

# Weekly Economics and Markets Review

- Domestic labour market conditions remain robust, with recent data on wages growth, the unemployment rate and job advertisements suggesting that conditions have stabilised in recent months.
- The US and China agreed to a temporary suspension of recent tariff hikes, marking a potential thaw in the trade war between the world's two largest economies. President Trump also embarked on a tour of the Middle East this week, articulating his vision for US relations with the region.
- US Treasury yields increased over the past week, with risk sentiment improving in response to the US and China's temporary rollback of tariffs. Financial markets also pared back expectations for RBA cash rate cuts, with market pricing now implying there will be three further cuts by December.

## Week in review

### Domestic

- Labour market** conditions remain robust, with the Wage Price Index (WPI), Labour Force Survey, and SEEK Job advertisements all pointing to a stabilisation of conditions in recent months.
  - The WPI rose 0.9 per cent in Q1, taking annual wages growth to 3.4 per cent (from 3.3 per cent previously). Private sector wages growth was 3.3 per cent, while the pace of public sector wages was a bit stronger at 3.6 per cent. The stronger-than-expected outcome reflected administered wage gains for aged-care and childcare workers, as well as a shift in timing for some public sector pay rises.
  - The unemployment rate remained at 4.1 per cent in April, with a surge in employment being offset by a higher participation rate. The strong increase in employment is likely to reflect noise rather than an underlying improvement, with employment growth being volatile in recent months.
  - SEEK Job ad volumes rose for the second time this year, up 1.8 per cent in April after two months of decline. In trend terms, both SEEK and ANZ-Indeed job ads suggest that hiring conditions have stabilised in recent months.
  - Annual growth of SEEK's advertised salary index was broadly steady at 3.6 per cent in April. SEEK noted that the last six months has been one of the most stable periods in the history of its advertised salary index, with monthly salary growth having remained around 0.3 per cent over this period.
- Westpac-Melbourne Institute Consumer Sentiment** rose slightly in May, with Westpac noting that this was supported by a rebound in financial markets and a decisive Federal election outcome. Perceptions of current family finances saw a sharp 7.0 per cent increase in the month, while the 'time to buy a dwelling' index surged by 5.1 per cent. Despite these positive developments, the overall level of sentiment remains well below its long-run average.
- The **NAB Business Survey** indicated that business conditions were little changed in April, despite the volatile global environment. However, other details in the NAB Business Survey pointed to a slowing of economic activity and a small pick-up in prices. Capex intentions fell sharply in April, while forward orders and capacity utilisation edged lower. In contrast, NAB's measures of purchase costs and final product prices both picked up modestly.

### Offshore

- The **US and China** agreed to a temporary rollback of tariffs, marking a potential thaw in the trade war between the world's two largest economies.
  - The high-level trade talks, held in Switzerland, culminated in a joint statement announcing a 90-day suspension of recent tariff hikes. Under the agreement, the US will reduce its tariffs on Chinese imports to 30 per cent (from 145 per cent), while China will lower its tariffs on US goods to just above 10 per cent (from 125 per cent).
  - China has also committed to taking actions to suspend or remove non-tariff countermeasures against the US that have been in place since Liberation Day. These measures include export controls on several rare earth minerals and sanctions imposed on various US entities.
  - Both nations have agreed to establish a trade consultation mechanism, signalling a willingness to continue dialogue on a resolution to the trade war.
- President Trump embarked on a **Middle East tour** this week, articulating his vision for US relations with the region. Trump used the tour to announce several significant new policies and agreements.
  - Trump lifted US sanctions on Syria, which had been in place for 45 years, signalling a vote of confidence in the country's new regime.
  - The president announced a substantial \$600 billion investment by Saudi Arabia in US products and services, encompassing sectors such as defence, infrastructure, energy, healthcare, and technology.
  - Trump signed a landmark agreement with Qatar valued at over \$243.5 billion, which includes the sale of Boeing aircraft and GE Aerospace engines to Qatar Airways. According to the White House, this agreement with Qatar lays the groundwork for a broader \$1.2 trillion economic partnership between the two nations.
- US economic data** were weaker-than-expected this week. Core CPI inflation was steady at 2.8 per cent, while the monthly rate of core inflation was slightly weaker than expected at 0.2 per cent. Meanwhile, prices paid to US producers unexpectedly declined in April by the most in five years, indicating that companies may be absorbing some of the impact from higher tariffs. Growth in US retail sales also decelerated notably as consumers reduced their spending on imported goods.

## Markets

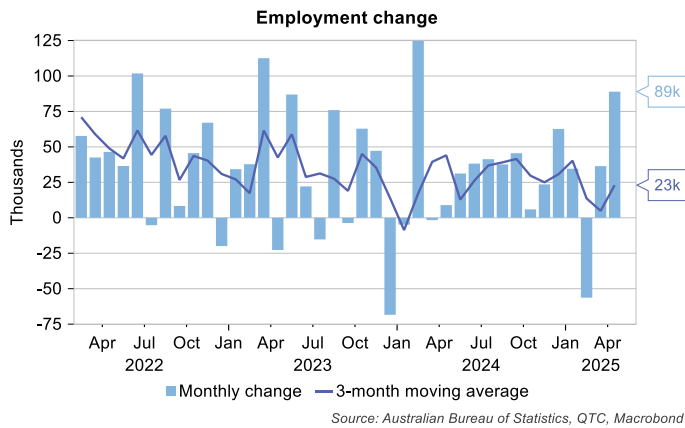
US Treasury yields and equities increased over the past week, with risk sentiment improving in response to the US and China announcing a 90-day suspension of recent tariff hikes. Financial market sentiment was also buoyed by President Trump's recent trip to the Middle East. However, US Treasury yields remained volatile, with an increase in yields early in the week being partly offset by a decline on Thursday night following soft producer prices and retail sales data. Domestically, an increase in Australian Government bond yields was supported by both the improvement in risk sentiment and robust labour market data. Notably, financial markets pared back expectations for RBA cash rate cuts this week, with market pricing now implying there will be three further 25 basis point cuts by the RBA's December meeting (compared to market pricing four further cuts at the end of last week).

### Economic and Market Calendar

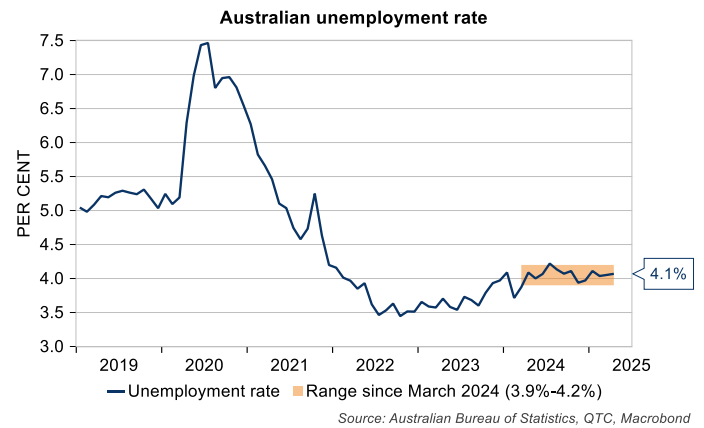
DATE	DETAILS
Domestic	<b>Tuesday:</b> RBA meeting (20 May), Statement on Monetary Policy (May)
Offshore	<b>US:</b> University of Michigan Consumer Sentiment (May), Housing starts (Apr), Import and export prices (Apr); <b>Euro area:</b> CPI (Apr); <b>China:</b> Retail sales (Apr), Industrial production (Apr), Fixed asset investment (Apr), Loan prime rates (20 May); <b>Japan:</b> GDP (Q1), CPI (Apr)

## Economic and Financial Market Charts

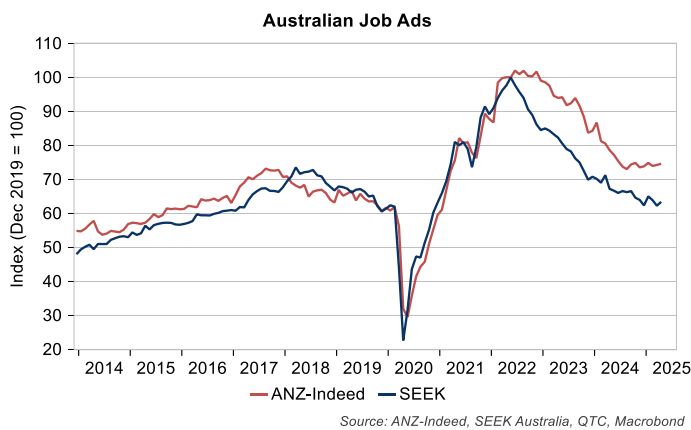
**CHART 1: EMPLOYMENT SURGED IN APRIL, THOUGH THIS PARTLY REFLECTS A BOUNCE BACK FROM FEBRUARY'S WEAK OUTCOME**



**CHART 2: THE UNEMPLOYMENT RATE WAS 4.1% IN APRIL AND HAS REMAINED IN A RANGE OF 3.9-4.2% SINCE MARCH 2024**



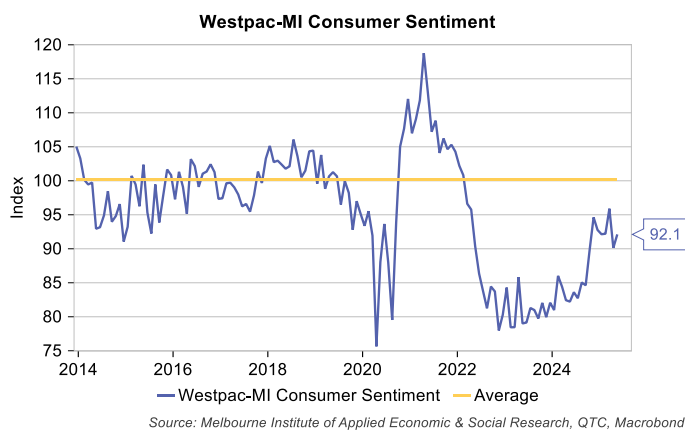
**CHART 3: JOB ADS APPEAR TO HAVE STABILISED, CONSISTENT WITH THE NARROW RANGE FOR RECENT UNEMPLOYMENT RATE OUTCOMES**



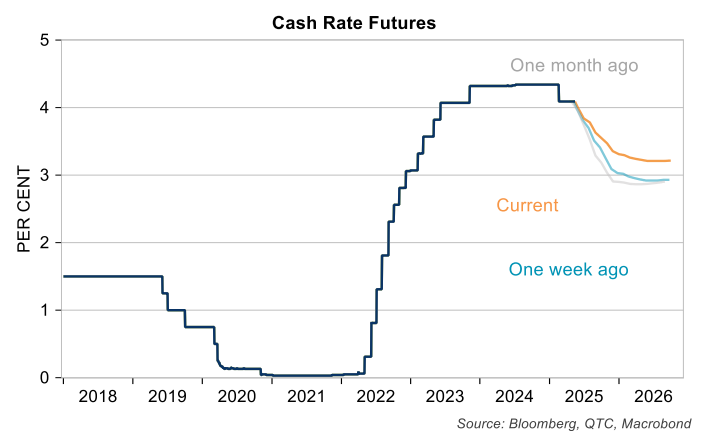
**CHART 4: THE PICKUP IN WAGES GROWTH IN Q1 WAS SUPPORTED BY ADMINISTERED WAGE GAINS FOR AGED-CARE AND CHILDCARE WORKERS**



**CHART 5: CONSUMER SENTIMENT TICKED UP SLIGHTLY IN APRIL, THOUGH IT REMAINS WELL BELOW ITS LONG-RUN AVERAGE**



**CHART 6: FINANCIAL MARKET PRICING FOR THE CASH RATE HAS MOVED HIGHER IN THE PAST WEEK, SUPPORTED BY BOTH IMPROVED RISK SENTIMENT AND ROBUST LABOUR MARKET DATA**



## 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)		
			1 WEEK	1 MONTH	1 YEAR
3 Year	QTC	3.86	29	29	-47
	NSWTC	3.86	30	27	-44
	TCV	3.90	29	28	-45
	WATC	3.79	29	28	-49
	Australian Government	3.65	29	31	-31
	US Government	3.95	9	9	-63
5 Year	QTC	4.23	28	24	-22
	NSWTC	4.22	28	21	-22
	TCV	4.29	29	22	-19
	WATC	4.13	27	24	-27
	Australian Government	3.85	29	25	-15
	US Government	4.06	7	7	-34
7 Year	QTC	4.65	25	19	-3
	NSWTC	4.63	26	16	-7
	TCV	4.70	26	17	-4
	WATC	4.53	25	17	-8
	Australian Government	4.16	28	21	1
	US Government	4.24	7	9	-14
10 Year	QTC	5.21	24	15	18
	NSWTC	5.15	24	13	10
	TCV	5.25	26	16	14
	WATC	4.98	25	17	6
	Australian Government	4.49	29	19	18
	US Government	4.44	6	11	6

EQUITIES	RATE	CHANGE (PER CENT)		
		1 WEEK	1 MONTH	1 YEAR
AUD/USD	0.64	-0.18	0.42	-4.17
AUD/EUR	0.57	0.68	1.68	-6.87
AUD/GBP	0.48	0.06	0.16	-8.53
AUD/JPY	93.35	0.45	2.59	-9.94
AUD/CAD	0.90	0.58	1.04	-1.45
AUD/NZD	1.09	0.83	1.55	-0.03
AUD/SGD	0.83	-0.16	-0.93	-7.51
AUD/HKD	5.00	0.26	1.07	-4.11
AUD/KRW	895.83	-0.09	-1.42	-0.42
AUD/CNY	4.61	-0.44	-1.52	-4.34
AUD/INR	54.74	-0.06	0.22	-1.80
MAJOR CURRENCIES				
EUR/USD	1.12	-0.85	-1.24	2.90
GBP/USD	1.33	-0.24	0.27	4.77
USD/JPY	145.90	-0.63	-2.16	6.02
USD/CHF	1.19	-1.28	-2.35	7.42
USD/CNY	7.21	0.26	1.93	0.18

MAJOR COMMODITIES	PRICE (USD)	1 WEEK	1 MONTH	1 YEAR
Brent Crude Oil	64.69	2.94	0.03	-22.31
Gold	3,235	-2.14	0.13	36.10
Copper	9,607	1.86	4.83	-7.84
Iron Ore	101.19	4.84	3.63	-6.45

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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