

Highlights this week

- Abroad, the US and Iran have agreed to a two-week ceasefire, but its future is uncertain and there are still hardly any crossings through the Strait of Hormuz. Data-wise, the ISM PMI report for March pointed to ongoing expansion in US services, though the S&P Global equivalent was revised downwards, to indicate contraction. US Q4 GDP growth was revised further downwards, while PCE inflation was little changed in February.
- In Australia, household spending saw a moderate increase in February, ahead of the escalation in the Middle East. The Melbourne Institute inflation gauge suggested an acceleration in consumer price growth in March, while ANZ-Indeed job ads declined. ANZ consumer inflation expectations eased slightly after the fuel excise cut last week but remained elevated.

Highlights next week

- The key domestic releases next week will be the March NAB business report and April Westpac consumer sentiment survey on Tuesday, as well as the March labour force survey and April Melbourne Institute inflation expectations on Thursday.
- The highlights offshore will include more US inflation data for March, as well as Chinese Q1 GDP and March activity indicators.

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	8947 (↓326 pt)
US (IOR)	3.65 (0 pt)	90-day Bills	4.32 (↑2 pt)	2-yr T-Notes	3.78 (↓5 pt)	S&P500	6825 (↑249 pt)
Eurozone (Deposit)	2.00 (0 pt)	3-yr T-Bond	4.62 (↓9 pt)	10-yr T-Notes	4.29 (↓7 pt)	DJIA	48186 (↑1620 pt)
UK	3.75 (0 pt)	10-yr T-Bond	4.94 (↓8 pt)	Jap 10-yr	2.42 (↑9 pt)	Nikkei	56841 (↑3926 pt)
Japan (Target)	0.75 (0 pt)	3-yr WATC Bond	4.79 (↓9 pt)	UK 10-yr	4.75 (↓8 pt)	CSI300	4595 (↑94 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	5.38 (↓9 pt)	Ger 10-yr	2.99 (0 pt)	Stoxx600	613 (↑15 pt)

Changes are since the previous issue of Market Watch Weekly.

Financial Markets

Interest Rates

A decline in concerns over inflation and monetary policy tightening after the US-Iran ceasefire drove government bond yields lower in both the US and Australia this week.

Fed funds rate cut expectations remain muted, as Fed officials speaking this week have advocated for a wait-and-see approach given the uncertainty around the conflict in the Middle East.

The minutes from the March FOMC meeting also showed that participants were uncertain about the implications of the war in the Middle East and emphasised the importance of being 'nimble' in their future decisions. However, some of them pointed to the possibility that, since US inflation has been above its goal for some time, inflation expectations might be more sensitive to energy price increases.

Closer to home, the RBNZ left its official cash rate unchanged at 2.25% this week but debated an earlier start to the tightening cycle in upcoming meetings. The first 25bps official cash rate hike is fully priced in for September.

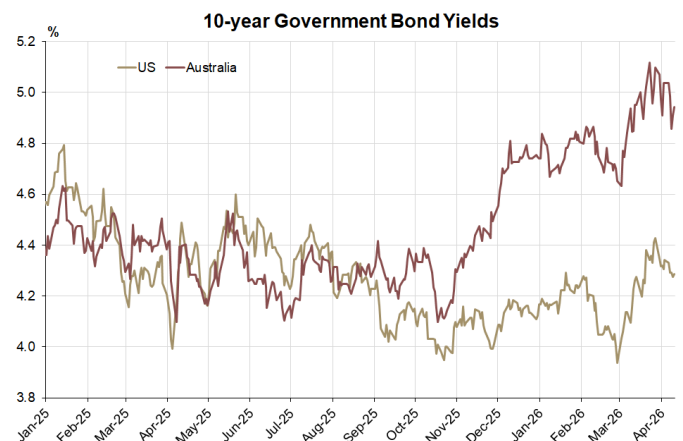
At home, the RBA is still expected to deliver two more cash rate hikes this year, with an increase in May over 60% priced in.

Equities

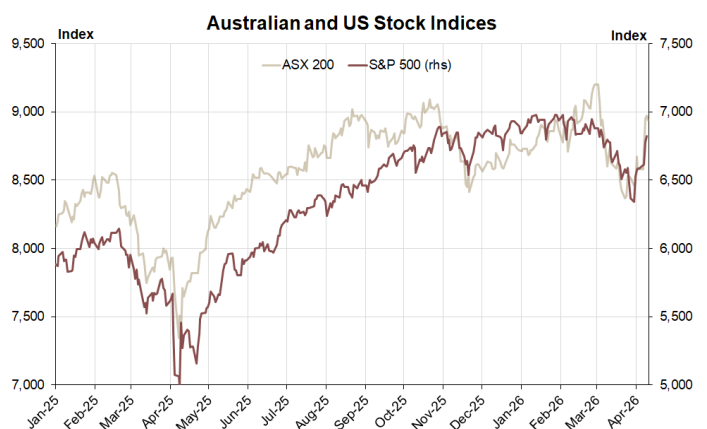
Following lacklustre trading over the long weekend, when investors were concerned about a major attack on Iran by US military forces, market sentiment improved markedly as a two-week ceasefire between the fighting parties was announced. However, the future of the ceasefire remains uncertain, and its conditions are disputed by the parties, especially regarding the conflict in Lebanon, which started to weigh on sentiment yesterday.

The S&P 500 gained 3.8% this week, mainly thanks to a bounce on Wednesday night in reaction to the ceasefire announcement.

In Australia, the ASX 200 saw a gain of the same magnitude as its US equivalent. Gains in most sectors were marginally offset by declines in energy and utilities, driven by a drop in fossil fuel prices this week.



Source: Bloomberg



Source: Bloomberg

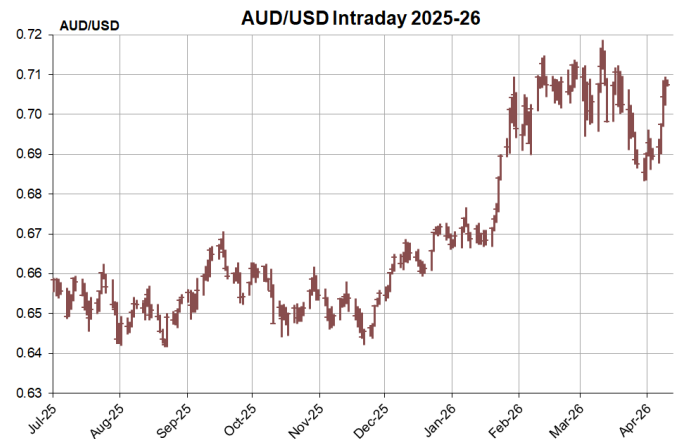
Currencies

The Australian dollar jumped and the greenback sank following news of the US-Iran ceasefire agreement, pushing the AUD/USD to a near three-week high.

The AUD also gained against the other majors and has been the strongest of the G10 currencies over the past week. The USD has been the weakest G10 currency, with the US dollar index sliding to its lowest level in a month, as some of the war premium was removed from USD pricing.

The AUD trade-weighted index – which values the Aussie against a basket of currencies based on the share of trade with Australia – rose to its highest levels in over two weeks.

The optimism over a possible end to the Middle East conflict that has helped lift the Aussie dollar will be tested by news from high-level US-Iran talks in Islamabad this weekend.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.7077	0.7095	0.6876	↑2.2	0.7187	0.6116
AUD/EUR		0.6053	0.6059	0.5971	↑1.3	0.6199	0.4735
AUD/GBP		0.5269	0.5286	0.5215	↑1.2	0.5349	0.4735
AUD/JPY		112.60	112.73	109.83	↑2.5	113.96	88.29
AUD/CNY		4.8348	4.8511	4.7406	↑1.7	4.9373	4.4956
EUR/USD		1.1693	1.1723	1.1505	↑0.9	1.2081	1.0943
GBP/USD		1.3430	1.3484	1.3179	↑0.9	1.3868	1.2807
USD/JPY		159.10	160.03	157.89	↑0.3	160.46	139.89
USD/CNY		6.8307	6.8990	6.8246	↓0.7	7.3511	6.8246

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.7077	0.7067	0.7052	0.7015
AUD/EUR		0.6053	0.6019	0.5987	0.5921
AUD/GBP		0.5269	0.5263	0.5256	0.5240
AUD/JPY		112.60	111.59	110.55	108.50
AUD/NZD		1.2089	1.2034	1.1979	1.1884
AUD/SGD		0.9010	0.8940	0.8864	0.8713

Commodities

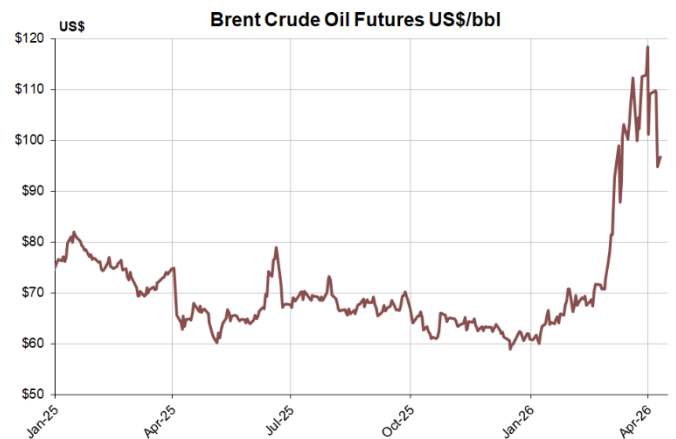
Oil prices had another eventful week.

Prices came under significant upward pressure early in the week, in the wake of US President Donald Trump's threats to escalate the war by 'obliterating' Iranian civilian infrastructure. These threats were countered by warnings from Iran that it would reciprocate by destroying infrastructure across the region.

Prices fell back on Wednesday amid news of a two-week ceasefire, as both sides appeared to step back from the brink of a major escalation that could have seen significant destruction of Middle East oil and gas facilities.

The ceasefire news has driven oil prices to the lowest levels in almost a month, although they remain very high. Oil price developments, in the near-term at least, will likely hinge on the outcome of the US-Iran talks this weekend.

Iron ore futures slipped late in the week amid further speculation that BHP and China's state-backed commodities buyer are in talks to end restrictions on purchases of BHP iron ore.



Source: Bloomberg

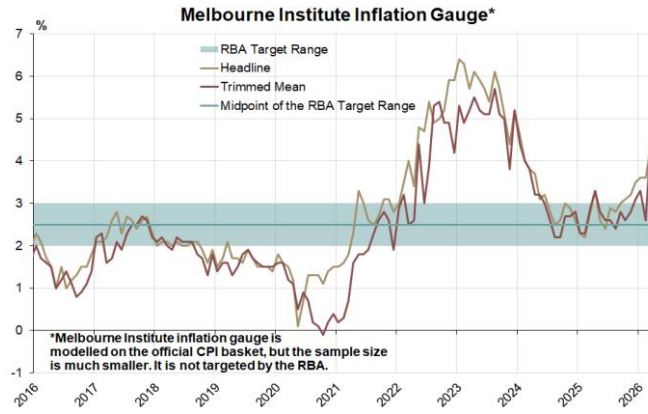
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,757.72	\$4,856.81	\$4,600.95	(↑\$65.54)	\$5,595.47	\$3,071.52
Brent Crude Oil (US\$)	\$95.92	\$111.89	\$90.40	(↓\$10.13)	\$119.50	\$58.50
Mogas95* (US\$)	\$120.97	\$136.47	\$110.10	(↓\$6.89)	\$150.55	\$68.52
WTI Oil (US\$)	\$98.51	\$117.63	\$91.05	(↓\$5.57)	\$119.48	\$54.98
CRB Index	368.55	382.46	366.27	(↓2.57)	382.46	285.13
Iron Ore Price 62% Fe (US\$) **	\$102.85	\$107.00	\$102.10	(↓\$2.85)	\$109.40	\$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.

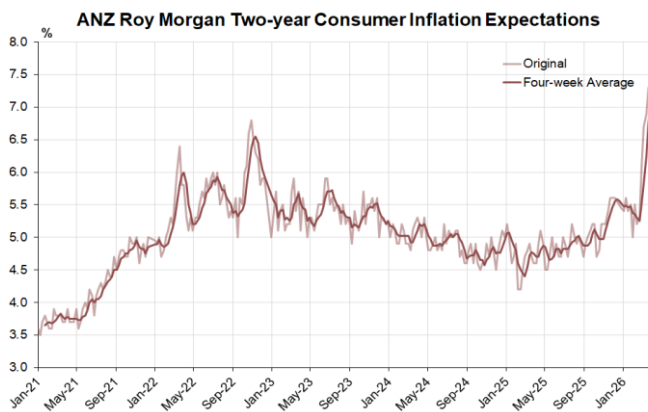
Domestic Economy

The **Melbourne Institute inflation gauge** suggests significant acceleration in price growth in March.



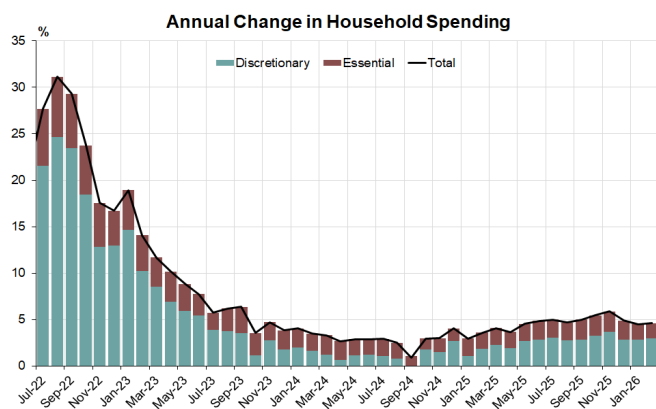
Source: Bloomberg

ANZ consumer inflation expectations also declined last week, but remain close to a record high.



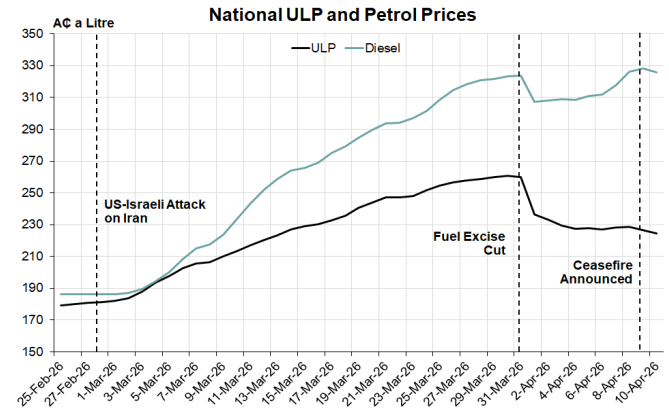
Source: ANZ

Household spending saw a moderate gain ahead of the war, driven by discretionary items.



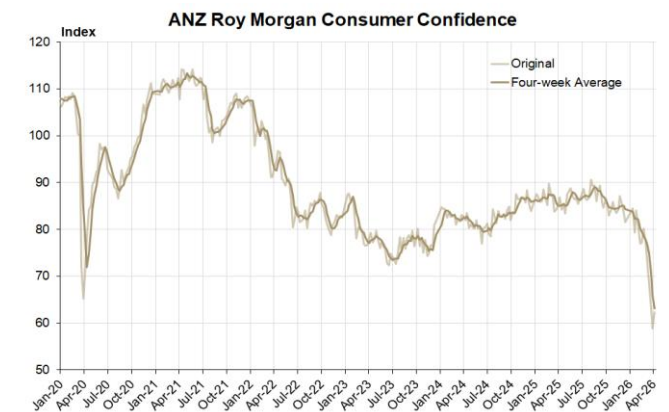
Source: ABS

The fuel excise cut drove **domestic ULP prices** slightly lower, but there are no impacts from the ceasefire yet.



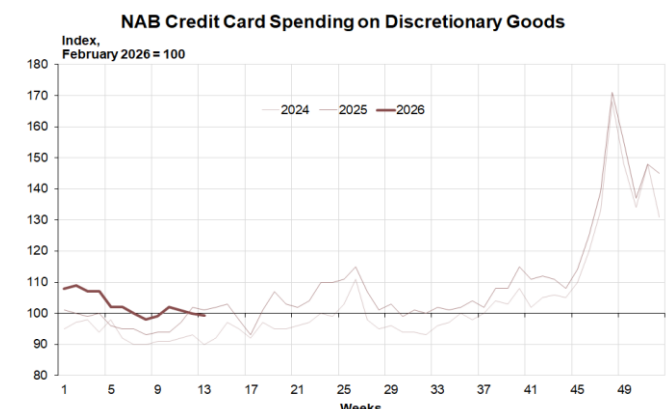
Source: ABC

ANZ consumer confidence picked up from its record low, yet it is still bleak.



Source: Bloomberg

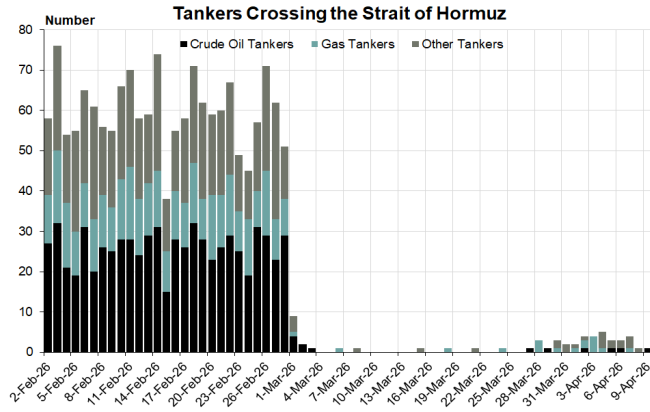
However, **commercial bank data** suggest some moderation in discretionary spending in March and April.



Source: NAB

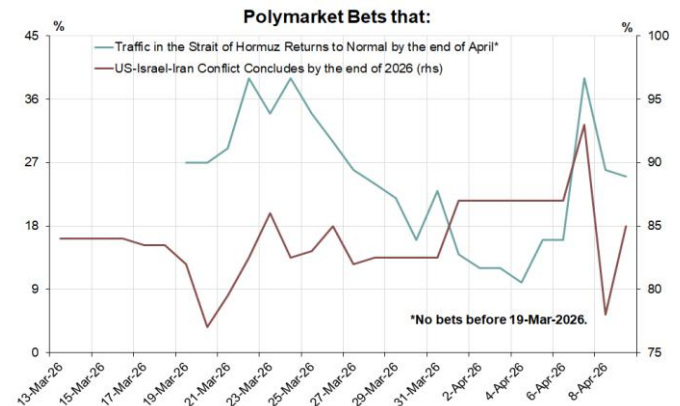
Global Economy

The number of tankers crossing the **Strait of Hormuz** remained marginal this week.



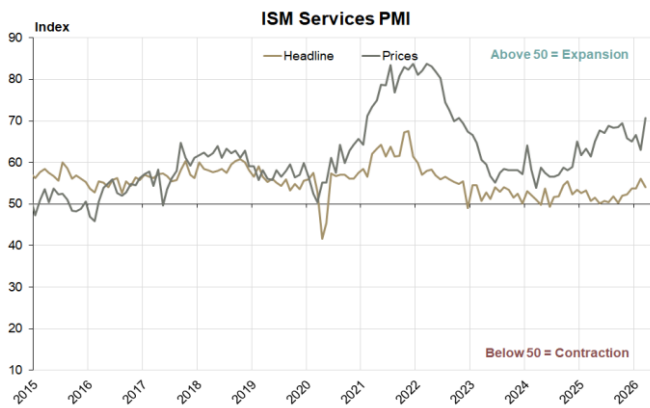
Source: Bloomberg

Hopes for immediate **re-opening** of the Strait have risen a bit, while the conflict is expected to end by late 2026.



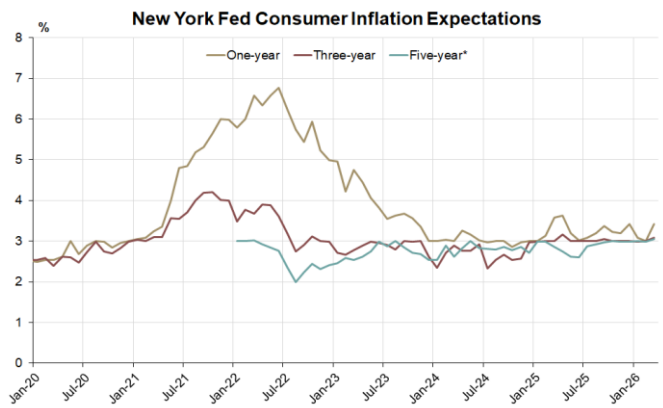
Source: Bloomberg

The conflict in the Middle East is translating into an acceleration in cost pressures in **US services**.



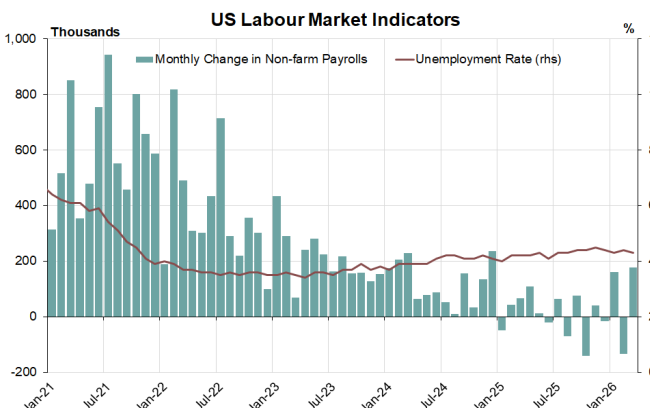
Source: Bloomberg

However, **US consumers** expect the rise in inflation to be limited and short-lived at this point.



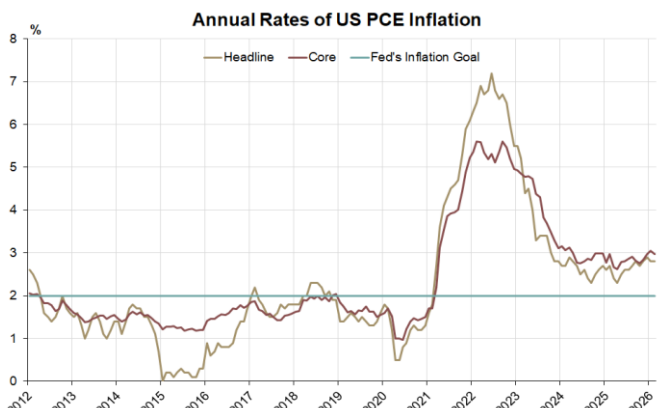
Source: New York Fed

US labour market data showed some strength in March, though it usually reacts to shocks with a lag.



Source: Bloomberg

US PCE inflation was hovering above the Fed's goal ahead of the crisis in the Middle East.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 06					
US	ISM Services PMI (Mar)	54.0	54.9	56.1	Cost pressures intensified, employment resumed falling.
Tue 07					
AU	Household Spending (MoM, Feb)	0.3%	0.2%	0.3%	Broad-based gain, driven by discretionary spending.
AU	MI Inflation Gauge (MoM, Mar)	1.3%	-	-0.2%	Suggests acceleration in consumer price growth in Mar.
AU	ANZ Job Ads (MoM, Mar)	-3.1%	-	3.2%	Too early to say if the fall is due to high uncertainty.
AU	ANZ Cons. Conf. (w/e 4 Apr)	62.3	-	58.8	Inflation expectations remained elevated at 7.2%.
US	NY Fed 1Y Inflation Exp. (Mar)	3.4%	3.5%	3.0%	Three- and five-year expectations held steady.
US	Durable Orders (MoM, Feb)	-1.4%	-1.2%	-0.5%	Non-defence capital goods orders ex aircraft rose 0.6%.
Wed 08					
NZ	RBNZ Decision (OCR)	2.25%	2.25%	2.25%	RBNZ now expected to raise the OCR in September.
US	FOMC Minutes	-	-	-	Some participants concerned over inflation expectations.
Thu 09					
US	GDP (QoQ annualised, Q4, final)	0.5%	0.7%	0.7%	Downward revision was driven by investment.
US	Personal Spending (MoM, Feb)	0.5%	0.6%	0.3%	Real personal spending rose by just 0.1%.
US	PCE Price Index (MoM, Feb)	0.4%	0.4%	0.3%	Annual rate of PCE inflation was unchanged at 2.8%.
US	Initial Jobless Claims (w/e 4 Apr)	219k	210k	203k	Continued claims are the lowest since May 2024.
Fri 10					
CH	CPI (YoY, Mar)	1.0%	1.1%	1.3%	Core inflation declined by 0.7ppts to 1.1% in March.
CH	PPI (YoY, Mar)	0.5%	0.4%	-0.9%	Out of a three-year long deflation.
Tonight					
US	CPI (MoM, Mar)	-	1.0%	0.3%	Annual rate expected to rise by 1ppt to 3.4%.
US	UoM Consumer Sent. (Apr, prel.)	-	51.5	53.3	A rise in inflation expectations pencilled in by consensus.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 13				
	<i>No market moving data</i>			
Tue 14				
AU	NAB Business Conditions (Mar)	-	7	PMIs point to significant deterioration.
AU	NAB Business Confidence (Mar)	-	-1	S&P Global report suggested the lowest level since mid-2024.
AU	Westpac Consumer Conf. (MoM, Apr)	-	1.2%	Will likely see a large drop.
CH	Trade Balance (Mar)	US\$109b	-	Exports and imports expected to see solid gains.
US	PPI (MoM, Mar)	1.2%	0.7%	Business reports also suggest acceleration in PPI inflation.
US	NFIB Small Business Optimism (Mar)	-	98.8	Likely to deteriorate due to cost pressures from the war.
Wed 15				
US	Beige Book	-	-	Anecdotal evidence on economic conditions in Fed districts.
Thu 16				
AU	Employment (monthly change, Mar)	15.3k	48.9k	Labour market typically reacts to a shock with a lag.
AU	Unemployment Rate (Mar)	4.3%	4.3%	Australia entering the price shock with a tight labour market.
AU	Melb. Institute Inflation Expectations (Mar)	-	5.2%	Will likely move sharply north.
CH	GDP (YoY, Q1)	4.8%	4.5%	The 2026 growth target is 4.5-5.0%.
CH	Retail Sales (YoY, Mar)	2.4%	-	Chinese consumers remain cautious.
CH	Industrial Production (YoY, Mar)	5.3%	-	A major driver of Chinese growth.
CH	Urban Fixed Asset Inv. (YoY YtD, Mar)	2.0%	1.8%	Surprisingly, started 2026 on the front foot.
US	Industrial Production (MoM, Mar)	-	0.2%	Business reports suggest a solid outcome.
Fri 17				
	<i>No market moving data</i>			