Market Daily Update

09 JULY 2025

Interest Rates (%)		
Australia		**Δ bp**
90-day Bill	3.77	19
3-year Bond	3.48	12
10-year Bond	4.33	10
US		
2-year	3.89	0
10-year	4.41	2
Other 10-year		
Japan	1.49	1
Germany	2.69	4
UK	4.63	5

FX		
AUD/USD	0.6527	0.2%
AUD/JPY	95.85	0.8%
AUD/EUR	0.5569	0.4%
AUD/GBP	0.4806	0.6%
AUD/NZD	1.0896	0.6%
AUD/CNY	4.6872	0.5%
EUR/USD	1.1720	-0.2%
USD/JPY	146.86	0.6%
USD/CNY	7.1785	0.0%

RBA Policy	
O/N Cash Rate Target	3.85
Interbank O/N Cash Rate	3.84
Probability of a 25bps Cut in Aug	91.4%
RBA Bond Holdings (30 Jun)	A$276.4b

Commodities US$		
WTI Crude Oil	68.12	$0.44
Brent Crude Oil	69.97	$0.62
Mogas95*	79.61	$0.31
CRB Index	302.29	3.01
Gold	3304.78	-$27.98
Silver	36.60	-$0.18
Iron Ore (62% Fe)**	96.00	$0.65
Iron Ore (25-26 Average)	95.38	$0.13
Copper	9790.50	-$39.00

Equities		
ASX200	8532	-39
Dow Jones	44241	-166
S&P500	6226	-4
Stoxx600	546	2
CSI300	3998	33

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

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.

The RBA assessed that while the monthly CPI indicator for May suggests Q2 inflation is likely to be broadly in line with expectations, it was 'slightly stronger than expected', and that the RBA would prefer to wait for the more comprehensive Q2 CPI later this month to confirm if inflation is on track to sustainably reach the mid-point of the target range.

At the press conference, RBA Governor Michele Bullock said multiple times that the decision did not reflect a change in direction, but in timing. She underscored that underlying inflation has been in the target range for only one quarter, while the monthly figures contained some concerning components (dwelling costs and durable goods prices).

The surprise decision from the RBA to keep rates on hold led to an adjustment in cash rate expectations. A 25bps cut is still widely expected in August, but only 62bps of cuts are now priced in for the second half of 2025, rather than 77bps before the decision. The Australian dollar and Commonwealth bond yields picked up following the RBA decision, and bond yields picked up further this morning. The ASX 200 closed flat yesterday, before opening 0.7% lower today.

Abroad, the S&P 500 ebbed yesterday, as US President Donald Trump ruled out extending the tariff pause beyond 1 August and said he is planning to impose a 50% tariff on copper. US Treasury yields picked up a bit at the back end of the yield curve, while the US dollar appreciated slightly.

Data-wise, US NFIB small business optimism index was little changed at around the series average in June, with survey participants citing taxes, including tariffs, as the single largest challenge. New York Fed consumer inflation expectations declined for one-year horizon but were unchanged for three- and five-year horizons.

The NAB business conditions index surged to 9 points in June from 0 points in the previous month, suggesting a sharp improvement in the Aussie business environment. The surge was broad-based, with a particularly strong gain in trading conditions. Conditions rose in most industries, but the strongest gain was registered in manufacturing. The business confidence index picked up 3 points to 5 points, which is the highest level since October 2024 and close to the historical average.

The NAB report also pointed to a slight acceleration in growth of purchase costs and prices, while labour costs growth slowed. Overall, however, cost and price pressures in the Australian business sector are moderate, even if higher than before the COVID-19 pandemic.

Economic Data Review

- **AU:** NAB Business Conditions (Jun) – Actual 9, Previous 0.
- **AU:** NAB Business Confidence (Jun) – Actual 5, Previous 2.
- **US:** NFIB Small Business Optimism (Jul) – Actual 98.6, Expected 98.6, Previous 98.8.
- **US:** New York Fed One-year Consumer Inflation Expectations (Jun) – Actual 3.0%, Expected 3.1%, Previous 3.2%.

Economic Data Preview

- **NZ:** RBNZ Decision (Official Cash Rate) – Expected 3.25%, Previous 3.25%.
- **CH:** CPI (YoY, Jun) – Expected 0.0%, Previous -0.1%.
- **CH:** CPI (YoY, Jun) – Expected -3.1%, Previous -3.3%.