

## Highlights this week

- In Australia, Q1 CPI figures surprised slightly to the upside, but a decline in trimmed mean inflation to the target band should convince the RBA to cut the cash rate by 25bps later this month. Retail sales volumes were flat in Q1, while nominal retail trade growth in March turned out slightly slower than expected. The external trade surplus surged in March, driven by higher exports of iron ore and gold. The CoreLogic home price index rose to a new record high, with gains in all capital cities.
- Abroad, US GDP ebbed in Q1, for the first time in three years. A big negative contribution from net exports amid a surge in imports ahead of the tariffs more than offset gains in private domestic demand components, including household consumption. PCE inflation remained above the Fed's goal, despite easing towards the end of the quarter. US ISM manufacturing PMI pointed to slower contraction than feared. The Chinese PMIs were mixed, but overall suggested softer activity growth in April.

## Highlights next week

- The key domestic releases next week will be April Melbourne Institute inflation gauge on Monday as well as March dwelling approvals and the household spending indicator on Tuesday.
- A big week in central banking, with monetary policy decisions from the FOMC, the Bank of England and Scandinavian central banks. The key data highlights will be the US ISM services PMI on Monday, Chinese Caixin services PMI on Tuesday and Chinese trade balance on Friday.

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	8206 (↑222 pt)
US (IOR)	4.40 (0 pt)	90-day Bills	3.86 (↓5 pt)	2-yr T-Notes	3.73 (↓11 pt)	S&P500	5604 (↑228 pt)
Eurozone (Deposit)	2.25 (0 pt)	3-yr T-Bond	3.35 (↑1 pt)	10-yr T-Notes	4.24 (↓12 pt)	DJIA	40753 (↑1146 pt)
UK	4.50 (0 pt)	10-yr T-Bond	4.24 (0 pt)	Jap 10-yr	1.28 (↓5 pt)	Nikkei	36771 (↑1724 pt)
Japan (Target)	0.50 (0 pt)	3-yr WATC Bond	3.53 (0 pt)	UK 10-yr	4.48 (↓7 pt)	CSI300	3771 (↓13 pt)
China (1Y LPR)	3.10 (0 pt)	10-yr WATC Bond	5.22 (0 pt)	Ger 10-yr	2.44 (↓5 pt)	Stoxx600	528 (↑11 pt)

Changes are since the previous issue of Market WATCH Weekly.

## Financial Markets

## Interest Rates

Government bond yields declined this week, led by US Treasuries, as concerns over the state of the US economy took centre stage after a set of underwhelming data, most notably slightly negative growth in Q1.

US and Aussie 10-year yields reached the lowest levels in around a month on Wednesday, before rising a little last night.

The slight upside surprise to the Aussie CPI figures was received calmly by fixed income markets. This was because trimmed mean inflation, which is RBA's preferred inflation gauge, has come back to the 2-3% target range, underpinning the case for a 25bps cash rate cut in May. However, expectations for a larger 50bps adjustment were trimmed.

The Bank of Japan left its overnight rate unchanged at 0.50%, as expected, but downgraded its growth outlook, which prompted traders to scale back their expectations for a rate hike.

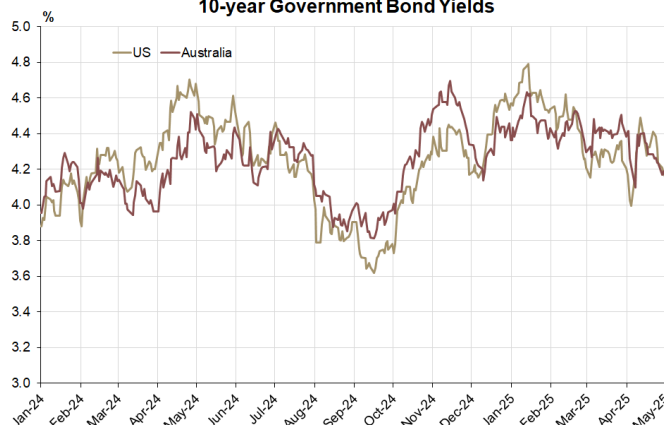
## Equities

Equities are heading towards a third straight positive week, supported by easing tariff concerns. Hopes for faster fed funds rate cuts fuelled by a set of negative US data are also adding to the rally, even if they are not supported by expectations implied from fed funds rate futures.

Easing tariff concerns received some support from consistent claims by US administration that trade deal talks continue with multiple partners, while US President Donald Trump signed an executive order easing some tariffs on car parts on Tuesday.

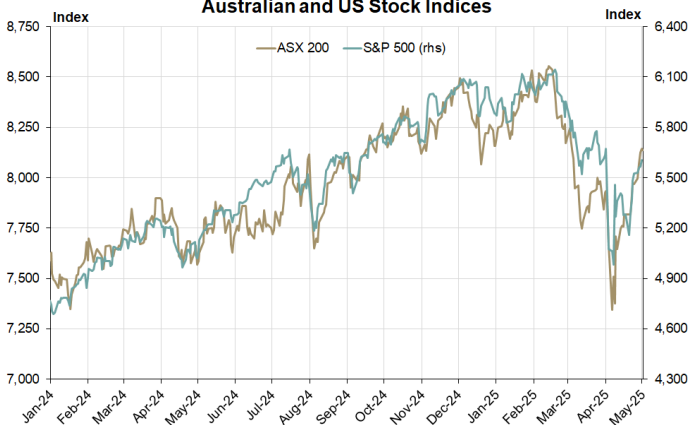
Since the previous edition of *Market WATCH Weekly*, The S&P 500 is up by 4.2%, while the ASX 200 rose by 2.8%. The only sector that did not register a gain on the Aussie share market this week was materials, dragged down by a decline in commodity prices this week.

10-year Government Bond Yields



Source: Bloomberg

Australian and US Stock Indices



Source: Bloomberg

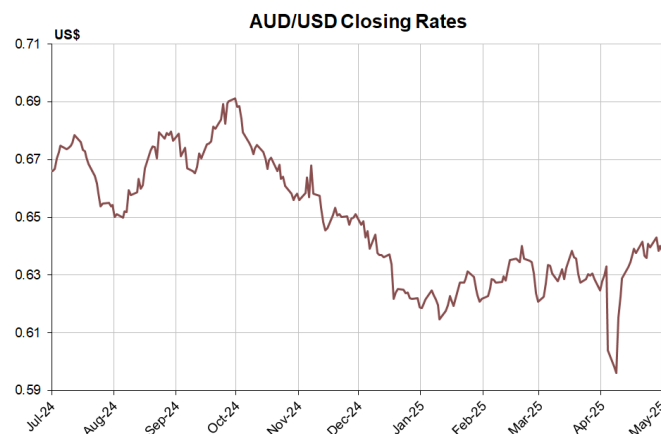
## Currencies

The AUD has gained against all the major currencies and was one of the strongest members of the G10 currency basket over the past week, boosted by improved sentiment on financial markets.

The Aussie peaked at US\$0.6450 on Tuesday, its highest level since December last year, as the US dollar weakened.

However, the AUD/USD exchange rate slipped in the second half of the week, as the US dollar index rebounded to three-week highs. The greenback's rally came, as the White House delivered some tariff relief to US automakers, easing the impact of its high tariffs on imported auto parts.

This was followed by reports the Trump administration is seeking to open trade talks with China, which was a turnaround from the rhetoric of early in the week, when Washington said it was up to Beijing to make contact.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6413	0.6450	0.6356	↑0.9	0.6942	0.5915
AUD/EUR		0.5675	0.5683	0.5590	↑1.2	0.6261	0.4620
AUD/GBP		0.4824	0.4828	0.4755	↑0.7	0.5289	0.4620
AUD/JPY		93.24	93.48	90.59	↑2.7	109.37	86.05
AUD/CNY		4.6629	4.6920	4.6222	↑0.5	4.9340	4.3523
EUR/USD		1.1299	1.1425	1.1266	↓0.3	1.1573	1.0141
GBP/USD		1.3295	1.3444	1.3260	↑0.2	1.3444	1.2100
USD/JPY		145.39	145.92	141.97	↑1.8	161.95	139.58
USD/CNY		7.2714	7.3014	7.2596	↓0.4	7.3511	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6413	0.6420	0.6428	0.6440
AUD/EUR		0.5675	0.5649	0.5624	0.5580
AUD/GBP		0.4824	0.4827	0.4831	0.4841
AUD/JPY		93.24	92.39	91.64	90.34
AUD/NZD		1.0815	1.0796	1.0779	1.0760
AUD/SGD		0.8395	0.8361	0.8329	0.8271

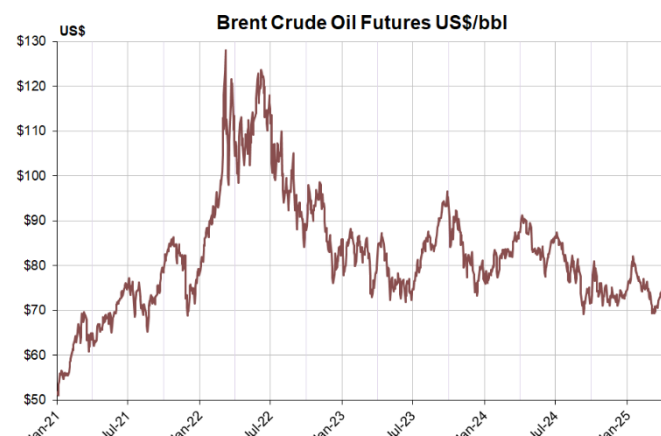
## Commodities

Commodity prices slumped almost across the board this week, with the CRB commodity price index falling to its lowest levels in almost three weeks.

Oil prices have been a major drag, with Brent crude oil falling to four-year lows. Reports that Saudi Arabia will push for faster supply increases at the OPEC+ meeting early next week added to the downward pressure from concerns over depressed demand.

Iron ore futures slumped ahead of the golden week holiday in China on reports Chinese steelmakers are preparing to cut output, while declines in the Chinese manufacturing and construction PMIs also contributed to negative sentiment.

Gold saw a further pull back from last week's record highs, selling off as risk aversion subsided and the greenback strengthened. However, it remains well above US\$3,000 / ounce suggesting traders remain nervous about the outlook.



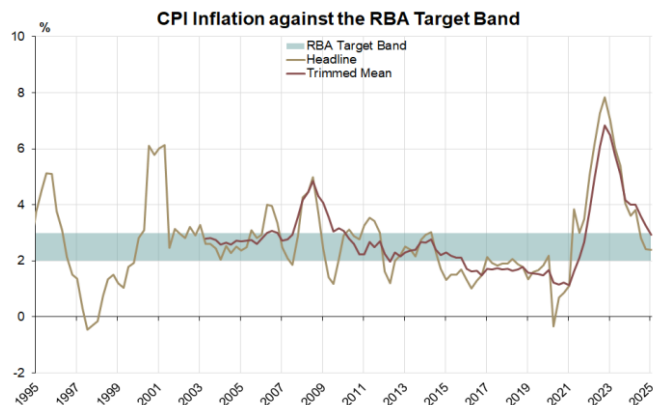
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,239.65	\$3,353.07	\$3,202.04	(↓\$85.42)	\$3,500.10	\$2,277.35
Brent Crude Oil (US\$)	\$62.57	\$67.57	\$59.30	(↓\$3.63)	\$87.95	\$58.40
Mogas95* (US\$)	\$73.93	\$78.32	\$70.96	(↓\$1.82)	\$99.71	\$67.57
WTI Oil (US\$)	\$59.69	\$63.92	\$56.39	(↓\$2.67)	\$84.52	\$55.12
CRB Index	289.49	298.46	288.77	(↓6.13)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$95.45	\$98.80	\$94.70	(↓\$3.55)	\$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.

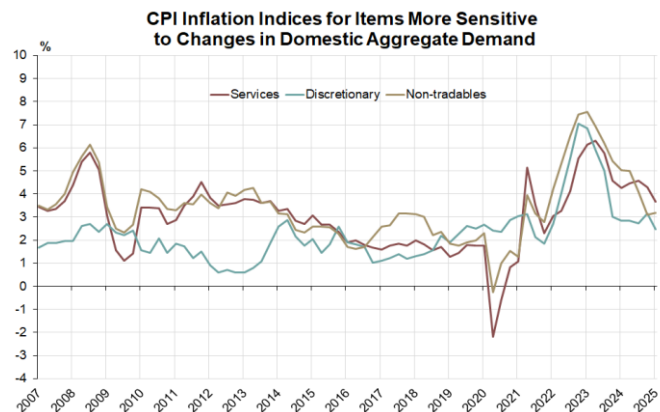
## Domestic Economy

**CPI inflation** is now back in the RBA target band, both in headline and trimmed mean terms.



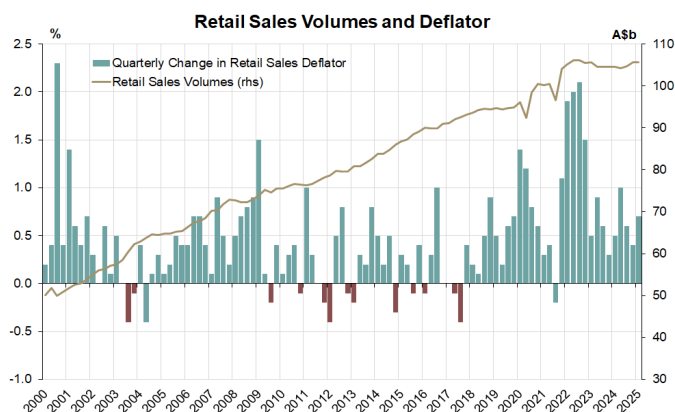
Source: ABS

The **components of inflation dependent on demand** have come off substantially from their 2022 highs.



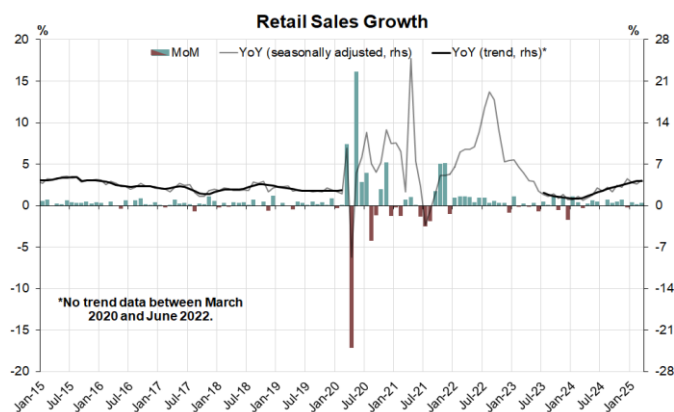
Source: ABS

**Retail sales volumes** stayed high in Q1, despite the end of promotional activity.



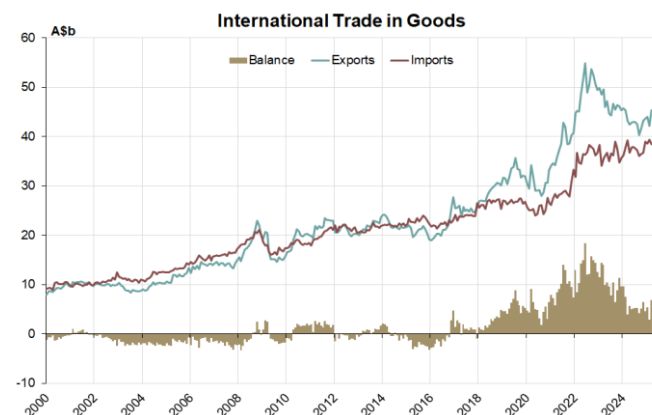
Source: ABS

The rise in food sales volumes and prices helped **nominal retail sales** higher in March.



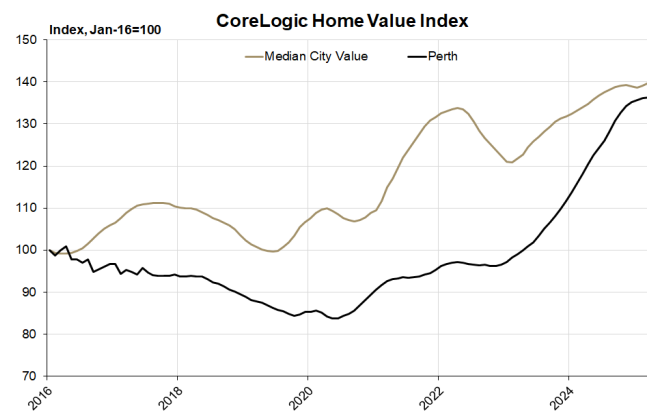
Source: ABS

The **goods trade surplus** surged in March, driven by higher exports and – to a lesser extent – lower imports.



Source: ABS

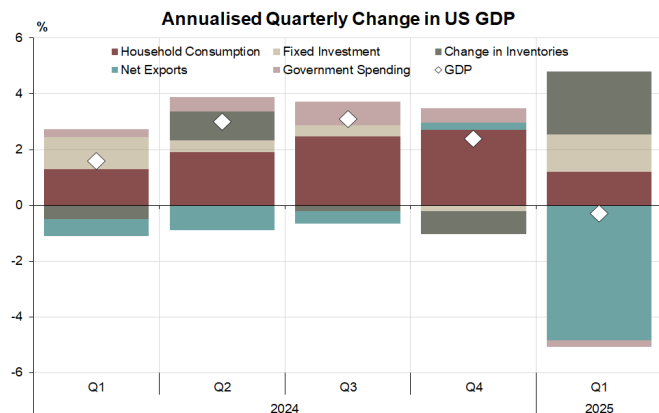
**CoreLogic home prices** continue to climb, with Perth home prices catching up quickly to the national average.



Source: ABS

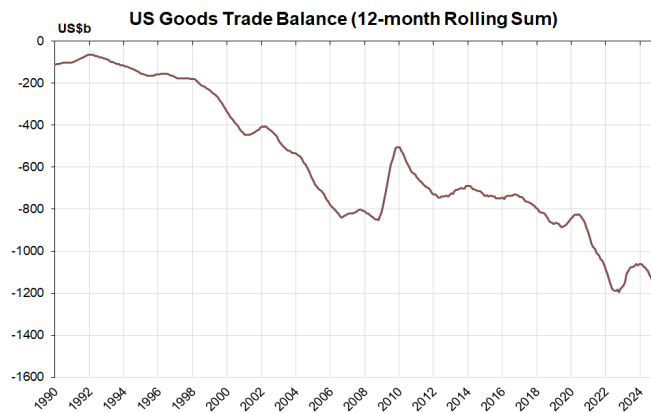
## Global Economy

**US GDP** was virtually flat in Q1, as a surge in imports led to a strong negative contribution from net exports.



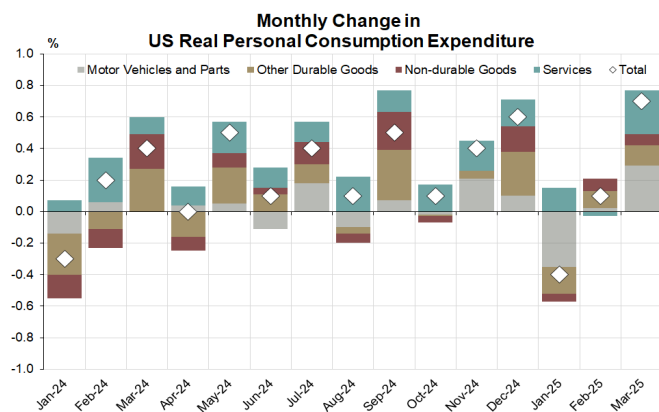
Source: US Bureau of Economic Analysis

The surge in imports ahead of the tariffs has also led to the widest **US goods trade deficit** on record.



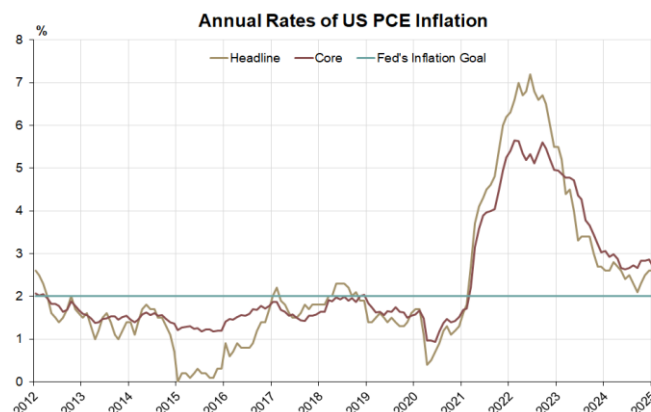
Source: US Bureau of Economic Analysis

**US personal consumption expenditures** benefited from panic buying of cars ahead of the tariffs.



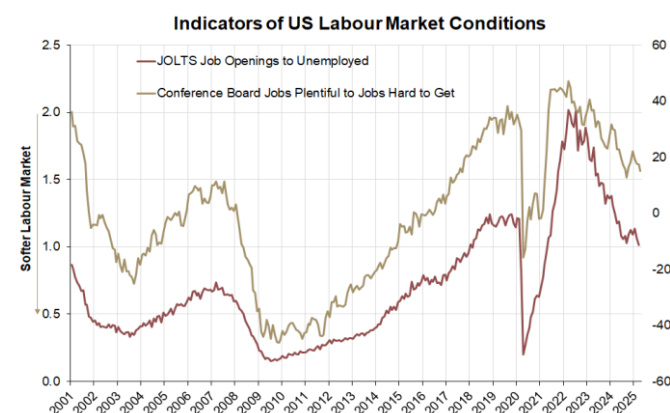
Source: US Bureau of Economic Analysis

The annual rates of **US PCE price inflation** remained somewhat above the Fed's goal in March.



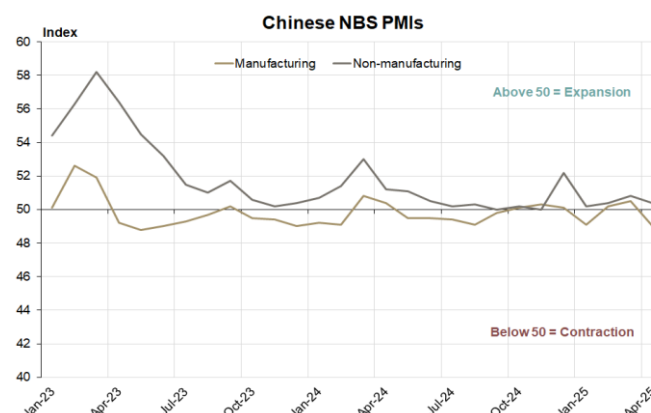
Source: Bloomberg

The **US labour market** is not generating much additional inflation pressure at the moment.



Source: Bloomberg

The official **NBS PMIs** suggested that Chinese manufacturing is now back in contraction.



Source: Bloomberg

## Last Week

Date	Event	Actual	Forecast	Previous	Comment
<b>Mon 28</b>					
	No market-moving data.				
<b>Tue 29</b>					
AU	ANZ Cons. Conf. (w/e 26 Apr)	-2.5%	-	1.5%	Inflation expectations the highest since mid-2024.
US	JOLTS Job Openings (Mar)	7.2m	7.5m	7.5m	Openings broadly equal to the number of unemployed.
US	Conf. Board Cons. Sent. (Apr)	86.0	88.0	93.9	The lowest level since the heights of COVID pandemic.
US	Trade Balance (Mar, adv.)	-\$162b	-\$145b	-\$145b	The widest goods trade deficit on record.
<b>Wed 30</b>					
AU	CPI (QoQ, Q1)	0.9%	0.8%	0.2%	Annual trimmed mean inflation in the RBA target band.
AU	Monthly CPI Indicator (YoY, Mar)	2.4%	2.2%	2.4%	Annual trimmed mean inflation unchanged at 2.7%.
AU	Private Sector Credit (MoM, Mar)	0.5%	0.5%	0.5%	Up by 6.5% YoY, same as in February.
CH	NBS Composite PMI (Apr)	50.2	-	51.4	NBS manufacturing PMI in contraction, at 49.0.
CH	Caixin Manufacturing PMI (Apr)	50.4	49.7	51.2	Export orders resumed to fall, and confidence slipped.
EZ	GDP (QoQ, Q1, flash)	0.4%	0.2%	0.2%	Annual rate of growth unchanged at 1.6%.
US	GDP (QoQ ann., Q1, adv.)	-0.3%	-0.2%	2.4%	Net exports detracted 4.8ppts from growth.
US	Personal Spending (MoM, Mar)	0.7%	0.6%	0.5%	Nearly half of the growth came for car purchases.
US	PCE Price Index (MoM, Mar)	0.0%	0.0%	0.4%	Annualised PCE inflation at 3.6% in Q1.
US	ADP Employment (MoM, Apr)	62k	115k	147k	Job losses in education, health and business services.
<b>Thu 01</b>					
AU	CoreLogic Hse Prices (MoM, Apr)	0.2%	-	0.4%	Perth home prices rose by 0.4% in April.
AU	Export Price Index (QoQ, Q1)	2.1%	-	3.6%	Growth led by prices of iron ore and non-monetary gold.
AU	Import Price Index (QoQ, Q1)	3.3%	-	0.2%	Propped up by depreciation of the Australian dollar.
AU	Goods Trade Balance (Mar)	A\$6.9b	A\$3.2b	A\$2.9b	Driven mainly by higher exports of gold and iron ore.
JP	BoJ Decision (Overnight Rate)	0.50%	0.50%	0.50%	BoJ downgraded growth outlook due to trade tensions.
US	ISM Manufacturing PMI (Apr)	48.7	47.9	49.0	Contraction in new export orders accelerated, imports fell.
US	Initial Jobless Claims (w/e 26 Apr)	241k	223k	223k	Continued claims the highest since November 2021.
<b>Fri 02</b>					
AU	PPI (QoQ, Q1)	0.9%	-	0.8%	Strong contribution from real estate and education.
AU	Retail Trade (MoM, Mar)	0.3%	0.4%	0.2%	Growth led by food and 'other retailing' amid Qld floods.
AU	Retail Sales Volumes (QoQ, Q1)	0.0%	0.3%	0.8%	Follows solid gains in the second half of 2024.
<b>Tonight</b>					
EZ	HICP (YoY, Apr, flash)	-	2.1%	2.2%	Heading back to the ECB's 2% definition of price stability.
US	Non-Farm Payrolls (MoM, Apr)	-	135k	228k	ADP report pointed to the risk of an even smaller gain.
US	Unemployment Rate (Apr)	-	4.2%	4.2%	Roughly in line with the FOMC's longer-run estimate.

## Next Week

Date	Event	Forecast	Previous	Comment
<b>Mon 05</b>				
AU	Melbourne Institute Inflation (MoM, Apr)	-	0.7%	First insights into price formation in April.
AU	ANZ Indeed Job Ads (MoM, Apr)	-	0.4%	Aussie labour market conditions have eased but remain solid.
US	ISM Services PMI (Apr)	50.4	50.8	S&P Global PMIs suggested the slowest expansion in a year.
<b>Tue 06</b>				
AU	Dwelling Approvals (MoM, Mar)	-	-0.3%	Private sector house approvals rose by 1.0% in February.
AU	Household Spending Indicator (MoM, Mar)	-	0.2%	Set to replace the retail trade report in mid-2025.
CH	Caixin Services PMI (Apr)	-	51.9	The official figures pointed to ongoing expansion.
<b>Wed 07</b>				
NZ	Unemployment Rate (Q1)	-	5.1%	Kiwi employment has been mostly in decline for a year.
US	FOMC Decision (IoER)	4.40%	4.40%	Markets still see no need for a cut, at least until mid-2025.
<b>Thu 08</b>				
UK	Bank of England Decision (Bank Rate)	4.25%	4.50%	A 25bps cut more than fully priced in.
<b>Fri 09</b>				
CH	Trade Balance (Apr)	-	US\$103b	First insights into global trade flows after the 2 April tariffs.
US	NY Fed 1Y Inflation Expectations (Apr)	-	3.6%	Have been steadier than their UoM equivalents.