

Highlights this week

- In Australia, the RBA minutes confirmed that a split in the vote for a cash rate hike in March was about the timing, not the direction of monetary policy. Cotality average home prices rose further in March, though Sydney and Melbourne saw declines, which followed a bounce in dwelling approvals in February driven by units and townhouses. The trade surplus picked up in February, with the gold surplus reaching a record high.
- Abroad, the US and Iran made tentative signs about the willingness to de-escalate the military conflict in the coming weeks. The ISM manufacturing PMI pointed to ongoing expansion in March, with some supply disruptions and cost pressures. JOLTS job openings and ADP employment sent mixed signals about the US labour market. US retail sales saw a solid increase in February. Chinese PMIs pointed to slight expansion outside of the construction sector.

Highlights next week

- The major domestic data releases next week will be on Tuesday, and will include February household spending, March Melbourne Institute inflation gauge and March ANZ job ads.
- The key events offshore will be the US ISM services PMI on Monday and FOMC minutes on Wednesday, as well as US inflation figures on Thursday and 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	4.10 (0 pt)	USD 3-month	3.57 (↓2 pt)	ASX200	8621 (↑163 pt)
US (IOR)	3.65 (0 pt)	90-day Bills	4.30 (0 pt)	2-yr T-Notes	3.84 (↓14 pt)	S&P500	6575 (↑98 pt)
Eurozone (Deposit)	2.00 (0 pt)	3-yr T-Bond	4.71 (↓7 pt)	10-yr T-Notes	4.36 (↓5 pt)	DJIA	46566 (↑606 pt)
UK	3.75 (0 pt)	10-yr T-Bond	5.02 (↓6 pt)	Jap 10-yr	2.34 (↑3 pt)	Nikkei	52915 (↓153 pt)
Japan (Target)	0.75 (0 pt)	3-yr WATC Bond	4.88 (↓7 pt)	UK 10-yr	4.83 (↓14 pt)	CSI300	4501 (↑23 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	5.47 (↓8 pt)	Ger 10-yr	2.99 (↓9 pt)	Stoxx600	598 (↑17 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets

Interest Rates

Government bond yields fell in most advanced economies this week, reflecting easing concerns over monetary policy tightening in the first half of the week. This came as hopes for de-escalation of the conflict in the Middle East, triggered by comments by US President Donald Trump, led to a decline in global oil prices.

President Trump delivered an address to the nation just before closing this edition of the *Weekly*, but – contrary to expectations – did not make any major announcement regarding the conflict in the Middle East. This has already led to a slight re-intensification of rate hike expectations.

The minutes from the RBA Monetary Policy Board meeting in March confirmed that all members agreed on the need to increase the cash rate target, but diverged on the timing. Those in favour of holding off on tightening in March cited heightened uncertainty. The minutes did not provide clear forward guidance, with future decisions dependent on data (and events).

Equities

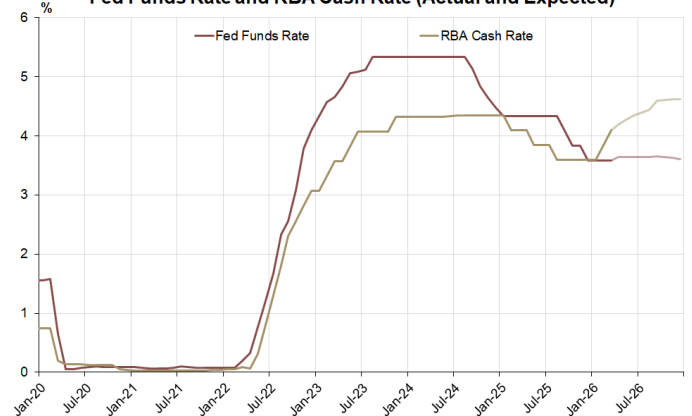
Rising hopes that the US might be close to winding down its involvement in the Iran war helped boost global share markets this week. These hopes were boosted by news that US President Trump would give an address about the situation this morning.

However, traders were disappointed that not only did comments lack clarity over an end to US operations, but also suggested a further escalation in the near term.

Despite this disappointment, the US benchmark, the S&P 500, appears on track for its first weekly rise since the initial attack on Iran in late February and only its second weekly gain since the end of January.

The Aussie market appears set for its second weekly rise in a row. The gains were highlighted by a 2.2% rise on Wednesday, the biggest daily increase in almost a year. However, the market has given up some of that increase this morning.

Fed Funds Rate and RBA Cash Rate (Actual and Expected)



Source: Bloomberg

S&P ASX 200



Source: Bloomberg

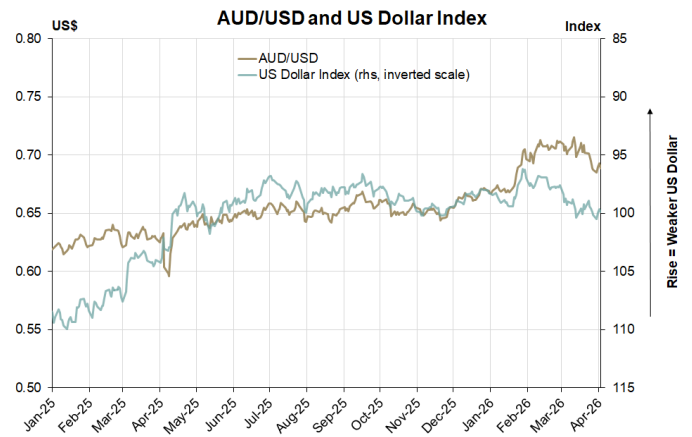
Currencies

The improvement in global market sentiment amid hopes for de-escalation in the Middle East supported the Australian dollar this week.

The AUD strengthened against all the major currencies except for the Japanese yen, which received a boost from market participants speculating about foreign exchange intervention and a rise in monetary policy tightening expectations.

Despite a quite strong week, the AUD/USD did not manage to rise above the US\$0.7 mark at any point.

The Australian dollar is sitting comfortably in the middle of the G10 currency ladder for the week, surpassed only by the Japanese yen, euro and Danish krone (fixed to the euro). The New Zealand dollar and British pound were the weakest G10 currencies this week.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6926	0.6962	0.6833	↑0.6	0.7187	0.5915
AUD/EUR		0.5976	0.5997	0.5939	↑0.2	0.6199	0.4620
AUD/GBP		0.5205	0.5234	0.5154	↑0.8	0.5349	0.4620
AUD/JPY		109.84	110.41	108.79	↓0	113.96	86.05
AUD/CNY		4.7541	4.8026	4.7188	↓0.1	4.9373	4.3523
EUR/USD		1.1592	1.1627	1.1443	↑0.5	1.2081	1.0780
GBP/USD		1.3308	1.3347	1.3159	↓0.2	1.3868	1.2709
USD/JPY		158.62	160.46	158.28	↓0.6	160.46	139.89
USD/CNY		6.8755	6.9209	6.8716	↓0.5	7.3511	6.8316

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6926	0.6916	0.6902	0.6866
AUD/EUR		0.5976	0.5943	0.5912	0.5848
AUD/GBP		0.5205	0.5199	0.5193	0.5180
AUD/JPY		109.84	108.86	107.85	105.83
AUD/NZD		1.2036	1.1980	1.1923	1.1817
AUD/SGD		0.8886	0.8817	0.8745	0.8597

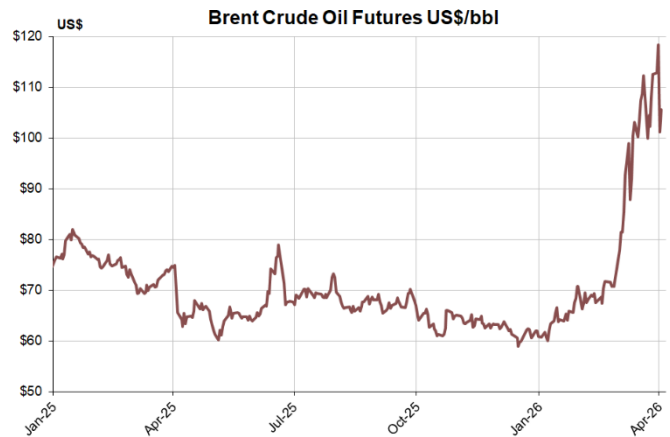
Commodities

Oil prices climbed to fresh highs this week, with Brent crude peaking at US\$119 a barrel late on Wednesday. The rise came amid reports that an Iranian drone had struck an oil tanker off the coast of Dubai, and that President Trump mused about taking Iran's oil and seizing Kharg Island.

Brent crude prices fell sharply on Wednesday amid fresh reports that the US and Iran are both looking to end hostilities.

News that the US President would give an address this morning further raised hopes that he would signal an approaching end to US involvement in the conflict. However, prices picked up again after President Trump said nothing new and instead signalled the US will step up its strikes on Iran. This would likely invite further retaliation against oil production sites in the region.

The International Energy Agency warned this week that energy supplies will deteriorate further in April, with the reduction in oil supply likely to be twice that of March.



Source: Bloomberg

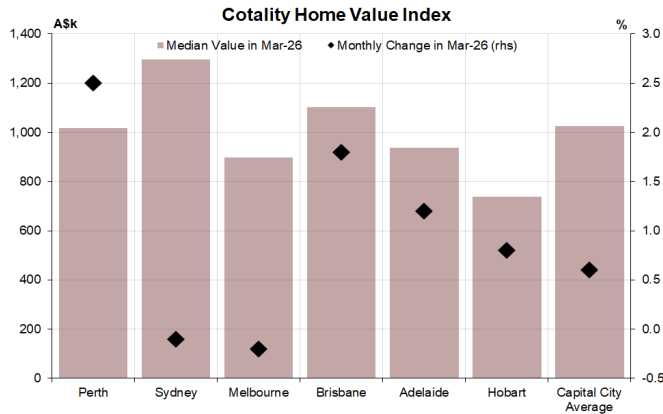
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,692.18	\$4,800.36	\$4,375.60	(↑\$277.17)	\$5,595.47	\$2,956.71
Brent Crude Oil (US\$)	\$106.05	\$119.24	\$98.35	(↓\$0.5)	\$119.50	\$58.40
Mogas95* (US\$)	\$127.86	\$142.99	\$119.91	(↑\$1.59)	\$150.55	\$67.57
WTI Oil (US\$)	\$104.08	\$106.86	\$92.08	(↑\$10.87)	\$119.48	\$54.98
CRB Index	371.12	372.42	368.91	(↑9.21)	372.42	279.79
Iron Ore Price 62% Fe (US\$)**	\$105.70	\$107.65	\$104.50	(↓\$0.55)	\$109.40	\$91.70

*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.

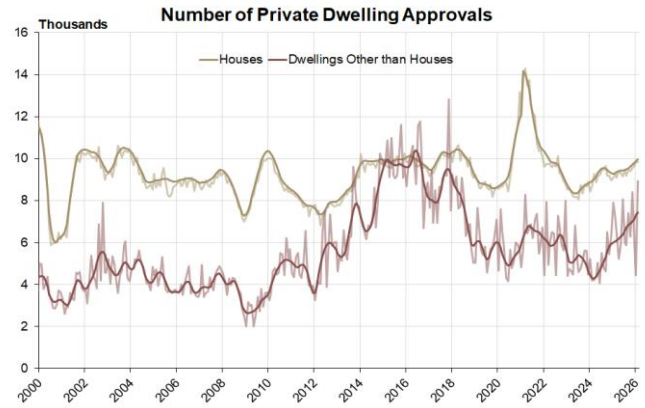
Domestic Economy

The rise in interest rates caused further home price growth discrepancies among capital cities in March...



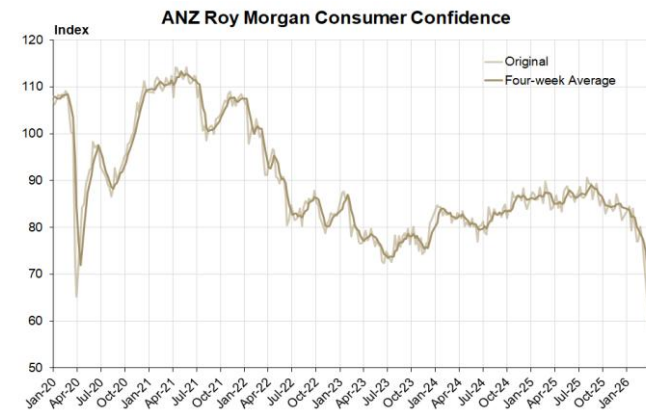
Source: Cotality

... which followed a bounce in **building approvals** for dwellings other than houses in February.



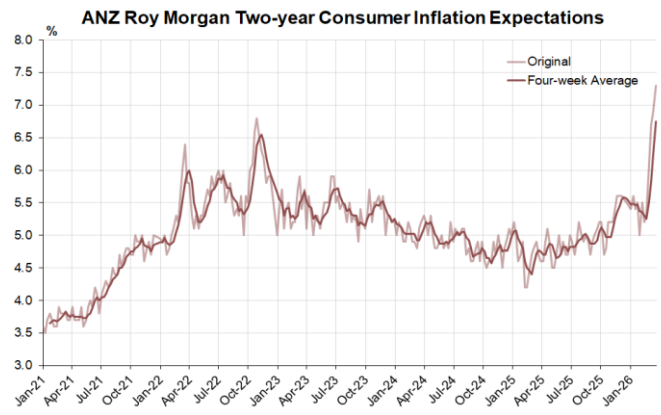
Source: ABS

Meanwhile, concerns over higher fuel prices sent **consumer confidence** to yet another record low...



Source: ABS

... and **consumer inflation expectations** to yet another record high.



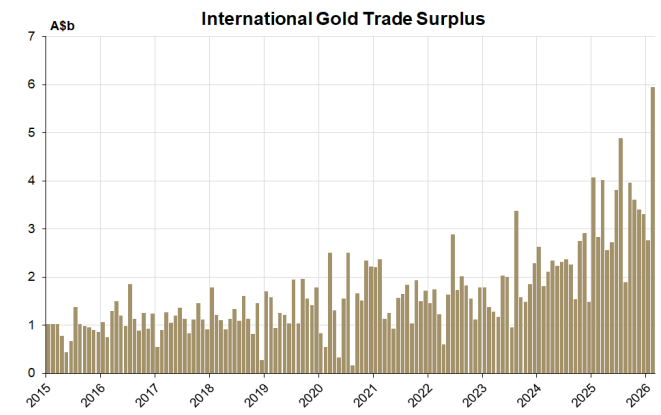
Source: ABS

From more dated releases, the **goods trade surplus** picked up in February, as exports rose and imports fell.



Source: ABS

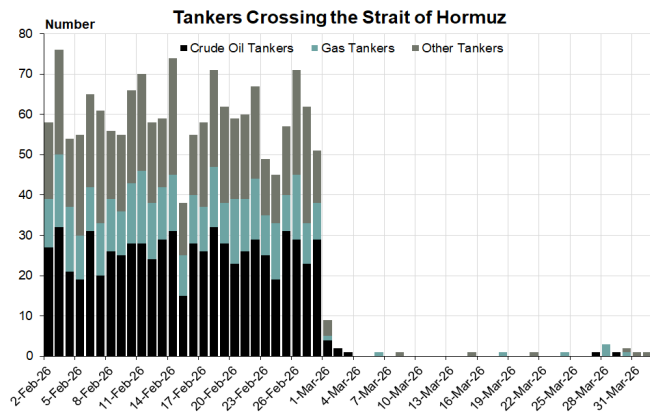
The **trade surplus in gold** reached a record high in February, with prices surging ahead of the war.



Source: ABS

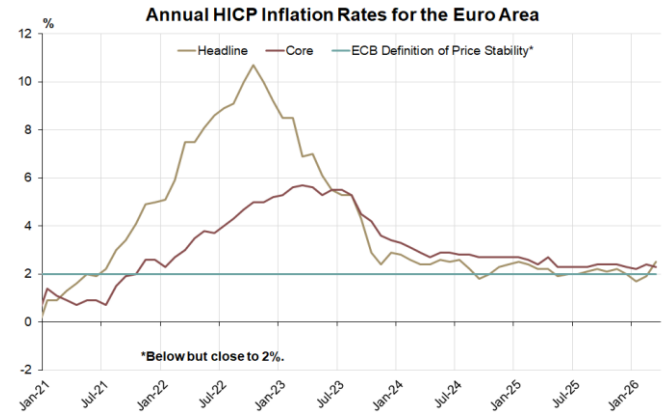
Global Economy

More tankers are now allowed to cross the **Strait of Hormuz**, but this is next to nothing to the pre-war levels.



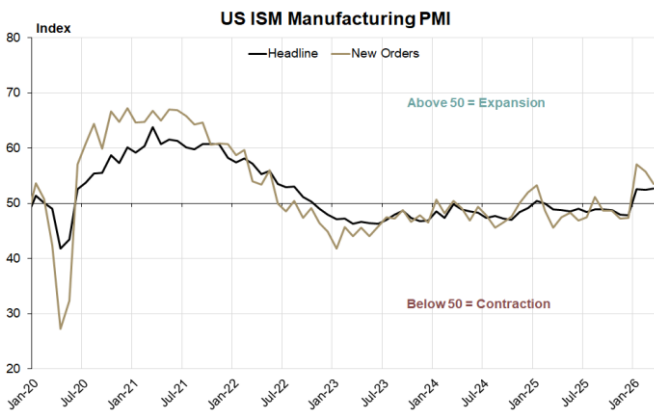
Source: Bloomberg

The **euro area** was the first economy to release inflation data for March, with acceleration in the headline rate.



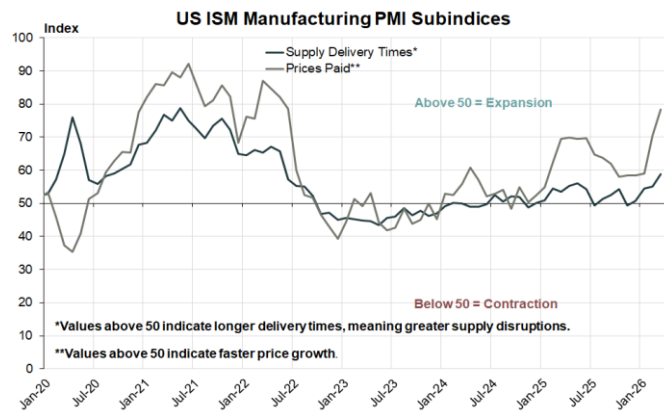
Source: Bloomberg

The **US ISM manufacturing PMI** remains in expansion despite disruptions from the war in the Middle East...



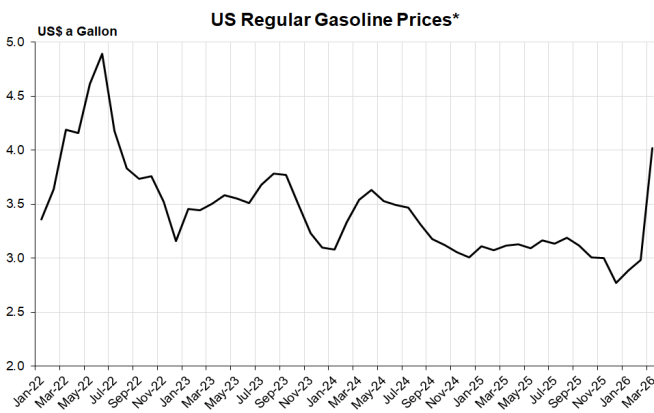
Source: Bloomberg

... which are pushing **production costs** higher and lengthening supplier delivery times.



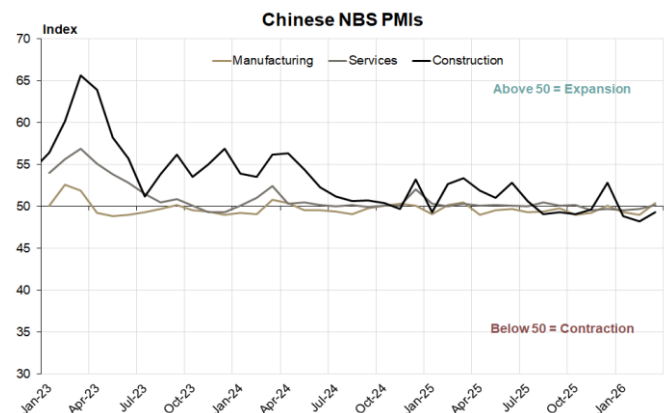
Source: Bloomberg

This came as **US petrol prices** closed March at the highest level since mid-2022.



Source: GasBuddy

Meanwhile, **Chinese official PMIs** are pointing to very tentative recovery outside of the construction sector.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 30					
	No market moving data				
Tue 31					
AU	RBA Minutes (Mar)	-	-	-	Differences about timing of cuts, not their rationale.
AU	Private Sector Credit (MoM, Feb)	0.6%	0.6%	0.5%	Broad-based acceleration.
AU	ANZ Cons. Conf. (w/e 28 Mar)	58.8	-	63.1	New record low (since 1973).
CH	NBS Composite PMI (Mar)	50.5	-	49.5	Manufacturing and services up, construction declining.
EZ	HICP (YoY, Mar, flash)	2.5%	2.6%	1.9%	Rise driven by higher energy prices, core inflation steady.
US	CB Consumer Confidence (Mar)	91.8	87.9	91.0	Better assessment of the present situation, outlook down.
US	C-S Hse Pce 20 Cities (MoM, Jan)	0.2%	0.4%	0.5%	Slowdown a bit stronger than anticipated.
US	JOLTS Job Openings (Feb)	6.9m	6.9m	7.4m	Over 600k less job openings than the unemployed.
Wed 01					
AU	Cotality Home Prices (MoM, Mar)	0.6%	-	0.6%	Declines in Sydney and Perth, further gains elsewhere.
AU	Dwelling Approvals (MoM, Feb)	29.7%	5.5%	-7.2%	The surge driven by unit and townhouse approvals.
CH	RatingDog Manuf. PMI (Mar)	50.8	51.5	52.1	Significant intensification of cost pressures.
US	ADP Employment (MoM, Mar)	62k	40k	66k	Has been a poor indicator of the official figures.
US	ISM Manufacturing PMI (Mar)	52.7	52.3	52.4	Supply disruptions, faster growth in costs.
US	Retail Sales (MoM, Feb)	0.6%	0.5%	-0.1%	Core sales rose by 0.5% in February.
Thu 02					
AU	Goods Trade Balance (Feb)	A\$5.7b	A\$2.9b	A\$2.3b	Rise in surplus due to higher exports and lower imports.
AU	Job Vacancies (QoQ, Q1)	2.7%	-	0.5%	Q4 2025 figures revised upwards.
Tonight					
US	Initial Jobless Claims (w/e 28 Mar)	-	212k	210k	Have not shown any reason for concern of late.
Fri 03					
CH	RatingDog Services PMI (Mar)	-	53.7	56.7	Slowdown expected.
US	Non-farm Payrolls (MoM, Mar)	-	65k	-92k	The February decline was broad-based.
US	Unemployment Rate (Mar)	-	4.4%	4.4%	FOMC left its long-run estimate at 4.2% in March.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 06				
US	ISM Services PMI (Mar)	54.9	56.1	S&P Global equivalent suggested slowdown.
Tue 07				
AU	Household Spending (MoM, Feb)	0.2%	0.3%	Precedes the probable decline due to the fuel price shock.
AU	Melbourne Institute Inflation (MoM, Mar)	-	-0.2%	First insights into consumer prices after the ME escalation.
AU	ANZ Job Ads (MoM, Mar)	-	3.2%	Too early for any impacts to emerge in the labour market.
US	NY Fed 1Y Inflation Expectations (Mar)	-	3.0%	Will include 3- and 5-year expectations tracked by the Fed.
US	Durable Goods Orders (MoM, Feb)	-	0.0%	Core orders declined slightly in January.
Wed 08				
NZ	RBNZ Decision (Official Cash Rate)	2.25%	2.25%	The RBNZ prefers to wait through the shock.
US	FOMC Minutes	-	-	More hints about FOMC's reaction function to the ME crisis.
Thu 09				
US	GDP (QoQ annualised, Q4, final)	0.7%	0.7%	Saw a significant downward revision in the 2nd estimate.
US	Personal Spending (MoM, Feb)	-	0.4%	US consumption appears subdued at the turn of 2025/2026.
US	PCE Price Index (MoM, Feb)	-	0.3%	Annual rates above Fed's goal ahead of the rise in fuel costs.
Fri 10				
US	CPI (MoM, Mar)	-	0.3%	First insights into impacts of fuel price growth in the US.
US	UoM Consumer Sentiment (Apr, prel.)	-	53.3	US consumer confidence deteriorated in March.