

**Highlights this week**

- In Australia, the wage price index rose more than expected in Q1, driven by administrative wage decisions and public sector enterprise agreements. Employment growth was strong, and unemployment remained low in April. The NAB survey suggests business conditions deteriorated slightly in April, while business confidence improved but remains negative. Westpac consumer confidence also picked up in May, following a slump in April due to tariff concerns.
- Abroad, US data for April saw weaker-than-expected inflation and softer economic activity growth.

**Highlights next week**

- The key domestic event next 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.

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	8343 (↑119 pt)
US (IOR)	4.40 (0 pt)	90-day Bills	3.80 (↓1 pt)	2-yr T-Notes	3.94 (↑7 pt)	S&P500	5917 (↑253 pt)
Eurozone (Deposit)	2.25 (0 pt)	3-yr T-Bond	3.62 (↑20 pt)	10-yr T-Notes	4.42 (↑6 pt)	DJIA	42323 (↑955 pt)
UK	4.25 (0 pt)	10-yr T-Bond	4.48 (↑20 pt)	Jap 10-yr	1.47 (↑10 pt)	Nikkei	37748 (↑269 pt)
Japan (Target)	0.50 (0 pt)	3-yr WATC Bond	3.77 (↑19 pt)	UK 10-yr	4.66 (↑11 pt)	CSI300	3885 (↑40 pt)
China (1Y LPR)	3.10 (0 pt)	10-yr WATC Bond	5.01 (↑18 pt)	Ger 10-yr	2.62 (↑8 pt)	Stoxx600	547 (↑11 pt)

Changes are since the previous issue of Market WATCH Weekly.

**Financial Markets****Interest Rates**

Government bond yields are higher over the week, continuing the general increase in yields in May. They received another leg up from news that the US and China have suspended mutual supersized tariff increases for 90 days to allow for negotiations.

The increase in US Treasury yields was supported by comments from FOMC members that any increase in US inflation due to tariff increases may not prove temporary if it becomes embedded in expectations.

Traders are still fully pricing in a 25bps Fed funds rate cut for September, but with less confidence than this time last week. The futures curve has 57bps of cuts priced in for 2025, down from 66bps last Friday.

Aussie bond yields have picked up more than elsewhere, with yields coming under additional upward pressure from the strong Australian labour market report on Thursday.

The market remains fully priced for a 25bps interest rate cut from the RBA next week; however, any lingering expectation for a 50bps cut has been removed.

The events this week have seen the cash rate futures market move to price in 76bps cuts in 2025, down from 99bps this time last week.

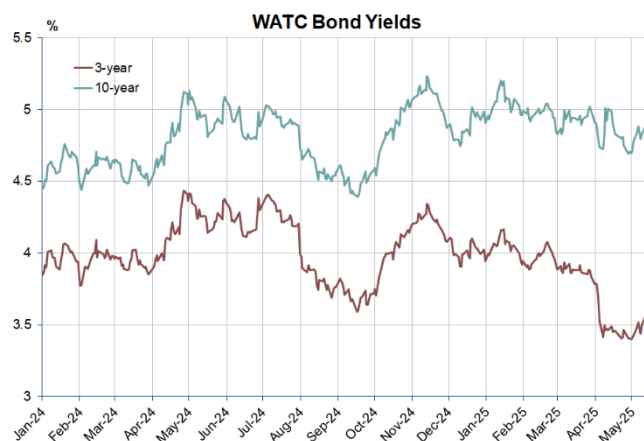
**Equities**

Equities climbed across most major markets this week, boosted by news the US and China will reduce their mutual tariffs to more manageable levels, at least temporarily.

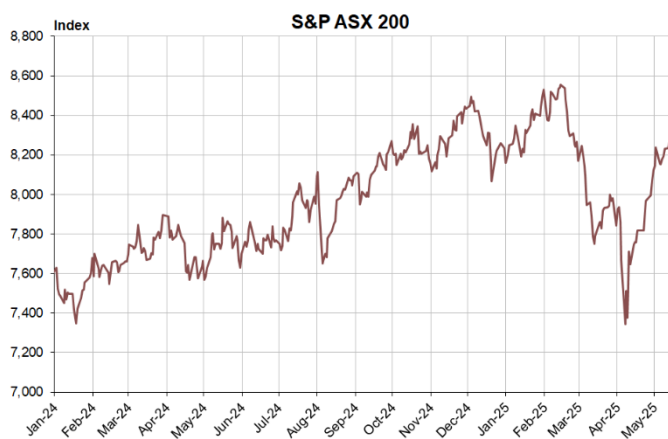
Most of the increase in the US came early, with the S&P 500 rising 3.26% on Monday amid the tariff news and has continued to increase, with the US benchmark at its highest level since late February.

The Aussie market has also had a good week, with the ASX 200 currently on track for its eighth daily increase in a row, its longest winning streak since August last year.

The gains were led by information technology, energy, and materials, with the ASX 200 currently at a near three-month high.



Source: Bloomberg



Source: Bloomberg

## Currencies

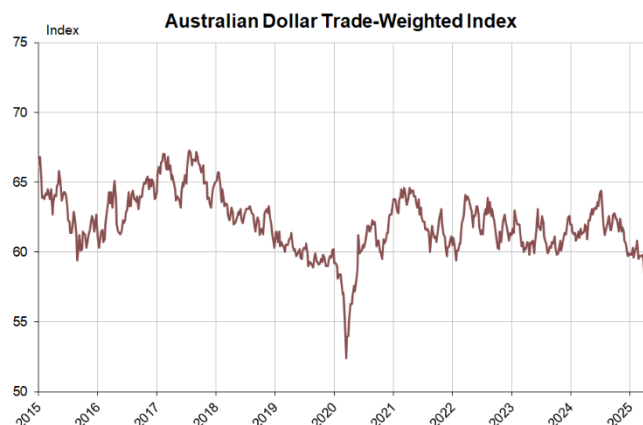
The Aussie dollar has had a mixed week but is currently higher against all the major currencies except for the British pound.

The AUD/USD slipped early in the week, after the greenback jumped in the wake of the announcement about a truce in the US-China trade war. The US dollar index hit its highest level in a month, and the AUD/USD exchange rate fell to its weekly low of US\$0.6357.

There was a turnaround midweek as the Aussie dollar bounced and the greenback slipped, driving the AUD/USD to a high of US\$0.6501 late on Wednesday only for another reversal to push the Aussie lower again.

The Aussie hit a near six-week high against the euro on Tuesday but has since given back about half those early gains.

The AUD Trade-weighted index, which measures the Aussie against the currencies of its major trading partners, continues to trade at the lower end of the range it has occupied for most of the past five years.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6425	0.6501	0.6357	↑0.3	0.6942	0.5915
AUD/EUR		0.5738	0.5798	0.5702	↑0.6	0.6261	0.4620
AUD/GBP		0.4826	0.4875	0.4804	↓0.2	0.5288	0.4620
AUD/JPY		93.40	95.65	92.75	↑0.2	109.37	86.05
AUD/CNY		4.6266	4.6858	4.5761	↓0.3	4.9340	4.3523
EUR/USD		1.1198	1.1266	1.1065	↓0.2	1.1573	1.0141
GBP/USD		1.3313	1.3360	1.3140	↑0.6	1.3444	1.2100
USD/JPY		145.37	148.65	144.97	↓0.2	161.95	139.58
USD/CNY		7.2008	7.2303	7.1867	↓0.7	7.3511	7.0063
Forward Rates		Spot	3M	6M	12M		
AUD/USD		0.6425	0.6433	0.6442	0.6453		
AUD/EUR		0.5738	0.5711	0.5685	0.5634		
AUD/GBP		0.4826	0.4830	0.4835	0.4842		
AUD/JPY		93.40	92.55	91.77	90.35		
AUD/NZD		1.0884	1.0863	1.0843	1.0813		
AUD/SGD		0.8321	0.8285	0.8251	0.8180		

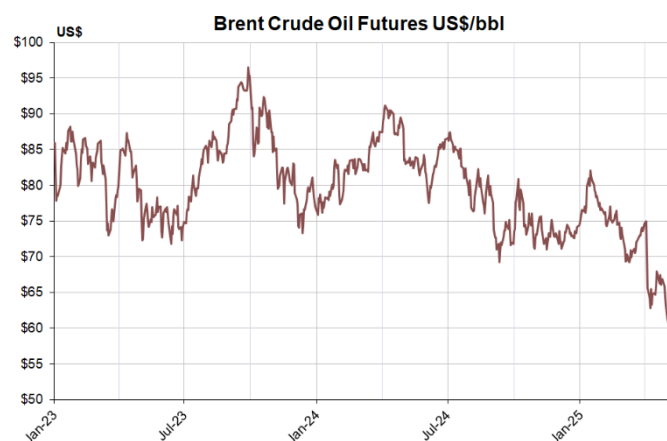
## Commodities

Oil prices continued to rise early this week building on last week's strong gains, with sentiment given a further boost by the announcement of a pullback in US-China trade hostilities while a deal is progressed.

However, oil prices reversed course midweek on reports the US and Iran are moving closer to a deal over Tehran's nuclear program and the International Energy Agency forecast slower demand growth over the remainder of 2025.

The tariff news helped push the benchmark iron ore futures price to the highest level since early April before easing late in the week.

Chinese trade data last Friday showed that Chinese demand for iron ore remained robust in April, with imports rising to 103 million tonnes in the month, the highest level since December.



Source: Bloomberg

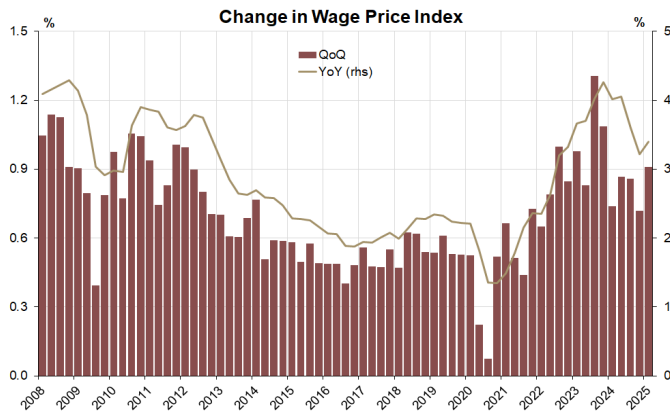
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,217.42	\$3,301.25	\$3,120.98	(↓\$90.12)	\$3,500.10	\$2,286.86
Brent Crude Oil (US\$)	\$64.66	\$66.81	\$63.44	(↑\$1.67)	\$87.95	\$58.40
Mogas95* (US\$)	\$75.75	\$77.87	\$74.40	(↑\$0.9)	\$99.71	\$67.57
WTI Oil (US\$)	\$61.76	\$63.90	\$60.47	(↑\$1.69)	\$84.52	\$55.12
CRB Index	295.86	300.53	295.13	(↑\$3.85)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$100.55	\$101.95	\$96.70	(↑\$3.3)	\$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.

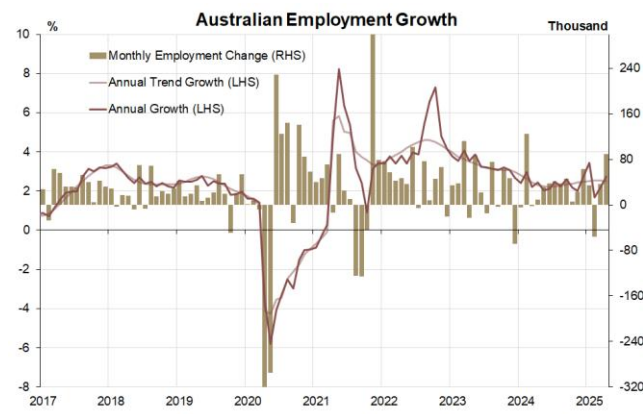
## Domestic Economy

The annual rate of **wages growth** accelerated in Q1 amid administered pay rises...



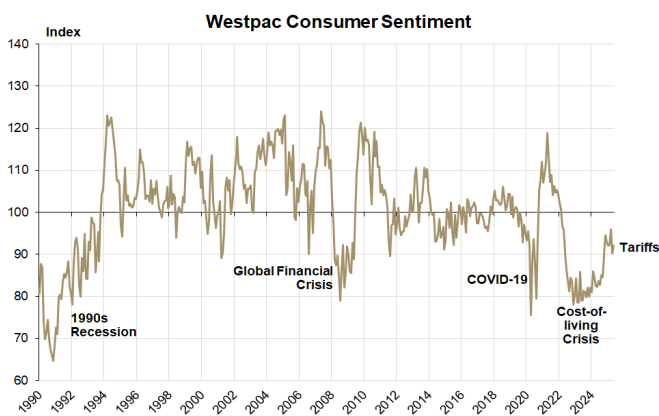
Source: ABS

Aussie **employment** saw its biggest increase in 14 months in April ...



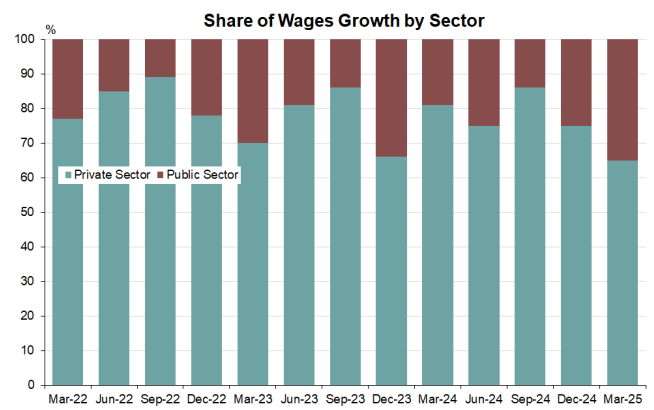
Source: ABS

**Consumer sentiment** ticked up in May, after declining in April due to tariff announcements.



Source: Bloomberg

...and a bigger than usual contribution from **public sector wage agreements**.



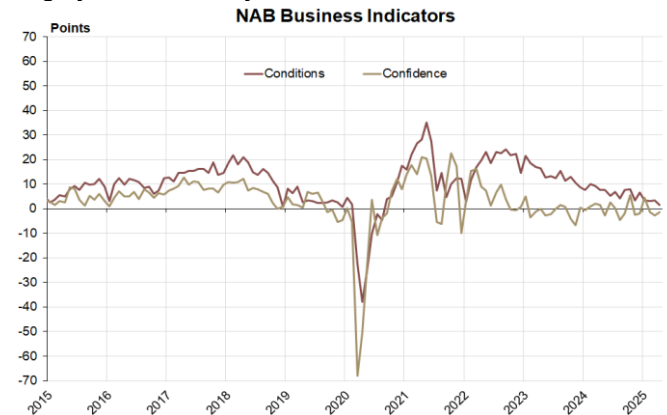
Source: ABS

... and the **unemployment rate** remained low.



Source: ABS

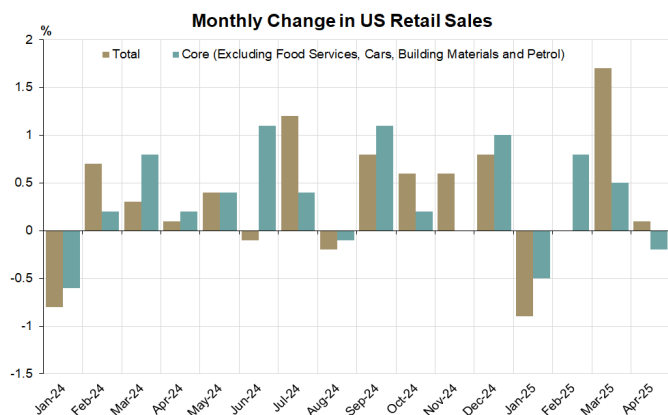
**NAB business conditions and confidence** were largely unaffected by the US tariff announcements.



Source: Bloomberg

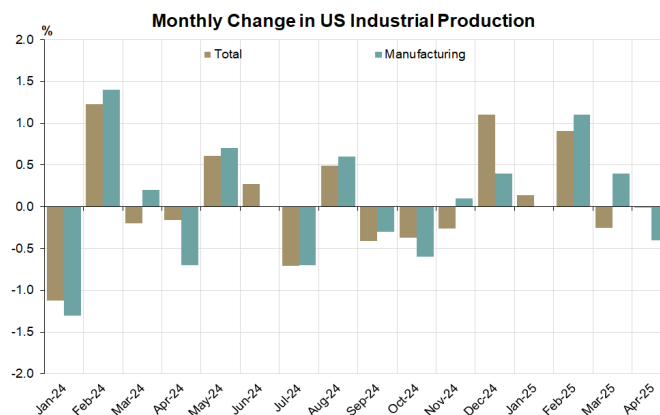
## Global Economy

**US retail sales** for April suggest consumer spending growth eased at the start of Q2.



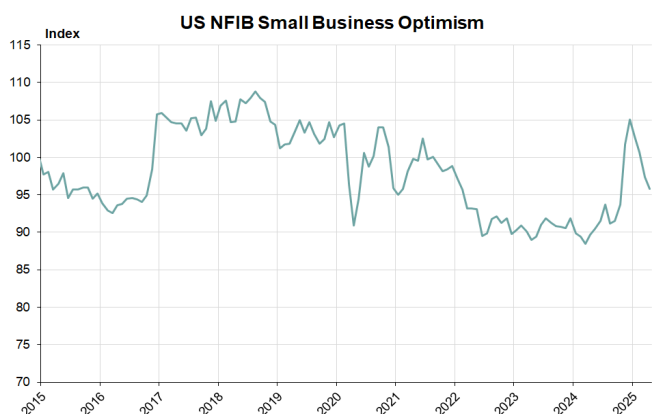
Source: Bloomberg

**US industrial output** was unchanged in April, with manufacturing falling for the first time in six months.



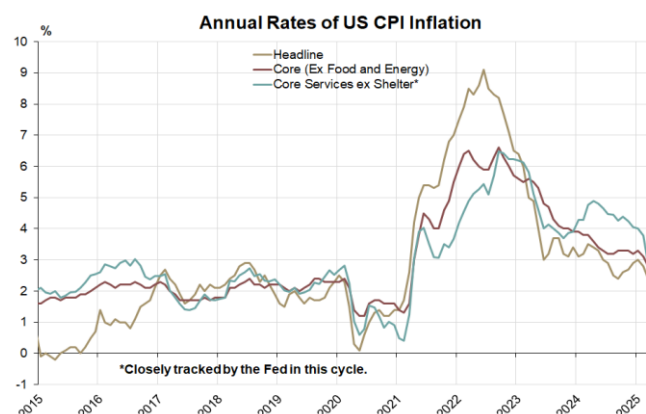
Source: Bloomberg

**Small business sentiment** deteriorated further in April, with uncertainty a major drag.



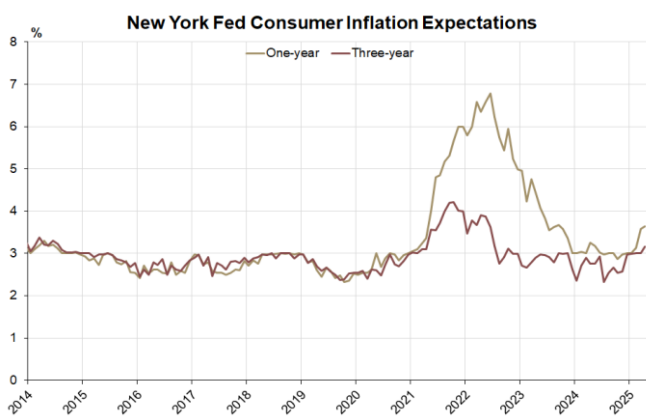
Source: Bloomberg

**US CPI inflation** continued to ease in April, ahead of the impact of tariff increases, to be the lowest since 2021.



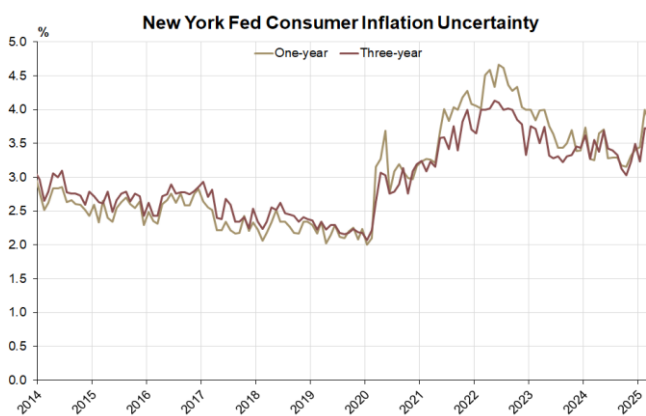
Source: Bloomberg

**New York Fed consumer inflation expectations** have picked up but are less than their UoM equivalents.



Source: New York Fed

However, according to New York Fed, **inflation uncertainty** is now the highest since 2022.



Source: New York Fed

## Last Week

Date	Event	Actual	Forecast	Previous	Comment
<b>Mon 12</b>					
	No market moving data				
<b>Tue 13</b>					
AU	NAB Business Conditions (Apr)	2	-	3	Decline driven by lower profitability.
AU	NAB Business Confidence (Apr)	-1	-	-3	Aussie businesses appear unmoved by tariff news.
AU	Westpac Cons. Sent. (MoM, May)	2.2%	-	-6.0%	Tariff-related drop only partly unwound.
UK	Unemployment Rate (Mar)-	4.5%	4.5%	4.4%	Highest level since July 2021.
US	CPI (MoM, Apr)	0.3%	0.2%	-0.1%	Annual CPI inflation at 2.3%, the lowest since 2021.
US	NFIB Small Business Opt. (May)	95.8	95.0	97.4	Uncertainty remains a major impediment for businesses.
<b>Wed 14</b>					
AU	Wage Price Index (QoQ, Q1)	0.9%	0.8%	0.7%	Annual rate of wages growth up 0.2ppts to 3.4%.
AU	Housing Finance (QoQ, Q1)	-2.5%	-	1.3%	New owner-occupier loans fell by 3.4% in the quarter.
<b>Thu 15</b>					
AU	Employment (MoM, Apr)	89.0k	22.5k	36.4k	The strongest rise in 14 months.
AU	Unemployment Rate (Apr)	4.1%	4.1%	4.1%	Participation rate, at 67.1%, 0.1ppts below record high.
AU	MI Inflation Expectations (May)	4.1%	-	4.2%	Somewhat lower than the historical average.
UK	GDP (QoQ, Q1)	0.7%	0.6%	0.1%	Driven by services, construction and inventories.
US	PPI (MoM, Apr)	-0.5%	0.2%	-0.4%	Biggest quarterly fall in five years.
US	Retail Sales (MoM, Apr)	0.1%	0.0%	1.7%	Core sales fell 0.2%.
US	Industrial Production (MoM, Apr)	0.0%	0.1%	-0.3%	Manufacturing production down 0.4%.
US	Initial Jobless Claims (w/e 10 May)	229k	228k	229k	No sign of labour market stress in jobless claims as yet.
<b>Fri 16</b>					
JP	GDP (QoQ, Q1)	-0.2%	-0.1%	0.6%	First quarterly fall in a year.
<b>Tonight</b>					
US	UoM Cons. Sent. (May, prel.)	-	53.5	52.2	Inflation expectations are at multidecade highs.

## Next Week

Date	Event	Forecast	Previous	Comment
<b>Mon 19</b>				
CH	Retail Sales (YoY, Apr)	5.4%	5.9%	Consumption stimulus measures so far not very effective.
CH	Industrial Production (YoY, Apr)	5.5%	7.7%	PMI reports suggest a slowdown.
CH	Urban Fixed Asset Inv. (YoY YtD, Apr)	4.2%	4.2%	Key indicator of Chinese demand for iron ore.
<b>Tue 20</b>				
AU	RBA Decision (Cash Rate Target)	3.85%	4.10%	25bps cut a done deal, but the forward guidance is crucial.
AU	RBA Governor Michele Bullock Speaks	-	-	Post-meeting press conference.
AU	RBA Statement on Monetary Policy (Q2)	-	-	Will contain updated assessment of the tariff impacts.
CH	5Y Loan Prime Rate	3.50%	3.60%	
<b>Wed 21</b>				
UK	CPI (MoM, Apr)	-	0.3%	BoE expects inflation to pick up in the second half of 2025.
<b>Thu 22</b>				
AU	S&P Global Composite PMI (May, flash)	-	51.0	First insights into the Australian private sector activity in May.
JP	Judo Bank Composite PMI (May, flash)	-	51.2	Manufacturing new export orders fell most in 6 months in April.
EZ	HCOB Composite PMI (May, flash)	51.2	50.4	German economy is stagnant, and France is still in contraction.
UK	S&P Global Composite PMI (May, flash)	-	48.5	April saw contraction for the first time since October 2023.
US	S&P Global Composite PMI (May, flash)	-	50.6	May see the early impact of US tariff increases.
<b>Fri 23</b>				
JP	CPI (YoY, Apr)	3.5%	3.6%	Ex-food and energy inflation expected to pick up.