

Highlights this week

- Abroad, the FOMC has kept interest rates unchanged at its meeting this week and delivered some reassurance about the current state of the US economy. Across the Pacific, Chinese regulators announced a range of economic support measures.
- Data-wise, the US ISM services PMI unexpectedly rose further into expansion in April, but details of the report were mixed. Across the Pacific, the Chinese Caixin services PMI suggested slower growth in April, with the weakest confidence since the heights of the COVID-19 pandemic.
- In Australia, dwelling approvals saw an unexpectedly strong fall in March, while the household spending indicator saw a surprising decline. The Melbourne Institute inflation gauge pointed to a rise in the annual rates of consumer price inflation.

Highlights next week

- Key domestic highlights next week will be the NAB business report for April and Westpac consumer sentiment figures for May on Tuesday, the Q1 wage price index on Wednesday, and the results of the April labour force survey on Thursday.
- A busy week offshore, with key releases being the US CPI on Tuesday, and retail sales and industrial production on Thursday. These releases are for April, which means that they will be the first set of US 'hard data' for the period after the 'reciprocal' tariffs on 2 April.

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	8224	(↑18 pt)
US (IOR)	4.40	(0 pt)	90-day Bills	3.81	(↓6 pt)	2-yr T-Notes	3.87	(↑14 pt)	S&P500	5664	(↑60 pt)
Eurozone (Deposit)	2.25	(0 pt)	3-yr T-Bond	3.42	(↑7 pt)	10-yr T-Notes	4.36	(↑12 pt)	DJIA	41368	(↑615 pt)
UK	4.25	(↓25 pt)	10-yr T-Bond	4.28	(↑4 pt)	Jap 10-yr	1.37	(↑9 pt)	Nikkei	37479	(↑708 pt)
Japan (Target)	0.50	(0 pt)	3-yr WATC Bond	3.59	(↑6 pt)	UK 10-yr	4.55	(↑7 pt)	CSI300	3845	(↑75 pt)
China (1Y LPR)	3.10	(0 pt)	10-yr WATC Bond	5.23	(↑1 pt)	Ger 10-yr	2.54	(↑9 pt)	Stoxx600	536	(↑8 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets

Interest Rates

As expected, the FOMC has kept the fed funds rate target range at 4.25-4.50%. Fed Chair Jerome Powell assessed that the economy is in a good position and stressed that the FOMC is in no hurry to resume rate cuts at this point.

Following the FOMC meeting, fed funds rate expectations were pushed back to September US Treasury yields rose as a result, pushing yields higher across the advanced economies, including Australia.

The Bank of England cut its bank rate by 25bps to 4.25%, while Norwegian and Swedish central banks kept their rates unchanged.

On the other side of Eurasia, Chinese regulators including the People's Bank of China, announced additional economic support measures including interest rate cuts, lowering the bank required reserve ratio by 50bps, a cut to mortgage rates under the housing provident fund, and support for lending for services consumption and investment in the tech sector.

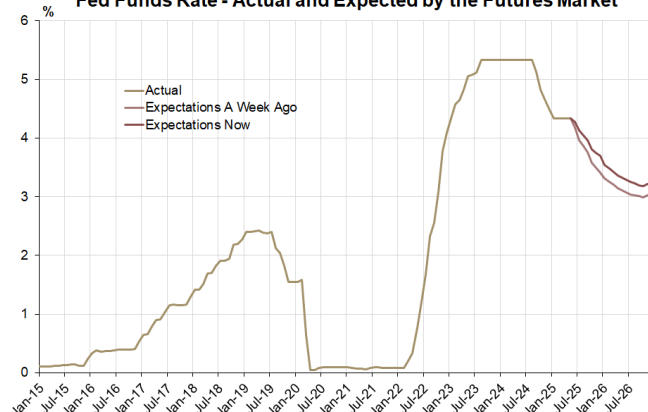
Equities

Equities have posted solid increases across most markets since this time last week, pushed higher by optimism over US-China trade talks being held in Switzerland starting tonight and news that the US and UK are progressing toward a trade deal.

The Aussie market has underperformed mainly due to a sharp fall on Monday led by energy and bank shares, which broke a seven-day winning streak that saw the ASX 200 close at a two-month high on Friday. The market closed a little lower again on Tuesday before recovering over the rest of the week.

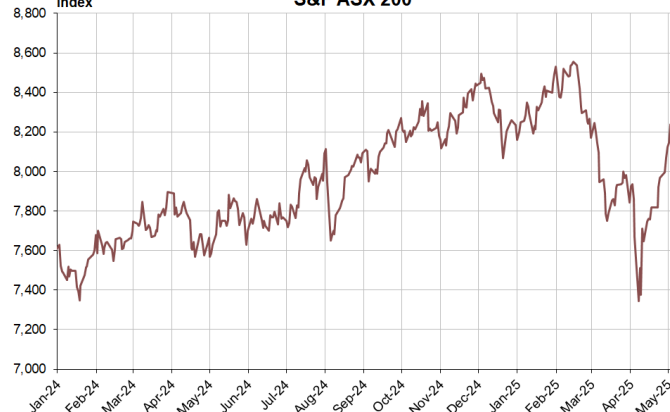
The US market also started the week on the back foot, falling 0.7% on Monday after closing last week at its highest level since the market plunged in early April after President Trump's "Liberation Day" tariff announcement. The fall ended the S&P 500's longest stretch of positive days in over 20 years. Trade deal optimism helped shares recover over the past two days.

Fed Funds Rate - Actual and Expected by the Futures Market



Source: Bloomberg

S&P ASX 200



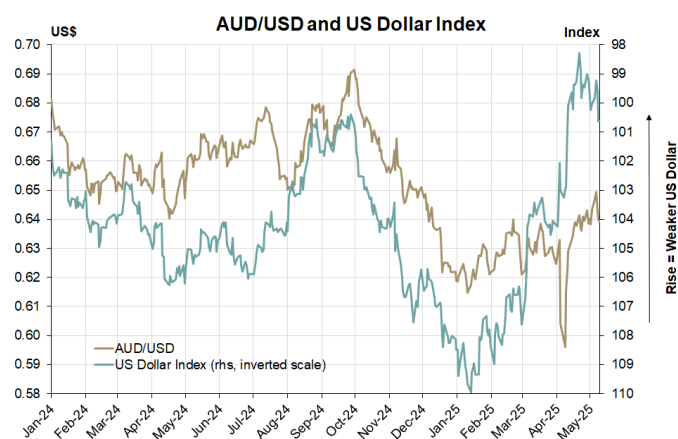
Source: Bloomberg

Currencies

The AUD/USD is down 0.2% down for the week, mainly due to the strength of the US dollar. The greenback benefited from a rise in fed funds rate expectations following the FOMC meeting and easing tariff concerns, as the US and UK have reached a preliminary trade agreement and US-China trade talks are to start tonight.

The Australian dollar appreciated against the euro and British pound and is unchanged against the Japanese yen. It has been one of the strongest G10 currencies this week.

In other currency news, several Asian currencies including the Korean won and Taiwanese dollar have stabilised after rising sharply last week on speculation the US would require revaluations of those currencies as part of any trade deals. The Taiwanese dollar was a particular focus of attention after rising 5.2% against the greenback last week and a further 2.4% on Monday, however, this was dismissed by Taiwanese authorities.



Source: Bloomberg

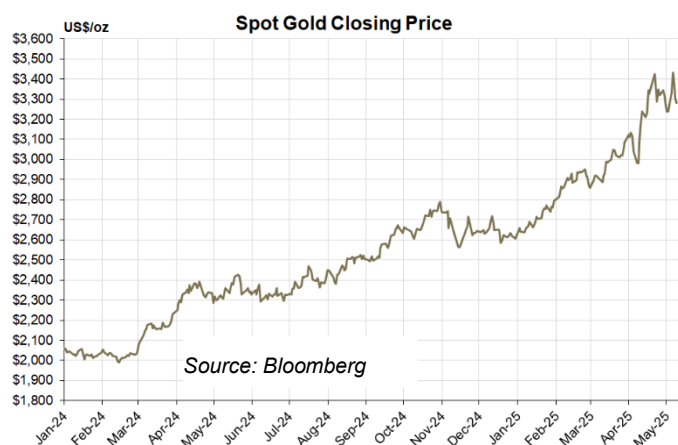
Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6403	0.6515	0.6371	↓0.2	0.6942	0.5915
AUD/EUR		0.5706	0.5752	0.5673	↑0.5	0.6261	0.4620
AUD/GBP		0.4837	0.4882	0.4811	↑0.3	0.5289	0.4620
AUD/JPY		93.25	93.59	92.12	↑0	109.37	86.05
AUD/CNY		4.6413	4.7217	4.6196	↓0.5	4.9340	4.3523
EUR/USD		1.1225	1.1381	1.1197	↓0.7	1.1573	1.0141
GBP/USD		1.3237	1.3402	1.3212	↓0.4	1.3444	1.2100
USD/JPY		145.62	146.19	142.36	↑0.2	161.95	139.58
USD/CNY		7.2480	7.2769	7.2110	↓0.3	7.3511	7.0063
Forward Rates		Spot	3M	6M	12M		
AUD/USD		0.6403	0.6411	0.6421	0.6435		
AUD/EUR		0.5706	0.5680	0.5655	0.5608		
AUD/GBP		0.4837	0.4842	0.4847	0.4858		
AUD/JPY		93.25	92.40	91.65	90.30		
AUD/NZD		1.0862	1.0842	1.0825	1.0800		
AUD/SGD		0.8324	0.8289	0.8257	0.8193		

Commodities

Gold hit a fresh record closing high on Tuesday as India conducted air strikes on Pakistan, before slipping back on encouraging news regarding trade negotiations and a rise in the US dollar.

Oil prices dropped to four-year lows on Monday following news that OPEC+ had agreed to boost oil production by an additional 411k barrels a day in June. Prices picked up over the remainder of the week, as optimism returned to the market ahead of US-China trade negotiations.

Iron ore futures prices rose on news that the US and China will hold high level trade talks in Switzerland and fell just short of US\$100 / tonne on Wednesday as Chinese financial regulators announced a raft of economic support measures, before easing.



Source: Bloomberg

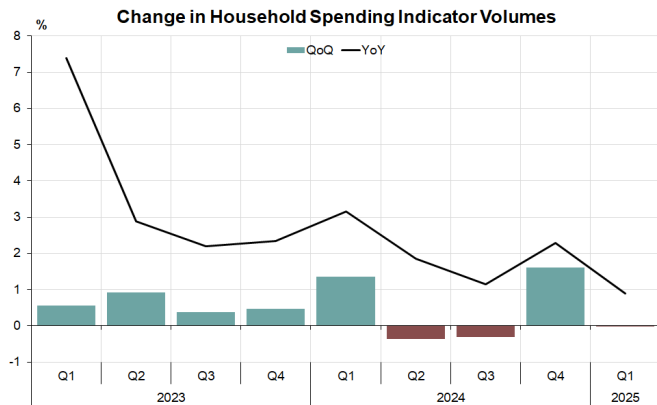
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,307.54	\$3,435.63	\$3,237.77	(↑\$67.89)	\$3,500.10	\$2,286.86
Brent Crude Oil (US\$)	\$62.99	\$63.38	\$58.50	(↑\$0.42)	\$87.95	\$58.40
Mogas95* (US\$)	\$74.85	\$75.48	\$70.34	(↑\$0.92)	\$99.71	\$67.57
WTI Oil (US\$)	\$60.07	\$60.29	\$55.30	(↑\$0.38)	\$84.52	\$55.12
CRB Index	292.01	292.23	288.35	(↑2.52)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$97.25	\$99.85	\$95.85	(↑\$1.8)	\$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.

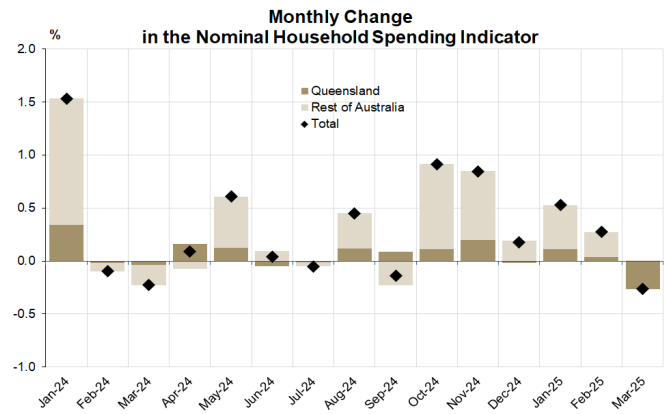
Domestic Economy

The experimental measure suggests that **household spending volumes** stagnated in Q1...



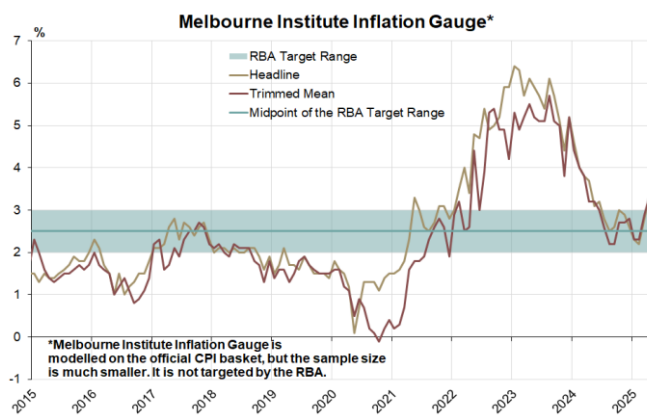
Source: ABS

... with a **decline in March**, driven by Queensland where households restricted their spending due to the cyclone.



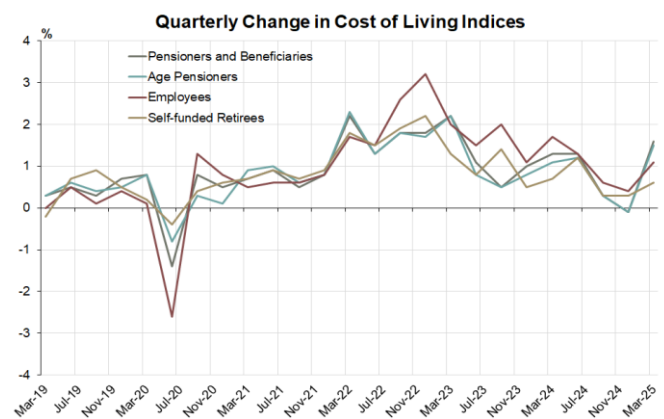
Source: ABS

The **Melbourne Institute inflation gauge** suggested that inflation rose back above the RBA target range.



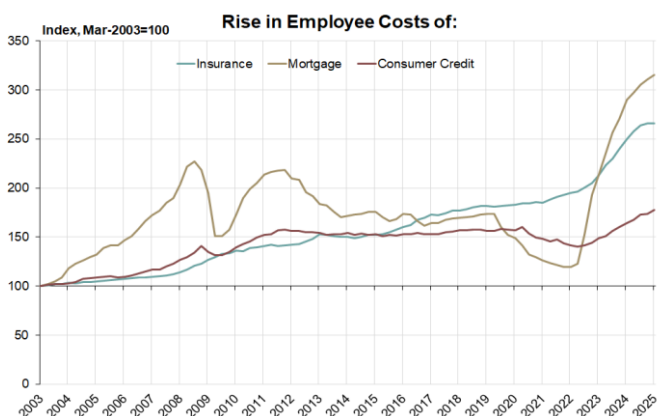
Source: ABS

The **cost of living indices** picked up in Q1, amid a lower scale of electricity bill relief measures.



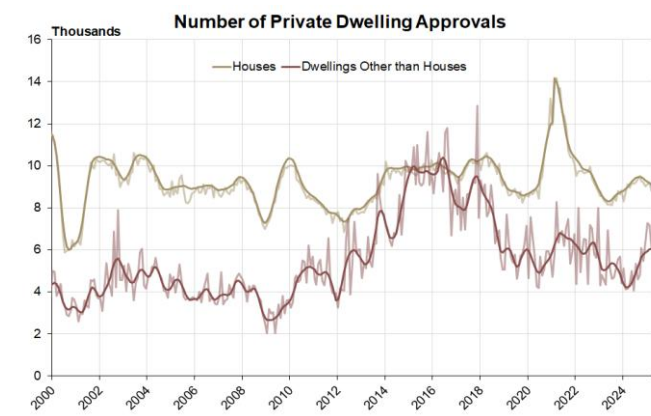
Source: Bloomberg

Households continue to incur elevated costs of **insurance and debt servicing**.



Source: ABS

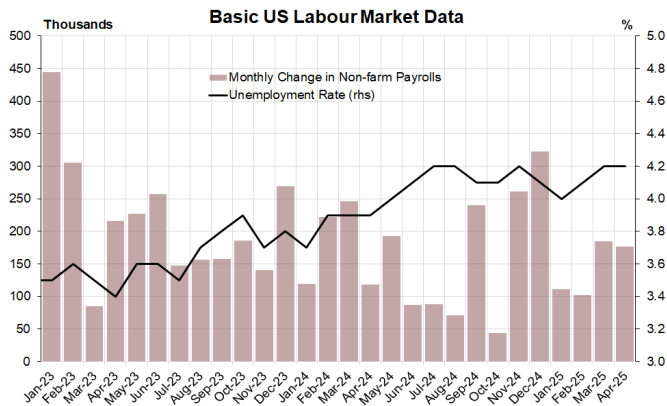
Private sector **house approvals** are trending down, but there is an upward trend in multi-dwelling consents.



Source: ABS

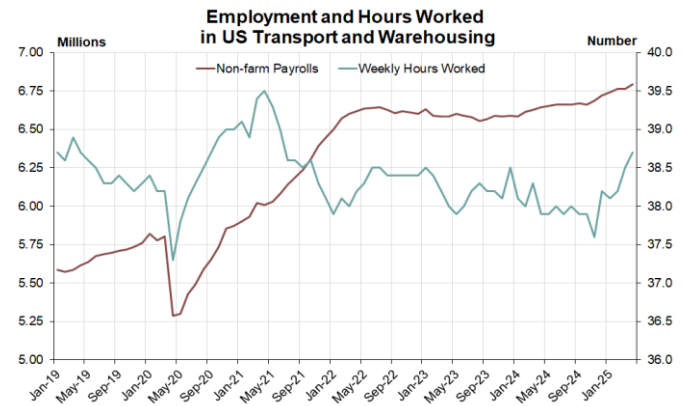
Global Economy

US non-farm payrolls continue to climb, even if slower, while the unemployment rate is steady.



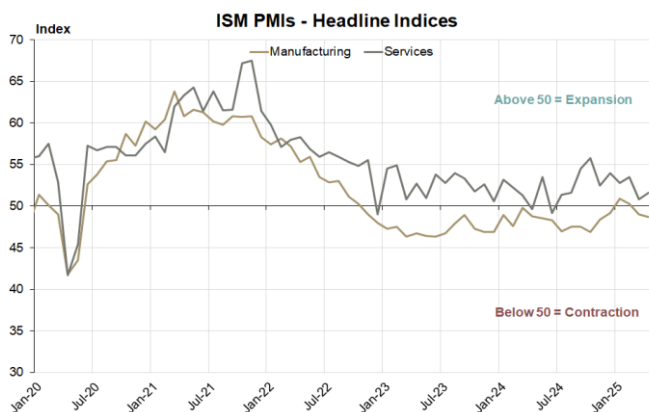
Source: US Bureau of Labour Statistics

Higher demand for **transport services** ahead of tariffs translated into a rise in hours worked in the sector.



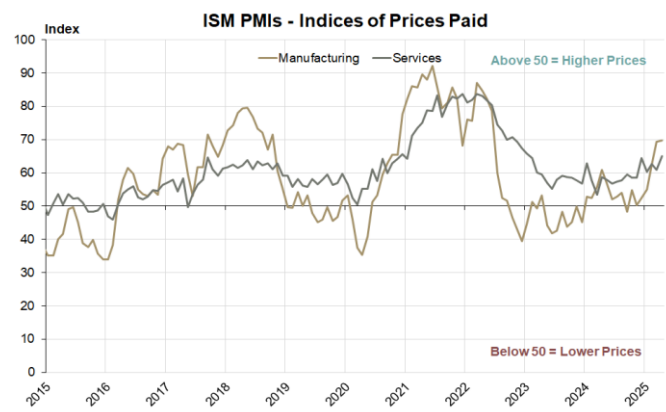
Source: US Bureau of Labour Statistics

The **ISM PMI reports** for April suggested further decline in manufacturing, but expansion in services continues...



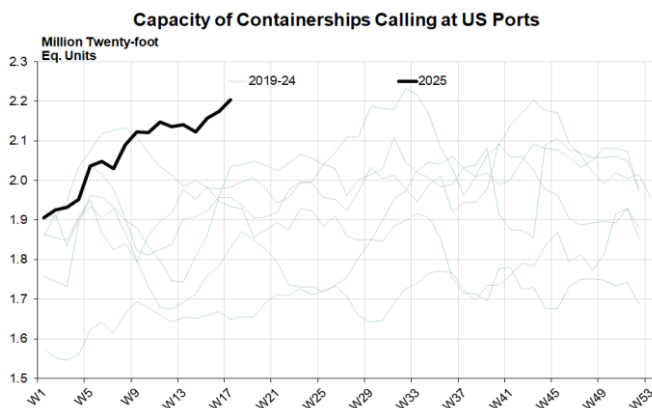
Source: Bloomberg

... while **price pressures** are on the rise in both sectors.



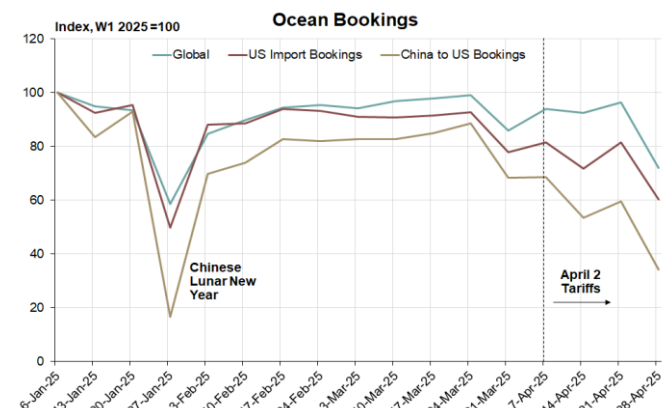
Source: Bloomberg

Activity in **US ports** remained elevated through April, as goods ordered before the tariffs were still arriving...



Source: US Bureau of Transportation Statistics

... but **container freight bookings**, especially from China to the US, were in a freefall.



Source: Vizion

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 05					
AU	MI Inflation Gauge (MoM, Apr)	0.6%	-	0.7%	Annual headline and trimmed mean rates rose to 3.3%.
AU	ANZ Indeed Job Ads (MoM, Apr)	0.5%	-	0.4%	Down 5.1% YoY, but 16.2% above the pre-COVID levels.
US	ISM Services PMI (Apr)	51.6	50.3	50.8	Employment and new export orders on the decline.
Tue 06					
AU	Dwelling Approvals (MoM, Mar)	-8.8%	-1.5%	-0.2%	WA one of two states with a growth in house approvals.
AU	Household Spending (MoM, Mar)	-0.3%	0.2%	0.3%	Dragged down by a drop in cyclone-hit Queensland.
AU	ANZ Cons. Conf. (w/e 3 May)	87.5	-	83.4	A 4.9% bounce but remains depressed.
CH	Caixin Services PMI (Apr)	50.7	51.8	51.9	Business confidence the lowest since February 2020.
Wed 07					
NZ	Unemployment Rate (Q1)	5.1%	5.3%	5.1%	Employment rose for the first time in three quarters.
US	FOMC Decision (IoER)	4.40%	4.40%	4.40%	FOMC is waiting until the tariff dust settles.
Thu 08					
UK	BoE Decision (Bank Rate)	4.25%	4.50%	4.50%	Next cut fully priced in for September.
US	Initial Jobless Claims (w/e 3 May)	228k	230k	241k	Continued claims back below 1.9 million.
Fri 09					
CH	Trade Balance (Apr)	US\$96.2b	US\$93b	US\$164b	Exports rise sharply ahead of US tariffs
Tonight					
US	NY Fed 1Y Infl. Expectations (Apr)	-	-	3.6%	Have been steadier than their UoM equivalents.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 12				
	<i>No market moving data</i>			
Tue 13				
AU	NAB Business Conditions (Apr)	-	4	The previous survey was taken before April 2 tariffs.
AU	NAB Business Confidence (Apr)	-	-3	S&P Global PMI report suggested deterioration.
AU	Westpac Consumer Sent. (MoM, May)	-	-6.0%	Likely to rebound in anticipation of the RBA cut.
UK	Unemployment Rate (Mar)-	-	4.4%	Claimant count rate was steady at 4.6% in March.
US	CPI (MoM, Apr)	0.3%	-0.1%	First inflation reading after the 'reciprocal' tariff announcement.
US	NFIB Small Business Optimism (May)	94.7	97.4	Retreated following the initial optimism on Trump presidency.
Wed 14				
AU	Wage Price Index (QoQ, Q1)	0.8%	0.7%	Annual rate expected to remain at 3.2%.
Thu 15				
AU	Employment (monthly change, Apr)	25.0k	32.2k	RBA would like to see further labour market easing.
AU	Unemployment Rate (Apr)	4.1%	4.1%	The unemployment rate remains low by historical standards.
UK	GDP (QoQ, Q1)	-	0.1%	Monthly data point to a positive quarter.
US	PPI (MoM, Apr)	0.3%	-0.4%	Business reports also suggested a rise in producer prices.
US	Retail Sales (MoM, Apr)	0.0%	1.4%	First reading after the announcement of 'reciprocal' tariffs.
US	Industrial Production (MoM, Apr)	0.3%	-0.3%	PMI reports suggested a decline in manufacturing.
Fri 16				
JP	GDP (QoQ, Q1)	-0.1%	0.6%	Bank of Japan concerned about mid-term growth outlook.
US	UMich Consumer Sentiment (May, prel.)	53.0	52.2	Will contain updated consumer inflation expectations.