



13 May 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

A temporary agreement between the US and China on tariffs sparked optimism across markets. China will reduce its tariffs down to 30% while the US will reduce its tariffs to 10% for 90 days.

The agreement saw equities finish higher and volatility subside

Expectantly, rates sold off and yield curves flattened, rising more at the short end than long end.

The USD and CNY both finished stronger. Crosses between the USD and G10 currencies were all weaker led by the JPY.

A shift in risk sentiment saw gold prices down while oil finished higher.

## Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	60.0	0.3%	30 day BBSY	3.88	-0.03
AUD/USD	0.6371	-0.7%	90 day BBSY	3.85	-0.01
AUD/JPY	94.53	1.5%	180 day BBSY	3.88	-0.02
AUD/GBP	0.4837	0.3%	1 year swap	3.55	0.12
AUD/NZD	1.0879	0.2%	2 year swap	3.45	0.17
AUD/EUR	0.5744	0.8%	3 year swap	3.48	0.16
AUD/CNH	4.5856	-1.2%	4 year swap	3.58	0.15
AUD/SGD	0.8322	0.0%	5 year swap	3.68	0.14
AUD/HKD	4.9641	-0.5%	6 year swap	3.77	0.13
AUD/CAD	0.8905	-0.4%	7 year swap	3.89	0.13
EUR/USD	1.1091	-1.4%	8 year swap	3.99	0.12
USD/JPY	148.37	2.1%	9 year swap	4.07	0.11
USD Index	101.80	1.5%	10 year swap	4.29	0.13
Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,234	0.0%	<b>Australia</b>		
S&P 500	5,844	3.3%	3 year bond	3.48	0.06
Japan Nikkei	37,644	0.4%	10 year bond	4.36	0.07
Hang Seng	23,549	3.0%	<b>United States</b>		
Euro Stoxx 50	5,392	1.6%	3-month T Bill	4.28	0.05
UK FTSE100	8,605	0.6%	2 year bond	4.01	0.12
VIX Index	18.39	-16.0%	10 year bond	4.47	0.09
Commodities	Current	Change	<b>Other (10 year yields)</b>		
CRB Index	295.53	0.1%	Germany	2.65	0.09
Gold	3235.57	-2.7%	Japan	1.46	0.09
Copper	9520.00	0.8%	UK	4.64	0.08
Oil (WTI futures)	61.95	1.5%	<b>Sydney Futures Exchange</b>	<b>Current</b>	<b>Change</b>
Coal (coking)	188.25	0.5%	10 yr bond	4.43	0.07
Coal (thermal)	106.75	0.2%	3 yr bond	3.60	0.12
Iron Ore	99.50	3.2%	3 mth bill rate	3.76	0.02
ACCU	35.38	2.9%	SPI 200	8,364	1.2%

Data as at 8:00am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.



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## Financial Markets:

Optimism returned to markets after the US and China agree to a 90-day pause in tariffs. During this period, exports from the US to China will face a 10% tariff while the US will impose a 30% tariffs on Chinese goods. While the news was received well by markets, ambiguity around the final form of tariffs remains. The news helped risk sentiment, the VIX was down 16%.

- Equities opened higher and saw some gains through the session. US stocks led the way; the NASDAQ closed 4.4% higher while the S&P was up 3.3% and the Dow Jones 2.8%. Shanghai's CSI300 closed 1.2% higher while Hong Kong's Hang Seng was up 3.0%. Optimism also spread to the rest of Asia -- India's NIFTY50 was up 3.8% while Japan's Nikkei was up 0.4%. Negotiations with Japan and South Korea are ongoing. Australian stocks finished flat in the day but are poised for a strong open with futures up 1.0%
- As expected, there was a sell-off across rates. The US yield curve shifted higher and flattened -- the 2Y bond yield was up 12bps to 4.01% while the 10Y was up 9bps to 4.47%. Markets pared back pricing for rate cuts by the Fed with the probability of a fourth cut declining from 84% to 25%. The Japanese 10Y bond continued to sell off, the yield was up 9bps to 1.46%. The 30Y bond yield hit a 25-year higher at 3.00%. In Australia, futures pricing suggests the 3Y bond yield will rise 12bps while the 10Y will rise 7bps.
- The US dollar outperformed overnight appreciating against most major currencies barring the Chinese yuan. The DXY index was up 1.5%. The gain occurred once the news broke but has made little progress since then. The Chinese yuan was down 0.6% to 7.2403 against the greenback. All G10 currencies depreciated against the USD, the Japanese yen led the way rising to 148.37, hitting its highest since 2 April. Weakness in the JPY reflects a dovish tilt by the BoJ alongside still-going trade negotiations with the US. The AUD/USD pair held its ground relatively better down 0.7% to 0.6371, reflecting the positive CNY-AUD relationship.
- The shift in risk sentiment saw gold prices fall 2.7% to 3235.6/oz. There was support for oil prices as investors now anticipate a more upbeat outlook for activity -- the WTI contract was up 1.5% to \$62.0/barrel.

## Domestic Data:

There were no major data releases out overnight.

## International Data:

US Fed Governor Adriana Kugler pointed out that US tariffs are likely to have significant economic impacts. Even with the lower tariffs on China, she expects a boost to US inflation and lower growth, if tariffs remain close to current levels. Chicago Fed

## Today's key data and events

For	Data/Event	Exp	Prev
10:30am	AU Westpac-MI Consumer Sentiment May	-	90.1pts
11:30am	AU NAB Business Conditions Apr	-	4pts
4:00pm	GB ILO Unemployment Rate Mar	4.5%	4.4%
7:00pm	EZ Zew Survey Of Expectations May	-	-18.5pts
8:00pm	US NFIB Small Business Optimism Apr	95pts	97.4pts
10:30pm	US CPI Apr	0.3%	-0.1%
8:45am	NZ Card Spending Apr	-	-1.5%
8:45am	NZ Net Migration Mar	-	5430k

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.

President Austan Goolsbee made similar comments, also noting that uncertainty in the economy will remain high, given that the reduction in tariffs is temporary.



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