2 May 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Upbeat earnings help support equities across most geographies

Markets digested the more sombre outlook presented by the BoJ which could lead to an extended pause by the central bank. JGB yields fell while the yen weakened.

The US and UK yield curve shifted up

Oil prices rose after US President Trump threatened sanctions on buyers of Iranian oil.

Gold prices are seeing a reprieve as safe haven demand eases

Data snapshot

FX Last 24 hrs	Current	Change
TWI	59.8	-0.2%
AUD/USD	0.6383	-0.3%
AUD/JPY	92.77	1.3%
AUD/GBP	0.4807	0.1%
AUD/NZD	1.0806	0.2%
AUD/EUR	0.5655	0.0%
AUD/CNH	4.6465	-0.2%
AUD/SGD	0.8374	0.1%
AUD/HKD	4.9520	-0.3%
AUD/CAD	0.8843	0.1%
EUR/USD	1.1288	-0.3%
USD/JPY	145.35	1.6%
USD Index	100.18	0.7%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.00	-0.01
90 day BBSY	3.93	0.01
180 day BBSY	3.95	0.01
1 year swap	3.38	0.02
2 year swap	3.20	0.04
3 year swap	3.25	0.03
4 year swap	3.33	0.04
5 year swap	3.45	0.05
6 year swap	3.57	0.05
7 year swap	3.68	0.05
8 year swap	3.78	0.06
9 year swap	3.88	0.06
10 year swap	4.10	0.07

Equities	Close	Change
S&P/ASX 200	8,146	0.2%
S&P 500	5,604	0.6%
Japan Nikkei	36,452	1.1%
Hang Seng	22,119	0.5%
Euro Stoxx 50	5,160	0.0%
UK FTSE100	8,497	0.0%
VIX Index	24.6	-0.4%

Commodities	Current	Change
CRB Index	289.49	0.2%
Gold	3238.01	-1.5%
Copper	9206.00	0.9%
Oil (WTI futures)	59.24	1.8%
Coal (coking)	187.00	0.0%
Coal (thermal)	97.50	0.0%
Iron Ore	95.40	-1.3%
ACCU	34.38	-2.8%

Government Bond Yields	Close	Change
Australia		
3 year bond	3.30	-0.01
10 year bond	4.19	0.02
United States		
3-month T Bill	4.19	0.00
2 year bond	3.70	0.10
10 year bond	4.22	0.06
Other (10 year yields)		
Germany	2.44	-0.05
Japan	1.26	-0.06
UK	4.48	0.04

Sydney Futures Exchange	Current	Change
10 yr bond	4.23	0.05
3 yr bond	3.33	0.04
3 mth bill rate	3.87	0.00
SPI 200	8,130	-0.4%

Data as at 7:57am 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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Financial Markets:

Earnings came in more upbeat than expected helping support equities the tech sector was a clear winner. Despite this near-term optimism, most companies warned of the impact of tariffs to come.

- Strong earnings saw US equities close higher. The NASDAQ led the pack rising 1.5% while the S&P was up 0.6% and the Dow Jones 0.2%. European markets were closed for a public holiday but futures pricing suggests they should open higher. In Japan, upbeat earnings results saw the Nikkei gain 1.1% even as the Bank of Japan struck a more cautious tone in its May meeting. Hong Kong's Hang Seng rose 0.5% while Shanghai's CSI300 was down 0.1%. The ASX closed 0.2% higher yesterday led by the tech sector.
- US bond yields ticked up noticeably — the 2Y bond yield was up 10bps to 3.70% while the 10Y was up 6bps to 4.22%. Swaps pricing showed investors now anticipate a 62% chance of a rate cut by June with three cuts fully priced in for 2025. The yield curve also shifted up in the UK, the 2Y rose 2bps to 3.81% while the 10Y was up 4bps to 4.48%. The Japanese 10Y yield fell by 6bps to 1.25% following a less upbeat outlook by the BoJ which is likely to push the timeline for rate hikes out further. Futures pricing suggests the Aussie yield curve will shift up today.
- The US dollar strengthened by 0.7% to 100.18, the first time it has been above 100 since its momentary tick up on 15 April. At the time of writing the DXY index is continuing to push higher. The Japanese yen lost decent ground rising to 145.35 as markets ponder whether further hikes are on the table for the BoJ following a deteriorated growth outlook. The AUD lost some ground to 0.6383 against the greenback but continues to dance around the 0.64 mark as it has since late April.
- Crude rose was up $1.03 to $59.24. President Trump posted on social media that "any country or person that buys any amount of oil from Iran will be subject to, immediately, secondary sanctions". Gold fell to a 2-week low yesterday dipping just below $3205/oz as signs of potential trade talks between the US and other nations pacified gold's haven demand slightly, before recovering back to $3239/oz. Gold mining stocks also declined on the back of the drop in bullion prices.

Overnight Data:

The outlook presented at the **Bank of Japan**'s most recent meeting struck a more cautious tone, outlining downside risks to both growth and inflation. The growth outlook for FY2025 and FY2026 has been downgraded with the BoJ attributing this to trade uncertainties and a slowdown in global growth. Core CPI (excluding fresh food and energy) is now expected to come in lower, with the FY2025 forecast revised down from 2.3% to 2.1%, and FY2026 expected to dip below 2.0% to 1.8%. However, inflation is still expected to hit the 2.0% target in 2027. Most notably, the BoJ expressed concern that the transition from supply-driven inflation—credited with dislodging Japan's deflationary mindset—to demand-driven inflation supported by wage growth, price pass-through, and rising investment intentions is now at risk. Despite this, the Bank still anticipates it "will continue to raise the policy rate and adjust the degree of monetary accommodation." We maintain that the BoJ will keep a hawkish bias through 2025, partly to support the yen.

The **US ISM manufacturing index** edged lower in April from 49.0 to 48.7. Importantly, both new orders and employment look to have stabilised, increasing to 47.2 and 46.5 respectively. Though, these levels are well below the historic average for each series, the respective 20-year averages circa 55 and 51—above the 50 expansion/ contraction benchmark. The prices paid indicator of upstream price pressures only edged higher to 69.8 in the month. Versus history, this is an elevated reading, but not as strong as the market had feared.

US initial jobless claims edged higher from 223k to 241k last week, still low versus history. Tonight's April employment report will be closely watched for signs of stress amongst US businesses as tariff cost pressures begin to be felt.

Today's key data and events

For	Data/Event	Exp	Prev
11:30am	AU PPI Q1	-	3.7%
11:30am	AU Retail Sales Mar	0.4%	0.2%
11:30am	AU Real Retail Sales Q1	0.2%	1.0%
7:00pm	EZ CPI Apr Prel.	0.5%	0.6%
7:00pm	EZ Unemployment Rate Mar	6.1%	6.1%
10:30pm	US Non-Farm Payrolls Apr	135k	228k
10:30pm	US Unemployment Rate Apr	4.2%	4.2%
10:30pm	US Average Hourly Earnings Apr	0.3%	0.3%
12:00am	US Factory Orders Mar	4.4%	0.6%
12:00am	US Durable Goods Orders Mar Final	9.2%	9.2%

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.

Yesterday's Data:

The April **CoreLogic Home Value Index** rose 0.2%mth in April following a 0.3% gain in February and a 0.4% increase in March, leaving annual growth around 2.6%yr. Gains were seen across the major capital cities clustered within the 0.2-0.4% range. Since the RBA cut rates in February, price momentum has undergone a complete 'u-turn' from a –1% fall over Nov-Feb to a +1% lift over Feb-Apr. That said, the seasonally adjusted data has reported only a 0.3% increase over the same time frame, suggesting the impetus from the RBA's rate cut may not be as strong as the headline measure purports.

The **goods trade surplus** for March widened to $6.9bn. A lift in metal ores and coal by 11.6% and 10.7% respectively drove the 7.6% lift in exports. Imports decline 2.2%mth driven by a decline in capital goods.

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