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ASX Slips as US Jobs Data Sparks Global Jitters

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– Categories: Finance



The Australian sharemarket opened lower on Monday, tracking global declines after disappointing US employment data unsettled investors. The S&P/ASX 200 index futures pointed to a fall, while the Australian dollar unexpectedly rose to US66.5 cents despite signs of economic uncertainty.

US nonfarm payrolls for July added only 73,000 jobs, significantly under the expected 100,000. Revisions to previous months revealed deeper weakness, with a combined downward adjustment of 258,000 jobs for May and June. According to AMP's chief economist Shane Oliver, "The numbers suggest the US economy is cooling faster than anticipated."

The latest figures mark the weakest three-month period of US job growth since 2010, excluding the COVID-19 period. Markets reacted swiftly, with bond yields dropping and equity traders adjusting expectations on US Federal Reserve policy. However, analysts note interest rate cuts are unlikely in the near term without further evidence of economic slowdown.

The weak US outlook weighed on global commodities, adding pressure to Australia's resource-heavy index. Financial and mining stocks are forecast to lead the downturn on the ASX, while defensive sectors like utilities may offer some stability.

Meanwhile, the Australian dollar's climb against the greenback presents both opportunities and risks. A stronger local currency supports importers but poses challenges for exporters, particularly in the face of declining demand from China, Australia's largest trading partner.

Bond markets have also reacted to the economic uncertainty, with 10-year Australian government bond yields falling 10 basis points. This shift reflects rising caution among investors as they assess the risk of a broader global slowdown.

Looking ahead, market participants will closely monitor China's economic performance and the ongoing Australian earnings season for direction. Analysts suggest any sustained recovery will depend on

stabilisation in global demand and clearer signals from US monetary policy.

The coming days will test investor sentiment and determine whether recent losses represent a short-term dip or the beginning of a more prolonged correction.

Much depends on whether China can offset Western weakness, a precarious bet given recent economic signals. The week ahead will test whether this is merely a temporary setback or the start of a more sustained downturn, with local earnings season providing crucial clue

