

Highlights this week

- News connected to the Middle East war remained the major driver of trade in financial markets this week. News of the collapse of peace talks held last weekend was quickly followed by a US announcement that it would impose a naval blockade on Iranian ports. Markets remain hopeful that the US and Iran will arrange a second round of peace talks.
- Domestically, the NAB business report saw steady business conditions in March but a slump in confidence, while the Westpac consumer sentiment survey saw confidence drop to the lowest levels since April 2020. Consumer inflation expectations jumped to the highest level since 2022 in April. Aussie employment rose again in March and the unemployment rate was steady. Internet job vacancies rose for the third time in four months in March.
- Offshore Chinese trade data showed a sharp rise in imports in March, annual GDP growth exceeded expectations in Q1 as did industrial production growth in March, however, retail sales and fixed asset investment disappointed. Core US producer price inflation showed little passthrough from higher energy prices in March.

Highlights next week

- It'll be very quiet for Australian economic data next week, with the S&P Global flash PMI report for April the highlight.
- The highlights offshore will be US retail sales for March on Tuesday, the S&P Global flash April PMIs for the major economies on Thursday and the Japanese CPI for March 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	4.10 (0 pt)	USD 3-month	3.57 (↑2 pt)	ASX200	8935 (↓12 pt)
US (IOR)	3.65 (0 pt)	90-day Bills	4.33 (↑1 pt)	2-yr T-Notes	3.78 (0 pt)	S&P500	7041 (↑216 pt)
Eurozone (Deposit)	2.00 (0 pt)	3-yr T-Bond	4.66 (↑4 pt)	10-yr T-Notes	4.32 (↑3 pt)	DJIA	48579 (↑393 pt)
UK	3.75 (0 pt)	10-yr T-Bond	5.01 (↑7 pt)	Jap 10-yr	2.42 (0 pt)	Nikkei	58986 (↑2145 pt)
Japan (Target)	0.75 (0 pt)	3-yr WATC Bond	4.81 (↑2 pt)	UK 10-yr	4.85 (↑10 pt)	CSI300	4722 (↑127 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	5.43 (↑5 pt)	Ger 10-yr	3.03 (↑5 pt)	Stoxx600	617 (↑4 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets

Interest Rates

Bond yields continue to be pushed around by inflation expectations, largely connected to the outlook for oil prices and the prospects for peace in the Middle East.

Yields opened the week higher amid news that last weekend's peace talks between the US and Iran had broken down without an agreement. This was compounded by news that the US would impose a naval blockade on Iranian ports, threatening to reduce oil exports flowing through the Strait of Hormuz even further.

Bond yields dropped through the first half of the week, with Aussie yields following US Treasury yields lower following news that core US producer prices remained well behaved in March.

Australian yields picked up again after the release of the positive Aussie labour market report on Thursday. Yields also jumped this morning after US Treasury yields were dragged higher by a renewed rise in oil prices.

The futures market is currently pricing in a 74% chance of another RBA cash rate hike in May.

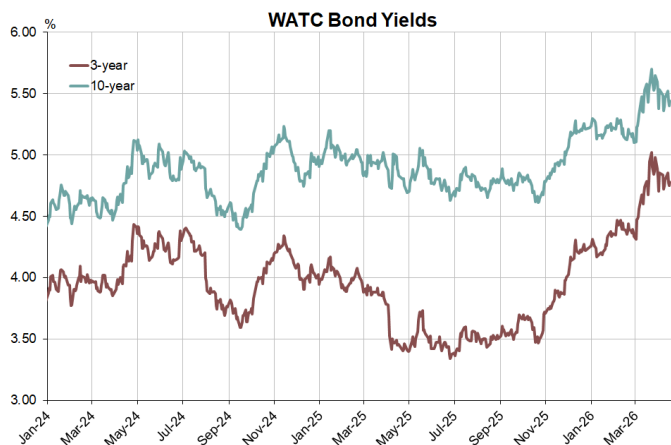
Equities

Aussie equities have underperformed global markets over the past week, with the ASX 200 appearing on track for its first weekly loss in four weeks.

The falls have been led by financials, industrials, and consumer shares, while information technology and real estate were the best performers.

The decline came despite solid increases across most of the major markets, including a 3% rise in the Chinese CSI 300 and an almost 4% increase in the Japanese Nikkei 225.

US equities have also had a positive week, boosted by ceasefire hopes and benign core inflation. The S&P 500 rose above 7,000 for the first time, breaking above the previous all-time high set in January, with the gains led by the tech sector.



Source: Bloomberg



Source: Bloomberg

Currencies

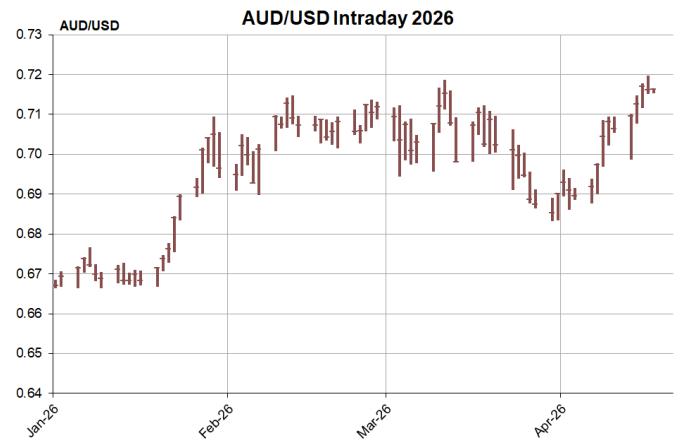
The Australian dollar recovered from a weak start to the week, climbing to its highest levels against the US dollar in almost four years on Thursday before easing a little today.

News of the breakdown of peace talks over the weekend and the US announcement of a naval blockade on Iran were the catalyst for the Aussie's early woes.

The AUD/USD fell below US\$0.70 early on Monday before a strong recovery saw the Aussie rise to just short of US\$0.72 on Thursday.

The rebound came amid renewed hopes for a US-Iran peace deal following reports that another meeting between the two sides is in the works, while expectations for RBA cash increases picked up following the March labour force report.

The Aussie has risen against all the G10 currencies this week except the Norwegian krone, which continues to be boosted by high oil prices.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.7169	0.7197	0.6986	↑1.3	0.7197	0.6333
AUD/EUR		0.6083	0.6094	0.5989	↑0.5	0.6199	0.4754
AUD/GBP		0.5301	0.5304	0.5211	↑0.6	0.5349	0.4754
AUD/JPY		114.28	114.28	111.58	↑1.5	114.28	89.64
AUD/CNY		4.8922	4.9067	4.8030	↑1.2	4.9373	4.5602
EUR/USD		1.1783	1.1824	1.1658	↑0.8	1.2081	1.1065
GBP/USD		1.3524	1.3595	1.3381	↑0.7	1.3868	1.3010
USD/JPY		159.42	159.86	158.27	↑0.2	160.46	139.89
USD/CNY		6.8249	6.8375	6.8156	↓0.1	7.3145	6.8156

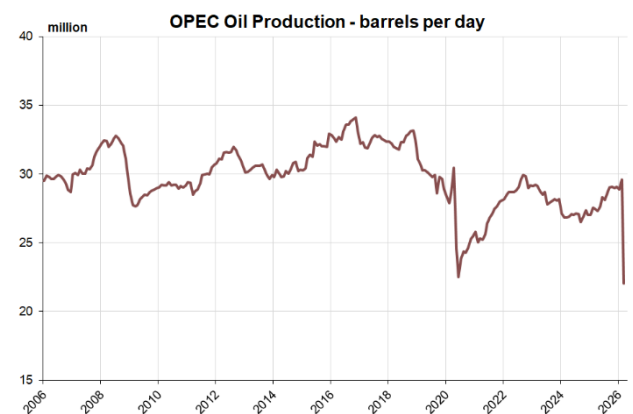
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.7169	0.7158	0.7142	0.7103
AUD/EUR		0.6083	0.6048	0.6015	0.5948
AUD/GBP		0.5301	0.5293	0.5286	0.5270
AUD/JPY		114.28	113.23	112.16	110.06
AUD/NZD		1.2176	1.2119	1.2063	1.1969
AUD/SGD		0.9124	0.9051	0.8973	0.8819

Commodities

Oil prices opened the week higher, climbing back above US\$100 following news of a breakdown in the US-Iran peace talks last weekend and the US announcement of a blockade on ships leaving Iranian ports.

Prices fell back amid reports that the US and Iran are seeking to arrange a second round of peace talks and remained relatively steady over most of the rest of the week before rising again late on Thursday.

OPEC data this week showed that the group's crude oil output had plunged almost 8 million barrels per day (bpd) in March, highlighting the extent of the disruption to supply. This is equivalent to around 7% of global output in February. A major oil trader estimates that around 3 million bpd of Gulf refining capacity is either not operational or operating below potential. Another 2-3 million bpd of Asian refining capacity is estimated to have been impacted due to a lack of crude oil supply.



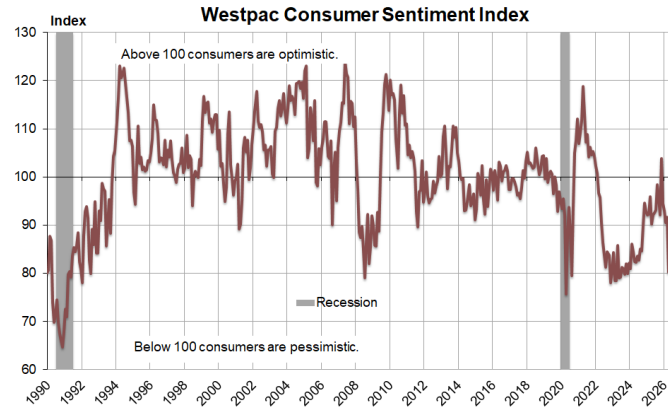
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,794.85	\$4,871.42	\$4,644.50	(↓\$37.13)	\$5,595.47	\$3,120.98
Brent Crude Oil (US\$)	\$98.19	\$103.87	\$93.93	(↑\$2.27)	\$119.50	\$58.50
Mogas95* (US\$)	\$120.53	\$128.95	\$106.04	(↓\$0.44)	\$150.55	\$68.52
WTI Oil (US\$)	\$93.53	\$105.63	\$86.96	(↓\$4.98)	\$119.48	\$54.98
CRB Index	374.61	374.61	371.38	(↑6.06)	382.46	288.35
Iron Ore Price 62% Fe (US\$) **	\$105.35	\$106.45	\$102.50	(↑\$2.5)	\$109.40	\$92.00

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.
 ** The Iron Ore Price is the SGX61% Fe iron ore futures 2nd contract.

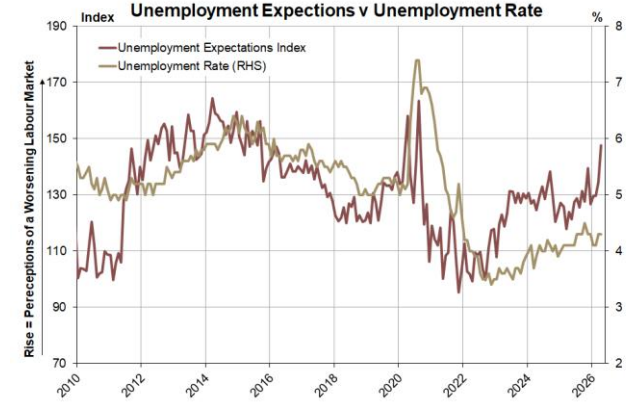
Domestic Economy

The Westpac consumer sentiment index slumped to the lowest level since November 2023 in April...



Source: Bloomberg

...driven by higher fuel prices, concerns over job security and interest rate increases.



Source: Bloomberg

Employment growth has picked up in recent months after a soft 2025, although growth eased in March.



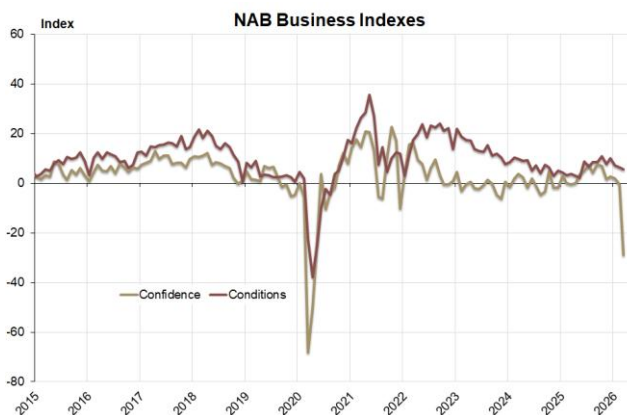
Source: Bloomberg

The unemployed to job vacancies ratio suggests the labour market remains relatively tight.



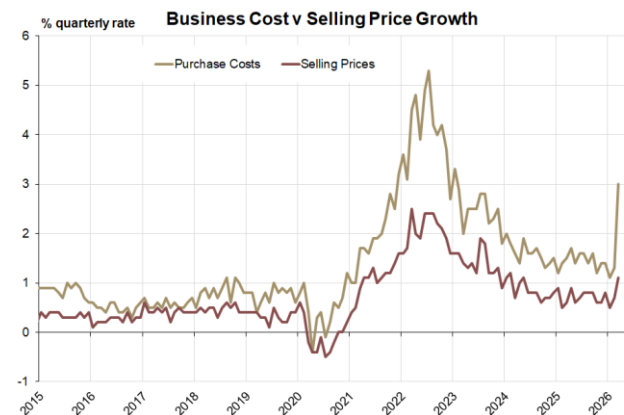
Source: Bloomberg

The NAB survey suggests that business conditions held up in March, but confidence slumped.



Source: ABS

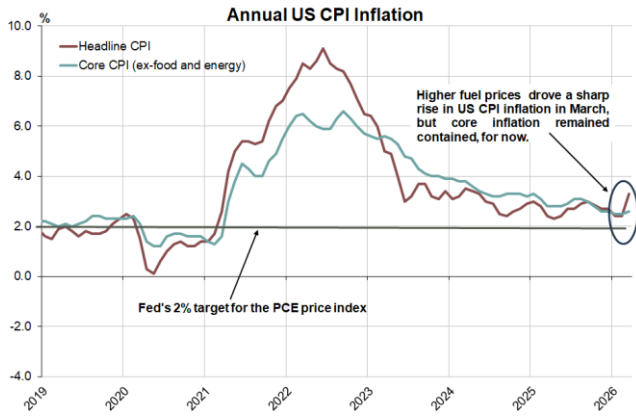
Profit margins were squeezed as the rise in business costs exceeded selling price increases.



Source: NAB

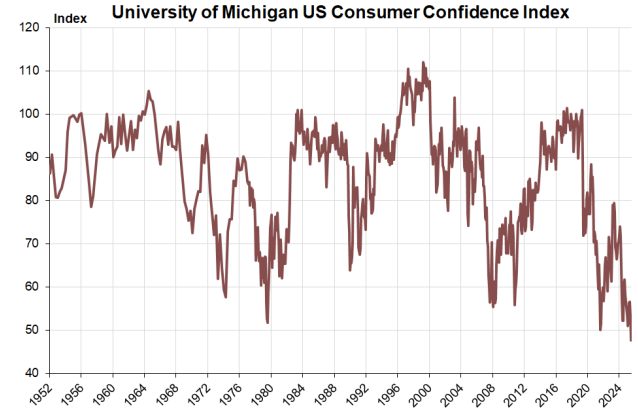
Global Economy

US headline **CPI inflation** jumped in March, but there was little evidence of pass-through to core inflation.



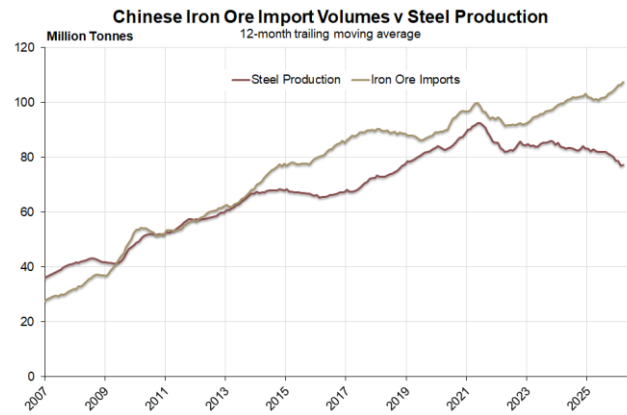
Source: Bloomberg

The **UMich US consumer sentiment index** fell to the lowest level in its 74-year history in April.



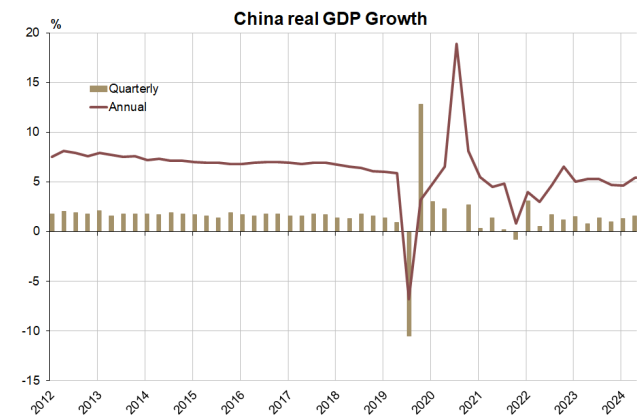
Source: Bloomberg, St Louis Fed

China's appetite for **iron ore** remains strong, despite weaker steel production.



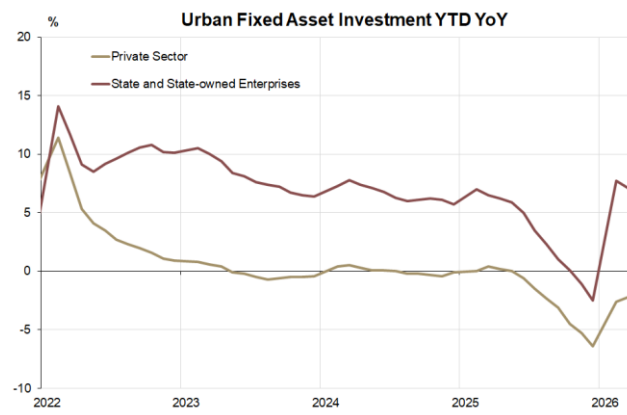
Source: Bloomberg

Chinese **GDP growth** had a solid start to 2026 led by state industrial production and exports.



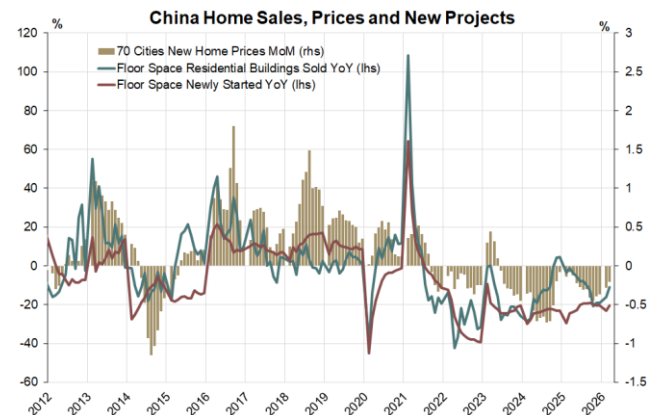
Source: Bloomberg

Public investment also contributed to Chinese GDP growth in Q1, however private investment remained soft.



Source: Bloomberg

The **real estate sector** remains a drag on China's economy.



Source: IMF

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 13					
US	Existing Home Sales (MoM, Mar)	-3.6%	-0.7%	2.7%	Higher mortgage rates weighing on home sales.
Tue 14					
AU	NAB Business Conditions (Mar)	6	-	6	Business input costs rising sharply.
AU	NAB Business Confidence (Mar)	-29	-	-1	Lowest confidence since the early days of the pandemic.
AU	Westpac Cons Conf. (MoM, Apr)	-12.5%	1.2%	1.2%	Confidence slumped to the lowest level since late 2023.
CH	Trade Balance (Mar)	US\$51.1b	-	US\$91.0b	Narrow surplus driven by a sharp increase in imports.
US	PPI (MoM, Mar)	0.5%	1.1%	0.5%	Better than expected but 4.0% annual growth too high.
US	NFIB Small Bus. Optimism (Mar)	95.8	97.9	98.8	The lowest since the Liberation Day tariffs in April 2025.
Wed 15					
AU	Internet Job Vac. (MoM, Mar)	-	1.2%	-3.1%	Third rise in the past four months.
US	Beige Book	-	-	-	US economy seeing modest growth.
Thu 16					
AU	Employment (mthly change, Mar)	17.9k	20.0k	49.7k	Slowest headline growth in four months.
AU	Unemployment Rate (Mar)	4.3%	4.3%	4.3%	Trend unemployment rate steady for nine months.
AU	MI Consumer Inflation Exp. (Mar)	5.9%	-	5.2%	Highest level since 2022.
CH	GDP (YoY, Q1)	5.0%	4.8%	4.5%	Suggests little impact from the Middle East war so far.
CH	Retail Sales (YoY, Mar)	1.7%	2.4%	-	China's consumers remain cautious.
CH	Industrial Production (YoY, Mar)	5.7%	5.3%	-	Steel production sees the usual post-LNY bounce.
CH	Fixed Asset Inv. (YoY YtD, Mar)	1.7%	1.9%	1.8%	Private investment remains negative.
US	Industrial Production (MoM, Mar)	-0.5%	0.1%	0.7%	Declines were broad-based in March.
US	Initial Jobless Claims (w/e 11 Apr)	207k	213k	218k	Low jobless claims suggest layoffs remain limited.
Fri 17					
	<i>No market moving data</i>				

Next Week

Date	Event	Forecast	Previous	Comment
Mon 20				
CH	Five-year Loan Prime Rate	3.50%	3.50%	Benchmark rate for Chinese mortgages.
Tue 21				
US	Retail Sales (MoM, Mar)	1.2%	0.6%	Big increase expected driven by spending on fuel.
Wed 22				
UK	CPI (MoM, Mar)	-	0.4%	Expected to accelerate driven by a sharp rise in energy costs.
Thu 23				
AU	S&P Global Composite PMI (Flash, Apr)	-	46.6	Weakened sharply in March, driven by services.
JP	S&P Global Composite PMI (Flash, Apr)	-	53.0	Growth slowed but remained solid in March
EZ	S&P Global Composite PMI (Flash, Apr)	-	50.7	Fell to a nine-month low in March.
US	S&P Global Composite PMI (Flash, Apr)	-	50.3	PMI suggested US growth almost stalled in March
Fri 24				
JP	CPI (YoY, Mar)	1.5%	1.3%	Core (ex. food and energy) inflation remains high at 2.5%.