

Highlights this week

- Abroad, US President Donald Trump announced the long-awaited 'reciprocal' tariffs on Thursday morning AWST, igniting a sell-off in the global equity markets and a drop in government bond yields. ISM PMIs suggested that the uncertainty due to tariffs and other measures of the Trump administration is starting to translate into weaker activity and sentiment in the US.
- In Australia, the RBA left the cash rate unchanged on Tuesday, as expected, but remained cautious about monetary policy easing despite intensifying rate cut expectations.
- Meanwhile, Melbourne Institute inflation gauge suggested that consumer price inflation picked up in March, but retail trade and household spending indicator signalled that recovery in private consumption might be running out of steam.

Highlights next week

- The key events next week will be the NAB business report for March and Westpac consumer sentiment for April; both releases are on Tuesday.
- Highlights offshore will be FOMC minutes, US and Chinese inflation data for March as well as the University of Michigan consumer sentiment report for April, which will contain inflation expectations tracked by the Fed. The RBNZ is expected to announce its official rate decision on Wednesday, with another cut expected.

Central Bank Rates (%)			Australian Interest Rates (%)			Major Overseas Interest Rates (%)			Global Equities		Weekly Change
		Weekly Change			Weekly Change			Weekly Change			
Australia	4.10	(0 pt)	O/N Interbank Cash	4.09	(0 pt)	USD 3-month	4.85	(0 pt)	ASX200	7668	(↓326 pt)
US (IOR)	4.40	(0 pt)	90-day Bills	4.11	(↓2 pt)	2-yr T-Notes	3.62	(↓37 pt)	S&P500	5397	(↓297 pt)
Eurozone (Deposit)	2.50	(0 pt)	3-yr T-Bond	3.42	(↓35 pt)	10-yr T-Notes	3.97	(↓38 pt)	DJIA	40546	(↓1754 pt)
UK	4.50	(0 pt)	10-yr T-Bond	4.21	(↓26 pt)	Jap 10-yr	1.19	(↓39 pt)	Nikkei	33460	(↓3560 pt)
Japan (Target)	0.50	(0 pt)	3-yr WATC Bond	3.60	(↓23 pt)	UK 10-yr	4.52	(↓26 pt)	CSI300	3862	(↓71 pt)
China (1Y LPR)	3.10	(0 pt)	10-yr WATC Bond	5.18	(↑19 pt)	Ger 10-yr	2.65	(↓12 pt)	Stoxx600	523	(↓23 pt)

Financial Markets

On Thursday morning AWST, US President Donald Trump has unveiled a set of 'reciprocal' tariffs this morning, imposing a 'baseline' 10% universal rate on all countries, including Australia, and additional punitive tariffs on around 60 countries.

Interest Rates

The announcement of 'reciprocal' tariffs led to an increase in risk aversion, rise in recession concerns and intensification in rate cut expectations, which was reflected in a decline in government bond yields across the advanced economies.

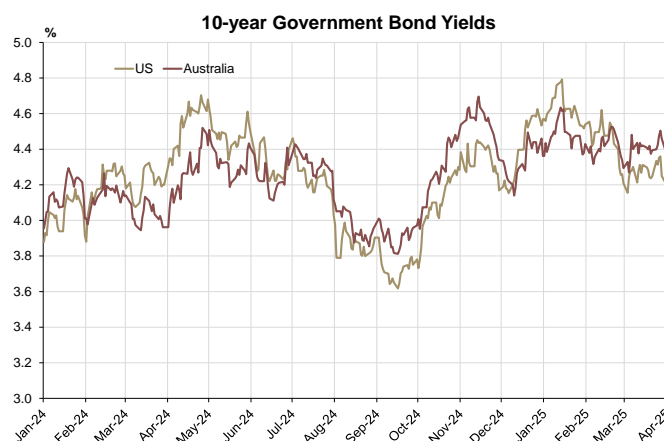
US 10-year Treasury yields are the lowest since October 2024, while 10-year Commonwealth bond yields hit a 2025 low. The FOMC is now expected to deliver the next cut as early as in June, with a total of 2025 cuts at 103bps. The next 25bps RBA rate cut is fully priced in for May, with the scale of further cut expectations similar to that in the US.

The RBA Monetary Policy Board held its inaugural meeting just before the tariff announcement, keeping the cash rate target unchanged at 4.10% as expected. RBA Governor Michele Bullock said that they were more cautious about rate cuts than the market at the time, but it is unclear if they have changed their view since.

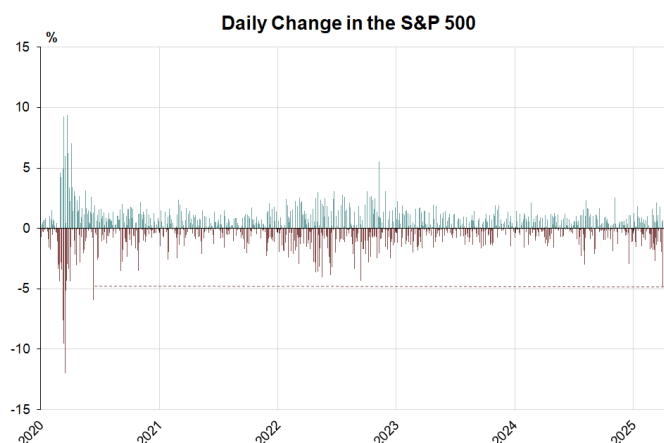
Equities

Equity markets reacted to the 'reciprocal' tariff announcement with the strongest sell-off since the height of the COVID-19 pandemic. The S&P 500 lost 4.8% on Thursday night, the most since June 2020, and is 5.2% down over the past five trading days. However, the heaviest losses were recorded in the Asia-Pacific region, particularly in Japan, where Nikkei is down by 9.6% compared to the same time last Friday.

Australia was subject to only the baseline 10% tariff rate. This, along with little direct exposure to the US, limits concerns over the impact of the tariff measures in their current shape. As a result, the decline on the ASX 200 was somewhat smaller compared to some Asian counterparts, but still substantial (-4.1% since the previous *Market Watch Weekly*).



Source: Bloomberg



Source: Bloomberg

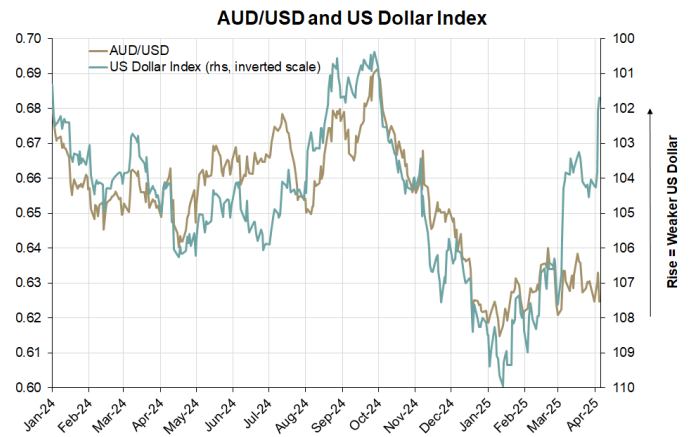
Currencies

The impact of 'reciprocal' tariffs did not spare foreign exchange markets.

Despite a rise in global risk aversion, the US dollar depreciated sharply after the tariff announcement, dragged down by intensification of fed funds rate expectations and, potentially, also due to concerns about the future of the USD's reserve and safe-haven currency status.

The Australian dollar was by far the weakest G10 currency this week, being hit by concerns about the prospects of global trade. The AUD depreciated by 1.0% even against the weak greenback. The scale of the AUD's depreciation was particularly sharp against the safe-haven Japanese yen, which was the strongest G10 currency for the week. The other safe-haven currency, the Swiss franc, was the second strongest.

The CNY is also down versus the USD for the week.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6233	0.6389	0.6219	↓1	0.6942	0.6088
AUD/EUR		0.5623	0.5844	0.5619	↓3.6	0.6261	0.4757
AUD/GBP		0.4759	0.4883	0.4757	↓2.1	0.5289	0.4757
AUD/JPY		90.68	95.31	90.57	↓4.5	109.37	90.15
AUD/CNY		4.5392	4.6539	4.5128	↓0.8	4.9340	4.4109
EUR/USD		1.1086	1.1144	1.0778	↑2.7	1.1214	1.0141
GBP/USD		1.3097	1.3207	1.2880	↑1.2	1.3434	1.2100
USD/JPY		145.48	150.49	145.20	↓3.6	161.95	139.58
USD/CNY		7.2818	7.3047	7.2473	↑0.3	7.3328	7.0063
Forward Rates		Spot	3M	6M	12M		
AUD/USD		0.6233	0.6238	0.6243	0.6250		
AUD/EUR		0.5623	0.5599	0.5576	0.5534		
AUD/GBP		0.4759	0.4763	0.4769	0.4784		
AUD/JPY		90.68	89.83	89.08	87.73		
AUD/NZD		1.0906	1.0888	1.0874	1.0854		
AUD/SGD		0.8305	0.8273	0.8243	0.8188		

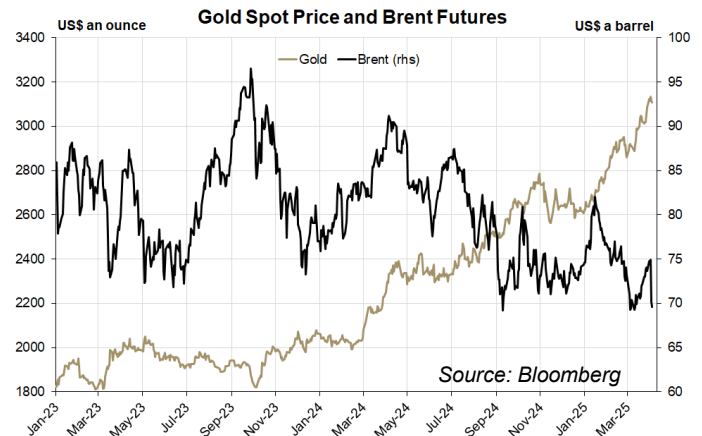
Commodities

The rise in risk aversion after the 'reciprocal' tariff announcement pushed the gold price to a fresh record high this week.

At the same time, concerns over the global economic outlook were weighing on industrial commodity prices.

Oil prices saw the strongest growth of all, additionally hit by an unexpected decision of eight OPEC+ countries to deliver a larger oil supply hike in May. This move is intended to punish the OPEC members producing more oil than agreed, particularly Russia, Kazakhstan, and Iraq. At the time of writing, Brent futures are down by 6.4% for the week and at a nearly one-month low.

Iron ore futures also declined this week, but remain slightly above US\$100 a tonne, as Chinese economic data pointed to faster, albeit still sluggish expansion.



Source: Bloomberg

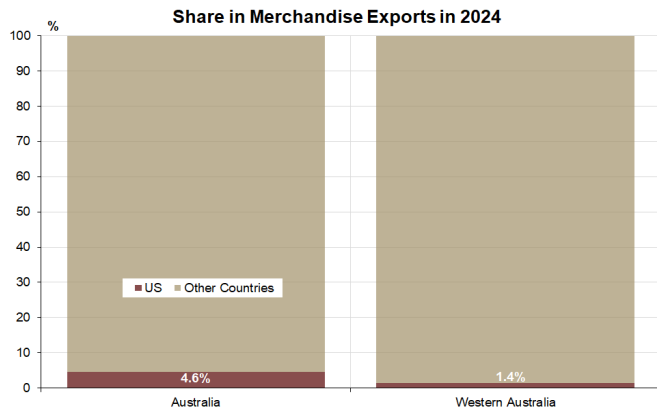
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,100.17	\$3,167.84	\$3,054.27	(↑\$34.82)	\$3,167.84	\$2,267.87
Brent Crude Oil (US\$)	\$69.42	\$75.47	\$69.41	(↓\$4.71)	\$92.18	\$68.33
Mogas95* (US\$)	\$78.97	\$87.65	\$78.51	(↓\$5.13)	\$109.19	\$76.37
WTI Oil (US\$)	\$66.22	\$72.28	\$65.98	(↓\$3.8)	\$87.67	\$65.22
CRB Index	303.55	313.56	303.55	(↓3.5)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$101.25	\$103.25	\$100.45	(↓\$1.9)	\$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.

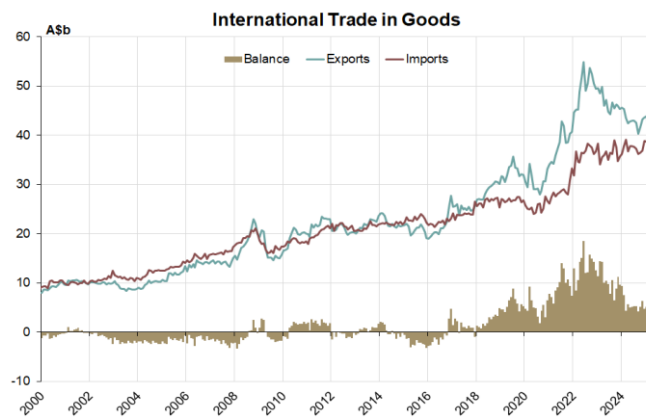
Domestic Economy

The **direct impact of the 10% tariff on Australia** will be limited, also thanks to limited trade exposure.



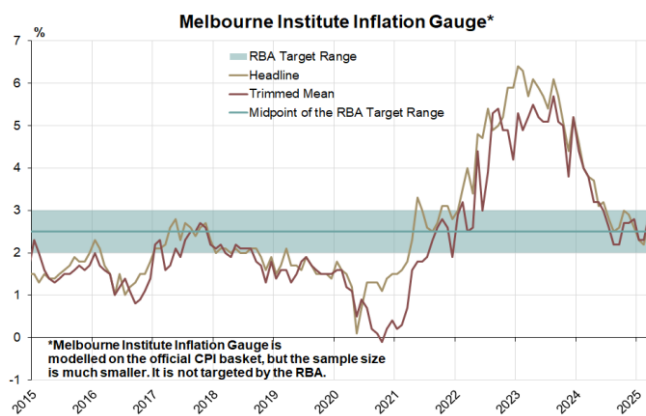
Source: ABS

Meanwhile, Australian **goods trade surplus** narrowed in February...



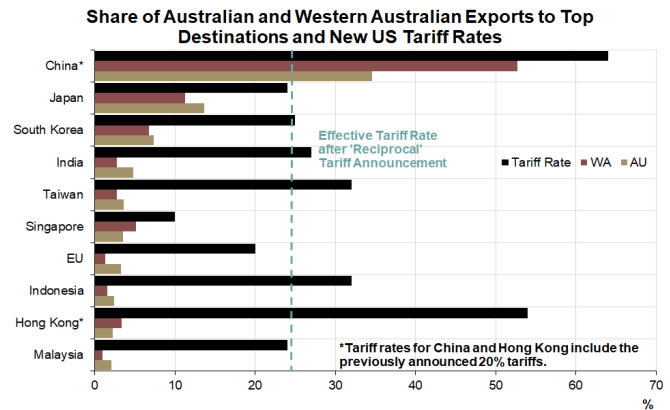
Source: ABS

From domestic data, Melbourne Institute gauge suggests **CPI inflation** rose a little in March...



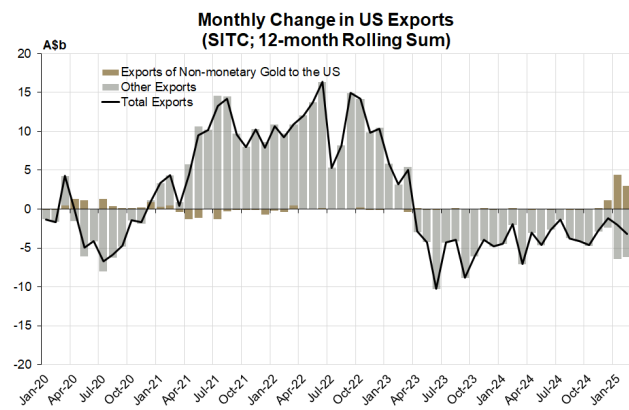
Source: Bloomberg

Some, but not all, of the **major trading partners of Australia and WA** were hit with above-average tariffs.



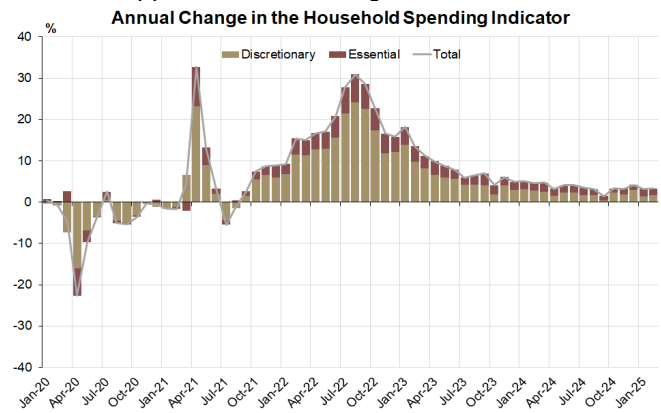
Source: ABS / White House

... as **exports of non-monetary gold to the US** dropped, but remained elevated.



Source: ABS

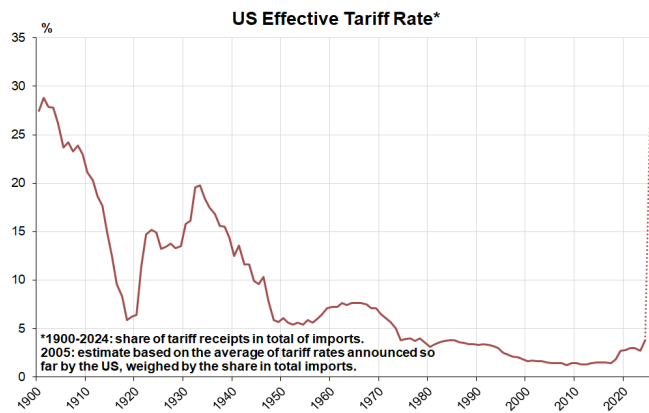
... while the slight recovery in **household spending** in late 2024 appears to be running out of steam.



Source: ABS

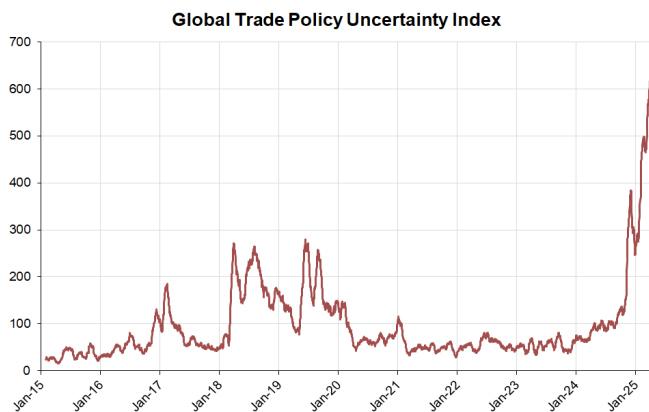
Global Economy

Following the announcement of 'reciprocal' tariffs, the **effective tariff rate** could be the highest in a century.



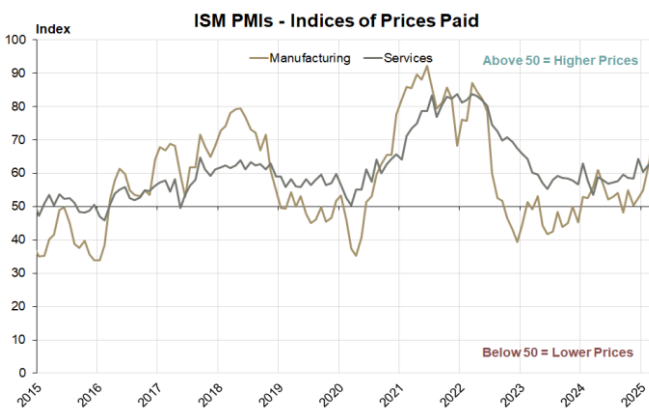
Source: AFR / US Census / White House

Global trade policy uncertainty is still on the rise, as countermeasures cannot be ruled out.



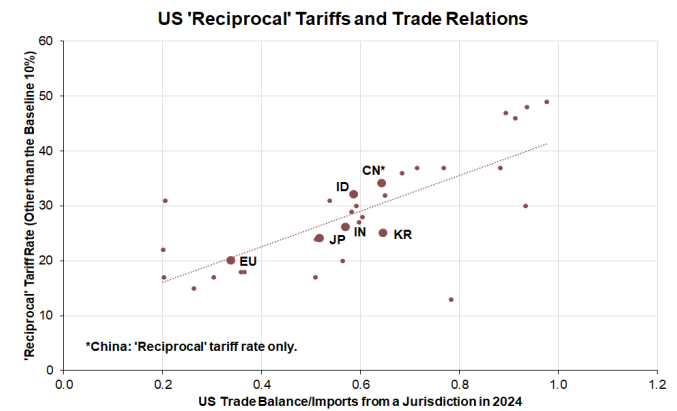
Source: Global Trade Uncertainty

ISM PMI reports also pointed to the strongest **price pressures** in US manufacturing since 2022.



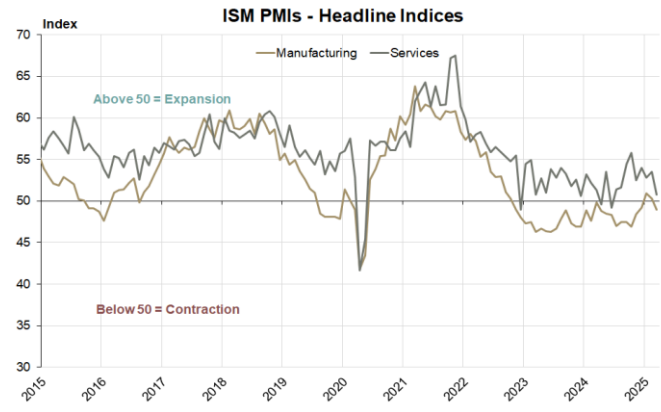
Source: Bloomberg

The highest tariffs were introduced for the jurisdictions with the largest **trade imbalances** with the US.



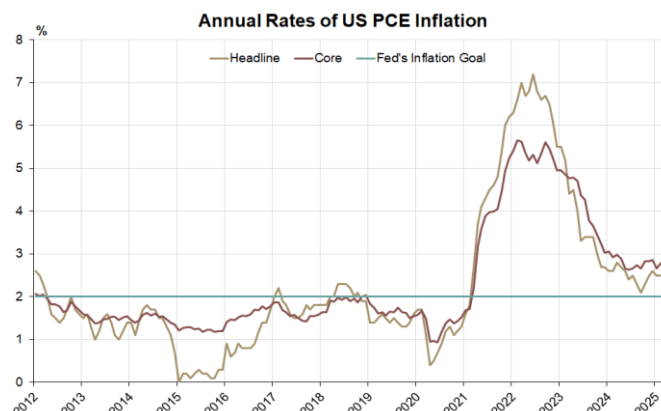
Source: US Census / White House

The prospect of tariffs saw **US ISM PMIs** retreat in March, with manufacturing back in contraction.



Source: Bloomberg

US PCE inflation was hovering above the Fed's goal even before any impacts of tariffs set in.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 31					
AU	Private Sector Credit (MoM, Feb)	0.5%	0.5%	0.0%	Annual rate unchanged at 6.2%.
AU	MI Inflation Gauge (MoM, Mar)	2.8%	-	2.2%	Annual trimmed mean rose by 0.6 ppts to 2.9% in March.
CH	NBS Composite PMI (Mar)	51.4	-	51.1	Decline in new export orders the slowest in 8 months.
Tue 01					
AU	RBA Decision (Cash Rate Target)	4.10%	4.10%	4.10%	RBA remains cautious.
AU	RBA Governor M. Bullock Speaks	-	-	-	A rate cut was not even discussed at the meeting.
AU	Retail Trade (MoM, Feb)	0.2%	0.3%	0.3%	Gains recorded mostly in essential categories.
AU	CoreLogic Home Pce (MoM, Mar)	0.4%	-	0.3%	Perth home prices rose by 0.2% in March.
AU	ANZ Cons. Conf. (w/e 29 Mar)	0.4%	-	1.3%	Inflation expectations down 0.2 ppts to 0.4%.
CH	Caixin Manufacturing PMI (Mar)	51.2	50.6	50.3	New export orders rose most in around a year.
EZ	HICP (YoY, Mar)	2.2%	2.2%	2.3%	Core inflation saw an unexpected decline to 2.4%.
US	ISM Manufacturing PMI (Mar)	49.0	49.5	50.3	Some consumers already pulling in orders due to tariffs.
US	JOLTS Job Openings (Feb)	7.6m	7.7m	7.8m	Layoffs picked up in February.
Wed 02					
AU	Dwelling Approvals (MoM, Feb)	-0.3%	-1.3%	6.9%	Still insufficient, even for slower growth in population.
US	ADP Employment (MoM, Mar)	155k	120k	84k	Manufacturing jobs were again the best performer.
Thu 03					
AU	Goods Trade Balance (Feb)	A\$3.0b	A\$5.4b	A\$6.9b	Exports of non-monetary gold to the US fell, but are high.
AU	Job Vacancies (QoQ, Q1)	-4.5%	-	5.2%	Still less than two unemployed people per vacancy.
CH	Caixin Services PMI (Mar)	51.9	51.5	51.4	Composite PMI picked up 0.3 ppts to a sluggish 51.8.
US	ISM Services PMI (Mar)	50.8	52.9	53.5	Respondents feeling the brunt of tariffs and spend cuts.
US	Initial Jobless Claims (w/e)	219k	225k	225k	Continued claims rose above 1.9m in w/e 22 March.
Fri 04					
AU	Household Spending (MoM, Feb)	0.2%	0.3%	0.5%	Customers have reduced essential spending on health.
Tonight					
US	Non-farm Payrolls (MoM, Mar)	-	140k	151k	US employment growth is slowing, but...
US	Unemployment Rate (Mar)	-	4.1%	4.1%	... unemployment is below the FOMC long-run estimate.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 07				
AU	ANZ Job Ads (MoM, Mar)	-	-1.4%	Has been pointing to softening in labour market conditions.
Tue 08				
AU	NAB Business Conditions (Mar)	-	4	Remains below its long-run average.
AU	NAB Business Confidence (Mar)	-	-1	Judo Bank PMI report suggested further deterioration.
AU	Westpac Consumer Sent. (MoM, Apr)	-	4.0%	Weekly figures point to a decline.
Wed 09				
NZ	RBNZ Decision (Official Cash Rate)	3.50%	3.75%	Official cash rate expected to drop below 3.00% in this cycle.
US	FOMC Minutes	-	-	Balance of risks changing to higher inflation and less jobs.
Thu 10				
AU	MI Consumer Inflation Expectations (Apr)	-	3.6%	Have come off substantially from their 2022 highs.
CH	CPI (YoY, Mar)	0.1%	-0.7%	PMI reports suggested ongoing deflation.
CH	PPI (YoY, Mar)	-2.3%	-2.2%	Deflation in Chinese producer prices lowers global inflation.
US	CPI (MoM, Mar)	0.1%	0.2%	Annual rate expected to slow 0.2 ppts to 2.6%.
Fri 11				
US	PPI (MoM, Mar)	0.2%	0.0%	ISM PMI reports point to a risk of acceleration.
US	UMich Consumer Sentiment (Apr, prel.)	55	57	Consumers less confident, inflation expectations up.