



23 April 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets broadly retracted Monday's move, taking a breather from the broader sell-off in US assets that has gripped markets over recent weeks.

Equities were up firmly in the US, to a lesser extent in Europe, but was somewhat mixed in Asia, with the ASX 200 trading a very wide range before finishing flat.

The UST yield curve flattened following a poor turn-out at the 2-year treasury auction, while the Australian yield curve bull steepened.

Most G10 currencies weakened against the USD, particularly the recent 'havens' of the Japanese Yen, Euro and Swiss Franc.

The US announced sanctions on Iranian oil and LPG, driving a rebound in crude oil prices.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.0	1.0%
AUD/USD	0.6361	-0.7%
AUD/JPY	90.93	-0.3%
AUD/GBP	0.4789	-0.4%
AUD/NZD	1.0689	-0.2%
AUD/EUR	0.5601	0.0%
AUD/CNH	4.6487	-0.6%
AUD/SGD	0.8340	-0.3%
AUD/HKD	4.9361	-0.8%
AUD/CAD	0.8798	-1.0%
EUR/USD	1.1361	-0.8%
USD/JPY	142.98	0.5%
USD Index	99.34	1.1%

Equities	Close	Change
S&P/ASX 200	7,817	0.0%
S&P 500	5,288	2.5%
Japan Nikkei	34,221	-0.2%
Hang Seng	21,562	0.8%
Euro Stoxx 50	4,961	0.5%
UK FTSE100	8,329	0.6%
VIX Index	30.57	-9.6%

Commodities	Current	Change
CRB Index	297.30	1.3%
Gold	3326.71	-1.3%
Copper	9369	2.0%
Oil (WTI futures)	63.67	2.0%
Coal (coking)	185.50	3.1%
Coal (thermal)	94.10	-3.0%
Iron Ore	99.10	-0.8%
ACCU	35.38	-4.4%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.10	-0.02
90 day BBSY	4.00	-0.06
180 day BBSY	4.06	-0.03
1 year swap	3.38	-0.03
2 year swap	3.19	-0.03
3 year swap	3.23	-0.03
4 year swap	3.34	-0.03
5 year swap	3.46	-0.02
6 year swap	3.58	-0.03
7 year swap	3.71	-0.02
8 year swap	3.82	-0.02
9 year swap	3.92	-0.01
10 year swap	4.15	-0.02

Government Bond Yields	Close	Change
Australia		
3 year bond	3.27	-0.08
10 year bond	4.26	-0.02
United States		
3-month T Bill	4.20	0.00
2 year bond	3.82	0.06
10 year bond	4.40	-0.01
Other (10 year yields)		
Germany	2.44	-0.03
Japan	1.32	0.03
UK	4.55	-0.02

Sydney Futures Exchange	Current	Change
10 yr bond	4.26	0.00
3 yr bond	3.27	0.02
3 mth bill rate	3.86	0.01
SPI 200	7,936	1.3%

Data as at 8:00am 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:

Investors took a slight breather from the broader sell-off in US assets that has gripped markets over recent weeks, seeing most asset classes retrace from Monday's move. Following a somewhat mixed news flow just after London close, President Trump hit the wires to calm the markets' anxieties around trade and monetary policy, sharing his optimism around reaching a trade agreement with China and other nations, and clarifying that he is not intending to oust FOMC Chair Powell despite repeated criticisms of his policy approach. Given no significant shifts in policy or negotiations have been confirmed yet, an underlying sense of uncertainty persists.

- In the US, equities virtually unwound all of Monday's decline, with the S&P 500 (+2.5%), Dow Jones (+2.7%) and NASDAQ (+2.7%) all posting their strongest daily gain since President Trump announced the 90-day pause on tariffs on April 9. Coming back from the Easter break, stocks also moved higher across Europe, with the Euro Stoxx 50 (+0.5%), London's FTSE 100 (0.6%) and Germany's DAX (+0.4%) all rising. Equities were somewhat mixed across Asia: falling in Tokyo (0.2%), flat in Shanghai, but a solid gain in Hong Kong (+0.8%). The ASX 200 traded a very wide range, initially opening -0.9% lower before finishing unchanged on the day. Futures markets are pointing to a more solid opening this morning.
- The treasury yield curve flattened slightly following a poor turn-out 2-year treasury auction, seeing the 2-year yield rise 6 basis points to 3.82%, while the 10-year yield fell 1 basis point to 4.40%. Most tenors posted gains across other markets, with yields falling across both the short- and long-end in Europe and the UK. In Australia, the yield curve shifted lower and steepened, with the 3-year falling 8 basis points to 3.27% and the 10-year falling 2 basis points to 4.26%. Overnight, futures markets pointed to a slight unwind of the gains in the short-end. On market pricing, swaps markets remain fully priced in for an RBA rate cut in May, and see four total cuts priced in by year-end. US swaps markets continue to see the next FOMC rate cut in July, with around three-and-a-half cuts priced in by year-end.
- Markets took a breather from the sell-off in the USD, seeing the DXY index climb from an intraday low just above 98.0 before finishing at around 99.07, albeit still below the level from late last week. As a result, most of the G10 currencies weakened against the greenback, with the chief culprits being the recent 'havens' of the Euro (-0.8%) and the Japanese Yen (-0.5%), while losses were also observed with the Sterling (-0.4%) and the Swiss Franc (-1.2%). The Aussie dollar briefly rose to a four-month high intraday, before weakening against the greenback and finishing -0.7% lower at around the 0.636 mark.

Today's key data and events

Time	Event	Exp	Prev
10:30am	JP Jibun Bank Manufacturing PMI Apr	-	48.4pts
10:30am	JP Jibun Bank Services PMI Apr	-	50pts
4:00pm	UK Public Sector Borrowing Mar	£15.5b	£10.7b
6:00pm	EZ HCOB Manufacturing PMI Apr	47.5pts	48.6pts
6:00pm	EZ HCOB Services PMI Apr	50.5pts	51pts
6:30pm	UK S&P Manufacturing PMI Apr	44pts	44.9pts
6:30pm	UK S&P Services PMI Apr	51.5pts	52.5pts
11:45pm	US S&P Manufacturing PMI Apr	49pts	50.2pts
11:45pm	US S&P Services PMI Apr	52.8pts	54.4pts
12:00am	US New Home Sales Mar	1.2%	1.8%
4:00am	US Federal Reserve's Beige Book	-	-
-	US FedSpeak – Various Speakers	-	-

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.

- Crude prices rebounded after the US announced new sanctions against Iranian oil and liquefied petroleum gas, seeing the first-generic futures contract for WTI rise around 2.0% while Brent lifted 1.8%. Metals benefitted from improved risk sentiment and a weaker USD, seeing copper prices surge 2.0% to a three-week high, while other key metals such as aluminium posted more modest gains. Iron ore continues to trade within recent ranges, currently at US\$99.1/t. Gold rallied earlier in the session, nearly breaching the US\$3500/oz mark, before finishing -1.3% lower at around \$US3323/oz.

International Data:

The IMF revealed a significant cut to its expectations for global growth this year, revising its forecasts from January down from 3.3% to 2.8%, underscored by a significant revision to the US (-0.9ppts) and China (-0.6ppts) amid growing trade tensions.

In the US, the Richmond Fed manufacturing index fell by far more than expected, down -9 index points from a reading of -4 in March to -13 in April. Highlighting the impact of recent tariff announcements, the component detail suggests the main driver of the fall were sharp declines across the shipments and new orders, each sub-index falling around -10 index points in the month. Analysts will keep a close eye on these regional surveys as they provide an early gauge on the latest impact from escalating trade tensions.

The FOMC's Kashkari reiterated that it is too soon to judge the extent of the inflationary impact from tariffs and how they might impact the path of interest rates, emphasising that they will be closely monitoring labour market data over the coming months also. The FOMC's Barkin was a bit more blunt, noting that "inflation expectations may have loosened" and that there were "a lot of reasons to worry about consumer spending".

In Europe, the European Commission's measure of consumer confidence also fell well short of expectations, falling -2.2 index points from -14.5 in March to -16.7 in April. The persistent downtrend has now reached an 18-month low.



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