Market Watch Weekly

15 MAY 2026

Highlights this week

- In Australia, the Commonwealth budget showed slightly better fiscal outcomes compared to MYEFO. NAB business conditions deteriorated to the second lowest level since 2020 in April, while business confidence ticked up but remained bleak. Purchase costs growth surged to a near four-year high in April, but labour costs growth accelerated marginally. This followed a slight deceleration in annual wages growth in Q1. New home loans saw a broad-based decline in Q1.
- Abroad, the US CPI and PPI inflation figures for April surprised to the upside, not just because of higher energy costs but also due to a rise in services prices. US retail sales growth slowed in April, as petrol prices rose by less than in the previous month. Chinese consumer and producer price inflation rates accelerated in April.

Highlights next week

- The key domestic events next week will be the minutes from the recent RBA Monetary Policy Board meeting and Westpac consumer sentiment for May on Tuesday, as well as the April labour force survey, Melbourne Institute consumer inflation expectations for May and the S&P Global flash PMIs for May on Thursday. RBA Assistant Governor Sarah Hunter is to speak at an investor event on Tuesday.
- The S&P Global flash PMIs for May will also be published for the major advanced economies. Other highlights offshore include Chinese activity data for April and the FOMC minutes.

Central Bank Rates (%)		Weekly Change	Australian Interest Rates (%)		Weekly Change	Major Overseas Interest Rates (%)		Weekly Change	Global Equities		Weekly Change
Australia	4.35	(0 pt)	O/N Interbank Cash	4.35	(0 pt)	USD 3-month	3.57	(↓1 pt)	ASX200	8637	(↓100 pt)
US (IOR)	3.65	(0 pt)	90-day Bills	4.44	(↑1 pt)	2-yr T-Notes	4.04	(↑13 pt)	S&P500	7501	(↑164 pt)
Eurozone (Deposit)	2.00	(0 pt)	3-yr T-Bond	4.71	(↑6 pt)	10-yr T-Notes	4.51	(↑12 pt)	DJIA	50063	(↑466 pt)
UK	3.75	(0 pt)	10-yr T-Bond	5.04	(↑6 pt)	Jap 10-yr	2.70	(↑21 pt)	Nikkei	61850	(↓441 pt)
Japan (Target)	0.75	(0 pt)	3-yr WATC Bond	4.87	(↑4 pt)	UK 10-yr	4.99	(↑5 pt)	CSI300	4873	(↓7 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	5.45	(↑6 pt)	Ger 10-yr	3.04	(↑4 pt)	Stoxx600	616	(↓0 pt)

Changes are since the previous issue of Market WATCh Weekly.

Financial Markets

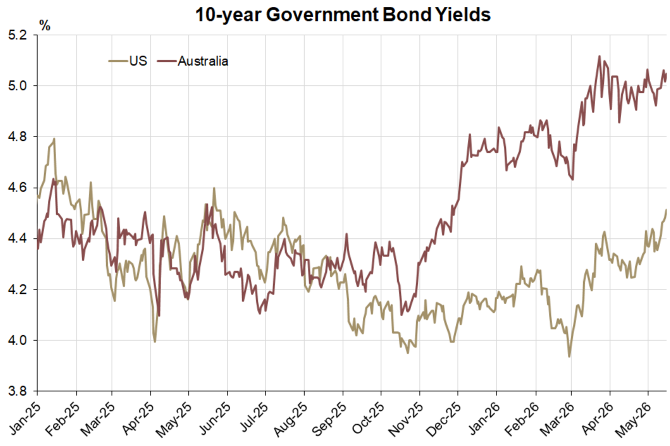
Interest Rates

Government bond yields are sharply up this week, reflecting concerns over the stalemate in the Middle East conflict and its impact on energy prices, inflation and the monetary policy outlook.

The impacts of the Middle East conflict are increasingly visible in the data, with US CPI and PPI inflation at around three-year highs. Higher energy costs were not the sole culprit, with services also equally responsible for faster price growth.

US Treasury yields have risen by over 10bps across the yield curve since this time last week. Japanese government bond yields rose even more, reflecting an intensification in Bank of Japan rate hike expectations.

Aussie bond yields rose less than their US equivalents, given no additional news that could drive inflation concerns at home. However, they remain significantly higher than US Treasury yields.



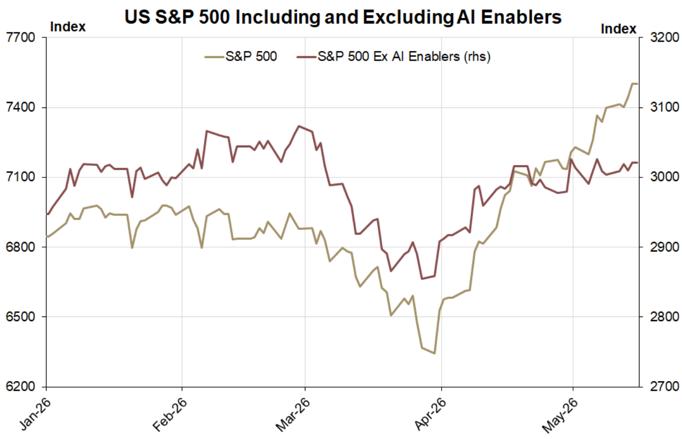
Source: Bloomberg

Equities

It was a very positive week on Wall Street, despite no breakthrough either in the Middle East conflict or during the US-China summit.

The S&P 500 reached record highs several times this week, driven by optimism about the artificial intelligence (AI) revolution. However, if we rule out the AI enablers, the gains were more muted, with the S&P 500 excluding these companies still 1.7% short of its record high set in early March.

The Aussie share market again underperformed Wall Street, to be down by 1.1% since this time last week and remaining 6.3% below its record high, also from early March. This reflected strong negative contributions from healthcare and financials, the latter due to concerns over the impacts of changes to negative gearing and capital gains tax on investor demand.



Source: Bloomberg

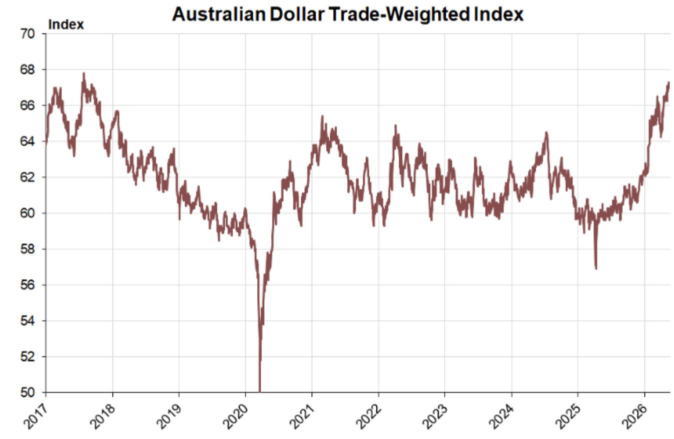
Currencies

The Australian dollar remained strong this week and was again one of the top members of the G10 currency basket, behind only the Norwegian krone and US dollar. The krone continues to be boosted by higher oil prices.

The AUD trade-weighted index is currently sitting at its highest level since 2017.

The Aussie dollar strengthened against the greenback through most of the week, rising to a four-year closing high of US$0.7258 on Wednesday, after hitting US$0.7272 earlier in the day.

The tide turned against the AUD/USD on Thursday, mainly due to a rise in the greenback that saw the US dollar index climb to its highest level in five weeks. The increase has been driven by stronger-than-expected US employment and inflation numbers that boosted expectations for a Fed rate hike this year.



Source: Bloomberg

Spot Rates	Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD	0.7197	0.7272	0.7185	↓0.2	0.7278	0.6373
AUD/EUR	0.6174	0.6207	0.6132	↑0.4	0.6207	0.4754
AUD/GBP	0.5379	0.5394	0.5311	↑1.1	0.5394	0.4754
AUD/JPY	114.06	114.74	112.93	↑0.8	114.74	91.65
AUD/CNY	4.8914	4.9378	4.8827	↓0.3	4.9567	4.5602
EUR/USD	1.1657	1.1795	1.1646	↓0.6	1.2081	1.1131
GBP/USD	1.3380	1.3653	1.3364	↓1.3	1.3868	1.3010
USD/JPY	158.47	158.59	156.45	↑1	160.72	142.12
USD/CNY	6.7959	6.8000	6.7850	↓0.1	7.2254	6.7850

Forward Rates	Spot	3M	6M	12M
AUD/USD	0.7197	0.7183	0.7165	0.7132
AUD/EUR	0.6174	0.6138	0.6104	0.6040
AUD/GBP	0.5379	0.5370	0.5363	0.5351
AUD/JPY	114.06	112.98	111.89	109.81
AUD/NZD	1.2219	1.2161	1.2107	1.2023
AUD/SGD	0.9190	0.9115	0.9035	0.8882

Commodities

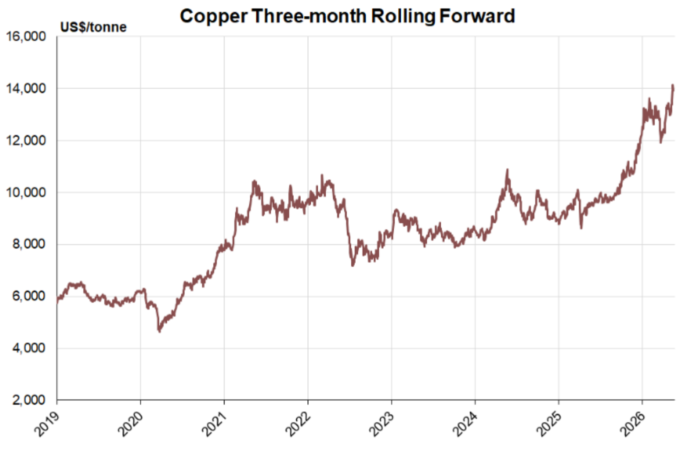
There were broad-based increases in commodity prices this week, led by oil, with the CRB commodity price index rising to its highest level since 2008 before easing a little.

Stalled Middle East peace negotiations and the ongoing threat of renewed US airstrikes on Iran saw oil prices recoup most of last week's losses.

Recent news has focussed on an increase in the number of oil tankers passing through the Strait of Hormuz in the past few days, although they remain a fraction of pre-war levels.

Base metals were among the best performers, with copper hitting a fresh record high and aluminium reaching its highest level since 2021. Both metals are crucial to the energy transition.

Iron ore futures prices eased but remain around the highest levels since 2024. Chinese trade data showed imports remained above 100 million tonnes in April.



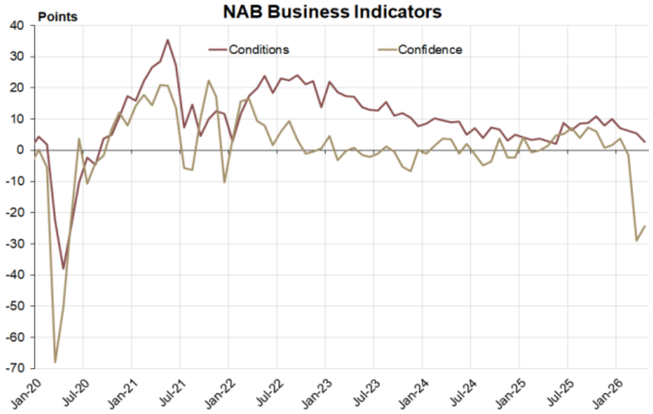
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US$)	$4,622.21	$4,773.53	$4,607.56	(↓$100.06)	$5,595.47	$3,120.98
Brent Crude Oil (US$)	$107.13	$108.45	$102.81	(↑$5.75)	$126.41	$58.72
Mogas95* (US$)	$132.73	$134.09	$119.12	(↑$10.03)	$150.55	$68.52
WTI Oil (US$)	$102.58	$103.67	$96.13	(↑$6.82)	$119.48	$54.98
CRB Index	400.28	404.85	389.44	(↑12.56)	404.85	290.43
Iron Ore Price 62% Fe (US$) **	$109.35	$111.90	$109.25	(↓$1.1)	$111.90	$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.

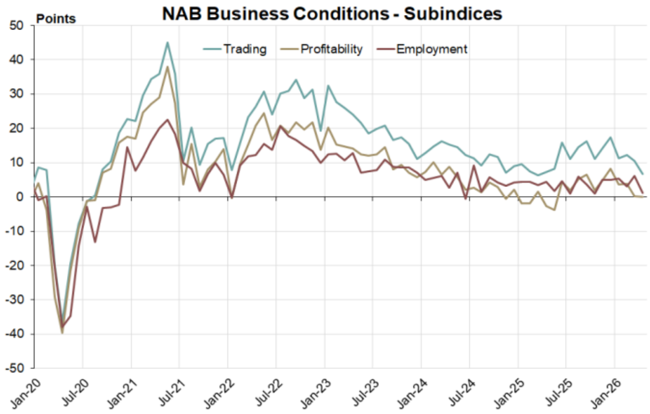
Domestic Economy

***NAB business conditions** fell to the second lowest level since 2020, while confidence remains depressed.*



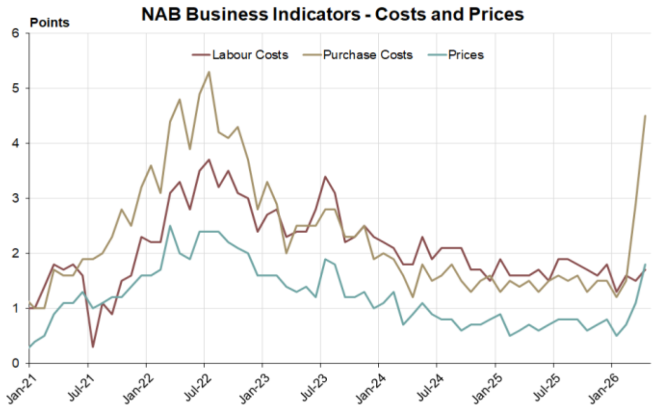
Source: ABS

*Deterioration in **NAB business conditions** in April was broad-based.*



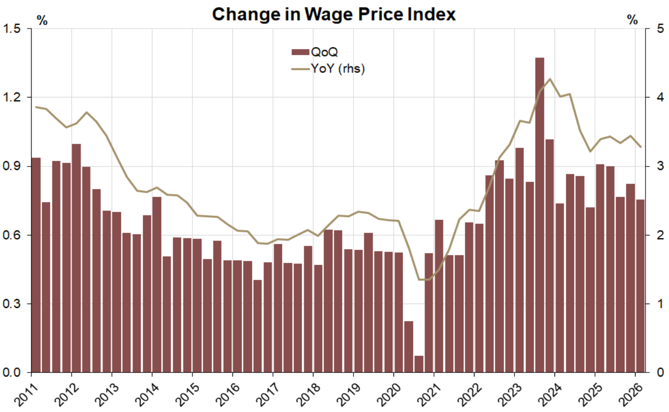
Source: ABS

***Purchase costs** rose at the fastest pace since 2022 in April, but labour costs growth held broadly steady…*



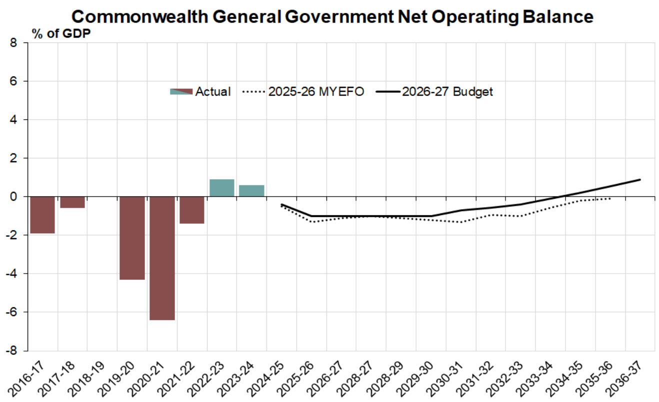
Source: ABS

*… which followed steady growth in the **wage price index** in Q1, both in quarterly and annual terms.*



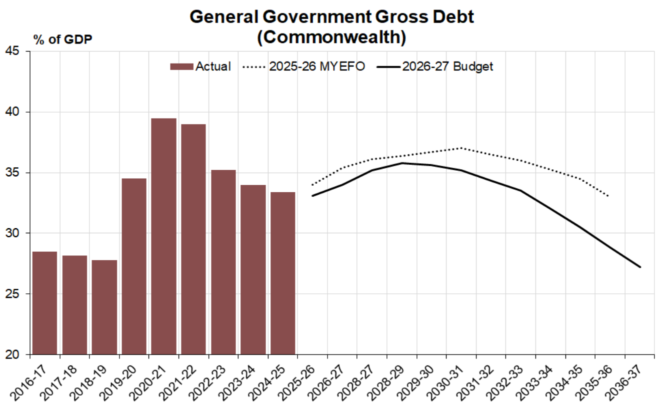
Source: ABS

*The **2025-26 Commonwealth budget** shows narrower net operating deficit than at MYEFO and during COVID.*



Source: Commonwealth Treasury

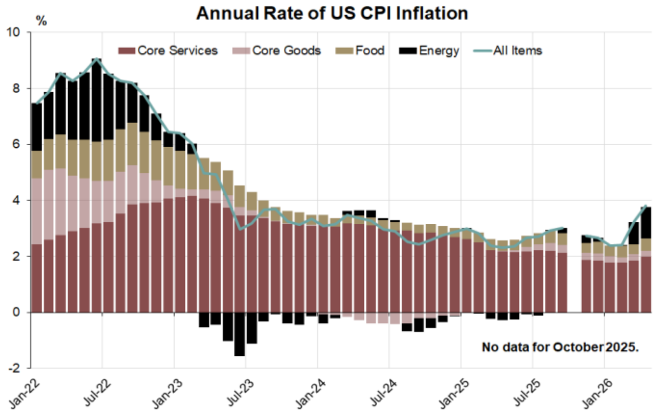
*The **Commonwealth debt profile** is also significantly lower than estimated in the 2025-26 MYEFO.*



Source: Commonwealth Treasury

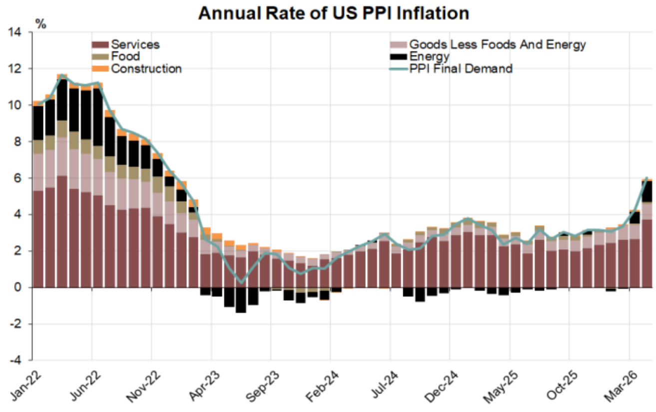
Global Economy

*The annual rate of **US CPI inflation** picked up further in April, reflecting higher costs of energy and services.*



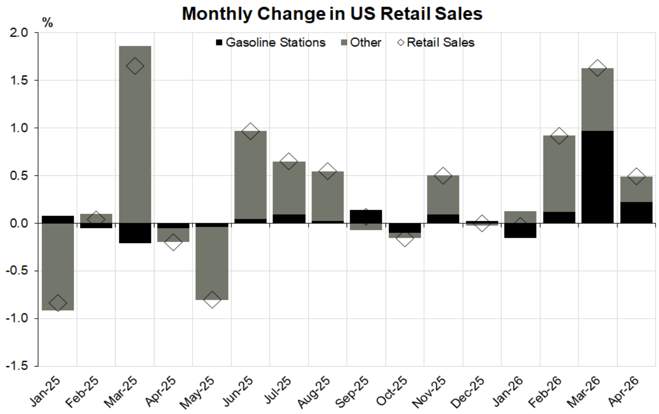
Source: Bloomberg

*Higher costs of energy and services were also behind a rise in **US PPI inflation** to the highest level since 2022.*



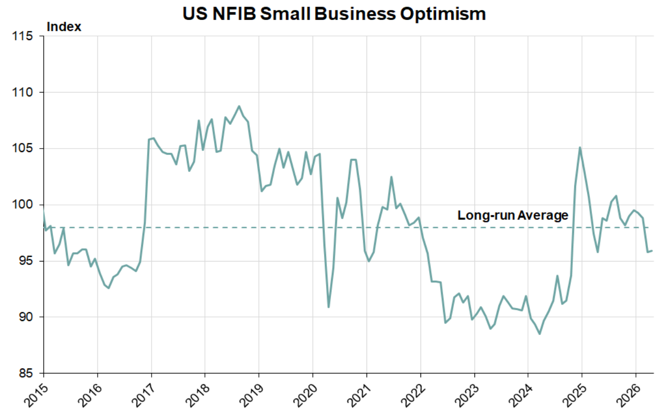
Source: Bloomberg

***US retail sales** growth slowed in April, as petrol prices rose less than in the previous month.*



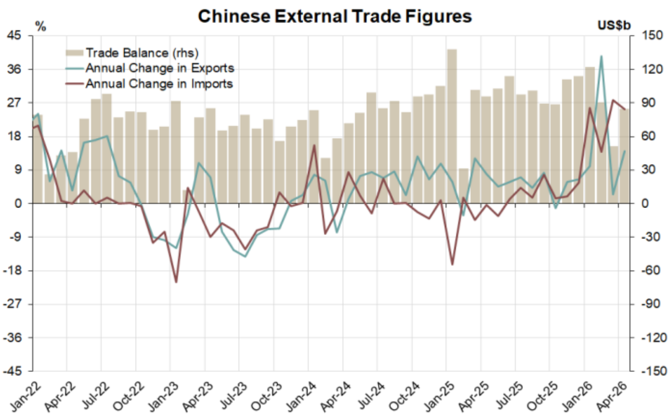
Source: Bloomberg

***US NFIB small business optimism** remains slightly below the long-run average, but above the 2022-25 lows.*



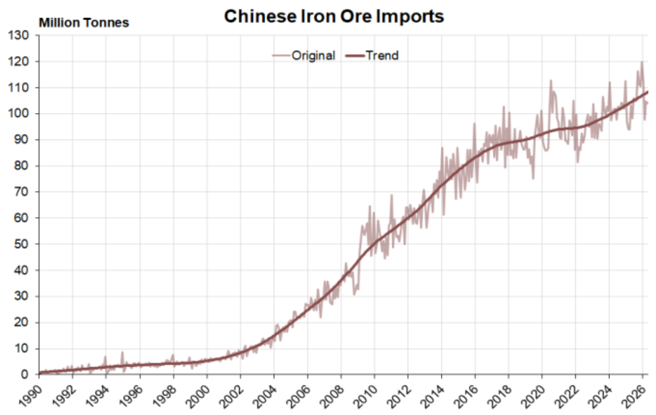
Source: Bloomberg

*The **Chinese trade surplus** picked up in April, with faster exports growth and a steady rise in imports.*



Source: Bloomberg

*Despite month-to-month volatilities, **Chinese iron ore imports** are trending steadily upwards.*



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 11					
CH	CPI (YoY, Apr)	1.2%	0.9%	1.0%	Annual core CPI inflation also picked up to 1.2%.
CH	PPI (YoY, Apr)	2.8%	1.8%	0.5%	The highest level since July 2022.
Tue 12					
AU	Commonwealth Budget (2026-27)	-	-	-	Fiscal indicators improved slightly since MYEFO.
AU	NAB Business Conditions (Apr)	3	-	6	The second lowest level since 2020.
AU	NAB Business Confidence (Apr)	-24	-	-29	Remains depressed despite the slight improvement.
AU	ANZ Cons. Conf. (w/e 9 May)	64.1	-	67.2	Hit by the RBA cash rate hike last week.
US	CPI (MoM, Apr)	0.6%	0.6%	0.9%	Annual CPI inflation up to a near 3Y high of 3.8%.
US	NFIB Small Business Opt. (Apr)				
Wed 13					
AU	Wage Price Index (QoQ, Q1)	0.8%	0.8%	0.8%	Annual wages growth slowed by 0.1ppts to 3.3%.
AU	New Home Loans (QoQ, Q1)	-3.8%	0.0%	8.9%	Occupier loans down 4.3%, investor loans down 3.0%.
US	PPI (MoM, Apr)	1.4%	0.5%	0.7%	Annual producer price inflation the highest since 2022.
US	International Price Indices (Mar)	-	-	-	Import prices up by 4.2% YoY, also most since 2022.
Thu 14					
UK	GDP (QoQ, Q1)	0.6%	0.6%	0.1%	Private consumption up by 0.6% QoQ, investment fell.
US	Retail Sales (MoM, Apr)	0.5%	0.5%	1.6%	Retail sales control group also picked up by 0.5%.
US	Initial Jobless Claims (w/e 9 May)	211k	205k	199k	Continued claims climbed towards 1.8m in w/e 2 May.
Tonight					
US	Industrial Production (MoM, Apr)	-	0.3%	-0.5%	Capacity utilisation to remain at a moderate 75.8%.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 18				
CH	Retail Sales (YoY, Apr)	1.9%	1.7%	Continues to underperform.
CH	Industrial Production (YoY, Apr)	6.0%	5.7%	Has been the engine of Chinese economic growth.
CH	Urban Fixed Asset Inv. (YoY YtD, Apr)	1.7%	1.7%	Property investment decline to remain in double-digits.
Tue 19				
AU	RBA Monetary Policy Board Minutes	-	-	More insights into the May majority vote on cash rate hike.
AU	RBA Assistant Governor S. Hunter Speaks	-	-	A speech at the Bloomberg forum in Sydney.
AU	Westpac Consumer Sent. (MoM, May)	-	-12.5%	Pushed back to account for the impacts of the Federal Budget.
JP	GDP (QoQ, Q1)	0.4%	0.3%	Consumption and investment growth forecast to slow.
UK	Unemployment Rate (Jan-Mar)	-	4.9%	Claimant count rate ticked up by 0.1ppts to 4.4% in March.
Wed 20				
CH	PBoC Announcement (Five-year LPR)	3.50%	3.50%	The benchmark rate for the Chinese new mortgage loans.
UK	CPI (MoM, Apr)	-	0.7%	Annual rate of UK inflation ticked up to 3.3% in March.
US	FOMC Minutes	-	-	Minutes from the last meeting chaired by Jerome Powell.
Thu 21				
AU	Employment (monthly change, Apr)	15.0k	17.9k	Labour market typically reacts with a lag to slowdown.
AU	Unemployment Rate (Apr)	4.3%	4.3%	The RBA now forecasts a peak at 4.7% in 2028.
AU	S&P Global Composite PMI (May, flash)	-	50.4	Emerged from a one-month contraction in April.
AU	MI Consumer Inflation Expectations (May)	-	5.9%	Also pushed back from this week.
JP	S&P Global Composite PMI (May, flash)	-	52.2	Japanese manufacturing is in solid expansion.
EZ	S&P Global Composite PMI (May, flash)	48.4	48.8	Euro area contraction expected to deepen slightly in May.
UK	S&P Global Composite PMI (May, flash)	-	52.6	Has been more optimistic than the actual activity indicators.
US	S&P Global Composite PMI (May, flash)	-	51.7	US economy withstanding the energy crisis well.
Fri 22				
JP	CPI (YoY, Apr)	1.6%	1.5%	Annual rates of Japanese inflation held down by base effects.