

## Highlights this week

- In Australia, employment saw an unexpected drop in February, but the unemployment rate remained steady at 4.1% amid lower participation. The Westpac leading index suggested above-trend economic activity growth within three to nine months.
- Abroad, the FOMC kept the fed funds rate target range unchanged, with its interest rate forecasts kept unchanged, GDP growth projections were revised down, while the inflation forecasts were revised up. US retail sales and industrial production both picked up in February. Chinese activity data for the first two months of 2025 generally exceeded expectations.

## Highlights next week

- The key domestic releases next week will be the Commonwealth Budget 2025-26 on Tuesday and the monthly CPI indicator for February on Wednesday, preceded by the Judo Bank flash PMI for March on Monday.
- Monday will also see flash PMIs for the major advanced economies. The other major highlight will be the February report on personal income and outlays on Friday, which will include PCE price inflation targeted by the Fed.

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	7929 (↑148 pt)
US (IOR)	4.40 (0 pt)	90-day Bills	4.11 (0 pt)	2-yr T-Notes	3.96 (0 pt)	S&P500	5663 (↑141 pt)
Eurozone (Deposit)	2.50 (0 pt)	3-yr T-Bond	3.77 (↑1 pt)	10-yr T-Notes	4.24 (↓4 pt)	DJIA	41953 (↑1140 pt)
UK	4.50 (0 pt)	10-yr T-Bond	4.40 (0 pt)	Jap 10-yr	1.53 (↓2 pt)	Nikkei	37931 (↑1012 pt)
Japan (Target)	0.50 (0 pt)	3-yr WATC Bond	3.86 (↓1 pt)	UK 10-yr	4.65 (↓3 pt)	CSI300	3975 (↓9 pt)
China (1Y LPR)	3.10 (0 pt)	10-yr WATC Bond	4.94 (↑1 pt)	Ger 10-yr	2.78 (↓7 pt)	Stoxx600	553 (↑13 pt)

Changes are since the previous issue of Market WATCH Weekly.

## Financial Markets

### Interest Rates

As expected, the FOMC kept the Fed funds rate target range on hold at 4.25-4.50%, with Fed Chair Jerome Powell saying at the press conference that the impacts on inflation from the tariff policies will likely be 'transitory'. The median fed funds rate forecasts were kept unchanged, but the number of participants expecting just one 25bps cut or no cuts at all this year has risen.

From other central bank news, the Bank of Japan, Bank of England and Riksbank have all kept policy rates unchanged this week, while the Swiss National Bank cut its policy rate by 25bps to just 0.25%.

Government bond yields are little changed for the week in the US and Australia, with only slight declines at the back end of the yield curve. This came despite RBA cash rate cut expectations intensifying a little following the massive downside surprise to employment, with the next cut fully priced in for July.

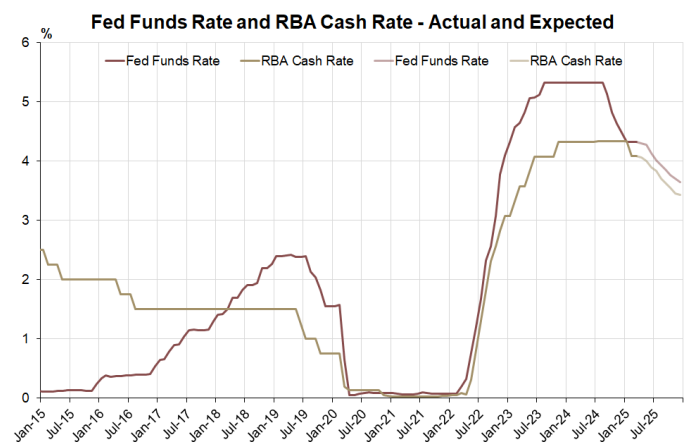
### Equities

Global stocks look set for the first weekly gain in a month, as the recent sell-off attracted dip buyers. The measured assessment of the impacts of Trump policies on the US economy adopted by the Fed, along with no upward revision to the fed funds rate projection path, also helped boost sentiment a little.

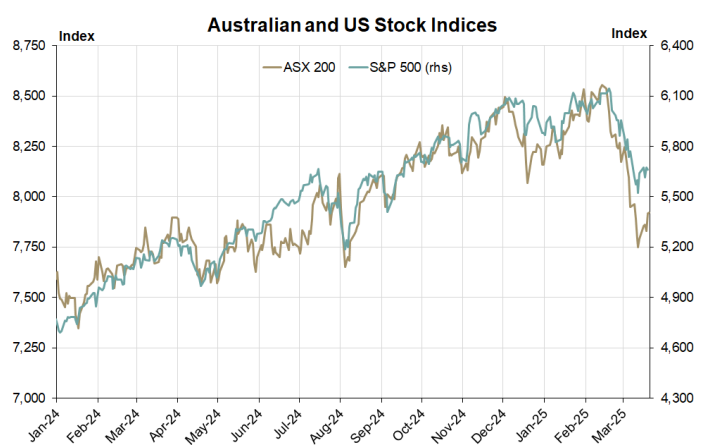
The S&P 500 rose by 2.6% over the past five trading days, led by energy stocks followed by financials. The gains in information technology stocks were a bit smaller, but enough to translate into a 1.1% increase in the tech-heavy Nasdaq.

This week also saw solid increases across Europe and the Asia-Pacific region. Indonesian stock market was the notable exception here, due to the strongest intraday sell-off since 2011 on Tuesday amid concerns over the country's fiscal position and the Government's economic agenda.

The ASX 200 is up by 1.9% for the week at the time of writing, with gains across all market sectors, led by energy and consumer staples. Despite these weekly gains, the Aussie share market is down 7.4% from its record high on 14 February.



Source: Bloomberg



Source: Bloomberg

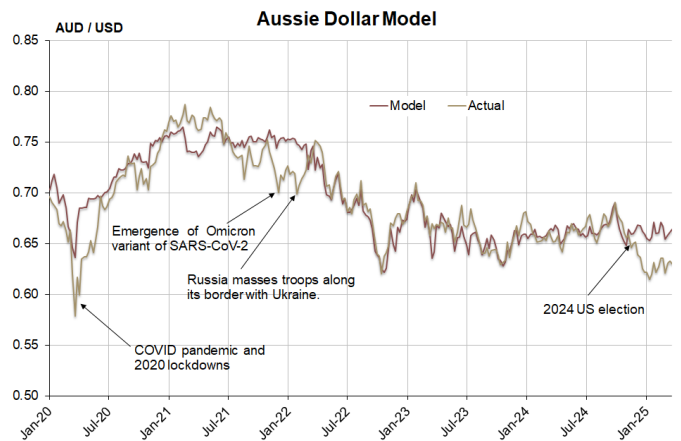
## Currencies

The Australian dollar climbed against all the major currencies this week, with all the gains coming in the first half of the week.

The AUD got off to a good start after Chinese economic data surprised to the upside and Chinese authorities unveiled an economic support plan, pushing the AUD/USD exchange rate to its highest levels in over three weeks.

The Aussie dollar peaked at US\$0.6391 on Tuesday, before sliding as market sentiment grew more cautious ahead of the Fed interest rate decision on Wednesday, and dropped further on Thursday following news of an unexpected fall in Aussie employment in February.

The AUD/USD exchange rate remains hindered by the uncertainty driven by Trump administration trade policies and continues to trade well below the levels suggested by its traditional drivers, as it has since the November 2024 election.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6304	0.6391	0.6271	↑0.4	0.6942	0.6088
AUD/EUR		0.5806	0.5853	0.5791	↑0.2	0.6261	0.4843
AUD/GBP		0.4861	0.4920	0.4843	↑0.1	0.5289	0.4843
AUD/JPY		94.02	95.75	93.17	↑0.9	109.37	90.15
AUD/CNY		4.5697	4.6194	4.5447	↑0.4	4.9340	4.4109
EUR/USD		1.0856	1.0955	1.0815	↑0.2	1.1214	1.0141
GBP/USD		1.2968	1.3015	1.2917	↑0.2	1.3434	1.2100
USD/JPY		149.14	150.15	148.18	↑0.6	161.95	139.58
USD/CNY		7.2494	7.2504	7.2217	↑0	7.3328	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6304	0.6309	0.6314	0.6321
AUD/EUR		0.5806	0.5781	0.5756	0.5710
AUD/GBP		0.4861	0.4866	0.4871	0.4882
AUD/JPY		94.02	93.12	92.32	90.89
AUD/NZD		1.0939	1.0924	1.0908	1.0884
AUD/SGD		0.8418	0.8387	0.8355	0.8296

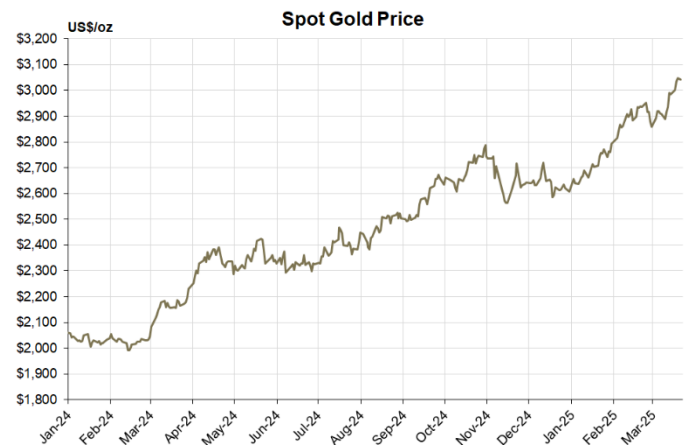
## Commodities

Gold price surged past US\$3,000 an ounce for the first time, as a fresh round of violence flared in the Middle East and the US dollar tumbled.

Renewed conflict in the Middle East and further US efforts to curtail Iranian oil exports - estimated at 1.4 million barrels a day in February - helped push oil prices to 2½-week highs.

News that the US Treasury Department has imposed sanctions on a Chinese oil refinery and its CEO for buying Iranian oil helped push oil prices higher overnight and that rise has continued this morning. The upward pressure was partly offset by ongoing uncertainty over the demand outlook, amid concerns over the impact of US trade policies on US and global economic growth.

Iron ore futures prices have slipped below US\$100 a tonne. With Chinese steel demand already under a cloud, prices faced further downward pressure amid reports that the European Union will cut steel import quotas by 15% to prevent steel, diverted from the US due to higher tariffs, from flooding its market.



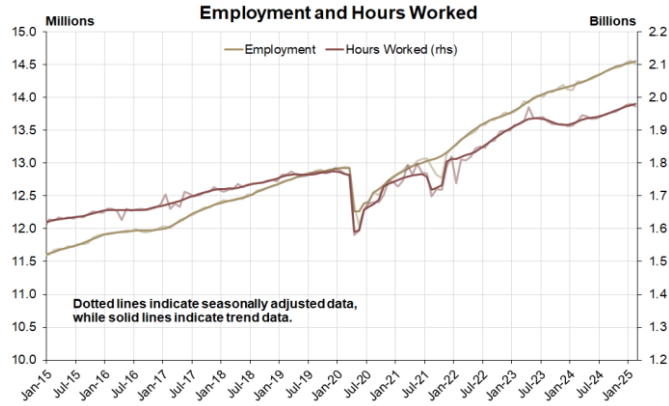
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,042.16	\$3,057.49	\$2,982.33	(↑\$56.16)	\$3,057.49	\$2,157.16
Brent Crude Oil (US\$)	\$72.38	\$72.38	\$69.90	(↑\$2.11)	\$92.18	\$68.33
Mogas95* (US\$)	\$81.70	\$82.23	\$79.99	(↑\$2.27)	\$109.19	\$76.37
WTI Oil (US\$)	\$68.48	\$68.72	\$66.21	(↑\$1.51)	\$87.67	\$65.22
CRB Index	307.41	307.41	302.67	(↑4.4)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$99.70	\$103.75	\$99.50	(↓\$3.25)	\$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.

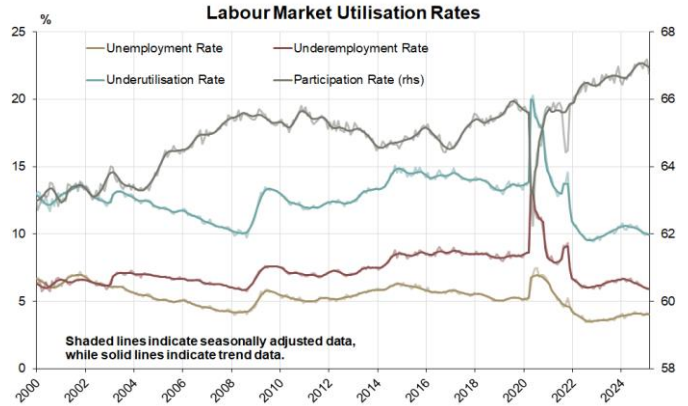
## Domestic Economy

Despite the setback in February, **employment** and hours worked continue to trend upwards.



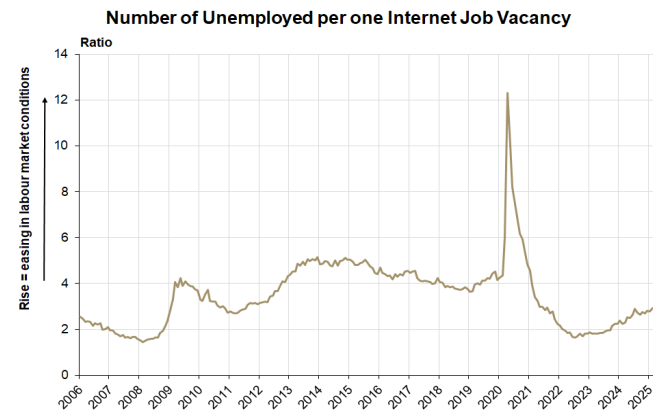
Source: ABS

The **unemployment rate** is low, underemployment rate is falling, and participation is close to a record high.



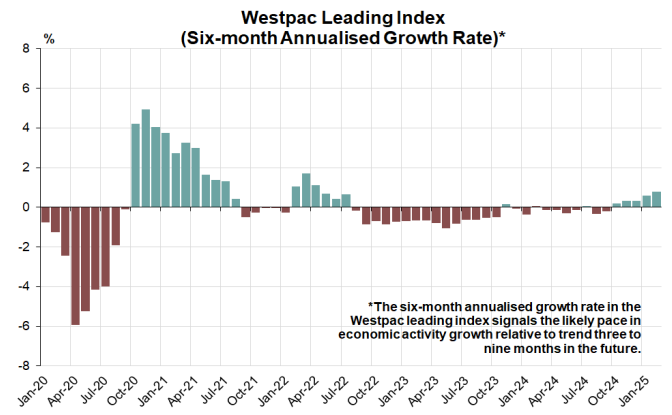
Source: ABS

**Labour market conditions** are easing gradually, but remain tighter than before COVID-19.



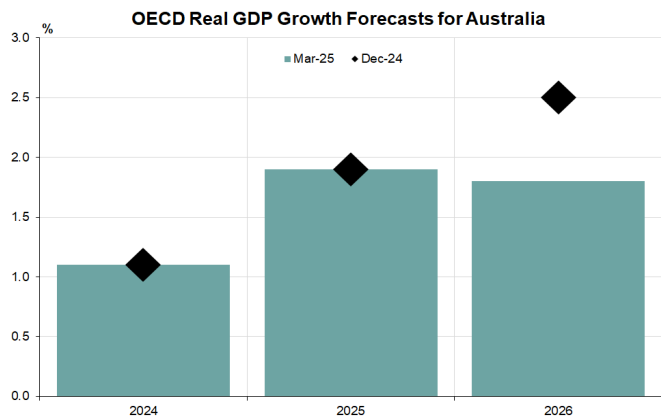
Source: ABS / Jobs and Skills Commission

The **Westpac leading index** suggests above-trend growth three to nine months into the future.



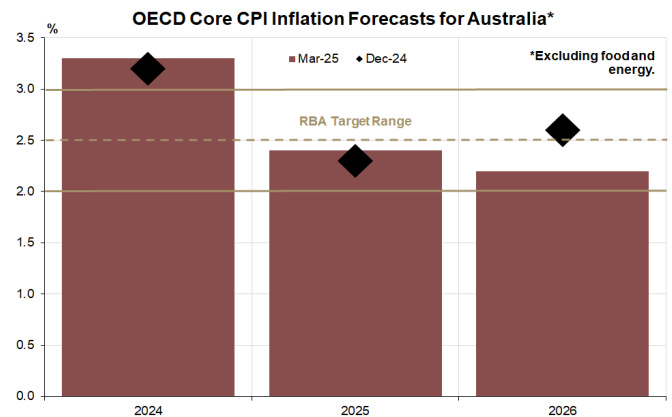
Source: Bloomberg

The **OECD kept its GDP growth forecasts steady for 2025**, but 2026 forecasts saw significant downgrades.



Source: OECD

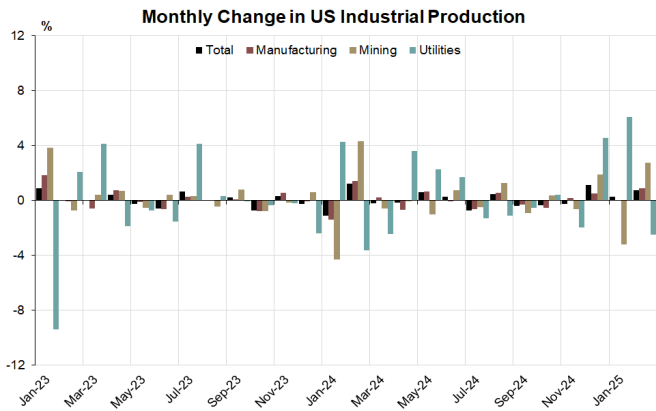
The **OECD sees core CPI inflation to easily remain within the RBA target range in 2025 and 2026.**



Source: OECD

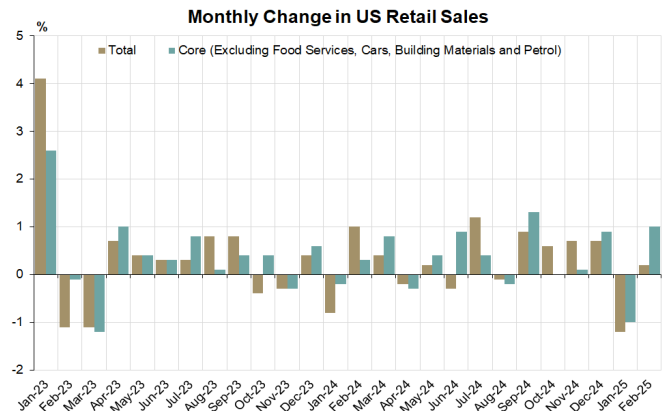
## Global Economy

**US industrial production** saw a solid rise in February, driven by manufacturing and mining activity.



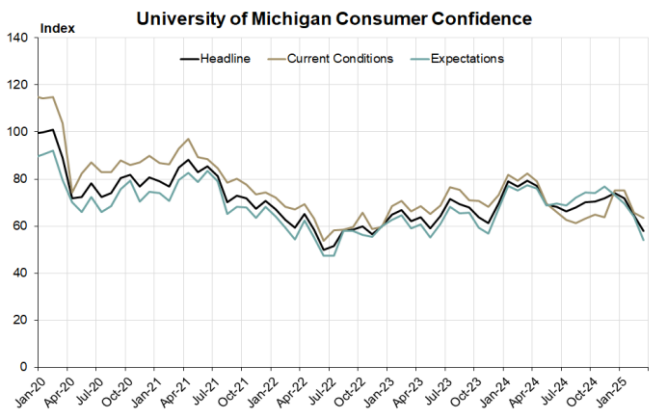
Source: Bloomberg

**US retail trade** also picked up in February, following a drop in the previous month.



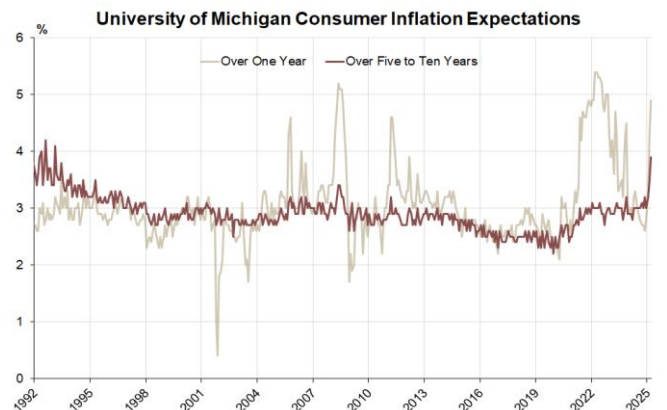
Source: Bloomberg

The rebound in retail sales came despite low **University of Michigan consumer confidence**...



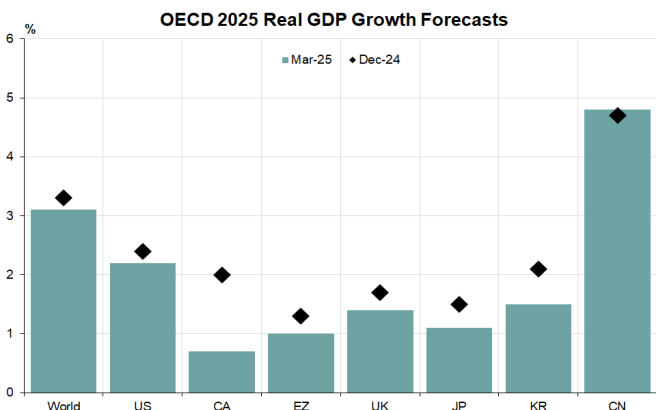
Source: Bloomberg

... with **consumer inflation expectations** reaching the highest level since early 1993.



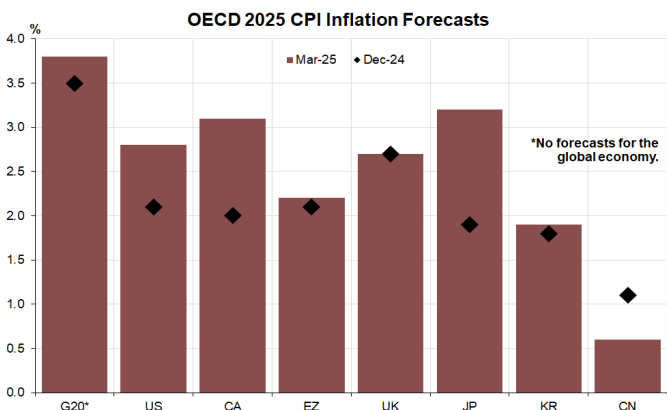
Source: Bloomberg

Trade policy uncertainty saw the **OECD revise its 2025 global growth forecasts** downwards...



Source: OECD

... while **2025 consumer price inflation forecasts** were revised upwards in most advanced economies.



Source: OECD

## Last Week

Date	Event	Actual	Forecast	Previous	Comment
<b>Mon 17</b>					
CH	Retail Sales (YoY, Jan-Feb)	4.0%	3.8%	-	Partly supported by electronic trade-in subsidies.
CH	Industrial Prod. (YoY, Jan-Feb)	5.9%	5.3%	-	Growth in smelting of ferrous metals the slowest in 3Y.
CH	Urban Asset Inv. (YoY, Jan-Feb)	4.1%	3.8%	-	Property asset investment fell by 9.8% YoY YtD.
US	Retail Sales (MoM, Feb)	0.2%	0.6%	-1.2%	Core retail sales saw a solid increase of 1.0%.
US	Empire State Manufacturing (Mar)	-20.0	-1.9	5.7	The lowest level in a year.
<b>Tue 18</b>					
AU	ANZ Cons. Conf. (w/e 15 Mar)	-3.6%	-	1.1%	Reached the lowest level in 2025.
US	Industrial Production (MoM, Feb)	0.7%	0.2%	0.3%	Manufacturing increased by 0.9% in February.
<b>Wed 19</b>					
AU	Westpac Leading Ind. (MoM, Feb)	0.07%	-	0.10%	6M annualised growth rate picked up 0.2ppts to 0.8%.
JP	BoJ Decision (Policy Rate)	0.50%	0.50%	0.50%	BoJ sees upside risks to inflation and wages.
US	FOMC Decision (IoER)	4.40%	4.40%	4.40%	Less FOMC participants eager to deliver two cuts in '25.
<b>Thu 20</b>					
AU	Employment (MoM, Feb)	-52.8k	30.0k	30.5k	Less senior workers returned to work than in Feb 2024.
AU	Unemployment Rate (Feb)	4.1%	4.1%	4.1%	Underemployment rate down 0.1ppts to 5.9%.
AU	Population (YoY, Sep)	1.8%	-	2.0%	Significantly down from its Sep 2023 peak of 2.5% YoY.
NZ	GDP (QoQ, Q4)	0.7%	0.4%	-1.1%	Kiwi economy has emerged from technical recession.
CH	One-year Loan Prime Rate	3.10%	3.10%	3.10%	Five-year loan prime rate also kept steady at 3.60%.
UK	Unemployment Rate (Jan)	4.4%	4.4%	4.4%	Claimant count unemployment rate up 0.2ppts to 4.7%.
UK	BoE Decision (Bank Rate)	4.50%	4.50%	4.50%	One participant would have preferred a 25bps cut.
US	Initial Jobless Claims (w/e 15 Mar)	223k	224k	220k	Continued claims have again approached 1.9 million.
<b>Fri 21</b>					
JP	CPI (YoY, Feb)	3.7%	3.5%	4.0%	'Core-core' inflation up 0.1ppts to 2.6%.

## Next Week

Date	Event	Forecast	Previous	Comment
<b>Mon 24</b>				
AU	Judo Bank Composite PMI (Mar, flash)	-	50.6	First insights into economic activity in March.
JP	Jibun Bank Composite PMI (Mar, flash)	-	52.0	Japanese manufacturing remained in slight contraction in Feb.
EZ	HCOB Composite PMI (Mar, flash)	-	50.2	German economy stagnant, French economy in contraction.
UK	S&P Global Composite PMI (Mar, flash)	-	50.5	Has been steady at a near-stagnant level since November.
US	S&P Global Composite PMI (Mar, flash)	-	51.6	Evidence of negative tariff impacts to be closely monitored.
<b>Tue 25</b>				
AU	Commonwealth Budget (2025-26)	-	-	Commonwealth Treasurer has already confirmed a deficit.
US	Conference Board Cons. Conf. (Mar)	93.5	98.3	Keep an eye on 'jobs plentiful' and 'jobs hard to get'.
US	C-S Hse Price Index 20 Cities (MoM, Jan)	-	0.5%	Annual growth rate accelerated to 4.5% in December.
<b>Wed 26</b>				
AU	Monthly CPI Indicator (YoY, Feb)	2.4%	2.5%	Melbourne Institute inflation gauge suggested lower inflation.
UK	CPI (MoM, Feb)	-	-0.1%	Annual rate drifting away from the BoE's target of 2%.
US	Durable Goods Orders (MoM, Feb)	-0.2%	3.2%	PMI reports pointed to a decline.
<b>Thu 27</b>				
US	GDP (QoQ annualised, Q4, final)	2.5%	2.3%	GDPNow points to a negative quarter in Q1.
<b>Fri 28</b>				
US	Personal Spending (MoM, Feb)	0.4%	-0.2%	Retail sales support the consensus forecasts of a rebound.
US	PCE Price Index (MoM, Feb)	0.3%	0.3%	Annual rate expected to remain at 2.5%.