

Highlights this week

- The S&P Global Australian flash PMI for April indicated that business activity remained in expansion and input cost and selling price inflation accelerated a little. Consumer confidence picked up a little last week.
- The flash major economy PMIs for April showed a slowdown in business activity growth in the US linked to trade policy, the Japanese PMI rose into expansion after contracting in March and the euro area PMI suggested that growth stagnated due to weakness in Germany and France.

Highlights next week

- Domestically, the highlight of a busy week will be the Q1 CPI on Wednesday, which will be key for the RBA cash rate decision on 20 May. The CoreLogic home value index for April, Q1 international trade prices and the March trade balance are due Thursday, followed by March retail sales values, Q1 retail sales volumes and the Q1 PPI on Friday.
- Offshore the Chinese PMIs for April, the first estimate of US Q1 GDP, the US ADP employment report for April, and personal income and spending for March (including the Fed's official inflation target, the PCE price index), will all be released on Wednesday. Thursday will see the release of the US ISM manufacturing PMI for April and a Bank of Japan monetary policy decision, while the big event for global markets will be the release of the April employment report in the US on 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	4.09	(0 pt)	USD 3-month	4.85	(0 pt)	ASX200	7984	(↑185 pt)
US (IOR)	4.40	(0 pt)	90-day Bills	3.92	(↓9 pt)	2-yr T-Notes	3.84	(↑4 pt)	S&P500	5376	(↑100 pt)
Eurozone (Deposit)	2.25	(↓25 pt)	3-yr T-Bond	3.34	(0 pt)	10-yr T-Notes	4.36	(↑5 pt)	DJIA	39607	(↓63 pt)
UK	4.50	(0 pt)	10-yr T-Bond	4.25	(↓4 pt)	Jap 10-yr	1.33	(↑1 pt)	Nikkei	35048	(↑804 pt)
Japan (Target)	0.50	(0 pt)	3-yr WATC Bond	3.53	(↓3 pt)	UK 10-yr	4.55	(↓5 pt)	CSI300	3784	(↑12 pt)
China (1Y LPR)	3.10	(0 pt)	10-yr WATC Bond	5.22	(↓5 pt)	Ger 10-yr	2.50	(↓1 pt)	Stoxx600	517	(↑10 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets

Interest Rates

US Treasuries have been volatile this week, selling off early amid reports that President Trump is exploring ways to remove Jerome Powell from his post as Fed Chair before his term is up in 2026, which raised concerns over the Fed's independence. The reports came after President Trump attacked the Fed Chair for not immediately cutting interest rates. Comments from President Trump that he has no plans to sack the Fed Chair helped calm the market on Tuesday, cutting some of the early increases in Treasury yields.

Aussie bond yields have been pushed around by events in the US but with the RBA's independence not under threat and very little domestic data available the moves were smaller, with the 10-year currently down a little for the week.

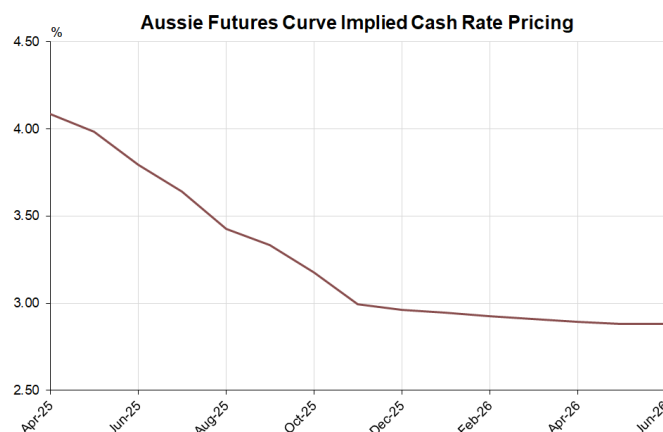
Current market pricing for a 50bps cut from the RBA in May has been trimmed to a 59% implied probability from 70% this time last week.

The ECB cut its policy interest rates by 25bps last Thursday. The ECB statement highlighted the uncertainty over the outlook for the economy and inflation due to escalating trade tensions.

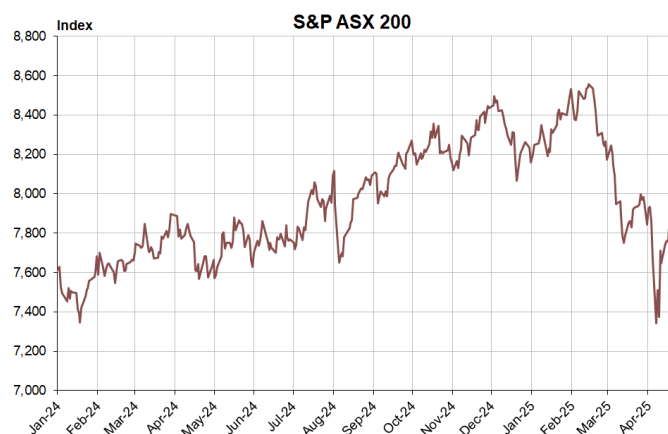
Equities

Aussie equities shook off the Trump slump in the US on Monday, opening the week flat before posting solid gains over the past two days. The ASX 200 is currently sitting above the levels it was just prior to the escalation in Donald Trump's trade war with the rest of the world. All the major industry groups have recorded increases led by financials.

US equities fell sharply on Monday as the threat to Fed independence undermined confidence, however the market bounced, making solid gains over the past two days, with the S&P 500 up 2.1% on this time last week. The Dow Jones is the one major US index to be lower than this time last week, due to a huge 22.4% drop in United Healthcare last Friday. The Dow Jones contains only 30 companies and can be heavily impacted by big moves in its individual members.



Source: Bloomberg



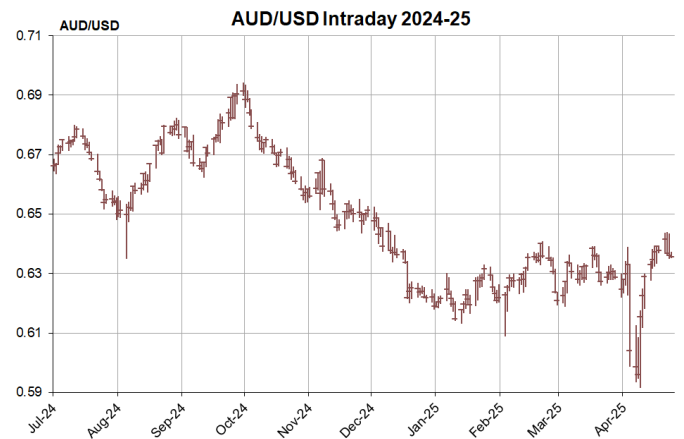
Source: Bloomberg

Currencies

The AUD/USD has had a roller coaster ride over the past week, largely driven by moves in the greenback. The big dollar was initially hit by concerns over the independence of the US Federal Reserve following a report that President Trump was looking at ways to remove Fed Chair Jerome Powell, pushing the US dollar index to a three-year low on Monday.

President Trump's denial that he is seeking to sack Powell drove a turnaround in the USD's fortunes, with the greenback climbing over the remainder of the week.

The Aussie dollar climbed above US\$0.64 for the first time in two months and hit its highest levels against the USD since December last year before easing again this morning.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6358	0.6439	0.6349	↑0.1	0.6942	0.5915
AUD/EUR		0.5608	0.5659	0.5555	↑0.3	0.6261	0.4620
AUD/GBP		0.4791	0.4834	0.4770	↓0.3	0.5289	0.4620
AUD/JPY		90.82	91.61	89.64	↑0.3	109.37	86.05
AUD/CNY		4.6401	4.7059	4.6338	↓0.1	4.9340	4.3523
EUR/USD		1.1336	1.1573	1.1308	↓0.3	1.1573	1.0141
GBP/USD		1.3271	1.3424	1.3234	↑0.4	1.3434	1.2100
USD/JPY		142.88	143.57	139.89	↑0.2	161.95	139.58
USD/CNY		7.2980	7.3145	7.2826	↓0.1	7.3511	7.0063
Forward Rates		Spot	3M	6M	12M		
AUD/USD		0.6358	0.6365	0.6374	0.6389		
AUD/EUR		0.5608	0.5582	0.5559	0.5516		
AUD/GBP		0.4791	0.4795	0.4800	0.4813		
AUD/JPY		90.82	89.99	89.28	88.03		
AUD/NZD		1.0682	1.0663	1.0647	1.0628		
AUD/SGD		0.8360	0.8326	0.8295	0.8236		

Commodities

Gold hit fresh record highs, driven by further uncertainty emanating out of the US and a slump in the US dollar. However, those early gains were given back as markets settled in the second half of the week.

Oil prices rose strongly ahead of the Easter weekend, but those increases have been reversed as financial market uncertainty and ongoing concerns over the demand outlook pushed prices lower early in the week. A recovery on Tuesday was short-lived, as reports that some OPEC+ members are seeking a faster supply increase than currently scheduled pushed prices lower again.

Iron ore futures prices climbed above US\$100 / tonne for the first time in almost three weeks boosted by hopes that the US and China may soon begin negotiations to ease tariffs but have fallen back today.

Copper prices continued their recovery after prices on the London Metals Exchange slumped to a one-year low earlier this month.



Source: Bloomberg

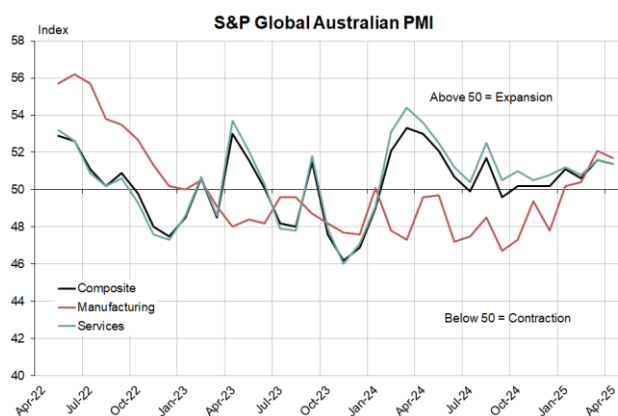
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,325.07	\$3,500.10	\$3,260.40	(↓\$16.92)	\$3,500.10	\$2,277.35
Brent Crude Oil (US\$)	\$66.20	\$68.65	\$65.29	(↓\$0.21)	\$89.83	\$58.40
Mogas95* (US\$)	\$75.76	\$78.28	\$74.79	(↑\$0.43)	\$103.77	\$67.57
WTI Oil (US\$)	\$62.36	\$65.09	\$61.53	(↓\$0.79)	\$84.52	\$55.12
CRB Index	295.62	297.30	292.70	(↑2.92)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$99.00	\$100.60	\$96.85	(↓\$0.1)	\$122.90	\$88.40

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.

** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

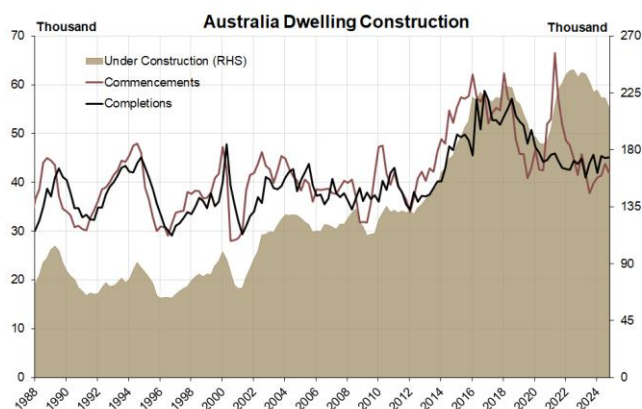
Domestic Economy

The **S&P Global composite PMI** indicated Aussie business activity growth eased a little in April.



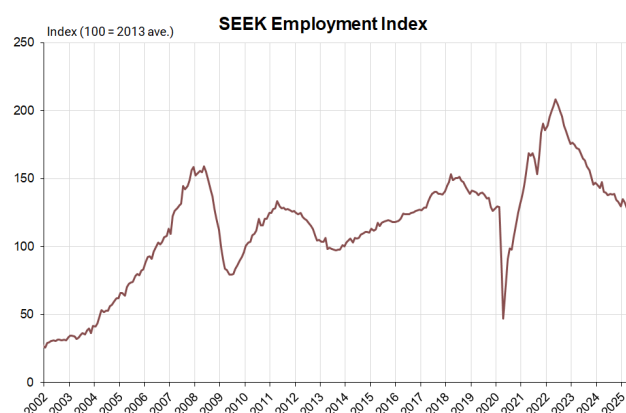
Source: ABS

Australian **dwelling completions** remain very low compared to the number under construction.



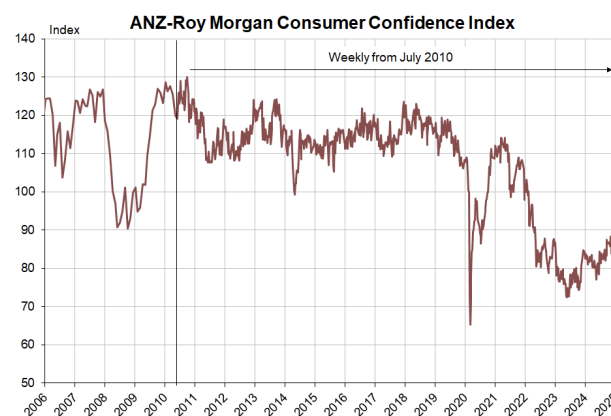
Source: ABS

Job ads on SEEK fell to the lowest level since November 2020 in March...



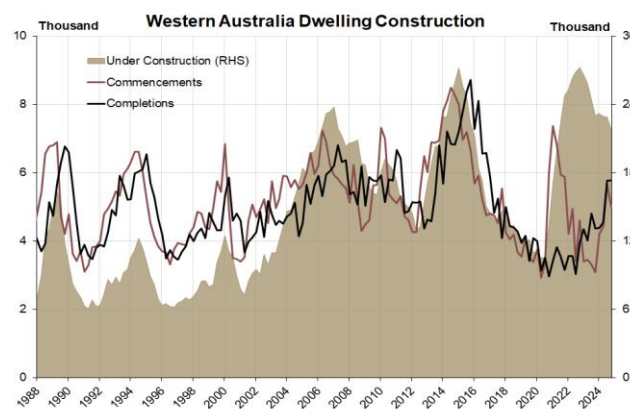
Source: SEEK

The **ANZ-Roy Morgan weekly consumer confidence index** has been in a tight range since late October.



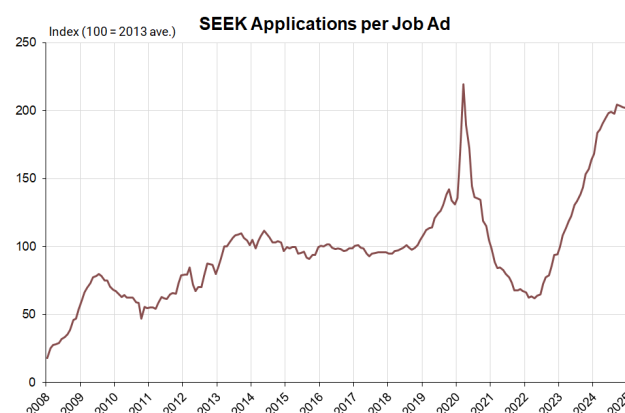
Source: ABS

Conditions are a little better in WA, with **completions and starts** picking up in the second half of 2024.



Source: ABS

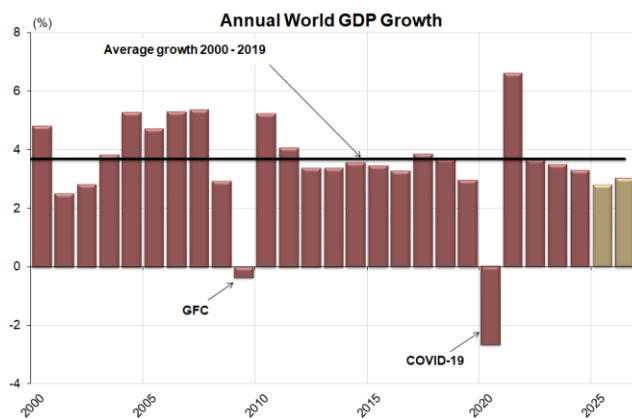
...with **applications per job ad** rising to the highest level since early 2020 in February.



Source: SEEK

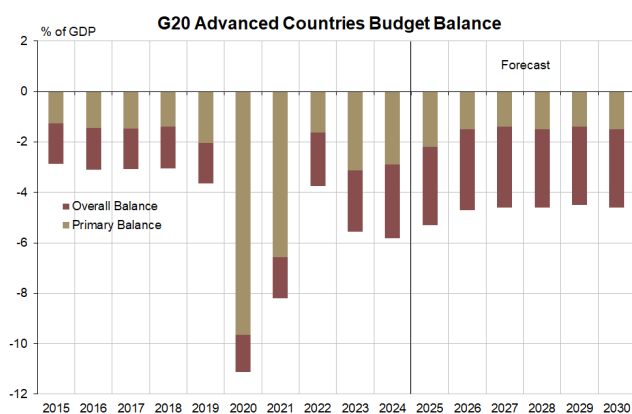
Global Economy

The IMF has sharply cut its global growth forecasts for 2025 and 2026...



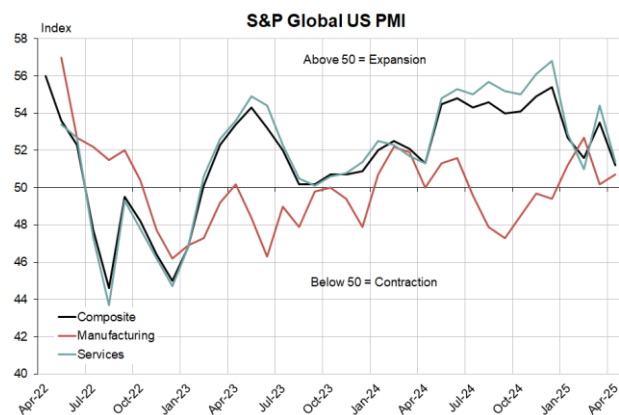
Source: IMF

Public sector finances are already strained across many G20 countries...



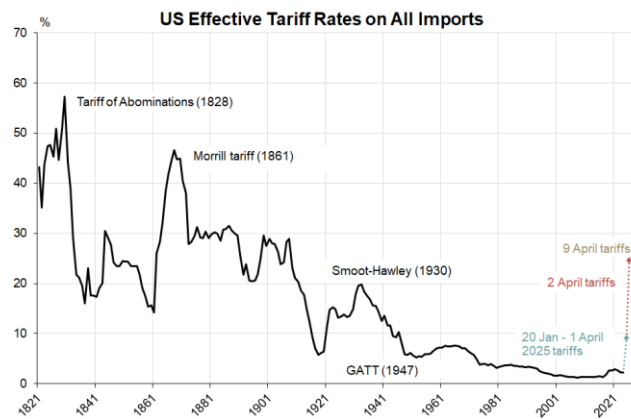
Source: IMF

US business activity was hit by lower export orders in April amid the sharp increase in US tariffs.



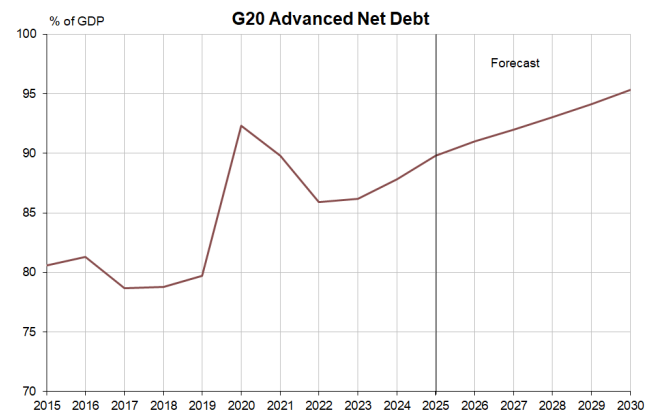
Source: Bloomberg

...as average US tariff rates were pushed up to the highest levels in over a century.



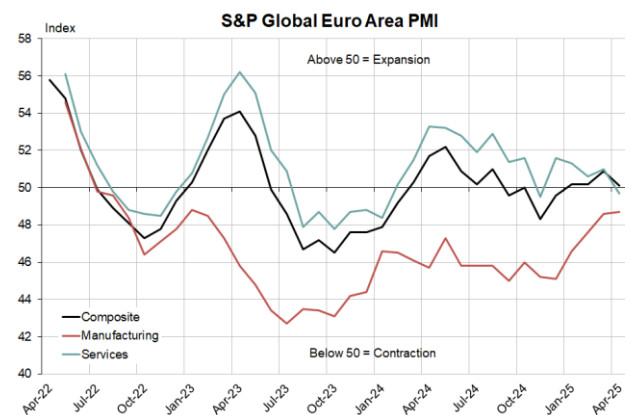
Source: IMF

...with average G20 public sector net debt projected to rise to 100% of GDP in 2030.



Source: IMF

Euro area business activity growth all but stagnated in April, dragged down by weakness in Germany and France.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 21					
CH	PBoC Announce. (5Y LPR)	3.60%	3.60%	3.60%	Pressure for lower rates to mount in the coming months
Tue 22	No market-moving data.				
Wed 23					
AU	S&P Global Comp PMI (Apr, flash)	51.4	-	51.6	Activity expansion slowed but inflation picked up.
AU	ANZ Wkly Cons. Conf. (w/e 20 Apr)	1.5%	-	-3.0%	Small increase despite considerable uncertainty.
JP	Jibun Bank Comp PMI (Apr, flash)	51.1	-	48.9	Improvement driven by services.
EZ	HCOB Composite PMI (Apr, flash)	50.1	50.2	50.9	Euro area business activity growth stagnated in April.
UK	S&P Global Comp PMI (Apr, flash)	48.2	50.4	51.5	First contraction since October 2023.
US	Beige Book				Outlook worsened across some Fed districts.
US	S&P Global Comp PMI (Apr, flash)	51.2	52.0	53.5	US trade policy hitting export orders.
Tonight					
US	Durable Goods Orders (MoM, Mar)	-	2.0%	1.0%	Core capital goods orders fell in February
US	Initial Jobless Claims (w/e 19 Apr)	-	222k	215k	US initial jobless claims remain low.
Fri 25	UMich Consumer Conf (Apr, Final)	-	50.6	50.8	Preliminary estimate hit a near three -year low.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 28				
US	S&P 20-City Hse Price Index (MoM, Feb)	-	0.5%	Growth has gained momentum in recent months.
Tue 29				
US	JOLTS Job Openings (Mar)	-	7568k	Remained above the number of officially unemployed in Feb.
US	Conference Board Consumer Conf. (Apr)	87.0	92.9	Labour market expectations have deteriorated.
Wed 30				
AU	CPI (QoQ, Q1)	0.8%	0.2%	Trimmed mean expected to fall into 2-3% RBA target band.
AU	Monthly CPI Indicator (YoY, Mar)	2.2%	2.4%	Monthly trimmed mean within target for two months in a row.
AU	Private Sector Credit (MoM, Mar)	0.5%	0.5%	Annual growth in business borrowing hit 21-month high in Feb.
CH	NBS Composite PMI (Apr)	-	51.4	Construction component hit a 10-month high in March.
CH	Caixin Manufacturing PMI (Apr)	-	51.2	March increase supported by strong rise in new export orders.
EZ	GDP (QoQ, Q1, Advance)	-	0.2%	Growth being held back by the euro area's largest economies.
US	ADP Employment (Monthly Change, Apr)	-	155k	Has signalled slower private payrolls growth in early 2025.
US	GDP (QoQ, Q1, Annualised, Advance)	0.4%	2.4%	Monthly economic data suggests a sharp slowdown in growth.
US	Personal Cons. Expenditure. (MoM, Mar)	0.4%	0.4%	Retail report indicated slower spending growth in the month.
US	PCE Price Index (MoM, Mar)	0.0%	0.3%	CPI suggests inflation slowed in March ahead of tariffs.
Thu 01				
AU	CoreLogic Home Value Index (MoM, Apr)	-	0.4%	RBA February rate cut has helped drive prices higher again.
AU	Import Price Index (QoQ, Q1)	-	0.2%	Slower growth in import prices helping to limit inflation.
AU	Export Price Index (QoQ, Q1)	-	3.6%	Q4 2024 saw the first rise in export prices in four quarters.
AU	Trade Balance (Mar)	A\$3.1B	A\$3.0B	Non-monetary gold exports are at record levels in early 2025.
US	ISM Manufacturing PMI (Apr)	47.9	49.0	Slipped back into mild contraction in March.
JP	Bank of Japan (Overnight Rate)	-	0.50%	One more 25bps increase partly priced in for 2025.
Fri 02				
AU	PPI (QoQ, Q1)	-	0.8%	Annual growth slipped to a three-year low of 3.7% in Q4.
AU	Retail Sales Value (MoM, Mar)	0.4%	0.2%	Sales growth has been sluggish in early 2025.
AU	Retail Sales Volumes (QoQ, Q1)	0.3%	1.0%	Volumes have risen for two quarters in a row.
EZ	CPI (YoY, Apr, Preliminary)	-	2.2%	Annual core inflation hit a three-year low in March.
US	Non-Farm Payrolls (Monthly Change, Apr)	123k	228k	Payroll growth picked up in March after a soft start to the year.
US	Unemployment Rate (Apr)	4.2%	4.2%	Edged up in March but remained low.