

Highlights this week

- Abroad, US President Donald Trump delayed implementation of 'reciprocal' tariffs above 10% for all countries except China, which saw a hike to 125% and then 145%. This came after retaliatory measures from China to the original April 2 tariffs. US CPI unexpectedly fell in March ahead of the latest tariff round.
- In Australia, Westpac consumer sentiment dropped in April, dragged down by concerns over tariffs and hawkish RBA tone. Melbourne Institute inflation expectations edged up a little but remained close to the long-run average. NAB business conditions and confidence were little changed in March, with the survey taken before the April 2 tariff announcement.

Highlights next week

- The domestic highlights next week include minutes from the inaugural RBA Monetary Policy Board meeting on Tuesday and results of the March labour force survey on Thursday.
- Highlights offshore are Chinese Q1 GDP, Chinese March trade balance, and the US and Chinese activity data for March. The ECB and Bank of Canada are to announce their monetary policy decisions, with rate cuts expected in both cases.

Central Bank Rates (%)	Weekly Change	Australian Interest Rates (%)	Weekly Change	Major Overseas Interest Rates (%)	Weekly Change	Global Equities	Weekly Change
Australia	4.10 (0 pt)	O/N Interbank Cash	4.09 (0 pt)	USD 3-month	4.85 (0 pt)	ASX200	7608 (↓59 pt)
US (IOR)	4.40 (0 pt)	90-day Bills	4.08 (↓3 pt)	2-yr T-Notes	3.83 (↑20 pt)	S&P500	5268 (↓128 pt)
Eurozone (Deposit)	2.50 (0 pt)	3-yr T-Bond	3.27 (↓15 pt)	10-yr T-Notes	4.45 (↑50 pt)	DJIA	39594 (↓952 pt)
UK	4.50 (0 pt)	10-yr T-Bond	4.41 (↑19 pt)	Jap 10-yr	1.37 (↑15 pt)	Nikkei	33130 (↓650 pt)
Japan (Target)	0.50 (0 pt)	3-yr WATC Bond	3.53 (↓8 pt)	UK 10-yr	4.64 (↑23 pt)	CSI300	3734 (↓128 pt)
China (1Y LPR)	3.10 (0 pt)	10-yr WATC Bond	5.49 (↑31 pt)	Ger 10-yr	2.58 (↑2 pt)	Stoxx600	487 (↓29 pt)

Financial Markets

Interest Rates

US yields surged across the yield curve this week, as investors appear to be shifting away from US assets due to the disorderly tariff policies of the Trump administration and concerns over US debt. The increase was relatively stronger for longer maturities. That said, subsequent tariff announcements generated a lot of volatility in the interim.

Aussie sovereign curve steepened this week too, as yields for longer maturities followed their US equivalents higher, but intensification of cash rate cut expectations pushed 3-year yields lower. At the time of writing, futures are fully pricing in a 25 basis point cut in May, with a total of 125 basis point cuts expected in 2025.

RBA Governor Michele Bullock spoke on Thursday night, downplaying the need for an emergency or supersized rate cuts.

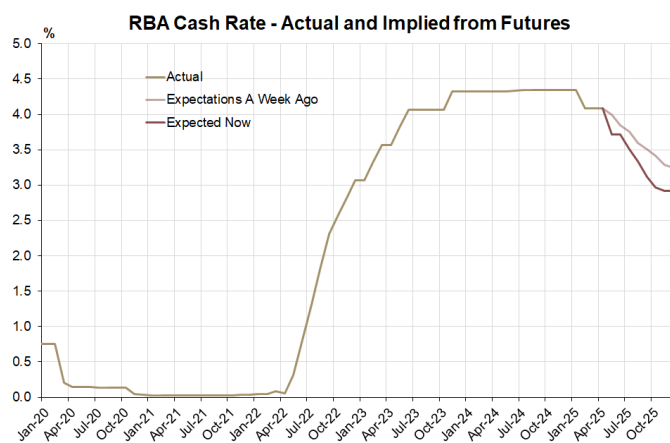
The RBNZ cut its official cash rate by 25 basis points to 3.50% as expected, but – similar to Governor Bullock – signalled that they would like some clarity about 'the extent or effect' of the tariff policies before making further decisions.

Equities

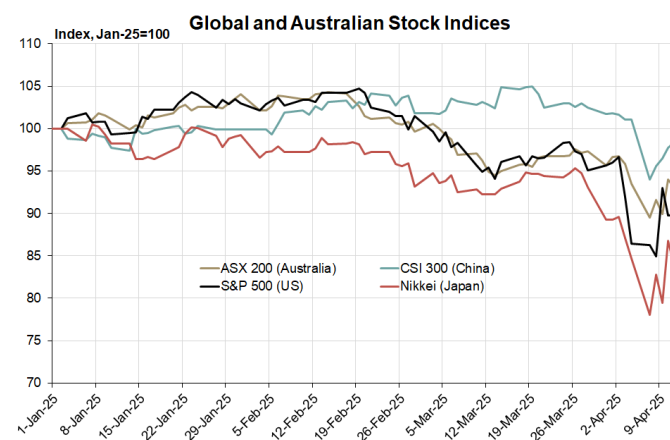
It was a rollercoaster week on global equity markets. The sell-off ignited by the announcement of 'reciprocal' tariffs continued early in the week, before the 90-day delay in introduction of above-10% rates on Wednesday night saw the largest rally in the S&P since 2008. Stocks resumed to decline during the Thursday US session, as the market's attention turned to the total size of tariffs imposed on China (145% at the time of writing).

Eventually, the S&P 500 is 2.4% down for the week, but declines in tariff-hit China and Europe are much larger (-3.3% and -5.6%, respectively).

The Aussie share market is down by 0.9% compared to the same time last week, since some of the losses happened last Friday morning. Similar to many of its global equivalents, the ASX 200 saw the largest daily loss since the first half of 2020 on Monday (-4.2%), which was followed by the strongest gain since March on Thursday (+4.5%).



Source: Bloomberg



Source: Bloomberg

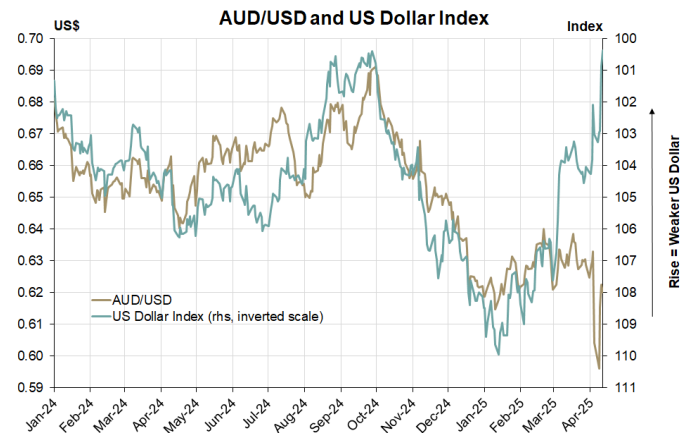
Currencies

This week was not as bad for the Australian dollar as the previous one.

The AUD dropped sharply last Friday, dipping below US\$0.60 for the first time since the early days of the COVID-19 pandemic. The Aussie dollar then hovered around the US\$0.60 mark for most of the week before bouncing back on Wednesday night after the tariff delay announcement.

Despite the rebound towards the end of the week, the AUD/USD is still 0.2% down compared to last Friday. Depreciation was even stronger versus the Japanese yen and euro, which were seen as safer bets than the greenback amid the chaotic tariff announcements. The AUD was the second weakest G10 currency this week, surpassed only by the oil-driven NOK.

The Chinese yuan depreciated this week, temporarily reaching the lowest levels since the turn of 2007 and 2008.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6201	0.6259	0.5915	↓0.2	0.6942	0.5915
AUD/EUR		0.5504	0.5650	0.5390	↓2.4	0.6261	0.4620
AUD/GBP		0.4774	0.4824	0.4620	↑0.1	0.5289	0.4620
AUD/JPY		89.22	91.33	86.05	↓1.8	109.37	86.05
AUD/CNY		4.5401	4.5798	4.3523	↑0.4	4.9340	4.3523
EUR/USD		1.1264	1.1383	1.0882	↑2.3	1.1383	1.0141
GBP/USD		1.2988	1.3048	1.2709	↓0.3	1.3434	1.2100
USD/JPY		143.87	148.27	142.89	↓1.6	161.95	139.58
USD/CNY		7.3222	7.3511	7.2994	↑0.6	7.3511	7.0063
Forward Rates		Spot	3M	6M	12M		
AUD/USD		0.6201	0.6206	0.6216	0.6234		
AUD/EUR		0.5504	0.5479	0.5459	0.5422		
AUD/GBP		0.4774	0.4778	0.4785	0.4801		
AUD/JPY		89.22	88.38	87.68	86.44		
AUD/NZD		1.0740	1.0721	1.0709	1.0696		
AUD/SGD		0.8235	0.8202	0.8175	0.8128		

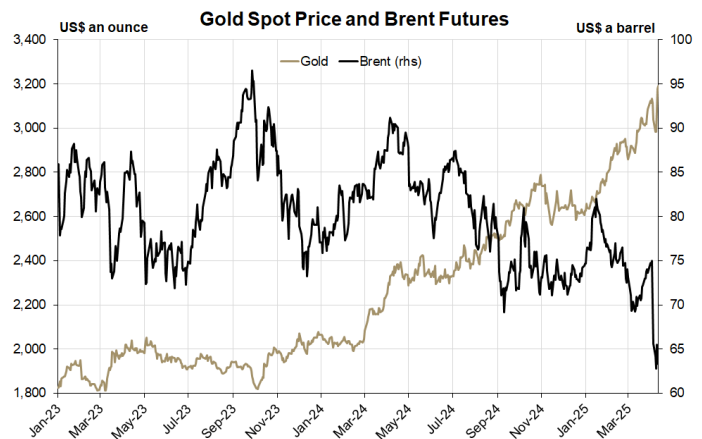
Commodities

The Commodity Research Bureau index is down by 6.1% this week, with strong declines across the industrial commodity prices.

Brent futures dropped by 6.9%, still dragged down by the OPEC+ decision to increase its supply from May, to be below US\$60 a barrel for the first time since early 2021.

The 3.9% decline in iron ore futures was a bit less dramatic, but still enough for the prices to retreat below US\$100 a tonne. Despite the decline, 2024-25 average of iron ore prices is close to the latest Treasury WA forecasts (US\$102 a tonne against US\$98 a tonne).

The gold price, in turn, was the outperformer this week, as concerns over the escalating trade war and unpredictable decision-making style of Trump administration are adding to elevated uncertainty.



Source: Bloomberg

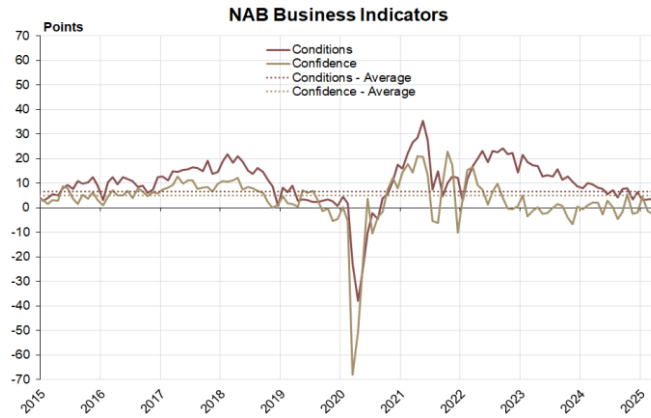
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,195.06	\$3,220.08	\$2,956.71	(↑\$102.88)	\$3,220.08	\$2,277.35
Brent Crude Oil (US\$)	\$63.87	\$67.43	\$58.40	(↓\$4.75)	\$90.84	\$58.40
Mogas95* (US\$)	\$71.63	\$76.11	\$67.57	(↓\$5.89)	\$107.75	\$67.57
WTI Oil (US\$)	\$60.59	\$63.90	\$55.12	(↓\$4.86)	\$87.67	\$55.12
CRB Index	285.13	288.46	279.79	(↓18.42)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$97.30	\$99.55	\$91.70	(↓\$3.95)	\$122.90	\$88.40

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

** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

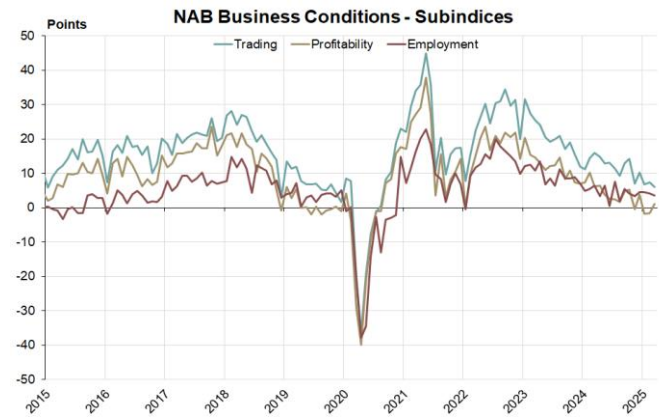
Domestic Economy

NAB business conditions and confidence were subdued ahead of the April 2 tariff announcement.



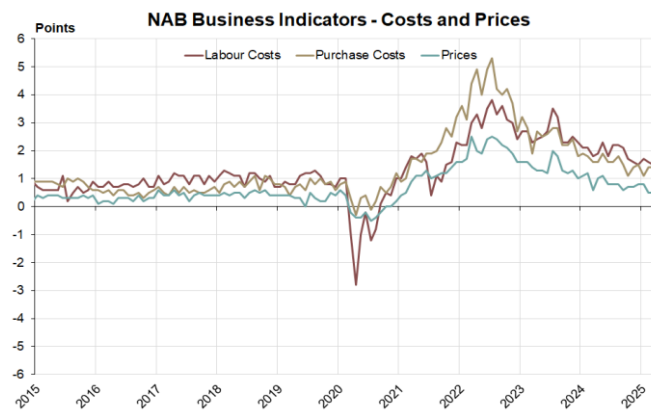
Source: Bloomberg

... with weakening profitability and trading conditions...



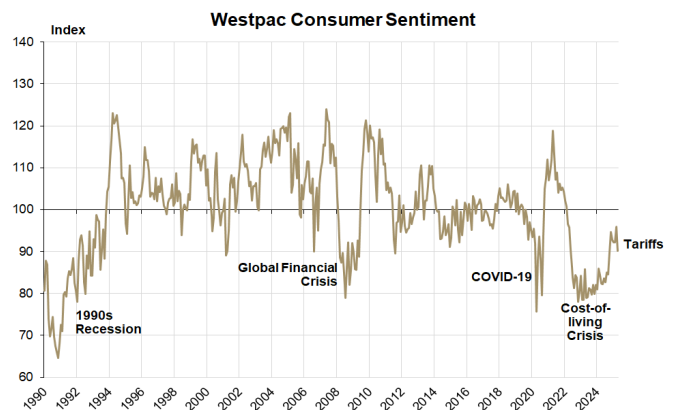
Source: Bloomberg

... as cost growth is decelerating less than the inflation of final product prices.



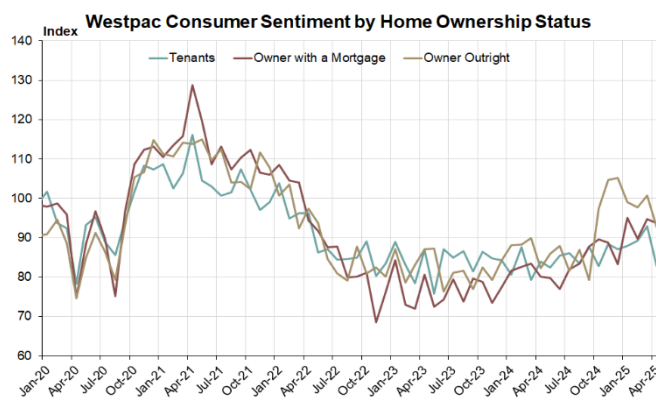
Source: Bloomberg

The tariff announcements, coupled with the hawkish RBA, saw consumer confidence fall somewhat in April.



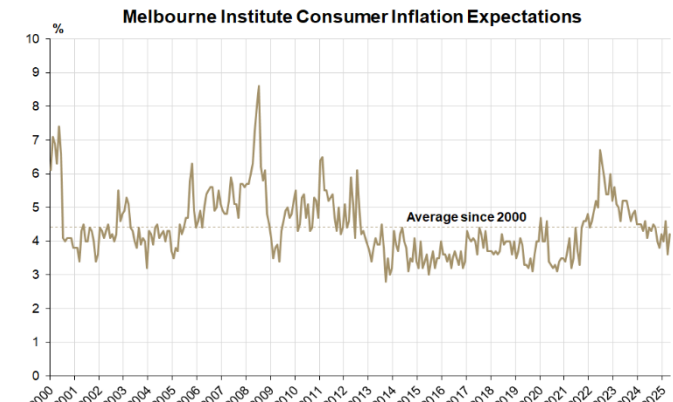
Source: Bloomberg

The current account surplus rose in Q4, with a higher trade surplus and narrowing of the net primary income.



Source: Bloomberg

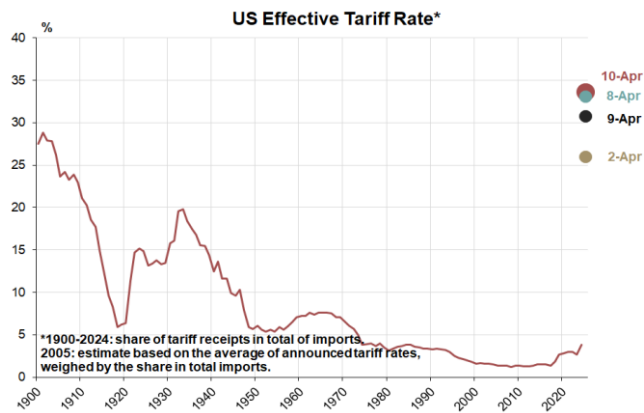
Consumer inflation expectations ticked up in April but remained slightly below their long-run average.



Source: ABS

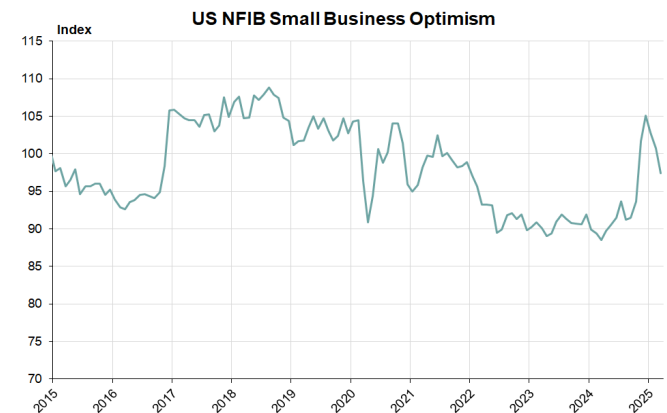
Global Economy

Despite a temporary cut in most tariffs, **US effective tariff rate** could be the highest level in a century.



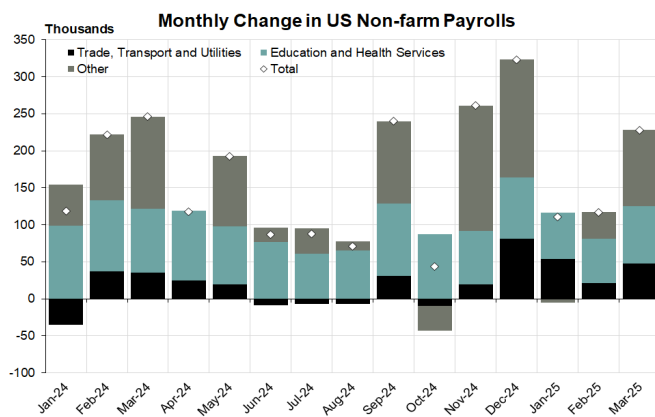
Source: AFR / US Census / White House

US small business sentiment has reversed all its gains from after Trump re-election.



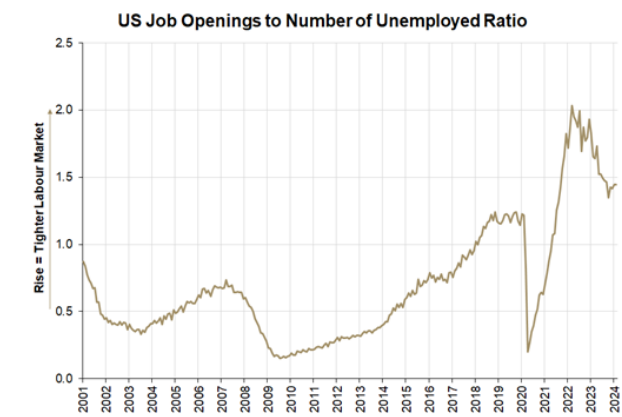
Source: Bloomberg

Increased orders ahead of the tariff introduction added to a solid growth in **US non-farm payrolls** in March.



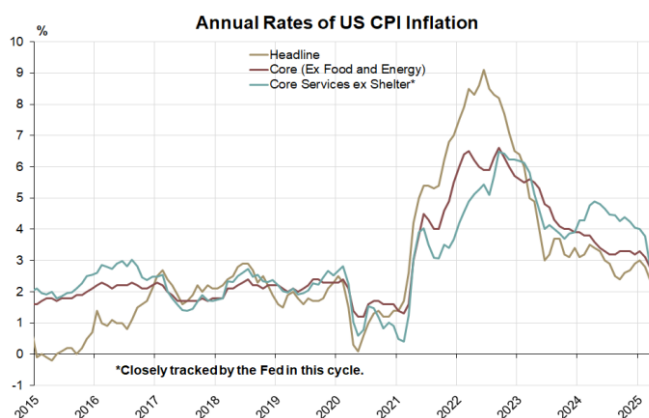
Source: Bloomberg

The **US unemployment rate** ticked up in March, reflecting higher labour force participation.



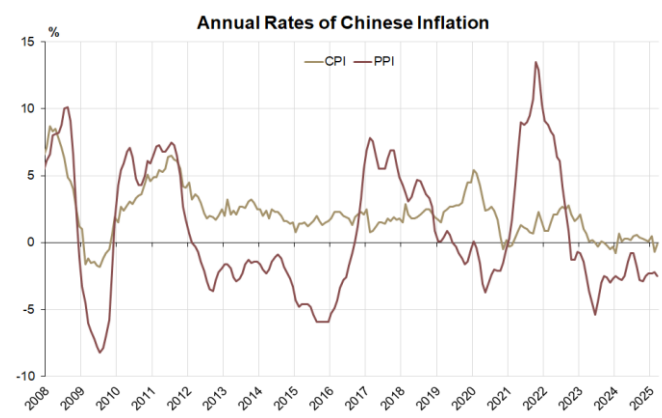
Source: Bloomberg

US CPI inflation declined ahead of the tariff announcement...



Source: Bloomberg

... while **Chinese consumer and producer prices** remain in deflation.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 07					
AU	ANZ Job Ads (MoM, Mar)	0.4%	-	-1.3%	Down 7.9% YoY, but still well-above pre-COVID levels.
Tue 08					
AU	NAB Business Conditions (Mar)	4	-	3	Remains slightly below its long-run average.
AU	NAB Business Confidence (Mar)	-3	-	-2	Survey taken before the tariff announcement.
AU	Westpac Cons. Sent. (MoM, Apr)	-6.0%	-	4.0%	Dragged down by tariffs and hawkish RBA.
Wed 09					
NZ	RBNZ Decision (OCR)	3.50%	3.50%	3.75%	RBNZ will follow the impacts of tariffs on the economy.
US	FOMC Minutes	-	-	-	No news.
Thu 10					
AU	MI Cons. Infl. Expectations (Apr)	4.2%	-	3.6%	Series average is 4.3%.
AU	RBA Governor M Bullock Speaks	-	-	-	Calls for emergency rate meeting dismissed.
CH	CPI (YoY, Mar)	-0.1%	0.0%	-0.7%	Core CPI inflation ticked up to the still meagre 0.6%.
CH	PPI (YoY, Mar)	-2.5%	-2.3%	-2.2%	Has been in deflation since September 2022.
US	CPI (MoM, Mar)	-0.1%	0.1%	0.2%	Annual core inflation rates the lowest since 2021.
US	Initial Jobless Claims (w/e 10 Apr)	223k	223k	219k	Continued claims dropped to 1,850k in w/e 29 March.
Tonight					
US	PPI (MoM, Mar)	-	0.2%	0.0%	ISM PMI reports point to a risk of acceleration.
US	UMich Consumer Sentiment (Apr)	-	53.5	57.0	Consumers less confident, inflation expectations up.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 14				
CH	Trade Balance (Mar)	US\$76b	US\$171b	Export growth is expected to accelerate, imports to fall further.
Tue 15				
AU	RBA Minutes	-	-	From the meeting a day before the tariff announcement.
US	International Trade Prices (MoM, Mar)	-	-	Does not include tariffs but may still attract some attention.
Wed 16				
CH	GDP (YoY, Q1)	5.2%	5.4%	China has maintained its growth target at 'around 5%'.
CH	Retail Sales (YoY, Mar)	4.0%	4.0%	Chinese authorities are trying to revive consumption growth.
CH	Industrial Production (YoY, Mar)	5.7%	5.9%	Based on PMI reports, acceleration cannot be ruled out.
CH	Urban Fixed Asset Inv. (YoY YtD, Mar)	4.1%	4.1%	One of key indicators of Chinese demand for iron ore.
UK	CPI (MoM, Mar)	-	0.4%	Annual rate remains above BoE's goal of 2%.
CA	Bank of Canada Decision (Policy Rate)	2.75%	2.75%	Canada still has 25% tariff rates imposed by the US.
US	Retail Sales (MoM, Mar)	1.4%	0.2%	US customers could rush to shops ahead of the tariffs.
US	Industrial Production (MoM, Mar)	-0.3%	0.7%	ISM PMIs suggested a renewed decline.
Thu 17				
AU	Employment (monthly change, Mar)	40.0k	-52.8k	Feb drop was due to more people retiring than in 2021-24.
AU	Unemployment Rate (Mar)	4.2%	4.1%	Underemployment rate is at a two-year low of 5.9%.
NZ	CPI (QoQ, Q1)	0.7%	0.5%	Happens to be a good indicator for Australian inflation.
EZ	ECB Decision (Deposit Rate)	2.25%	2.50%	Some ECB Board member getting less keen to cut further.
Fri 18				
JP	CPI (YoY, Mar)	3.7%	3.7%	'Core-core' inflation expected to climb by 0.3 ppts to 2.9%.