



29 May 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

Stocks moved lower across the globe, but following Nvidia's well-received earnings result and forecast, equities rallied in after-market trading in the US.

Treasury yields moved higher across the curve despite a solid turn-out for the five-year note auction overnight and the two-year auction earlier in the week.

The USD strengthened across most key crosses, and crude prices lifted against a still-tense geopolitical backdrop.

The FOMC's May meeting minutes underscored policymakers' confidence in the underlying health of the US economy, allowing a patient approach to policy amid intense uncertainty.

## Data snapshot

FX Last 24 hrs	Current	Change
TWI	59.6	-0.5%
AUD/USD	0.6424	-0.3%
AUD/JPY	93.00	0.1%
AUD/GBP	0.4769	0.0%
AUD/NZD	1.0770	-0.6%
AUD/EUR	0.5687	0.1%
AUD/CNH	4.6199	-0.2%
AUD/SGD	0.8283	-0.2%
AUD/HKD	5.0348	-0.3%
AUD/CAD	0.8886	-0.1%
EUR/USD	1.1295	-0.3%
USD/JPY	144.78	0.4%
USD Index	99.88	0.4%

Equities	Close	Change
S&P/ASX 200	8,397	-0.1%
S&P 500	5,889	-0.6%
Japan Nikkei	37,722	0.0%
Hang Seng	23,258	-0.5%
Euro Stoxx 50	5,378	-0.7%
UK FTSE100	8,726	-0.6%
VIX Index	19.31	1.8%

Commodities	Current	Change
CRB Index	293.26	-0.5%
Gold	3287.69	-0.4%
Copper	9565	-0.3%
Oil (WTI futures)	61.84	1.6%
Coal (coking)	188.00	-1.1%
Coal (thermal)	107.60	-1.1%
Iron Ore	95.40	-0.1%
ACCU	35.38	2.9%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.79	0.00
90 day BBSY	3.74	0.00
180 day BBSY	3.78	0.00
1 year swap	3.38	0.03
2 year swap	3.28	0.03
3 year swap	3.32	0.04
4 year swap	3.42	0.05
5 year swap	3.54	0.06
6 year swap	3.66	0.06
7 year swap	3.79	0.07
8 year swap	3.89	0.07
9 year swap	3.98	0.07
10 year swap	4.22	0.09

Government Bond Yields	Close	Change
<b>Australia</b>		
3 year bond	3.42	0.03
10 year bond	4.33	0.02
<b>United States</b>		
3-month T Bill	4.22	0.01
2 year bond	3.99	0.01
10 year bond	4.48	0.03
<b>Other (10 year yields)</b>		
Germany	2.55	0.02
Japan	1.52	0.05
UK	4.73	0.06

Sydney Futures Exchange	Current	Change
10 yr bond	4.33	0.00
3 yr bond	3.42	-0.01
3 mth bill rate	3.70	0.00
SPI 200	8,430	0.2%

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

Markets retraced some of the momentum that was gained earlier in the week, spurred by encouraging progress on US-EU trade negotiations and a prospective rebound in consumer confidence. This was despite the FOMC May meeting minutes emphasising policymakers' confidence in the underlying health of the US economy, that which facilitates a patient approach to policy as they assess the implications for inflation from tariffs. Yields rose and stocks fell during regular trading, although just-released Nvidia's earnings provided a spark for a rally in equities in after-market trading.

- Global equities generally finished lower. The US started on strong footing but lost momentum late in the session, with the S&P 500 (-0.6%), Dow Jones (-0.6%) and NASDAQ (-0.5%) all posting declines. Nvidia's earnings, released after market close, was in line with estimates but its second-quarter forecasts were generally viewed positive despite a downgrade associated with sales to China, seeing the key indices rally in after-market trading. Declines were observed across the Euro Stoxx 50 (-0.7%) and Germany's DAX (-0.8%), effectively taking back yesterday's gain. Equities were broadly flat in Tokyo but weaker in Hong Kong (-0.5%), while the ASX 200 inched slightly lower, falling -0.1%.
- Treasury yields lifted and steepened marginally, with the 2Y up 1bp to 3.99% and the 10Y up 3bps to 4.48%. This follows a solid turn-out to the five-year note auction overnight and a two-year auction earlier in the week, but there remains questions around the strength of global demand for longer-term debt following disappointing turn-out for the 40Y JGB auction earlier in the week. Yields also rose for the 10Y Bund (2.55%) and 10Y Gilt (4.73%). Australian government bond yields also moved higher during the Asian session, with the 3Y up 3bps to 3.42% and the 10Y up 2bps to 4.33%, with futures little-changed overnight.
- Despite some intraday wobbles, the USD generally outperformed, seeing the DXY finish 0.4% higher at 99.88. Gains were notably even across all of the major crosses, with the USD appreciating around 0.3-0.4% against the Japanese Yen, Euro, Sterling and Aussie. The Kiwi dollar bucked the wider trend, instead strengthening 0.3% versus the USD following a slightly more 'hawkish cut' from the RBNZ.
- Crude prices lifted amid a still-tense geopolitical backdrop – characterised by the looming possibility of further US sanctions on Russia and Iran nuclear talks – while OPEC+ ratified their current quotas ahead of the key meeting coming this weekend. The first-generic futures contract for WTI and Brent rose 1.6% and 1.3% to US\$61.84/bbl and US\$64.92/bbl respectively. Metals were generally weaker, with declines observed across copper (-0.3%) and aluminium (-0.6%). Gold meanwhile fluctuated through intraday trade but ultimately finished -0.4% lower at around US\$3288/oz.

## Today's key data and events

For	Data/Event	Exp	Prev
11:00am	NZ ANZ Business Confidence May	-	49.3pts
11:30am	AU Private New Capital Expenditure Q1	0.5%	-0.2%
10:30pm	US GDP Q1 (Second Estimate)	-0.3%	-0.3%
10:30pm	US Initial Jobless Claims	230k	227k
12:00am	US Pending Home Sales Apr	-1.0%	6.1%

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.

## International Data:

In the US, the **FOMC's May meeting minutes** demonstrated that Committee members remain confident in the underlying health of the US economy, with economic activity and labour market conditions both characterised as "solid". Inflation was described as "somewhat elevated" and the "significant uncertainties" for inflation and expectations from trade and migration policies called out. Policymakers are wary of "the risk that inflation could prove to be more persistent than expected" and note the "importance of ensuring that longer-term inflation expectations remain well anchored", although they may face "difficult tradeoffs if inflation proves to be more persistent while the outlooks for growth and employment weaken".

Members are also mindful of evolving financial conditions and the risk of heightened volatility in markets. Changing correlations between market instruments and the status of the US dollar in global financial markets are being monitored.

Meanwhile, the **Richmond Fed manufacturing index** printed in line with expectations, improving a touch from -13 in April to -9 in May as firms welcome the relief from trade tensions and the fact that the US economy continues to show resilience, though it should be noted that the index currently remains well below the five-year average of zero.

## Local Data:

In Australia, April's **Monthly CPI Indicator** printed slightly firmer than expected at 2.4%yr, with the underlying trimmed mean measure also ticking up marginally to 2.8%yr (see [here](#)). Meanwhile, growth in **construction activity** was flat in Q1 (see [here](#)).

In New Zealand, the **RBNZ delivered a 25bp rate cut** as expected, although the 5-1 vote among the MPC suggests a raised bar for OCR cuts going forward (see [here](#)). The **employment indicator** also remained subdued in April, falling -0.1%, in line with expectations (see [here](#)).



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