

Highlights this week

- In Australia, annual headline CPI surged in March, though slightly less than expected, while annual trimmed mean inflation drifted further away from the target band in Q1. Cotality home price growth slowed nationwide, with stronger declines in Sydney and Melbourne and further solid increases in less populous mainland capital cities.
- Abroad, all central banks meeting this week, including the Fed, left interest rates unchanged, but there were some disagreements with respect to the monetary policy outlook. US GDP growth saw a solid rise in Q1, while a rise in energy prices pushed the headline rate of US PCE inflation sharply higher. Chinese PMIs were mixed, but overall pointed to a relatively good performance in the manufacturing sector.

Highlights next week

- The key domestic event next week will be the RBA Monetary Policy Board decision on Tuesday, with a 25bps hike to 4.35% widely expected by market participants. The RBA will also release the quarterly Statement on Monetary Policy, along with updated macroeconomic projections.
- Other domestic highlights include dwelling approvals for March and the Melbourne Institute inflation gauge for April on Monday, the March and Q1 household spending indicator on Tuesday, living cost indices for Q1 on Wednesday, and the March trade balance on Thursday. Last but not least, the Western Australian State Budget will be released on Thursday.
- The highlights offshore will be US and Chinese services PMIs, as well as US labour market figures.

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	3.58 (↑2 pt)	ASX200	8744 (↓12 pt)
US (IOR)	3.65 (0 pt)	90-day Bills	4.37 (↑1 pt)	2-yr T-Notes	3.88 (↑5 pt)	S&P500	7209 (↑101 pt)
Eurozone (Deposit)	2.00 (0 pt)	3-yr T-Bond	4.70 (↓1 pt)	10-yr T-Notes	4.39 (↑6 pt)	DJIA	49652 (↑342 pt)
UK	3.75 (0 pt)	10-yr T-Bond	5.01 (↓1 pt)	Jap 10-yr	2.53 (↑8 pt)	Nikkei	59676 (↑269 pt)
Japan (Target)	0.75 (0 pt)	3-yr WATC Bond	4.86 (↓1 pt)	UK 10-yr	5.01 (↑7 pt)	CSI300	4807 (↑53 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	5.43 (0 pt)	Ger 10-yr	3.04 (↑3 pt)	Stoxx600	611 (↓3 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets

Interest Rates

Government bond yields are up across the major advanced economies this week, driven by renewed concerns over inflation and its implications for the monetary policy outlook, after oil prices briefly reached a four-year high.

As expected, the FOMC left the fed funds rate target range at 3.50-3.75% this week. The decision was not unanimous, however, with three FOMC participants not supporting the marginal bias towards policy easing in the forward guidance.

The Bank of Japan also kept its policy rate steady at 0.75%, though some Board members preferred a 25bps hike. The ECB and Bank of England did not change their policy rates either, but signalled likely monetary policy tightening ahead.

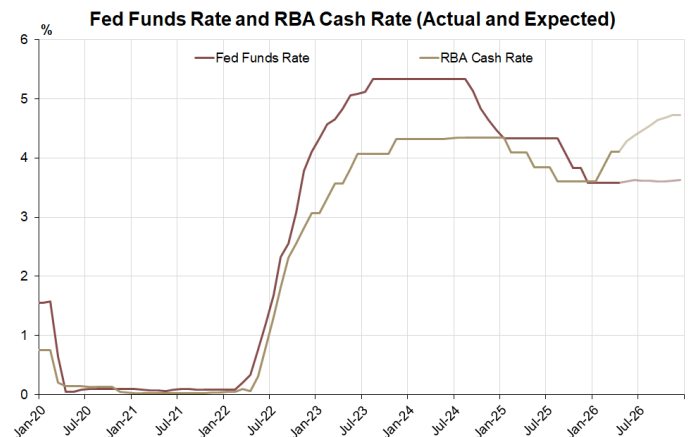
The probability of an RBA rate hike next week eased slightly after the downside surprise to the headline CPI reading, but remains above 70%. The slight easing in cash rate hike expectations drove Commonwealth bond yields marginally lower this week.

Equities

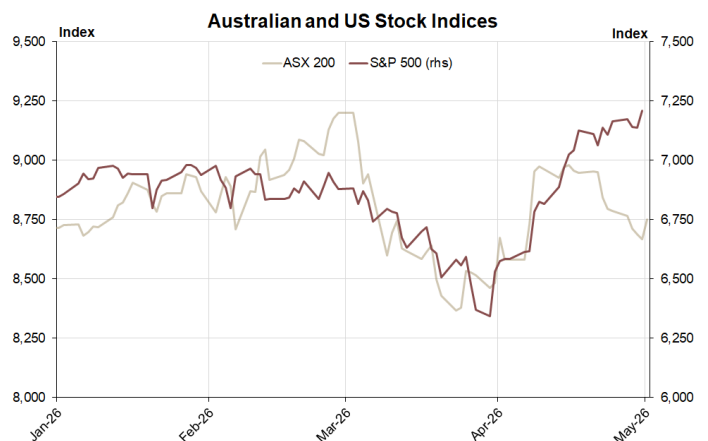
It was quite a choppy week in the global financial markets.

The fresh optimism about the artificial intelligence revolution and tech sector outlook took the S&P 500 to record highs both last Friday and Monday. However, sentiment turned sour on Tuesday, and the retreat in equity prices continued on Wednesday after oil prices climbed to multi-year highs on fresh concerns over the war in the Middle East and the closure of the Strait of Hormuz. The mood improved again after strong results of tech companies overnight, allowing the S&P 500 to reach yet another record high.

The ASX 200 underperformed Wall Street this week, reflecting the relatively small share of tech stocks, as well as the unimpressive performance of materials. The Aussie share market remains marginally below last Friday's level at the time of writing.



Source: Bloomberg



Source: Bloomberg

Currencies

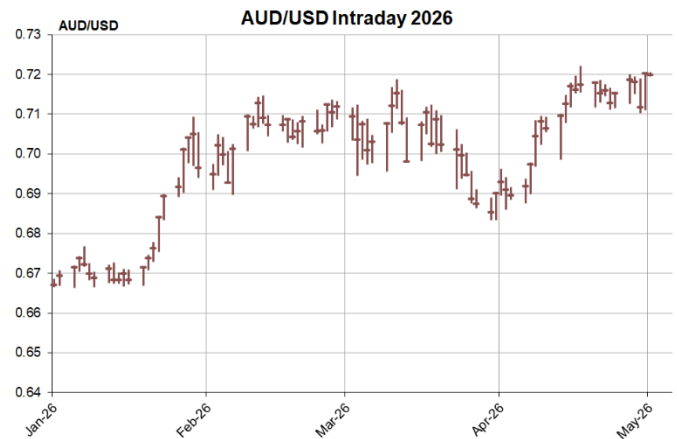
The Australian dollar continued to climb this week, rising against all the G10 currencies except the stronger Japanese yen.

The appreciation of the yen was driven by reported Japanese Government intervention in the market on Thursday after the JPY had fallen to a two-year low against the greenback.

The intervention to support the yen drove the US dollar lower, consigning the greenback to last place on the G10 currency ladder over the past week.

The rise in the Aussie dollar and decline in the greenback saw the AUD/USD close yesterday's trading session above US\$0.72 for the first time in almost four years. However, positive Middle East news briefly drove the AUD above that mark in intraday trade two weeks ago.

The AUD trade-weighted index – which values the Aussie dollar against a basket of currencies based on their share of trade with Australia – hit its highest level since early 2017 in the week, before edging down again.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.7199	0.7205	0.7102	↑1	0.7222	0.6357
AUD/EUR		0.6136	0.6143	0.6087	↑0.6	0.6199	0.4754
AUD/GBP		0.5291	0.5320	0.5275	↑0	0.5349	0.4754
AUD/JPY		113.22	114.72	111.33	↓0.5	114.72	91.35
AUD/CNY		4.9150	4.9198	4.8581	↑0.9	4.9373	4.5602
EUR/USD		1.1732	1.1755	1.1655	↑0.4	1.2081	1.1065
GBP/USD		1.3605	1.3612	1.3454	↑1.1	1.3868	1.3010
USD/JPY		157.28	160.72	155.57	↓1.6	160.72	142.12
USD/CNY		6.8281	6.8427	6.8216	↓0.1	7.2521	6.8140

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.7199	0.7186	0.7169	0.7130
AUD/EUR		0.6136	0.6100	0.6067	0.6002
AUD/GBP		0.5291	0.5284	0.5277	0.5267
AUD/JPY		113.22	112.13	111.06	108.94
AUD/NZD		1.2193	1.2136	1.2080	1.1993
AUD/SGD		0.9165	0.9090	0.9010	0.8853

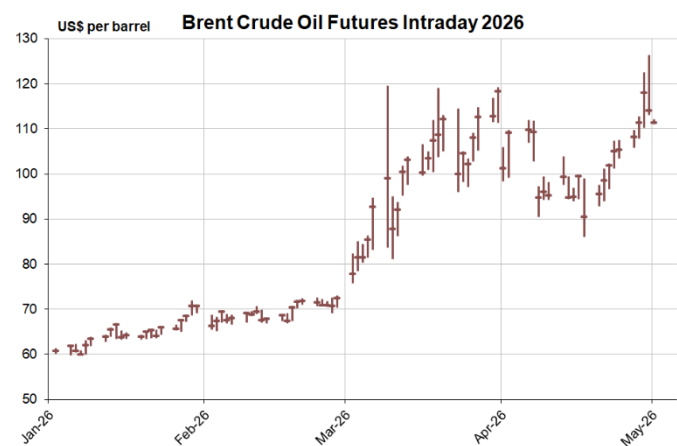
Commodities

Oil prices hit new four-year highs this week, as Iran's closure of the Strait of Hormuz and the US blockade of Iranian ports continued. Reports that the US is considering a resumption of airstrikes on Iran added to market anxiety, further supporting prices.

The rise saw Brent crude futures prices climb to well above US\$120 a barrel on Thursday, before the prices retreated. The absence of fresh news overnight and possibly some profit-taking appear to have been the catalysts for the pullback in prices.

LNG markets were also volatile this week, with prices rising sharply in Asia, Europe and the US.

Iron ore futures prices hit a five-week high on Thursday before easing, with the gains attributed to restocking ahead of the five-day Labour Day holiday starting today.



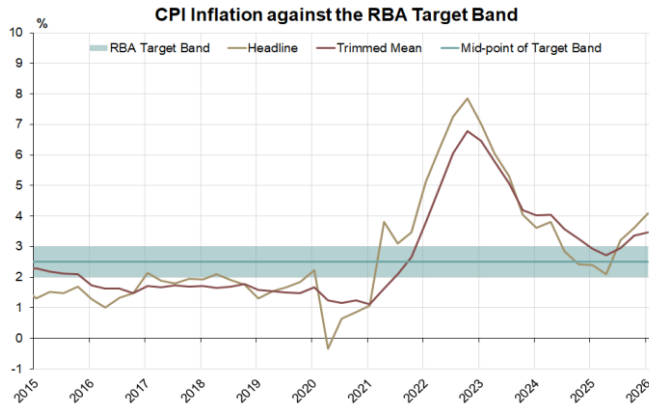
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,620.30	\$4,730.00	\$4,510.32	(↓\$67.61)	\$5,595.47	\$3,120.98
Brent Crude Oil (US\$)	\$111.93	\$126.41	\$105.82	(↑\$6.86)	\$126.41	\$58.50
Mogas95* (US\$)	\$131.03	\$138.42	\$123.63	(↑\$1.92)	\$150.55	\$68.52
WTI Oil (US\$)	\$106.06	\$110.93	\$94.59	(↑\$9.06)	\$119.48	\$54.98
CRB Index	395.11	395.11	379.06	(↑13.27)	395.11	288.35
Iron Ore Price 62% Fe (US\$)**	\$107.70	\$108.60	\$105.40	(↑\$0.9)	\$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.

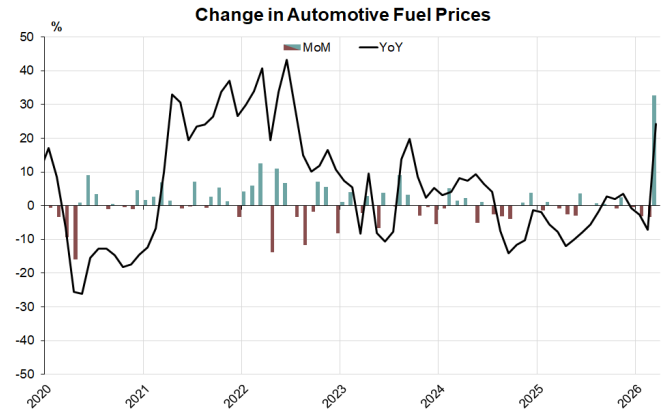
Domestic Economy

Both the headline and trimmed mean **CPI inflation rates** have drifted further from the RBA's target band.



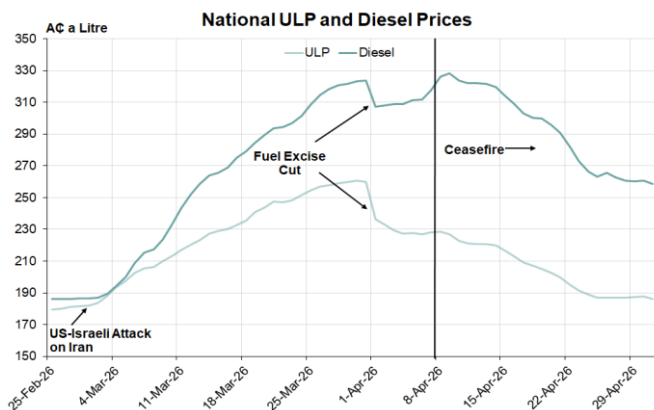
Source: ABS

Automotive fuel prices saw the strongest monthly rise on record in March.



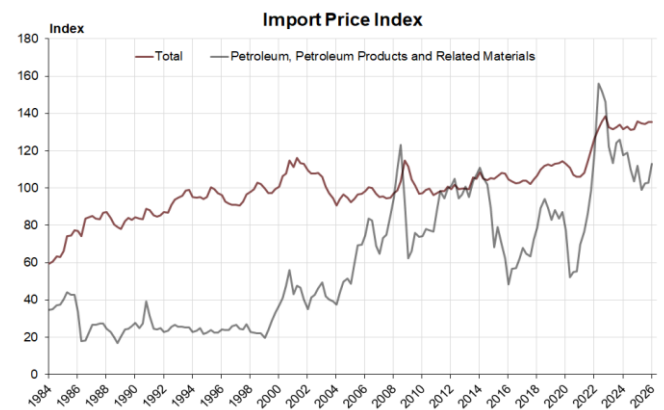
Source: ABS

Fuel prices saw a significant decline after the fuel excise cut, but **diesel prices** remain elevated.



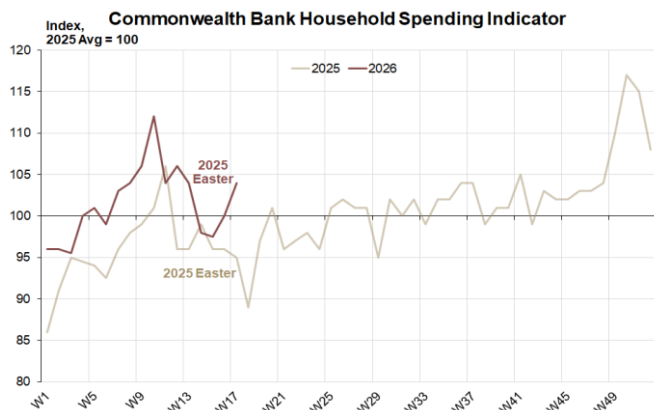
Source: ABC

However, the **import price index** was flat in Q1, as the rise in fuel prices was offset by the AUD's appreciation.



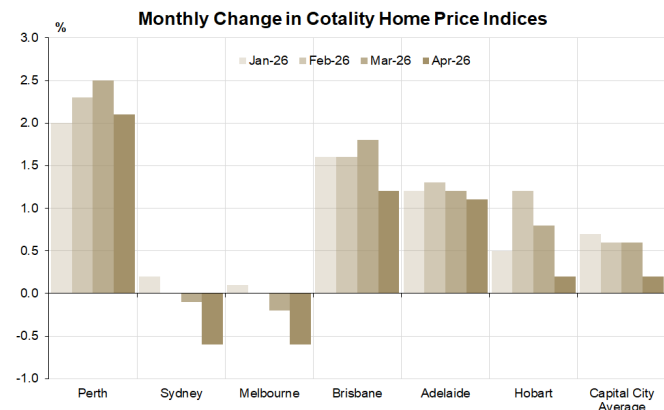
Source: ABS

Commercial bank **credit card data** suggest household spending remains resilient despite high petrol prices.



Source: Commonwealth Bank

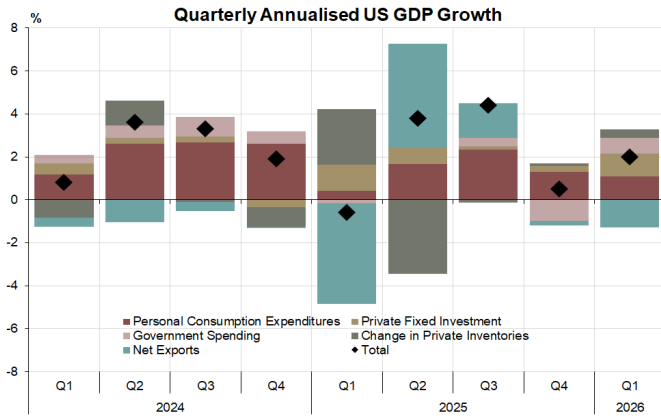
RBA tightening has had an uneven impact on **home price growth** across the capital cities so far.



Source: Cotality

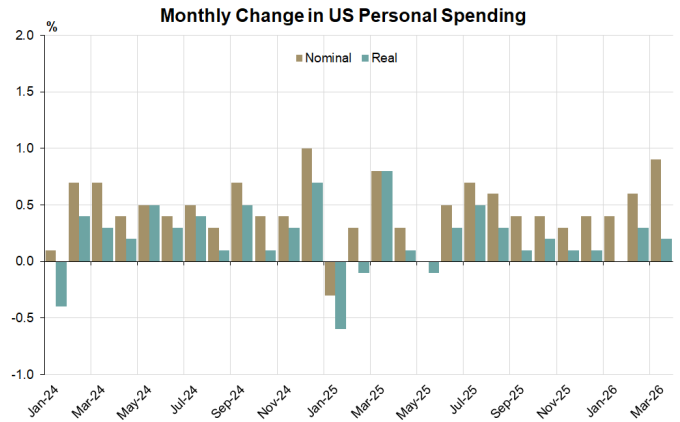
Global Economy

US GDP growth accelerated in Q1 as the government has largely reopened and the AI revolution continues.



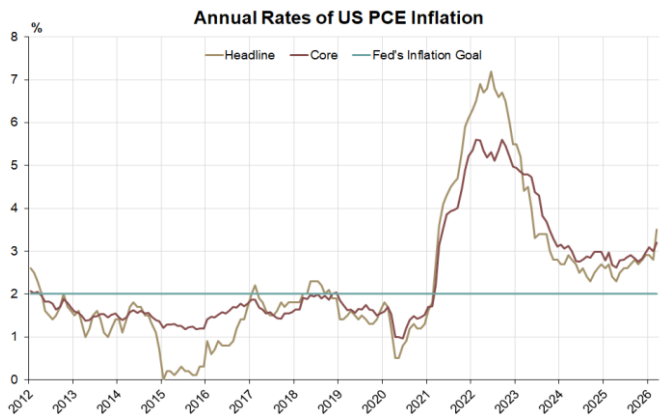
Source: Bloomberg

US personal spending continued to climb steadily in real terms throughout Q1...



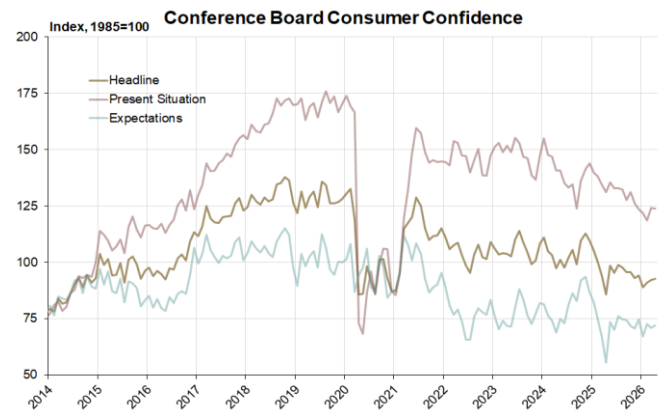
Source: Bloomberg

... despite a rise in energy prices in March, which pushed US headline PCE inflation even higher.



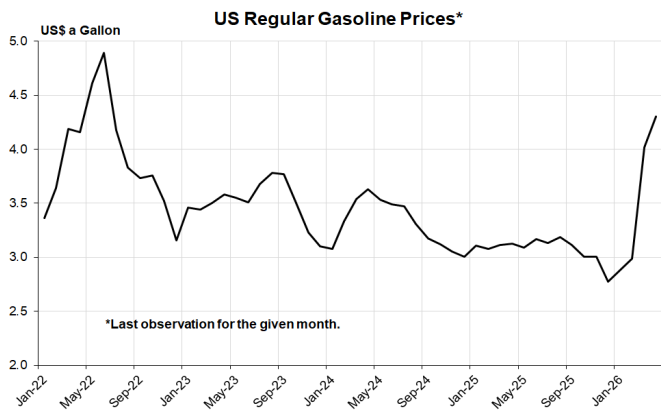
Source: Bloomberg

Conference Board consumer confidence saw a surprising improvement in April, but is still depressed.



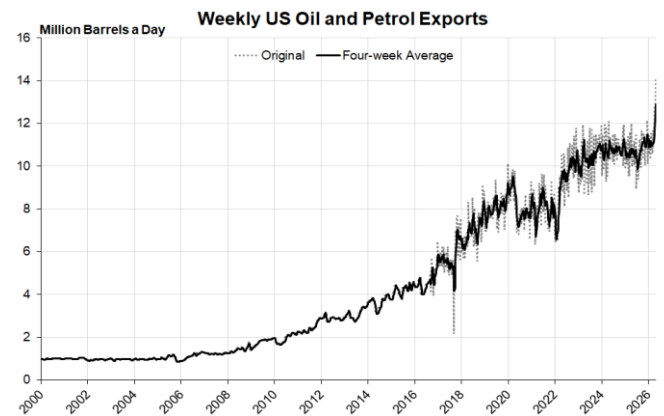
Source: Bloomberg

Meanwhile, **US petrol prices** continued their ascent in April...



Source: GasBuddy

... at a time when **US oil and petrol exports** reached a record high in the global search for supply.



Source: US Energy Information Administration

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 27					
	No market moving data				
Tue 28					
AU	ANZ Consumer Conf. (w/e 25 Apr)	67.8	-	64.3	Inflation expectations down 0.5ppts to a still-high 6.6%.
JP	BoJ Decision (Policy Rate)	0.75%	0.75%	0.75%	Three out of nine BoJ Board members preferred a hike.
US	CB Consumer Confidence (Apr)	92.8	89.0	92.2	The rise driven by improving expectations.
US	C-S Hse Pce 20 Cities (MoM, Feb)	-0.1%	0.2%	0.2%	The first decline since mid-2025.
Wed 29					
AU	CPI (YoY, Mar)	4.6%	4.8%	3.7%	Annual trimmed mean inflation rose by 0.1ppts to 3.3%.
CA	BoC Decision (Policy Rate)	2.25%	2.25%	2.25%	The BoC prefers to wait through the oil price shock.
US	FOMC Decision (IoER)	3.65%	3.65%	3.65%	Three FOMC participants were for more hawkish stance.
US	Dur. Goods Orders (MoM, Mar)	0.8%	0.5%	-1.2%	Core capital goods orders rose the most since 2020.
US	Goods Trade Balance (Mar, adv.)	-US\$88b	-US\$88b	-US\$84b	Exports picked up by 2.5%, while imports rose by 3.3%.
Thu 30					
AU	Export Price Index (QoQ, Q1)	0.5%	1.8%	3.2%	There was a strong increase in lithium export prices.
AU	Import Price Index (QoQ, Q1)	0.1%	-0.6%	0.9%	Rise in fuel prices offset by appreciation of the AUD.
AU	Private Sector Credit (MoM, Mar)	0.7%	0.6%	0.6%	Up by 8.1% YoY, the most since late 2022.
CH	NBS Composite (Apr)	50.1	-	50.5	Contraction in the construction sector deepened.
CH	RatingDog Manuf. PMI (Apr)	52.2	51.0	50.8	The strongest reading since December 2020.
EZ	ECB Decision (Deposit Rate)	2.00%	2.00%	2.00%	ECB ready to adjust its policy if uneasy about inflation.
EZ	GDP (QoQ, Q1)	0.1%	0.2%	0.2%	Annual rate of growth down to a nearly 2Y low of 0.8%.
EZ	HICP (YoY, Apr, flash)	3.0%	3.0%	2.6%	Core inflation ebbed 0.1ppts to 2.2% (goal: 2%).
UK	BoE Decision (Bank Rate)	3.75%	3.75%	3.75%	A June hike around 50% priced in.
US	GDP (QoQ ann., Q1, prelim.)	2.0%	2.3%	0.5%	Helped by higher public spending and IT investment.
US	Personal Spending (MoM, Mar)	0.9%	0.9%	0.6%	Real personal spending rose by a moderate 0.2%.
US	PCE Price Index (MoM, Mar)	0.3%	0.3%	0.4%	Core PCE inflation saw only a slight increase.
Fri 01					
AU	PPI (QoQ, Q1)	0.4%	-	0.8%	Annual PPI inflation hit the lowest level since Q3 2021.
Tonight					
US	ISM Manufacturing PMI (Apr)	-	53.2	52.7	S&P Global reports pointed to faster expansion.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 04				
AU	Dwelling Approvals (MoM, Mar)	-10.0%	29.7%	Have been quite volatile due to fluctuating unit approvals.
AU	MI Inflation Gauge (YoY, Apr)	-	4.3%	Business reports pointed to further acceleration.
Tue 05				
AU	RBA Decision (Cash Rate Target)	4.35%	4.10%	A 25bps hike more than 70% priced in.
AU	Statement on Monetary Policy (Feb)	-	-	Expect an upward revision to near-term inflation forecasts.
AU	RBA Governor Michele Bullock Speaks	-	-	The post-meeting conference.
AU	Household Spending Indicator (MoM, Mar)	1.5%	0.3%	Commercial bank data show resilience to the fuel price shock.
US	ISM Services PMI (Apr)	53.7	54.0	S&P Global PMIs suggested expansion.
US	JOLTS Job Openings (Mar)	6.8m	6.9m	Remains below the number of officially unemployed in the US.
Wed 06				
AU	Living Cost Indices (Q1)	-	-	Consumer price changes for selected household types.
CH	RatingDog Services PMI (Apr)	52.0	52.1	The NBS services PMI came back to contraction in April.
US	ADP Employment (monthly change, Apr)	70k	62k	Has been a poor indicator of the official job figures.
Thu 07				
AU	Goods Trade Balance (MoM, Mar)	A\$4.4b	A\$5.7b	Has been heavily impacted by non-monetary gold trade.
Fri 08				
US	Non-farm Payrolls (monthly change, Apr)	60k	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 Consumer Sentiment (May, prel.)	49.3	49.8	Has been less reliable since the switch to the online survey.
US	NY Fed 1Y Inflation Expectations (Apr)	-	3.4%	The survey that the Fed focuses on.