

Interest Rates (%)			FX			Commodities US\$				
Australia	Δ bp		AUD/USD	0.6125	3.2%	WTI Crude Oil	63.11	\$5.53		
		90-day Bill	4.12	5	AUD/JPY	89.90	4.2%	Brent Crude Oil	65.48	\$4.46
		3-year Bond	3.33	11	AUD/EUR	0.5581	3.4%	Mogas95*	74.27	\$2.82
		10-year Bond	4.26	-8	AUD/GBP	0.4771	2.8%	CRB Index	288.05	8.26
				AUD/NZD	1.0856	0.7%	Gold	3094.40	\$115.21	
				AUD/CNY	4.5125	3.1%	Silver	30.97	\$1.51	
US			EUR/USD	1.0975	-0.2%	Iron Ore (62% Fe)**	95.80	\$2.30		
		2-year	3.86	18	USD/JPY	146.78	0.9%	Iron Ore (24-25 Average)	101.88	-\$0.02
		10-year	4.26	-9	USD/CNY	7.3463	0.1%	Copper	8613.00	-\$42.50
		RBA Policy			Equities					
Other 10-year			O/N Cash Rate Target		4.10	ASX200	7746	358		
			Interbank O/N Cash Rate		4.09	Dow Jones	40608	2963		
			Probability of a 50bps Cut in May		81.7%	S&P500	5457	474		
			RBA Bond Holdings (31 Mar)		A\$297.4b	Stoxx600	470	-17		
						CSI300	3687	36		

\*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.

\*\*Iron ore is the second SGX futures contract.

US stocks saw the strongest gains since October 2008, as US President Donald Trump decided to temporarily flatten the 'reciprocal' tariff rate down to the universal 10% levy for virtually all countries except China, which saw a hike to 125%. The 10% flat import tax rate was imposed for 90 days only, to allow for trade negotiations, and is effective immediately.

China is subject to a supersized 125% tariff rate after it decided to increase its levy on US goods from 34% to 84%, in retaliation to the previous decision of the US administration to impose 104% tariffs on the country. Imposing a 125% rate on China could be a tactic aimed at bringing the country to the negotiating table.

The decision to temporarily pause most of the 'punitive' rates on most countries came after a strong rise in long-term bond yields. The situation has calmed down after the announcement, allowing for a strong auction of the US 10-year note and a decline in yields for this maturity compared to the same time yesterday.

However, US 2-year yields are still sharply higher than yesterday morning, as fed funds rate cut expectations have been pushed back to July. FOMC minutes brought no major surprises, but Minneapolis Fed President Neel Kashkari said that with US tariffs in place, FOMC is less likely to deliver further cuts even if faced with weaker economy.

The tariff pause was positive for most commodities. Oil prices bounced by 7.5-10%, while iron ore futures picked up 2.5% but remained below US\$100 a tonne. Uncertainty about the outcome of the supersized tariffs imposed by the US on China saw the gold price surge back above US\$3,000 an ounce.

The Australian dollar benefitted from the improved global market sentiment and a surge in commodity prices, with the AUD/USD rising back above US\$0.60. The ASX 200 surged by an unprecedented 6.0% at the open this morning, after closing 1.8% lower yesterday.

3-year Commonwealth bond yields followed their US equivalents sharply higher, with the probability of a 50 basis point cash rate cut in May back to below 100%, even though one of the 'Big Four' banks is now tipping such a move. RBA Governor Michele Bullock is to speak tonight on matters unrelated to monetary policy.

Meanwhile, the RBNZ cut its official cash rate by 25 basis points to 3.50% as expected, but signalled that they would like some clarity about 'the extent or effect' of the tariff policies before making further decisions. Another 25bps cut is fully priced in for May, while the terminal official cash rate is expected at around 2.50% at the time of writing.

## Economic Data Review

*No market-moving data.*

## Economic Data Preview

- **AU:** Public Appearance by RBA Governor Michele Bullock.
- **AU:** Melbourne Institute Inflation Expectations (Apr) – Previous 3.6%.
- **CH:** CPI (YoY, Mar) – Expected 0.0%, Previous -0.7%.
- **CH:** PPI (YoY, Mar) – Expected -2.3%, Previous -2.2%.
- **US:** CPI (MoM, Mar) – Expected 0.1%, Previous 0.2%.
- **US:** Initial Jobless Claims (w/e 5 Apr) – Expected 223k, Previous 219k.