



5 June 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

The US economic data came in weaker than expected, highlighting downside risks to growth.

On the US trade policy front, the 50% steel and aluminium tariffs came into effect, but the EU officials struck a relatively positive tone on the progress achieved so far in the trade negotiations with the US.

US Treasuries rallied as weaker economic data prompted financial markets to increase their bets that the Fed will have to ease monetary policy further.

In FX markets, the DXY index fell 0.4% and AUD was up 0.5%, despite the national accounts data showing only 0.2%qtr Australian GDP increase in Q1.

## Data snapshot

FX Last 24 hrs	Current	Change
TWI	59.8	0.0%
AUD/USD	0.6492	0.5%
AUD/JPY	92.69	-0.4%
AUD/GBP	0.4789	0.2%
AUD/NZD	1.0771	0.0%
AUD/EUR	0.5686	0.1%
AUD/CNH	4.6560	0.2%
AUD/SGD	0.8351	0.2%
AUD/HKD	5.0945	0.5%
AUD/CAD	0.8879	0.1%
EUR/USD	1.1417	0.4%
USD/JPY	142.77	-0.8%
USD Index	98.79	-0.4%

Equities	Close	Change
S&P/ASX 200	8,542	0.9%
S&P 500	5,971	0.0%
Japan Nikkei	37,747	0.8%
Hang Seng	23,654	0.6%
Euro Stoxx 50	5,405	0.5%
UK FTSE100	8,801	0.2%
VIX Index	17.61	-0.5%

Commodities	Current	Change
CRB Index	296.55	-0.1%
Gold	3372.72	0.6%
Copper	9622.00	-0.1%
Oil (WTI futures)	62.77	-1.0%
Coal (coking)	186.00	1.6%
Coal (thermal)	107.80	0.7%
Iron Ore	95.00	1.2%
ACCU	35.38	2.9%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.81	0.00
90 day BBSY	3.76	0.00
180 day BBSY	3.83	0.00
1 year swap	3.30	-0.03
2 year swap	3.18	-0.04
3 year swap	3.24	-0.04
4 year swap	3.33	-0.05
5 year swap	3.44	-0.06
6 year swap	3.56	-0.07
7 year swap	3.67	-0.07
8 year swap	3.78	-0.08
9 year swap	3.87	-0.08
10 year swap	4.11	-0.07

Government Bond Yields	Close	Change
<b>Australia</b>		
3 year bond	3.32	0.01
10 year bond	4.25	-0.01
<b>United States</b>		
3-month T Bill	4.23	0.01
2 year bond	3.87	-0.08
10 year bond	4.36	-0.10
<b>Other (10 year yields)</b>		
Germany	2.53	0.00
Japan	1.51	0.01
UK	4.61	-0.03

Sydney Futures Exchange	Current	Change
10 yr bond	4.19	-0.05
3 yr bond	3.30	-0.04
3 mth bill rate	3.69	0.00
SPI 200	8,563	0.0%

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

Focus in financial markets was on the US economic data which came in weaker than expected, highlighting downside risks in the economy where uncertainty remains high and the situation regarding the final levels of import tariffs remains unclear. The ISM services survey showed that sentiment in the sector fell into contractionary territory in May, while the ADP employment estimate – a rough guide to the non-farm payroll employment – was particularly weak, pointing to downside risks to Friday's labour market data release. On the US trade policy front, the 50% steel and aluminium tariffs came into effect. The EU officials noted that the increase is not helping to maintain momentum in their trade negotiations with the US, but otherwise they struck a relatively positive tone on the progress achieved so far.

- Concerns over the economy impacted the US equity market. The S&P500 index was merely flat for the day while major benchmark indices gained. Tech stocks led a rally in the European market, with the Euro Stoxx 50 rising 0.5%. Gains in Asian markets were even larger, supported by Lee Jae-myung's victory in the presidential election in South Korea. The domestic ASX200 index was up almost 1%, with miners driving the gains.
- In bond markets, US Treasuries rallied – yields were 8-11bp lower across the curve – as weaker economic data prompted financial markets to increase their bets that the Fed will have to ease monetary policy further. They are pricing in more than two 25bp cuts by the end of this year. Other major bond yields were less affected. The 10Y Gilt yield fell 3bp, but the equivalent Bund was unchanged ahead of today's ECB policy announcement. The Australian government bond yields were also little changed.
- In FX markets, the DXY index fell 0.4% on the back of the weaker economic indicators. Yen was among the top performers, gaining 0.8%, while EUR appreciated 0.4%. CAD was up 0.3% as the Bank of Canada maintained the policy rate unchanged, in line with expectations. AUD was up 0.5%, despite the national accounts data showing only 0.2%qtr Australian GDP increase in Q1.
- Crude eased as news outlets reported that Saudi Arabia is pushing OPEC+ for further supply increases in the coming months. The July WTI future contract was down 1% to \$62.8. Copper was little changed despite reports of supply disruptions at major mines. Weaker USD provided further support to gold, which rose 0.6%.

## International Data:

The **US ISM services index** disappointed in May, falling

## Today's key data and events

For	Data/Event	Exp	Prev
11:00am	NZ ANZ Commodity Prices May	-	0.0%
11:30am	AU Trade Balance Apr	\$6000m	\$6900m
11:45am	CN Caixin Composite PMI May	-	51.1pts
11:45am	CN Caixin Services PMI May	51pts	50.7pts
7:00pm	EZ PPI Apr	-1.8%	-1.6%
10:15pm	EZ ECB Policy Decision	2.2%	2.4%
10:30pm	US Trade Balance Apr	-\$66.1b	-\$140.5b
10:30pm	US Productivity Q1 Final	-0.8%	-0.8%
10:30pm	US Initial Jobless Claims	235k	240k

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.

from 51.6 to a contractionary 49.9. New orders' decline was particularly sharp, from 52.3 to 46.4, more than 10pts below the average of the past 5 years. The cost of tariffs remains on the mind of services businesses, prices paid rising from 65.1 to 68.7. On a positive note, the employment series improved from 49.0 to 50.7 in May, in line with the 5-year average. Note, S&P's services PMI, a similar survey from a different provider, improved in May from 50.8 to 53.7, a touch below the average of 2024.

**US ADP private payrolls** disappointed in May, rising just 37k following a 60k increase in April and against a 114k expectation for May. This outcome highlights the downside risks present for the US labour market, though it should be recognised that ADP payrolls has consistently been weaker than the BLS' nonfarm payroll series over the past year.

The **Bank of Canada** maintained the policy rate at 2.75% at its June meeting, seeking further information on the implications of US trade policy for the Canadian economy. Post-meeting communications noted that the labour market has weakened, particularly in trade-related sectors; however, inflation has been modestly stronger than anticipated. Activity growth meanwhile has shown resilience amid uncertainty, though this is partly due to exports and inventory building to avoid tariffs. Overall, the economy is "softer but not sharply weaker". The Bank of Canada intends to be less forward looking in the months ahead, amid considerable uncertainty over trade policy and with the policy rate near neutral.

## Local Data:

The **national accounts** showed that the Australian economy is barely growing, with only a +0.2%qtr GDP increase in Q1 and annual growth stalling at 1.3%yr over the last two quarters ([see here](#)).



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