

Interest Rates (%)			FX			Commodities US\$		
Australia		Δ bp	AUD/USD	0.6405	0.0%	WTI Crude Oil	62.52	\$0.70
90-day Bill	3.81	1	AUD/JPY	93.01	0.1%	Brent Crude Oil	65.41	\$0.68
3-year Bond	3.61	2	AUD/EUR	0.5725	0.1%	Mogas95*	75.76	-\$0.14
10-year Bond	4.47	1	AUD/GBP	0.4815	0.1%	CRB Index	296.08	0.22
			AUD/NZD	1.0882	-0.2%	Gold	3247.56	\$11.07
			AUD/CNY	4.6204	0.1%	Silver	32.53	-\$0.07
US			EUR/USD	1.1186	-0.1%	Iron Ore (62% Fe)**	99.65	-\$0.75
2-year	3.97	2	USD/JPY	145.21	0.1%	Iron Ore (24-25 Average)	101.48	\$0.00
10-year	4.47	5	USD/CNY	7.2136	0.1%	Copper	9447.50	-\$129.50
			RBA Policy			Equities		
			O/N Cash Rate Target		4.10	ASX200	8307	-76
			Interbank O/N Cash Rate		4.09	Dow Jones	42655	332
Other 10-year			Probability of a 25bps Cut in May		95.8%	S&P500	5958	41
Japan	1.47	-1	RBA Bond Holdings (30 Apr)		A\$276.9b	Stoxx600	549	2
Germany	2.59	-3				CSI300	3889	-18
UK	4.65	-1						

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

**Iron ore is the second SGX futures contract.

US stocks closed higher on Friday, concluding the best trading week in over a month despite no shortage of negative news towards the end of the week. Currently, the S&P 500 is sitting just 3% below its record high from mid-February. US Treasury yields picked up in reaction to Moody's downgrading the US credit rating, and futures point to a negative session on Wall Street tonight.

The Australian dollar is little changed over the weekend, having given up most of its gains after the US rating downgrade. Commonwealth bond yields picked up this morning. The ASX 200 rose by another 0.6% on Friday, to be up by 1.4% for the week and just 2.5% off its record high, but is trading 0.5% lower this morning.

Moody's Ratings downgraded the US long-term credit rating from the top 'Aaa' to 'Aa1' with a negative outlook. Moody's decision reflected the increase in government debt and interest payments over the past decade to levels which are 'significantly' above the jurisdictions enjoying a top credit rating. With this downgrade, Moody's joined S&P Global and Fitch, which lowered the US credit rating in 2011 and 2023, respectively.

In other US fiscal news, the US House Budget Committee rejected the tax and migration package, as five Republican fiscal hawks joined the Democrats in blocking the bill. The bill allows for the extension of tax cuts from the first Trump presidency, while introducing more tax cuts and increasing spending for immigration control and defence, partly offset by cuts to Medicaid, food stamps, and clean energy subsidies. This is not the end of the proceedings, as the Committee is reportedly reconvening at 10pm ET (10am AWST).

Data-wise, the University of Michigan consumer sentiment index fell to yet another three-year low of 50.8 in May. The expectations component slid to 46.5, the weakest level since 1980. The current conditions component also declined but remains higher than the expectations component, at 57.6.

The University of Michigan report also saw one-year consumer inflation expectations surge to 7.3%, unseen since late 1981. Five- to ten-year inflation expectations, which are more relevant for monetary policy, rose to 4.6%, which is the highest level since 1991. The Fed appears to prefer its own New York Fed survey, which has so far been showing less decisive increases in consumer inflation expectations. The response rate to the University of Michigan survey declined dramatically following a switch to online interviews last year.

The key domestic event [this week](#) will be the RBA decision on Tuesday, with a 25bps cash rate cut to 3.85% widely expected. The RBA will also issue its May Statement on Monetary Policy, which will include updated economic projections. The only statistical release of note will be the S&P Global flash PMI report for May on Thursday. Highlights in a quiet week offshore will be the release of the monthly Chinese economic activity data for April on Monday, the advanced economy flash PMIs for May on Thursday, and Japanese April CPI on Friday.

Economic Data Review

- **US:** University of Michigan Consumer Sentiment (May, prel.) – Actual 50.8, Expected 53.4, Previous 52.2.

Economic Data Preview

- **CH:** Retail Sales (YoY, Apr) – Expected 5.4%, Previous 5.9%.
- **CH:** Industrial Production (YoY, Apr) – Expected 5.5%, Previous 7.7%.
- **CH:** Urban Fixed Asset Investment (YoY YtD, Apr) – Expected 4.2%, Previous 4.2%.