

Weekly Economics and Markets Review

- Domestically, the RBA surprised both financial markets and economists by keeping the cash rate unchanged at 3.85 per cent at its July meeting.
- Globally, US trade policy was in focus this week, with President Trump sending letters to a large number of trading partners warning of higher tariff rates if a trade deal is not reached by 1 August.
- There was little response from financial markets to the new tariff announcements, with US Treasury yields broadly unchanged over the week and the S&P 500 reaching a record high.

Week in review

Domestic

- The **RBA** kept the cash rate unchanged at 3.85 per cent at its July meeting, defying market expectations and the consensus among economists for a 25 basis point cut.
 - The decision to hold the cash rate unchanged was not unanimous, with six Board members voting for the cash rate to remain on hold and three voting for a change. This is the first time the RBA has published the Board's vote.
 - Governor Bullock emphasised that the decision to hold was about timing rather than direction. Notably, the governor said that the Board does not want to fight inflation again and suggested that it wanted to see the Q2 CPI outcome before deciding on rate cuts.
 - By the August meeting, the RBA will have June labour force survey and Q2 CPI, as well as updated forecasts in its August Statement on Monetary Policy. Financial markets and economists expect that these data will support a further easing of policy, with the RBA now expected to cut the cash rate by 25 basis points in August.
- The **NAB Business Survey** suggests that business conditions are stabilising, following a disappointing start to the year.
 - Business confidence rose 3 points in June, while conditions jumped 8 points. This is the third consecutive rise in business confidence, taking it to its highest level in over a year in trend terms.
 - NAB's cost measures were broadly stable in June, with purchase and labour cost growth continuing to outpace growth in final product prices.

Offshore

- US trade policy** was in focus this week, with the initial 90-day reciprocal tariff pause coming to an end on 9 July. President Trump extended this deadline for higher tariffs to 1 August, while simultaneously sending letters to US trading partners warning of new tariff rates if trade deals are not reached by this date. These new country-specific tariffs include:
 - 20 per cent tariff rates on goods from the Philippines,
 - 25 per cent rates on Japan, South Korea, Malaysia, Tunisia, Kazakhstan, Brunei and Moldova,
 - 30 per cent rates on South Africa, Laos, Algeria, Libya, Iraq and Sri Lanka, and
 - 40 per cent tariff rates on goods from Myanmar.

- EU trade chief Šefčovič told European lawmakers that the US and Europe had made '*good progress*' on the text of a joint statement, which could pave the way for a future, fully fledged EU-US trade agreement.
- Trump said that countries aligned with the '*anti-American policies of BRICS*' will be subject to 10 per cent additional tariffs, with no exceptions.
- In addition to country-specific tariffs, the White House said it would impose a 50 per cent tariff rate on US copper imports. The administration is also planning substantial tariffs on US imports of pharmaceuticals, potentially as high as 200 per cent, though Trump said that drugmakers will have about one year '*to get their act together*' before these tariffs are imposed.
- On **geopolitics**:
 - Trump deepened his criticism of Russian President Putin while reaffirming his intent to provide additional military support to Ukraine. The White House is also considering additional sanctions on Moscow due to Putin's reluctance to engage in ceasefire talks.
 - Tensions between China and the EU appear to be increasing, with Beijing cancelling part of a two-day summit with EU leaders and imposing anti-dumping duties on European brandy for five years.
- On the **US Federal Reserve**:
 - The June FOMC meeting minutes revealed growing division among Federal Reserve officials regarding the effect of tariffs on inflation. A few members expected only a one-time price level increase that would not affect long-term inflation expectations, while others expressed concern about more persistent inflationary effects.
 - The White House continued its heavy criticism of the US Federal Reserve. Trump continued his attacks against the Fed's interest rate policy, while adding that Fed Chair Powell should '*resign immediately*' if allegations that he misled lawmakers over renovations to the Federal Reserve's headquarters proved true.
- US initial jobless claims were lower than expected, edging down for a fourth straight week. Unemployment claims declined by 5,000 in the week to 227,000, while the four-week moving average slid to 235,500.
- The RBNZ held rates at 3.25 per cent, as widely expected by economists' and investors. The central bank noted that it '*expects to lower the Official Cash Rate further*,' if the outlook progresses as anticipated.

Markets

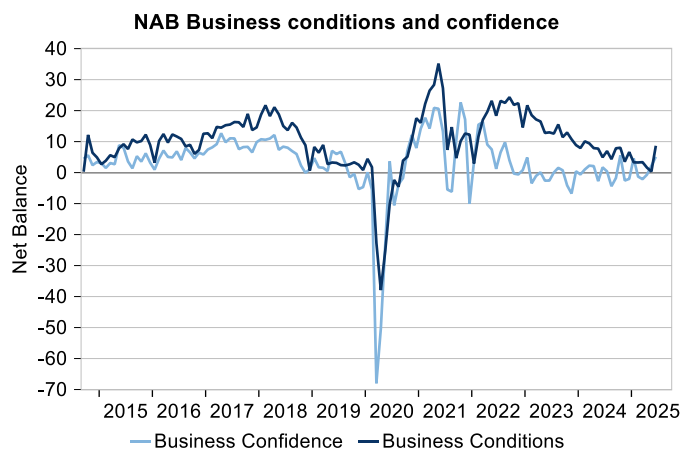
US Treasury yields were little changed this week, despite the wave of new tariff announcements from the White House. This follows the large increase in long-end Treasury yields last week due to the '*Big Beautiful Bill*' being voted in by the US Senate. In contrast, ACGB yields moved higher following the RBA's surprising decision to leave the cash rate unchanged. The S&P 500 hit a record high, while in commodity markets, copper futures increased around 10 per cent after President Trump said he planned to put a 50 per cent tariff on copper imports.

Economic and Market Calendar

DATE	DETAILS
Domestic	Thursday: Labour force survey (Jul)
Offshore	US: CPI (Jun), PPI (Jun), Retail sales (Jun); JP: CPI (Jun), Industrial production (Jun), Trade (Jun) CH: GDP (Q2), Retail sales (Jun), Industrial production (Jun), Fixed asset investment (Jun)

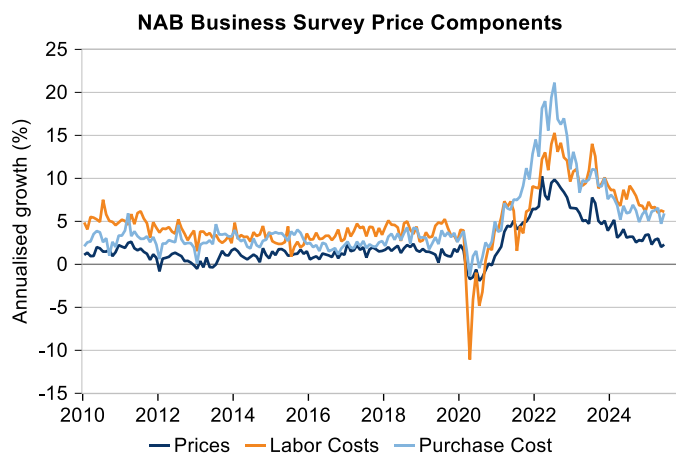
Economic and Financial Market Charts

CHART 1: BUSINESS CONDITIONS SPIKED HIGHER IN JUNE. HISTORICALLY, MONTHLY GAINS OF THIS SIZE HAVE TENDED TO ONLY BE PARTIALLY REVERSED THE NEXT MONTH.



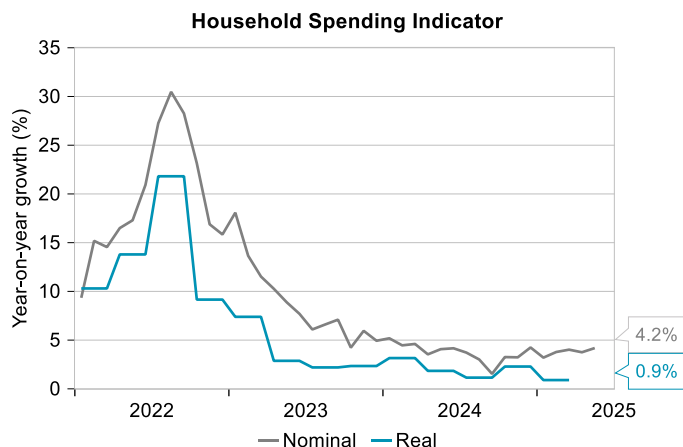
Source: National Australia Bank, QTC, Macrobond

CHART 2: WHILE BUSINESS CONDITIONS HAVE IMPROVED, NAB'S MEASURES OF INPUT COST PRESSURES REMAIN HIGHER THAN OUTPUT PRICE GROWTH, POINTING TO ONGOING PRESSURE ON MARGINS



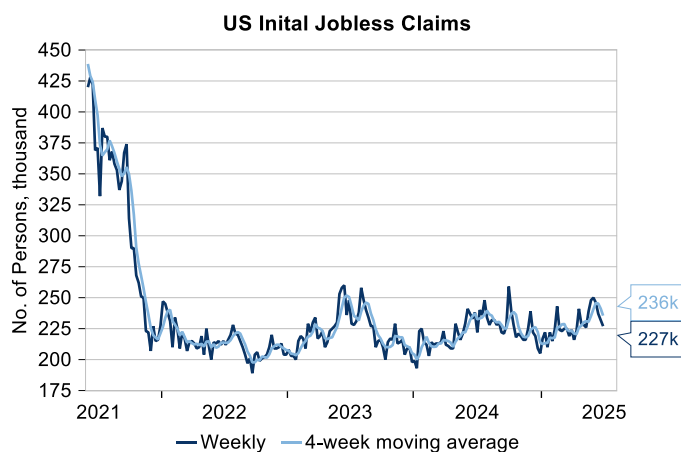
Source: National Australia Bank, QTC, Macrobond

CHART 3: THE HOUSEHOLD SPENDING INDICATOR POSTED ITS STRONGEST RESULT OF 2025 TO DATE



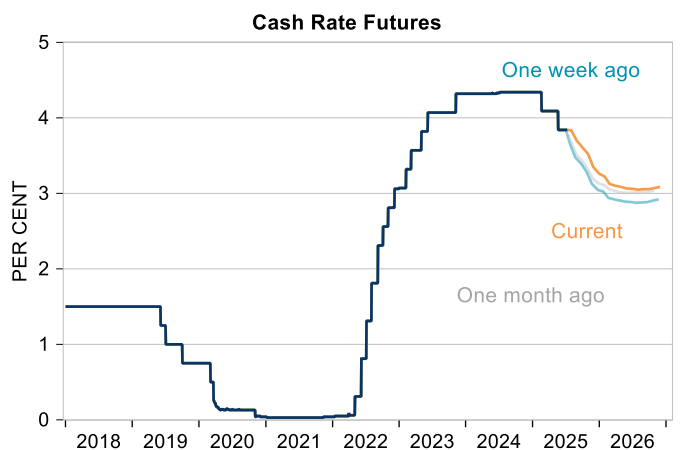
Source: Australian Bureau of Statistics, QTC, Macrobond

CHART 4: US INITIAL JOBLESS CLAIMS HAVE EASED IN RECENT WEEKS, THOUGH REMAIN WELL WITHIN RANGES OBSERVED OVER 2025 TO DATE



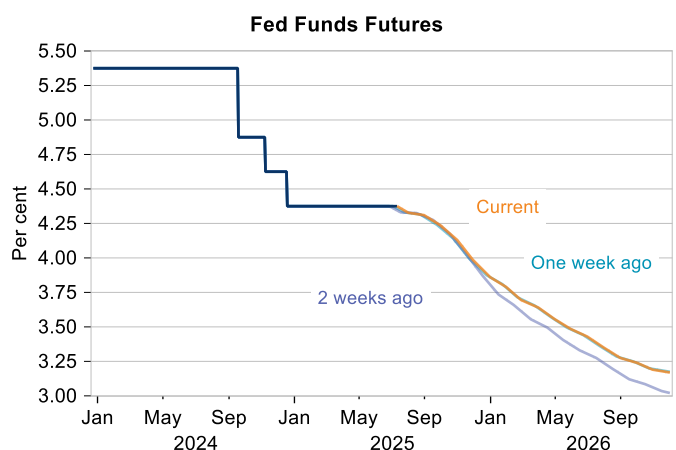
Source: U.S. Department of Labor, QTC, Macrobond

CHART 5: MARKET PRICING FOR THE RBA CASH RATE SHIFTED HIGHER FOLLOWING THE CENTRAL BANK'S SURPRISE DECISION TO LEAVE THE CASH RATE UNCHANGED AT 3.85%



Source: Bloomberg, QTC, Macrobond

CHART 6: IN CONTRAST, MARKET EXPECTATIONS FOR THE US FED FUNDS RATE WERE LITTLE CHANGED THIS WEEK, DESPITE THE FLURRY OF NEW TARIFF ANNOUNCEMENTS FROM THE WHITE HOUSE



Source: Bloomberg, QTC, Macrobond

Financial markets data table

The table below shows yields for bonds issued by the central financing authorities of various state governments in Australia as well as those on bonds issued by the Australian and US Governments. Further, there are values for the Australian Dollar against a range of currencies, and major exchange rates against the US Dollar. The change in these yields and rates over different time periods is also included.

MATURITY	ISSUER	YIELD	CHANGE (BASIS POINTS)		
			1 WEEK	1 MONTH	1 YEAR
3 Year	QTC	3.64	16	6	-80
	NSWTC	3.66	15	7	-77
	TCV	3.67	16	6	-81
	WATC	3.59	15	8	-82
	Australian Government	3.44	17	9	-66
	US Government	3.84	-0	-15	-44
5 Year	QTC	4.02	14	4	-55
	NSWTC	4.01	15	7	-53
	TCV	4.05	15	5	-57
	WATC	3.93	15	6	-58
	Australian Government	3.65	18	10	-46
	US Government	3.93	-0	-15	-21
7 Year	QTC	4.47	14	4	-32
	NSWTC	4.43	15	5	-34
	TCV	4.47	16	4	-38
	WATC	4.34	15	5	-36
	Australian Government	3.97	18	10	-24
	US Government	4.12	0	-14	-3
10 Year	QTC	5.02	13	5	-10
	NSWTC	4.95	14	6	-16
	TCV	4.99	14	3	-19
	WATC	4.78	14	5	-19
	Australian Government	4.31	19	10	-3
	US Government	4.35	0	-12	14

EQUITIES	RATE	CHANGE (PER CENT)		
		1 WEEK	1 MONTH	1 YEAR
AUD/USD	0.66	-0.04	0.56	-3.22
AUD/EUR	0.56	0.54	-1.64	-9.89
AUD/GBP	0.48	0.59	0.22	-7.74
AUD/JPY	96.08	0.87	1.69	-10.61
AUD/CAD	0.90	0.74	0.62	-2.72
AUD/NZD	1.09	0.78	1.17	-1.52
AUD/SGD	0.84	0.38	0.10	-7.65
AUD/HKD	5.15	-0.04	0.58	-2.70
AUD/KRW	901.17	0.65	1.05	-3.13
AUD/CNY	4.71	0.17	0.56	-4.26
AUD/INR	56.26	0.30	0.75	-0.61
MAJOR CURRENCIES				
EUR/USD	1.17	-0.57	2.24	7.40
GBP/USD	1.36	-0.62	0.34	4.89
USD/JPY	146.44	-0.91	-1.12	7.64
USD/CHF	1.25	-0.11	3.04	10.78
USD/CNY	7.18	-0.21	0.01	1.08

MAJOR COMMODITIES	PRICE (USD)	1 WEEK	1 MONTH	1 YEAR
Brent Crude Oil	68.86	0.09	2.98	-19.37
Gold	3,324	-0.06	0.01	37.61
Copper	9,631	-3.25	-1.29	-1.59
Iron Ore	99.01	2.66	5.55	-3.70

Note: The Australian yield data (national and state) is sourced from QTC while the exchange rate and US yield data is from *Macrobond*.

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