

Highlights this week

- In Australia, NAB business conditions improved a little in February, but business confidence declined back into negative territory. Westpac consumer sentiment bounced in March, supported by the recent RBA cash rate cut. Melbourne Institute consumer inflation expectations dropped to the lowest level in 3.5 years.
- Abroad, the tariff war escalated further this week, with the European Union and Canada announcing retaliatory measures against 25% tariffs on steel and aluminium imports to the US, which became effective on Wednesday. US CPI and PPI surprised to the downside in February. NFIB small business optimism declined in February, with perceptions of uncertainty the second strongest on record. JOLTS job openings rose in January, but remained around the pre-COVID levels.

Highlights next week

- A very quiet week at home, with the February labour force survey results on Thursday being the only potentially market-moving release.
- The key event offshore will be the FOMC decision on Wednesday night. No changes are expected, but the Fed will release updated forecasts, including projections of the fed funds rate. Other highlights include US retail sales and industrial production for February, as well as the Chinese economic activity data for the first two months of 2025.

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	7781 (↓198 pt)
US (IOR)	4.40 (0 pt)	90-day Bills	4.12 (0 pt)	2-yr T-Notes	3.96 (↑2 pt)	S&P500	5522 (↓217 pt)
Eurozone (Deposit)	2.50 (0 pt)	3-yr T-Bond	3.76 (↓3 pt)	10-yr T-Notes	4.28 (↑2 pt)	DJIA	40814 (↓1766 pt)
UK	4.50 (0 pt)	10-yr T-Bond	4.40 (↓1 pt)	Jap 10-yr	1.55 (↑2 pt)	Nikkei	36919 (↑31 pt)
Japan (Target)	0.50 (0 pt)	3-yr WATC Bond	3.87 (↓3 pt)	UK 10-yr	4.68 (↑2 pt)	CSI300	3984 (↑28 pt)
China (1Y LPR)	3.10 (0 pt)	10-yr WATC Bond	4.93 (↓3 pt)	Ger 10-yr	2.86 (↑2 pt)	Stoxx600	540 (↓15 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets

Interest Rates

Government bond yields changed only slightly this week, following significant increases the week before.

On one hand, US inflation data for February surprised to the downside this week, while concerns over a likely US recession became more prominent this week, and there was some chance of a government shutdown in the US. On the other hand, there are ongoing concerns that tariffs will result in renewed inflationary pressures in the US. The Fed is expected to stay put next week, with a 25bps fed funds rate cut not fully priced in before June.

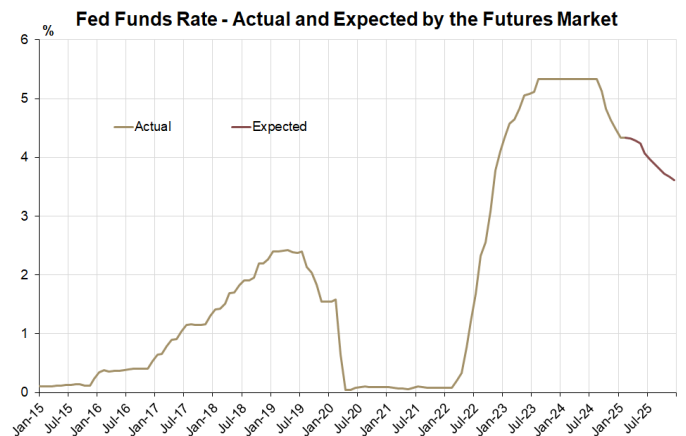
US Treasury yields ticked up this week, but Aussie government bond yields are slightly down compared to last Friday.

Equities

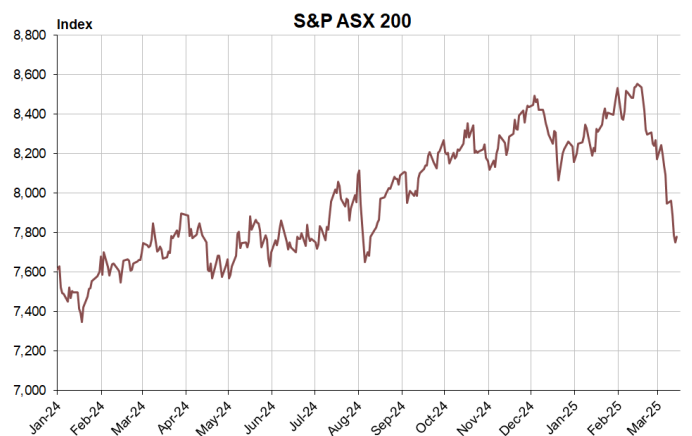
The sell-off in global equities gathered pace this week, as the trade conflict between the US and its trading partners continued to escalate. The European Union and Canada announced they will impose retaliatory tariffs on the US, raising concerns over the outlook for the global economy and company profits. Moreover, China hit Canada with tariffs on some food and agricultural imports in retaliation for Canadian duties on its EVs imposed in October last year.

US equities have seen the heaviest falls among the developed markets, with the S&P 500 slumping to a near six-month low and is now officially in correction having fallen a little over 10% from its record high on 19 February.

The steel and aluminium tariffs, while being painful for producers, are minor in the context of the Aussie economy and market. Aussie steel and aluminium exports to the US are only around 0.1% of total Australian goods exports. However, that has not stopped a broad-based sell-off in the ASX 200, led by info tech, consumer discretionary, and health shares. The Aussie benchmark fell to its lowest level since August last year and is down 9% from its February high.



Source: Bloomberg



Source: Bloomberg

Currencies

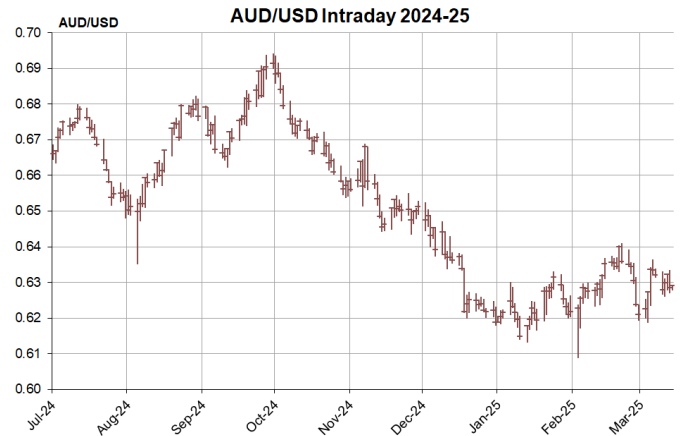
The Australian dollar was a bit choppy this week but overall is down against all the major currencies since last Friday morning.

The AUD dropped below US\$0.63 on Monday night, as concerns over a US recession escalated after US President Donald Trump said that the US economy was in a 'period of transition'.

The Aussie dollar received some tailwinds from the slightly better market sentiment following the downside surprise to US CPI inflation for February, but this was completely reversed on Thursday night as the global trade war escalated further.

The Aussie dollar is the second weakest G10 currency, surpassed only by the tariff-hit Canadian dollar.

The US dollar index has also been quite choppy this week and is overall little changed, as is the safe-haven Japanese yen.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6281	0.6334	0.6259	↓0.6	0.6942	0.6088
AUD/EUR		0.5796	0.5846	0.5741	↓1	0.6261	0.4848
AUD/GBP		0.4855	0.4905	0.4848	↓1	0.5289	0.4848
AUD/JPY		93.15	93.94	91.82	↓0.3	109.37	90.15
AUD/CNY		4.5529	4.5961	4.5306	↓0.6	4.9340	4.4109
EUR/USD		1.0837	1.0947	1.0805	↑0.4	1.1214	1.0141
GBP/USD		1.2938	0.4905	0.4848	↑0.4	0.5289	0.4848
USD/JPY		148.30	149.19	146.54	↑0.2	161.95	139.58
USD/CNY		7.2482	7.2655	7.2161	↓0	7.3328	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6281	0.6285	0.6289	0.6296
AUD/EUR		0.5796	0.5771	0.5746	0.5701
AUD/GBP		0.4855	0.4859	0.4863	0.4873
AUD/JPY		93.15	92.26	91.45	90.02
AUD/NZD		1.1015	1.1001	1.0983	1.0959
AUD/SGD		0.8397	0.8364	0.8332	0.8272

Commodities

With the trade conflict escalating, gold reached new peaks this week. It seems that the yellow metal is only one piece of bad news away from breaking through US\$3,000 an ounce.

The US 25% aluminium and steel import tariffs took effect this week. Aluminium is a key metal for the energy transition, with prices steady over the past week and remaining close to the highest levels since May last year.

Iron ore futures prices in Singapore have climbed over the past week, with news of the US steel tariffs appearing to have little impact. China consumes about 90% of the steel it produces and directly exports less than 1% of its production to the US.

Oil prices have edged up but continue to hover around their lowest levels since 2021, as the outlook for the global economy and fuel demand remained cloudy.



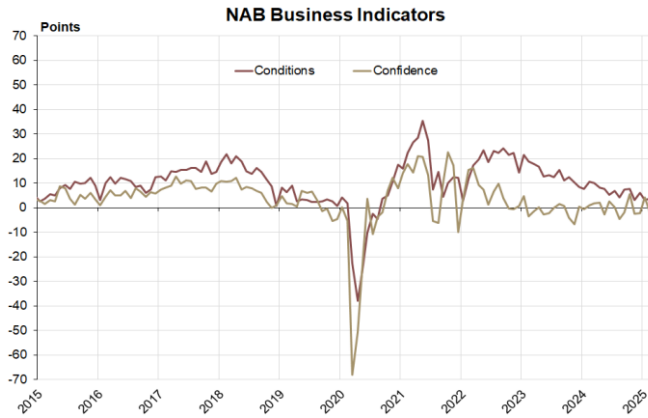
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,986.00	\$2,990.21	\$2,880.32	(↑\$83.54)	\$2,990.21	\$2,146.15
Brent Crude Oil (US\$)	\$70.27	\$71.25	\$68.63	(↑\$0.75)	\$92.18	\$68.33
Mogas95* (US\$)	\$79.43	\$80.72	\$77.36	(↑\$1.02)	\$109.19	\$76.37
WTI Oil (US\$)	\$66.97	\$67.94	\$65.29	(↑\$0.62)	\$87.67	\$65.22
CRB Index	303.01	303.77	302.32	(↑1.94)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$102.95	\$103.25	\$98.85	(↑\$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.

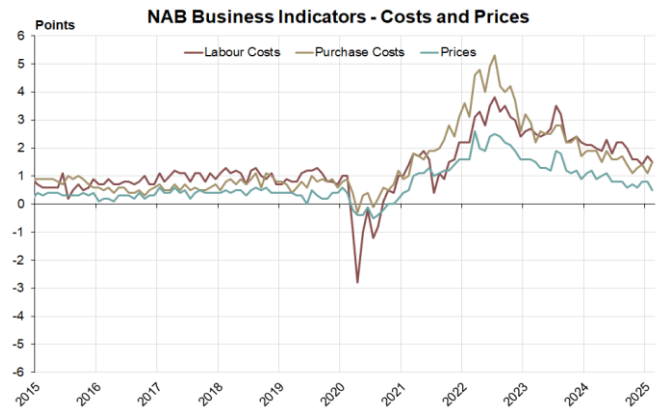
Domestic Economy

NAB business conditions remained sluggish in February, while confidence turned back negative.



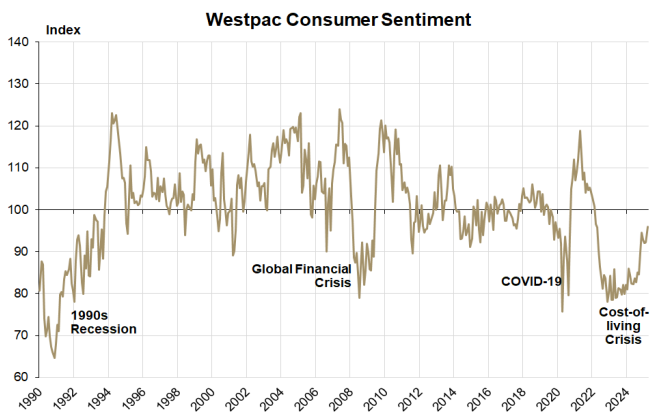
Source: Bloomberg

Cost and price pressures have come off from their highs, but purchase costs picked up a bit in February.



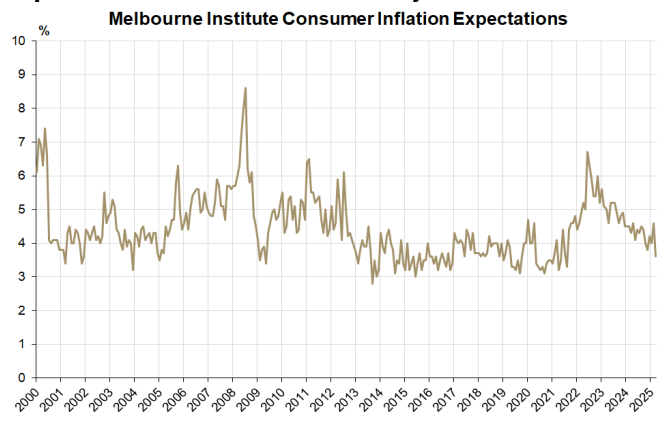
Source: Bloomberg

Following a setback at the turn of 2024 and 2025, **consumer confidence** rose due to the RBA rate cut...



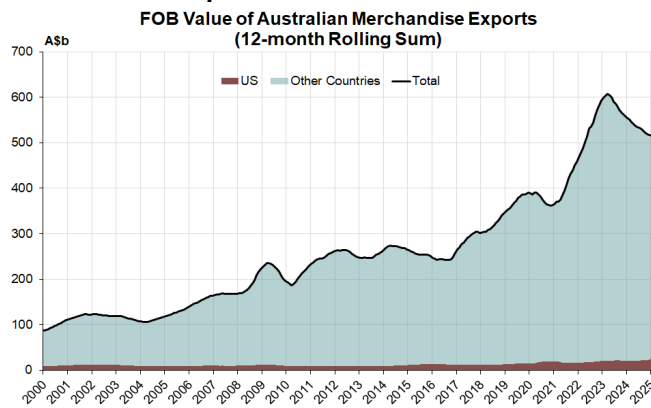
Source: Bloomberg

... while **Melbourne Institute consumer inflation expectations** have reached a 3.5-year low.



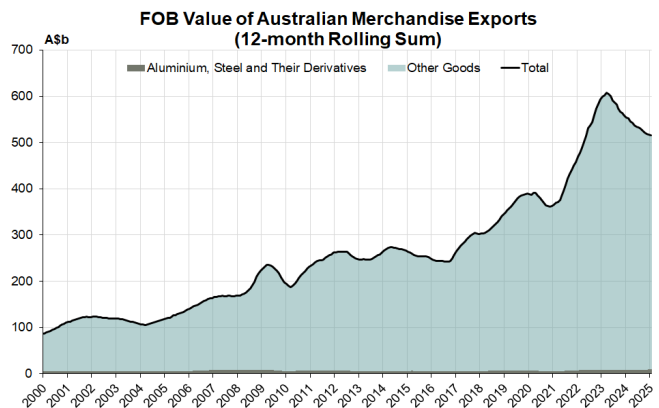
Source: Bloomberg

The US constitutes only a fraction of Australian **merchandise exports**...



Source: ABS

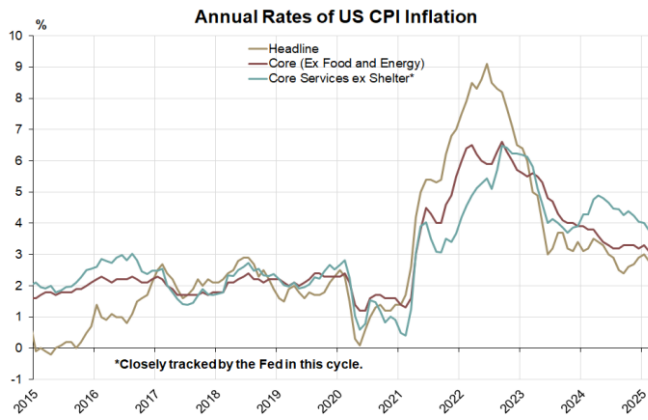
... as do exports of **steel and aluminium products**.



Source: ABS

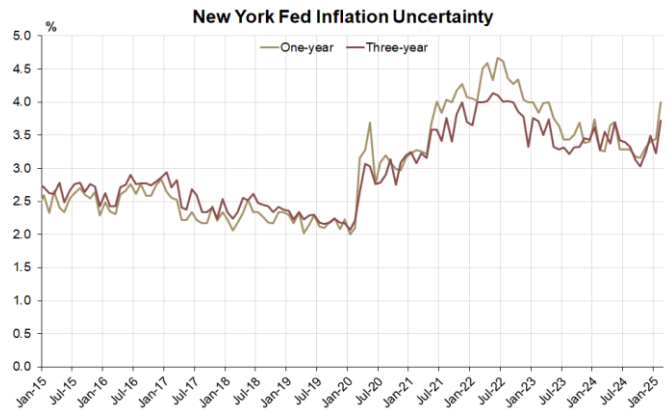
Global Economy

US CPI inflation declined in February, with core inflation reaching the lowest level in nearly four years.



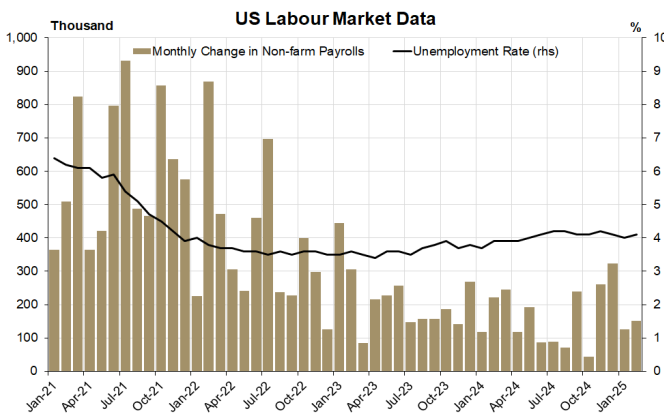
Source: Bloomberg

However, as per a **New York Fed consumer survey**, in the inflation outlook is the most uncertain in two years.



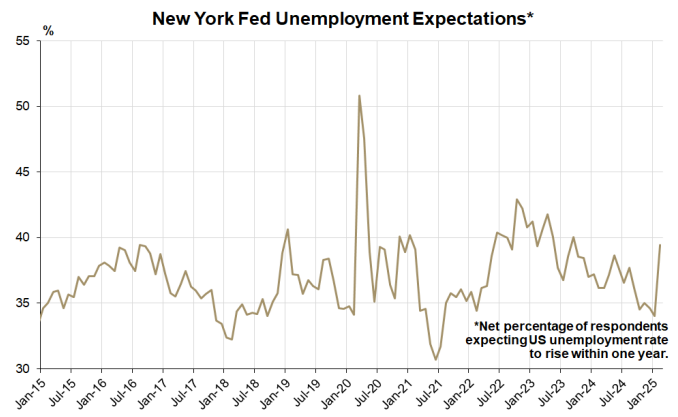
Source: New York Fed

The pace of **US jobs growth** has clearly slowed in early 2025, but the unemployment rate is still steady and low.



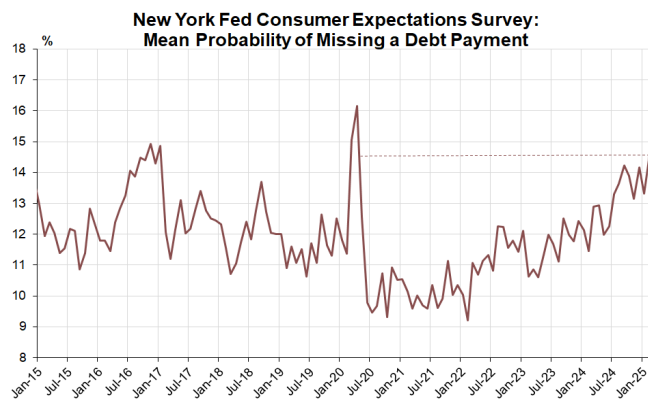
Source: Bloomberg

However, **US unemployment expectations** have hit the highest since September 2023...



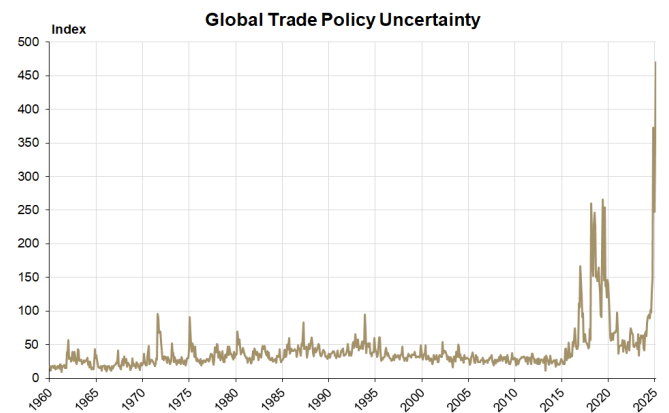
Source: New York Fed

... while the perceived probability of **missing a loan payment** is the highest since the early days of COVID.



Source: New York Fed

At the same time, the prospect of trade war drove **global trade uncertainty** to a record high in February.



Source: Global Trade Uncertainty

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 10					
US	NY Fed 1Y Cons. Infl. Exp. (Feb)	3.1%	3.1%	3.0%	Probability of missing a loan payment the highest in 5Y.
Tue 11					
AU	NAB Business Conditions (Feb)	4	-	3	Slightly below the long-term average.
AU	NAB Business Confidence (Feb)	-1	-	5	Declines recorded across all industries.
AU	Westpac Cons. Sent. (MoM, Mar)	4.0%	-	0.1%	Broad improvement driven by the RBA cash rate cut.
AU	Value of Dwellings (QoQ, Q4)	0.2%	-	0.1%	Number of dwelling transfers down 15.2% in Q4.
US	JOLTS Job Openings (Jan)	7.7m	7.6m	7.5m	Still nearly 900k higher than the officially unemployed.
US	NFIB Small Business Opt. (Feb)	100.7	101.0	102.8	Perception of uncertainty the second strongest on record.
Wed 12					
CA	BoC Decision (Policy Rate)	2.75%	2.75%	3.00%	Bank of Canada to closely monitor inflation expectations.
US	CPI (MoM, Feb)	0.2%	0.3%	0.5%	Core inflation at 3.1% YoY, the lowest since April 2021.
Thu 13					
AU	MI Cons. Infl. Expectations (Mar)	3.6%	-	4.6%	The lowest level since August 2021.
US	PPI (MoM, Feb)	0.0%	0.3%	0.6%	Annual rate down 0.3ppts to 3.2%.
US	Initial Jobless Claims (w/e 8 Mar)	220k	225k	222k	Claims filled by former federal employees still steady.
Tonight					
UK	Monthly GDP (MoM, Jan)	-	0.1%	0.4%	UK economy is muddling through.
US	UMich Cons. Sent. (Mar, prel.)	-	63.0	64.7	Longer-run inflation expectations at near 30Y highs.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 17				
CH	Retail Sales (YoY, Jan-Feb)	3.8%	-	Chinese authorities pledged to stimulate demand in 2025.
CH	Industrial Production (YoY, Jan-Feb)	5.3%	-	PMIs did not suggest any marked acceleration.
CH	Urban Fixed Asset Inv. (YoY, Jan-Feb)	3.2%	-	One of the key indicators of Chinese demand for iron ore.
US	Retail Sales (MoM, Feb)	0.7%	-0.9%	To clarify if the January weakness was only temporary.
Tue 18				
US	Industrial Production (MoM, Feb)	0.2%	0.5%	ISM manufacturing PMI suggested only a slight gain.
Wed 19				
AU	Westpac Leading Index (MoM, Feb)	-	0.12%	Six-month annualised growth rate signals above-trend growth.
JP	Bank of Japan Decision (Policy Rate)	0.50%	0.50%	Further hikes not expected before late 2025.
US	FOMC Decision (IoER)	4.40%	4.40%	Fed is tracking the impacts of the tariff-related uncertainty.
Thu 20				
AU	Employment (monthly change, Feb)	28.0k	44.0k	The strong labour market is a barrier to further RBA rate cuts.
AU	Unemployment Rate (Feb)	4.0%	4.1%	The RBA now sees the unemployment rate peak at just 4.2%.
NZ	GDP (QoQ, Q4)	0.4%	-1.0%	Kiwi economy expected to emerge from recession.
CH	PBoC Decision (One-year LPR)	3.60%	3.60%	Growth to be stimulated by local and federal debt issuance.
UK	Unemployment Rate (Jan)	-	4.4%	Claimant count unemployment rate picked up 0.1ppts to 4.6%.
Fri 21				
JP	CPI (YoY, Feb)	3.6%	4.0%	'Core-core' inflation expected to remain at 2.5%.