

THIS WEEK'S HIGHLIGHTS

- In Australia, the annual rate of wages growth was unchanged in Q2. Employment growth almost tripled expectations in July, but the unemployment rate saw an unexpected uptick to 4.2% amid record labour force participation. NAB business conditions improved in July, but business confidence deteriorated. Westpac consumer sentiment picked up in August.
- Offshore, the annual rate of US CPI inflation eased further in July. US retail sales growth surprised to the upside in July, but industrial production fell more than expected. Chinese retail sales growth accelerated slightly in July, but remained slow, while growth in industrial production and fixed asset investment decelerated.

NEXT WEEK'S HIGHLIGHTS

- The key domestic events next week will be the RBA Board minutes on Monday and the Judo Bank flash composite PMI for August on Thursday.
- The highlights offshore next week will be the FOMC minutes on Wednesday night, followed by the flash PMIs for the major advanced economies on Thursday and the Japanese CPI for July on Friday.

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	7966 (↑178 pt)
US (IOR)	5.40 (0 pt)	90-day Bills	4.37 (↓1 pt)	2-yr T-Notes	4.07 (↑6 pt)	S&P500	5543 (↑224 pt)
Eurozone (Deposit)	3.75 (0 pt)	3-yr T-Bond	3.58 (↓9 pt)	10-yr T-Notes	3.91 (↓7 pt)	DJIA	40563 (↑1117 pt)
UK	5.00 (0 pt)	10-yr T-Bond	3.93 (↓15 pt)	Jap 10-yr	0.88 (↓2 pt)	Nikkei	37798 (↑2389 pt)
Japan (Target)	0.25 (0 pt)	3-yr WATC Bond	3.86 (↓8 pt)	UK 10-yr	3.92 (↓5 pt)	CSI300	3350 (↓6 pt)
China (1Y LPR)	3.35 (0 pt)	10-yr WATC Bond	4.63 (↓13 pt)	Ger 10-yr	2.26 (0 pt)	Stoxx600	510 (↑14 pt)

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

FINANCIAL MARKETS OVERVIEW

Interest Rates

Long-term government bond yields declined in most major economies, as easing US inflation cemented expectations for a swift fed funds rate cutting cycle.

In Australia, the upside surprise to employment was offset by an uptick in the unemployment rate, and had only a marginal impact on cash rate expectations, while 10-year Commonwealth bond yields declined in line with their US equivalents.

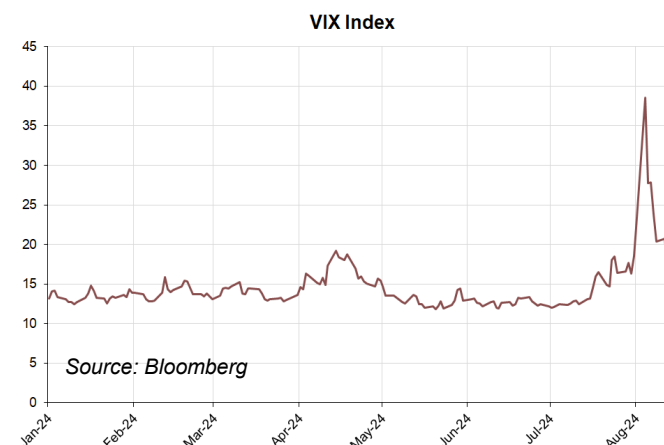
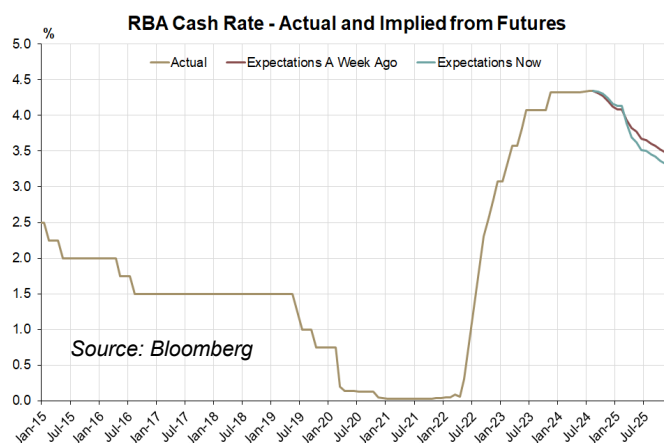
The RBA's top officials testified before the House of Representatives Committee this morning. RBA Governor Michele Bullock reminded that the central bank operates in a highly uncertain environment, citing the risks to inflation and economic activity from geopolitical tensions and slower growth in China. In a separate speech on Monday, RBA Deputy Governor Andrew Hauser warned that, due to inherent uncertainties, one should not be overconfident in economic forecasts.

The RBNZ began its easing cycle, cutting its official cash rate by 25bps to 5.25% after being on hold since May last year. The Bank's forward guidance suggests a further 75bps of cuts by February, which is broadly in line with the current market pricing.

Equities

The stock market rally initiated towards the end of last week continued for most of this week. The rally was supported by easing US CPI inflation and, on Thursday, solid US retail sales and jobless claims data, which eased concerns over the state of the US economy. The US market volatility gauge, the VIX index, is back to the levels of late July.

The ASX 200 also saw a solid increase this week, but remained 1.8% below its record high from 1 August. Almost all sectors saw gains last week, with the strongest increases for information technology, while utilities and materials saw solid losses.



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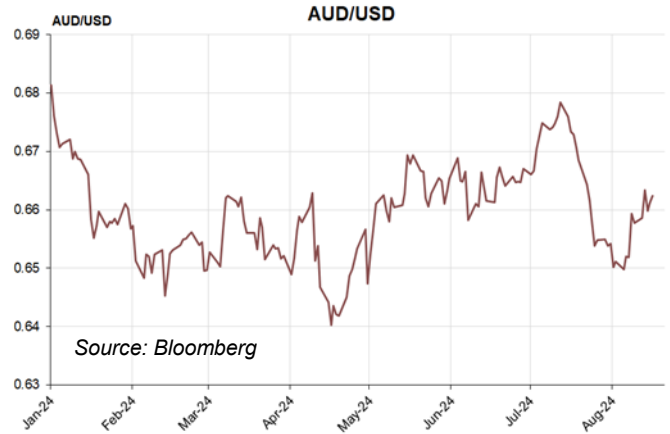
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Currencies

The AUD has gained against most of the G10 currency basket over the past week, only weakening against the Norwegian krone, British pound and euro.

The AUD/USD exchange rate is little higher than this time last Friday and is near the top of the relatively narrow range it has occupied over the week. The Aussie hit a three-week high of US\$0.6643 early Wednesday, as it continued the broad uptrend it has been on since slumping below US\$0.6400 on 5 August.

The AUD sold-off later in the day, dragged down by a sharp fall in Australian bond yields, following the RBNZ interest rate cut and further bad news out of China. However, news of further strong Aussie employment growth help push the AUD higher on Thursday. The gains against the big dollar were limited to an extent by the rise in the unemployment rate, further soft Chinese economic data, and a rebound in the greenback.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6626	0.6643	0.6565	↑0.3	0.6871	0.6270
AUD/EUR		0.6035	0.6049	0.5974	↓0.2	0.6251	0.4990
AUD/GBP		0.5148	0.5175	0.5125	↓0.5	0.5393	0.4990
AUD/JPY		98.72	98.81	96.25	↑1.5	109.37	90.15
AUD/CNY		4.7540	4.7605	4.6967	↑0.4	4.9340	4.5273
EUR/USD		1.0979	1.1047	1.0910	↑0.5	1.1139	1.0448
GBP/USD		1.2870	1.2873	1.2747	↑0.9	1.3044	1.2037
USD/JPY		148.99	149.39	146.08	↑1.1	161.95	140.25
USD/CNY		7.1758	7.1826	7.1356	↑0	7.3499	7.0880

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6626	0.6640	0.6645	0.6646
AUD/EUR		0.6035	0.6022	0.6003	0.5962
AUD/GBP		0.5148	0.5155	0.5160	0.5166
AUD/JPY		98.72	97.63	96.55	94.73
AUD/NZD		1.1037	1.1056	1.1062	1.1050
AUD/SGD		0.8751	0.8730	0.8699	0.8636

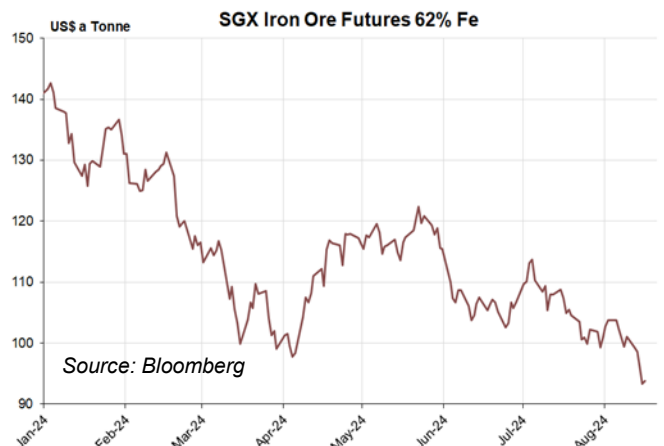
Commodities

Commodity prices have had a mainly positive week, led by petroleum, base metals and precious metals prices, with the CRB commodity price index on track for its second weekly gain in a row.

Iron ore and steel have been exceptions, with iron ore futures prices remaining under downward pressure, as Chinese steel output slumped over 9% to a 2024 low in July and a major Chinese steel producer said the Chinese steel industry is facing a more severe crisis than in either 2008 or 2015.

The benchmark Singapore futures price appears to have broken through what has been the key support level of US\$100 a tonne, slipping to its lowest level since the Chinese COVID lockdowns in late 2022.

Geopolitical concerns continue to support oil prices, with Brent crude futures hitting a two-week high on Monday before easing.

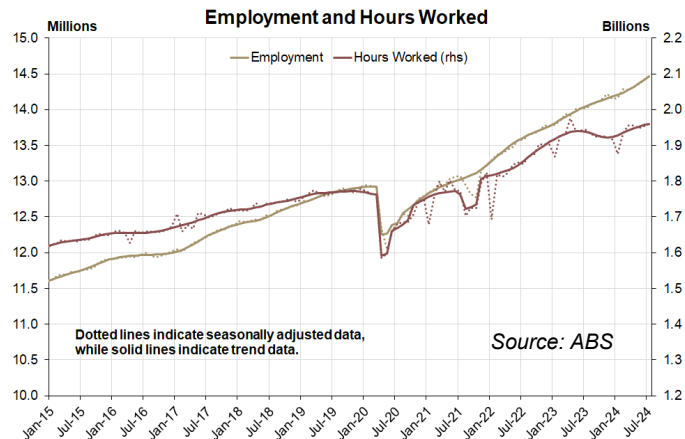


	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,456.27	\$2,479.14	\$2,423.90	(↓\$30.82)	\$2,483.73	\$1,810.51
Brent Crude Oil (US\$)	\$80.95	\$82.40	\$79.46	(↑\$1.72)	\$97.69	\$72.29
Mogas95* (US\$)	\$90.05	\$92.89	\$88.15	(↓\$0.22)	\$110.15	\$81.53
WTI Oil (US\$)	\$77.98	\$80.16	\$76.70	(↑\$1.69)	\$95.03	\$67.71
CRB Index	277.34	279.52	275.48	(↑3.35)	300.23	258.09
Iron Ore Price 62% Fe (US\$) **	\$94.35	\$101.70	\$92.65	(↓\$6.9)	\$143.50	\$92.65

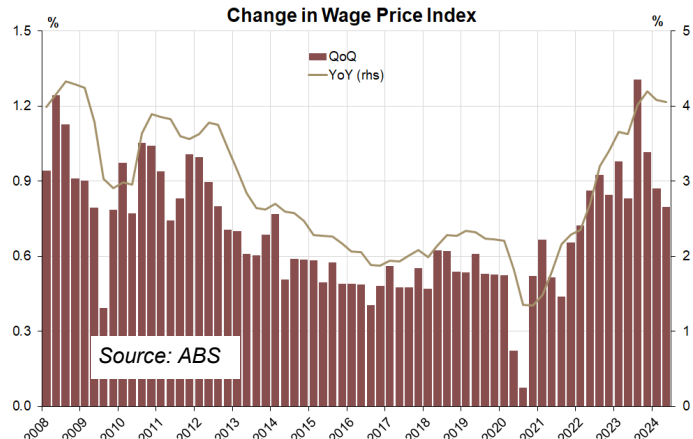
*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.

DOMESTIC ECONOMY

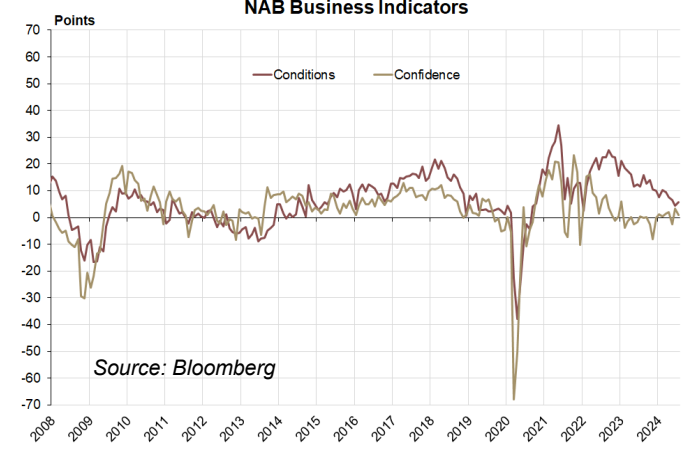
Employment surged again in July, while hours worked rose for the second month in a row.



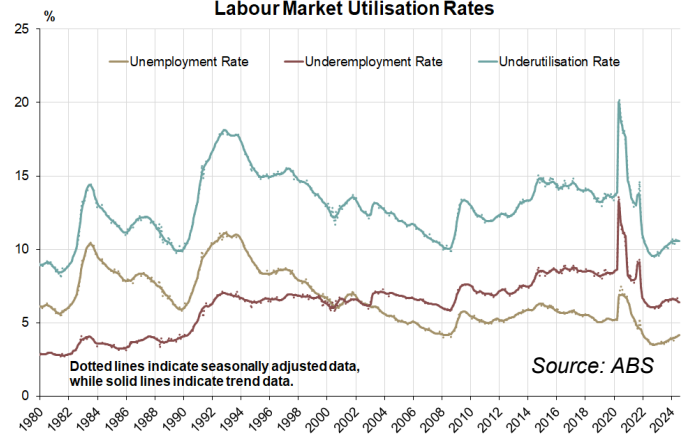
Wages growth slowed further in quarterly terms in Q2, but was little changed in annual terms..



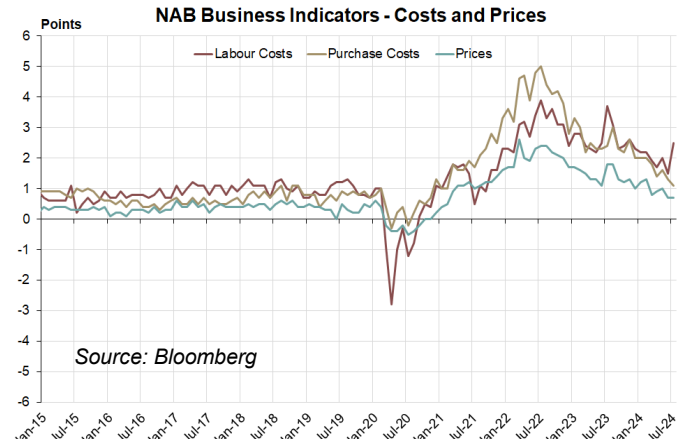
NAB business conditions improved in July, but business confidence saw renewed deterioration.



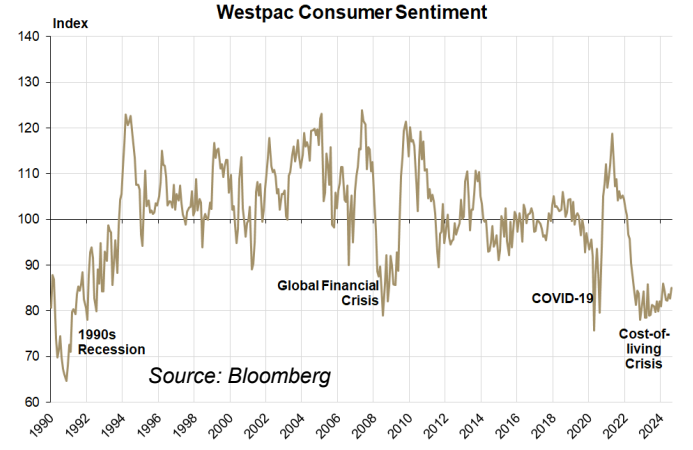
The **unemployment rate** climbed further amid high participation, but underemployment is again trending down.



..while business reported a re-acceleration in **labour cost** growth in July, due to the minimum and award rate hike.

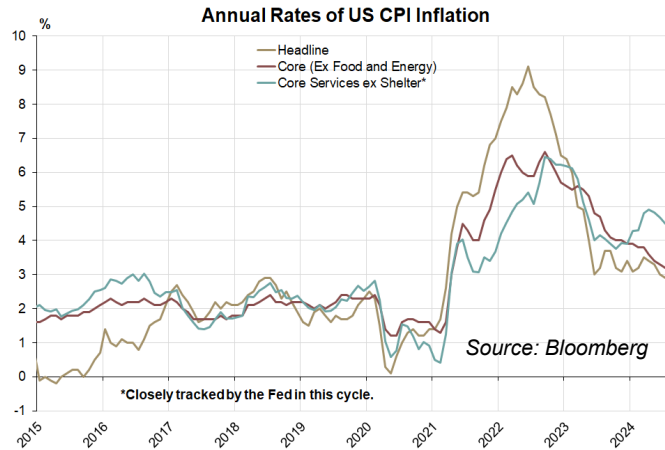


Westpac consumer sentiment improved a bit in August, but remained depressed.

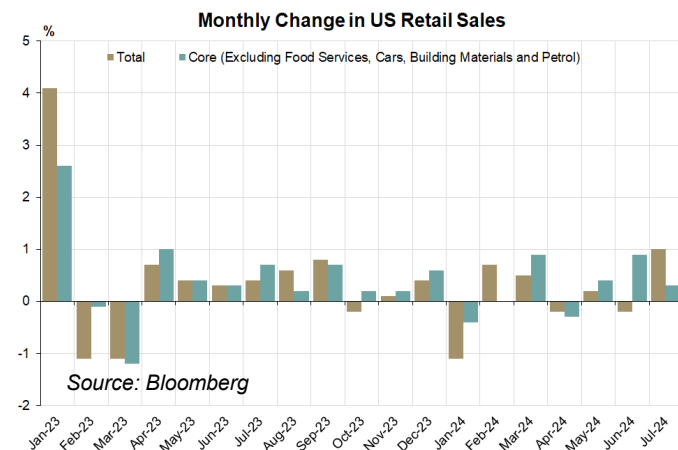


GLOBAL ECONOMY

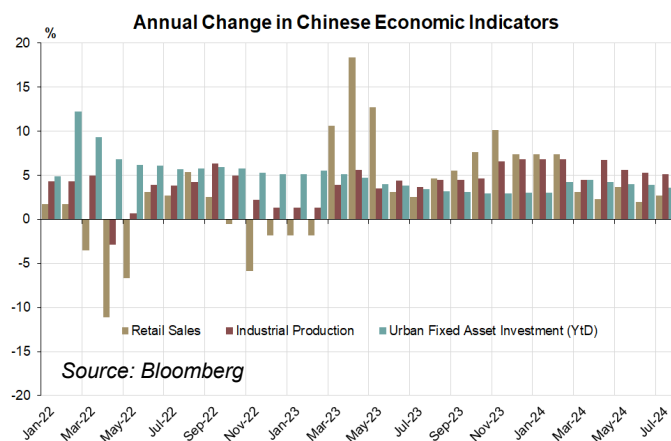
The headline rate of **US CPI inflation** is now below 3%, but core services inflation ex shelter remains elevated.



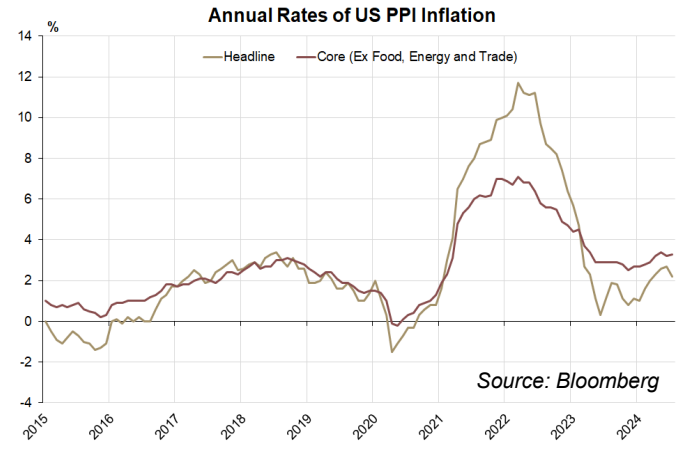
US retail sales resumed climbing in July, supported by strong car sales, while growth in core sales slowed.



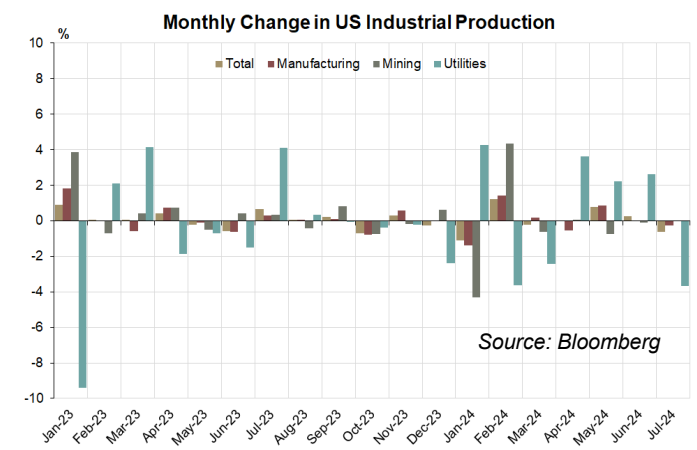
Chinese retail sales growth accelerated in July, but growth in industrial output and fixed investment slowed.



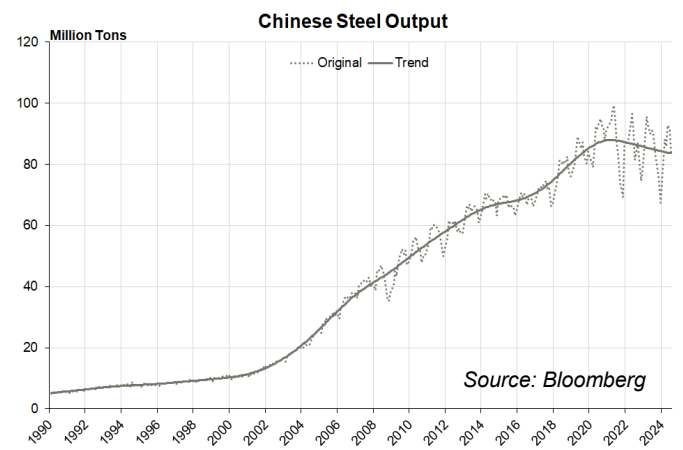
US producer price inflation rates have normalised over the past year.



US industrial production declined in July, dragged down by volatile utilities, but manufacturing also fell.



Chinese steel output is trending slightly downwards, but remains high despite soft property sector demand.



WESTERN AUSTRALIAN TREASURY CORPORATION

Market WATCH Weekly

16 August 2024

KEY ECONOMIC EVENTS

Last Week

Event		Actual	Forecast	Previous	Comment
Mon 12					
AU	RBA Deputy Governor Speaks	-	-	-	Beware of false prophets in economic forecasting.
Tue 13					
AU	WPI (QoQ, Q2)	0.8%	0.9%	0.9%	Annual rate unchanged at 4.1%.
AU	NAB Business Conditions (Jul)	6	1	4	Helped by improved employment conditions.
AU	NAB Business Confidence (Jul)	1	-	3	June figures revised slightly down.
AU	Westpac Cons. Conf. (MoM, Aug)	2.8%	-	1.1%	Rose among others thanks to no RBA rate hike.
UK	Unemployment Rate (Jun)	4.2%	4.5%	4.4%	Employment bounced by 24k in July.
US	NFIB Small Bus. Optimism (Aug)	93.7	91.5	91.5	The highest since February 2022.
US	PPI (MoM, Jul)	0.1%	0.2%	0.2%	Annual rate down 0.5ppts to 2.2%.
Wed 14					
NZ	RBNZ Decision (Official Cash Rate)	5.25%	5.50%	5.50%	75bps of cuts expected by February 2025.
UK	CPI (MoM, Jul)	-0.2%	-0.1%	0.1%	Up 2.2% YoY, less than the 2.3% YoY expected.
US	CPI (MoM, Jul)	0.2%	0.2%	-0.1%	Annual rate below 3% for the first time since Mar-21.
Thu 15					
AU	Employment (monthly change, Jul)	58.2k	20.0k	52.3k	Another solid increase, driven by full-time jobs.
AU	Unemployment Rate (Jul)	4.2%	4.1%	4.1%	Helped by a rise in participation rate to a record high.
AU	MI Inflation Expectations (Aug)	4.5%	-	4.3%	The highest since March.
JP	GDP (QoQ, Q2)	0.8%	0.6%	-0.6%	Solid rise in private consumption and investment.
CH	Retail Sales (YoY, Jul)	2.7%	2.6%	2.0%	Still low by historical standards.
CH	Industrial Production (YoY, Jul)	5.1%	5.2%	5.3%	Steel output down 8.7% YoY, but still elevated.
CH	Urban Asset Inv. (YoY YtD, Jul)	3.6%	3.9%	3.9%	Property investment down 10.2% YoY YtD.
UK	GDP (QoQ, Q2)	0.6%	0.6%	0.7%	Up just 0.9% YoY.
US	Retail Sales (MoM, Jul)	1.0%	0.4%	-0.2%	Core retail sales growth slowed 0.6ppts to 0.3%.
US	Industrial Production (MoM, Jul)	-0.6%	-0.3%	0.3%	Manufacturing activity fell by 0.3% in July.
US	Initial Jobless Claims (w/e 9 Aug)	227k	235k	234k	Four-week average down for the first time in a month.
Fri 16					
AU	RBA Testimony at HoR	-	-	-	No groundbreaking news.
Tonight					
US	UoM Consumer Conf. (Aug)	-	66.9	66.4	Contains inflation expectations tracked by the Fed.

Next Week

Event		Forecast	Previous	Comment
Mon 19				
<i>No market-moving data.</i>				
Tue 20				
AU	RBA Board Minutes	-	-	Probably a non-event.
CH	PBoC Decision (1Y Loan Prime Rate)	3.35%	3.35%	No change expected after a surprise cut in July.
Wed 21				
US	FOMC Minutes	-	0.3%	More guidance on the September fed funds rate decision.
Thu 22				
AU	Judo Bank Composite PMI (Aug, flash)	-	49.9	Pointed to stagnant growth in July.
JP	Jibun Bank Composite PMI (Aug, flash)	-	52.5	Japanese manufacturing still in contraction.
EZ	HCOB Composite PMI (Aug, flash)	-	51.9	German and French economies below the '50' mark.
UK	S&P Global Composite PMI (Aug, flash)	-	52.8	Has been in expansion since November 2023.
US	S&P Global Composite PMI (Aug, flash)	-	53.4	A poor indicator for the more established ISM PMI survey.
US	Jackson Hole Symposium Starts	-	-	Famous for big central bank announcements.
Fri 23				
JP	CPI (YoY, May)	2.7%	2.8%	'Core-core' inflation expected to decline 0.3ppts to 1.9%.
US	Existing Home Sales (MoM, Jul)	0.3%	-5.4%	Reached the 2024 low in June.
US	New Home Sales (MoM, Jul)	2.8%	-0.6%	June saw the lowest levels since November 2023.