

Weekly Economics and Markets Review

- Housing data was on the firmer side this week in Australia, though the same couldn't be said for that on retail spending.
- On the global front, yields rose on signs of ongoing resilience in US labour market and inflation as well as progress on US trade and fiscal policy negotiations.

Week in review

Domestic

- Capital-city dwelling prices rose 0.6 per cent in June to be up 2.7 per cent over the year. According to Codability (formerly CoreLogic), *'falling interest rates have been a clear catalyst behind the renewed momentum'*.
- The number of building approvals lifted 3.2 per cent in May following a 4.1 per cent decline in April. The move on the month was driven by the volatile higher-density category (+9.0 per cent) with the less volatile detached dwellings category little changed (+0.1 per cent).
- The value of retail spending rose 0.2 per cent in May, less than the 0.5 per cent expected. Growth in the value of retail spending appears to be flagging as households continue to be cautious despite lower interest rates, tax cuts, improved confidence, rising house and stock prices, moderating inflation and solid labour market conditions.
- The international goods trade surplus narrowed from \$4.8 billion to \$2.2 billion, against expectations of a small rise to \$5.0 billion. This result was off the back of a fall in the value of exports (-2.7 per cent) and rise in imports (-3.8 per cent)

Offshore

- At the ECB's central banking forum in Sintra, Portugal:
 - Fed Chair Powell said the US economy was *'healthy overall'* and that while this is the case it is *'prudent'* to be take time to learn about the potential economic impacts of the tariffs might be. Powell wouldn't rule a July rate cut in or out. This came after some of his colleagues on the FOMC expressing support for a rate cut this month.
 - ECB President Lagarde said that the Bank's work on stabilising inflation is not yet done and as such, decisions on further rate cuts would be made on a *'meeting-by-meeting'* basis.
 - Bank of England Governor Bailey noted that policy settings remain restrictive and that there are signs of *'softening'* in the economy, including the labour market.
 - Bank of Japan Governor Ueda indicated that the Bank needs additional data to decide on further interest rate increases.
- The US Senate narrowly passed the *'One Big Beautiful Bill Act'*. It then passed the House so will now go to the Whitehouse for signature into law. The independent Congressional Budget Office has indicated the bill could have a net cost to the budget over the next decade of \$3.4 trillion.
- In news related to US trade policy:
 - Canada scrapped a new digital services tax only a few hours before it was due to take effect. This followed threats by the US to raise tariff levels because of the tax which it said would target US technology firms. Following the decision to walk-away from the tax, both countries will resume trade negotiations. Chairman of the US National Economic Council, Keven Hassett, warned that countries with digital services taxes should expect to feel the US' *'wrath'*.
 - A preliminary trade deal between the US and Vietnam was announced. Under the terms of the agreement there will be a 20 per cent tariff on exports directly from Vietnam to the US and 40 per cent if the goods have come from another country via Vietnam.
 - Discussions with key trading partners such as Japan and the EU continue.
- In **China**, according to the National Bureau of Statics (NBS), both the manufacturing (49.7 from 49.5) and non-manufacturing (50.5 from 50.3) rose more than expected in June. The latter was driven by a pick-up in the construction PMI (52.8 from 51.0) as the services PMI edged down (50.1 from 50.2).
- In the **US**:
 - According to the Job Openings and Labour Turnover Survey (JOLTS), both the job opening and quits rate rose by one-tenth in May while the layoff rate declined by the same amount. These are encouraging signs for the labour market.
 - These encouraging signs were maintained in the June employment report where non-farm payrolls increased 147,000 against expectations of a 106,000 gain. Both the unemployment and underemployment rates fell by one-tenth to 4.1 per cent and 7.7 per cent respectively.
 - According to the Institute for Supply Management (ISM), manufacturing conditions softened but at a slower pace in June. Meanwhile, after having been assessed around the borderline of moderating and improving, service sector conditions were deemed to be improving.
 - The core PCE price deflator – the Fed's preferred gauge of core inflation – increased by slightly more than expected in May to be up 2.7 per cent over the year.

Markets

Australian Government bond yields rose this week with three-year yields up six basis points to 3.51 per cent and ten-year yields up eight basis points to 3.81 per cent. Long-end US Treasury yields were up more. Solid US labour market data and further progress on US trade and fiscal negotiations appear to be the catalysts for the move.

Economic and Market Calendar

DATE	DETAILS
Domestic	Tuesday: RBA meeting (Jul), NAB Business Survey (Jun)
Offshore	China: CPI & PPI, credit (Jun) Central banks: FOMC Minutes (Jun), RBNZ meeting (Jul)

Economic and Financial Market Charts

CHART 1: GROWTH IN THE VALUE OF RETAIL SPENDING APPEARS TO BE FLAGGING AS HOUSEHOLDS CONTINUE TO BE CAUTIOUS

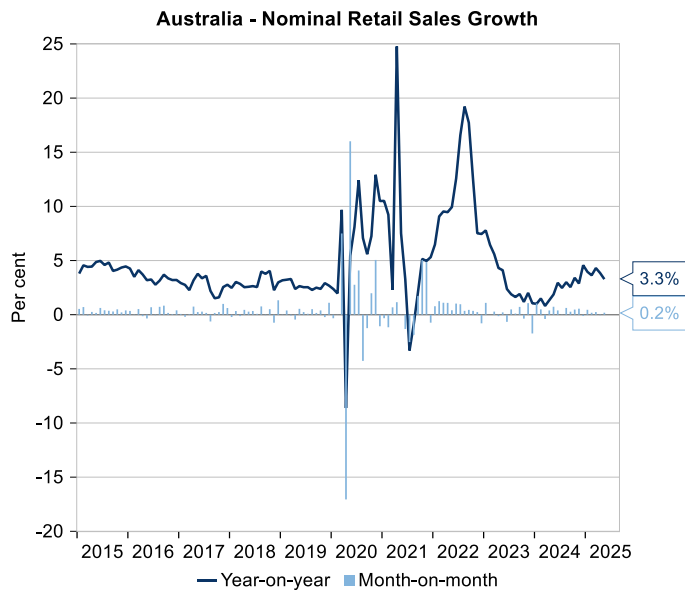


CHART 2: MONTHLY DWELLING PRICE GROWTH HAS REACCELERATED IN 2025 IN LINE WITH INTEREST RATE CUTS BY THE RBA

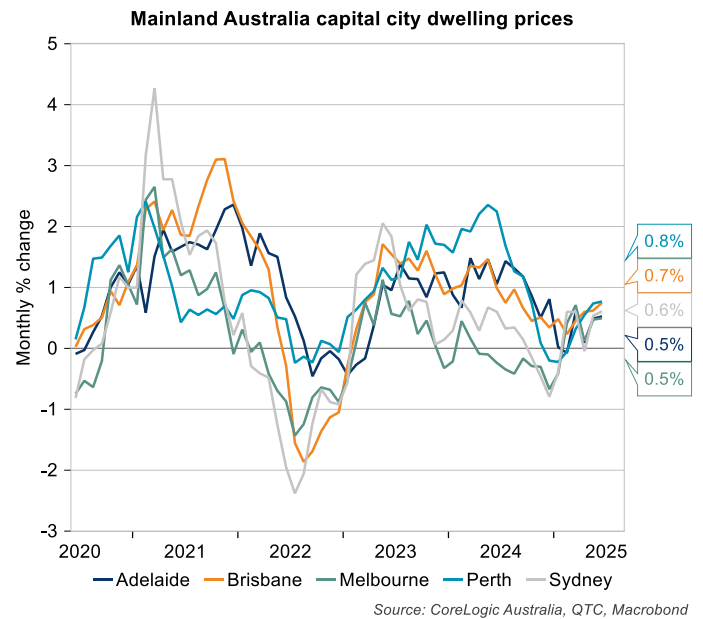


CHART 3: US CORE INFLATION IS PLATEAUING OUT, A DEVELOPMENT WHICH COULD BE ENOUGH FOR THE FED TO NOT CUT RATES IN JULY

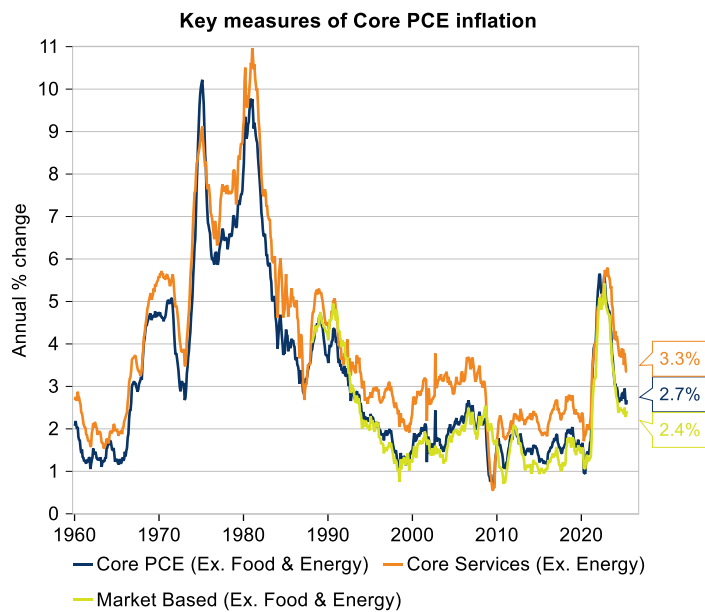


CHART 4: CONDITIONS IN CHINA'S MANUFACTURING AND NON-MANUFACTURING SECTOR IMPROVED IN JUNE.



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	3.51	5	-3	-97
	NSWTC	3.52	5	-1	-94
	TCV	3.53	4	-4	-100
	WATC	3.46	5	-1	-100
	Australian Government	3.51	6	-1	-99
	US Government	3.61	5	0	-92
5 Year	QTC	3.28	5	-3	-87
	NSWTC	3.84	15	-8	-65
	TCV	3.90	7	-2	-70
	WATC	3.88	7	-3	-70
	Australian Government	3.92	6	-4	-72
	US Government	3.80	6	-2	-74
7 Year	QTC	3.87	7	-2	-76
	NSWTC	4.04	6	1	-60
	TCV	3.49	6	-4	-67
	WATC	3.94	14	-9	-39
	Australian Government	4.35	8	-4	-48
	US Government	4.31	8	-4	-51
10 Year	QTC	4.34	8	-7	-55
	NSWTC	4.22	7	-4	-53
	TCV	4.30	7	-7	-57
	WATC	4.50	8	0	-37
	Australian Government	3.81	8	-5	-46
	US Government	4.12	13	-10	-20

EQUITIES	RATE	CHANGE (PER CENT)		
		1 WEEK	1 MONTH	1 YEAR
AUD/USD	0.66	0.24	1.72	-2.35
AUD/EUR	0.56	0.04	-1.57	-10.16
AUD/GBP	0.48	1.01	0.74	-8.70
AUD/JPY	95.32	0.80	2.48	-12.08
AUD/CAD	0.89	-0.24	0.51	-2.68
AUD/NZD	1.08	0.25	0.59	-1.50
AUD/SGD	0.84	0.37	0.59	-7.84
AUD/HKD	5.16	0.25	1.80	-1.82
AUD/KRW	896.72	1.07	0.79	-3.49
AUD/CNY	4.71	0.21	1.31	-3.66
AUD/INR	56.10	0.09	1.49	-0.05
MAJOR CURRENCIES				
EUR/USD	1.18	0.20	3.33	8.69
GBP/USD	1.37	-0.76	0.98	6.97
USD/JPY	145.06	0.56	0.75	-9.98
USD/CHF	0.80	-0.44	-3.45	-11.60
USD/CNY	7.17	0.04	-0.25	-1.34

MAJOR COMMODITIES	PRICE (USD)	1 WEEK	1 MONTH	1 YEAR
Brent Crude Oil	68.89	1.71	4.97	-21.21
Gold	3,333.97	0.08	-0.43	41.39
Copper	10,013.00	1.15	3.93	1.32
Iron Ore	96.44	3.70	2.98	-10.24

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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