

### THIS WEEK'S HIGHLIGHTS

- In Australia, the RBA Board left the cash rate target unchanged at 4.35% this week, but a rate hike was discussed at the meeting. The Judo Bank flash PMI suggested business activity saw only a marginal increase in June.
- Abroad, US retail sales growth disappointed in May, but industrial production rose more than expected. Chinese activity data were mixed, pointing to a rebound in steel output and slower growth in urban fixed asset investment.

### NEXT WEEK'S HIGHLIGHTS

- The key domestic release next week will be the monthly CPI indicator for May. It will be preceded by Westpac consumer sentiment for June on Tuesday and followed by the private sector credit report for May on Friday.
- Highlights offshore include US durable goods orders for May on Thursday, followed by US personal income and its disposition report for May on Friday, which will include PCE 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	4.35 (0 pt)	O/N Interbank Cash	4.33 (↑1 pt)	USD 3-month	5.61 (0 pt)	ASX200	7779 (↑58 pt)
US (IOR)	5.40 (0 pt)	90-day Bills	4.41 (↑4 pt)	2-yr T-Notes	4.74 (↑3 pt)	S&P500	5473 (↑39 pt)
Eurozone (Deposit)	3.75 (0 pt)	3-yr T-Bond	3.94 (↑10 pt)	10-yr T-Notes	4.26 (0 pt)	DJIA	39135 (↑488 pt)
UK	5.25 (0 pt)	10-yr T-Bond	4.23 (↑7 pt)	Jap 10-yr	0.98 (↑3 pt)	Nikkei	38640 (↑41 pt)
Japan (Lower)	0.00 (0 pt)	3-yr WATC Bond	4.24 (↑7 pt)	UK 10-yr	4.06 (↓7 pt)	CSI300	3491 (↓35 pt)
China (1Y LPR)	3.45 (0 pt)	10-yr WATC Bond	4.90 (↓1 pt)	Ger 10-yr	2.43 (↓4 pt)	Stoxx600	519 (↑3 pt)

Changes are since the issue of last week's Market Watch.

## FINANCIAL MARKETS OVERVIEW

### Interest Rates

The [RBA Board](#) left interest rates unchanged at its meeting this week, including the cash rate target at 4.35%. The Board remains concerned about persistent, above-target inflation, and continues not to rule anything 'in or out'. RBA Governor Michele Bullock revealed a rate hike was discussed at the meeting and stressed the Q2 CPI report and the June employment report will be important for the August decision.

As a result of this rather hawkish communication from the RBA, Commonwealth bond yields picked up across the yield curve. US Treasury yields picked up only for shorter maturities, and there were declines in government bonds across most of Europe. However, the spread between French and German bond yields spiked amid concerns over a deterioration in the fiscal position in France. President Macron called a general election and the European Commission proposed opening excessive deficit procedures against France and Italy along with a number of smaller EU members.

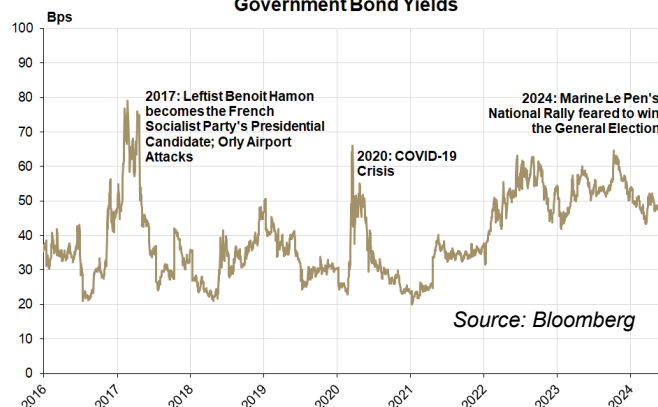
The Bank of England and Norges Bank kept their rates unchanged this week, while the Swiss National Bank cut its policy rate by another 25bps to 1.25%, the second cut in the cycle.

### Equities

The S&P 500 and Nasdaq hit fresh record highs this week led by further increases in the tech sector, before edging back overnight. Leading semiconductor company Nvidia, which has seen stunning share price increases over the last few years, briefly became the most valuable company in the world by market capitalisation. Nvidia's market cap peaked at US\$3.3 trillion on before sliding overnight, putting Microsoft back at the top of the tree.

The Aussie market has added 0.8% since this time last week, but remains in the same broad range it has occupied since early March. Utilities, consumer, healthcare and financials have been the leaders over the past five days, while info tech and mining have been the worst.

Spread between 10-year French and German Government Bond Yields



Nvidia Market Capitalisation



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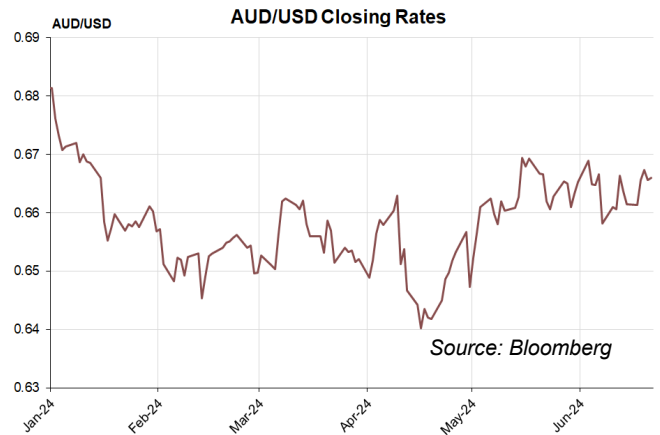
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### Currencies

The AUD was one of the strongest G10 currencies this week, as RBA Governor Michele Bullock signalled that a cash rate hike was discussed at the June monetary policy meeting and did not rule out a rate increase in August. Positive global market sentiment was also supportive of the Australian dollar.

The Aussie dollar was surpassed by the currencies of the oil-dependent Norway and Canada, with the Norwegian krone receiving an additional boost from the hawkish post-meeting statement by Norges Bank.

The Japanese yen was again at the bottom of the currency ladder, despite Bank of Japan Governor Kazuo Ueda hinting that a rate hike is likely next month. The British pound was the second weakest currency this week, as expectations for a Bank of England rate cut intensified after the meeting on Thursday.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6661	0.6679	0.6585	↑0.5	0.6895	0.6270
AUD/EUR		0.6216	0.6227	0.6149	↑0.6	0.6227	0.5007
AUD/GBP		0.5260	0.5263	0.5198	↑1.2	0.5393	0.5007
AUD/JPY		105.83	105.95	103.59	↑1.1	105.95	91.80
AUD/CNY		4.8363	4.8496	4.7785	↑0.5	4.9348	4.5884
EUR/USD		1.0716	1.0761	1.0686	↓0.2	1.1276	1.0448
GBP/USD		1.2663	1.2740	1.2655	↓0.7	1.3142	1.2037
USD/JPY		158.89	159.13	157.16	↑0.7	160.17	137.25
USD/CNY		7.2607	7.2607	7.2538	↑0.1	7.3499	7.0880

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6661	0.6678	0.6691	0.6705
AUD/EUR		0.6216	0.6204	0.6189	0.6148
AUD/GBP		0.5260	0.5270	0.5277	0.5282
AUD/JPY		105.83	104.63	103.44	101.19
AUD/NZD		1.0876	1.0903	1.0927	1.0958
AUD/SGD		0.9015	0.9000	0.8978	0.8925

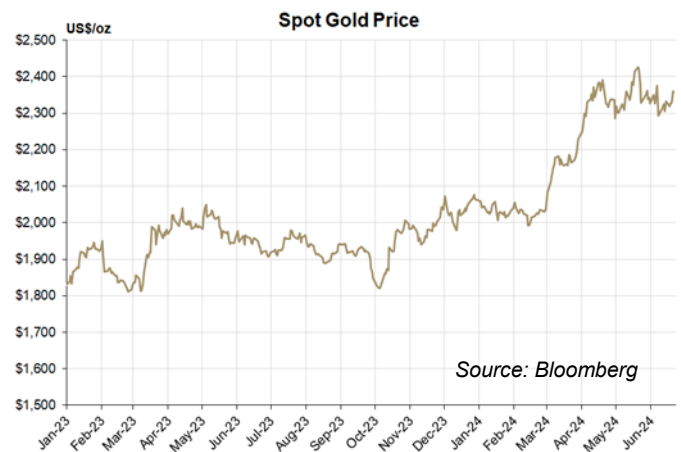
### Commodities

Trade in commodities has been mixed over the past five days, with falls in agricultural commodities and base metals offsetting rises in precious metals and petroleum.

Gold hit a two-week high, as the Swiss National Bank unexpectedly lowered its policy interest rate, its second cut of the cycle, and the Bank of England fuelled expectations that it could cut rates as early as its next meeting in August.

Oil prices have climbed to seven-week highs, boosted by escalating geopolitical tensions and increased fuel demand during the US summer driving season.

Iron ore futures prices have slipped since this time last week, as weak Chinese property sector data offset news of a big jump in Chinese steel production in May.

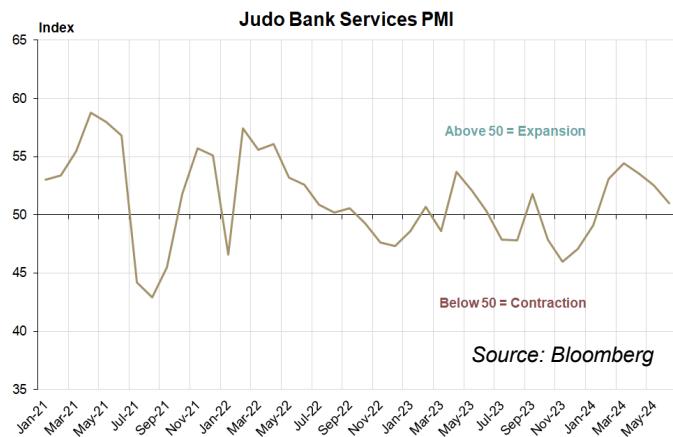


	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,358.77	\$2,365.50	\$2,306.68	(↑\$56.27)	\$2,450.07	\$1,810.51
Brent Crude Oil (US\$)	\$85.62	\$85.96	\$82.10	(↑\$2.87)	\$97.69	\$71.57
Mogas95* (US\$)	\$95.03	\$96.17	\$90.83	(↑\$3.26)	\$110.15	\$81.53
WTI Oil (US\$)	\$81.22	\$82.41	\$77.73	(↑\$3.43)	\$95.03	\$67.05
CRB Index	295.38	295.68	293.07	(↓0.25)	300.23	258.09
Iron Ore Price 62% Fe (US\$) **	\$106.65	\$109.10	\$104.55	(↓\$1.1)	\$143.50	\$95.40

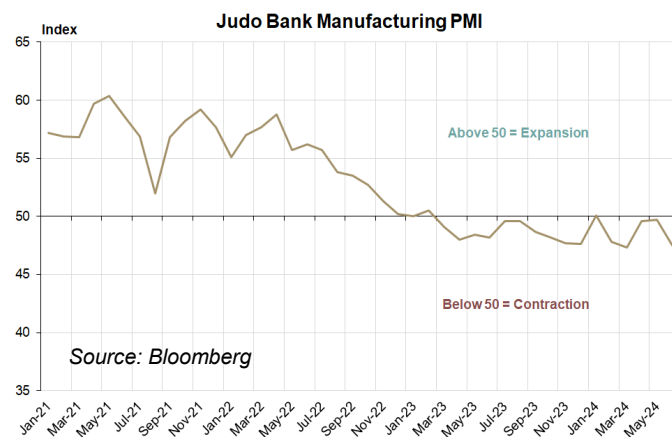
\*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.  
 \*\* The Iron Ore Price is the SGX62% Fe iron ore futures 2nd contract.

### DOMESTIC ECONOMY

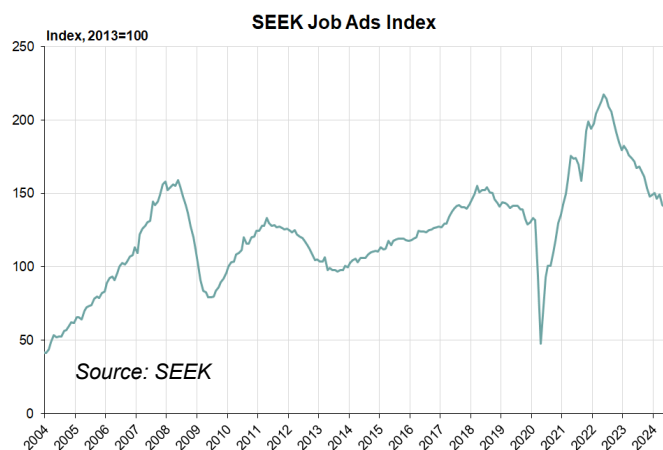
The **Judo Bank services PMI** pointed to a slower pace of expansion in June...



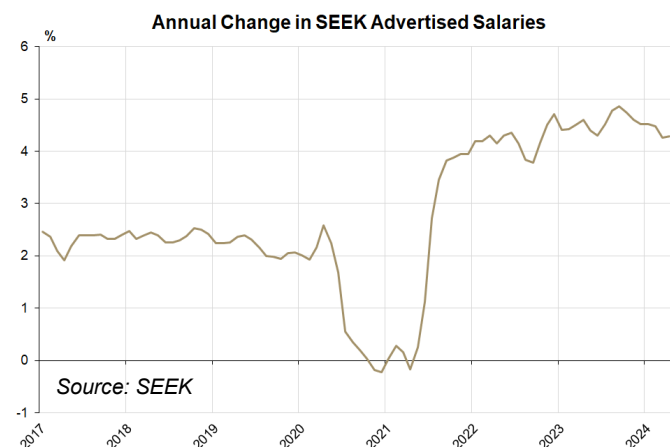
... while the contraction in **manufacturing** accelerated.



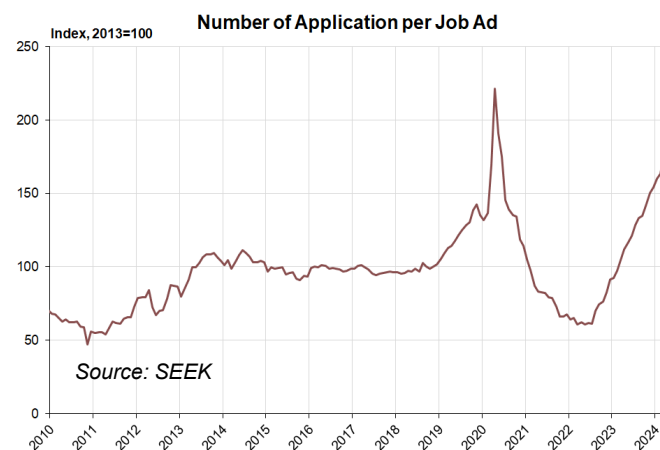
**SEEK job ads** are on a steady decline from the 2022 highs, and are approaching pre-COVID levels.



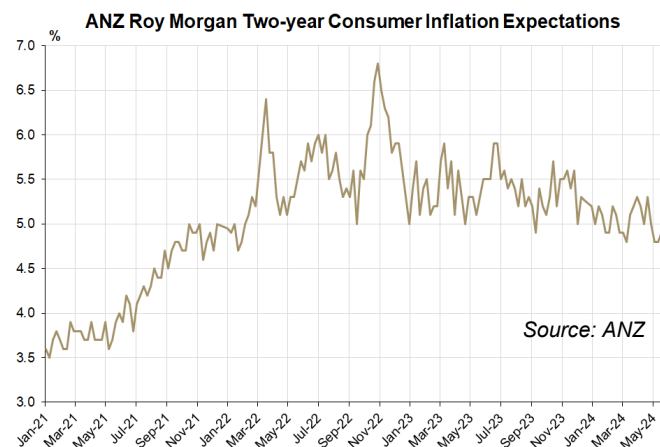
Despite easing labour market conditions, **SEEK advertised salaries growth** saw only slight deceleration.



**Applications per ad** are the highest since the peak of COVID-19, pointing to strong demand for work.

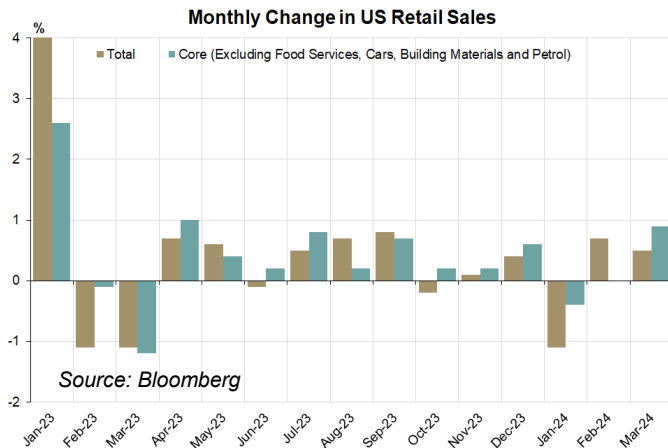


**Consumer inflation expectations**, while lower than in 2022 and 2023, remain elevated.

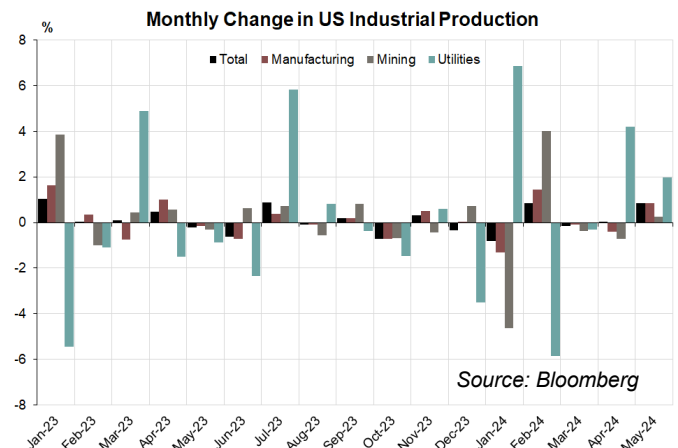


### GLOBAL ECONOMY

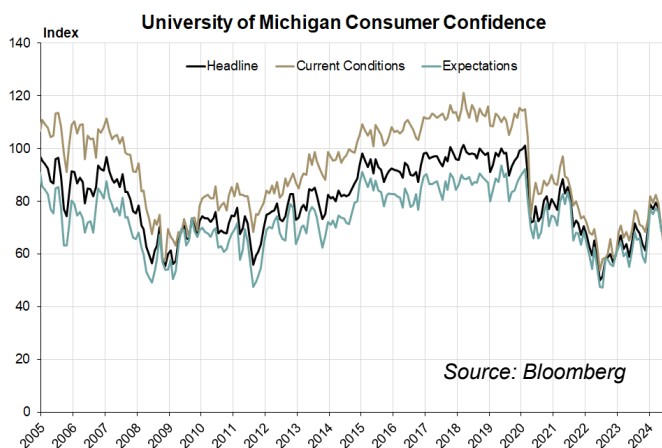
**US retail sales** saw only a slight gain in May, which followed a decline in the previous month.



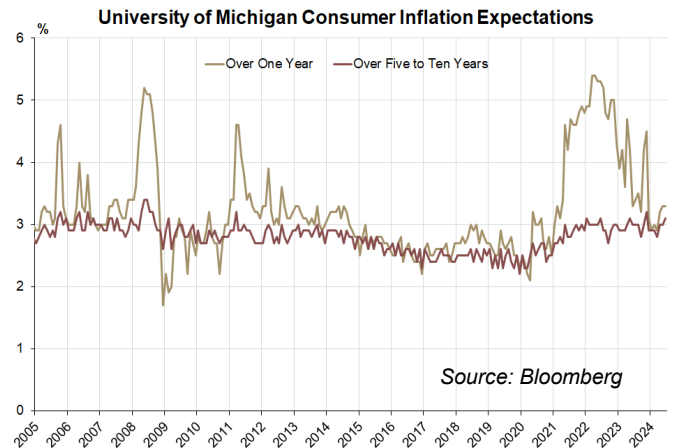
... while **US industrial production** saw a broad-based increase.



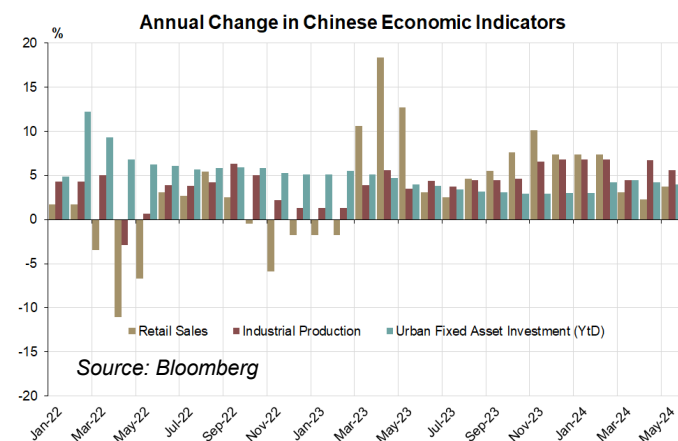
**University of Michigan consumer confidence** dropped in June, with a particularly strong decline in current conditions.



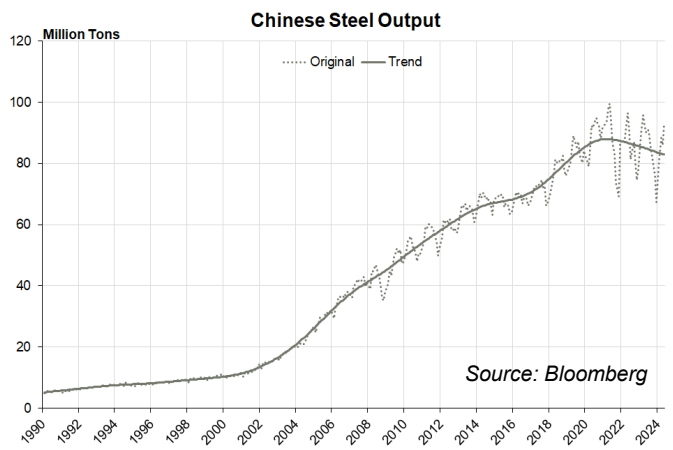
**US consumer inflation expectations** were steady for short-run in June, but picked up for mid- to longer-run.



In **China**, retail sales growth accelerated in May, but growth in industrial output and fixed investment slowed.



**Chinese steel output** hit a 14-month high in May.



# WESTERN AUSTRALIAN TREASURY CORPORATION

## Market WATCH Weekly

21 June 2024

### KEY ECONOMIC EVENTS

#### Last Week

	Event	Actual	Forecast	Previous	Comment
<b>Mon 17</b>					
	CH Retail Sales (YoY, May)	3.7%	3.0%	2.3%	The fastest increase so far this year.
	CH Industrial Production (YoY, May)	5.6%	6.2%	4.2%	Steel output rose to the highest level since Mar-23.
	CH Urb Fix Asset Inv. (YoY YtD, May)	4.0%	4.2%	4.2%	Property investment down 10.1% YoY YtD.
<b>Tue 18</b>					
	AU RBA Decision (Cash Rate Target)	4.35%	4.35%	4.35%	RBA alert to upside risks to inflation.
	AU RBA Governor M. Bullock Speaks	-	-	-	A rate hike was discussed at the meeting.
	AU ANZ Cons. Confidence (w/e 15 Jun)	4.3%	-	-4.3%	Consumer inflation expectations up 0.1ppts to 4.9%.
	US Retail Sales (MoM, May)	0.1%	0.3%	-0.2%	Core retail sales up 0.4%.
	US Industrial Production (MoM, May)	0.9%	0.3%	0.0%	Manufacturing rose by 0.9% in May.
<b>Wed 19</b>					
	UK CPI (MoM, May)	0.3%	0.4%	0.3%	Headline back at 2%, but core inflation still high.
<b>Thu 20</b>					
	NZ GDP (QoQ, Q1)	0.2%	0.1%	-0.1%	Kiwi economy out of technical recession.
	UK BoE Decision (Bank Rate)	5.25%	5.25%	5.25%	First cut roughly priced in for September.
	US Initial Jobless Claims (w/e 15 Jun)	238k	235k	243k	Continued claims rose further above 1.8 million.
<b>Fri 21</b>					
	AU Judo Bank Comp. PMI (Jun, flash)	50.6	-	52.1	The slowest rise in input costs in 3.5 years.
	JP CPI (YoY, May)	2.8%	2.9%	2.5%	'Core-core' inflation down to 2.1%.
	JP Jibun Bank Comp. PMI (Jun, flash)	50.0	-	52.6	Services slid into slight contraction.
<b>Tonight</b>					
	EZ HCOB Composite PMI (Jun, flash)	-	52.5	53.2	Euro area manufacturing in deep contraction.
	UK S&P Global Comp. PMI (Jul, flash)	-	53.0	53.0	A bit at odds with other UK economic data.
	US S&P Global Comp. PMI (Jul, flash)	-	53.5	54.5	Has been a poor indicator for the ISM PMI figures.

#### Next Week

	Event	Forecast	Previous	Comment
<b>Mon 24</b>	<i>No market-moving data.</i>			
<b>Tue 25</b>				
	AU Westpac Consumer Sentiment (MoM, Jun)	-	-0.3%	Aussie consumer confidence is at recessionary levels.
	US C-S House Prices 20 Cities (YoY, Apr)	-	7.4%	US house prices establishing new record highs.
	US Conference Board Cons. Conf. (Jun)	-	102	More reliant on labour market than the UoM survey.
<b>Wed 26</b>				
	AU Monthly CPI Indicator (YoY, May)	3.8%	3.6%	Will contain a bit more information on services inflation.
<b>Thu 27</b>				
	AU MI Consumer Infl. Expectations (Jun)	-	4.1%	At the lowest levels since the second half of 2021.
	AU Job Vacancies (QoQ, Q2)	-	-6.1%	Monthly indicators pointed to a decline.
	US Durable Goods Orders (MoM, May)	0.0%	0.6%	Orders ex transportation expected to pick up by 0.1%.
	US GDP (QoQ Annualised, Q1, final)	1.5%	1.3%	GDPNow points to re-acceleration in Q2.
<b>Fri 28</b>				
	AU Private Sector Credit (MoM, May)	0.4%	0.5%	Was up 5.2% YoY in April.
	US Personal Spending (MoM, May)	0.3%	0.2%	Retail sales report suggested a weak result.
	US PCE Price Index (MoM, May)	0.0%	0.3%	Headline and core rates both to decline to 2.8%.