



26 May 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

President Trump threatened a re-escalation of tariffs on the EU given the lack of progress being made in negotiations, alongside tariffs on Apple and Samsung, reigniting the 'sell America' trade.

Share markets jolted lower in response, with large declines in the US and even larger falls in Europe on Friday. The USD depreciated against all major currencies, seeing the DXY fall back to late-April levels. The Aussie and Kiwi dollars outperformed, and the Sterling has reached a three-year high.

Just as we go to press, President Trump has announced an extension of the tariff deadline on the EU from June 1 to July 9.

Crude prices rose as US-Iran nuclear talks continue, while metals and gold rebounded sharply on the renewed threat of tariffs.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	59.6	-0.3%
AUD/USD	0.6490	1.2%
AUD/JPY	92.44	0.3%
AUD/GBP	0.4797	0.4%
AUD/NZD	1.0840	-0.2%
AUD/EUR	0.5709	0.6%
AUD/CNH	4.6546	0.9%
AUD/SGD	0.8338	0.7%
AUD/HKD	5.0822	1.4%
AUD/CAD	0.8911	0.2%
EUR/USD	1.1366	0.7%
USD/JPY	142.50	-1.0%
USD Index	99.11	-0.8%

Equities	Close	Change
S&P/ASX 200	8,361	0.1%
S&P 500	5,803	-0.7%
Japan Nikkei	37,160	0.5%
Hang Seng	23,601	0.2%
Euro Stoxx 50	5,326	-1.8%
UK FTSE100	8,718	-0.2%
VIX Index	22.29	9.9%

Commodities	Current	Change
CRB Index	296.66	0.1%
Gold	3357.51	1.9%
Copper	9610	1.2%
Oil (WTI futures)	61.53	0.5%
Coal (coking)	189.50	0.0%
Coal (thermal)	106.40	1.3%
Iron Ore	98.00	-0.9%
ACCU	35.38	2.9%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.79	0.00
90 day BBSY	3.77	-0.01
180 day BBSY	3.82	0.00
1 year swap	3.39	-0.02
2 year swap	3.31	-0.05
3 year swap	3.36	-0.05
4 year swap	3.43	-0.05
5 year swap	3.55	-0.05
6 year swap	3.68	-0.05
7 year swap	3.80	-0.06
8 year swap	3.91	-0.06
9 year swap	4.00	-0.06
10 year swap	4.25	-0.03

Government Bond Yields	Close	Change
Australia		
3 year bond	3.46	-0.02
10 year bond	4.42	-0.04
United States		
3-month T Bill	4.23	-0.01
2 year bond	3.99	0.00
10 year bond	4.51	-0.02
Other (10 year yields)		
Germany	2.57	-0.08
Japan	1.54	-0.03
UK	4.68	-0.07

Sydney Futures Exchange	Current	Change
10 yr bond	4.37	-0.05
3 yr bond	3.44	-0.03
3 mth bill rate	3.68	-0.01
SPI 200	8,350	-0.4%

Data as at 7:10am 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:

Trade risks were at the fore on Friday last week, with President Trump threatening the EU with a 50% tariff effective June 1, citing a lack of progress on trade negotiations. That was in addition to a potential 25% tariff on Apple and Samsung in order to hasten the onshoring of manufacturing. This ultimately provided renewed cause for the 'sell America' trade on Friday, reminding markets that the dynamic cocktail of trade, geopolitical, fiscal and growth risks can continue to incite intense bouts of volatility and drive sudden repricing across various asset classes. Indeed, just as we go to press this morning, President Trump announced an extension of this "tariff deadline" on the EU to July 9.

This week, the RBNZ's policy decision and Australian inflation and partial activity data will be in focus locally. US markets will be closed for Memorial Day on Monday, but a raft of Fedspeak will provide more insights on policymakers' views around risks to the outlook.

- Risks of trade war re-escalation hit share markets hard, with the S&P 500 (−0.7%), Dow Jones (−0.6%) and NASDAQ (−1.0%) all falling on Friday and finishing the week in the red. With Europe in the firing line of these threats, the Euro Stoxx 50 (−1.8%) and Germany's DAX (−1.5%) posted much sharper declines. Stocks trading the Asian session, prior to the global sell-off, performed more positively, particularly in Tokyo (+0.5%) and Hong Kong (+0.2%). The ASX 200 meanwhile rose 0.1% on Friday, but futures markets are pointing to a weaker opening this morning following recent developments.
- Treasury yields fluctuated materially following President Trump's tariff threat. The 2Y treasury yield collapsed as far as 8bps intraday before recovering back to the prior day's close, around 3.99%, and while the 10Y traded similarly intraday, it finished 2bps lower at 4.51%. The 10Y Bund and Gilt yields captured the clear risk-off move offshore, falling 8bps and 7bps respectively. Meanwhile in Australia, the 3Y and 10Y futures yields fell 3bps and 5bps respectively. Swaps markets continue to price in just shy of three further RBA rate cuts this year.
- The USD sold off significantly, with the DXY shedding −1.0% to 99.11, its lowest level since late-April. All major currencies appreciated against the USD as a result, with the main DXY pairs rising similarly within a tight range. As of early trade this morning, the Japanese Yen has led this group, rising 1.1% to JPY142.46, back to early-May levels. The Euro (+0.7%), Loonie (+0.9%) and Sterling (+0.8%) all rose as well, with the latter now at a three-year high. The Aussie (+1.2%) and Kiwi dollar (+1.4%) have outperformed, lifting to be just shy of USD0.65 and USD0.60 respectively.

Today's key data and events

For	Data/Event	Exp	Prev
–	US Memorial Day – Markets Closed	–	–
4:40am	US Fed's Powell Speaking	–	–

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.

- Despite a sharp intraday drop following President Trump's tariff comments, crude managed to finish the week on a firmer note as traders assess on the progress, or lack thereof, in US-Iran nuclear talks. The first-generic futures contract for WTI and Brent both finished 0.5% higher at US\$61.53/bbl and US\$64.78/bb; respectively. The threat of trade war re-escalation saw metals bounce higher on Friday, with copper outperforming (+1.2%) and aluminium rising (+0.3%). Gold rallied a staggering +1.9% to above US\$3350/oz, back to early-May levels.

International Data:

In the US, new home sales surprised materially to the upside, jumping 10.9% in April versus the consensus estimate for a −4.0% decline, although the prior month's gain was revised down as well (from 7.4% to 2.6%). Elevated building costs and interest rates remain as intense headwinds against the US' need for new housing construction.

The FOMC's Goolsbee said "Everything is always on the table, but I feel like the bar for me is a little higher for action in any direction while we're waiting to get some clarity", and that he's still hopeful that "10 to 16 months from now rates could be a fair bit below where they are today." The FOMC's Musalem said "We at the Fed don't want short-term inflation expectations to rise to such a level that they could seep into long-term inflation expectations. That would make our job harder in terms of achieving maximum employment and price stability."

In the UK, GfK consumer confidence improved at the margin in May, rising from −23 index points to −20 index points, roughly around the average over the past 20 years. This, together with the much larger-than-expected lift in retail sales in April (1.2%), are another set of welcome signs showcasing a degree of resilience in household spending and sentiment.

Domestic Data:

In New Zealand, real retail sales beat expectations with a 0.8% gain in Q1, adding to signs that a recovery in the retail sector is starting to take shape (see [here](#)).



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