

Highlights this week

- In Australia, the S&P Global flash PMIs pointed to renewed, albeit marginal, expansion in April. The Westpac leading index suggested that economic growth could slow below trend in the months ahead. The 2024-25 government finance statistics confirmed that the Aussie consolidated fiscal indicators remain in check.
- Abroad, ceasefires on the Iranian and Lebanon fronts were both extended, but the blockades of the Strait of Hormuz and Iranian maritime traffic continue. S&P Global PMIs suggested expansion across the major advanced economies in April, with a notable exception being the euro area. US retail sales growth accelerated in nominal terms in March, with more than half of the gain coming from petrol prices, though core sales also saw a quite decent gain.

Highlights next week

- The key release this week will be the CPI report for March on Wednesday, with significant acceleration in headline terms expected. Other highlights will include March private sector credit and Q1 international price indices on Thursday, as well as the Q1 PPI on Friday.
- It will be a big week in central banking, with the Fed, ECB, Bank of Japan and Bank of England all expected to announce their monetary policy decisions, though with no changes expected. There will also be a lot of data releases, with the highlights being US Q1 GDP, US March PCE inflation, US April ISM PMIs, as well as the Chinese PMIs for 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	4.10 (0 pt)	USD 3-month	3.55 (↓2 pt)	ASX200	8756 (↓179 pt)
US (IOR)	3.65 (0 pt)	90-day Bills	4.36 (↑3 pt)	2-yr T-Notes	3.84 (↑6 pt)	S&P500	7108 (↑67 pt)
Eurozone (Deposit)	2.00 (0 pt)	3-yr T-Bond	4.71 (↑5 pt)	10-yr T-Notes	4.33 (↑1 pt)	DJIA	49310 (↑732 pt)
UK	3.75 (0 pt)	10-yr T-Bond	5.01 (↑1 pt)	Jap 10-yr	2.44 (↑2 pt)	Nikkei	59407 (↑421 pt)
Japan (Target)	0.75 (0 pt)	3-yr WATC Bond	4.86 (↑5 pt)	UK 10-yr	4.94 (↑9 pt)	CSI300	4754 (↑31 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	5.43 (0 pt)	Ger 10-yr	3.01 (↓2 pt)	Stoxx600	614 (↓3 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets

Interest Rates

Government bond yields are generally up this week, driven by fresh concerns over higher inflation and central bank rates as oil prices bounced due to the prolonged disruptions in oil shipments in the Middle East.

Fed officials speaking before the blackout period advocated for a wait-and-see approach to the conflict in the Middle East, stressing that monetary policy settings are well positioned to weather the first round of inflationary pressures from higher energy prices.

In consequence, markets still do not expect a continuation of monetary policy easing in 2026 from the Fed, including at the FOMC meeting next week. Other major central banks that meet next week are also expected to keep interest rates steady, but monetary policy tightening is expected in most major advanced economies later this year.

Markets also continue to expect two more rate hikes from the RBA, with the probability of a May hike oscillating around 70%.

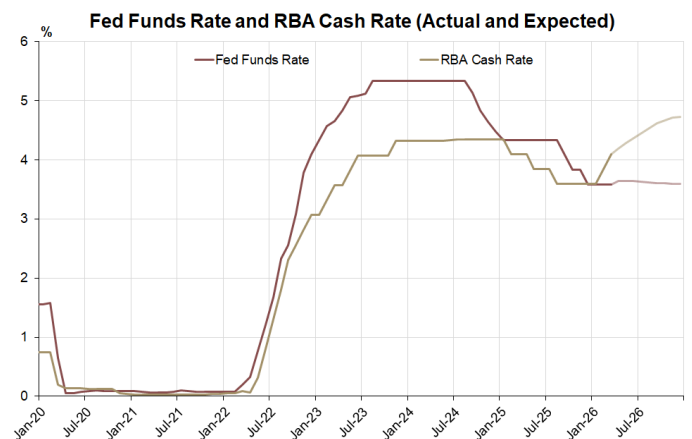
Equities

Equity markets have been mixed this week, with the US, Japanese, South Korean and mainland Chinese markets outperforming most of the rest of the world.

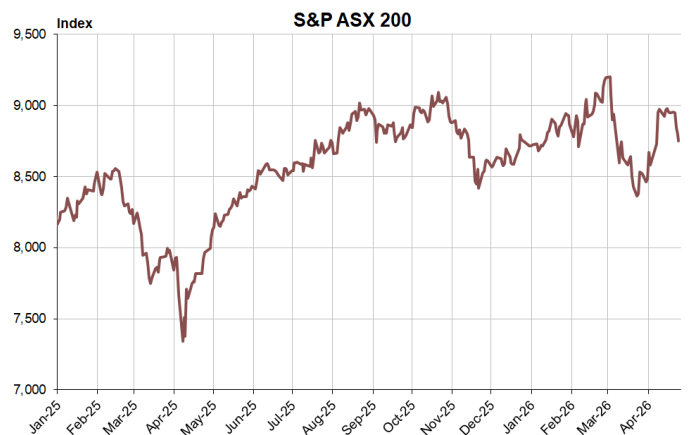
Wall Street continues to be supported by the tech sector, with the S&P 500 and Nasdaq setting fresh record highs before easing a little overnight.

The Aussie market has been one of the weaker performers, with the ASX 200 down around 2% over the week, led by sharp falls in health and financials.

The health index slumped 7%, led by a 42% drop in the Cochlear share price as the hearing implant maker slashed its profit guidance. Financials fell 3% amid concerns over the impact of higher inflation and RBA cash rate hikes on the economy and home loan serviceability.



Source: Bloomberg



Source: Bloomberg

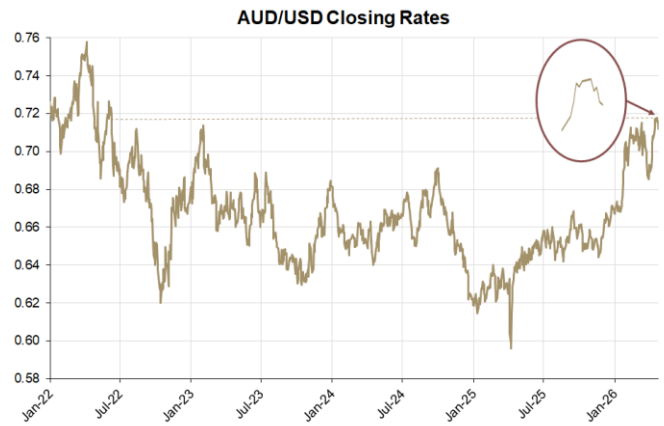
Currencies

The Australian dollar depreciated against the major currencies this week, with the notable exception of the euro.

The depreciation was caused by weaker sentiment that dominated global markets for most of the week. The prolonged supply disruptions to oil and uncertainty about the duration of the war in the Middle East were the major factors behind investors turning sour this week.

Despite the depreciation for the week, the AUD/USD managed to reach a four-year high on Monday, in a lagged reaction to a brief re-opening of the Strait of Hormuz over the weekend.

The AUD was in the middle of the G10 currency ladder this week, with the oil-dependent NOK occupying the top of the table and other European currencies, including the euro, among the weakest.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.7125	0.7186	0.7111	↓0.6	0.7222	0.6344
AUD/EUR		0.6099	0.6118	0.6064	↑0.3	0.6199	0.4754
AUD/GBP		0.5292	0.5310	0.5276	↓0.2	0.5349	0.4754
AUD/JPY		113.81	114.30	112.99	↓0.4	114.38	90.55
AUD/CNY		4.8693	4.8967	4.8580	↓0.5	4.9373	4.5602
EUR/USD		1.1682	1.1791	1.1669	↓0.9	1.2081	1.1065
GBP/USD		1.3463	1.3544	1.3448	↓0.5	1.3868	1.3010
USD/JPY		159.77	159.84	158.46	↑0.2	160.46	141.97
USD/CNY		6.8351	6.8378	6.8140	↑0.1	7.3014	6.8140

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.7125	0.7113	0.7097	0.7057
AUD/EUR		0.6099	0.6064	0.6030	0.5964
AUD/GBP		0.5292	0.5285	0.5279	0.5267
AUD/JPY		113.81	112.75	111.68	109.55
AUD/NZD		1.2172	1.2116	1.2063	1.1976
AUD/SGD		0.9107	0.9034	0.8956	0.8800

Commodities

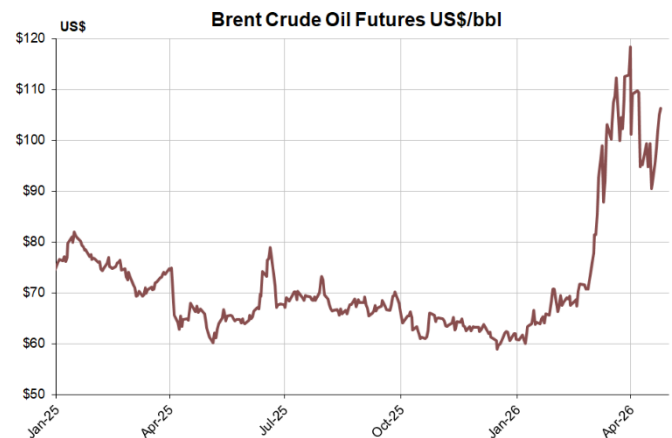
Developments in the Middle East and the outlook for oil supplies remained the major focus this week.

Brent crude hit a five-week low last Friday after Iran announced that it would reopen the Strait of Hormuz. However, prices rebounded, as the ongoing US blockade of Iranian ports prompted Iran to again close the Strait.

With Washington extending the ceasefire indefinitely and negotiations seemingly at an impasse, hopes for a near-term peace deal and a return to normal shipping conditions have receded. Renewed attacks and seizures of merchant vessels have lifted Brent crude futures back above US\$100 a barrel.

Iron ore futures peaked at a three-week high on Thursday before edging back.

Gold appears on track for its first weekly fall since the end of March but remains in the same relatively narrow range it has occupied over the past month.



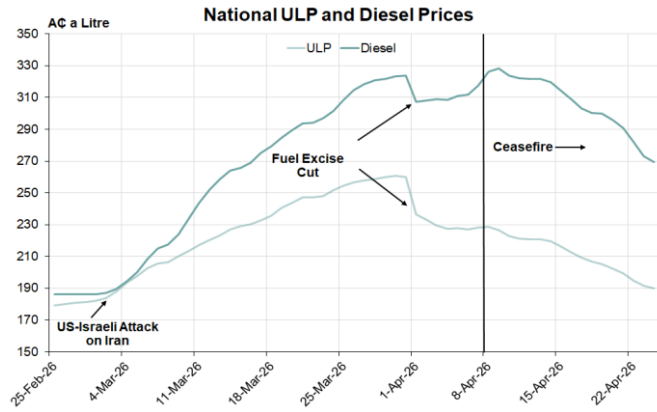
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,687.91	\$4,833.21	\$4,664.50	(↓\$106.94)	\$5,595.47	\$3,120.98
Brent Crude Oil (US\$)	\$105.07	\$107.40	\$86.09	(↑\$6.88)	\$119.50	\$58.50
Mogas95* (US\$)	\$129.11	\$130.56	\$113.06	(↑\$8.58)	\$150.55	\$68.52
WTI Oil (US\$)	\$97.00	\$98.39	\$87.02	(↑\$3.47)	\$119.48	\$54.98
CRB Index	381.84	381.84	362.78	(↑7.23)	382.46	288.35
Iron Ore Price 62% Fe (US\$) **	\$106.80	\$107.50	\$104.25	(↑\$1.45)	\$109.40	\$92.00

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.
 ** The Iron Ore Price is the SGX61% Fe iron ore futures 2nd contract.

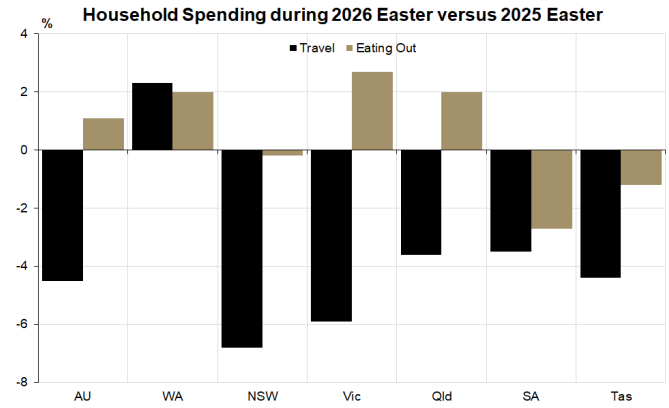
Domestic Economy

ULP prices are not much higher than at the start of the Middle East war, but diesel prices remain elevated.



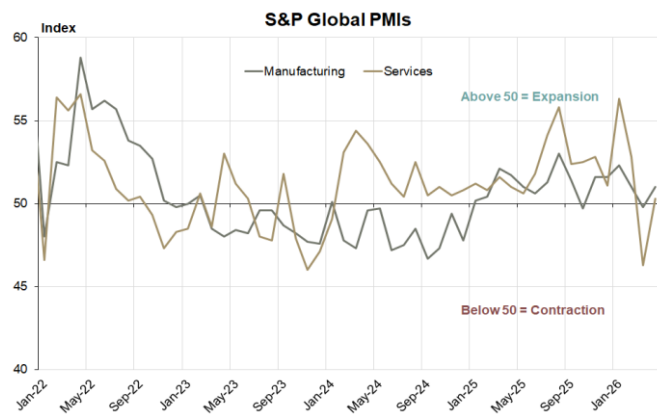
Source: ABC

Discretionary household spending appears affected by higher fuel prices, but still to a relatively limited extent.



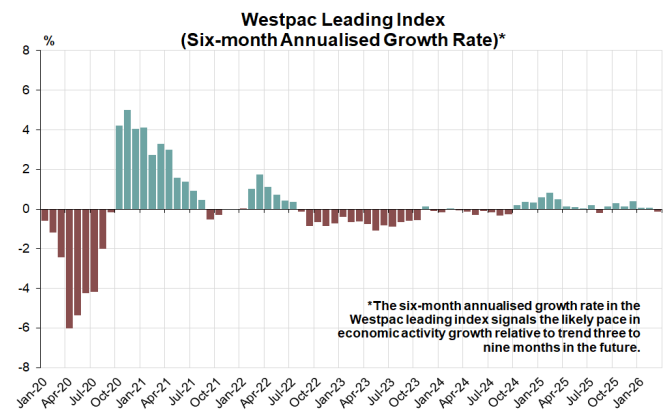
Source: Commonwealth Bank

S&P Global PMIs point to renewed, albeit marginal, expansion in Australian private sector activity in April.



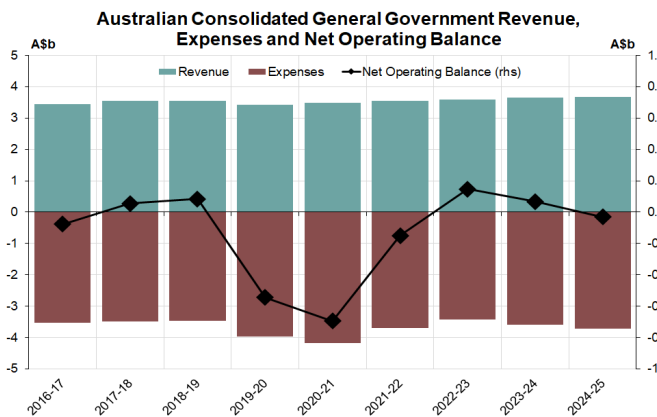
Source: Bloomberg

The six-month annualised rate in the **Westpac leading index** suggests marginally sub-trend growth ahead.



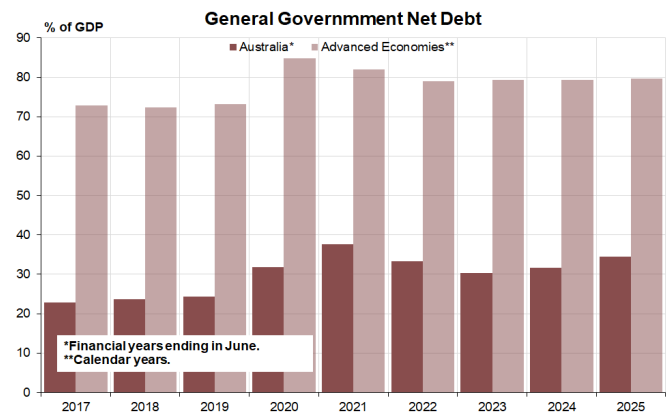
Source: Bloomberg

The consolidated **operating statement** for all levels of Australian government was in balance in 2024-25.



Source: ABS

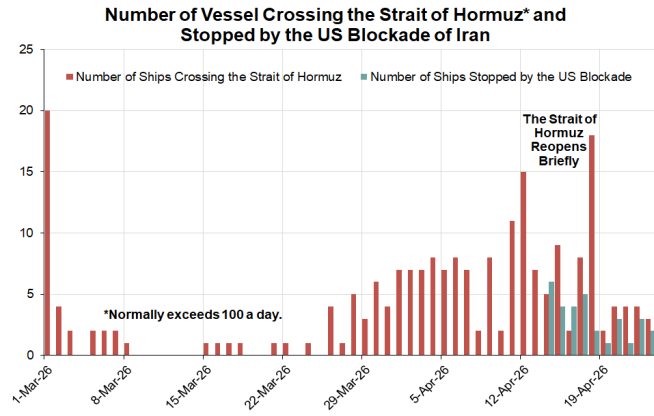
Consolidated **Australian general government net debt** has been steady and much lower than that of its peers.



Source: ABS

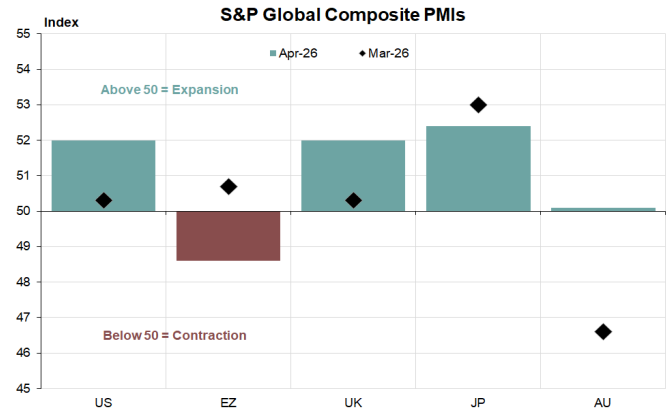
Global Economy

Hardly any ships are passing the **Strait of Hormuz**, but still more than what the US blockade stops.



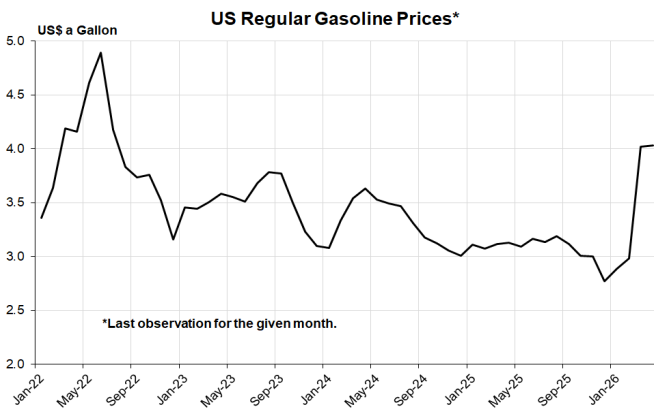
Source: Bloomberg

S&P Global PMIs suggest expansion across the major advanced economies outside of the euro area.



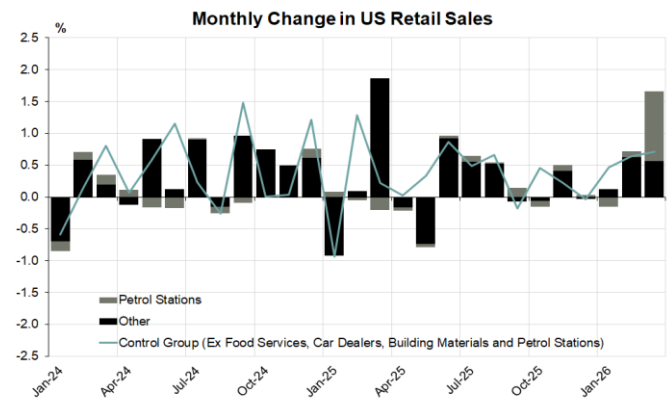
Source: Bloomberg

Despite global oil prices off their recent peaks, **US petrol prices** are hovering around US\$4 a gallon.



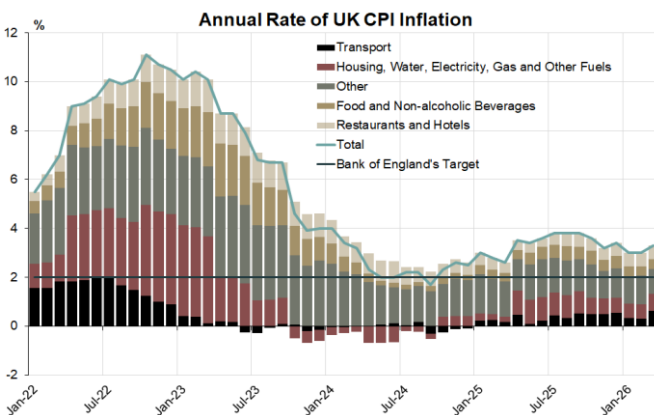
Source: Gas Buddy

US retail sales saw a strong gain in nominal terms in March, though not just due to higher petrol prices.



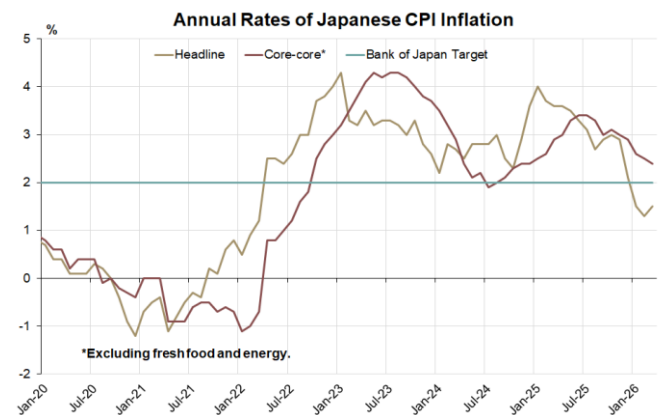
Source: Bloomberg

The annual rate of **UK CPI inflation** resumed climbing, with stronger contribution from transport and utilities.



Source: Bloomberg

The impacts of the Middle East war are less evident in **Japan's inflation**, as it is contained by base effects.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 20					
CH	PBoC Announcement (5Y LPR)	3.50%	3.50%	3.50%	1Y loan prime rate was also unchanged at 3.00%.
Tue 21					
AU	ANZ Cons. Confid. (w/e 18 Apr)	64.3	-	64.3	Consumer inflation expectations up by 0.2ppts to 7.1%.
AU	Govt Finance Statistics (2024-25)	-	-	-	Combined government balance in check in 2024-25.
US	Retail Sales (MoM, Mar)	1.9%	1.4%	0.7%	Over half of the increase came from petrol stations.
Wed 22					
AU	Westpac Lead. Index (MoM, Mar)	-0.1%	-	-0.1%	6m annualised growth rate at -0.1% MoM.
UK	CPI (MoM, Mar)	0.7%	0.6%	0.4%	Annual inflation held up 0.1ppts to 3.3% (target: 2%).
Thu 23					
AU	S&P Global Composite PMI (Apr)	50.1	-	46.6	Cost growth and supply disruptions the worst since 2022.
JP	S&P Global Composite PMI (Apr)	52.4	-	53.0	Manufacturing in the strongest expansion in a decade.
EZ	S&P Global Composite PMI (Apr)	48.6	50.1	50.7	The fastest contraction in over a year.
UK	S&P Global Composite PMI (Apr)	52.0	49.8	50.3	Price inflation rose most in a 30-year survey's history.
US	Initial Jobless Claims (w/e 18 Apr)	214k	210k	208k	Continued claims also held broadly steady at w/e 11 April.
US	S&P Global Composite PMI (Apr)	52.0	50.6	50.3	Cost pressures and supply disruptions at four-year highs.
Fri 24					
JP	CPI (YoY, Mar)	1.5%	1.3%	1.4%	'Core-core' inflation down by 0.1ppts to 2.4%.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 27				
	<i>No market moving data</i>			
Tue 28				
JP	Bank of Japan Decision (Policy Rate)	0.75%	0.75%	Further tightening expected in the second half of 2026.
US	Conference Board Cons. Conf (Apr)	89.8	91.8	Expect deterioration.
US	C-S House Prices 20 Cities (MoM, Feb)	-	0.2%	A quite dated release.
US	Goods Trade Balance (Mar, advance)	-US\$87b	-US\$99b	Hovering around the levels from 2022-23.
Wed 29				
AU	CPI (YoY, Mar)	4.8%	3.7%	Q1 trimmed mean CPI growth expected at 3.5% YoY.
CA	Bank of Canada Decision (Policy Rate)	2.25%	2.25%	One 25bps hike expected from the Bank of Canada in 2026.
US	FOMC Decision (IoER)	3.60%	3.60%	Fed prefers to wait through the spike in energy prices.
Thu 30				
AU	International Price Indices (Q1)	-	-	Middle East conflict to boost LNG and petrol prices.
AU	Private Sector Credit (MoM, Mar)	0.6%	0.6%	RBA concerned about credit growth before energy crisis hit.
CH	NBS Composite (Apr)	-	50.5	Construction was the only sector still in contraction in March.
CH	RatingDog Manufacturing PMI (Apr)	-	50.8	Has been slightly more optimistic than its NBS equivalent.
EZ	ECB Decision (Deposit Rate)	2.00%	2.00%	The ECB expected to hike sometime around mid-2026.
EZ	HICP (YoY, Apr, flash)	2.9%	2.6%	Core inflation expected to stay put just above the 2% goal.
UK	Bank of England Decision (Bank Rate)	3.75%	3.75%	The BoE also widely expected to begin hiking later in 2026.
US	GDP (QoQ annualised, Q1, prelim.)	2.0%	0.5%	GDPNow suggests a 1.2% annualised gain.
US	Personal Spending (MoM, Mar)	0.9%	0.5%	Retail trade report suggests a solid result in nominal terms.
US	PCE Price Index (MoM, Mar)	0.7%	0.4%	CPI inflation accelerated in March amid higher energy costs.
Fri 01				
AU	PPI (QoQ, Q1)	-	0.8%	NAB report suggested some intensification in cost pressures.
US	ISM Manufacturing PMI (Apr)	53.3	52.7	S&P Global reports pointed to faster expansion.