

THIS WEEK'S HIGHLIGHTS

- In Australia, RBA minutes suggested that the cash rate might stay at the current level for longer than priced in by the markets. The Judo Bank PMI rose back into expansion in August.
- Abroad, FOMC minutes informed that a fed funds rate cut was discussed at the July meeting, and that virtually all members supported the start of policy easing in September. S&P Global PMIs pointed to further expansion in services across the advanced economies in August, while contraction in manufacturing continues.

NEXT WEEK'S HIGHLIGHTS

- A more eventful week ahead, with the monthly CPI indicator for July on Wednesday being the major domestic release. Next week will also see Q2 GDP partials as well as retail trade and private sector credit for July.
- Highlights offshore include the revised figures for US Q2 GDP as well as July personal income and its disposition report, which will contain 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	4.34 (0 pt)	USD 3-month	5.36 (↑1 pt)	ASX200	8018 (↑52 pt)
US (IOR)	5.40 (0 pt)	90-day Bills	4.35 (↓1 pt)	2-yr T-Notes	3.99 (↓9 pt)	S&P500	5571 (↑27 pt)
Eurozone	3.75 (0 pt)	3-yr T-Bond	3.56 (↓3 pt)	10-yr T-Notes	3.84 (↓6 pt)	DJIA	40713 (↑150 pt)
UK	5.00 (0 pt)	10-yr T-Bond	3.93 (↓1 pt)	Jap 10-yr	0.90 (↑2 pt)	Nikkei	38296 (↑498 pt)
Japan (Target)	0.25 (0 pt)	3-yr WATC Bond	3.82 (↓5 pt)	UK 10-yr	3.96 (↑4 pt)	CSI300	3332 (↓18 pt)
China (1Y LPR)	3.35 (0 pt)	10-yr WATC Bond	4.61 (↓2 pt)	Ger 10-yr	2.24 (↓2 pt)	Stoxx600	516 (↑6 pt)

FINANCIAL MARKETS OVERVIEW

Interest Rates

Government bond yields are down for the week, both in the US and Australia, with Aussie Commonwealth bonds seeing a relatively small increase, reflecting the diverging near-term monetary policy outlooks signalled in FOMC and RBA minutes.

The minutes from the August RBA Board meeting sounded hawkish. The document confirmed that the RBA Board discussed a rate hike at the meeting, as the August projection showed that the risk of inflation not returning to target within a 'reasonable' timeframe had increased 'materially'.

The RBA opted to stay put at the meeting, judging it was more conducive to achieving a balance between risks to inflation and the labour market. More importantly, the Board members voiced an opinion that keeping the cash rate at the current level for longer meant roughly the same tight financial conditions as delivering a hike.

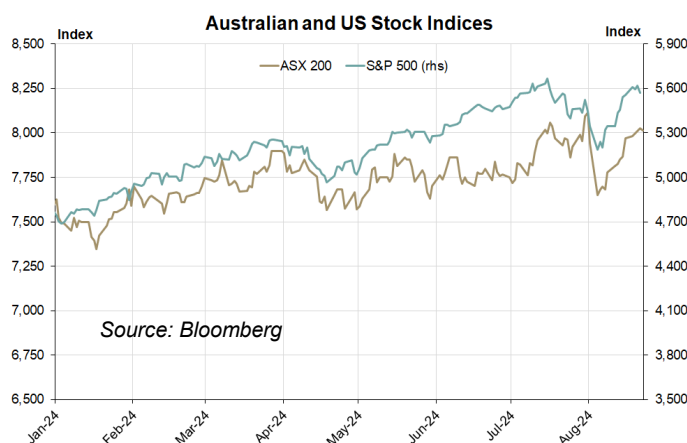
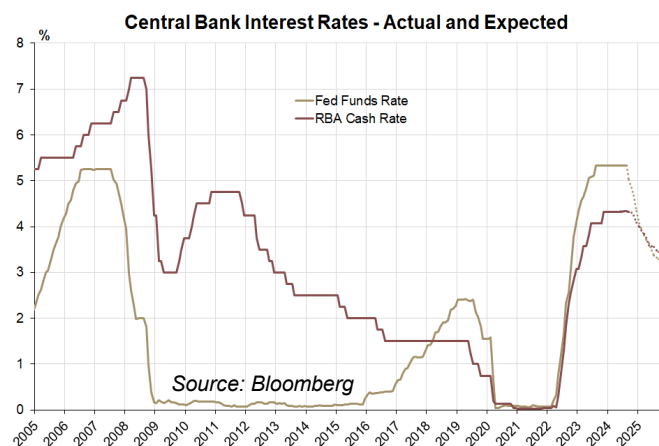
FOMC minutes showed in turn that 'several' members saw a case for a fed funds rate cut at the July meeting, given the renewed disinflation and a rise in the unemployment rate. The 'vast majority' of members were of the opinion that, if future data releases were in line with expectations, it would be appropriate to ease at the September meeting.

Equities

It was generally a good week for equities, as investors' confidence in the upcoming US rate cuts strengthened ahead of Fed Chair Jerome Powell's speech tonight.

All three major US stock indices are up for the week, despite the sentiment abating a bit on Thursday night after the benchmark S&P 500 closed just 0.8% below a record high in the previous trading session.

The Aussie stock market outperformed Wall Street this week, with gains in almost all sectors, to be only 1.3% below its record high.



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Market WATCH Weekly

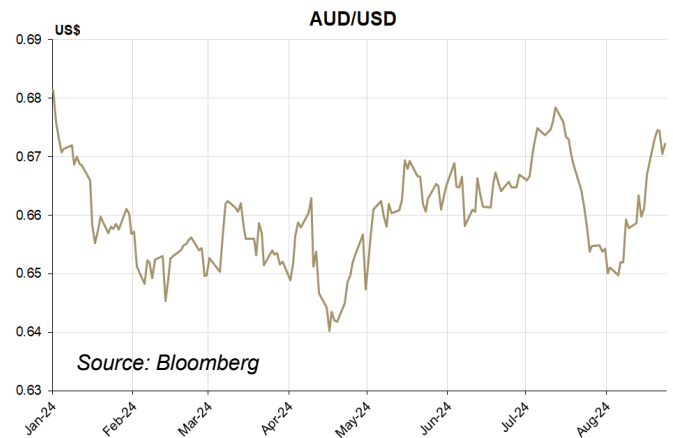
23 August 2024

Currencies

It was a good week for the Australian dollar, which benefitted from improved global market sentiment this week, a partial rebound in iron ore prices and, domestically, the relatively hawkish minutes from the RBA.

The AUD/USD has largely returned to the levels from before the sell-off at the turn of July and August, partly helped by the weakness of the US dollar, which reached a 2024 low this week.

Despite the generally good week, the Aussie dollar is exactly in the middle of the G10 currency ladder. It was surpassed by the British pound and Japanese yen. The former benefitted from the positive economic data, while the latter from expectations that Bank of Japan Governor Kazuo Ueda will provide guidance on a monetary policy tightening path at his testimony before the Diet today.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6720	0.6761	0.6654	↑1.4	0.6871	0.6270
AUD/EUR		0.6039	0.6079	0.6025	↑0.1	0.6251	0.4990
AUD/GBP		0.5127	0.5187	0.5119	↓0.4	0.5393	0.4990
AUD/JPY		97.88	99.04	96.99	↓0.8	109.37	90.15
AUD/CNY		4.7963	4.8218	4.7643	↑0.9	4.9340	4.5273
EUR/USD		1.1127	1.1174	1.1014	↑1.3	1.1174	1.0448
GBP/USD		1.3107	1.3129	1.2890	↑1.8	1.3129	1.2037
USD/JPY		145.67	148.05	144.46	↓2.2	161.95	140.25
USD/CNY		7.1379	7.1561	7.1262	↓0.5	7.3499	7.0880

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6720	0.6733	0.6738	0.6736
AUD/EUR		0.6039	0.6025	0.6007	0.5966
AUD/GBP		0.5127	0.5134	0.5139	0.5146
AUD/JPY		97.88	96.81	95.76	93.99
AUD/NZD		1.0923	1.0941	1.0949	1.0948
AUD/SGD		0.8788	0.8764	0.8733	0.8667

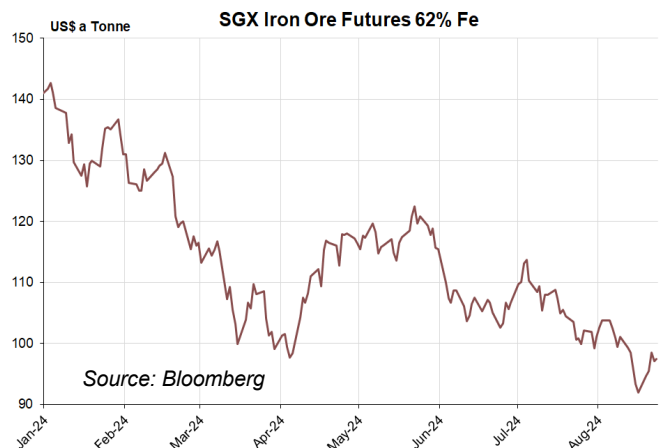
Commodities

Iron ore futures have picked up following a downside last week, to hover just below US\$100 a tonne. There was an absence of economic data to provide guidance, with the next set of Chinese data over a week away.

Geopolitical tensions in the Middle East, coupled with the weak US dollar, saw the gold price climb to a fresh record high this week.

Oil prices were on a decline this week, however, and remain close to their 2024 lows. The decline in oil prices is driven by concerns over demand outlook in China.

Overall, the CRB index is down by 1.0% for the week.



	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,493.49	\$2,531.75	\$2,470.92	(↑\$37.22)	\$2,531.75	\$1,810.51
Brent Crude Oil (US\$)	\$77.26	\$79.81	\$75.65	(↓\$3.69)	\$97.69	\$72.29
Mogas95* (US\$)	\$87.00	\$89.58	\$84.93	(↓\$3.05)	\$110.15	\$81.53
WTI Oil (US\$)	\$73.04	\$76.87	\$71.46	(↓\$4.94)	\$95.03	\$67.71
CRB Index	274.68	276.42	274.68	(↓2.66)	300.23	258.09
Iron Ore Price 62% Fe (US\$) **	\$97.50	\$99.90	\$91.45	(↑\$3.15)	\$143.50	\$91.45

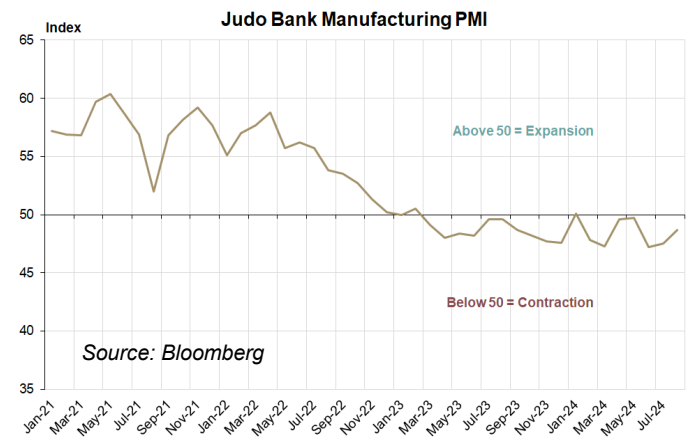
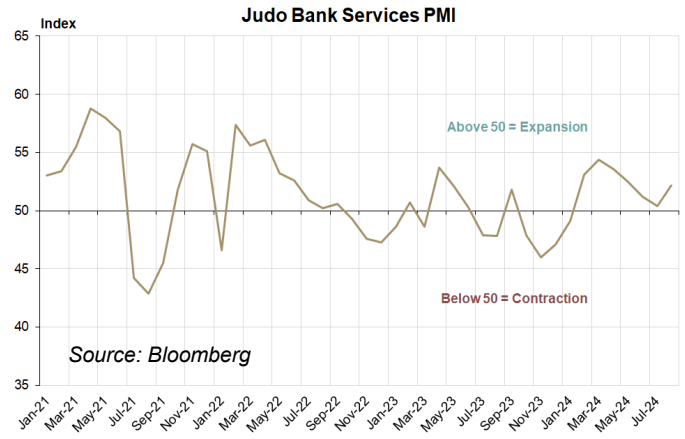
*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.

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

DOMESTIC ECONOMY

The **Judo Bank services PMI** suggested somewhat faster, albeit still quite modest expansion...

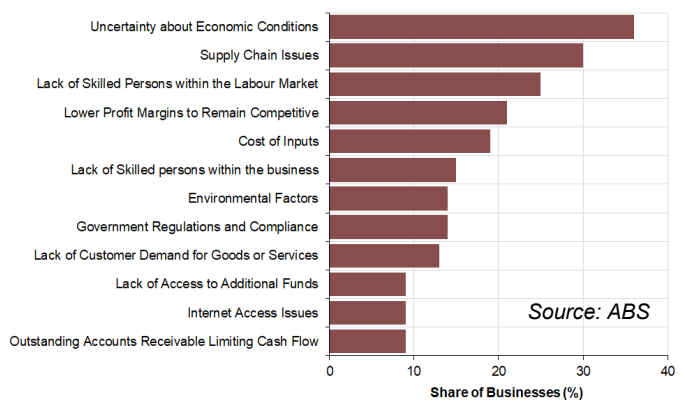
... while the **Judo Bank manufacturing PMI** remained in slight contraction.



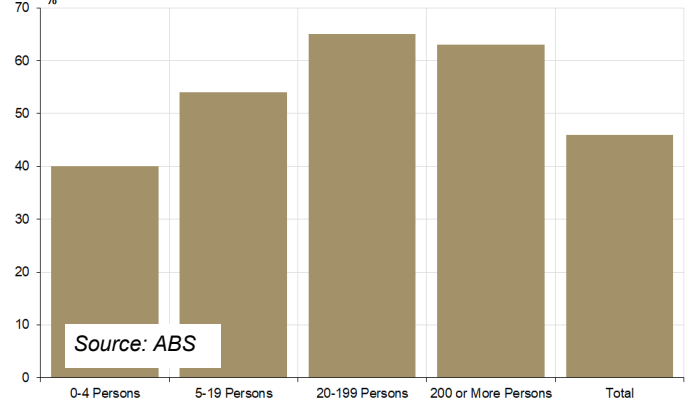
Aussie businesses continue to view uncertainty as the major factor constraining their activity and performance.

According to ABS data, larger businesses are generally more **innovative** than smaller companies.

Factors Hampering Business Activity and Performance 2021-22

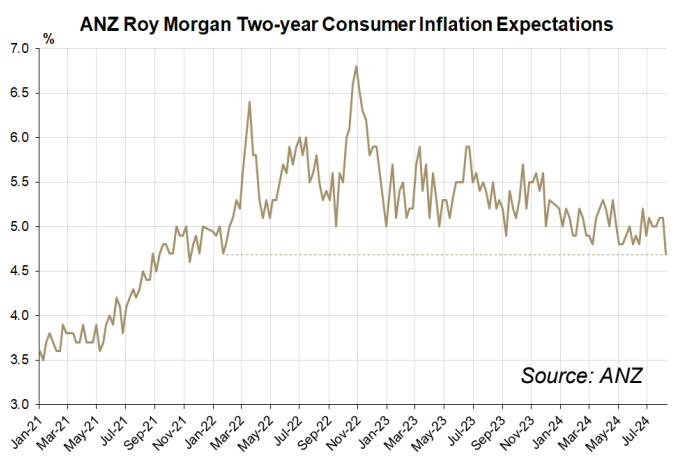
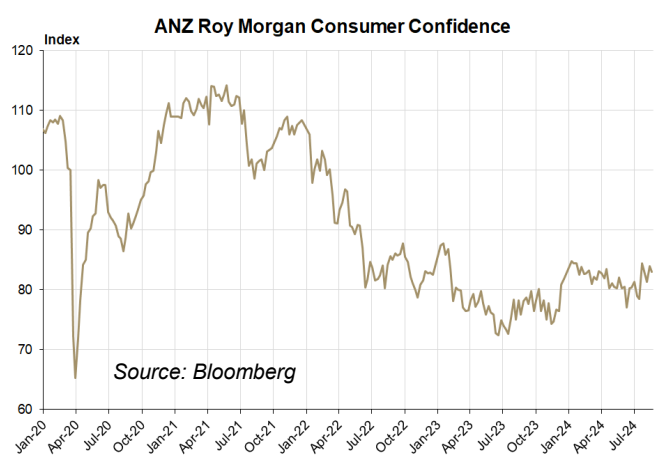


Share of Businesses Engaged in Any Innovative Activity in Two Years to mid-2023



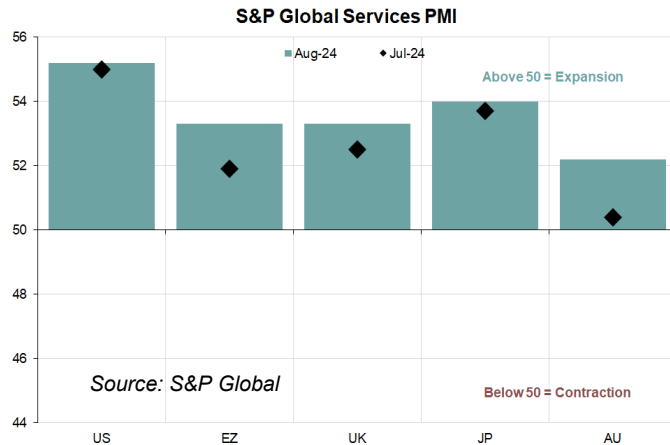
ANZ Roy Morgan consumer confidence has been trending sideways and remains depressed.

According to the ANZ Roy Morgan Report, **consumer inflation expectations** have declined to a 2.5-year low.

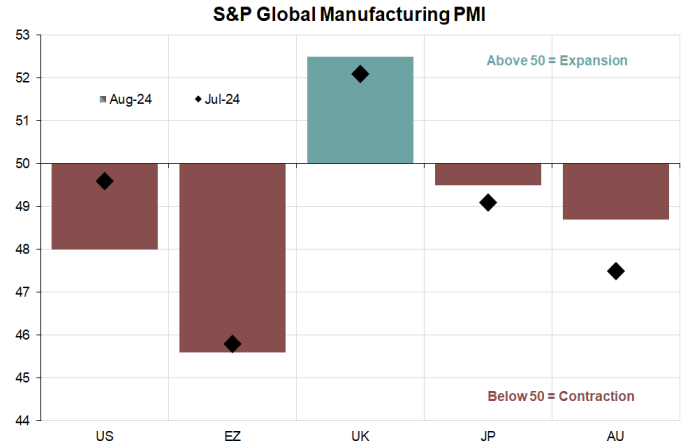


GLOBAL ECONOMY

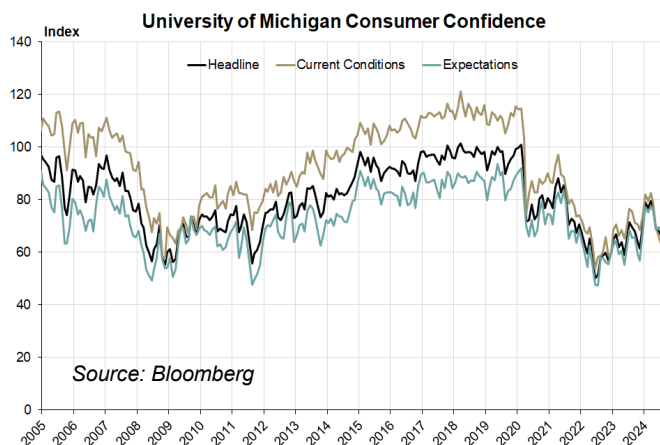
S&P Global services PMI pointed to ongoing expansion across the major advanced economies...



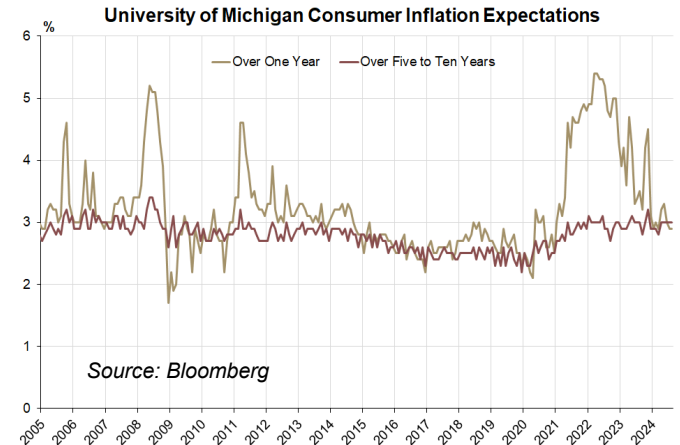
... but **manufacturing** remained in contraction in all major advanced economies except for the UK.



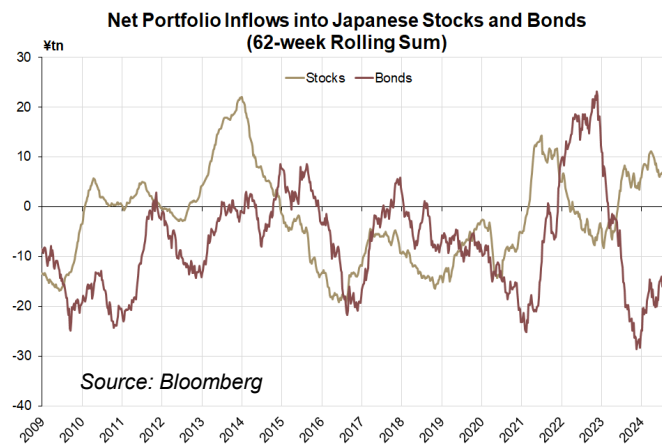
University of Michigan consumer confidence remains low, with assessment of current conditions on a decline.



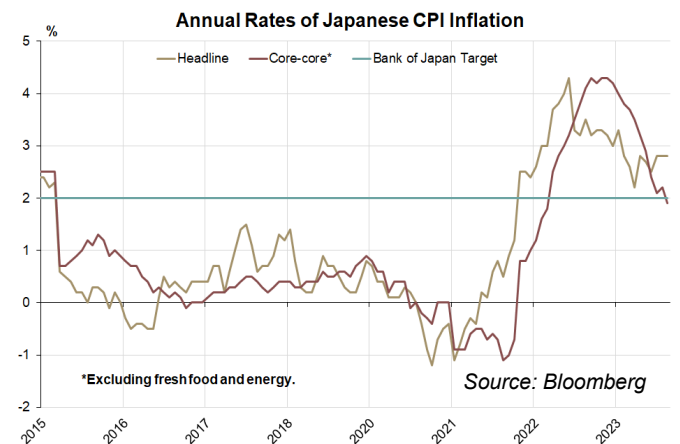
US one-year consumer inflation expectations have eased, but longer-run expectations remain elevated.



The net portfolio outflows from the Japanese fixed income market appear to have troughed.



The so-called core-core Japanese consumer inflation has fallen back below the target.



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Market WATCH Weekly

23 August 2024

KEY ECONOMIC EVENTS

Last Week

Event	Actual	Forecast	Previous	Comment
Mon 19	<i>No market-moving data.</i>			
Tue 20				
AU RBA Board Minutes	-	-	-	More hawkish language.
AU ANZ Consumer Conf. (w/e 17 Aug)	-1.1%	-	3.2%	Inflation expectations at a 2.5-year low of 4.7%.
CH PBoC Decision (1Y LPR)	3.35%	3.35%	3.35%	Five-year loan prime rate also unchanged at 3.85%.
Wed 21				
US FOMC Minutes	-	-	-	Several member saw a case for a cut in July.
Thu 22				
AU Judo Bank Comp. PMI (Aug, flash)	51.4	-	49.9	Prices paid inflation slowed to preserve demand.
JP Jibun Bank Comp. PMI (Aug, flash)	53.0	-	52.5	Contraction in manufacturing slowed further.
EZ HCOB Composite PMI (Aug, flash)	51.2	50.1	51.9	Ongoing contraction in manufacturing in Germany.
UK S&P Global Comp. PMI (Aug, flash)	53.4	53.0	52.8	The only country to see expansion in manufacturing.
US S&P Global Comp. PMI (Aug, flash)	54.1	53.2	54.3	Employment saw the first decline in three months.
US Existing Home Sales (MoM, Jul)	1.3%	1.0%	-5.1%	40.2% off their early 2021 levels.
US Initial Jobless Claims (w/e 17 Aug)	232k	232k	228k	Four-week average still on decline.
Fri 23				
JP CPI (YoY, May)	2.8%	2.1%	2.8%	'Core-core' inflation below the target.
Tonight				
US New Home Sales (MoM, Jul)	-	1.0%	-0.6%	June saw the lowest levels since late 2023.
US Fed Chair Jerome Powell Speaks	-	-	-	Speech at the Jackson Hole Symposium.

Next Week

Event	Forecast	Previous	Comment
Mon 26			
US Durable Goods Orders (MoM, Jul)	3.9%	-6.7%	June drop driven by the volatile aircraft orders.
Tue 27			
US C-S Hse Prices 20 Cities (YoY, Jun)	-	6.8%	US home prices climbing to new record highs.
Wed 28			
AU CPI (MoM, Jul)	3.4%	3.8%	Melbourne Institute inflation gauge pointed to a decline.
AU Construction Work Done (QoQ, Q2)	0.7%	-2.9%	Saw a broad-based decline in Q1.
Thu 29			
AU Private Sector Capex (QoQ, Q2)	1.0%	1.0%	Equipment, plant and machinery rose 3.3% in Q1.
US GDP (QoQ annualised, Q2, 2nd est.)	2.8%	1.4%	No revision expected.
Fri 30			
AU Retail Trade (MoM, Jul)	0.3%	0.5%	Represents only around 1/3 of consumer spending.
AU Private Sector Credit (MoM, Jul)	0.5%	0.6%	Accelerated in June amid strong business credit growth.
EZ HICP (YoY, Aug, flash)	-	2.6%	Euro area disinflation has stalled.
US Personal Spending (MoM, Jul)	0.2%	0.3%	US consumer still resilient.
US PCE Price Index (MoM, Jul)	0.2%	0.1%	Annual rate expected to rise 0.1ppts to 2.6%.