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## ASX 200 Surges in Strongest Day Since April

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— Categories: *Economics*



Australia's share market closed at record levels on 18 July 2025, with the S&P/ASX 200 Index rising 118.2 points (1.4%) to finish at 8,757.2—its strongest single-day gain since April. The All Ordinaries Index also climbed 1.3%, closing above the 9,000-point milestone for the first time. This marked the third record close in just five days, highlighting a powerful rally driven by strong performances in mining, technology, and healthcare.

BHP Group Ltd (ASX: BHP) was among the day's top performers, jumping nearly 3% to \$40.29 after reporting record copper and iron ore output. CEO Mike Henry attributed the result to solid Chinese demand, stating that "China's ability to grow its export base and domestic demand remains strong." The result boosted confidence in Australia's resource sector, which remains a cornerstone of the economy.

In the tech sector, Life360 (ASX: 360) surged 7.5% to \$35.07, fuelled by positive sentiment surrounding easing US-China tech trade restrictions. Meanwhile, DroneShield (ASX: DRO) climbed 9.1% to \$3.54 following an announcement that it would triple manufacturing capacity to meet growing international defence demand.

The week's market rally up 2.1% over five days mirrored gains on Wall Street and was underpinned by speculation that the Reserve Bank of Australia (RBA) may begin cutting interest rates as early as August. A rise in Australia's unemployment rate to 4.3%, the highest in more than two years, is seen by many economists as a potential catalyst for monetary easing.

Despite rising global trade tensions and uncertainties around the US presidential election, investors remain optimistic. Solid corporate earnings and resilient demand for Australian exports have helped cushion local equities from external volatility.

While markets are booming, economic policy settings remain under scrutiny. Critics argue that the Albanese government's fiscal conservatism and defence spending cap of 2.3% of GDP limit Australia's ability to respond to strategic and economic shocks. The United States Studies Centre has warned that current defence funding falls short of what is required to maintain regional stability and meet allied expectations.

Furthermore, with August's earnings season approaching, analysts are watching for signs of whether the ASX rally is grounded in sustainable corporate growth or simply investor optimism. Morningstar has raised concerns about a potential earnings recession, noting that ASX 200 companies could see profits decline for a third consecutive year.

The ASX's strong gains reflect investor confidence, particularly in the mining and technology sectors. However, a growing disconnect between market performance and broader economic fundamentals could spell trouble ahead. Australia's reliance on commodity exports and delayed diversification strategies may expose vulnerabilities if global conditions change.

To ensure long-term prosperity, policymakers will need to deliver bold reforms, not just ride the wave of market momentum. For now, though, investors are enjoying the rally, with hopes that falling inflation and stable demand will continue to support Australian equities in the months ahead.