

Interest Rates (%)			FX			Commodities US\$		
Australia		Δ bp	AUD/USD	0.6636	0.9%	WTI Crude Oil	78.83	-\$0.71
90-day Bill	4.36	0	AUD/JPY	97.61	0.9%	Brent Crude Oil	81.09	-\$0.71
3-year Bond	3.57	-6	AUD/EUR	0.6036	0.3%	Mogas95*	90.51	-\$1.98
10-year Bond	3.95	-5	AUD/GBP	0.5158	0.1%	CRB Index	276.33	-3.19
			AUD/NZD	1.0909	-0.2%	Gold	2466.03	-\$7.38
			AUD/CNY	4.7480	0.4%	Silver	27.86	-\$0.11
US			EUR/USD	1.0995	0.6%	Iron Ore (62% Fe)**	98.35	-\$2.20
2-year	3.94	-8	USD/JPY	147.10	0.0%	Iron Ore (24-25 Average)	104.46	-\$0.24
10-year	3.85	-5	USD/CNY	7.1550	-0.3%	Copper	8958.50	-\$68.00
			RBA Policy			Equities		
			O/N Cash Rate Target	4.35		ASX200	7866	58
			Interbank O/N Cash Rate	4.34		Dow Jones	39766	409
Other 10-year			Probability of a 25bps Cut in Sep	40.0%		S&P500	5434	90
Japan	0.84	-1	RBA Bond Holdings (31 July)	A\$313.1b		Stoxx600	502	3
Germany	2.19	-4				CSI300	3334	9
UK	3.89	-3						

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

**Iron ore is the second SGX futures contract.

US stocks saw renewed gains last night, while US Treasury yields fell and the US dollar depreciated, as fed funds rate cut expectations intensified after the downside surprise to the US PPI. Investor attention is now turning to the US CPI scheduled for release tonight.

The better global market sentiment helped the Australian dollar, which appreciated against all the major currencies. The AUD/USD has reached the highest level since 22 July, while the AUD/JPY climbed to a three-week high. 10-year Commonwealth bond yields fell in line with their US equivalents. The ASX 200 rose by 0.2%, with results mixed across sectors and big losses in healthcare.

The US PPI rose by 0.1% in July, slightly less than the 0.2% pencilled in by consensus, taking the annual rate down 0.5ppts to 2.2%, which is the lowest level since March. The annual rate of core PPI inflation, which excludes food, energy and trade, ticked up 0.1ppts to 3.3%.

Following the downside surprise to the US PPI, fed funds rate cut expectations picked up a little, with a 25bps cut still fully priced in for September and a 50% probability of a larger 50bps reduction. Meanwhile, Atlanta Fed President Raphael Bostic said that he wants to see 'a little more data' to be 'absolutely sure' that interest rate cuts are not premature, because it wouldn't be good if the Fed started cutting rates and then had to raise them again.

From the local data, the [wage price index](#) rose by 0.8% in Q2, to be 4.1% up through the year, the same as the previous quarter. The strongest quarterly gain was for mining, while healthcare and social assistance saw the strongest increase in the annual terms.

The NAB business conditions index rose to 6 points in July, reflecting a sharp improvement in the employment index, while the business confidence index fell back to just 1 point. The minimum and award wage hike in July translated into the fastest growth in labour costs since November, but growth in purchase costs and prices paid slowed further.

The Westpac-Melbourne Institute consumer sentiment index gained 2.8% in August but remained pessimistic. There were increases in all subindices except for 'economic conditions in the next five years', as the RBA kept interest rates unchanged and fiscal support measures became more apparent. The separate indicators pointed to lower house price expectations and weaker sentiment toward buying a dwelling, as well as a rise in unemployment expectations, which – in contrast to the business survey – could be a sign of deteriorating labour market conditions.

ECONOMIC DATA REVIEW

- **AU:** Wage Price Index (QoQ, Q2) – Actual 0.8%, Expected 0.9%, Previous 0.9% (revised).
- **AU:** NAB Business Conditions (Jul) – Actual 6, Previous 4.
- **AU:** NAB Business Confidence (Jul) – Actual 1, Previous 3 (revised).
- **AU:** Westpac-Melbourne Institute Consumer Sentiment (MoM, Aug) – Actual 2.8%, Previous -1.1%.
- **US:** PPI (MoM, Jul) – Actual 0.1%, Expected 0.2%, Previous 0.2%.

ECONOMIC DATA PREVIEW

- **US:** CPI (MoM, Jul) – Expected 0.2%, Previous -0.1%.

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