

THIS WEEK'S HIGHLIGHTS

- In Australia, the monthly CPI indicator suggested that consumer price inflation declined to 3.5% in July, mainly thanks to the impact of government energy bill reliefs. Retail trade growth was flat in July, while private sector credit continued to climb at a steady pace. Private sector capex declined in Q2, while building work done was virtually unchanged.
- Abroad, US Q2 private consumption growth was revised slightly upwards. US durable goods orders bounced in July, but core capital goods orders were largely flat.

NEXT WEEK'S HIGHLIGHTS

- Another busy week at home, with Q2 GDP on Wednesday being the major event. From other data, Monday will see July dwelling approvals, the August CoreLogic home price index and August Melbourne Institute inflation gauge. This will be followed by the Q2 balance of payments on Tuesday, July household spending indicator on Wednesday, July trade balance on Thursday and July housing finance on Friday. RBA Governor Michele Bullock is scheduled to speak twice on Thursday.
- Highlights offshore include US labour market data as well as the US and Chinese PMIs. The Bank of Canada interest rate decision is due on Wednesday night, with a 25bps cut expected.

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	5.32 (↓4 pt)	ASX200	8069 (↑51 pt)
US (IOR)	5.40 (0 pt)	90-day Bills	4.39 (↑4 pt)	2-yr T-Notes	3.90 (↓9 pt)	S&P500	5592 (↑21 pt)
Eurozone (Deposit)	3.75 (0 pt)	3-yr T-Bond	3.56 (0 pt)	10-yr T-Notes	3.86 (↑2 pt)	DJIA	41335 (↑622 pt)
UK	5.00 (0 pt)	10-yr T-Bond	3.96 (↑4 pt)	Jap 10-yr	0.91 (↑2 pt)	Nikkei	38547 (↑251 pt)
Japan (Target)	0.25 (0 pt)	3-yr WATC Bond	3.80 (↓2 pt)	UK 10-yr	4.02 (↑6 pt)	CSI300	3296 (↓36 pt)
China (1Y LPR)	3.35 (0 pt)	10-yr WATC Bond	4.61 (↓1 pt)	Ger 10-yr	2.27 (↑3 pt)	Stoxx600	525 (↑9 pt)

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

FINANCIAL MARKETS OVERVIEW

Interest Rates

US Treasury yields declined at the front end of the yield curve, as Fed Chair Jerome Powell confirmed in his Jackson Hole speech that the start of monetary policy easing in the US is getting close. While there were slight increases for longer maturities, overall they remain close to their 2024 lows.

In his long-awaited speech Chair Powell said that 'the time has come' for the monetary policy to adjust, in order to preserve strong labour market conditions as inflation eases. Chair Powell did not use the words 'gradual' or 'methodical', previously applied by his fellow Fed officials when describing the pace of pending rate cuts. The probability of a 50bps cut at the September FOMC meeting is around 30% at the time of writing.

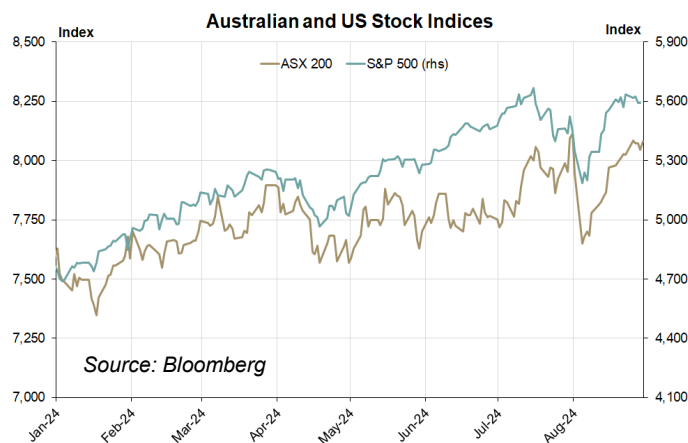
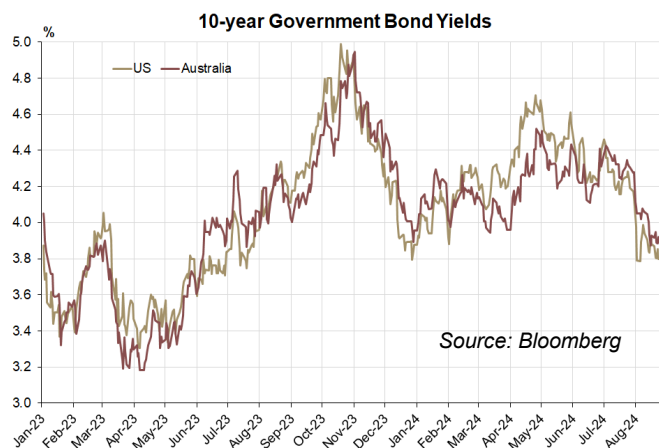
Commonwealth bond yields picked up across much of the yield curve, with somewhat stronger increases for longer maturities. Yields fell early in the week, but picked up after the slight upside surprise to the July CPI indicator on Wednesday.

Equities

It was another positive week for equities, with sentiment boosted by optimism about upcoming rate cuts in the US.

The uncertainty about Nvidia's earnings report, which in the end turned out to contain some disappointing news, slowed the pace of gains on Wall Street mid-week. However, the upward revision to US private consumption figures for Q2 pushed industrial and energy stocks higher, resulting in the Dow Jones hitting a new record high on Thursday night.

The ASX 200 also saw gains this week, and is heading towards a 0.6% weekly gain at the time of writing. Gains and losses were almost equally split across sectors, with the strongest gains in financials and the largest losses in consumer discretionary stocks.



For further information, please contact:

Craig McGuinness
Patrycja Beniak

Principal Advisor, Economics
Senior Analyst, Economics

cmcguinness@watc.wa.gov.au
pbeniak@watc.wa.gov.au

(08) 9235 9104
(08) 9235 9110

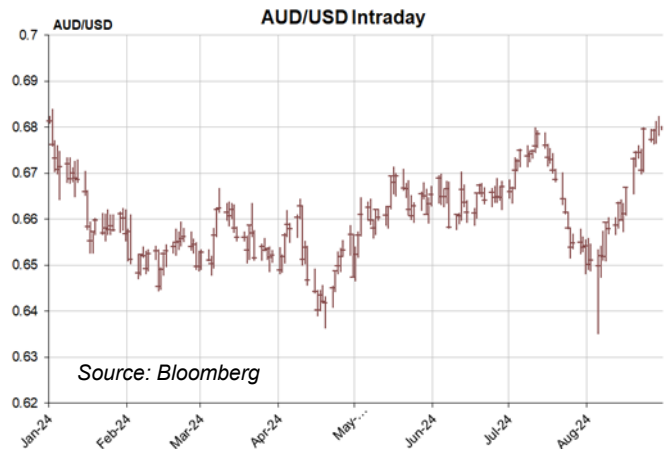
Currencies

The AUD/USD jumped to its highest levels in almost nine months, breaking through US\$0.68 for the first time since early January, after a slightly stronger-than-expected monthly CPI indicator.

The exchange rate initially climbed late last Friday, reaching the lowest level since July last year. This came as Fed Chair Jerome Powell added more fuel to US interest rate cut expectations, saying the time has come to cut interest rates.

The Aussie traded in a relatively narrow range over the first half of this week before lifting to a peak of US\$0.6824 on Thursday. However, the AUD has since slipped again, as the big dollar picked up amid news of a small upward revision to US Q2 GDP.

The euro has been the weakest of the major currencies, falling victim to a recovery in the greenback. Depreciation intensified after lower-than-expected German inflation in August that added to expectations for a September interest rate cut from the ECB.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6793	0.6824	0.6762	↑1.1	0.6871	0.6270
AUD/EUR		0.6136	0.6151	0.6035	↑1.6	0.6251	0.4990
AUD/GBP		0.5160	0.5175	0.5119	↑0.6	0.5393	0.4990
AUD/JPY		98.34	98.96	97.27	↑0.5	109.37	90.15
AUD/CNY		4.8229	4.8532	4.8096	↑0.6	4.9340	4.5273
EUR/USD		1.1072	1.1202	1.1056	↓0.5	1.1202	1.0448
GBP/USD		1.3166	1.3266	1.3146	↑0.5	1.3266	1.2037
USD/JPY		144.76	145.55	143.45	↓0.6	161.95	140.25
USD/CNY		7.0986	7.1352	7.0915	↓0.6	7.3499	7.0880

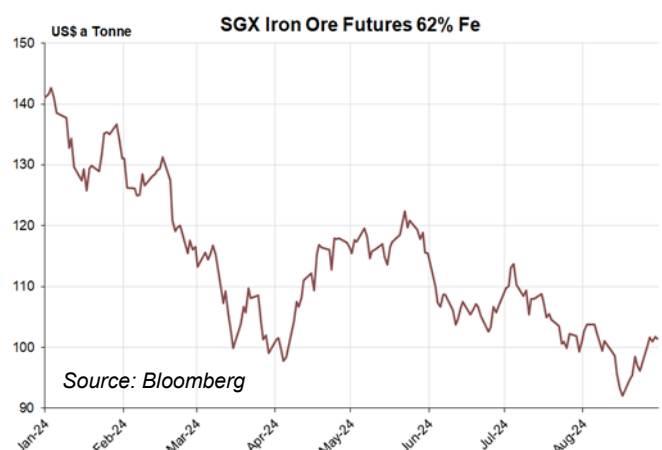
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6793	0.6805	0.6808	0.6803
AUD/EUR		0.6136	0.6122	0.6102	0.6057
AUD/GBP		0.5160	0.5166	0.5170	0.5177
AUD/JPY		98.34	97.27	96.22	94.41
AUD/NZD		1.0839	1.0856	1.0862	1.0860
AUD/SGD		0.8852	0.8825	0.8792	0.8720

Commodities

The benchmark Singapore iron ore futures price climbed above US\$100 a tonne for the first time in two weeks. The rise came despite further warnings from the world's largest steelmaker, China's Baowu Group, that the Chinese steel market will remain oversupplied over the second half of the year.

Gold prices gained, staying at close to record highs, as US interest rate cut expectations picked up and geopolitical tensions remain acute.

Brent crude oil futures hit near two-week highs on Monday, as news of oil production shutdowns in Libya and a Houthi attack on a tanker in the Red Sea added to supply concerns. Prices lost ground midweek, but bounced again over the past 12 hours on reports that loading at Libyan oil export terminals has been halted.



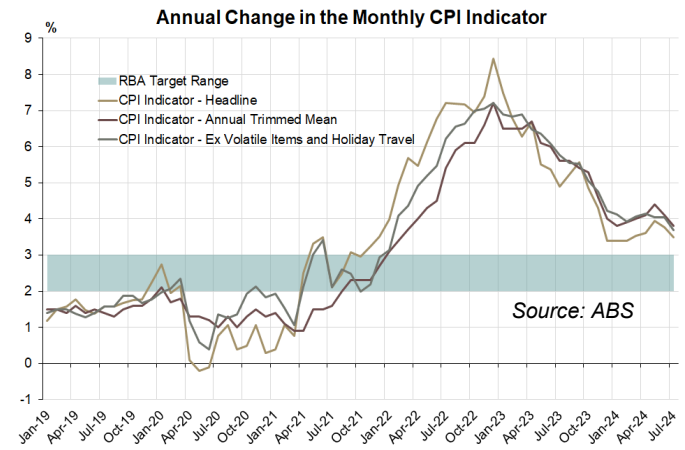
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,515.58	\$2,529.09	\$2,493.75	(↓\$22.09)	\$2,531.75	\$1,810.51
Brent Crude Oil (US\$)	\$79.99	\$81.59	\$77.95	(↑\$2.73)	\$97.69	\$72.29
Mogas95* (US\$)	\$87.50	\$90.52	\$84.61	(↑\$0.5)	\$110.15	\$81.53
WTI Oil (US\$)	\$76.01	\$77.60	\$73.82	(↑\$2.97)	\$95.03	\$67.71
CRB Index	279.88	281.97	277.61	(↓5.2)	300.23	258.09
Iron Ore Price 62% Fe (US\$) **	\$101.50	\$102.75	\$95.25	(↑\$4)	\$143.50	\$91.45

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

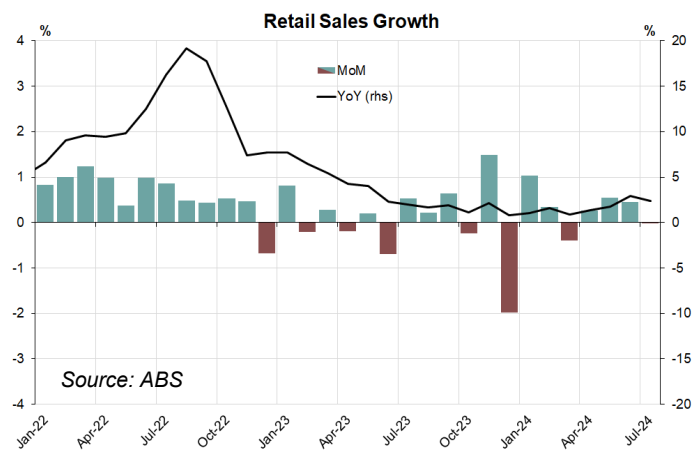
** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

DOMESTIC ECONOMY

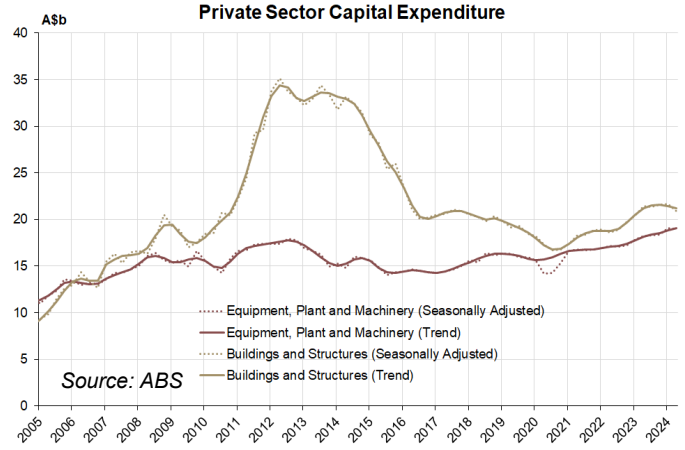
The **monthly CPI indicator** suggested that consumer price inflation declined in July...



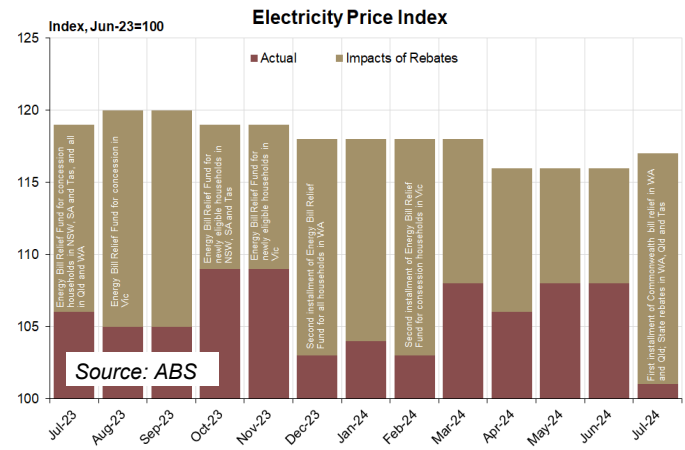
Retail trade was flat in July, with food being the only category to see an increase.



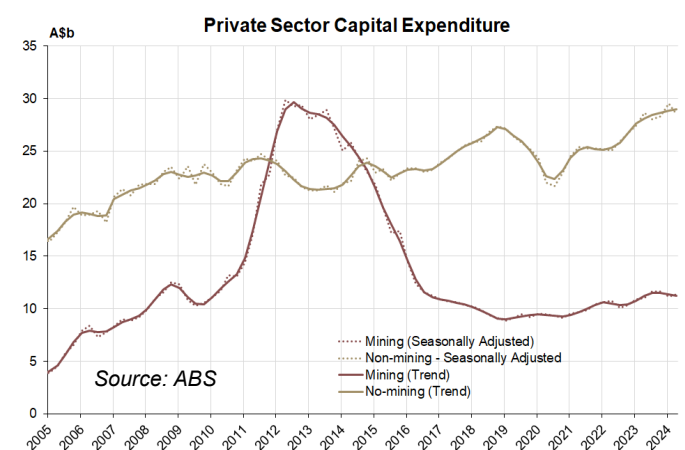
Equipment, plant and machinery investment has also been on an upward trend, despite a slight decline in Q2.



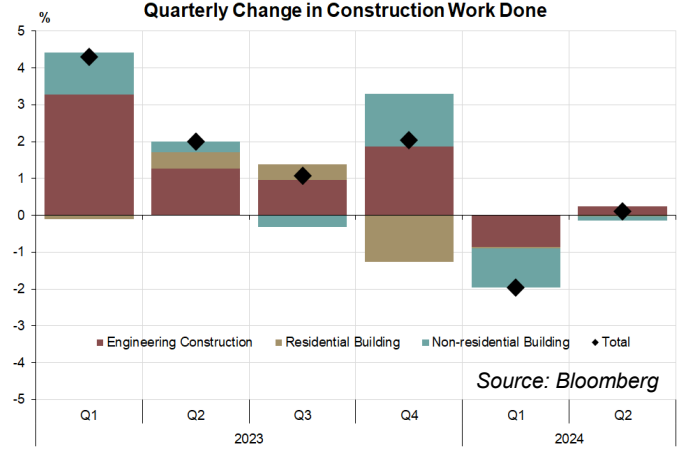
... but this was mainly due to **energy bill relief** rolled out by the Commonwealth and State governments.



Despite a decline in Q2, **non-mining investment** is trending upwards, while mining investment has been flat.

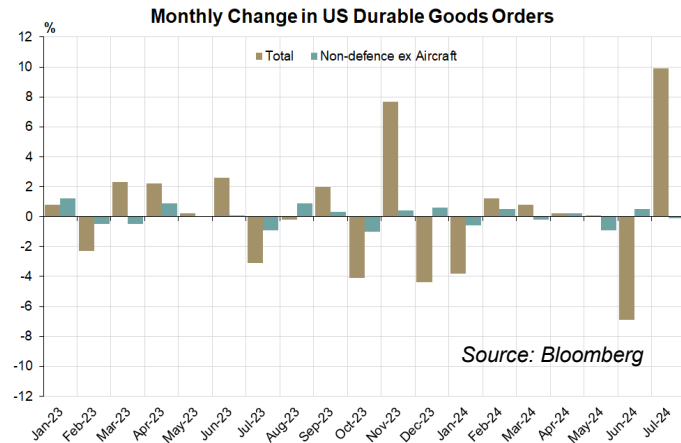


Construction work done was virtually flat in Q2, with hardly any change in engineering, and building likewise.

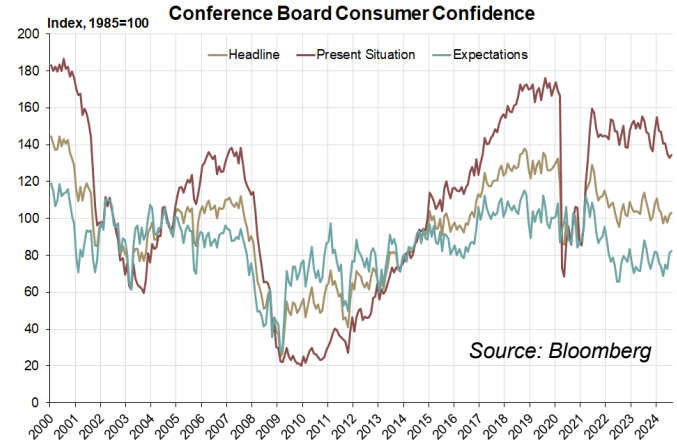


GLOBAL ECONOMY

US durable goods orders bounced back in July, but core capital goods orders were hardly changed.

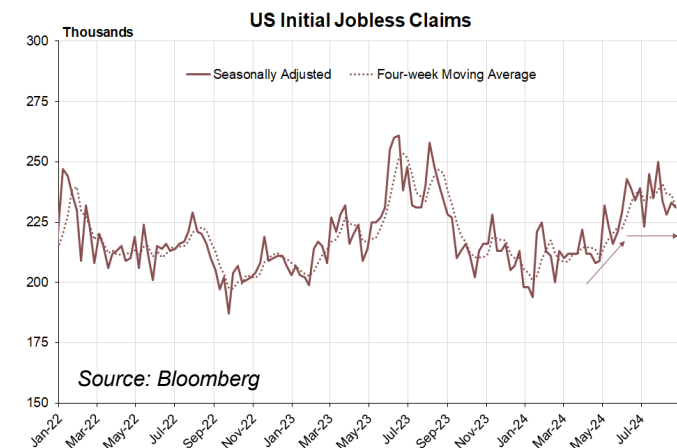
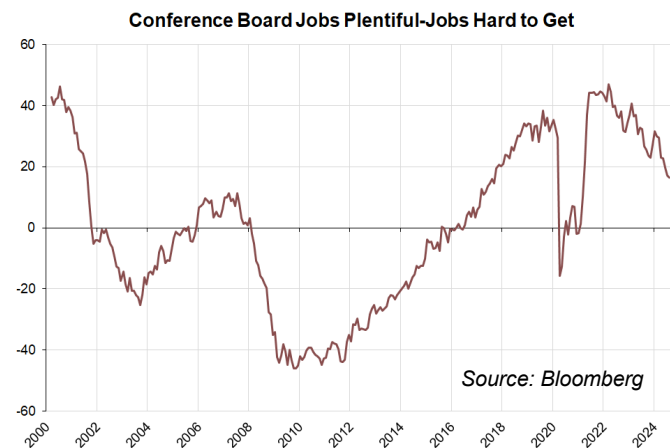


The Conference Board consumer confidence index remains weaker than before COVID-19 struck.



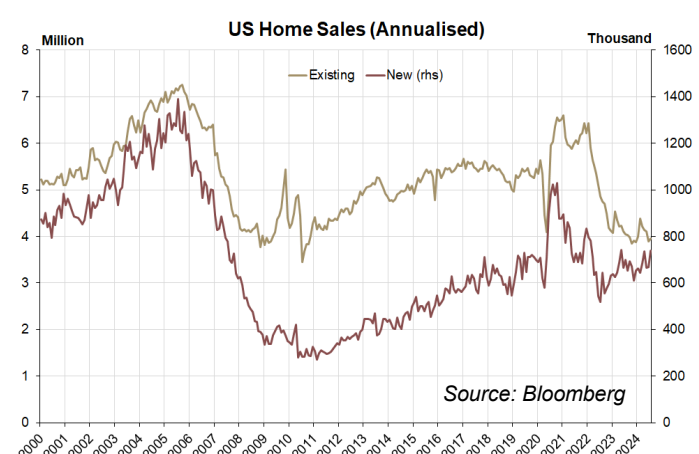
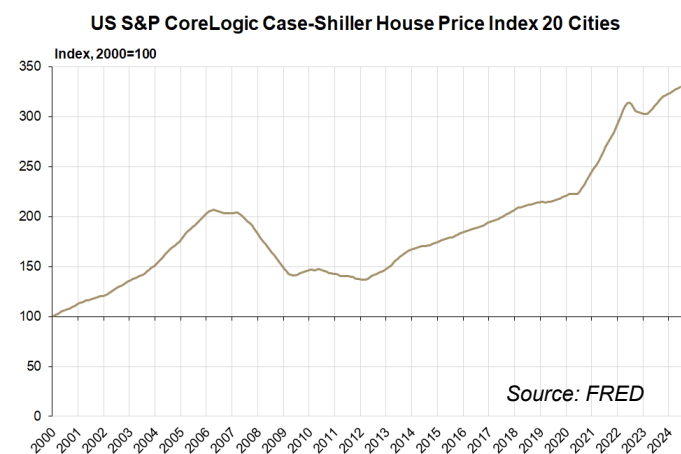
The Conference Board report also confirmed further easing in consumer perceptions of US labour market conditions.

Meanwhile, US initial jobless claims have stabilised around their year highs.



US house prices have reached a new record high...

... despite US existing home sales remaining quite low.



WESTERN AUSTRALIAN TREASURY CORPORATION

Market WATCH Weekly

30 August 2024

KEY ECONOMIC EVENTS

Last Week

Event		Actual	Forecast	Previous	Comment
Mon 26					
US	Durable Goods Orders (MoM, Jul)	9.9%	5.0%	-6.9%	Core capital goods orders down 0.1%.
Tue 27					
AU	ANZ Consumer Sent. (w/e 24 Aug)	-0.5%	-	-1.1%	Inflation expectations up 0.1ppts to 4.8%.
US	C-S Hse Prices 20 Cities (YoY, Jun)	0.4%	0.3%	0.4%	A fresh record high.
US	Conf. Board Cons. Conf. (Aug)	103.3	100.8	101.9	Labour market softening, inflation expectations down.
Wed 28					
AU	Monthly CPI Indicator (MoM, Jul)	3.5%	3.4%	3.8%	Annual trimmed mean down to 3.8%.
AU	Construction Work Done (QoQ, Q2)	0.1%	0.7%	-2.0%	Residential building construction was flat in Q2.
Thu 29					
AU	Private Sector Capex (QoQ, Q2)	-2.2%	1.0%	1.9%	Fall driven by the non-mining sector.
US	GDP (QoQ ann., Q2, 2nd est.)	3.0%	2.8%	1.4%	Consumption growth revised up 0.6ppts to 2.9%.
US	Initial Jobless Claims (w/e 24 Aug)	231k	232k	233k	Continued claims rose to 1,868k in w/e 17 August.
Fri 30					
AU	Retail Trade (MoM, Jul)	0.0%	0.3%	0.5%	Food the only category that saw an increase in July.
AU	Private Sector Credit (MoM, Jul)	0.5%	0.5%	0.6%	Annual rate of growth accelerated 0.1ppts to 5.7%.
Tonight					
EZ	HICP (YoY, Aug, flash)	-	2.2%	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%.

Next Week

Event		Forecast	Previous	Comment
Mon 02				
AU	Dwelling Approvals (MoM, Jul)	2.0%	-6.5%	Trend approvals continued to climb in June.
AU	CoreLogic Home Price Index (MoM, Aug)	-	0.5%	Up 11.8% YoY.
AU	Melbourne Institute Infl. Gauge (MoM, Aug)	-	0.4%	First insights into consumer price inflation in August.
AU	Business Indicators (QoQ, Q2)	-	-	Estimate of profits, income, inventories and wages.
CH	Caixin Manufacturing PMI (Aug)	49.9	49.8	Official NBS PMIs to be released over the weekend.
Tue 03				
AU	Balance of Payments (Q2)	A\$3.5b	-A\$4.9b	Expected to turn back to positive.
US	ISM Manufacturing PMI (Aug)	47.5	46.8	S&P Global report suggested further contraction.
Wed 04				
AU	GDP (QoQ, Q2)	0.2%	0.1%	Annual rate expected to decelerate to 0.9%.
AU	Household Spending Indicator (MoM, Jul)	-	0.5%	Volumes rose by 1.4% over the year to the June quarter.
CH	Caixin Services PMI (Aug)	52.1	52.1	Caixin composite PMI at 51.2 in July.
CA	Bank of Canada Decision (Policy Rate)	4.25%	4.50%	A 50bps cut almost 20% priced in.
US	JOLTS Job Openings (Jul)	-	8.1m	Largely back at pre-pandemic levels.
US	Beige Book	-	-	Anecdotal evidence on economic activity in Fed districts.
Thu 05				
AU	Trade Balance (Jul)	-	A\$5.6b	Widened in June, thanks to a broad-based rise in exports.
AU	RBA Governor Michele Bullock Speaks	-	-	Two separate public appearances in a day.
US	ADP Employment (monthly change, Aug)	148k	122k	Has been a poor indicator for the official jobs figures.
US	ISM Services PMI (Aug)	51.0	51.4	S&P Global report suggested faster expansion.
Fri 06				
AU	Housing Finance (MoM, Jul)	-	1.3%	Another broad-based increase in June.
US	Non-farm Payrolls (monthly change, Aug)	165k	114k	Saw a significant downward revision for the past year.
US	Unemployment Rate (Aug)	4.2%	4.3%	Rise in unemployment rate starts to concern the Fed.