)	-0.9%	0.8%	Remain at multiyear lows.
Thu 24				
AU	S&P Global Composite PMI (Jul, flash)	-	51.6	First insights into Aussie private sector activity in July.
JP	Jibun Bank Composite PMI (Jul, flash)	-	51.5	Manufacturing PMI nudged into marginal expansion in June.
EZ	HCOB Composite PMI (Jul, flash)	-	50.6	French and German services and manufacturing in retreat.
EZ	ECB Decision (Deposit Rate)	2.00%	2.00%	Only some market participants expect further easing.
UK	S&P Global Composite PMI (Jul, flash)	-	52.0	Failed to predict the decline in GDP in May.
US	New Home Sales (MoM, Jun)	4.3%	-13.7%	The drop in May was the biggest since mid-2022.
US	S&P Global Composite PMI (Jul, flash)	-	52.9	Has been outperforming compared to the ISM PMI report.
Fri 25				
	No market-moving data			