

THIS WEEK'S HIGHLIGHTS

- In Australia, NAB business conditions and confidence both deteriorated in August, while Westpac consumer confidence weakened in September.
- Abroad, the annual rate of US CPI inflation fell to the lowest level since February 2021. The Chinese trade balance widened, as export growth accelerated, while import growth slowed. The ECB delivered another interest rate cut, as expected.

NEXT WEEK'S HIGHLIGHTS

- The only domestic highlight next week will be the August labour force survey on Thursday.
- A big week in central banking with the FOMC, Bank of England and Bank of Japan decisions all due. The FOMC is expected to deliver the first rate cut in this cycle on Thursday morning (AWST). Other highlights will be US retail sales and industrial production for August; both releases are on Tuesday night. Chinese August activity data is due tomorrow (yes Saturday).

Central Bank Rates (%)	Weekly Change	Australian Interest Rates (%)	Weekly Change	Major Overseas Interest Rates (%)	Weekly Change	Global Equities	Weekly Change
Australia	4.35	O/N Interbank Cash	4.34 (0 pt)	USD 3-month	5.19 (↓6 pt)	ASX200	8098 (↑89 pt)
US (IOR)	5.40	90-day Bills	4.42 (↑2 pt)	2-yr T-Notes	3.59 (↓15 pt)	S&P500	5596 (↑92 pt)
Eurozone (Deposit)	3.50 (↓25 pt)	3-yr T-Bond	3.45 (↓8 pt)	10-yr T-Notes	3.65 (↓8 pt)	DJIA	41097 (↑341 pt)
UK	5.00	10-yr T-Bond	3.83 (↓9 pt)	Jap 10-yr	0.85 (↓3 pt)	Nikkei	36507 (↓138 pt)
Japan (Target)	0.25	3-yr WATC Bond	3.69 (↓9 pt)	UK 10-yr	3.78 (↓13 pt)	CSI300	3177 (↓80 pt)
China (1Y LPR)	3.35	10-yr WATC Bond	4.48 (↓10 pt)	Ger 10-yr	2.15 (↓6 pt)	Stoxx600	512 (↓10 pt)

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

FINANCIAL MARKETS OVERVIEW

Interest Rates

Government bond yields declined this week in anticipation of the Fed embarking on its monetary policy easing cycle. The markets expect a 25bps cut, but some traders anticipate a larger 50bps adjustment. The probability of the latter was quite volatile during the week, falling from around 30% to below 20% after the slight upside surprise to US core CPI inflation.

The yield declines in the US were somewhat stronger at the front end of the yield curve, which is no longer inverted as a result.

Aussie Commonwealth bond yields declined as well, with 10-year yields reaching the lowest level since July 2023.

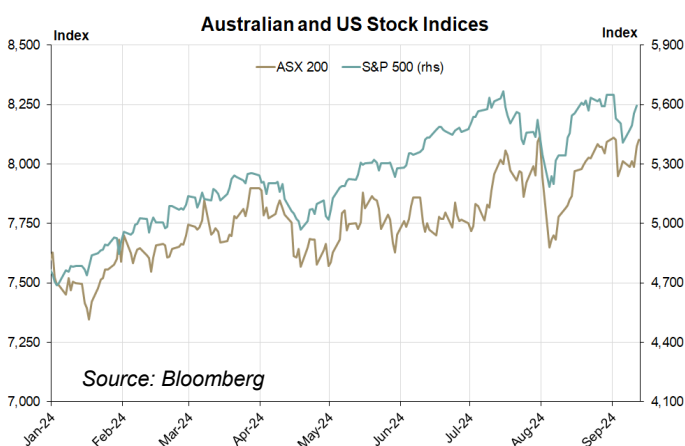
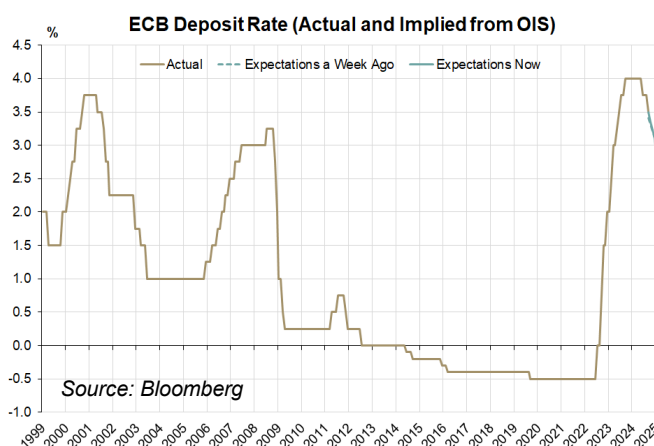
The ECB cut interest rates this week, including a 25bps cut to its deposit rate to 3.50%. The ECB kept its inflation forecasts unchanged, still expecting a decline below the 2% goal only in 2026, despite a slight downgrade to GDP growth forecasts. The markets expect the next cut to be in December.

Equities

Global market sentiment was positive this week, with the benchmark S&P 500 index increasing over the past four trading days. This followed losses last Friday after the disappointing US non-farm payroll figures for August.

The gains in the US were broad-based, with energy the only sector to see declines amid a drop in oil prices early in the week. The strongest gains were recorded in the information technology sector, mainly thanks to the rebound in Nvidia shares.

Aussie equities also picked up this week, taking the ASX 200 to just 0.3% off its record high from 1 August at the time of writing. The gains were broad-based, led by real estate and materials, the latter amid a rise in commodity prices. Financials and communication services are the only sectors that have seen losses this week.



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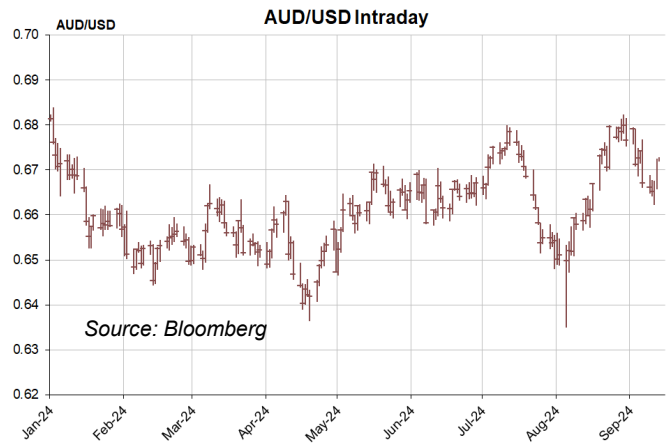
Currencies

The AUD was one of the strongest of the G10 currencies over the past week, behind only the Japanese yen and US dollar.

The Aussie dollar continued to slide against the greenback over the first half of the week, hitting a 3½-week low of US\$0.6622 on Wednesday, as a slightly stronger-than-expected US core CPI dealt a blow to market expectations that the FOMC may cut the fed funds rate by as much as 50bps next week.

The Aussie bounced off its lows and rose back above US\$0.67, as the greenback eased and iron ore, oil and gold prices rallied.

The Japanese yen has again been the big mover among the major currencies, climbing to fresh eight-month highs against the big dollar and one-month highs against the Aussie.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6725	0.6733	0.6622	↓0.2	0.6871	0.6270
AUD/EUR		0.6065	0.6077	0.6010	↑0	0.6251	0.4990
AUD/GBP		0.5115	0.5130	0.5074	↑0.1	0.5393	0.4990
AUD/JPY		94.83	95.71	93.59	↓1.8	109.37	90.15
AUD/CNY		4.7802	4.7888	4.7144	↑0.1	4.9340	4.5273
EUR/USD		1.1087	1.1091	1.1002	↓0.2	1.1202	1.0448
GBP/USD		1.3146	1.3149	1.3002	↓0.2	1.3266	1.2037
USD/JPY		141.02	143.80	140.71	↓1.6	161.95	140.25
USD/CNY		7.1083	7.1253	7.0934	↑0.3	7.3198	7.0817

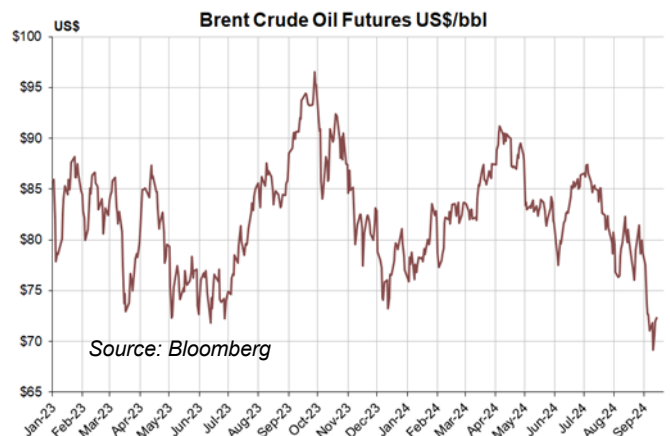
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6725	0.6734	0.6734	0.6720
AUD/EUR		0.6065	0.6051	0.6031	0.5987
AUD/GBP		0.5115	0.5121	0.5124	0.5126
AUD/JPY		94.83	93.80	92.81	91.14
AUD/NZD		1.0881	1.0893	1.0896	1.0886
AUD/SGD		0.8736	0.8706	0.8671	0.8597

Commodities

Oil prices continued sliding early in the week, with Brent crude futures falling below US\$70 a barrel for the first time since late 2021 before a hurricane in the Gulf of Mexico forced the shutdown of an estimated 675k barrels per day of production, pushing prices higher over the second half of the week. The pickup came despite International Energy Agency data revealing that annual growth in global oil demand was just 0.8% in the first six months of the year, centred on weaker Chinese consumption partly due to the rapid take-up of electric vehicles.

The benchmark Singapore iron ore futures price briefly slipped below US\$90 a tonne on Monday, but has since picked up as Chinese trade data showed that Chinese imports of iron ore contracted but remained above 100 million tonnes in August.

Gold prices hit fresh record highs, helped by the further falls in bond yields and ahead of a likely US rate cut next week.



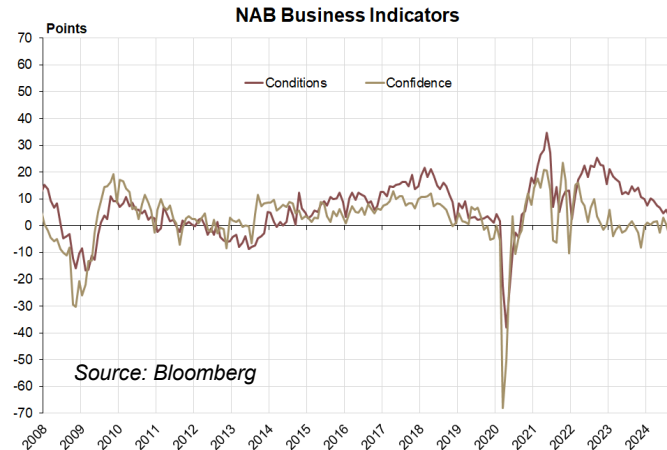
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,565.49	\$2,568.06	\$2,485.66	(↑\$50.68)	\$2,568.06	\$1,810.51
Brent Crude Oil (US\$)	\$72.25	\$72.87	\$68.68	(↓\$0.57)	\$97.69	\$68.68
Mogas95* (US\$)	\$79.89	\$80.45	\$76.37	(↑\$0.66)	\$109.19	\$76.37
WTI Oil (US\$)	\$69.28	\$69.81	\$65.27	(↓\$0.01)	\$95.03	\$65.27
CRB Index	272.99	272.99	265.48	(↑1.72)	300.23	258.09
Iron Ore Price 62% Fe (US\$) **	\$95.25	\$95.55	\$89.60	(↑\$3.95)	\$143.50	\$89.60

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.

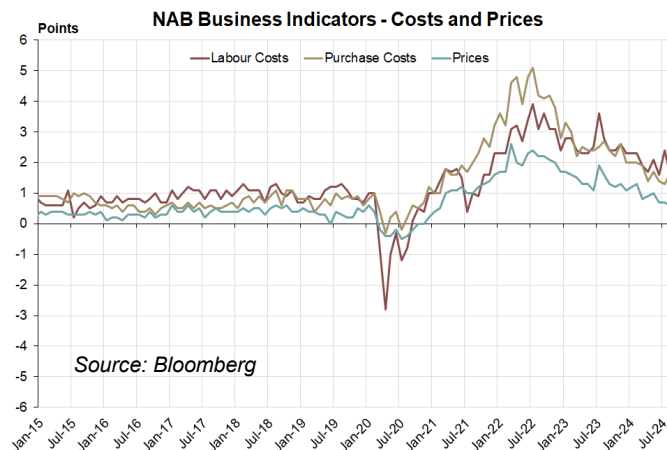
** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

DOMESTIC ECONOMY

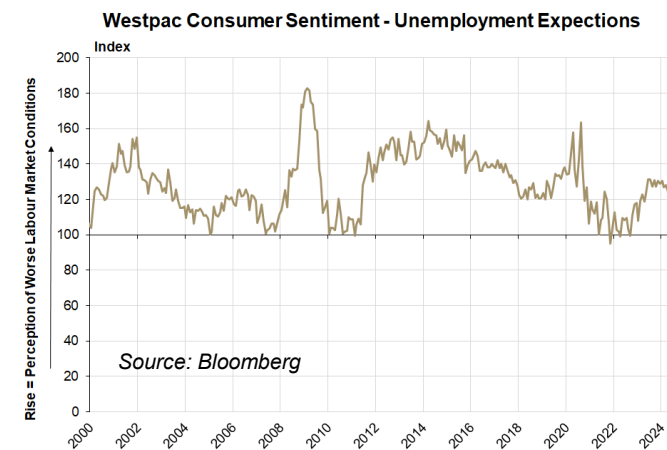
The **NAB business survey** showed that conditions deteriorated in August, while confidence turned negative.



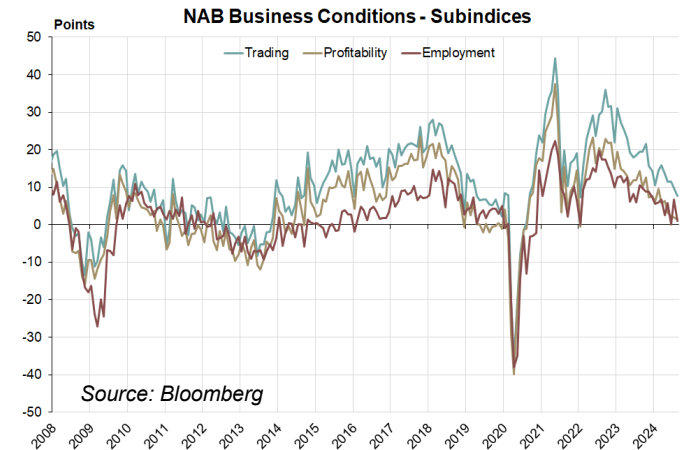
... as businesses are forced to keep prices relatively steady despite elevated **costs of materials and labour**.



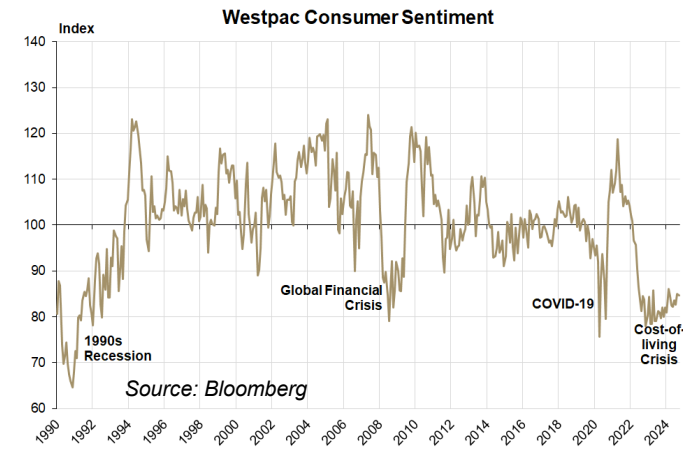
Unemployment expectations of Australian households are the highest since the heights of COVID-19.



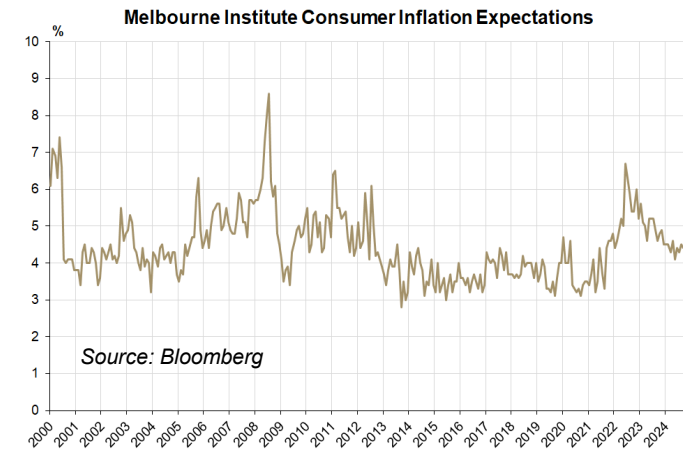
Deterioration in **business conditions** was broad-based, with particular weakness in employment and profitability...



Westpac Melbourne Institute consumer sentiment remains depressed amid ongoing cost of living pressures.

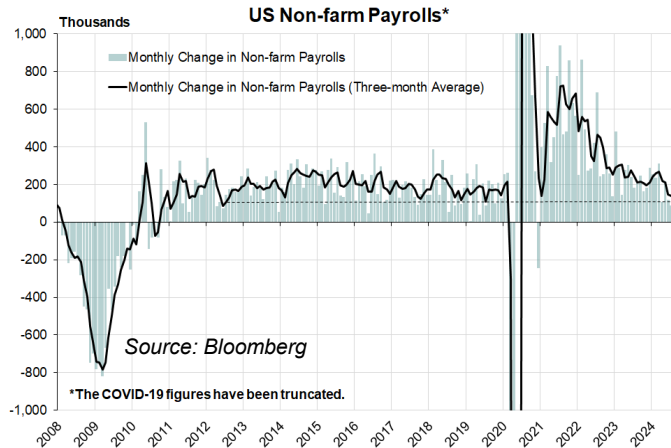


Melbourne Institute inflation expectations appear to be stabilising slightly above pre-COVID levels.

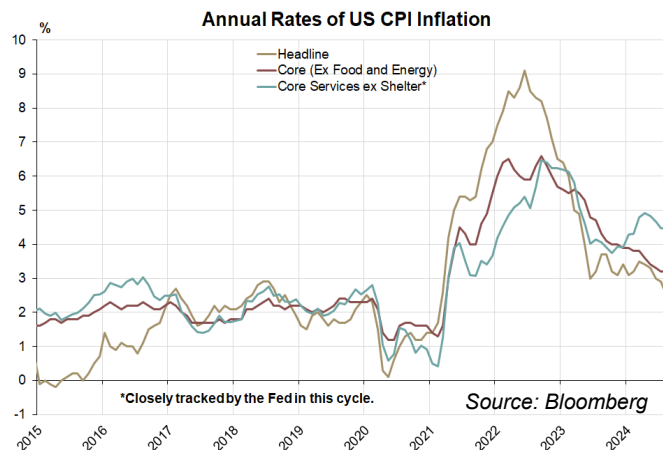


GLOBAL ECONOMY

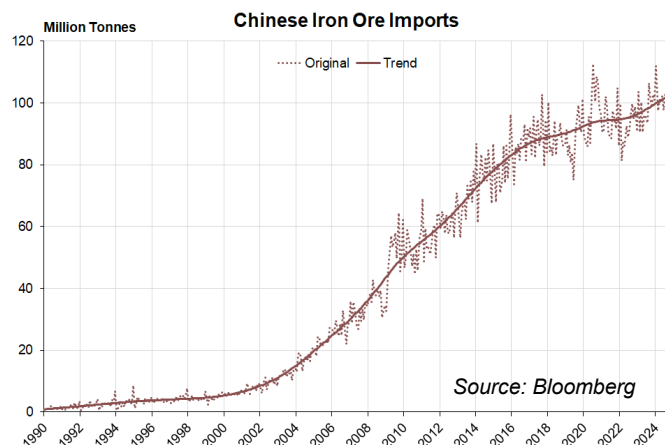
The pace of **US non-farm payrolls** growth has fallen sharply in recent months.



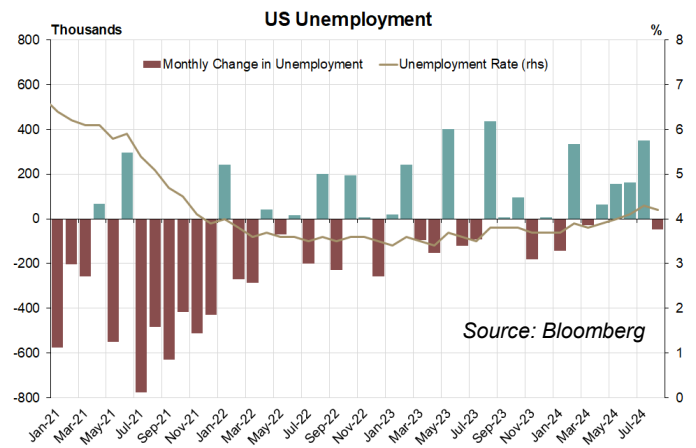
US headline CPI inflation slowed further in August, but core inflation was little changed.



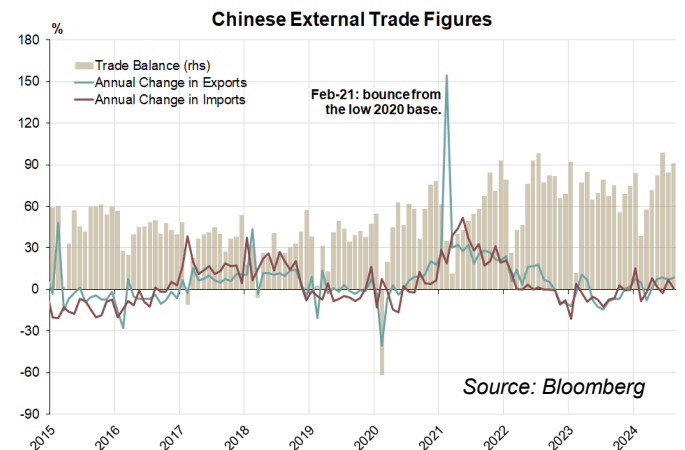
Despite some recent declines, **Chinese iron ore imports** remain elevated.



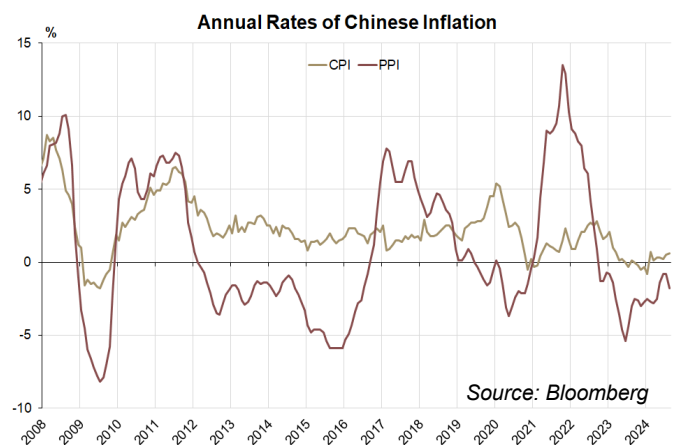
US unemployment rate declined a little in August, as temporary layoffs were partly reversed.



The **Chinese trade surplus** rose in August, as exports growth was sustained, while import growth slowed again.



Despite adverse weather conditions, **Chinese CPI inflation** was low in August, while PPI deflation continued.



WESTERN AUSTRALIAN TREASURY CORPORATION

Market WATCH Weekly

13 September 2024

KEY ECONOMIC EVENTS

Last Week

	Event	Actual	Forecast	Previous	Comment
Mon 09					
	CH CPI (YoY, Aug)	0.6%	0.7%	0.5%	Rise driven by higher food prices amid bad weather. 23rd decline in a row.
	CH PPI (YoY, Aug)	-1.8%	-1.5%	-0.8%	
Tue 10					
	AU NAB Business Conditions (Aug)	3	-	6	Broad-based decline.
	AU NAB Business Confidence (Aug)	-4	-	1	The weakest since November 2023.
	AU Westpac Cons. Sent. (MoM, Sep)	-0.5%	-	2.8%	Assessment of economic conditions deteriorated.
	CH Trade Balance (Aug)	US\$91.0b	US\$81.1b	US\$84.7b	Iron ore imports down 4.7% YoY, but above 100MT.
	US NFIB Small Business Opt. (Aug)	91.2	93.6	93.7	First decline in five months.
Wed 11					
	AU RBA Assistant Governor Speaks	-	-	-	Aussie labour market still above 'full employment'.
	UK Monthly GDP (MoM, Jul)	0.0%	0.2%	0.0%	Industrial production and construction output fell.
	US CPI (MoM, Aug)	0.2%	0.2%	0.2%	Annual rate down to 2.5% and the lowest since 2021.
Thu 12					
	AU MI Consumer Inflation Exp. (Sep)	4.4%	-	4.5%	Was mostly below 4% in the years before COVID-19.
	EZ ECB Decision (Deposit Rate)	3.50%	3.50%	3.75%	Main refinancing rate-deposit rate spread narrowed.
	US PPI (MoM, Aug)	0.2%	0.1%	0.0%	Annual rate declined to a six-month low of 1.7%.
	US Initial Jobless Claims (w/e 7 Sep)	230k	226k	228k	First increase in three weeks.
Tonight					
	US UoM Consumer Sent. (Sep, prelim.)	-	68.5	67.9	Will include inflation expectations tracked by the Fed.

Next Week

	Event	Forecast	Previous	Comment
Mon 16	<i>No market-moving data.</i>			
Tue 17				
	US Retail Sales (MoM, Aug)	-0.2%	1.0%	The solid rise in August was partly due to car sales.
	US Industrial Production (MoM, Aug)	0.1%	-0.6%	The ISM report suggests further weakness.
Wed 18				
	UK CPI (MoM, Aug)	0.2%	-0.2%	Annual rate expected to remain unchanged at 2.2%.
	US FOMC Decision (IoER)	5.15%	5.40%	The first cut in the cycle.
Thu 19				
	AU Employment (monthly change, Aug)	30.0k	58.2k	Public sector has been a big contributor to jobs growth.
	AU Unemployment Rate (Aug)	4.2%	4.2%	RBA expects a peak at just 4.4% in this cycle.
	UK Bank of England Decision (Bank Rate)	5.00%	5.00%	Rate cut fully priced in for November only.
Fri 20				
	JP Bank of Japan Decision (Policy Rate)	0.25%	0.25%	Further hikes not expected before next year.
	CH PBoC Decision (1Y Loan Prime Rate)	3.35%	3.35%	No change in 5-year rate expected, either.