



31 March 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets generally followed the beat of the US' drum, the mix of below-consensus consumer spending and heightened concerns about the inflationary impact of tariffs seeing the risk-off mood persist into the end of the week.

Equities sold-off for a third consecutive day, declines most severe in the US although most markets were unable to avoid a pull-back to some degree.

Investors' flight-to-safety drove a rally in treasuries, seeing the US 10-year yield fall 11 basis points, while gold prices reached another fresh record high.

The USD weakened, primarily driven by an appreciation of the Euro and Japanese Yen, while most other G10 currencies weakened.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	59.8	-0.3%
AUD/USD	0.6291	-0.2%
AUD/JPY	94.18	-1.1%
AUD/GBP	0.4864	-0.1%
AUD/NZD	1.1002	0.2%
AUD/EUR	0.5814	-0.4%
AUD/CNH	4.5759	-0.1%
AUD/SGD	0.8440	-0.1%
AUD/HKD	4.8948	-0.1%
AUD/CAD	0.8998	-0.2%
EUR/USD	1.0821	0.2%
USD/JPY	149.70	-0.9%
USD Index	104.04	-0.3%

Equities	Close	Change
S&P/ASX 200	7,982	0.2%
S&P 500	5,581	-2.0%
Japan Nikkei	37,120	-1.8%
Hang Seng	23,427	-0.6%
Euro Stoxx 50	5,331	-0.9%
UK FTSE100	8,659	-0.1%
VIX Index	21.65	15.8%

Commodities	Current	Change
CRB Index	306.87	0.0%
Gold	3085.12	0.9%
Copper	9794.00	-0.5%
Oil (WTI futures)	69.36	-0.8%
Coal (coking)	175.50	-0.6%
Coal (thermal)	103.50	1.5%
Iron Ore	102.20	-0.3%
ACCU	35.38	-4.4%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.15	0.00
90 day BBSY	4.18	0.02
180 day BBSY	4.34	0.02
1 year swap	3.79	-0.02
2 year swap	3.66	-0.04
3 year swap	3.66	-0.05
4 year swap	3.70	-0.05
5 year swap	3.77	-0.05
6 year swap	3.86	-0.06
7 year swap	3.95	-0.06
8 year swap	4.03	-0.07
9 year swap	4.10	-0.07
10 year swap	4.32	-0.06

Government Bond Yields	Close	Change
Australia		
3 year bond	3.76	-0.04
10 year bond	4.46	-0.05
United States		
3-month T Bill	4.19	0.00
2 year bond	3.91	-0.08
10 year bond	4.25	-0.11
Other (10 year yields)		
Germany	2.73	-0.05
Japan	1.54	-0.05
UK	4.69	-0.09

Sydney Futures Exchange	Current	Change
10 yr bond	4.45	-0.05
3 yr bond	3.72	-0.04
3 mth bill rate	4.08	0.00
SPI 200	7,929	-1.1%

Data as at 7:00am AEDT. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

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Ryan Wells
Economist, Westpac Group
P: +61 401 423 628
E: ryan.wells@westpac.com.au

Financial Markets:

Market sentiment, still reeling from tariff announcements on automakers from mid last week, remained on very shaky footing following a weak read on consumer-related data. The combination of stronger incomes but weaker-than-expected spending suggests households are saving ahead of tariffs, with consumer sentiment confirming that concerns over its inflationary impact are growing rapidly.

It is shaping up to be a busy week for markets, both domestically and offshore. In the US, shortly after tariffs (presumably) kick-off on April 2, we will not only receive important data on economic activity and the labour market, but also a speech from FOMC Chair Powell on the economic outlook. Locally, the RBA's April meeting will be in the spotlight.

- The sell-off in US equities persisted for a third consecutive day, with declines across the S&P 500 (-2.0%), the Dow Jones (-1.7%) and the NASDAQ (-2.7%), each index also finishing the week in the red. The risk-off mood was also seen across Europe, with the Euro Stoxx 50 (-0.9%) and Germany's DAX (-0.9%) also pulling back materially, though London's FTSE 100 (-0.1%) came out relatively unscathed. Tokyo's Nikkei was also hit hard (-1.8%) given the recent focus on auto tariffs, while stocks also finished lower in Hong Kong (-0.6%) and Shanghai (-0.4%). Having avoided much of the downbeat sentiment overnight, the ASX 200 bucked the wider trend and eked out a gain (+0.2%), though futures markets are pointing to a weak opening this morning.
- Treasuries rallied in the wake of the latest consumer sentiment data, with the two-year falling 8 basis point (3.91%) and the ten-year yield declining 11 basis points (4.25%). This was seen in across most other bond markets, with the ten-year Bund and Gilt falling 5 basis points and 9 basis points respectively. Australian yields also moderated but relatively more evenly across the curve, with the three-year down 4 basis points (3.76%) and the ten-year down 5 basis points (4.46%), though futures are pointing to continued rally today. Swaps markets are now pricing in a higher likelihood of rate cuts from the FOMC, with an expected cumulative easing of roughly three rate cuts into year-end versus, up from around two-and-a-half cuts the day prior.
- The USD weakened following renewed concerns over the inflationary impact of tariffs, with the DXY finishing -0.3% lower on Friday. This was driven by an appreciation in the Euro (+0.2%) and the Japanese Yen (+0.9%), the latter benefitting more so from an upside surprise on local inflation data, strengthening expectations for rate hikes. Results were varying degrees of weak across the G10, with the remaining DXY pairs – including the Sterling and Canadian Dollar – depreciating slightly (-0.1%). The Aussie dollar was somewhat harder hit, falling -0.2% against the greenback. So too the Kiwi, down -0.4%.

Today's key data and events

Time	Event	Exp	Prev
10:50am	JP Industrial Production Feb Prel.	2.0%	-1.1%
11:00am	AU MI Inflation Gauge Mar y/y	-	2.2%
11:00am	NZ ANZ Business Confidence Mar	-	58.4pts
11:30am	AU Private Sector Credit Feb	0.5%	0.5%
12:30pm	CN Manufacturing PMI Mar	50.4pts	50.2pts
12:30pm	CN Non-Manufacturing PMI Mar	50.6pts	50.4pts
12:01am	AU Corelogic Home Value Index Mar	-	0.3%
12:45am	US Chicago PMI Mar	45pts	45.5pts
1:30am	US Dallas Fed Mar	-5pts	-8.3pts

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.

- Crude prices moderated on Friday, WTI falling -0.8% to US\$69.63/bbl while Brent declined -0.5% to US\$73.63/bbl, reflecting building concerns around the demand outlook against the backdrop of a broadening trade tensions. Metals caught in the crossfire of the impending trade war also felt the pinch heading into the weekend, copper and aluminium prices falling -0.5% and -0.6% respectively. Benefitting from the risk-off mood, gold prices reached another fresh record high, rising 0.9% to US\$3085/oz. Iron ore was meanwhile little-changed, holding flat.

Friday's data:

In the US, the final estimate to March's University of Michigan Consumer Sentiment revised down from a preliminary reading of 57.9 to 57.0. The most eye-catching development was the surge in medium-term (5-10yr) inflation expectations, revised even higher to 4.1%, the highest since the 1990s. Short-term inflation expectations also continue to lift, up to 5.0%. These results epitomise the anxieties around the potential impacts of tariffs, that is, high inflation and weaker consumption.

Concerns were not quelled by the disappointment in the latest personal spending data, with February's gain falling short of expectations (0.4%) and January's decline revised even lower (-0.3%). This was despite a bumper month for income (0.8%), suggesting that consumers are building buffers ahead of higher inflation from tariffs. Indeed, core PCE inflation surprised to the upside in February also, up from 2.6%yr to 2.8%yr.

In Japan, March's Tokyo CPI – providing an early read on nationwide trends – surprised to the upside. The headline measure rose from 2.8%yr to 2.9%yr, while the core measure (excluding fresh food and energy) rose from 1.9%yr to 2.2%yr. These outcomes will instil even more confidence in policymakers' desire to achieve a sustainable increase in inflation, keeping the door open for rate hikes.

In the UK, the final estimate to Q4 GDP revealed some shifts in the growth composition, private consumption and business investment revised up slightly while government spending was revised down, ultimately, these changes had no impact on the final estimate of quarterly growth (0.1%), though annual growth was revised up a touch (1.4% to 1.5%).



Corporate Directory

Westpac Economics / Australia

Sydney

Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis

Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan

Head of Australian Macro-Forecasting
E: mhassan@westpac.com.au

Elliot Clarke

Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner

Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk

Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante

Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas

Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells

Economist
E: ryan.wells@westpac.com.au

Illiana Jain

Economist
E: illiana.jain@westpac.com.au

Jameson Coombs

Economist
E: jameson.coombs@westpac.com.au

Neha Sharma

Economist
E: neha.sharma1@westpac.com.au

Westpac Economics / New Zealand

Auckland

Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold

Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon

Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs

Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod

Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark

Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva

1 Thomson Street
Suva, Fiji

Shamal Chand

Senior Economist
E: shamal.chand@westpac.com.au



westpaciq.com.au

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