



21 January 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

President Trump refrained from raising import tariffs on his first day in the office.

With the US markets closed for the Martin Luther King Jr. Day, equities in major economies made modest gains, while government bond yields were little changed.

The US dollar slumped by more than 1%, the AUD was one of the top beneficiaries rising towards 0.63.

Commodity price action was mixed - oil prices dipped, but metals outperformed on the lack of details on the US tariffs.

## Data snapshot

FX Last 24 hrs	Current	Change
TWI	59.9	0.2%
AUD/USD	0.6273	1.3%
AUD/JPY	97.62	0.9%
AUD/GBP	0.5088	0.0%
AUD/NZD	1.1055	-0.3%
AUD/EUR	0.6022	-0.1%
AUD/CNH	4.5575	0.2%
AUD/SGD	0.8503	0.4%
AUD/HKD	4.8811	1.2%
AUD/CAD	0.8975	0.1%
EUR/USD	1.0416	1.4%
USD/JPY	155.62	-0.4%
USD Index	108.09	-1.1%

Equities	Close	Change
S&P/ASX 200	8,347	0.4%
S&P 500	5,997	closed
Japan Nikkei	38,903	1.2%
Hang Seng	19,926	1.7%
Euro Stoxx 50	5,164	0.3%
UK FTSE100	8,521	0.2%
VIX Index	15.81	-1.0%

Commodities	Current	Change
CRB Index	311.08	-0.1%
Gold	2708.21	0.2%
Copper	9127.46	-0.4%
Oil (WTI futures)	76.89	-1.3%
Coal (coking)	194.00	1.3%
Coal (thermal)	123.85	1.9%
Iron Ore	104.60	0.0%
ACCU	37.00	-0.7%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.37	0.00
90 day BBSY	4.38	0.00
180 day BBSY	4.47	-0.02
1 year swap	4.04	-0.01
2 year swap	3.92	-0.01
3 year swap	3.90	-0.04
4 year swap	3.94	-0.04
5 year swap	4.00	-0.03
6 year swap	4.07	-0.04
7 year swap	4.14	-0.04
8 year swap	4.22	-0.04
9 year swap	4.28	-0.04
10 year swap	4.48	-0.04

Government Bond Yields	Close	Change
Australia		
3 year bond	3.93	-0.03
10 year bond	4.48	-0.02
United States		
3-month T Bill	4.20	closed
2 year bond	4.28	closed
10 year bond	4.63	closed
Other (10 year yields)		
Germany	2.53	-0.01
Japan	1.20	0.00
UK	4.66	0.00

Sydney Futures Exchange	Current	Change
10 yr bond	4.51	0.00
3 yr bond	3.92	0.00
3 mth bill rate	4.26	0.00
SPI 200	8,352	0.3%

Data as at 8:00am AEDT. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.



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## Share markets:

On a quiet day for new economic data in Australia yesterday, the ASX 200 gained 0.4%. Movements in the major equity markets in Europe were relatively modest, with FTSE 100 up 0.2% and Eurostoxx 50 rising 0.3%. There was no trading in the US markets, but equity futures were consistent with similar gains across major equity indices. Meanwhile, Asian markets were the strongest performers in yesterday's trading as news headlines suggested that Trump and China's president Xi Jinping held a constructive pre-inauguration phone conversation. Nikkei rose 1.2%, while Hang Seng was up 1.7%.

## Interest rates:

Australian government bond yields were 2-3 basis points lower across the curve yesterday, with the 10Y bond trading just below 4.50%. Bond futures suggested that the market reaction to the US President remarks overnight is likely to be modest at the opening today. Markets continue pricing in around 70% probability of the RBA Cash Rate cut in February. With no bidding from the US investors, overseas government bonds were largely unchanged, with the 10Y yields locked in at 2.53% in Germany and 4.63% in the UK. US Treasury futures are around 3-5 basis points lower in yield.

## Foreign exchange:

With the new US administration announcing no immediate changes to the trade policy and opting to take more time to assess the approach, the US dollar sold off by 1.1% sending the DXY index towards 108, a level last seen about two weeks ago. Given a lack of major economic news in key markets, the US dollar depreciation was the main driver of gains in other key currency rates. The Aussie dollar was one of the best performers gaining 1.3% and appreciating towards 0.63. The euro appreciated 1.4% trading through 1.04, up from 1.02 levels about a week ago.

## Commodities:

Brent crude oil price fell more than 1% as US President Trump vowed to declare a national energy emergency meaning "we will drill baby drill" and that "we will bring prices down, fill our strategic reserve up again, right to the top, and export American energy all over the world".

Meanwhile, an extreme cold snap is expected to have impacted domestic US oil production, similar to 2021 and 2024 when cold weather forced production shut downs due to damages to the pipelines and pumping stations.

Metals rallied on the complete lack of detail on new tariffs. However, copper closed down 0.4%, while Nickel underperformed too, down 0.6% with the continued rise in global inventory to the highest level since September 2021. Spreads for copper and gold contracts narrowed.

## Today's key data and events

Time	Event	Exp	Prev
8:30am	NZ BusinessNZ PSI Dec	-	49.5pts
8:45am	NZ Card Spending Dec	-	-0.10%
9:00pm	EZ Zew Survey Of Expectations Jan	-	17pts

Times are AEDT. 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.

## Australia:

There were no significant data releases on Friday.

## China:

With no recent policy changes at the People's Bank of China (PBOC), Chinese major commercial banks kept their benchmark lending rates unchanged. The 1-year Loan Prime Rate remained at 3.10% this month, while the equivalent 5-year rate, often used to price mortgages, was reported to have stayed at 3.60%. Last week's release of the latest activity underscored that more policy support will be required to shift the GDP growth trajectory higher, but with the expected path for fed funds rate in the US having shifted higher, looking ahead, the PBOC will need to tread carefully, if it wants to avoid more abrupt currency depreciation.

## United States:

In his first address after being inaugurated as the 47th President of the United States, Donald Trump largely focused on domestic matters, including the threat of illegal migration, the purported ineffectiveness of the US Government in managing the country, particularly during crisis, as well as President Trump's belief the US needs to reset its energy priorities, ending the 'green new deal' and focusing instead on the production and export of oil and gas. On trade, there was a call to study key trade relationships and the potential use of tariffs, but no initial actions against China or any other nation, the establishment of the External Revenue Service the only related formal announcement contained in the inauguration speech. President Trump indicated his Day one Executive Orders are set to focus on these policy priorities.



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