

Weekly Economics and Markets Review

- US Treasury yields increased noticeably over the week, with stronger-than-expected CPI inflation and jobs growth seeing investors pull back on expectations for rate cuts from the Federal Reserve.
- The ECB kept its deposit facility rate unchanged at 4.0 per cent, with ECB President Lagarde hinting at the possibility of a June rate cut.
- Domestically, consumer sentiment fell in April and has now remained well below average for the past two years.

Week in review

Domestic

- According to the **NAB Business Survey**, business conditions were broadly unchanged in March and remain slightly above their long-run average. Forward orders remained weak, while capacity utilisation continued to trend lower.
- NAB's measures of price pressures continued to weaken, with slower growth in purchase costs, labour costs and final product prices. The rise in final product prices was the smallest since February 2021, with annualised growth now near the middle of the RBA's inflation target.
- **Westpac/Melbourne Institute consumer sentiment** fell by 2.4 per cent in April and remains around 20 per cent below its long-run average. Sentiment has been well below average for the past two years, marking the second most protracted period of deep consumer pessimism since the survey began in the mid-1970s (with the early 1990s recession being the most protracted).
- Despite economic challenges, the unemployment expectations index shows consumers are relatively secure about job prospects.
- **Seek job ads** increased by 2.4 per cent in March, though remain 14.9 per cent lower over the year.
- The **goods trade surplus** eased to \$7.3bn in February (from \$10.1bn in January). Goods exports fell 2.2 per cent in the month, driven by declines in rural goods exports and non-monetary gold. Meanwhile, the value of goods imports rebounded 4.8 per cent.

Offshore

- Several **US Federal Reserve** officials said that it is too soon to start cutting interest rates given the strength in the labour market and slower progress on inflation.

- **US CPI inflation** was stronger than expected in March, with annual headline CPI inflation at 3.5 per cent and core inflation at 3.8 per cent. Stronger core inflation was mostly driven by the services sector (excluding housing).
- The **US labour market** also remains resilient, with a strong increase in non-farm payrolls and an unexpected decline in the unemployment rate in March.
 - Non-farm payrolls showed the US economy added 303k jobs in March 2024, marking an acceleration in the pace of hiring. This was noticeably higher than consensus expectations for a 214k increase.
 - The unemployment rate fell one-tenth to 3.8 per cent in March, driven by a 498,000 gain in the household survey measure of employment. Strong immigration contributed to the increase in household employment, with foreign-born employment increasing 246k.
 - Average hourly earnings grew 0.3 per cent in March to be 4.1 per cent higher on a year ago. This is down from 4.3 per cent in February and marks the slowest annual gain since June 2021.
- **US producer prices** were moderately softer than anticipated, with the headline PPI increasing by just 0.2 per cent in March following a 0.6 per cent gain in February.
- The **ECB** kept its deposit facility rate unchanged at 4.0 per cent. There was a dovish tone to the meeting, with ECB President Lagarde noting that lower rates would be appropriate if the updated inflation outlook in June increased its confidence that inflation was falling.
- The **Reserve Bank of New Zealand** and **Bank of Canada** also kept their policy rates unchanged, at 5.5 per cent and 5.0 per cent respectively.
- In the **euro area**, the ECB's April Bank Lending Survey showed better than expected intended lending standards for both firms and households.
 - In Japan, consumer confidence increased in March, marking its sixth consecutive rise and its highest level since May 2019.

Markets

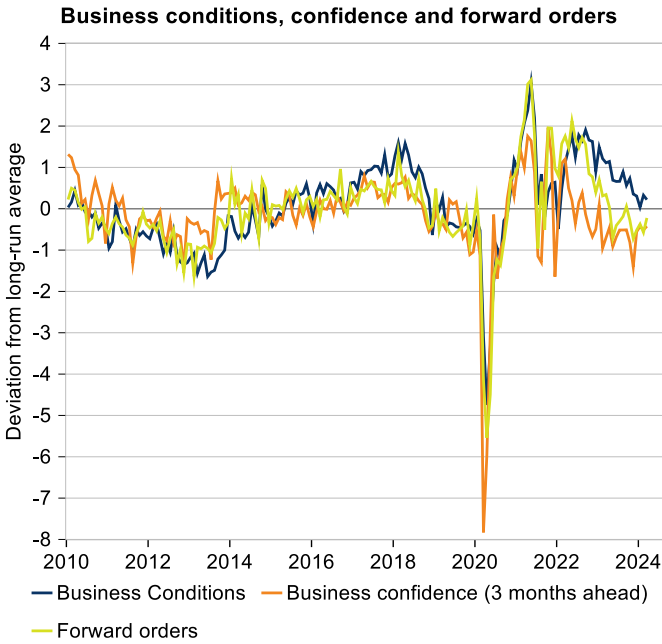
US Treasury yields increased noticeably over the week, with the unexpected strength in CPI inflation and non-farm payrolls seeing the market pull back on expectations for Fed rate cuts. US 3-year Treasury yields increased by 34 basis points over the past week while 10-year yields increased by 28 basis points.

Economic and Market Calendar

DATE	DETAILS
Domestic	Thursday: Labour force survey (Mar), NAB Quarterly Business Survey (Q1)
Offshore	<p>US: Retail sales (Mar), Housing starts (Mar), Industrial and manufacturing production (Mar), Fed Beige Book, Initial jobless claims (13 April), Existing home sales (Mar)</p> <p>Euro area: CPI (Feb), Trade balance (Feb), ZEW survey expectations (Apr), Construction output (Feb)</p> <p>UK: CPI (Mar), PPI (Mar), Employment (Mar) Jobless claims (Mar), Unemployment rate (Feb), Retail sales (Mar)</p> <p>China: GDP (Q1), Retail sales (Mar), Property investment (Mar), New home prices (Mar), FDI (Mar), 1-year medium-term lending rate (15 Apr)</p> <p>Japan: CPI (Mar), Core machinery orders (Feb), Trade (Mar)</p> <p>New Zealand: CPI (Q1)</p> <p>Canada: CPI (Mar)</p>

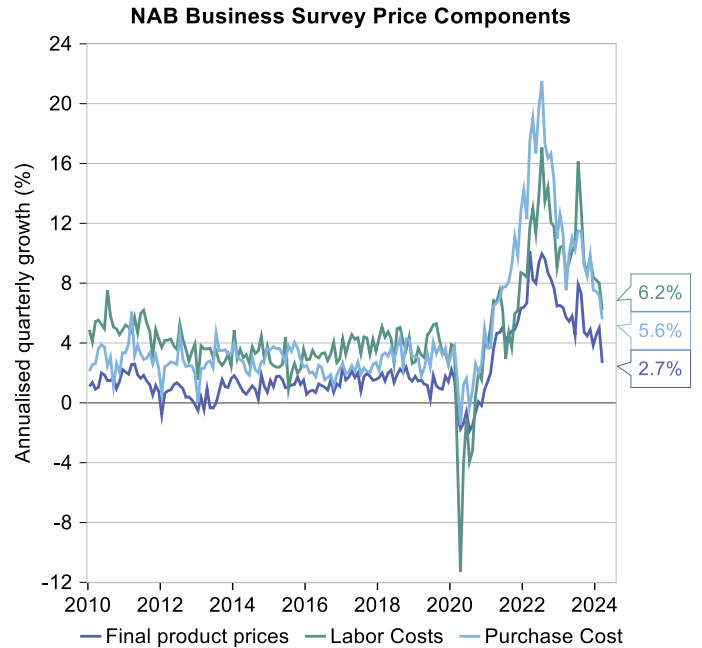
Economic and Financial Market Charts

CHART 1: NAB BUSINESS CONDITIONS REMAIN ABOVE THEIR LONG-RUN AVERAGE, THOUGH BUSINESSES HAVE LESS CONFIDENCE ABOUT FUTURE CONDITIONS AND DEMAND



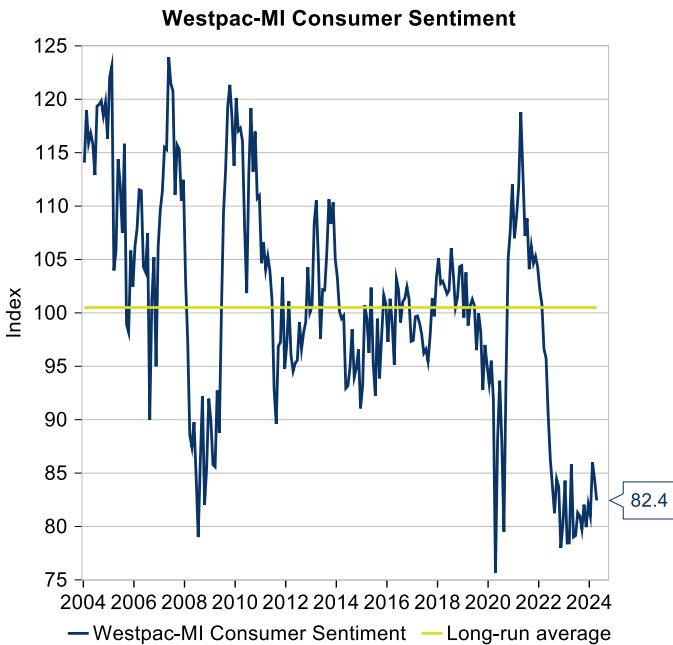
Source: National Australia Bank, QTC, Macrobond

CHART 2: PRICE PRESSURES HAVE EASED NOTICEABLY FROM THEIR PEAKS, WITH FINAL PRODUCT PRICES POSTING THEIR SMALLEST GAIN SINCE FEBRUARY 2021



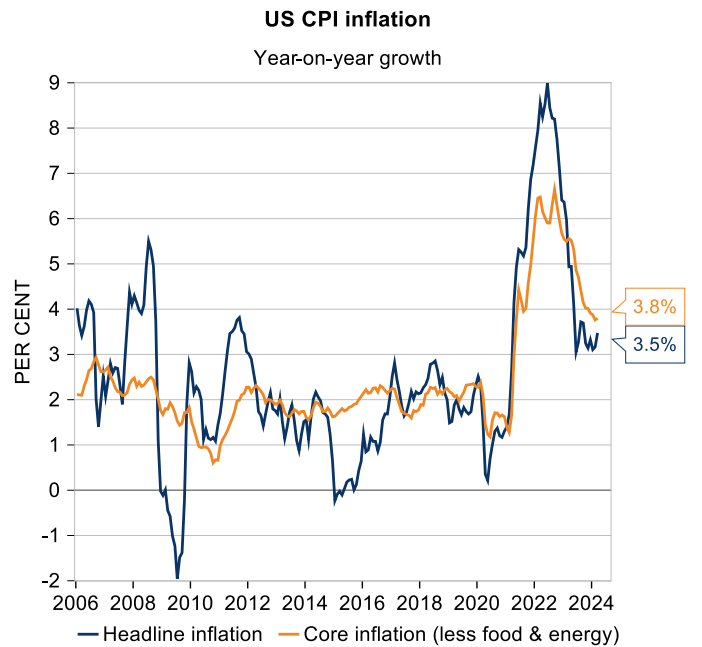
Source: National Australia Bank, QTC, Macrobond

CHART 3: CONSUMER SENTIMENT REMAINS WELL BELOW ITS AVERAGE, WEIGHED DOWN BY CONTINUED COST OF LIVING PRESSURES



Source: Melbourne Institute of Applied Economic & Social Research, QTC, Macrobond

CHART 4: THE IMPROVEMENT IN US CPI INFLATION HAS STALLED OVER THE PAST FEW MONTHS



Source: U.S. Bureau of Labor Statistics (BLS), QTC, Macrobond

CHART 5: US CORE SERVICES INFLATION HAS CONTINUED TO EDGE HIGHER WHILE RENTS INFLATION HAS ALSO REMAINED RESILIENT

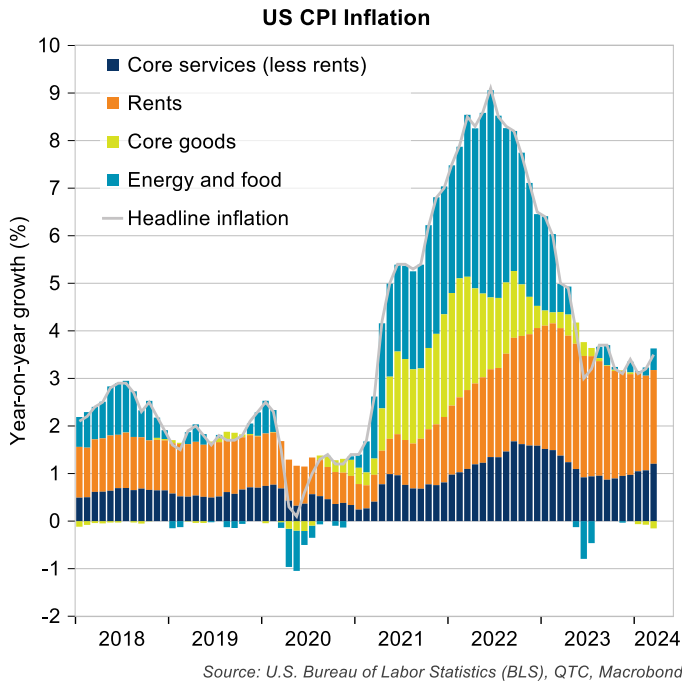


CHART 6: THE US ECONOMY ADDED 303K JOBS IN MARCH 2024, MARKING AN ACCELERATION IN THE PACE OF HIRING

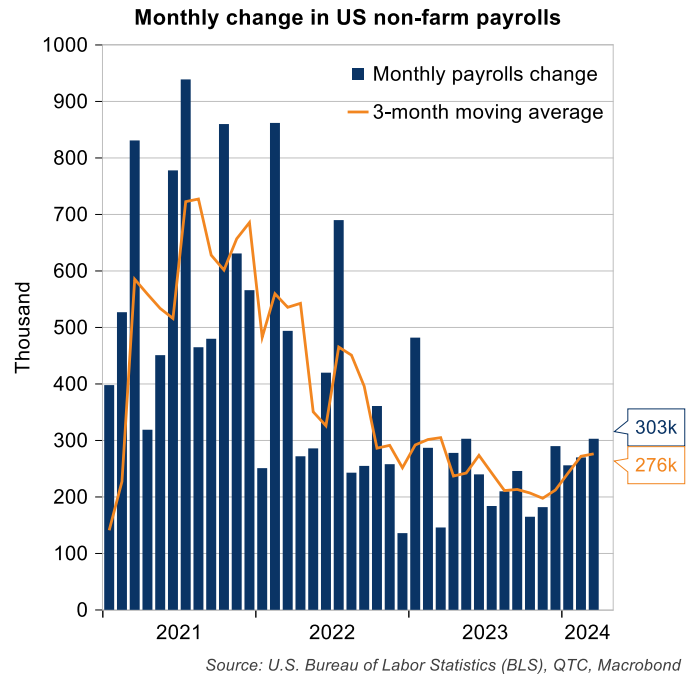


CHART 7: THE US UNEMPLOYMENT RATE ALSO FELL SLIGHTLY AND REMAINS AROUND A HISTORICALLY LOW LEVEL

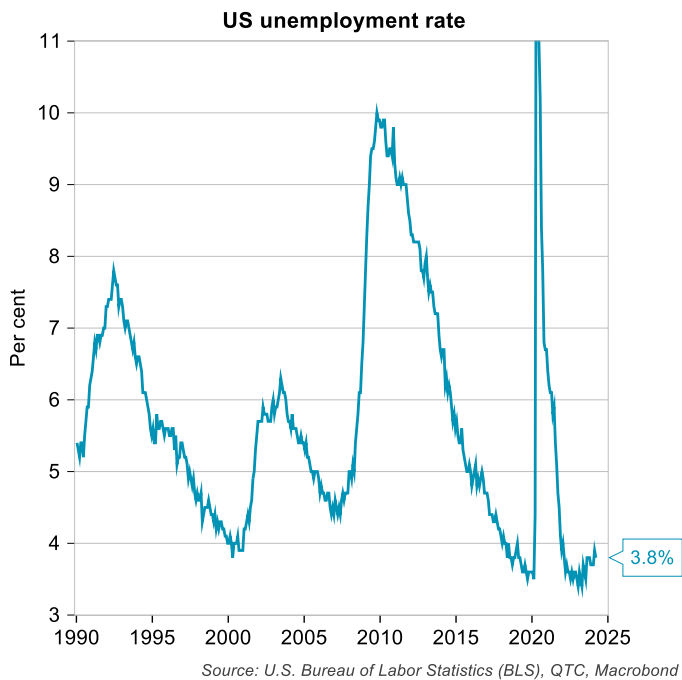
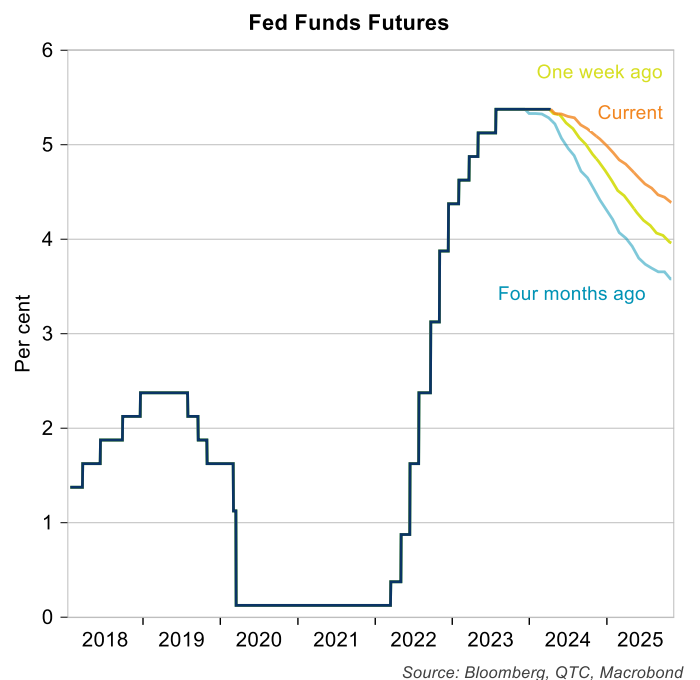


CHART 8: STRONGER-THAN-EXPECTED INFLATION AND LABOUR MARKET OUTCOMES HAVE SEEN FINANCIAL MARKETS WIND BACK EXPECTATIONS FOR FED RATE CUTS OVER THE COMING YEAR



Financial markets data table

The table below shows yields for bonds issued by the central financing authorities of various state governments in Australia as well as those on bonds issued by the Australian and US Governments. Further, there are values for the Australian Dollar against a range of currencies, and major exchange rates against the US Dollar. The change in these yields and rates over different time periods is also included.

MATURITY	ISSUER	YIELD	CHANGE (BASIS POINTS)			EQUITIES	RATE	CHANGE (PER CENT)		
			1 WEEK	1 MONTH	1 YEAR			1 WEEK	1 MONTH	1 YEAR
3 Year	QTC	4.14	10	22	85	AUD/USD	0.65	-0.76	-1.03	-3.60
	NSWTC	4.14	10	22	85	AUD/EUR	0.61	0.28	0.81	-0.75
	TCV	4.21	10	21	89	AUD/GBP	0.52	-0.04	0.86	-3.83
	WATC	4.12	9	21	84	AUD/JPY	100.21	0.52	2.73	11.44
	Australian Government	3.83	9	25	97	AUD/CAD	0.89	0.31	0.42	-1.05
	US Government	4.80	34	47	110	AUD/NZD	1.09	-0.29	1.51	1.20
						AUD/SGD	0.88	-0.41	0.51	-1.34
5 Year	QTC	4.24	10	23	90	AUD/HKD	5.12	-0.64	-0.85	-3.75
	NSWTC	4.26	10	22	89	AUD/KRW	891.85	0.53	2.99	0.33
	TCV	4.32	10	20	93	AUD/CNY	4.73	-0.85	-0.23	1.51
	WATC	4.23	10	23	89	AUD/INR	55.12	0.01	0.65	0.04
	Australian Government	3.89	9	25	94	MAJOR CURRENCIES				
	US Government	4.63	33	48	113	EUR/USD	1.07	-0.87	-1.68	-2.74
						GBP/USD	1.25	-0.80	-1.97	0.14
7 Year	QTC	4.46	10	25	91	USD/JPY	153.16	1.20	3.71	15.53
	NSWTC	4.51	9	24	90	USD/CHF	0.91	1.28	4.06	2.62
	TCV	4.58	10	23	99	USD/CNY	7.24	-0.02	0.81	5.41
	WATC	4.43	10	25	88	MAJOR COMMODITIES				
	Australian Government	4.05	8	27	96	Brent Crude Oil	89.74	-1.00	9.55	4.24
	US Government	4.62	31	46	115	Gold	2,372.52	3.56	9.92	16.29
						Copper	9,374.00	0.16	8.28	3.48
10 Year	QTC	4.82	9	27	97	Iron Ore	108.22	10.72	-0.10	6.45
	NSWTC	4.86	8	25	93					
	TCV	4.95	9	25	101					
	WATC	4.72	9	27	91					
	Australian Government	4.24	8	29	102					
	US Government	4.59	28	44	114					

Note: The Australian yield data (national and state) is sourced from QTC while the exchange rate and US yield data is from *Macrobond*.

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