



15 April 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Expectations of further reversals in tariffs by sector saw further optimism across markets.

Equities finished higher across all markets.

Bond yields shifted down across the US, Germany and the UK. In the latter two, curves flattened.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	59.1	1.2%
AUD/USD	0.6325	0.6%
AUD/JPY	90.49	0.3%
AUD/GBP	0.4796	-0.2%
AUD/NZD	1.0776	-0.3%
AUD/EUR	0.5575	0.7%
AUD/CNH	4.6249	1.0%
AUD/SGD	0.8321	0.3%
AUD/HKD	4.9059	0.6%
AUD/CAD	0.8774	0.6%
EUR/USD	1.1345	0.0%
USD/JPY	143.04	-0.3%
USD Index	99.69	-0.4%

Equities	Close	Change
S&P/ASX 200	7,749	1.3%
S&P 500	5,406	0.8%
Japan Nikkei	33,982	1.2%
Hang Seng	21,417	2.4%
Euro Stoxx 50	4,911	2.6%
UK FTSE100	8,134	2.1%
VIX Index	30.89	-17.8%

Commodities	Current	Change
CRB Index	289.78	-0.2%
Gold	3210.34	-0.8%
Copper	9187.00	0.3%
Oil (WTI futures)	61.60	0.2%
Coal (coking)	184.00	0.0%
Coal (thermal)	99.00	0.0%
Iron Ore	97.65	1.0%
ACCU	35.38	-4.4%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.13	0.00
90 day BBSY	4.10	-0.04
180 day BBSY	4.18	-0.02
1 year swap	3.39	-0.04
2 year swap	3.25	-0.05
3 year swap	3.31	-0.07
4 year swap	3.45	-0.06
5 year swap	3.59	-0.08
6 year swap	3.73	-0.08
7 year swap	3.86	-0.08
8 year swap	3.97	-0.08
9 year swap	4.08	-0.08
10 year swap	4.29	-0.09

Government Bond Yields	Close	Change
Australia		
3 year bond	3.35	0.05
10 year bond	4.40	0.01
United States		
3-month T Bill	4.20	-0.02
2 year bond	3.85	-0.11
10 year bond	4.37	-0.12
Other (10 year yields)		
Germany	2.51	-0.06
Japan	1.34	0.02
UK	4.66	-0.09

Sydney Futures Exchange	Current	Change
10 yr bond	4.36	-0.03
3 yr bond	3.30	-0.04
3 mth bill rate	3.56	-0.35
SPI 200	7,786	0.2%

Data as at 7:03am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

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Illiana Jain
Economist, Westpac Group
P: +61 403 908 032
E: illiana.jain@westpac.com.au

Financial Markets:

Optimism persisted in markets as tariff reprieve on consumer electronics sees expectations rise for further reversals on tariffs going ahead. Asian and European markets saw the biggest boosts with both equities and bonds finishing stronger reversing some of yesterday's declines.

- Major **equity markets** closed higher led by Europe and Asia. Tariff exemptions for inputs into consumer electronics, which are typically imported from Asia, saw Hong Kong's **Hang Seng** up 2.4% while Shanghai's **CSI 300** was up 0.2%. The Japanese **Nikkei** also rose 1.2%. European equity markets outperformed with the **EuroStoxx 50** up 2.6%, the German **DAX** up 2.9% and the FTSE100 up 2.1%. The **ASX200** also saw an impressive gain of 1.3% supported by the IT and materials sectors. Gains were more moderate in the US after a strong session yesterday. The **S&P500** and **Dow Jones** both rose 0.8% while the **NASDAQ** was up 0.6%. Later in the day several analysts downgraded the outlook for US equities particularly after the 50-day moving average dipped below the 200-day moving average, a phenomena that has been tied to major declines in the past.
- In bond markets, curves shifted lower. In the **US** the 2Y was down 11bps while the 10Y was down 12bps. Markets are pricing in three cuts for 2025 with the next cut fully priced in for July. In Europe, curves shifted down and flattened. The **German** 2Y Bund yield was down 3bps and the 10Y down 6bps. The 2Y **UK** Gilt yield was down 3bps and the 10Y down 9bps. **Australian** futures pricing suggests the 3Y/10Y part of the curve should shift down -- 3bps for 10Y and 4bps for the 3Y. Market have fully priced in a cut for May and almost five cuts for 2025.
- The US dollar lost ground, the **DX** index dipped below 100 to 99.69 at time of writing. The index tested a move lower initially late in Asian session but has been below 100 for most of the day so far. The **DX** has not dipped below 100 since mid-July 2023 and has not been this low since May 2022. The **JPY** outperformed, hitting 143.04 against the greenback continuing along its path to lower levels. The **euro** strengthened early in the session but closed roughly where it started at 1.1345 against the greenback. The **AUD** continued along its bull run against the USD hitting a high of 0.6341 in the day before settling to 0.6325.
- Crude held onto Friday's gains, helped by the risk on moves in global markets due to tariff reprieves though progress on Iran/US nuclear talks capped gains. June Brent closed up 12c at \$64.88 while May WTI closed up 3c at \$61.53. Metals were mixed with copper modestly higher at \$9,187 but aluminium down 0.9% at \$2,374. Slumping alumina prices were cited as a factor weighing on Chinese domestic aluminium prices. Gold finished yesterday's session relatively unchanged around \$3211/oz despite re-testing

Today's key data and events

Time	Event	Exp	Prev
11:30am	AU RBA Minutes	-	-
4:00pm	GB ILO Unemployment Rate Feb	4.4%	4.4%
7:00pm	EZ Zew Survey Of Expectations Apr	-	39.8pts
7:00pm	EZ Industrial Production Feb	0.3%	0.8%
10:30pm	CA CPI Mar	0.7%	1.1%
10:30pm	US Fed Empire State Apr	-13.5pts	-20pts
10:30pm	US Import Price Index Mar	0.0%	0.4%

Times are AEST. All data forecasts are m/m or q/q and seasonally adjusted unless otherwise specified. Forecasts for Australian data are our forecasts and for other countries they are consensus forecasts.

highs around \$3245/oz.

International Data:

The NY Fed Survey of Consumer Expectations showed that near-term consumer inflation expectations rose in March, but longer-term expectations were little changed. The one-year gauge rose 0.5ppt to 3.6%yr, the highest level in almost 1½ years, the three-year indicator was unchanged at 3%yr, and the five-year indicator ticked lower to 2.9%yr. The picture presented by the NY survey is not fully consistent with the equivalent indicators from the University of Michigan Consumer Confidence Survey, which shows higher inflation expectations across all horizons including the longer-term expectations.

In their latest commenary, most Fed officials have focused on the inflationary impact from tariffs. Fed Governor Christopher Waller, however, suggested that he is more concerned about the impact on growth noting "While I expect the inflationary effects of higher tariffs to be temporary, their effects on output and employment could be longer-lasting and an important factor in determining the appropriate stance of monetary policy". According to Waller, if US administration imposes large tariffs, inflation would rise sharply, but it would be temporary, and "the risk of recession would outweigh the risk of escalating inflation". In that situation he would favour cutting the policy rate quicker. It is worth noting that Waller was the only member to dissent in the most recent meetings.

Chinese trade figures showed that exports increased by 12.4%yr in March, well above consensus expectations and the highest pace five months. Growth recovered from a 3%yr decline in February which was affected by the timing of Lunar New Year. US tariffs on China rose to 20% at the beginning of March, but the downward effect seems to have been offset by the expectation of even higher tariffs ahead which encouraged higher outflows of goods. Exports to the US rose almost 9%yr, up from a -11.4%yr pace in February. Meanwhile, on the import side, growth fell to -4.3%yr, suggesting that manufacturers started to pare orders as external demand began to ease, while domestic demand also remained subdued.



Corporate Directory

Westpac Economics / Australia

Sydney

Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis

Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan

Head of Australian Macro-Forecasting
E: mhassan@westpac.com.au

Elliot Clarke

Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner

Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk

Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante

Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas

Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells

Economist
E: ryan.wells@westpac.com.au

Illiana Jain

Economist
E: illiana.jain@westpac.com.au

Jameson Coombs

Economist
E: jameson.coombs@westpac.com.au

Neha Sharma

Economist
E: neha.sharma1@westpac.com.au

Westpac Economics / New Zealand

Auckland

Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold

Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon

Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs

Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod

Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark

Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva

1 Thomson Street
Suva, Fiji

Shamal Chand

Senior Economist
E: shamal.chand@westpac.com.au



westpaciq.com.au

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