Market Daily Update

31 JULY 2025

Interest Rates			FX			Commodities US$		
Australia		**∆ bp**	AUD/USD	0.6444	-1.2%	WTI Crude Oil	70.38	$1.16
90-day Bill	3.68	-2	AUD/JPY	96.24	-0.5%	Brent Crude Oil	73.51	$0.89
3-year Bond	3.42	-2	AUD/EUR	0.5635	-0.1%	Mogas95*	82.55	$0.73
10-year Bond	4.28	-2	AUD/GBP	0.4863	-0.4%	CRB Index	305.24	-0.71
			AUD/NZD	1.0911	-0.2%	Gold	3287.67	-$42.83
			AUD/CNY	4.6289	-1.0%	Silver	37.12	-$1.07
US			EUR/USD	1.1432	-1.2%	Iron Ore (62% Fe)**	101.00	-$2.55
2-year	3.94	7	USD/JPY	149.35	0.7%	Iron Ore (25-26 Average)	99.70	-$0.01
10-year	4.36	4	USD/CNY	7.1972	0.3%	Copper	9698.50	-$99.50
			RBA Policy			**Equities**		
			O/N Cash Rate Target		3.85	ASX200	8716	-1
Other 10-year			Interbank O/N Cash Rate		3.84	Dow Jones	44461	-172
Japan	1.57	1	Probability of a 50bps Cut in Aug		50.6%	S&P500	6363	-8
Germany	2.71	0	RBA Bond Holdings (30 Jun)		A$276.4b	Stoxx600	550	0
UK	4.60	-3				CSI300	4151	-1

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.
**Iron ore is the second SGX futures contract.

US stocks ebbed a little further, while US Treasury yields climbed and the US dollar appreciated, as the Fed kept the rates on hold today and its Chair Jerome Powell resisting arguments for rate cuts in the coming meetings.

FOMC kept the fed funds rate target range unchanged at 4.25-4.50% this morning, but two members of the Committee opted for a 25bps cut. The post-meeting statement said that uncertainty remains elevated, but deleted the phrase that it had diminished. It also highlighted solid labour market conditions and ‘somewhat elevated’ inflation. During the press conference, Chair Powell said that Fed monetary policy is in a good place and repeatedly resisted calls for rate cuts.

Meanwhile, in tariff news, the US and South Korea have reached a memorandum of understanding on trade, with a 15% tariff rate on South Korean goods exported to the US. South Korea also pledged to invest US$350b in the US, buy US$100b worth of US energy products, including LNG, and accept more US products, including cars and trucks.

Data-wise, US GDP rose by an annualised 3.0% in Q2, though with a strong positive contribution from a 30.3% drop in imports resulting from the unwinding of the 37.9% surge due to frontloading ahead of the tariffs in Q1. The impact of tariffs was also demonstrated in depletion of inventories accumulated in Q1, which partly offset the positive contribution from imports. Personal spending growth rose faster than in Q1, while investment growth slowed.

The ADP employment report showed US private payrolls bounced 104k in July, following a 23k decline in the previous month (revised from -33k). This dataset has been a poor indicator of the official employment figures due on Friday night.

In other news, the Bank of Canada kept its policy rate unchanged at 2.75%, as expected, while euro area GDP rose by 0.1% in Q2, with German economic growth turning negative.

At home, the Aussie CPI rose by 0.7% in Q2, while the annual rate of headline consumer price inflation slowed to just 2.1%, still held down by lower out-of-pocket spending for electricity bills compared to a year ago. Annual trimmed mean inflation, which excludes the largest price movements and is the RBA’s preferred measure of underlying price growth, slowed to 2.7%, in line with market expectations, but a notch above the RBA’s May projection.

Despite the marginal overshooting of the RBA’s May projection path, the Q2 CPI report confirmed that trimmed mean inflation is heading towards the mid-point of the 2-3% target range. This should pave the way for a 25bps cut in the RBA cash rate target in August, as reflected in a slight intensification of cash rate expectations.

In response to this shift in expectations, the ASX 200 rose by 0.6% yesterday, to be just marginally off its record high. Commonwealth bond yields declined, while the Australian dollar depreciated against all major currencies, with overnight developments further weighing on the AUD.

RBA Deputy Governor Andrew Hauser is speaking at the time of writing, with no notable details to report at this stage.

Economic Data Review

- **AU:** CPI (QoQ, Q2) – Actual 0.7%, Expected 0.8%, Previous 0.9%.

Economic Data Preview

- **AU:** Retail Trade (MoM, Jun) – Expected 0.3%, Previous 0.2%.
- **AU:** Retail Sales Volumes (QoQ, Q2) – Expected 0.0%, Previous 0.0%.
- **AU:** Dwelling Approvals (MoM, Jun) – Expected 2.9%, Previous 3.2%.