

# Weekly economic report

19 May 2025

## Financial markets charts

### The week that was

- Global equity markets were buoyed by the 90-day reduction in tariffs between China and the US. China's tariff on US goods will decrease from 125% to 10% for 90 days, while US tariffs on Chinese goods will fall from 145% to 30%. Sector-specific tariffs and those levied during President Trump's first term remain in place.
- In the meantime, the larger-than-expected reduction in tariffs has given investors hope that tariffs could end up much lower than feared. This saw the US S&P500 gain 5.3% last week and US bond yields rise by around 10bps as investors pared back their expectations for interest rate cuts. The ASX200 rose by 1.4% and Australian 10-year bond yields followed US yields higher, increasing by 17bps.
- Also contributing to higher US bond yields last week was Moody's downgrade of the US Government's sovereign credit rating (down one notch from AAA). The downgrade reinforces bond investors' concerns about the large and growing US budget deficit.
- Although the impact of tariffs was not yet evident in US inflation data in April, tariffs have weighed heavily on US consumer sentiment. Australian consumers are pessimistic, but sentiment has not fallen sharply like it has for US consumers. Investment intentions of US businesses have also fallen sharply in response to heightened economic uncertainty.
- Australian wages growth in the March quarter was in line with the Reserve Bank of Australia's (RBA) forecasts. The slight uptick was driven by large increases for aged care and childcare workers, as well as public sector agreements. These outcomes reflect catch-up for previous high inflation. Wages growth for workers on individual agreements, which are more representative of current labour market conditions, continued to decline and is consistent with inflation reaching 2.5%. This suggests that the labour market is loosening, despite the unemployment rate holding steady at around 4.1%.

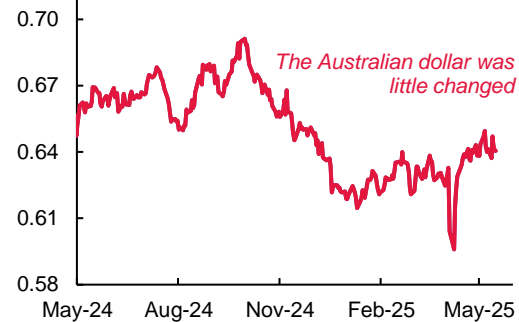
### Economic calendar

<b>Monday 19/05</b>	CH: Monthly activity data, Apr
<b>Tuesday 20/05</b>	AU: RBA Board meeting CA: CPI, Apr
<b>Wednesday 21/05</b>	UK: CPI, Apr
<b>Thursday 22/05</b>	Global: PMIs, May (preliminary)
<b>Friday 23/05</b>	JP: National CPI, Apr

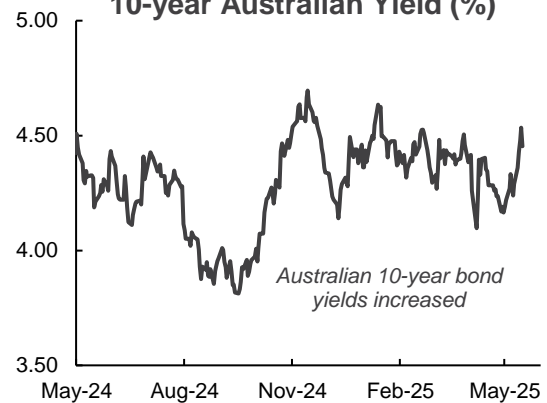
### The week ahead

- The RBA is widely expected to cut interest rates by 25bps this week. The RBA will also release updated forecasts in its quarterly Statement on Monetary Policy.

#### AUD/USD



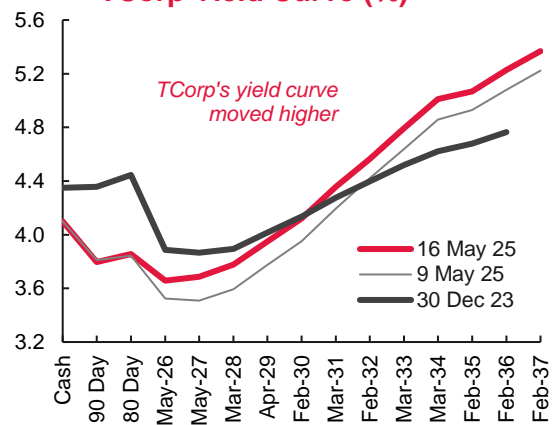
#### 10-year Australian Yield (%)



#### ASX200 (Index)



#### TCorp Yield Curve (%)



## Financial markets data: Week ending 16 May 2025

INTEREST RATES	CLOSE (%)	1 WEEK (BPS)		YTD (BPS)	
RBA Cash Rate	4.10	0	—	-25	▼
90-day BBSW	3.80	-1	▼	-62	▼
3-year Australian Bond Yield	3.60	19	▲	-23	▼
10-year Australian Bond Yield	4.45	17	▲	9	▲
20-year Australian Bond Yield	4.99	17	▲	17	▲
10-year Australian Break-Even Inflation	2.12	3	▲	-22	▼
10-year Australian Real Yield	2.34	14	▲	31	▲
Fed Funds Rate (lower bound)	4.25	0	—	0	—
2-year US Treasury Yield	4.00	11	▲	-24	▼
10-year US Treasury Yield	4.48	10	▲	-9	▼
30-year US Treasury Yield	4.94	11	▲	16	▲
10-year German Bund Yield	2.59	3	▲	22	▲
<b>NSW TCorp Bonds</b>	<b>Close (%)</b>	<b>1 Week (bps)</b>		<b>YTD (bps)</b>	
4.00% 20 May 2026	3.66	13	▲	-35	▼
3.00% 20 May 2027	3.69	18	▲	-31	▼
3.00% 20 March 2028	3.78	18	▲	-29	▼
3.00% 20 April 2029	3.95	18	▲	-22	▼
3.00% 20 February 2030	4.12	17	▲	-19	▼
2.00% 20 March 2031	4.36	16	▲	-14	▼
1.50% 20 February 2032	4.56	14	▲	-11	▼
2.00% 8 March 2033	4.79	16	▲	-4	▼
1.75% 20 March 2034	5.01	15	▲	1	▲
4.75% 20 February 2035	5.07	14	▲	0	▼
4.25% 20 February 2036	5.23	15	▲	4	▲
4.75% 20 February 2037	5.37	15	▲	9	▲
2.75% 20 November 2025 CIB	1.96	1	▲	-62	▼
2.50% 20 November 2035 CIB	2.89	15	▲	23	▲
10-year NSW TCorp Bond Yield	5.09	14	▲	4	▲
10-year TCV (Victoria) Spread	0.10	2	▲	3	▲
10-year QTC (Queensland) Spread	0.06	0	▲	4	▲
<b>Equities</b>	<b>Close</b>	<b>1 Week</b>		<b>YTD</b>	
S&P/ASX200 (Australia)	8,344	1.4%	▲	2.3%	▲
S&P500 (US)	5,958	5.3%	▲	1.3%	▲
FTSE 100 (UK)	8,685	1.5%	▲	6.3%	▲
DJ Stoxx600 (Europe)	549	2.1%	▲	8.2%	▲
Nikkei 225 (Japan)	37,754	0.7%	▲	-5.4%	▼
Shanghai Composite (China)	3,367	0.8%	▲	0.5%	▲
<b>Currencies</b>	<b>Close</b>	<b>1 Week</b>		<b>YTD</b>	
AUD/USD	0.641	-0.1%	▼	3.5%	▲
EUR/USD	1.116	-0.8%	▼	7.8%	▲
USD/JPY	145.70	0.2%	▲	-7.3%	▼
GBP/USD	1.33	-0.2%	▼	6.1%	▲
US\$ Index	101.09	0.8%	▲	-6.8%	▼
<b>Commodities</b>	<b>Close</b>	<b>1 Week</b>		<b>YTD</b>	
Brent Oil (US\$/bbl)	65.41	2.3%	▲	-12.4%	▼
Iron Ore (US\$/t)	100.60	2.4%	▲	-2.9%	▼
Coking Coal (US\$/t)	116.70	-2.5%	▼	-16.3%	▼
Gold (US\$/oz)	3,203.65	-3.6%	▼	22.1%	▲

**Brian Redican**  
**Chief Economist**  
[brian.redican@tcorp.nsw.gov.au](mailto:brian.redican@tcorp.nsw.gov.au)

**Emily Perry**  
**Senior Economist**  
[emily.perry@tcorp.nsw.gov.au](mailto:emily.perry@tcorp.nsw.gov.au)



Level 7, Deutsche Bank Place  
126 Phillip Street  
Sydney NSW 2000, Australia

**T** +61 2 9325 9325

**W** [www.tcorp.nsw.gov.au](http://www.tcorp.nsw.gov.au)

**ABN 99 235 825**

## **Disclaimer**

The opinions, forecasts and data contained in this report is based on the research of TCorp as at the date of publication and is subject to change without notice. TCorp is not responsible for the accuracy, adequacy, completeness of any information in the report provided by third parties. This report is provided for general information purposes only and should not be relied upon for investment or trading purposes. This report is not intended to forecast or predict future events.

Unauthorised copying and distribution of this material is prohibited.

© New South Wales Treasury Corporation 2025. All rights reserved.

## **About TCorp**

TCorp provides best-in-class investment management, financial management, solutions and advice to the New South Wales (NSW) public sector. TCorp is NSW's sovereign investment manager, responsible for A\$115 billion of assets under management, and acts as the central borrowing authority of the state, with a balance sheet of A\$198 billion. It is rated Aaa (Stable) by Moody's, AAA (Stable) by Fitch, and AA+ (Negative) by S&P.