



21 May 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

The RBA cut the cash rate in line with expectations, by 25bp to 3.85%, but the dovish tone of the policy statement and Governor's comments prompted a sharp reaction in financial markets. Markets are now pricing in a possibility of three additional RBA cuts by the end of this year.

In the US, the market focus was on the disagreements in the House over President Trump's "one big, beautiful bill", which are adding to the concerns about the US fiscal outlook.

USD continued to depreciate. AUD was also lower but remained at broadly similar levels where it has been trading for about a month.

Data snapshot

FX Last 24 hrs			AUS Interest Rate Swaps		
	Current	Change		Last	Change
TWI	59.7	0.0%	30 day BBSY	3.81	-0.01
AUD/USD	0.6424	-0.5%	90 day BBSY	3.84	-0.01
AUD/JPY	92.84	-0.8%	180 day BBSY	3.94	0.01
AUD/GBP	0.4797	-0.8%	1 year swap	3.40	-0.17
AUD/NZD	1.0842	-0.4%	2 year swap	3.30	-0.19
AUD/EUR	0.5693	-0.9%	3 year swap	3.36	-0.17
AUD/CNH	4.6343	-0.5%	4 year swap	3.47	-0.16
AUD/SGD	0.8318	-0.5%	5 year swap	3.59	-0.14
AUD/HKD	5.0276	-0.4%	6 year swap	3.71	-0.12
AUD/CAD	0.8939	-0.8%	7 year swap	3.83	-0.11
EUR/USD	1.1284	0.4%	8 year swap	3.93	-0.11
USD/JPY	144.51	-0.2%	9 year swap	4.03	-0.10
USD Index	100.02	-0.4%	10 year swap	4.25	-0.08
Equities			Government Bond Yields		
	Close	Change		Close	Change
S&P/ASX 200	8,343	0.6%	Australia		
S&P 500	5,940	-0.4%	3 year bond	3.47	-0.17
Japan Nikkei	37,529	0.1%	10 year bond	4.40	-0.12
Hang Seng	23,681	1.5%	United States		
Euro Stoxx 50	5,455	0.5%	3-month T Bill	4.22	-0.03
UK FTSE100	8,781	0.9%	2 year bond	3.97	-0.01
VIX Index	18.09	-0.3%	10 year bond	4.49	0.04
Commodities			Other (10 year yields)		
	Current	Change			
CRB Index	298.18	0.7%	Germany	2.61	0.02
Gold	3290.17	1.9%	Japan	1.51	0.02
Copper	9520.00	0.0%	UK	4.70	0.04
Oil (WTI futures)	62.56	-0.2%	Sydney Futures Exchange		
Coal (coking)	189.50	0.3%		Current	Change
Coal (thermal)	108.35	2.5%	10 yr bond	4.38	-0.02
Iron Ore	99.65	-0.1%	3 yr bond	3.44	-0.04
ACCU	35.38	2.9%	3 mth bill rate	3.72	0.02
			SPI 200	8,420	0.6%

Data as at 7:00am 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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Mantas Vanagas
Senior Economist, Westpac Group
P: +61 422 030 326
E: mantas.vanagas@westpac.com.au

Financial Markets:

The RBA cut the cash rate in line with expectations, by 25bp to 3.85%, but the dovish tone of the policy statement and Governor's comments prompted a sharp reaction in financial markets. In the US, the market focus was on the disagreements in the House over President Trump's "one big, beautiful bill", which would extend tax cuts he introduced in his first term. The bill will add significantly to already-high US government budget deficits, pushing the debt trajectory even higher, with investors concerned about its sustainability.

- The US equity markets seem to have run out of steam – having gained in each of the previous six trading sessions, the S&P500 index posted a decline of 0.4%. It is still up around 19% since the April trough, but only about 1% on the year-to-date basis. Other major equity benchmark indices made gains. European Euro Stoxx 50 was up 0.5%, supported by strong performance in the utilities, telecom and automotive sectors. FTSE100 in the UK, up 0.9%, outperformed, while Asian equities also headed higher. Hang Seng index in Hong Kong gained 1.5%, recovering after losses in the previous three days.
- In the bond markets, Australian government bonds rallied reflecting the change in the RBA's tone. The yield curve steepened as the short end, down by 16-17bp, outperformed the long end, which moved 12bp lower. Markets are now pricing in a possibility of three additional RBA cuts by the end of this year, up from two cuts expected before yesterday's policy announcement. The US Treasury long-term yields rose – the 10Y was up 4bp – while German and UK government bond yields were also higher.
- USD continued to depreciate – the DXY index was down 0.4% falling to 100, which is the lowest level in around two weeks. EUR, GBP and JPY gained 0.2-0.4%, but AUD was down 0.5%. Despite the move, AUD remained at broadly similar levels where it has been trading for about a month.
- Crude prices eased slightly – the June WTI contract was down up 0.2% to \$62.6 – following gains in the previous two days on the back of stalling progress in the US-Iran talks about halting Iran's nuclear programme. Copper and iron ore were little changed, but gold rose 1.9% higher as China reported a surge in gold imports last month signalling strong demand as investors are hedging against high uncertainty and geopolitical risks.

International Data:

Euro area consumer confidence improved from -16.6 in April, which was the lowest level in 1.5 years, to -15.2, a level still below 2024 and long-term average of -12 and -14 respectively. The April-May average of -15.9 indicate deterioration of consumer sentiment in Q2 vs -14.1 in Q1, and so the euro area

Today's key data and events

For	Data/Event	Exp	Prev
8:45am	NZ Trade Balance Apr	-	NZ\$970m
10:30am	AU Westpac-MI Leading Index Apr	-	-0.1%
4:00pm	GB CPI Apr	1.0%	0.3%

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.

consumer spending might be lower accordingly.

St. Louis Fed President Alberto Muslem in his comments emphasized downside risks to US growth from tariffs. "Even after the de-escalation of 12 May, they seem likely to have a significant impact on the near-term economic outlook", he noted.

Domestic Data:

RBA cut cash rate by 25bps as expected, policy still restrictive. Inflation now comfortably in the 2-3% target range with balanced risks (please [see here](#) for more details).



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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