

Monthly economic report

The global economy

President Trump's announcement of increased tariffs on all US trading partners on 2 April – "Liberation Day" – unleashed a wave of volatility in financial markets and prompted analysts to downgrade their expectations for economic growth, particularly for the US economy.

While financial markets recovered after Trump subsequently delayed some of the tariff increases, the key question is whether the damage has already been done. This is because while Trump can reverse his tariff decisions, it will be much harder to restore confidence in the US Administration and the US as a reliable trading partner.

While US consumer spending remained solid through the March quarter and the labour market remains resilient, the potential impact of Trump's policy chaos can be seen in surveys of US consumers and businesses. Consumer confidence nose-dived in April with expectations for the economy falling as far as they did during the Global Financial Crisis. US consumers expect much higher inflation and much higher unemployment, while US firms are pulling back on investment plans. Thus, while the direct impact of tariffs on US growth may be modest, the threat of a US recession arises if consumers decide to save more and firms postpone making investment decisions.

Another concern for investors is whether the US central bank will be able to cut interest rates as tariffs dampen growth but also boost inflation. US Federal Reserve (Fed) policymakers have been cautious about providing any firm guidance on this issue. Other central banks have felt less constrained, with the European Central Bank cutting rates by another 25bps at its April meeting and markets looking for 3 more rate cuts over the rest of the year.

The Australian economy

The global financial market turmoil unleashed by Trump's erratic trade policies appears to have undermined Australian consumer sentiment which fell by 6% in April, but it is too early to see the impact in other data indicators that preceded the "Liberation Day" announcement. Overall, though, we think the Australian economy will be one of the least affected by the rise in US tariffs.

The most important Australian data released in April were the March quarter consumer inflation data. They showed that underlying inflation was consistent with a 2.5% annual rate over the past 6 months, which is the middle of the Reserve Bank of Australia's (RBA) target band. Moreover, the details of the inflation data were also pleasing with a broad-based deceleration of price growth, particularly of those prices set by the private sector.

Financial markets are confident that the RBA will cut interest rates by 25bps at its policy meeting on 20 May, within an outside chance of them cutting rates by 50bps. Although the unemployment rate rose to 4.1% in March and employment growth has been a little softer over 2025 so far, there is no sign of any sudden deterioration in the Australian economy that would require a rapid or dramatic response from the RBA.

Financial market commentary

Financial markets were extremely volatile over April following President Trump's announcement of reciprocal tariffs on US trading partners at the start of April. Equity markets initially fell sharply but then recovered in the latter half of the month as Trump reduced some tariffs, at least temporarily. Similar gyrations were experienced in bond and currency markets over the month.

Equity markets (performance in local currency, excluding dividends)

The MSCI World (ex Australia) equity market price index rose by 0.6% over April. This was a remarkable outcome given that the index had fallen more than 11% during the month.

The Australian share market was one of the best performing amongst developed economies, managing to gain 3.6% over the month. A good performance from Australian banks that may benefit from lower interest rates was an important driver of this movement. In contrast, the US S&P500 fell by 0.8% over April, which again represented a big turnaround after it was down more than 10% at one stage.

European stock markets also moved lower over April, closing down 1.2% as a sharp fall in French stocks (down 2.5%) more than offset further gains in German equities (up 1.5%).

Emerging market equity markets outperformed in April, gaining 1% in the month. Large gains in Mexican and Brazilian share markets more than offset losses in Chinese and Hong Kong stocks.

Bond yields

Global bond yields generally fell over April as investors decided that Trump's trade wars would ultimately deliver a disinflationary pulse to the world economy as growth weakens. In the US, however, the fall in 10-year bond yields was modest, down just 4bps over the month. This reflects concerns about the US budget outlook and questions as to whether foreign investors will continue to buy US Treasuries to the same extent as they have in recent years. Investors were also cautious about the direct inflationary impact of Trump's tariffs on the US economy.

Bond yields fell more sharply in other countries. Japanese 10-year yields fell 17bps while German 10-year yields declined 29bps, with some analysts suggesting that German bonds may become the new 'safe haven' asset.

Australian 10-year bond yields fell by 22bps, while 3-year yields fell by 38bps as investors became more confident that global economic uncertainty, combined with low Australian inflation, will make the Reserve Bank of Australia more confident to cut interest rates further.

TCorp bond yields also fell sharply over April, with the March 2028 bond yield falling by 40bps and the March 2035 bond yield declining by 26bps.

Currency and commodity markets

The policy uncertainty unleashed by Trump in April undermined support for the US dollar. The Australian dollar rose by 2.3% against the US dollar over April but fell by 2.6% against the Euro during the month. One factor weighing on the Australian dollar during April was lower commodity prices.

Commodity prices tended to decline as the outlook for global growth weakened. Iron ore prices fell moderately, down 4%, as investors hope that Chinese policy stimulus will offset the potential impact of tariffs and sustain Chinese demand for steel. Oil prices, however, fell sharply, dropping by more than 15%.

Financial market performance

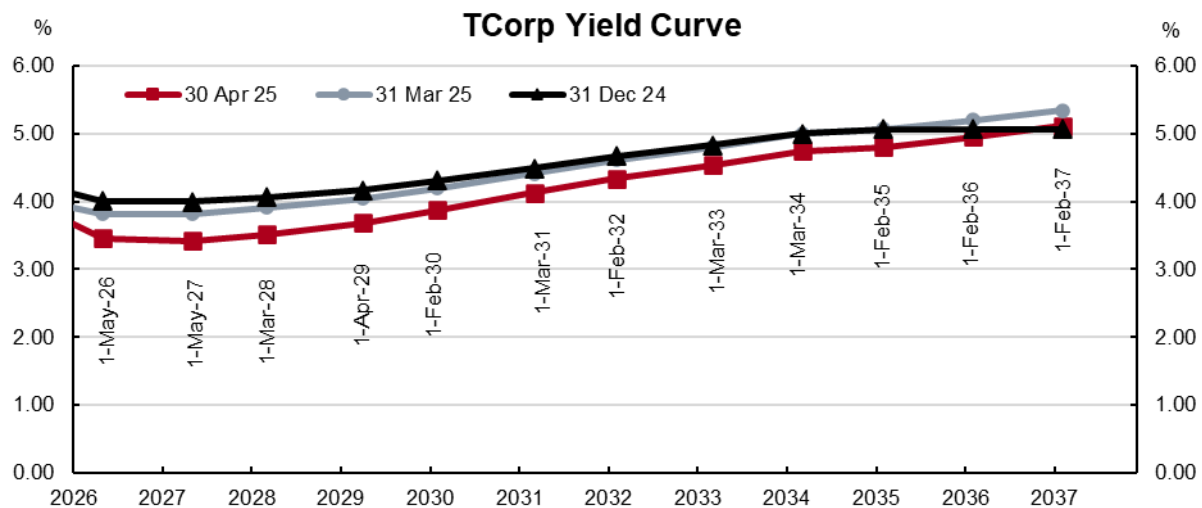
Currency markets April 2025	Previous month close	Month high	Month low	Month close	Month change
AUD/USD	0.625	0.642	0.604	0.639	2.3% ▲
AUD/EUR	0.578	0.584	0.547	0.563	-2.6% ▼
AUD/JPY	93.34	94.16	87.65	91.48	-2.0% ▼
AUD/GBP	0.483	0.487	0.469	0.479	-0.9% ▼
AUD/BRL	3.567	3.744	3.516	3.628	1.7% ▲
AUD/INR	53.43	54.75	51.48	54.02	1.1% ▲
AUD/CNY	4.536	4.684	4.399	4.649	2.5% ▲

Equity markets* April 2025	Previous month close	Month high	Month low	Month close	Month change
MSCI World ex Australia	3732	3772	3345	3755	0.6% ▲
MSCI Emerging Markets	1101	1113	993	1113	1.0% ▲
S&P/ASX200	7843	8126	7343	8126	3.6% ▲
S&P/ASX Small Ordinaries	3000	3054	2751	3054	1.8% ▲
S&P500 (US)	5612	5671	4983	5569	-0.8% ▼
FTSE 100 (UK)	8583	8635	7679	8495	-1.0% ▼
Stoxx600 (Europe)	534	540	470	527	-1.2% ▼
DAX (Germany)	22163	22540	19671	22497	1.5% ▲
CAC 40 (France)	7791	7876	6863	7594	-2.5% ▼
Nikkei 225 (Japan)	35618	36045	31137	36045	1.2% ▲
Hang Seng (HK)	23120	23207	19828	22119	-4.3% ▼
Shanghai Composite (China)	3336	3350	3097	3279	-1.7% ▼
Bovespa (Brazil)	130260	135093	123932	135067	3.7% ▲
IPC (Mexico)	52484	56980	50317	56259	7.2% ▲
S&P/BSE Sensex (India)	77415	80288	73138	80242	3.7% ▲

*Returns are in local currency, and exclude dividend payments

Bond markets (%) April 2025	Previous month close	Month high	Month low	Month close	Month change
RBA Official Cash Rate	4.10	4.10	4.10	4.10	0.00 –
90 Day Bank Bill	4.13	4.13	3.87	3.87	-0.25 ▼
180 Day Bank Bill	4.30	4.30	3.89	3.89	-0.41 ▼
New institutional term deposits	4.50	4.50	4.30	4.30	-0.20 ▼
3 Year CGS Bond	3.70	3.72	3.25	3.32	-0.38 ▼
10 Year CGS Bond	4.38	4.42	4.10	4.16	-0.22 ▼
10 Year US Bond	4.21	4.49	3.99	4.16	-0.04 ▼
10 Year German Bond	2.74	2.72	2.44	2.44	-0.29 ▼
10 Year Japanese Bond	1.49	1.50	1.12	1.32	-0.17 ▼

TCorp bonds (%)	Previous month close	Month high	Month low	Month close	Month change
April 2025					
20-May-26	3.82	3.83	3.36	3.46	-0.36 ▼
20-May-27	3.82	3.82	3.37	3.42	-0.40 ▼
20-Mar-28	3.91	3.91	3.50	3.51	-0.40 ▼
20-Apr-29	4.05	4.05	3.67	3.69	-0.36 ▼
20-Feb-30	4.20	4.20	3.87	3.88	-0.32 ▼
20-Mar-31	4.42	4.42	4.12	4.13	-0.29 ▼
20-Feb-32	4.62	4.62	4.33	4.34	-0.28 ▼
08-Mar-33	4.80	4.84	4.53	4.53	-0.27 ▼
20-Mar-34	5.00	5.09	4.75	4.75	-0.25 ▼
20-Feb-35	5.07	5.16	4.80	4.80	-0.26 ▼
20-Feb-36	5.20	5.33	4.96	4.96	-0.24 ▼
20-Feb-37	5.34	5.48	5.11	5.11	-0.23 ▼
CIB 2.75% 20 Nov 25	1.56	2.24	1.56	2.24	0.69 ▲
CIB 2.50% 20 Nov 35	2.87	3.07	2.64	2.68	-0.19 ▼



Source: TCorp

Commodity markets (US\$)	Previous month close	Month high	Month low	Month close	Month change
April 2025					
Brent Oil (per barrel)	74.7	75.0	62.8	63.1	-15.5% ▼
Iron Ore (per tonne)	103.9	103.9	97.3	99.8	-4.0% ▼

TCorp forecasts	June-25	Dec-25	Jun-26	Dec-26
RBA Official Cash Rate	3.85	3.35	2.85	2.60
90 Day Bank Bill	3.70	3.25	3.00	2.75
10 Year CGS Bond	4.00	3.50	3.50	3.50



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About New South Wales Treasury Corporation (TCorp)

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