



14 May 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

US equities continued to rally off the back of recent progress in US-China trade negotiations, with the Trump Administration's plan to overhaul export regulation on semiconductors acting as a tail wind for tech stocks.

Treasuries finished broadly unchanged after initially lifting following constructive inflation that allayed some concerns over the inflationary impact of tariffs.

The USD effectively unwound most of yesterday's gain, depreciating across all G10 currencies, with the Aussie and Kiwi dollars seeing the largest moves.

Crude oil continues to lift as President Trump's threat to toughen sanctions on Iran adds to the positive momentum from constructive trade talks.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	59.9	-0.2%	30 day BBSY	3.89	0.01
AUD/USD	0.6469	1.6%	90 day BBSY	3.85	0.00
AUD/JPY	95.41	0.9%	180 day BBSY	3.92	0.05
AUD/GBP	0.4862	0.6%	1 year swap	3.55	0.00
AUD/NZD	1.0901	0.1%	2 year swap	3.46	0.00
AUD/EUR	0.5782	0.7%	3 year swap	3.52	0.04
AUD/CNH	4.6561	1.5%	4 year swap	3.61	0.05
AUD/SGD	0.8417	1.2%	5 year swap	3.72	0.06
AUD/HKD	5.0439	1.6%	6 year swap	3.84	0.07
AUD/CAD	0.9016	1.3%	7 year swap	3.95	0.07
EUR/USD	1.1187	0.9%	8 year swap	4.04	0.07
USD/JPY	147.48	-0.7%	9 year swap	4.13	0.07
USD Index	101.00	-0.8%	10 year swap	4.35	0.06

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,269	0.4%	Australia		
S&P 500	5,887	0.7%	3 year bond	3.57	0.10
Japan Nikkei	38,183	1.4%	10 year bond	4.43	0.07
Hang Seng	23,108	-1.9%	United States		
Euro Stoxx 50	5,416	0.4%	3-month T Bill	4.27	-0.01
UK FTSE100	8,603	0.0%	2 year bond	4.00	-0.01
VIX Index	18.22	-0.9%	10 year bond	4.47	-0.01

Commodities	Current	Change	Other (10 year yields)		
CRB Index	300.53	1.7%	Germany	2.68	0.03
Gold	3249.90	0.4%	Japan	1.44	-0.01
Copper	9600	0.8%	UK	4.67	0.03

			Sydney Futures Exchange	Current	Change
Oil (WTI futures)	63.67	2.8%	10 yr bond	4.46	0.03
Coal (coking)	187.50	-0.4%	3 yr bond	3.60	0.02
Coal (thermal)	103.75	-0.5%	3 mth bill rate	3.77	0.00
Iron Ore	100.55	-0.5%	SPI 200	8,310	0.2%
ACCU	35.38	2.9%			

Data as at 7:30am 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:

Recent progress in US-China trade talks continues to drive a tentative turnaround in risk sentiment across riskier asset classes. Adding to this, softer-than-expected US inflation data has allayed some concerns over the breadth of the immediate price impact from tariffs, and Saudi Arabia's pledge for significant investment into the US, while tentative, was seen as growth-positive. Markets still have an air of caution around recent developments, especially given President Trump's unpredictable approach to tariff policy thus far.

- The S&P 500 extended yesterday's rally with a 0.7% lift, as growing optimism around the trade outlook saw the index return back to late-February levels. With the added tailwind of the Trump Administration's plan to overhaul export regulations on semiconductors, the tech-heavy NASDAQ surged 1.6%. The Dow Jones meanwhile closed -0.6% lower, the narrower index being hit hard by an 18% drop in UnitedHealthGroup's shares. The more constructive trade backdrop led to mixed moves across Asia, with a solid bounce higher in Tokyo (+1.4%) being met with a pull-back in Hong Kong (-1.9%). The ASX 200 initially stormed out the gate but lost momentum over the course of the day, ultimately finishing 0.4% gain. Futures markets are pointing to a positive open this morning.
- Treasury yields finished broadly unchanged as late-session gains were quickly erased into the close, with the 2Y and 10Y yields falling 1bp each to 4.00% and 4.47% respectively. These initial gains were driven by constructive inflation that data allayed concerns over the breadth of inflation pressures from tariffs, but the broader turn in risk sentiment saw swaps markets continue to gradually push back expected cumulative scale of rate cuts this year. Meanwhile in Europe, the 10Y Bund and Gilt continued to sell-off, each rising 3bps. During the Asian session, Australian bonds sold-off considerably in reaction to the tariff back-down, with the 3Y rising 10bps to 3.57% and the 10Y rising 7bps to 4.43%. Following the action overnight, futures yields continued to move in the same direction with the 3Y and 10Y up 1bp and 3bps respectively.
- The USD sold-off across all G10 currencies, with the DXY steadily losing momentum over the course of the day, finishing at around 100.99 at the time of writing. This unwound much of yesterday's USD rally, suggesting that markets are adopting a more cautious perspective. The Aussie dollar stood out with respect to the latest move, up 1.6% against the greenback to around USD0.6470, back to the range seen about a week ago. This was also true for the Kiwi dollar, having lifted 1.4% versus the USD since yesterday's close. The appreciation in most other currencies were closely bunched within the 0.9-1.0% range, including the Euro (0.9%) and Sterling (1.0%), while the Japanese Yen rose about 0.7%.

Today's key data and events

For	Data/Event	Exp	Prev
8:45am	NZ Retail Card Spending Apr	-	-0.8%
8:45am	NZ Net Migration Mar	-	5430k
9:50am	JP PPI Apr y/y	4.0%	4.2%
11:30am	AU Wage Price Index Q1	0.8%	0.7%
11:30am	AU Housing Finance Approvals Q1	0.0%	1.4%
7:15pm	US FedSpeak – Waller	-	-
11:10pm	US FedSpeak – Jefferson	-	-

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.

- Crude benefitted from an improvement in risk sentiment as trade tensions ease, while President Trump's threats of harsher sanctions on Iran is making investors brace for further upside. The first-generic futures contract for WTI and Brent rose 2.8% and 2.4% to US\$63.67/bbl and US\$66.52bbl respectively. Metals also continued to advance, with copper (+0.8%), aluminium (+0.4%) and zinc (+0.9%) all posting solid gains. Despite the shift in risk sentiment, gold seemed to have found somewhat of a footing with a 0.4% lift to around US\$3250/oz.

International Data:

In the US, April's CPI rose 0.2% (2.3%yr), a touch lower than market expectations. The component detail suggests some areas of the consumer basket were already starting to feel the effects of 'Liberation Day' tariffs in April, with steeper increases in furniture, appliances, and video and audio products. However, disinflation across other categories, particularly in grocery prices and other areas sensitive to consumer demand, provided a meaningful offset. We are likely to see more evidence of tariff-related price pressures in the May CPI, although the latest US-China agreement implies that the longer-term impact might be somewhat lower than previously anticipated.

Meanwhile, US NFIB small business optimism fell from 97.4 in March to 95.8 in April. Expectations around the economy continue to deteriorate and uncertainty remains elevated. Encouragingly, the employment sub-index remained stable, suggesting businesses are looking to wait-out 'Liberation Day' volatility before committing to any plans to alter the workforce.

In the UK, the latest labour force data was virtually spot on with consensus, with a smaller lift in employment in March (+112k), a fall April's payroll jobs (-33k) and an up-tick in the unemployment rate (4.5%). Average weekly earnings (ex. bonuses) eased from 5.9%yr to 5.6%yr, below the Bank of England's forecast which should continue to ease concerns over the stickiness of services inflation and support a cautious approach to policy easing.

Local Data:

In Australia, the Westpac-MI Consumer Sentiment Index posted a partial recovery from the previous month's tariff-related fall (see [here](#)). April's NAB business survey showed businesses were largely unperturbed by earlier US tariff developments (see [here](#)).



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