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RBA Rate Cut Expectations Rise as Market Activity Heats Up

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The Reserve Bank of Australia (RBA) left interest rates unchanged at 3.85 percent this month, but the possibility of a cut in August is becoming more likely. Minutes from the latest RBA Board meeting, released yesterday, revealed growing concern over softening labour market conditions. Unemployment rose to 4.3 percent in June, exceeding economists' expectations of 4.1 percent, and creating further pressure for

a policy response. Whether the central bank moves next month will hinge on the upcoming quarterly Consumer Price Index (CPI), which will provide the clearest signal yet on the direction of inflation.

With monetary policy now at a turning point, Australia's credit markets are showing renewed confidence. National Australia Bank (NAB) successfully raised \$1.5 billion through a 15NC10-year subordinated debt transaction, offering a coupon of 5.774 percent. This deal priced at 170 basis points over the semi-quarterly swap rate, indicating narrowing margins compared to earlier this year when similar transactions carried spreads well above 200 basis points. The demand for the issuance underscores that investor appetite remains strong, particularly for longer-term debt offering solid yields. 

Meanwhile, Suncorp also moved to tap the market, raising \$1.75 billion in a dual tranche three-year senior unsecured bond. The bulk of the funds \$1.55 billion came through the floating rate portion, priced at 73 basis points above the three-month Bank Bill Swap Rate (BBSW). A smaller \$200 million fixed tranche carried a 4 percent coupon. These successful raises from two major financial institutions suggest that Australian debt markets remain robust, even as economic uncertainty looms. It's a signal that investors are confident in the strength of the banking sector and willing to support longer-term credit offerings with attractive yields.

The RBA's decision-making will continue to be closely watched, especially in light of slowing economic indicators and resilient funding activity in capital markets. The fact that major banks are able to secure multi-billion dollar raises at competitive rates reflects well on Australia's financial infrastructure. However, monetary policy alone cannot shoulder the burden of sustaining growth. If the Labour government remains

unwilling to enact bold reforms or provide certainty for business investment, it risks undermining the stability that the central bank is trying to preserve. Now more than ever, sound economic stewardship requires coordination, foresight, and a commitment to responsible governance.

