

Highlights this week

- In Australia, the RBA increased the cash rate by 25bps to the previous cycle high of 4.35%, as expected, with further decisions remaining data- and event-dependent. The RBA has revised its near-term inflation projection upwards, but continues to expect a return to the mid-point of the target range over the medium term, subject to one more rate hike and the US-Iran conflict being resolved quickly.
- From other events, the Melbourne Institute gauge suggested a stabilisation of headline inflation at an elevated level, after the fuel excise cut in April. The household spending report for March pointed to resilience of private consumption to the energy cost crisis. The goods trade balance turned negative in March for the first time since 2017, dragged down by higher imports of petrol and ADP equipment. The Western Australian 2026-27 Budget confirmed the solid fiscal position of the State.
- Abroad, the US services PMI confirmed ongoing expansion in April, though with ongoing supply chain disruptions and cost price pressures. In China, the RatingDog services PMI also suggested solid expansion in smaller private companies.

Highlights next week

- The key domestic events next week will be NAB business report for April and Westpac consumer sentiment for May on Tuesday, Q1 wage price index on Wednesday and Melbourne Institute inflation expectations for May on Thursday.
- The highlights offshore include US and Chinese inflation figures as well as US retail sales and industrial production. Chinese trade figures for April will be released over the weekend.

Central Bank Rates (%)	Weekly Change	Australian Interest Rates (%)	Weekly Change	Major Overseas Interest Rates (%)	Weekly Change	Global Equities	Weekly Change				
Australia	4.35	(↑25 pt)	O/N Interbank Cash	4.35	(↑25 pt)	USD 3-month	3.57	(↓1 pt)	ASX200	8737	(↓17 pt)
US (IOR)	3.65	(0 pt)	90-day Bills	4.44	(↑6 pt)	2-yr T-Notes	3.91	(↑3 pt)	S&P500	7337	(↑128 pt)
Eurozone (Deposit)	2.00	(0 pt)	3-yr T-Bond	4.65	(↓5 pt)	10-yr T-Notes	4.39	(0 pt)	DJIA	49597	(↓55 pt)
UK	3.75	(0 pt)	10-yr T-Bond	4.98	(↓3 pt)	Jap 10-yr	2.49	(↓4 pt)	Nikkei	62291	(↑2615 pt)
Japan (Target)	0.75	(0 pt)	3-yr WATC Bond	4.82	(↓4 pt)	UK 10-yr	4.95	(↓6 pt)	CSI300	4880	(↑73 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	5.39	(↓4 pt)	Ger 10-yr	3.00	(↓4 pt)	Stoxx600	616	(↑5 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets

Interest Rates

As expected, the RBA increased the cash rate by 25bps to 4.35% on Tuesday. The decision, which was in line with the market expectations, took the cash rate back to the peak of the previous tightening cycle. It was made by an 8-1 majority, with one voter preferring to keep the cash rate unchanged at 4.10%.

The updated economic projections included in the May Statement on Monetary Policy pointed to headline and core inflation peaking in mid-2026, but declining to the mid-point of the 2-3% target range in 2027. The projections assume a quick resolution of the US-Iran conflict and the cash rate rising to 4.65% in 2026 (based on market pricing).

Governor Michele Bullock hinted that, following three rate hikes over the past months, the RBA now has space to focus on both sides of its mandate during the current energy crisis.

Government bond yields declined this week, reflecting hopes for an end to the US-Iran war in the early days of the week.

Equities

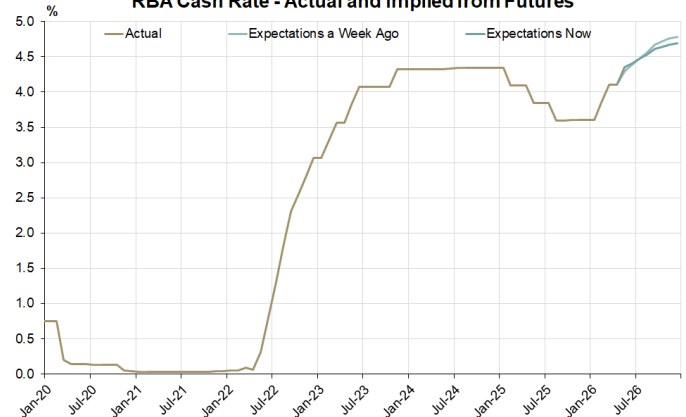
US equities continued to rise, with the S&P 500 and Nasdaq hitting fresh record highs, before edging down overnight. The gains were again led by tech shares, while the energy index was unsurprisingly the weakest, dragged down by falling oil prices.

Markets rose strongly across most of the Asia-Pacific region. There were strong gains in China and Japan, but these paled in comparison to an over-10% gain in the South Korean benchmark amid a surge in semiconductor stocks.

The Aussie market continued to underperform, giving up its earlier gains this morning as US-Iran clashes threatened ceasefire talks.

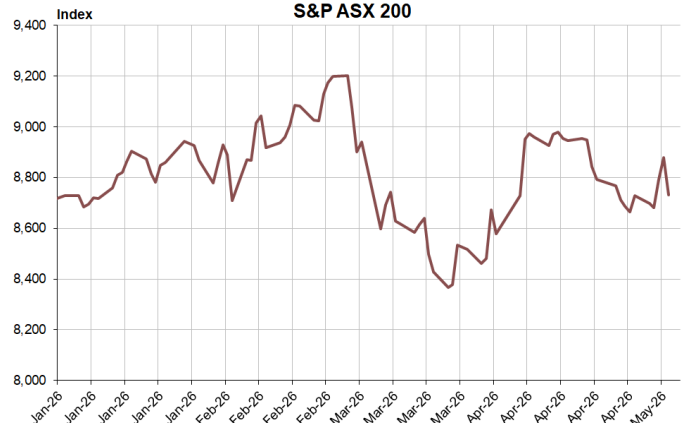
Gains in miners, info tech and industrials were offset by losses elsewhere, led by energy.

RBA Cash Rate - Actual and Implied from Futures



Source: Bloomberg

S&P ASX 200



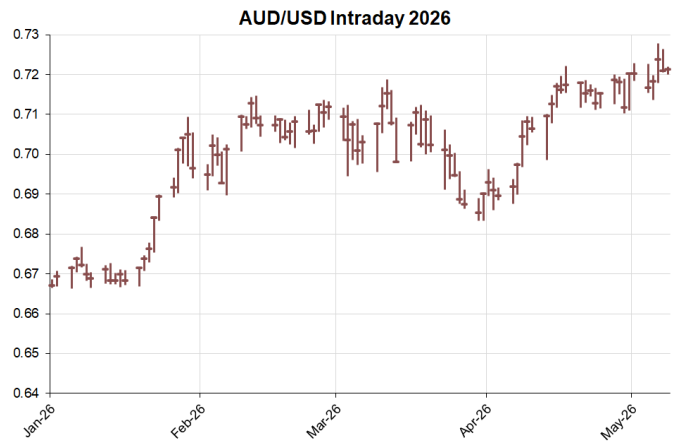
Source: Bloomberg

Currencies

The Australian dollar has managed to appreciate against most major currencies since last Friday, to be one of the strongest G10 currencies this week, though with a lot of volatility on the way.

Signs of some diplomatic progress to resolve the US-Iran war supported the AUD at the turn of the week, but there was a major turnaround on Tuesday when US attempts to guide vessels through the Strait of Hormuz backfired and the RBA's communication around the cash rate hike turned out less hawkish than feared. Hopes for an end to the US-Iran conflict supported the AUD towards the end of the week.

Overall, the Aussie dollar appreciated by 0.2% against the greenback and euro, and by 0.5% versus the British pound this week. However, it was flat against the JPY, which was supported by probable foreign exchange market intervention from the Japanese authorities.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.7212	0.7278	0.7136	↑0.2	0.7278	0.6357
AUD/EUR		0.6148	0.6179	0.6108	↑0.2	0.6199	0.4754
AUD/GBP		0.5319	0.5336	0.5277	↑0.5	0.5349	0.4754
AUD/JPY		113.17	114.32	112.20	↓0	114.72	91.65
AUD/CNY		4.9073	4.9567	4.8725	↓0.2	4.9567	4.5602
EUR/USD		1.1730	1.1797	1.1677	↓0	1.2081	1.1065
GBP/USD		1.3558	1.3643	1.3512	↓0.3	1.3868	1.3010
USD/JPY		156.92	157.94	155.04	↓0.2	160.72	142.12
USD/CNY		6.8049	6.8427	6.8008	↓0.3	7.2521	6.8008

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.7212	0.7198	0.7181	0.7144
AUD/EUR		0.6148	0.6112	0.6078	0.6012
AUD/GBP		0.5319	0.5311	0.5304	0.5292
AUD/JPY		113.17	112.10	111.03	108.94
AUD/NZD		1.2147	1.2090	1.2036	1.1952
AUD/SGD		0.9151	0.9077	0.8998	0.8847

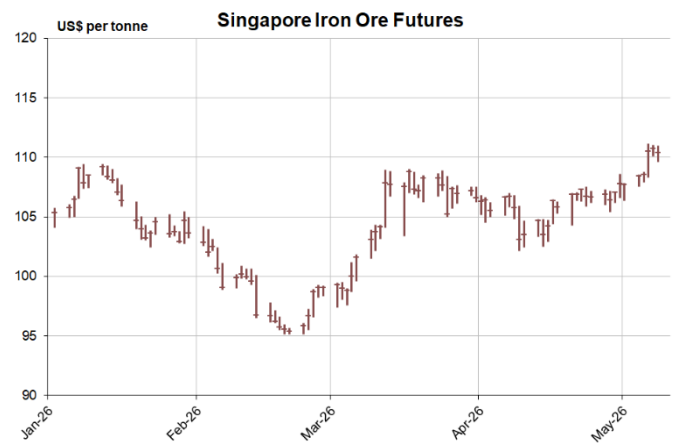
Commodities

Oil prices fell this week amid rising hopes for a US-Iran peace deal that would reopen the Strait of Hormuz to commercial shipping and end the US naval blockade on Iran.

However, the path lower was interrupted midweek by news of an Iranian strike on facilities in the United Arab Emirates and again overnight by news of fresh clashes between the US and Iran.

Iron ore futures prices climbed to the highest levels since October 2024, with prices jumping sharply on Wednesday as Chinese traders returned from the five-day Labour Day holiday. Prices were also buoyed by a positive demand outlook from Brazilian mining giant Vale.

The benchmark China spodumene (lithium ore) price rose to the highest level since 2023 amid reported strong demand for energy storage. The increased demand for larger batteries has offset lower electric vehicle sales in China.



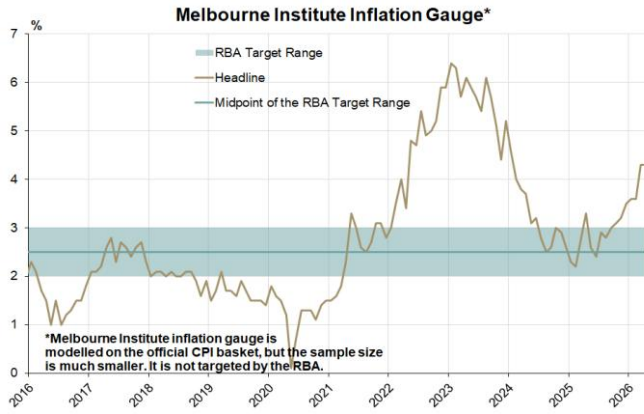
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,722.27	\$4,764.85	\$4,501.07	(↑\$101.97)	\$5,595.47	\$3,120.98
Brent Crude Oil (US\$)	\$101.38	\$115.30	\$96.03	(↓\$10.55)	\$126.41	\$58.72
Mogas95* (US\$)	\$122.70	\$133.13	\$117.26	(↓\$8.33)	\$150.55	\$68.52
WTI Oil (US\$)	\$95.76	\$107.46	\$88.66	(↓\$10.3)	\$119.48	\$54.98
CRB Index	387.72	401.06	387.72	(↓7.39)	401.06	290.43
Iron Ore Price 62% Fe (US\$)**	\$110.45	\$111.15	\$107.50	(↑\$2.75)	\$111.15	\$92.00

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.
 ** The Iron Ore Price is the SGX 61% Fe iron ore futures 2nd contract.

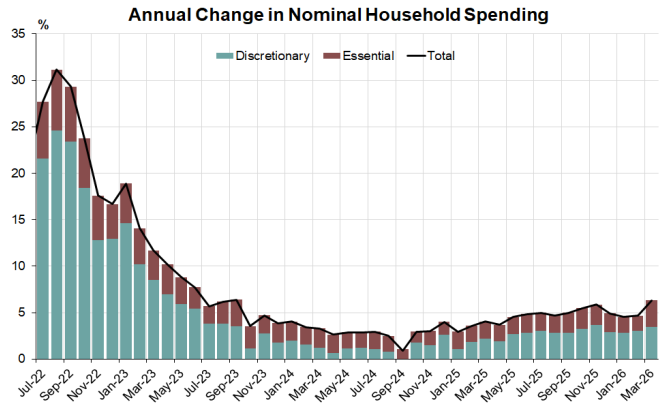
Domestic Economy

Melbourne Institute inflation gauge suggested that headline inflation stabilised after the fuel excise cut...



Source: Bloomberg

... while **household spending indicator** pointed to resilience of private consumption to the energy crisis.



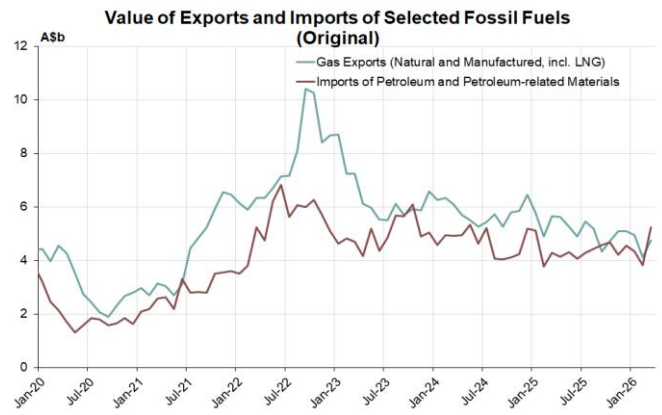
Source: ABS

Meanwhile, **goods trade balance** turned negative in March for the first time since 2017...



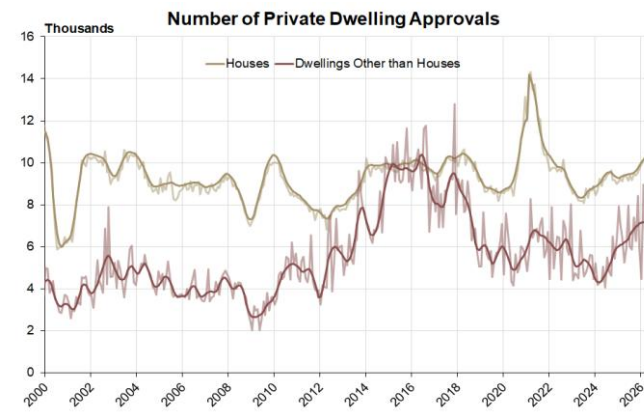
Source: ABS

... with **LNG exports and fuel imports** picking up, but remaining well below their 2022 levels.



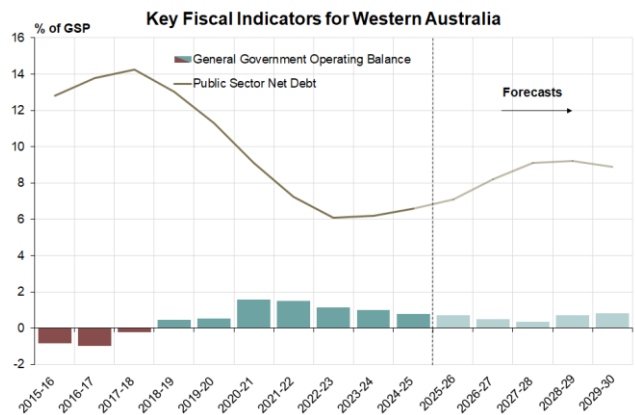
Source: ABS

Dwelling consents retreated in March, dragged down by a setback in apartment approvals.



Source: ABS

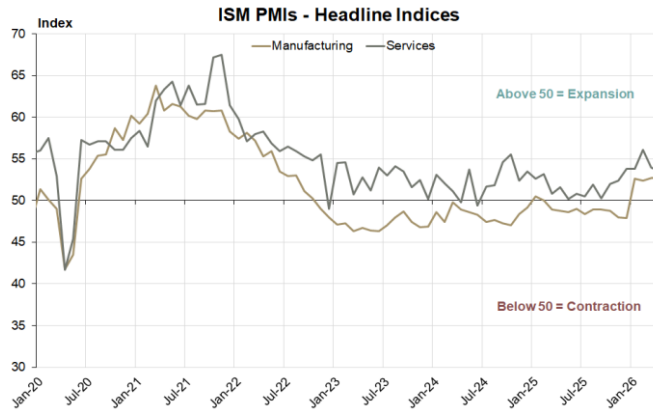
Western Australian 2026-27 Budget confirmed strong actual and expected fiscal position of the State.



Source: WA Department of Treasury and Finance

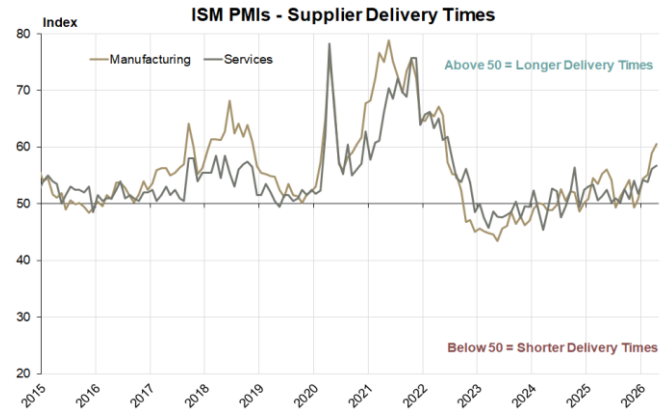
Global Economy

The **US ISM PMI** reports pointed to ongoing and quite solid expansion in both services and manufacturing...



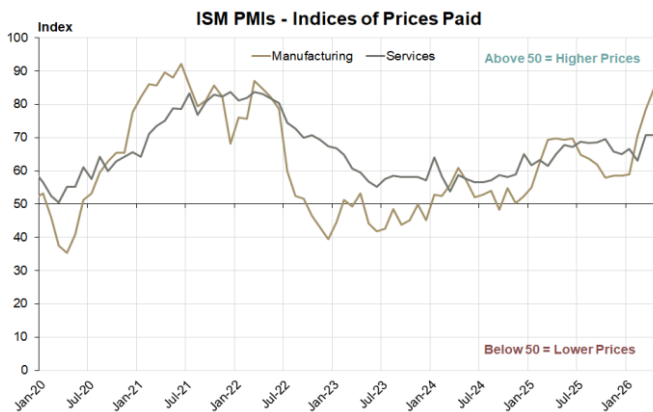
Source: Bloomberg

... though **supply disruptions** from the US-Iran war have translated into longer delivery times...



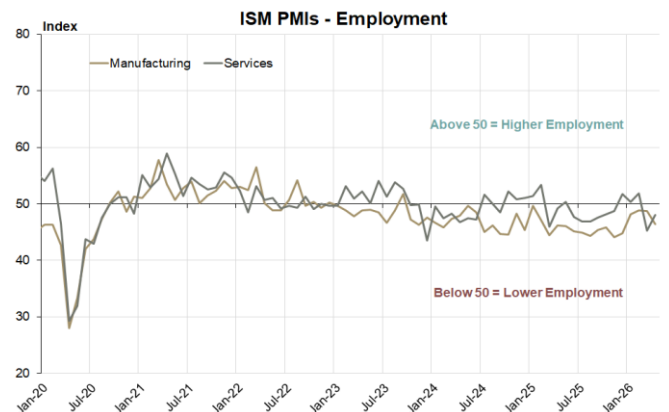
Source: Bloomberg

... as well as the fastest **prices paid growth** in over three years.



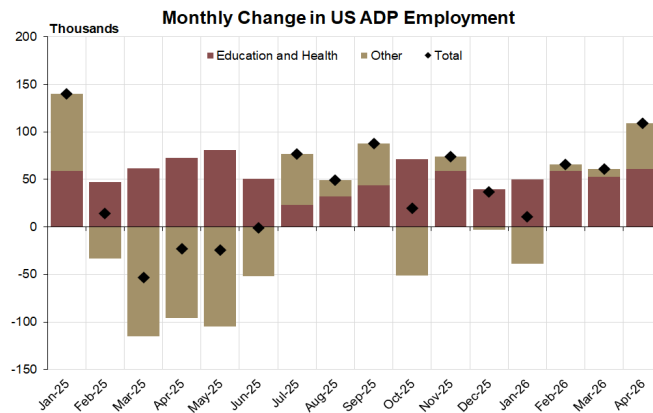
Source: Bloomberg

Meanwhile, the **ISM employment subindexes** have consistently remained in contraction...



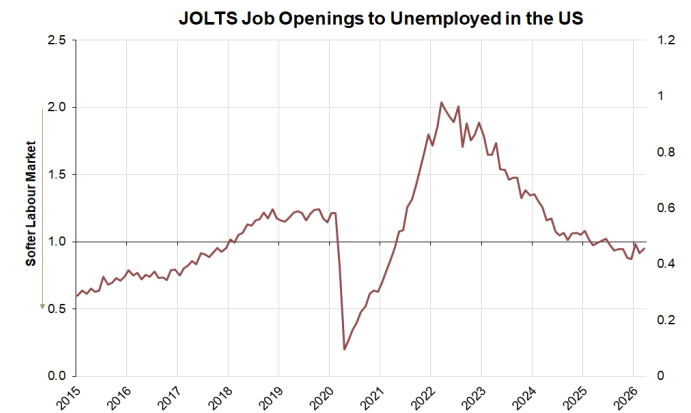
Source: Bloomberg

... which contrasts with the ADP report, which points to ongoing growth in **US private sector employment**...



Source: Bloomberg

JOLTS job openings report suggests the **US labour market** is on the soft side, but close to balance.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 04					
AU	Dwelling Approvals (MoM, Mar)	-10.5%	-10.0%	31.0%	Headline driven by a big fall in multi-dwellings.
AU	MI Inflation Gauge (YoY, Apr)	4.3%	-	4.3%	Points to stabilisation in inflation after the fuel excise cut.
AU	ANZ Job Ads (MoM, Apr)	-0.8%	-	-3.2%	Down 1.4% YoY, but 12.5% higher than before COVID hit.
Tue 05					
AU	RBA Decision (Cash Rate Target)	4.35%	4.35%	4.10%	One more hike fully priced in for this cycle.
AU	RBA SoMP (May)	-	-	-	Inflation expected to come back to 2.5% in 2027.
AU	RBA Governor M. Bullock Speaks	-	-	-	M. Bullock sounded restraint about further tightening.
AU	Household Spending (MoM, Mar)	1.6%	1.8%	0.3%	Spending volumes up by a moderate 0.7% in Q1.
AU	ANZ Cons. Conf. (w/e 2 May)	67.2	-	67.8	ANZ inflation expectations ticked up to 6.7%.
US	ISM Services PMI (Apr)	53.6	53.7	54.0	Cost pressures and supply disruptions remain acute.
US	JOLTS Job Openings (Mar)	6.9m	6.9m	6.9m	Slightly below the number of officially unemployed.
Wed 06					
AU	Living Cost Indices (Q1)	-	-	-	Pensioners and gov. transfer recipients led the increase.
CH	RatingDog Services PMI (Apr)	52.6	52.0	52.1	RatingDog composite PMI rose by 1.6pts to 53.1.
US	ADP Employment (MoM, Apr)	109k	120k	61k	Over half of the gain was from education and healthcare.
Thu 07					
AU	WA State Budget (2026-27)	-	-	-	Net debt to be below 10% of GSP until at least 2029-30.
AU	Goods Trade Balance (MoM, Mar)	-\$1.8b	A\$4.4b	A\$5.0b	Imports up 14.1%, driven by petrol and ADP equipment.
NO	Norges Bank (Policy Rate)	4.25%	4.00%	4.00%	The other central bank that hiked rates this week.
US	Initial Jobless Claims (w/e 2 May)	200k	205k	189k	Continued claims the lowest since early 2024.
Tonight					
US	Non-farm Payrolls (MoM, Apr)	-	65k	178k	The strong increase followed a large fall in February.
US	Unemployment Rate (Apr)	-	4.3%	4.3%	Fed's longer-run estimate is 4.2%.
US	UoM Cons. Sentiment (May, prel.)	-	49.5	49.8	Less reliable since the switch to the online survey.
US	NY Fed 1Y Inflation Exp. (Apr)	-	3.5%	3.4%	The survey that the Fed focuses on.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 11				
CH	CPI (YoY, Apr)	0.8%	1.0%	Core CPI inflation declined 0.7ppts to 1.1% in March.
CH	PPI (YoY, Apr)	1.8%	0.5%	Emerged from an over three-year deflation in March.
Tue 12				
AU	Commonwealth Budget (2026-27)	-	-	Aust. Treasury weighing the energy crisis and fiscal restraint.
AU	NAB Business Conditions (Apr)	-	6	Remained around the long-run average despite the war.
AU	NAB Business Confidence (Apr)	-	-29	Hit a post post-COVID low in March.
AU	Westpac Consumer Sent. (MoM, May)	-	-12.5%	Hit by the start of the war and the prospect of higher rates.
US	CPI (MoM, Apr)	0.7%	0.9%	Headline inflation to hit 3.8% YoY, core to tick up to 2.7% YoY.
Wed 13				
AU	Wage Price Index (QoQ, Q1)	0.9%	0.8%	Annual wage growth expected to slow by 0.1ppts to 3.4%.
AU	New Home Loans (QoQ, Q1)	3.3%	9.5%	The number of new home loans rose by 5.1% in Q4 2025.
US	PPI (MoM, Apr)	0.5%	0.5%	Core PPI anticipated to increase by 0.2%, same as in March.
Thu 14				
AU	MI Inflation Expectations (May)	-	5.9%	Has been less jumpy than its ANZ counterpart.
UK	GDP (QoQ, Q1)	-	0.1%	UK economy saw very slow growth for most of 2025.
US	Retail Sales (MoM, Apr)	0.4%	1.7%	Gains expected to continue, even controlling for petrol sales.
Fri 15				
US	Industrial Production (MoM, Apr)	0.2%	-0.5%	Capacity utilisation forecast to remain at a moderate 75.8%.