



27 May 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

The US delayed its 50% tariffs on EU to 9 July leading to a reversal in moves on Monday

European equities rose while US equities were down from the news

Yield curves flattened across more markets as expectations of trade tensions eased

Despite some action during the day, most pairs with the USD ended roughly where they were at the start of the day. The DXY remains below 100.

While the Japanese 10Y bond yield did decline, there remains apprehension around the 40Y auction this week.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.1	0.8%
AUD/USD	0.6486	0.0%
AUD/JPY	92.66	0.0%
AUD/GBP	0.4783	-0.3%
AUD/NZD	1.0809	-0.3%
AUD/EUR	0.5697	-0.4%
AUD/CNH	4.6562	-0.1%
AUD/SGD	0.8330	-0.2%
AUD/HKD	5.0831	-0.1%
AUD/CAD	0.8910	0.1%
EUR/USD	1.1384	0.2%
USD/JPY	142.86	0.2%
USD Index	99.00	-0.1%

Equities	Close	Change
S&P/ASX 200	8,361	0.0%
S&P 500	5,803	-0.7%
Japan Nikkei	37,532	1.0%
Hang Seng	23,282	-1.4%
Euro Stoxx 50	5,395	1.3%
UK FTSE100	8,718	-0.2%
VIX Index	20.57	-7.7%

Commodities	Current	Change
CRB Index	296.66	0.1%
Gold	3343.84	-0.4%
Copper	9610.00	1.2%
Oil (WTI futures)	61.53	0.0%
Coal (coking)	189.00	0.0%
Coal (thermal)	108.35	1.8%
Iron Ore	96.80	-1.1%
ACCU	35.38	2.9%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.79	0.00
90 day BBSY	3.76	-0.01
180 day BBSY	3.80	-0.02
1 year swap	3.38	-0.01
2 year swap	3.29	-0.02
3 year swap	3.33	-0.03
4 year swap	3.43	0.00
5 year swap	3.55	-0.01
6 year swap	3.66	-0.03
7 year swap	3.78	-0.03
8 year swap	3.88	-0.02
9 year swap	3.98	-0.02
10 year swap	4.21	-0.04

Government Bond Yields	Close	Change
Australia		
3 year bond	3.43	-0.03
10 year bond	4.38	-0.04
United States		
3-month T Bill	4.24	0.00
2 year bond	3.99	0.00
10 year bond	4.51	-0.02
Other (10 year yields)		
Germany	2.56	-0.01
Japan	1.52	-0.02
UK	4.68	-0.07

Sydney Futures Exchange	Current	Change
10 yr bond	4.34	-0.03
3 yr bond	3.42	-0.02
3 mth bill rate	3.67	-0.01
SPI 200	8,411	0.2%

Data as at 7:15am 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

Markets once again focused on US President Trump's tariffs turmoil, retracing much of yesterday's activity after Trump delayed the date for 50% tariffs on the EU from 1 June to 9 July.

- In equities, the whipsaw in policy saw Europe a clear outperformer, the EuroStoxx 50 rose by 1.3%. The German DAX was also up 1.7%. The EuroStoxx 50 did not fully recover from the dip in Friday but the DAX retraced its losses. Returning after the Memorial Day holiday, US equities were weaker. The S&P500 closed 0.7% lower while the Dow Jones was down 0.6%. The NASDAQ declined by 1.0%. The ASX200 finished flat.
- In bond markets, curves flattened across major developed markets. In the US, the 2Y bond yield remained at 3.99% while the 10Y fell 2bps to 4.51%. Market pricing shows the next Fed rate cut is not fully priced in until October. There are another two cuts priced in for 2026. The 2Y German Bund yield rose 2bp to 1.78% while the 10Y declined by 1bp to 2.56%. In the UK, the Gilt curve shifted down -- the 2Y Gilt declined 5bps to 3.98% while the 10Y was down 7bps to 4.68%. Overnight, some Japanese life insurers reiterated their support for Japanese bonds. Bloomberg reported Sumitomo Life said it would hold domestic bonds to maturity while executives at Meiji Yasuda were mindful of the yield increases in recent times but do not expect yields at the ultra-long end to keep increasing. After a disappointing 20Y bond auction last week, there is some apprehension around the 40Y auction this week. The Japanese 10Y bond yield fell 2bps in yesterday's session to 1.51% marking two consecutive sessions of declines after hitting a 16-year high on Thursday. For Australia, futures pricing suggests a slight flattening today with the 3Y bond yield priced to be down 2bps and the 10Y down 3bps.
- In FX markets, the DXY index fell 0.1% to 99.0. The AUD/USD pair landed roughly where it had began at 0.6488. During the day it steadily rose to a high of 0.6537 before easing through the European and North American sessions. The tariff pause saw the EUR/USD pair rise slightly to 1.1384. USD/JPY remained roughly where it started at 142.86.
- In commodities, lower risk sentiment saw gold prices fall 0.4% to 3342.8/oz. Oil prices were flat with WTI futures remaining at US\$61.53/barrel.

International Data:

There were no major releases out last night. However, ECB President Christine Lagarde suggested that the erratic US

Today's key data and events

For	Data/Event	Exp	Prev
11:30am	CN Industrial Profits Apr	-	2.6%
7:00pm	EZ Consumer Confidence May Final	-	-15.2pts
7:00pm	EZ Economic Confidence May	94pts	93.6pts
10:30pm	US Durable Goods Orders Apr Prel.	-7.8%	9.2%
11:00pm	US FHFA House Prices Mar	0.1%	0.1%
11:00pm	US S&P/Cs Home Price Index Mar	0.2%	0.4%
12:00am	US Consumer Confidence May	87.1pts	86pts
12:30am	US Dallas Fed May	-23pts	-35.8pts

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.

policy changes create an opportunity to strengthen the euro's role as an international reserve currency. She noted, "The changing landscape could open the door for the euro to play a greater international role."

Domestic Data:

There were no major releases out yesterday.



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