

Highlights this week

- In Australia, the February CPI indicator suggested that inflation remained close to the mid-point of the RBA target range. The Judo Bank flash PMIs showed faster expansion in March, but confidence regarding future conditions weakened. The 2025-26 Commonwealth Budget confirmed manageable deficit and debt levels at the federal level.
- Abroad, US President Donald Trump announced a new set of tariffs, this time on cars and car parts. Flash PMIs pointed to a further decline in business confidence due to tariffs in March, which, however, has not yet affected the pace of expansion in most major advanced economies. The advance figures suggest that the US trade deficit remained close to a record high in February, as importers continued to frontload their orders ahead of the tariffs.

Highlights next week

- A busy week ahead domestically, with the rate decision from the newly formed RBA Monetary Policy Board being the major highlight. No changes to the cash rate are expected this time, but market participants will look for any changes in narrative in the post-meeting statement and during the press conference.
- Other domestic highlights include March house price data and February retail trade on Tuesday, followed by February dwelling approvals and the goods trade balance on Wednesday and Thursday, respectively.
- Key global data releases will include US employment data, as well as US and Chinese PMIs. Investors will also pay close attention to tariff announcements following the US trade review due on Wednesday night.

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	7969 (↑40 pt)
US (IOR)	4.40 (0 pt)	90-day Bills	4.11 (0 pt)	2-yr T-Notes	3.99 (↑3 pt)	S&P500	5693 (↑30 pt)
Eurozone (Deposit)	2.50 (0 pt)	3-yr T-Bond	3.79 (↑2 pt)	10-yr T-Notes	4.36 (↑12 pt)	DJIA	42300 (↑346 pt)
UK	4.50 (0 pt)	10-yr T-Bond	4.50 (↑10 pt)	Jap 10-yr	1.59 (↑6 pt)	Nikkei	37800 (↓131 pt)
Japan (Target)	0.50 (0 pt)	3-yr WATC Bond	3.84 (↓1 pt)	UK 10-yr	4.78 (↑14 pt)	CSI300	3932 (↓43 pt)
China (1Y LPR)	3.10 (0 pt)	10-yr WATC Bond	4.99 (↑5 pt)	Ger 10-yr	2.77 (↓1 pt)	Stoxx600	546 (↓7 pt)

Financial Markets

Interest Rates

Government bond yields generally picked up this week, as investors are again concerned about the inflationary impacts of tariffs. These concerns have resurfaced due to US President Donald Trump announcing 25% tariffs on cars (effective from 3 April) and car parts (effective from 3 May) and signalling further tariffs against the European Union and Canada.

Fed officials speaking this week were of the opinion that the inflationary impacts of tariffs might not prove transitional as initially judged by Fed Chair Jerome Powell. They advocated for keeping the fed funds rate target range at the current, mildly restrictive level for some time.

The newly created RBA Monetary Policy Board is expected to keep the cash rate target unchanged at their first meeting next week. However, investors will pay close attention to any changes in their hawkish tone, following downside surprises to employment and the monthly CPI indicator in February, as well as additional spending measures announced by the Commonwealth government in their 2025-26 budget.

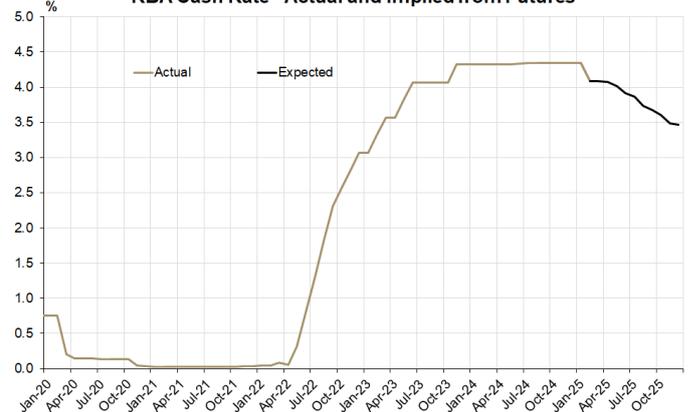
Equities

Market sentiment turned negative again this week, as US President Donald Trump announced new tariff measures, this time targeting the automotive industry.

US S&P 500 remains 0.5% up for the week, thanks to gains ahead of the tariff announcements on Wednesday night. At the same time, stocks are down in Europe and Japan, where leading car companies are listed. These markets have also largely underperformed during the rally early in the week.

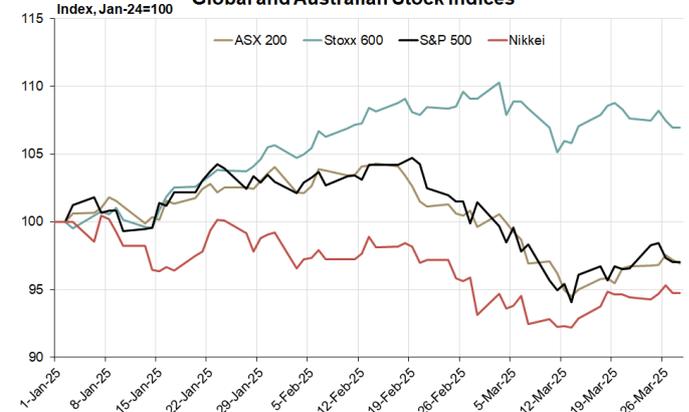
The ASX 200 is also marginally up for the week at the time of writing, with a 0.5% gain from around the same time last week. Energy and financials saw solid increases, which more than offset weekly losses in most other sectors.

RBA Cash Rate - Actual and Implied from Futures



Source: Bloomberg

Global and Australian Stock Indices



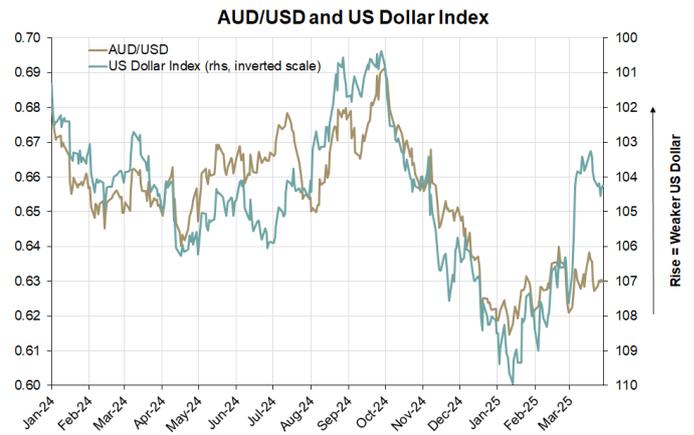
Source: Bloomberg

Currencies

The Australian dollar has had a mostly positive week, despite global market sentiment turning sour on Wednesday night. The Australian dollar was helped by a rise in major commodity prices this week and investors scaling back their cash rate cut expectations somewhat

At the time of writing, the AUD is unchanged against the stronger US dollar, which was supported by a rise in uncertainty and inflation concerns after the fresh tariff announcements. The Australian dollar is up versus other major currencies.

The Australian currency is precisely in the middle of the G10 currency table this week. The Japanese yen is by far the weakest G10 currency for the week, dragged down by concerns over its automotive industry and PMI data pointing to contraction. The Swedish krona is the strongest G10 currency, following Riksbank's decision not to cut its policy rate last week.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6301	0.6331	0.6265	↓0	0.6942	0.6088
AUD/EUR		0.5835	0.5865	0.5792	↑0.5	0.6261	0.4843
AUD/GBP		0.4867	0.4904	0.4854	↑0.1	0.5289	0.4843
AUD/JPY		95.21	95.40	93.50	↑1.3	109.37	90.15
AUD/CNY		4.5756	4.5986	4.5384	↑0.1	4.9340	4.4109
EUR/USD		1.0796	1.0858	1.0733	↓0.6	1.1214	1.0141
GBP/USD		1.2948	1.2992	1.2871	↓0.2	1.3434	1.2100
USD/JPY		151.11	151.15	149.02	↑1.3	161.95	139.58
USD/CNY		7.2622	7.2684	7.2448	↑0.2	7.3328	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6301	0.6306	0.6310	0.6318
AUD/EUR		0.5835	0.5809	0.5783	0.5733
AUD/GBP		0.4867	0.4871	0.4876	0.4887
AUD/JPY		95.21	94.32	93.51	92.05
AUD/NZD		1.0983	1.0966	1.0949	1.0923
AUD/SGD		0.8438	0.8405	0.8375	0.8317

Commodities

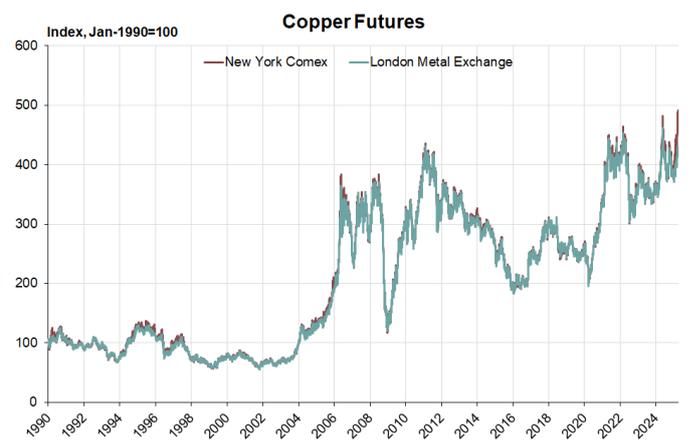
The Commodity Research Bureau index is slightly down for the week, but this masks increases in the major commodity prices.

Oil futures rose by around 2.0-2.5% this week, as the maritime ceasefire between Russia and Ukraine appears fragile, while the impacts of sanctions on Iran are translating into tighter supply.

Iron ore futures rose by 3.2% this week amid signs of increased demand in China.

Copper futures at New York's Comex exchange reached a new record high on Wednesday, as US traders race to import the metal before US President Trump imposes tariffs. However, copper futures on the London Metal Exchange are slightly short of their record highs from nine months ago.

The rise in uncertainty following the car tariff announcements saw the gold price climb to a fresh record high on Thursday night.



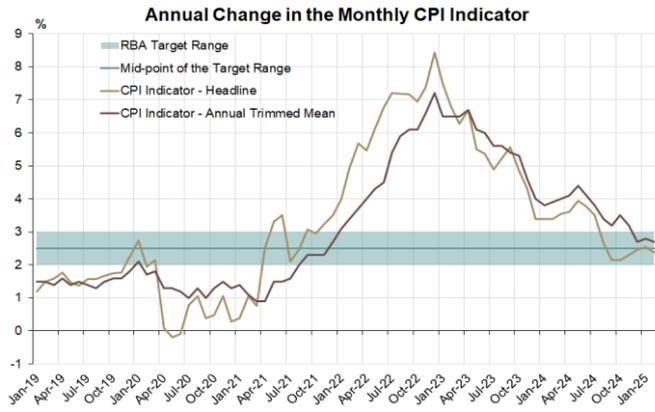
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,056.14	\$3,059.63	\$3,002.52	(↑\$13.98)	\$3,059.63	\$2,187.42
Brent Crude Oil (US\$)	\$74.03	\$74.17	\$71.51	(↑\$1.65)	\$92.18	\$68.33
Mogas95* (US\$)	\$83.99	\$84.21	\$81.47	(↑\$2.29)	\$109.19	\$76.37
WTI Oil (US\$)	\$69.87	\$70.22	\$67.95	(↑\$1.39)	\$87.67	\$65.22
CRB Index	307.05	307.09	305.77	(↓0.36)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$102.85	\$103.75	\$99.25	(↑\$3.15)	\$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.

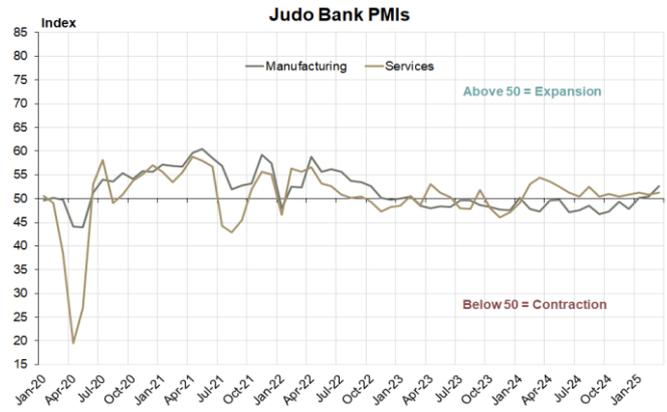
Domestic Economy

The **monthly CPI indicator** suggested that headline and trimmed mean inflation are in the RBA target band.



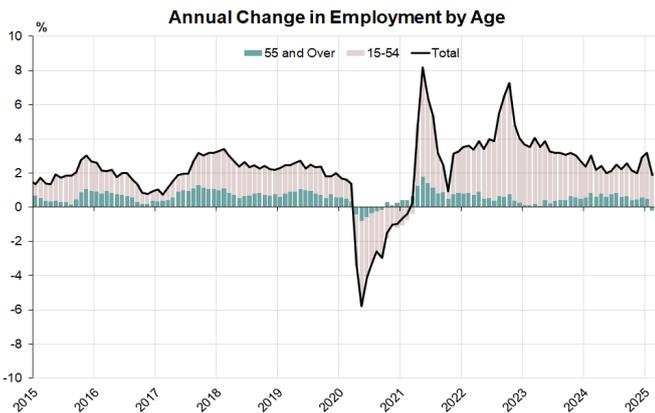
Source: ABS

The **Judo Bank PMIs** are now pointing to expansion in both manufacturing and services.



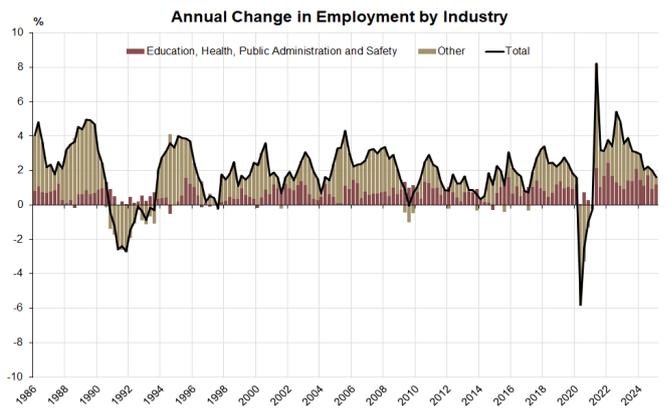
Source: Bloomberg

The detailed **labour force survey** confirmed the poor February performance was driven by higher retirement.



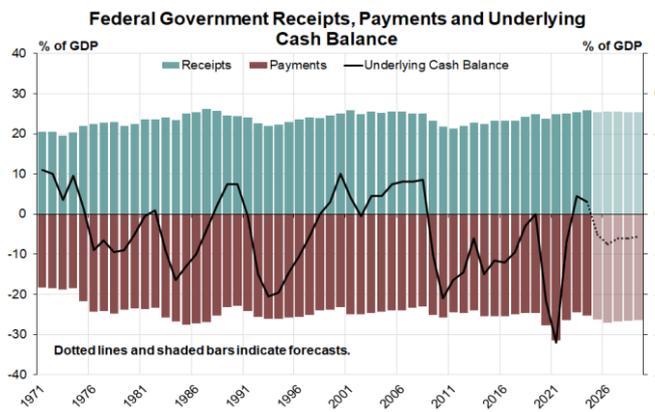
Source: ABS

Employment growth remains more reliant on the **public sector** than in previous decades.



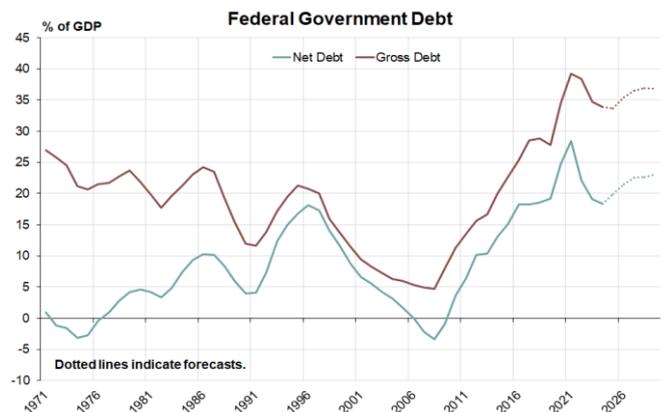
Source: ABS

The Commonwealth budget 2025-26 showed only slight **fiscal deficit** for the coming years...



Source: Commonwealth Treasury

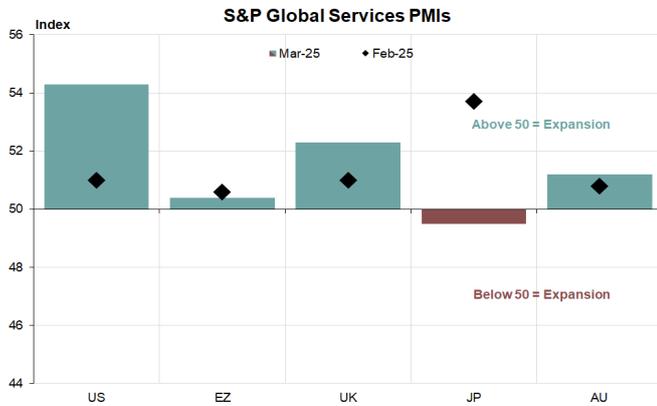
... with **public debt** remaining comfortably below the COVID-19 peak.



Source: Commonwealth Treasury

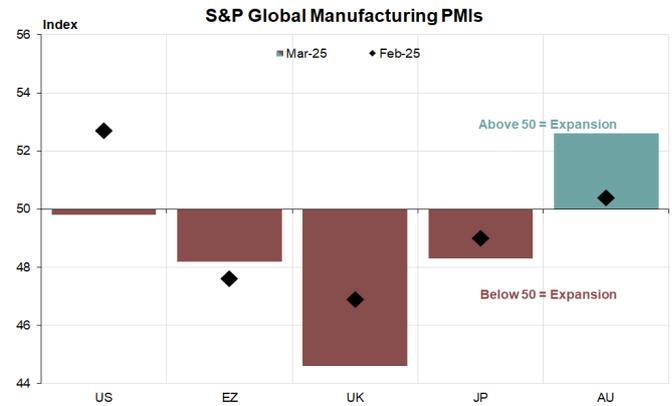
Global Economy

Expansion in **services** appears to continue in all major advanced economies except for Japan...



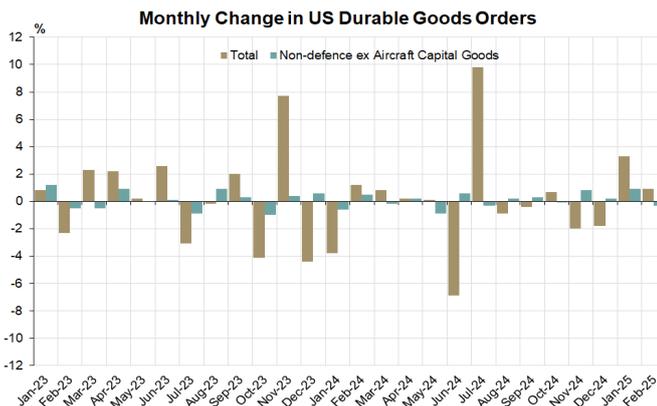
Source: Bloomberg

... while **manufacturing** remained in contraction across all the major advanced economies.



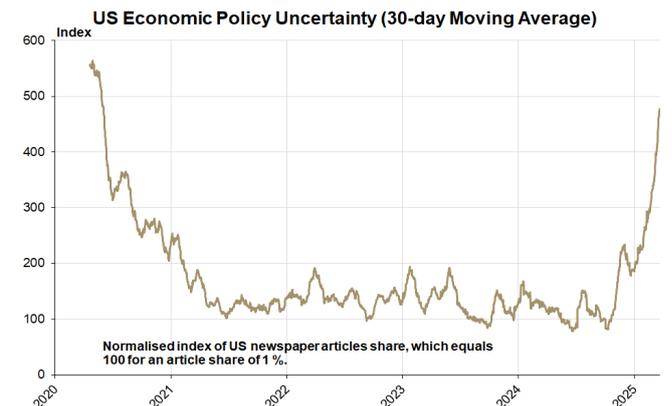
Source: Bloomberg

US durable goods orders picked up in February, supported by the volatile defence aircraft orders.



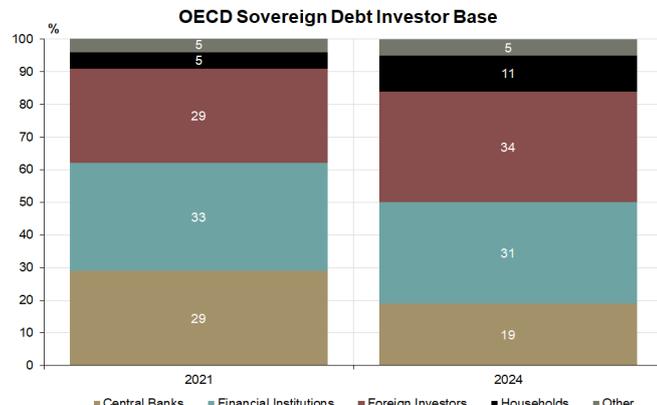
Source: Bloomberg

US economic policy uncertainty (not just due to tariffs) is the highest since the early days of COVID-19.



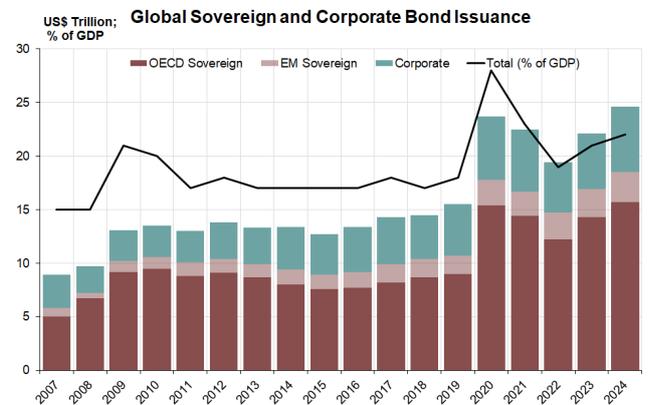
Source: FRED

According to OECD data, central banks are decreasing their exposure in debt markets amid **QE tapering**...



Source: OECD

... at the time when the **global fixed income issuance** in relation to GDP is the highest since 2020.



Source: OECD

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 24					
AU	Judo Bank Comp. PMI (Mar, flash)	51.3	-	50.6	Confidence in future activity down due to tariffs.
JP	Jibun Bank Comp. PMI (Mar, flash)	48.5	-	52.0	Inflationary pressure constraining activity and orders.
EZ	HCOB Composite PMI (Mar, flash)	50.4	50.7	50.2	Euro area manufacturing has emerged from contraction.
UK	S&P Global Comp. PMI (Mar, flash)	52.0	50.5	50.5	Manufacturing export the lowest since August 2023.
US	S&P Global Comp. PMI (Mar, flash)	53.5	51.3	51.6	Confidence has hit a 3.5-year low.
Tue 25					
AU	Commonwealth Budget (2025-26)	-	-	-	1.0% of GDP deficit in 2024-25, debt at 19.9% of GDP.
AU	ANZ Cons. Conf. (w/e 22 Mar)	0.5%	-	-3.6%	Remains close to 2025 lows.
US	Conf. Board Cons. Conf. (Mar)	92.9	94.0	100.1	Expectations the lowest in exactly 12 years.
US	C-S Hse Price 20 Cities (MoM, Jan)	0.5%	0.4%	0.5%	Up by 4.7% YoY and at a new record high.
Wed 26					
AU	Monthly CPI Indicator (YoY, Feb)	2.4%	2.5%	2.5%	Trimmed mean inflation down 0.1ppts to 2.7%.
UK	CPI (MoM, Feb)	0.4%	0.5%	-0.1%	Annual rate down 0.2ppts to 2.8%.
US	Durable Goods Orders (MoM, Feb)	0.9%	-1.0%	3.3%	Core orders unexpectedly declined by 0.3%.
Thu 27					
US	GDP (QoQ annualised, Q4, final)	2.4%	2.3%	2.4%	Corporate profits picked up in Q4.
US	Initial Jobless Claims (w/e 22 Mar)	224k	225k	225k	Continued claims declined slightly in w/e 15 Mar.
Tonight					
US	Personal Spending (MoM, Feb)	-	0.5%	-0.2%	Retail sales also suggested a rebound in February.
US	PCE Price Index (MoM, Feb)	-	0.3%	0.3%	Annual rate expected to remain at 2.5%.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 31				
AU	Private Sector Credit (MoM, Feb)	0.5%	0.5%	Has been growing steadily, to be up 6.5% YoY in January.
AU	Melbourne Institute Inflation (MoM, Mar)	-	-0.2%	Suggested the annual rate of inflation at 2.2% in February.
CH	NBS Composite PMI (Mar)	-	51.1	First insights into the Chinese economy in March.
Tue 01				
AU	RBA Decision (Cash Rate Target)	4.10%	4.10%	First meeting of the new RBA Monetary Policy Board.
AU	RBA Governor M. Bullock Speaks	-	-	Post-meeting press conference.
AU	Retail Trade (MoM, Feb)	0.4%	0.3%	Australian consumers expected to open their wallets wider.
AU	CoreLogic Home Value Index (MoM, Mar)	-	0.3%	Turned back positive in February.
CH	Caixin Manufacturing PMI (Mar)	50.6	50.8	Export orders will be a good gauge of the trade war.
EZ	HICP (YoY, Mar)	-	2.3%	HCOB PMI pointed to deceleration.
US	ISM Manufacturing PMI (Mar)	49.8	50.3	S&P Global PMI pointed to renewed contraction.
US	JOLTS Job Openings (Feb)	-	7.7m	Still higher than the number of officially unemployed.
Wed 02				
AU	Dwelling Approvals (MoM, Feb)	-	6.3%	Private house approvals rose by 1.1% in January.
US	ADP Employment (monthly change, Mar)	118k	77k	Has been a poor indicator of the official job growth.
Thu 03				
AU	Goods Trade Balance (Feb)	-	A\$5.6b	Rose in January amid higher gold exports to the US.
CH	Caixin Services PMI (Mar)	51.6	51.4	Too early to gauge the impacts of the stimulus.
US	Trade Balance (Feb)	-US\$100b	-US\$134b	Importers pulled forward purchases ahead of the tariffs.
US	ISM Services PMI (Mar)	52.3	53.5	The details will be closely watched for any tariff impacts.
Fri 04				
US	Non-farm Payrolls (monthly change, Mar)	120k	151k	US jobs growth is slowing.
US	Unemployment Rate (Mar)	4.1%	4.1%	Remains below the FOMC's longer-run estimate.