



5 May 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Sentiment remains upbeat as US-China trade talks seem to continue moving in a positive direction.

Equities finished in the green across the major jurisdictions, and measures of market volatility continue track lower, albeit still somewhat above average.

Treasuries sold-off following a constructive read on the labour market and an associated pare-back of interest rate cut expectations.

OPEC+ announced a further expansion in production and Saudi Arabia continues to threaten further action, seeing crude prices fall.

The Australian Labor Party managed to secure a second term and will return to government with a larger majority.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	59.9	0.2%
AUD/USD	0.6454	0.8%
AUD/JPY	93.47	0.7%
AUD/GBP	0.4863	1.0%
AUD/NZD	1.0843	0.3%
AUD/EUR	0.5710	0.9%
AUD/CNH	4.6548	0.0%
AUD/SGD	0.8384	0.1%
AUD/HKD	5.0031	0.9%
AUD/CAD	0.8905	0.7%
EUR/USD	1.1304	0.1%
USD/JPY	144.89	-0.3%
USD Index	100.03	-0.2%

Equities	Close	Change
S&P/ASX 200	8,238	1.1%
S&P 500	5,687	1.5%
Japan Nikkei	36,831	1.0%
Hang Seng	22,505	1.7%
Euro Stoxx 50	5,285	2.4%
UK FTSE100	8,596	1.2%
VIX Index	22.68	-7.8%

Commodities	Current	Change
CRB Index	290.30	0.3%
Gold	3240.49	0.0%
Copper	9366	1.7%
Oil (WTI futures)	58.29	-1.6%
Coal (coking)	187.00	0.0%
Coal (thermal)	118.00	0.9%
Iron Ore	96.25	0.7%
ACCU	34.38	-2.8%

Data as at 7:33am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.99	-0.01
90 day BBSY	3.91	-0.02
180 day BBSY	3.94	-0.01
1 year swap	3.42	0.04
2 year swap	3.27	0.05
3 year swap	3.31	0.06
4 year swap	3.39	0.06
5 year swap	3.50	0.05
6 year swap	3.63	0.06
7 year swap	3.74	0.06
8 year swap	3.85	0.06
9 year swap	3.93	0.06
10 year swap	4.15	0.05

Government Bond Yields	Close	Change
Australia		
3 year bond	3.33	0.03
10 year bond	4.22	0.03
United States		
3-month T Bill	4.21	0.02
2 year bond	3.82	0.13
10 year bond	4.31	0.09
Other (10 year yields)		
Germany	2.53	0.09
Japan	1.26	0.01
UK	4.51	0.03

Sydney Futures Exchange	Current	Change
10 yr bond	4.27	0.06
3 yr bond	3.37	0.05
3 mth bill rate	3.85	0.00
SPI 200	8,280	0.4%


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Financial Markets:

Markets finished the week on a positive note, chiefly driven by continued signals of tentative progress in US-China trade talks, with China starting to exempt some US goods from its own tariffs and President Trump noting that he will lower tariffs "at some point". Adding to the good mood was a solid read on labour market conditions in the US, with nonfarm payrolls beating expectations. In domestic political news, the Australian Labor Party managed to secure a second term and will return to government with a larger majority.

- Global equities finished in the green, tracking higher from better sentiment around trade talks. Gains across the US were solid, tightly clustered within a 1.4% to 1.5% lift across the S&P 500, NASDAQ and Dow Jones. The VIX – a measure of market volatility – has moved to its lowest level since 'Liberation Day', albeit still a touch above its long-run average. Europe outperformed with the Euro Stoxx 50 (+2.4%) and Germany's DAX (+2.6%), while London's FTSE 100 lifted +1.2%. Results were also positive across Asia, with gains in Tokyo (+1.0%) and Hong Kong (+1.7%), noting that market holidays have not seen any trade take place in Shanghai since mid-last week. The ASX 200 also rose +1.1%, gains broad-based across the majority of sectors. Futures markets are also pointing to a positive open this morning.
- Treasuries sold off considerably after a positive read on labour market conditions saw markets pare back expectations for imminent monetary policy relief. The 2-year yield lifted 13bps to 3.82%, while the 10-year rose 9bps to 4.31%. Swaps markets are now pricing in around 80bps of cumulative easing by year-end, compared to around 92bps prior. Bund and Gilt yields also moved higher, albeit to a lesser extent. The same was true in Australia over the Asian session, with the 3-year and 10-year rising 3bps each to 3.33% and 4.22% respectively, but following the action overnight, futures yields have continued to move higher.
- The USD weakened across most G10 currencies, seeing the DXY move –0.2% lower overall to finished at 100.03. The Aussie dollar was a surprising outperformer, rising 0.8% to around the USD0.6450 mark, the highest level in about six months. The Kiwi dollar (+0.7%), Swedish Krona (+0.9%) were also major beneficiaries of the latest move, and to a lesser extent, the recent havens of the Japanese Yen (+0.3%) and the Swiss Franc (+0.3%). Meanwhile, the Euro and Sterling broadly tracked a round on the day, little-changed from Thursday.
- Crude prices suffered another blow on Friday, following an OPEC+ decision to lift production by another 411,000bbl/mth from next month, with Saudi Arabia threatening even further increases to supply unless those member states currently exceeding quotas start to rein in production.

Today's key data and events

For	Data/Event	Exp	Prev
11:00am	AU MI Inflation Gauge Apr y/y	-	2.8%
11:30am	AU ANZ-Indeed Job Ads Apr	-	0.4%
6:30pm	EZ Sentix Investor Confidence May	-11.5pts	-19.5pts
11:45pm	US S&P Services PMI Apr Final	51.2pts	51.4pts
12:00am	US ISM Non-Manufacturing Apr	50.2pts	50.8pts

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.

WTI and Brent fell –0.8% and –0.7% to US\$58.74/bbl and US\$61.67/bbl. Against the backdrop of slightly more positive sentiment around US-China trade relations, copper prices managed to stage a solid bounce (+2.3%), while gold prices held broadly flat, around the US\$3240/oz mark.

International Data:

In the US, nonfarm payrolls managed to beat expectations, rising +177k in April. However, with a downward revision of –58k for the prior two months, the net gain was broadly in line with the consensus forecast of +138k. Once smoothed on a three-month average basis, the current pace of circa +155k/mth remains consistent with a stable unemployment rate, which was unchanged at 4.2% in the month. The balance in labour market conditions was further corroborated by a benign gain in average hourly earnings, up 0.2% (3.8%yr). Also, headline growth in factory orders was solid at +4.3% in March, however it disappointed once excluding transport orders, falling –0.2%.

In the Euro Area, headline inflation data was broadly as expected, holding steady at 2.2%yr in April. However, the core measure surprised modestly to the upside, rising from 2.4%yr in March to 2.7%yr in April, versus the consensus forecast for a smaller lift to just 2.5%yr. While unlikely to shake the ECB off its current path for cautious easing, the uptick in services inflation to 3.9%yr bears close monitoring. Meanwhile, the unemployment rate held steady at a historically low 6.2% in March.

Local Data:

In Australia, growth in real retail sales disappointed, holding flat in the opening quarter following a solid finish to last year (see [here](#)). Our Westpac Red Book explores the state of the Australian consumer in more detail (see [here](#)). The Australian Labor Party has also successfully secured a second term, returning to government with a larger majority.

In New Zealand, dwelling consents surged in March, largely due to the often-lumpy apartments segment (see [here](#)).



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