



8 May 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

The FOMC left policy unchanged, emphasised the resilience of the economy, and reiterated that there is no definitive bias between inflation and employment objectives.

China announced a suite of stimulus measures aimed at supporting the economy amid lingering concerns over the impact of trade tensions.

Stocks generally bounced higher on this news, except for in Europe, while reports of changes on AI chip export rules lent a bit of extra support to tech stocks.

Following the FOMC decision, bonds rallied and a strong bid for the USD emerged. Markets have pushed back the first fully priced in rate cut from the FOMC from July to September.

## Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.1	0.3%
AUD/USD	0.6426	-1.1%
AUD/JPY	92.40	-0.1%
AUD/GBP	0.4835	-0.5%
AUD/NZD	1.0819	0.0%
AUD/EUR	0.5683	-0.5%
AUD/CNH	4.6449	-0.8%
AUD/SGD	0.8319	-0.6%
AUD/HKD	4.9863	-1.0%
AUD/CAD	0.8891	-0.6%
EUR/USD	1.1308	-0.6%
USD/JPY	143.78	1.0%
USD Index	99.83	0.6%

Equities	Close	Change
S&P/ASX 200	8,178	0.3%
S&P 500	5,631	0.4%
Japan Nikkei	36,780	-0.1%
Hang Seng	22,692	0.1%
Euro Stoxx 50	5,230	-0.6%
UK FTSE100	8,559	-0.4%
VIX Index	23.55	-4.9%

Commodities	Current	Change
CRB Index	289.76	-0.8%
Gold	3368.11	-2.0%
Copper	9420	-1.2%
Oil (WTI futures)	58.07	-1.7%
Coal (coking)	185.75	-0.1%
Coal (thermal)	110.50	-0.3%
Iron Ore	97.90	0.8%
ACCU	35.38	2.9%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.93	-0.03
90 day BBSY	3.88	-0.02
180 day BBSY	3.91	-0.02
1 year swap	3.37	-0.02
2 year swap	3.23	-0.05
3 year swap	3.24	-0.07
4 year swap	3.34	-0.07
5 year swap	3.45	-0.08
6 year swap	3.57	-0.08
7 year swap	3.69	-0.09
8 year swap	3.79	-0.08
9 year swap	3.88	-0.10
10 year swap	4.09	-0.10

Government Bond Yields	Close	Change
<b>Australia</b>		
3 year bond	3.37	-0.06
10 year bond	4.28	-0.06
<b>United States</b>		
3-month T Bill	4.22	0.01
2 year bond	3.78	-0.01
10 year bond	4.27	-0.03
<b>Other (10 year yields)</b>		
Germany	2.48	-0.06
Japan	1.31	0.04
UK	4.46	-0.05

Sydney Futures Exchange	Current	Change
10 yr bond	4.22	-0.05
3 yr bond	3.32	-0.04
3 mth bill rate	3.83	0.00
SPI 200	8,188	0.1%

Data as at 8:02am 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 were focused on a constructive set of outcomes from a few high-stakes events and announcements overnight. Most poignantly, in the FOMC's decision to leave policy settings unchanged, it emphasised the resilience of the economy while providing no definitive bias either way to inflation or employment objectives, putting somewhat of a floor under market sentiment. Meanwhile, China announced a suite of additional measures to support its economy (more detail in international data section), helping offset some concerns over the fallout over trade tensions. On that front however, there is still yet to be any material progress on US-China negotiations, with President Trump reiterating he is unwilling to kick-start talks with any pre-emptive tariff cuts.

- In the US, a constructive tone from the FOMC, together with reports later in the session that the Trump Administration are looking to scrap Biden-era curbs on exports of AI chips, helped buoy stocks, with the S&P 500 (+0.4%), Dow Jones (+0.7%) and NASDAQ (+0.3%) all making gains. The Euro Stoxx 50 (−0.6%) and London's FTSE 100 (−0.4%) disappointed, with pharmaceuticals particularly acting as a drag. Asia was somewhat mixed, with stocks edging lower in Tokyo (−0.1%) but lifting in Shanghai (+0.6%) following China's policy announcements. This also benefitted the ASX 200 (+0.3%), led by gains in the energy sector.
- Bonds rallied across the globe. In the US, the FOMC's even-handed and patient approach drove a slight bull flattening of the treasury yield curve, with the 2Y falling 1bp to 3.78% and the 10Y falling 3bps to 4.27%. Swaps markets are still pricing in just over three rate cuts by year-end, but the first fully priced in rate cut has been pushed back from July to September. The bull flattening was more clearly evident in the Bund and Gilt markets, with the 10Y's leading with a fall of 6bp and 5bp respectively. In Australia, the rally was able to only partially retrace some of the losses over recent days, with both the 3Y and 10Y yield falling 6bps to 3.37% and 4.28% respectively. This momentum carried overnight, with the 3Y and 10Y futures yields falling 4bp and 5bp respectively.
- There was a solid bid for the USD following last night's FOMC meeting, with the DXY broadly range-bound between 99.4 and 99.6 before rising just shy of the 100 mark, finishing at 99.83 at the time of writing. Recent 'havens' such as the Japanese Yen (−1.0%) came under stronger selling pressure, but so did the Aussie and Kiwi dollars (−1.1%) despite constructive news around Chinese economic stimulus. Both the Euro and Sterling finished about −0.6% lower on the day.
- Crude prices softened as the lack of constructive developments around trade tensions continues to loom over market sentiment, with the draw-down in the latest EIA inventory data broadly meeting expectations. The first-generic futures contract for WTI and Brent fell −1.7% and

## Today's key data and events

For	Data/Event	Exp	Prev
9:02pm	GB BoE Policy Decision	4.25%	4.50%
10:30pm	US Productivity Q1 Prel.	−0.8%	1.5%
10:30pm	US Initial Jobless Claims	230k	241k
12:00am	US Wholesale Inventories Mar Final	0.5%	0.5%
1:00am	US US NY Fed 1-Yr Expectations Apr	−	3.6%

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.

−1.9% to US\$58.07/bbl and US\$60.96/bbl. Metals broadly weakened too, with LME copper and aluminium falling −1.2% and −1.9% respectively. Gold lost ground earlier in the session and was unable to claw back following balanced commentary from FOMC Chair Powell, prices finishing −2.0% lower at around US\$3368/oz.

## International Data:

In the US, the FOMC struck a definitive tone in its decision to leave policy unchanged, highlighting that the economy continues to show resilience but that uncertainty remains "extremely elevated". While the overall tone was viewed as broadly constructive from the market's lens, the FOMC emphasised that "the risks of higher unemployment and higher inflation" were both judged to "have risen". FOMC Chair Powell once again reiterated in the press conference that in determining the appropriate stance of policy, each meeting will involve consideration of how far inflation and unemployment deviates from their targets and the risks to each trajectory.

In China, authorities announced a suite of policy measures to support the economy, intended to take effect over the coming days. Measures were focused on the availability and cost of capital, including a 50bp cut to the Reserve Requirement Ratio to 9.0% and a 10bp cut to the benchmark via financing schemes, while referencing additional support for the housing and equity market. This highlights China's capacity and willingness to hit the 5.0% growth target for 2025 despite the shaky backdrop around trade and confidence.

Meanwhile in the Eurozone, retail sales broadly met expectations, nudging −0.1% lower in March following a 0.2% lift in February (revised down from 0.3%), seeing annual growth pull-back from 1.9%yr to 1.5%yr.

## Local Data:

In New Zealand, the Q1 Labour Force Survey confirmed that the labour market remains subdued, although the unemployment rate fared slightly better than expected (see [here](#)).



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