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ASX Rallies as Rate Cut Hopes Rise on Jobless Spike

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Australia's share market surged after a sharp rise in the unemployment rate fueled expectations that the Reserve Bank of Australia may soon cut interest rates to support the economy.

Australia's share market climbed sharply as investors responded to a rise in the unemployment rate, raising expectations that the Reserve Bank of Australia (RBA) may soon begin cutting interest rates to support the economy.

The Australian Securities Exchange (ASX) recorded significant gains after new labour market data showed an unexpected increase in the jobless rate. The figures suggest that the country's job market is cooling faster than anticipated, with unemployment ticking up due to weaker hiring across various sectors. This development has fueled speculation that the RBA could ease monetary policy earlier than previously forecasted.

For months, the RBA has kept interest rates on hold, citing concerns over persistent inflation. However, with signs of economic slowdown now emerging, including weaker consumer spending and rising unemployment, market analysts believe the central bank may need to pivot toward supporting growth.

“Investors are increasingly pricing in a potential rate cut by the end of the year,” said one market strategist. “The jump in unemployment gives the RBA more reason to act, especially if inflation continues to moderate.”

A lower cash rate would reduce borrowing costs for consumers and businesses, potentially boosting spending and investment. This outlook has lifted sentiment across the equity market, with gains seen in financials, real estate, and consumer discretionary stocks sectors that typically benefit from lower interest rates.

The sharp rally in the ASX reflects a broader hope that the economy may avoid a hard landing. While rising joblessness is a concern, the silver lining for investors is the possibility of earlier policy easing to cushion the slowdown.

Still, economists caution that the RBA may proceed with caution. Despite the increase in unemployment, inflation remains above the bank's target range. Policymakers will likely want more data to confirm a sustained trend before making a move.

“The RBA will be watching closely to see if this rise in unemployment is temporary or the beginning of a longer trend,” said another economist. “They won't want to rush into rate cuts without clearer evidence that inflation pressures are under control.”

As the economic picture continues to evolve, the coming months will be critical. Market participants will be monitoring future labour and inflation data, as well as RBA commentary, for any signs of a shift in policy direction.

In the meantime, the ASX's strong performance highlights investor optimism that the worst of the tightening cycle may be over and that support for the economy could soon be on the

way.