

Highlights this week

- Abroad, US President Donald Trump has temporarily exempted electronics from the tariffs on China and hinted that he may pause 25% sectoral tariffs on cars and car parts. However, he also signalled that sectoral tariffs on semiconductors and pharmaceuticals may be coming, while threatening China with a 245% tariff rate on some goods and banning sales of some chips in China by US companies.
- Data-wise, US retail trade saw a solid gain in March, driven by panic buying of cars ahead of the tariffs. US industrial production declined in March, dragged down by lower activity in utilities. Chinese Q1 GDP growth and March activity figures surprised to the upside, while Chinese trade surplus surged in March amid a pull forward of US imports ahead of the tariffs.
- In Australia, RBA minutes suggested that the May meeting could be an 'opportune time' to revisit monetary policy settings. Employment growth was close to expectations in March, and the unemployment rate edged up to 4.1%.

Highlights next week

- A very quiet week ahead domestically, with S&P Global flash PMIs for April on Wednesday being the only release of note.
- The flash PMIs for April will also be released across the major advanced economies. The only other highlight will be the US durable goods orders for March, which is scheduled for a release on Thursday.

Central Bank Rates (%)			Australian Interest Rates (%)			Major Overseas Interest Rates (%)			Global Equities		Weekly Change
		Weekly Change			Weekly Change			Weekly Change			
Australia	4.10	(0 pt)	O/N Interbank Cash	4.09	(0 pt)	USD 3-month	4.85	(0 pt)	ASX200	7799	(↑191 pt)
US (IOR)	4.40	(0 pt)	90-day Bills	4.01	(↓7 pt)	2-yr T-Notes	3.80	(↓3 pt)	S&P500	5276	(↑8 pt)
Eurozone (Deposit)	2.50	(0 pt)	3-yr T-Bond	3.34	(↑7 pt)	10-yr T-Notes	4.31	(↓14 pt)	DJIA	39669	(↑75 pt)
UK	4.50	(0 pt)	10-yr T-Bond	4.29	(↓12 pt)	Jap 10-yr	1.32	(↓5 pt)	Nikkei	34244	(↑1114 pt)
Japan (Target)	0.50	(0 pt)	3-yr WATC Bond	3.56	(↑3 pt)	UK 10-yr	4.60	(↓4 pt)	CSI300	3772	(↑38 pt)
China (1Y LPR)	3.10	(0 pt)	10-yr WATC Bond	5.27	(↓22 pt)	Ger 10-yr	2.51	(↓7 pt)	Stoxx600	507	(↑20 pt)

Changes are since the previous issue of Market Watch Weekly.

Financial Markets

Interest Rates

Long-term government bond yields declined this week, as concerns over the inflationary impacts of tariffs eased a little after the US administration temporarily exempted electronics from the supersized tariffs imposed on China. Despite these declines, yield curves remain the steepest since the surge in inflation back in 2021-22.

Speaking on Wednesday night, Fed Chair Jerome Powell dashed hopes for imminent monetary policy support, as it is not clear if the inflationary impacts of tariffs will be transitory, and markets are functioning well, at least for the time being.

The Bank of Canada left its policy rate unchanged at 2.75%, stressing that the economic outlook is highly uncertain. The ECB is widely expected to cut interest rates by 25bps tonight.

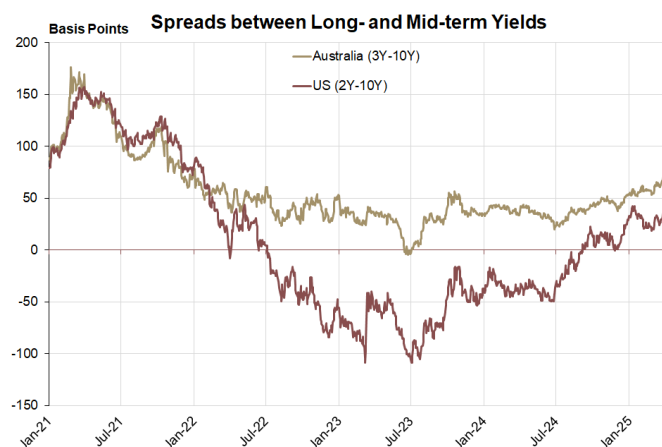
At home, the minutes of the RBA Monetary Policy Board meeting - which predated the 'reciprocal' tariffs - said that the May meeting 'would be an opportune time to revisit monetary policy'. A 25bps cash rate cut remains fully priced in for the May RBA meeting, with some participants expecting a larger 50bps adjustment.

Equities

Equities are up across most of the world since the last edition of Market Watch, with the US market continuing to underperform.

Tariff news was again a major driver of trade on Wall Street, with traders encouraged on Monday by news that the White House is temporarily exempting a range of electronic goods from its supersized tariffs on China. However, the upward momentum ran out of steam and shares fell sharply overnight as the Trump administration announced a probe into US critical minerals imports and Fed chair Jerome Powell poured cold water on hopes for a near-term Fed rate cut.

The Aussie market has performed much better than its US counterpart, climbing through most of the week, apart from a virtually flat result on Wednesday. The gains were led by materials and financials, with communication services and consumer shares the worst performers.



Currencies

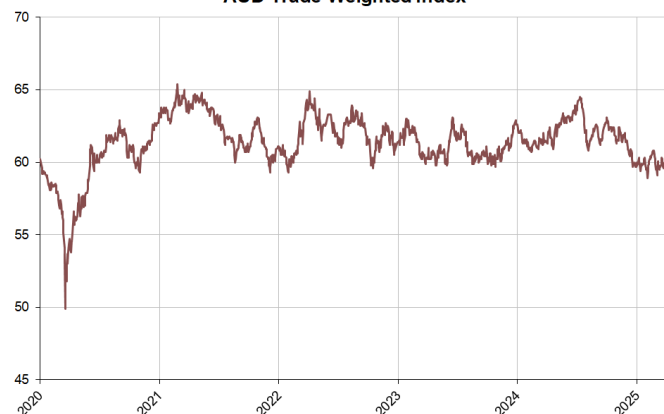
The Aussie dollar continued its recovery after the trade-weighted index hit a near five-year low recorded on 8 April and has been the strongest member of the G10 currency basket this week except for the New Zealand dollar.

The rise has come as the fear that drove the sharp drop earlier this month has dissipated to some extent, although the Aussie remains vulnerable for further bouts of market volatility.

The strongest increase has been against the greenback with the AUD/USD rising to its highest levels in a month, with the size of the increase partly due to the sharp weakening in the greenback.

The US dollar index has slumped to its lowest levels in over three years as Trump's tariffs continue to erode confidence in the outlook for the US economy.

AUD Trade-Weighted Index



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6354	0.6392	0.6181	↑2.5	0.6942	0.5915
AUD/EUR		0.5591	0.5644	0.5422	↑1.6	0.6261	0.4620
AUD/GBP		0.4807	0.4842	0.4735	↑0.7	0.5289	0.4620
AUD/JPY		90.57	91.41	88.29	↑1.5	109.37	86.05
AUD/CNY		4.6431	4.6688	4.5254	↑2.3	4.9340	4.3523
EUR/USD		1.1366	1.1473	1.1191	↑0.9	1.1473	1.0141
GBP/USD		1.3218	1.3292	1.2968	↑1.8	1.3434	1.2100
USD/JPY		142.56	144.64	141.62	↓0.9	161.95	139.58
USD/CNY		7.3078	7.3289	7.2919	↓0.2	7.3511	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6354	0.6360	0.6370	0.6385
AUD/EUR		0.5591	0.5566	0.5544	0.5503
AUD/GBP		0.4807	0.4811	0.4818	0.4832
AUD/JPY		90.57	89.73	89.03	87.76
AUD/NZD		1.0739	1.0721	1.0707	1.0689
AUD/SGD		0.8345	0.8311	0.8283	0.8228

Commodities

Commodity prices picked up this week, with the Commodity Research Bureau index up 2.7% since Friday morning.

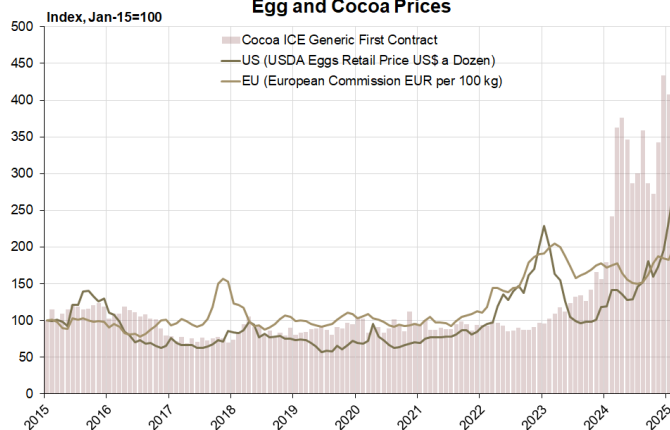
Brent futures picked up by 3.4% amid supply concerns following the extension of tariffs on Russia by US President Donald Trump, coupled with news that Iran might cut its output to comply with OPEC+ quotas.

Iron ore futures are up by 0.9%, as Chinese export and activity data surprised to the upside.

At the same time, heightened uncertainty saw the gold price surge to yet another record high.

Egg roll will be expensive this year, especially in the US and Europe, where retail prices have reached the highest level on record, despite global prices easing from their recent highs. Prices of cocoa, the main component of chocolate eggs, have come off their record highs, but remain elevated.

Egg and Cocoa Prices



Source: ABS / Bloomberg

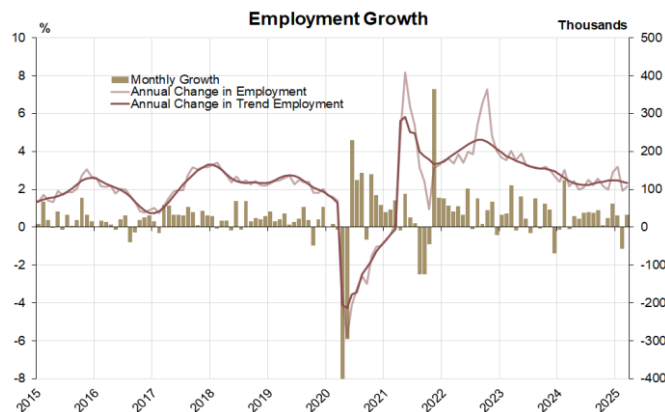
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,341.99	\$3,357.78	\$3,175.47	(↑\$146.93)	\$3,357.78	\$2,277.35
Brent Crude Oil (US\$)	\$66.41	\$66.50	\$62.77	(↑\$2.54)	\$89.83	\$58.40
Mogas95* (US\$)	\$75.33	\$75.40	\$70.74	(↑\$3.7)	\$106.84	\$67.57
WTI Oil (US\$)	\$63.15	\$63.21	\$59.43	(↑\$2.56)	\$86.28	\$55.12
CRB Index	292.70	292.70	285.13	(↑7.57)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$99.10	\$99.15	\$95.15	(↑\$1.8)	\$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.

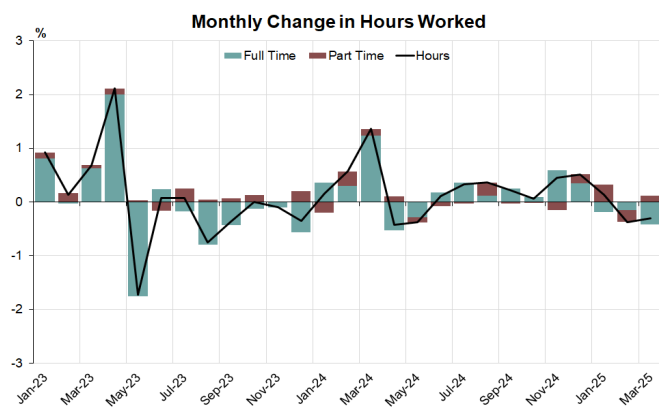
Domestic Economy

Employment bounced back in March, after a drop in February caused by more people retiring than usual.



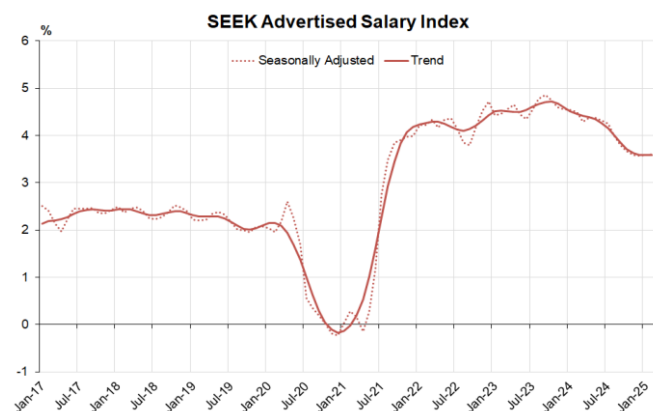
Source: ABS

Recent declines in **hours worked** suggest labour market conditions are easing.



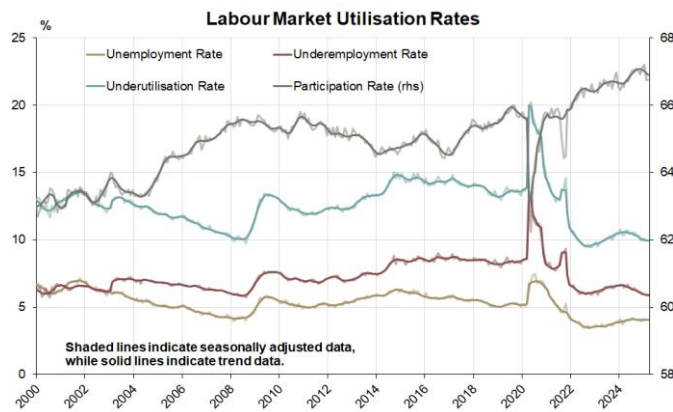
Source: ABS

SEEK advertised salary growth has stopped decelerating and remains faster than before COVID-19.



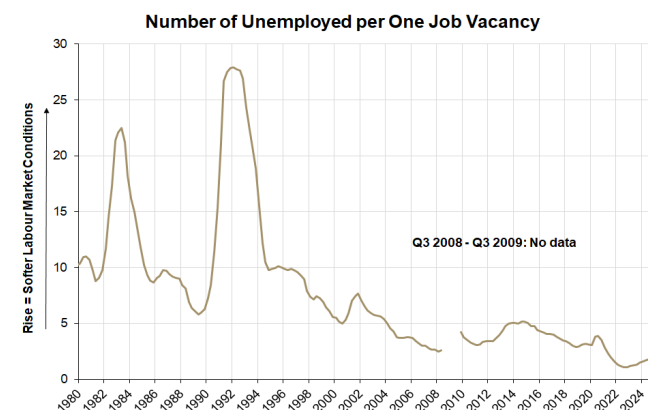
Source: SEEK

Measures of **labour market underutilisation** remain low.



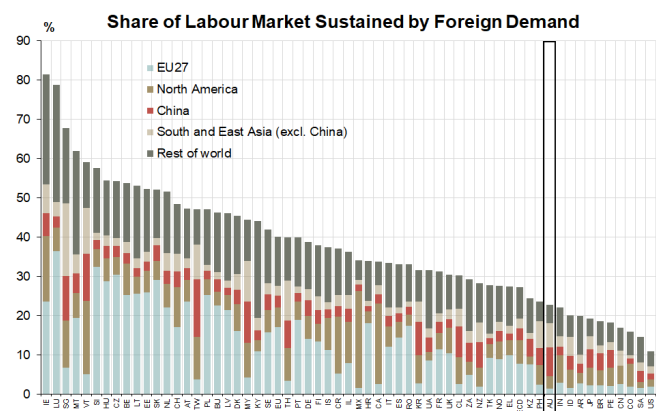
Source: ABS

Labour market conditions remain incredibly tight, which adds to wage pressures.



Source: ABS

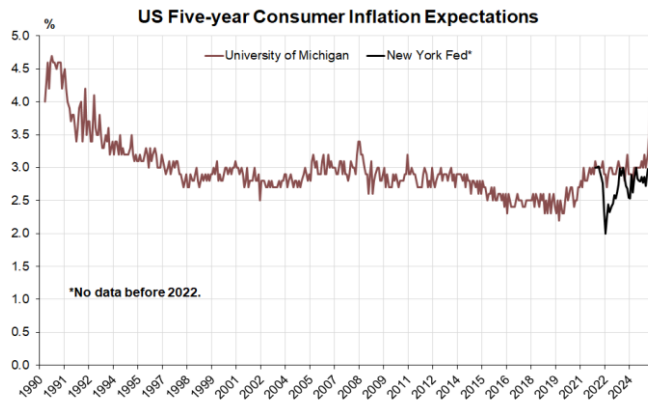
A small share of Australian labour force is dependent on **foreign demand**.



Source: OECD TIVA

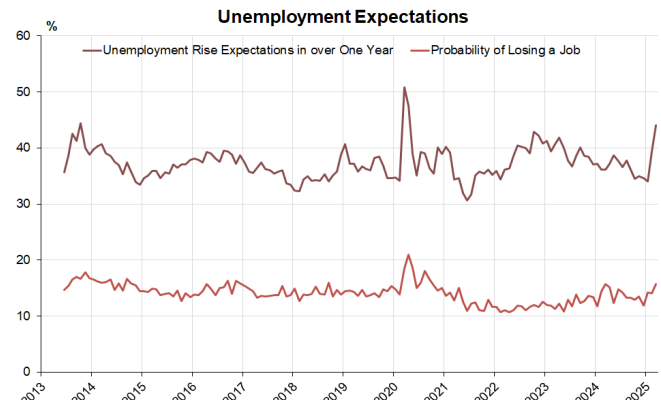
Global Economy

US longer-run inflation expectations are at odds, but the more established survey suggested a spike in April.



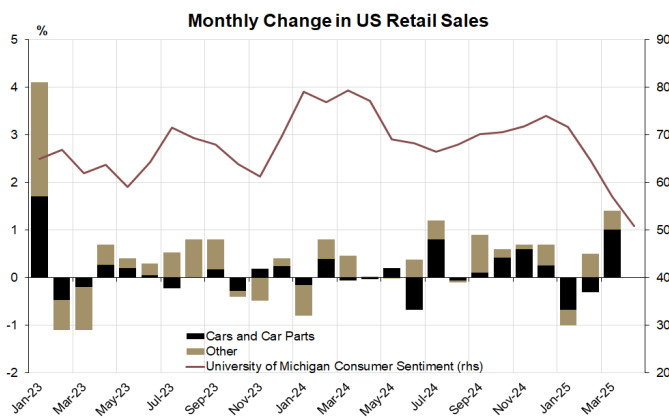
Source: Bloomberg / New York Fed

Tariff uncertainty has pushed US unemployment expectations to the highest level since 2020.



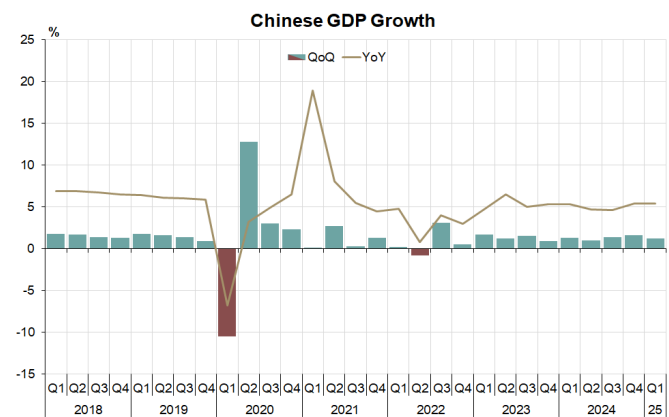
Source: New York Fed

Panic buying of cars ahead of the tariffs drove US retail trade higher, despite dismal consumer sentiment.



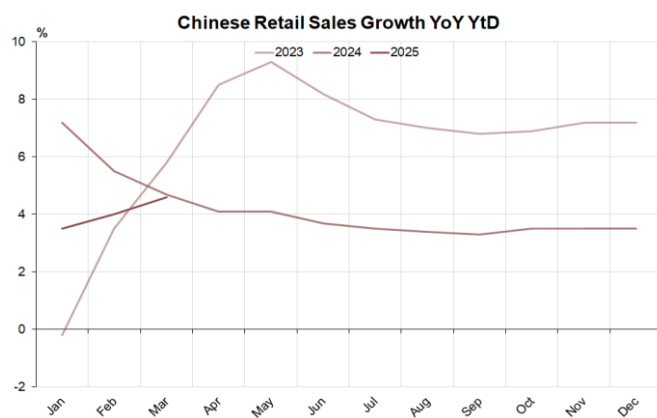
Source: Bloomberg

Across the Pacific, Chinese real GDP is growing at a steady pace...



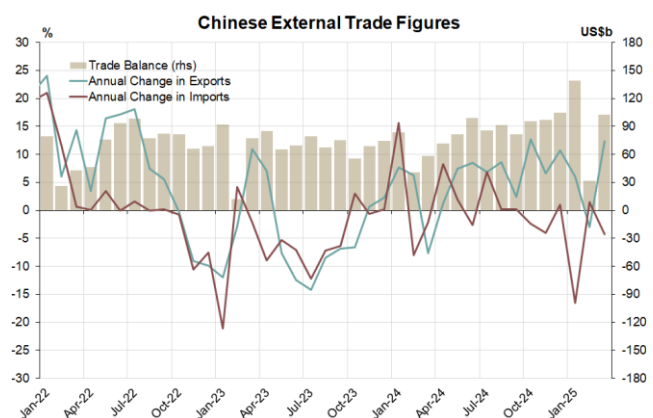
Source: Bloomberg

... with further signs of recovery in **Chinese consumer demand**.



Source: Bloomberg

The Chinese trade surplus rose in March, as US companies pulled forward their orders ahead of tariffs.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 14					
CH	Trade Balance (Mar)	US\$103b	US\$76b	US\$32b	Exports surged, as US companies pulled orders forward.
US	NY Fed 1-Year Inflation Exp. (Mar)	3.6%	3.3%	3.1%	UoM equivalent pointed to the highest level since 1981.
Tue 15					
AU	RBA Minutes	-	-	-	RBA likely to revisit their policy at the May meeting.
AU	ANZ Cons. Conf. (w/e 12 Apr)	-3.0%	-	1.8%	Dragged down by tariff news.
Wed 16					
CH	GDP (YoY, Q1)	5.4%	5.2%	5.4%	Up by 1.2% QoQ, against 1.6% in Q4 2024.
CH	Retail Sales (YoY YtD, Mar)	4.6%	4.3%	4.0%	The strongest YoY gain since early 2025.
CH	Industrial Prod. (YoY YtD, Mar)	6.5%	5.9%	5.9%	YoY growth the fastest since mid-2021.
CH	Urban Fixed Inv. (YoY YtD, Mar)	4.2%	4.1%	4.1%	Property investment down 9.9% YoY YtD.
UK	CPI (MoM, Mar)	0.3%	0.4%	0.4%	Annual rate of CPI inflation declined to 2.6%.
CA	BoC Decision (Policy Rate)	2.75%	2.75%	2.75%	BoC sees economic outlook as highly uncertain.
US	Retail Sales (MoM, Mar)	1.4%	1.4%	0.2%	Most of the increase was due to cars, ahead of tariffs.
US	Industrial Production (MoM, Mar)	-0.3%	-0.2%	0.8%	The decline was due to a drop in volatile utilities.
Thu 17					
AU	Employment (MoM, Mar)	32.2k	40.0k	-57.2k	Employment-to-population ratio unchanged at 64.1%.
AU	Unemployment Rate (Mar)	4.1%	4.2%	4.0%	February figure revised down from 4.1%.
NZ	CPI (QoQ, Q1)	0.9%	0.8%	0.5%	Acceleration led by non-tradables.
Tonight					
EZ	ECB Decision (Deposit Rate)	-	2.25%	2.50%	A 25bps cut nearly fully priced in.
US	Initial Jobless Claims (w/e 12 Apr)	-	225k	223k	Has been oscillating around 220k for over a month.
Fri 18					
JP	CPI (YoY, Mar)	-	3.7%	3.7%	'Core-core' inflation rose by 0.3ppts to 2.9% in March.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 21				
CH	PBoC Announce. (5Y Loan Prime Rate)	3.60%	3.60%	Key reference rate for Chinese mortgages.
Tue 22				
	No market-moving data.			
Wed 23				
AU	S&P Global Composite PMI (Apr, flash)	-	51.6	March saw the fastest growth in new orders in nearly 3 years.
JP	Judo Bank Composite PMI (Apr, flash)	-	48.9	Plunged into contraction in March, as manufacturing fell.
EZ	HCOB Composite PMI (Apr, flash)	-	50.9	European manufacturing still in deep contraction.
UK	S&P Global Composite PMI (Apr, flash)	-	51.5	Pace of expansion below the series average of 53.6.
US	Beige Book	-	-	Anecdotal evidence on activity in the Fed districts.
US	S&P Global Composite PMI (Apr, flash)	-	53.5	First insights into US economic activity after 2 April tariffs.
Thu 24				
US	Durable Goods Orders (MoM, Mar)	1.5%	0.7%	Rise expected as importers rushed ahead of the tariffs.
Fri 25				
	No market-moving data.			