



18 March 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

The USD fell further with most G10 currencies appreciating barring the Japanese yen.

Equity markets posted another day of gains suggesting a floor has been found.

10Y bond yields in the UK and Germany were stronger.

China's stimulus measures were recieved well by markets in Hong Kong and Australia. Metals and oil also benefitted from the positive growth story.

Gold sustained a move north of \$3000/oz.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	59.9	0.3%	30 day BBSY	4.14	0.00
AUD/USD	0.6384	0.9%	90 day BBSY	4.16	0.00
AUD/JPY	95.26	1.3%	180 day BBSY	4.28	0.00
AUD/GBP	0.4914	0.5%	1 year swap	3.81	0.00
AUD/NZD	1.0965	-0.3%	2 year swap	3.69	-0.01
AUD/EUR	0.5845	0.6%	3 year swap	3.70	-0.02
AUD/CNH	4.6131	0.8%	4 year swap	3.74	-0.02
AUD/SGD	0.8488	0.6%	5 year swap	3.81	-0.02
AUD/HKD	4.9605	0.9%	6 year swap	3.89	-0.02
AUD/CAD	0.9122	0.4%	7 year swap	3.98	-0.02
EUR/USD	1.0923	0.4%	8 year swap	4.06	-0.02
USD/JPY	149.21	0.4%	9 year swap	4.13	-0.03
USD Index	103.37	-0.3%	10 year swap	4.35	-0.02
Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	7,854	0.8%	Australia		
S&P 500	5,675	0.6%	3 year bond	3.77	0.00
Japan Nikkei	37,397	0.9%	10 year bond	4.41	-0.01
Hang Seng	24,146	0.8%	United States		
Euro Stoxx 50	5,446	0.8%	3-month T Bill	4.19	-0.01
UK FTSE100	8,680	0.6%	2 year bond	4.04	0.03
VIX Index	20.51	-5.8%	10 year bond	4.30	-0.02
Commodities	Current	Change	Other (10 year yields)		
CRB Index	304.65	0.7%	Germany	2.82	-0.06
Gold	3001.58	0.6%	Japan	1.51	0.00
Copper	9862.00	0.8%	UK	4.64	-0.03
Oil (WTI futures)	67.54	0.5%	Sydney Futures Exchange	Current	Change
Coal (coking)	176.00	0.3%	10 yr bond	4.44	0.00
Coal (thermal)	105.70	-3.7%	3 yr bond	3.77	0.02
Iron Ore	101.45	-1.9%	3 mth bill rate	4.07	0.02
ACCU	35.38	-4.4%	SPI 200	7,909	0.7%

Data as at 7:45am 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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Markets:

The upswing continued today with most equity markets closing higher and currencies appreciating against the USD. In particular, the market reaction of China's conference was broadly positive even as partial activity data pointed to a still-weak economy. The weak US retail sales figures added to the pessimistic outlook for the US, weighing on the currency but equities still finished strong.

- Equity markets again posted a gain, albeit a smaller one than Friday. The move up suggests equities may have found their floor and further gains could be in sight. The **S&P 500** rose 0.6% led by energy stocks. The **NASDAQ** was up 0.3% while the **Dow Jones** 0.9%. In Europe, the **Euro Stoxx 50** closed 0.8% higher while the German **DAX** was up 0.7% ahead of today's parliamentary vote to increase defence and infrastructure spending which is anticipated to pass. In Asia, China's **CSI 300** was down 0.2%. While markets reacted positively to the partial activity data out yesterday, the optimism waned through the day as investors turned their attention to what could be a weak earnings season. Markets closed prior to a conference where additional fiscal measures to boost consumption were announced. Hong Kong's **Hang Seng**, however, rose 0.8% supported by both good economic data and upbeat earnings. The **ASX200** closed 0.8% higher supported by the materials and energy sectors.
- In currencies, the **USD index** fell 0.3% to 103.367 at time of writing. Markets' reaction to Bowman's appointment as Chair of Supervision was dollar positive. All G10 currencies barring the **JPY** strengthened against the USD. The **JPY** broke past 149 to 149.21. Expectations that both the BoJ and Fed will hold rates steady have seen the **JPY** weaken. The **AUD** posted a second day of gains against the USD. There was little activity through the day but the rally in the AUD came after China's conference on stimulus measures. This morning, lawmakers in Germany have tried to stop changes to the constitution to remove limits on defence borrowing which is likely to weigh on the **EUR** which at the time of writing is trading at 1.0922.
- In bond markets, the **US Treasury curve** flattened, the 2Y was up 3bps to 4.04% while the 10Y was down 1bp to 4.30%. Market pricing was little changed overnight -- markets continue to expect another two cuts for 2025 with the next coming in July. In **Australia**, market pricing suggests the next cut will come in July and two cuts have been fully priced in for 2025. Futures pricing shows the Australian 3Y bond yield will rise 2bps while the 10Y remains steady. Curves also flattened in Europe -- the **German 10Y Bund yield** was down 6bps to 2.82% while the **UK 10Y Gilt** was down 3bps to 4.64%. There was little movement in the 2Y.
- Crude oil prices** were up 0.5% to \$67.54 helped by talk of stimulus in China and US Defence Secretary Hegseth's

Today's key data and events

Time	Event	Exp	Prev
10:15am	AU RBA's Hunter-Speech	-	-
9:00pm	EZ Zew Survey Of Expectations Mar	-	24.2pts
9:00pm	EZ Trade Balance Jan	€13.8b	€14.6b
11:30pm	CA CPI Feb	2.2%	1.9%
-	JP BoJ Policy Decision	0.5%	0.5%
7:00am	NZ WBC-MM Consumer Confidence Q1	-	97.5pts
8:45am	NZ Current Account Balance Q4	-NZ\$6.6b	

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.

comments on "unrelenting" US strikes on Houthi rebels and US pressure on Iran. Metals jumped on China's moves to stimulate domestic demand with **LME copper** up 0.8% at \$9862, a fresh 5 month high while the May Comex contract hit a fresh 10 month high. **Aluminium** rose by a lesser 0.35% to \$2,691. **Iron ore** markets softened despite stronger than average steel production for combined January and February in China and moves to increase domestic demand. Prices fell 80c to \$101.45 as weekly data indicates a sharp rise in iron ore arrivals into Chinese ports adding to an improvement in the supply situation. **Gold** traded above \$3000/oz over last night's session and is holding above that level into the NY close to \$3001.58/oz. Demand this year has been strongly driven by gold ETF holders. In February, Chinese gold ETFs saw the strongest monthly inflow on record according to the World Gold Council.

Yesterday's data recap:

There were no major releases out yesterday.

Overnight data:

With the consumer sentiment data in the US signaling a rapid deterioration in consumer mood this quarter, the latest **US retail sales** data showed an increase of only 0.2% mth in February. It followed a downwardly revised growth of -1.2% mth in January. Excluding food and gasoline, sales growth was a touch firmer at 0.5% mth, while control group sales, which feed into the GDP calculation, rose 1.0% mth, offsetting a fall of the same magnitude in January. Sales at food-services and drinking places – a proxy for services spending – was down 1.5% mth, having been flat at the start of the year, suggesting that consumers are pulling back on non-essential services spending.

The latest monthly activity data released in **China** was somewhat stronger than expected, however, the broader trend remained consistent with the need for government authorities to provide additional stimulus to support activity. In the first two months of the year, the Chinese **industrial production** rose 0.5% mth (5.9% YTD) in February, broadly in line with the average pace seen last year, suggesting that the impact of import levies in the US introduced from early February have yet to have a meaningful impact. **Fixed asset investment** accelerated to 4.1% YTD, up from below -3.5% yr YTD growth in the second half of last year, driven almost exclusively by state-owned enterprises.

Central to China's growth story will be how consumer react to government efforts to stimulate consumption and divert the economy towards domestic-demand-led growth. On that front, **retail sales** were up 4%yr YTD, the highest pace in eight months but monthly growth remains subdued.

Later in the day, authorities announced a plan for lifting household income and consumption growth. Key measures include support to equity and housing markets, childcare subsidies, promoting consumption of new services, and income support to lower-income workers.



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