



2 June 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets finished the week with a mixed tone, reflecting lingering uncertainties over the trade outlook and a mixed batch of US economic data.

Equities were varied, finishing broadly flat in the US and down firmly across Asia, while both the FTSE 100 and ASX 200 outperformed despite the uncertain backdrop.

Yields moved lower across most developed markets and the USD dollar managed to only edge slightly higher, with performances mixed across many of the key crosses.

Over the weekend, President Trump has announced an increase in the US' steel and aluminium tariffs from 25% to 50%, effective June 4. Additionally, OPEC+ agreed to a further expansion of oil output of 411,000bbl/day, decisions that are likely to have an important bearing over price action to start the week.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	59.6	-0.2%
AUD/USD	0.6435	-0.2%
AUD/JPY	92.60	-0.2%
AUD/GBP	0.4780	0.1%
AUD/NZD	1.0792	-0.1%
AUD/EUR	0.5669	0.0%
AUD/CNH	4.6372	0.1%
AUD/SGD	0.8307	0.2%
AUD/HKD	5.0467	-0.1%
AUD/CAD	0.8845	-0.7%
EUR/USD	1.1349	-0.2%
USD/JPY	143.88	-0.1%
USD Index	99.33	0.1%

Equities	Close	Change
S&P/ASX 200	8,435	0.3%
S&P 500	5,912	0.0%
Japan Nikkei	37,965	-1.2%
Hang Seng	23,290	-1.2%
Euro Stoxx 50	5,367	-0.1%
UK FTSE100	8,772	0.6%
VIX Index	18.57	-3.2%

Commodities	Current	Change
CRB Index	290.43	-0.1%
Gold	3289.25	-0.9%
Copper	9498	-0.7%
Oil (WTI futures)	60.79	-0.2%
Coal (coking)	187.00	0.0%
Coal (thermal)	106.00	-1.4%
Iron Ore	95.45	-0.4%
ACCU	35.38	2.9%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.80	0.00
90 day BBSY	3.78	0.00
180 day BBSY	3.82	-0.02
1 year swap	3.33	-0.05
2 year swap	3.22	-0.05
3 year swap	3.25	-0.06
4 year swap	3.35	-0.05
5 year swap	3.46	-0.05
6 year swap	3.59	-0.05
7 year swap	3.71	-0.05
8 year swap	3.82	-0.05
9 year swap	3.91	-0.05
10 year swap	4.14	-0.05

Government Bond Yields	Close	Change
Australia		
3 year bond	3.33	-0.11
10 year bond	4.26	-0.11
United States		
3-month T Bill	4.23	-0.01
2 year bond	3.90	-0.04
10 year bond	4.40	-0.02
Other (10 year yields)		
Germany	2.50	-0.01
Japan	1.50	-0.03
UK	4.65	0.00

Sydney Futures Exchange	Current	Change
10 yr bond	4.24	-0.02
3 yr bond	3.32	-0.02
3 mth bill rate	3.70	0.01
SPI 200	8,465	0.1%

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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Financial Markets

Markets finished the week with mixed economic data and lingering uncertainties over the trade outlook front-of-mind. Over the weekend, President Trump announced that the US' steel and aluminium tariffs will increase from 25% to 50% effective June 4. Meanwhile, OPEC+ agreed to another expansion in oil production of 411,000bbl/day. Coming up this week, domestic markets will be closely watching Q1 GDP, while offshore, May's ISMs and employment report will provide another opportunity to assess the underlying health of the US economy.

- In the US, equities experienced a choppy finish to the week, initially gapping lower following mixed economic data, but rallied into close. This left the S&P 500 broadly flat on Friday, the Dow Jones up 0.1%, and the NASDAQ down 0.3%, though all indices finished the week in the green. London's FTSE 100 outperformed on the day (+0.6%), while the Euro Stoxx 50 fell at the margin (−0.1%). Asian indexes broadly moved lower as uncertainties over trade lingered, with stocks down in Tokyo (−1.2%), Hong Kong (−1.2%) and Shanghai (−0.5%). The ASX 200 meanwhile posted a 0.3% gain.
- Treasury yields generally moved lower across the curve but steepened slightly, with the short-end outperforming with the 2Y falling 4bps to 3.90% while the 10Y fell just 2bps to 4.40%. Yields also fell modestly in Europe, with the 10Y Bund down 1bp to 2.50%. Australian yields meanwhile outperformed, with the 3Y and 10Y both falling 11bps to 3.33% and 4.26% respectively. Local swaps markets are now pricing in roughly a 70% chance for an RBA rate cut in July, up from around a 50/50 chance the week prior.
- The USD nudged only slightly higher, the DXY up 0.1% to 99.33 with performances somewhat mixed across key crosses. The USD appreciated against the DXY pairs of Euro (+0.2%) and Sterling (+0.2%), in addition to the Aussie (+0.2%) and Kiwi (+0.1%) dollar, with uncertainties over US-China trade still having some bearing over these more commodity-exposed currencies. Meanwhile, the USD depreciated against the Japanese Yen (−0.1%) and more significantly against the Canadian dollar (−0.5%).
- Crude prices finished on a soft note in anticipation of the OPEC+ meeting over the weekend, seeing WTI and Brent fall −0.2% and −0.4% to US\$60.79/bbl and US\$62.78/bbl respectively. In the event, OPEC+ agreed to lift production by 411,000bbl/day in July. Metals also broadly fell on Friday as uncertainties over the trade weighed on the demand outlook, with copper (−0.7%) and aluminium (−0.3%) posting declines, while iron ore also fell (−0.2%). President Trump's decision to raise tariffs on steel and aluminium will have a bearing over price action to start the week.

Today's key data and events

For	Data/Event	Exp	Prev
10:30am	JP Jibun Bank Manufacturing PMI May (F)	-	49pts
11:00am	AU MI Inflation Gauge May	-	3.3%
11:30am	AU ANZ Job Ads May	-	0.5%
4:00pm	GB Nationwide House Prices May	0.0%	−0.6%
6:00pm	EZ HCOB Manufacturing PMI May (F)	49.4pts	49.4pts
6:30pm	GB Net Mortgage Lending Apr	£1.4b	£13b
6:30pm	GB S&P Manufacturing PMI May (F)	45.1pts	45.1pts
11:45pm	US S&P Manufacturing PMI May (F)	52.3pts	52.3pts
12:00am	US ISM Manufacturing May	49.5pts	48.7pts
12:00am	US Construction Spending Apr	0.2%	−0.5%
3:00am	US Fed's Powell Gives Opening Remarks	-	-

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, growth in **personal spending** was subdued in April, rising just 0.2% following a 0.7% increase in March and an average monthly gain of 0.5% over 2024. This was despite yet another bumper gain for **personal income**, up 0.8% in April following an upwardly revised gain of 0.7% in March. This disparity clearly highlights consumers' cautionary attitude towards spending, as evinced by the final April reading for **University of Michigan consumer sentiment**, confirming confidence remains some 30% below last year's average.

It should also be noted that the **PCE deflators** printed in line with expectations, up 0.1% in April on both a headline and core basis. Annual price growth having fallen to just 2.1%yr over the year to April – ahead of the impact of tariffs – and the current pace of real spending looks subdued, up just 0.1% in April.

The **advanced goods trade deficit** meanwhile narrowed sharply, from \$162.3bn in March to \$87.6bn in April, as the impetus to 'front-run' tariffs faded in April. Given the reprieve that has been announced since then, there is likely to be more swings in goods trade over the coming months.

Domestic Data:

In Australia, **nominal retail sales** fell slightly in April, possibly reflecting holiday-related disruptions (see [here](#)). **Dwelling approvals** fell sharply in April, raising some questions over the current trend (see [here](#)). **Private credit** meanwhile surprised to the upside, following an up-tick in business lending (see [here](#)).

In New Zealand, the longer-run trend for **building consents** look to have found a floor (see [here](#)).



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