

### THIS WEEK'S HIGHLIGHTS

- In Australia, real GDP rose by 0.2% in Q2 and saw another fall in per capita terms. The current account deficit widened in Q2, but the trade surplus picked up in July. Dwelling approvals and new home loans rose in July, which was followed by another increase in home prices in August. The Melbourne Institute inflation gauge pointed to slower price growth in August.
- Abroad, the US ISM manufacturing PMI remained in contraction in August, while the ISM services PMI pointed to only moderate expansion. US ADP employment and JOLTS job openings suggested the softest US labour market conditions in over three years. The Chinese PMIs pointed to ongoing sluggish economic growth in August.

### NEXT WEEK'S HIGHLIGHTS

- The domestic highlights next week will be the NAB business survey for August and Westpac-Melbourne Institute consumer sentiment report for September; both releases are on Tuesday. RBA Assistant Governor Sarah Hunter will deliver the keynote speech at an economic forum in Sydney.
- The highlights offshore will be US and Chinese inflation data, the Chinese trade balance and US University of Michigan survey of consumer expectations, which will contain inflation expectations tracked 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	5.26 (↓6 pt)	ASX200	8009 (↓60 pt)
US (IOR)	5.40 (0 pt)	90-day Bills	4.40 (↑1 pt)	2-yr T-Notes	3.74 (↓15 pt)	S&P500	5503 (↓89 pt)
Eurozone (Deposit)	3.75 (0 pt)	3-yr T-Bond	3.53 (↓2 pt)	10-yr T-Notes	3.73 (↓13 pt)	DJIA	40756 (↓579 pt)
UK	5.00 (0 pt)	10-yr T-Bond	3.91 (↓5 pt)	Jap 10-yr	0.88 (↓3 pt)	Nikkei	36645 (↓1902 pt)
Japan (Target)	0.25 (0 pt)	3-yr WATC Bond	3.78 (↓2 pt)	UK 10-yr	3.92 (↓10 pt)	CSI300	3257 (↓39 pt)
China (1Y LPR)	3.35 (0 pt)	10-yr WATC Bond	4.58 (↓3 pt)	Ger 10-yr	2.21 (↓7 pt)	Stoxx600	512 (↓13 pt)

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

## FINANCIAL MARKETS OVERVIEW

### Interest Rates

Government bond yields declined across the major advanced economies this week, as disappointing US data led to re-intensification of hopes for a 50bps cut from the FOMC on 18 September. The probability of such a move is over 40% priced in at time of writing, compared to around 30% a week ago.

The declines in Commonwealth bond yields were modest, as only an 80% chance of a 25bps December cut is now priced in. In her speech at the Anika Foundation this week, RBA Governor Michele Bullock stressed this week that underlying inflation decelerated 'very little over the past year' and that it is 'premature' to consider any rate cuts. In the Q&A session that followed, she did not rule out a rate hike if inflation does not fall as expected.

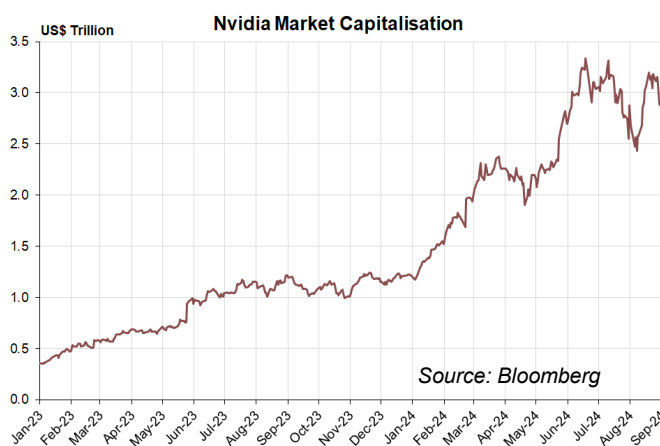
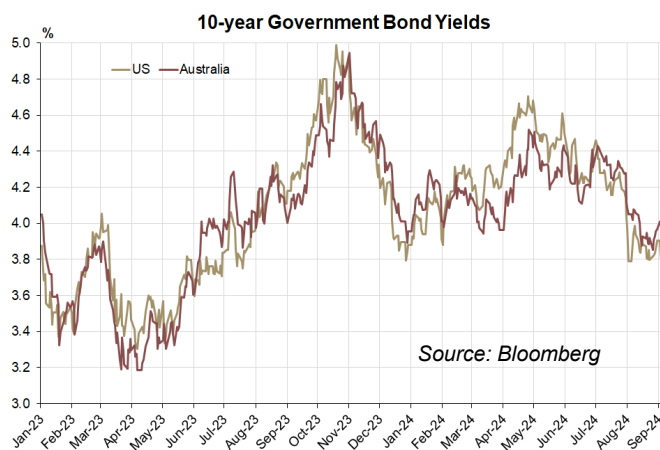
Meanwhile, the Bank of Canada cut its policy rate by another 25bps to 4.25%, and 50bps cuts are expected in the rest of 2024.

### Equities

Equities are down across all the major markets this week after the S&P 500 closed last Friday just 0.3% short of a record high.

The rot started on Tuesday, with the S&P 500 slumping 2.1% after Wall Street was closed for a public holiday on Monday, and was followed by further falls on Wednesday and Thursday. The declines were led by the tech shares sparked by Tuesday's 9.5% slump for semiconductor giant Nvidia. That fall saw a record US\$279b wiped from Nvidia's market capitalisation on mounting fears the artificial intelligence euphoria might be overcooked.

Domestically, the slide in the ASX 200 was pretty much confined to Wednesday as the Aussie market slumped 1.9% in a kneejerk reaction to the big selloff on Wall Street the previous night. Resources have been the worst performers, dragged down by big falls in commodity prices.



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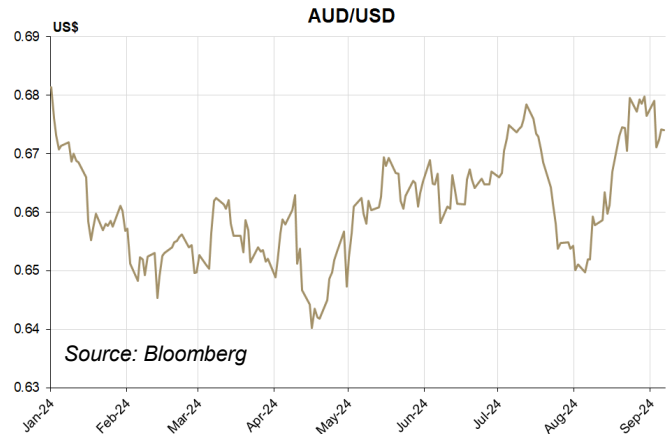
### Currencies

This was definitely not a good week for the Australian dollar. After starting September not far off its 2024 high, the Australian dollar took a dive on Tuesday, in reaction to deteriorating global market sentiment, soft Chinese data, and the slump in commodity prices.

The AUD managed to pare some losses later in the week, but remained the second weakest G10 currency, after the oil-dependent Norwegian krone.

The Aussie dollar depreciated most against the Japanese yen, which strengthened again this week, pushing the USD/JPY closer to its 2024 low. The Japanese currency was the strongest in the G10 basket.

The US dollar index, or the DXY, headed south most of the week, as disappointing US labour market data strengthened the case for more decisive monetary policy easing by the Fed.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6737	0.6795	0.6686	↓0.8	0.6871	0.6270
AUD/EUR		0.6062	0.6138	0.6053	↓1.2	0.6251	0.4990
AUD/GBP		0.5113	0.5170	0.5102	↓0.9	0.5393	0.4990
AUD/JPY		96.53	99.87	96.11	↓1.8	109.37	90.15
AUD/CNY		4.7751	4.8366	4.7614	↓1	4.9340	4.5273
EUR/USD		1.1112	1.1120	1.1026	↑0.4	1.1202	1.0448
GBP/USD		1.3177	1.3185	1.3088	↑0.1	1.3266	1.2037
USD/JPY		143.29	147.21	142.85	↓1	161.95	140.25
USD/CNY		7.0883	7.1249	7.0867	↓0.1	7.3499	7.0844

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6737	0.6748	0.6748	0.6738
AUD/EUR		0.6062	0.6048	0.6028	0.5983
AUD/GBP		0.5113	0.5119	0.5122	0.5126
AUD/JPY		96.53	95.48	94.46	92.69
AUD/NZD		1.0828	1.0843	1.0846	1.0838
AUD/SGD		0.8758	0.8731	0.8695	0.8622

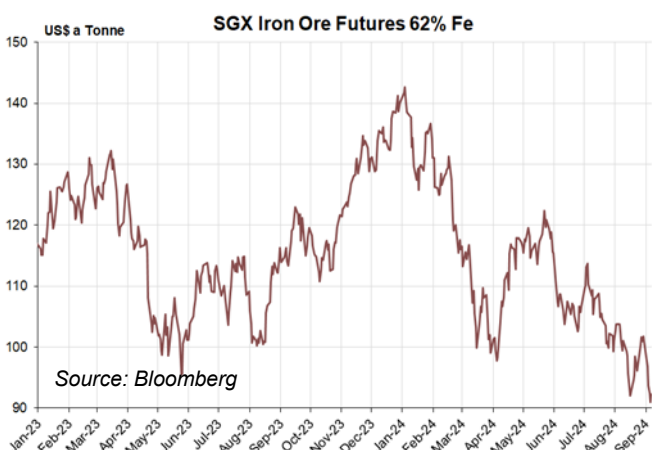
### Commodities

There have been big losses across a range of commodities this week, pushing the CRB commodity index to its lowest levels in almost a month.

Oil and iron ore prices have seen the biggest declines on mounting concerns over the Chinese economy following another set of tepid economic data.

The slump in oil prices to near 15-month lows prompted OPEC+ to push back its plans to return some supply to the market from an October start to December in an effort to support prices.

Iron ore futures prices dropped to 22-month lows, as a fall in the Chinese construction PMI to a record low (excluding the February 2020 COVID shutdown) added to concerns over the demand outlook.

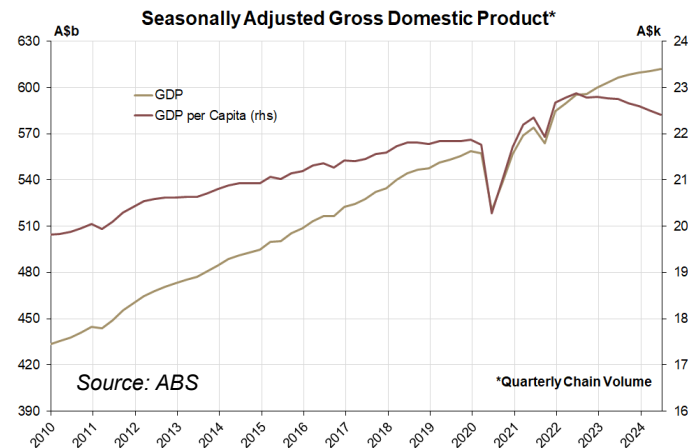


	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,514.81	\$2,523.46	\$2,471.95	(↓\$0.77)	\$2,531.75	\$1,810.51
Brent Crude Oil (US\$)	\$72.82	\$77.63	\$72.35	(↓\$7.17)	\$97.69	\$72.29
Mogas95* (US\$)	\$79.23	\$86.06	\$78.77	(↓\$8.27)	\$110.15	\$78.77
WTI Oil (US\$)	\$69.29	\$76.59	\$68.75	(↓\$6.72)	\$95.03	\$67.71
CRB Index	271.27	279.88	270.26	(↓8.61)	300.23	258.09
Iron Ore Price 62% Fe (US\$) **	\$91.30	\$101.50	\$90.35	(↓\$10.2)	\$143.50	\$90.35

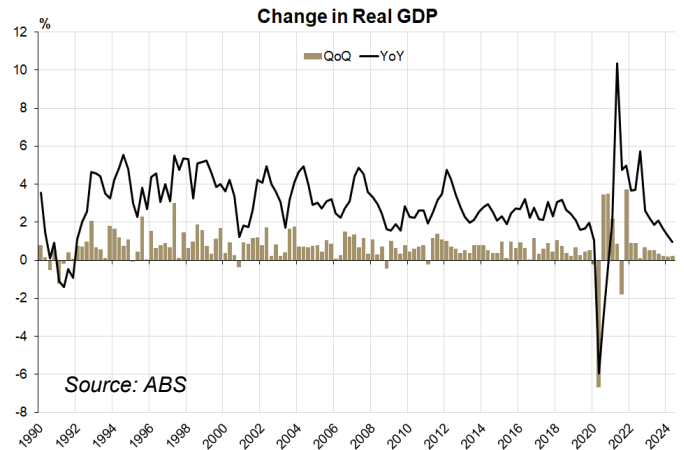
\*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.  
 \*\* The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

### DOMESTIC ECONOMY

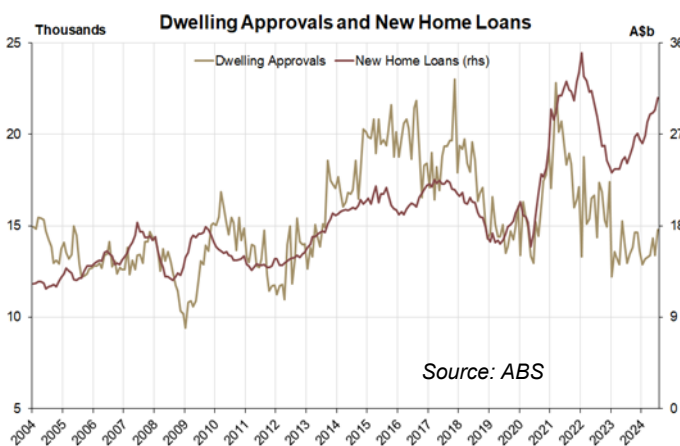
**Real GDP** continued to climb in Q2, but real GDP per capita declined further.



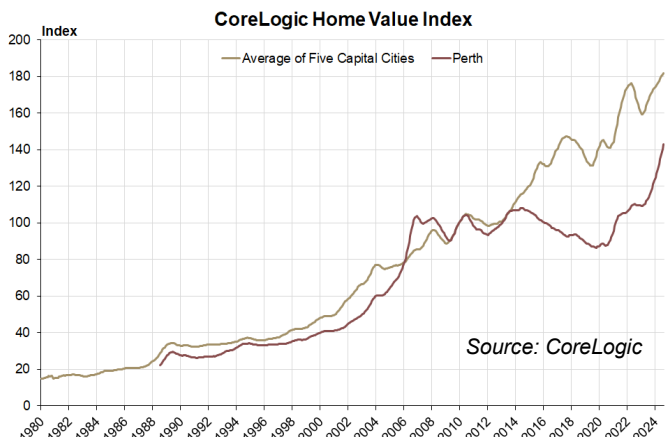
Outside of COVID-19, Australian economic growth is now the lowest since the **early 1990s recession**.



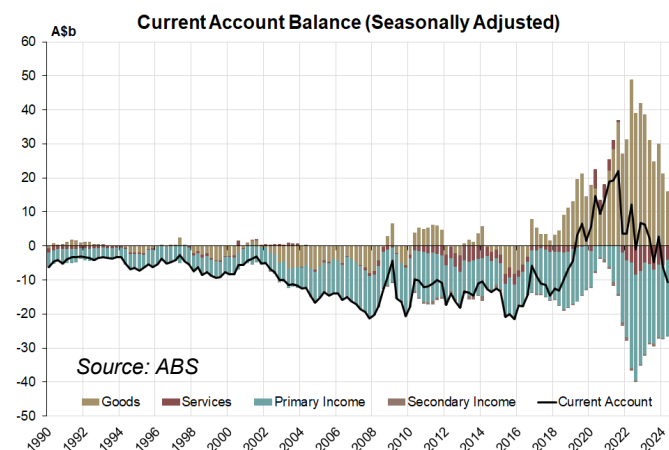
**Dwelling approvals** remain low by historical standards, but **new home loans** are in a strong uptrend.



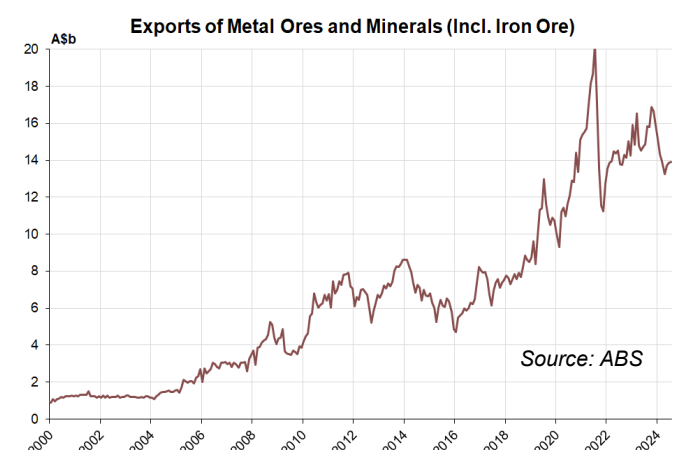
Average **home prices** continue to establish record levels, with Perth prices catching up quickly.



The **current account deficit** widened in Q2, dragged down by a lower trade surplus.

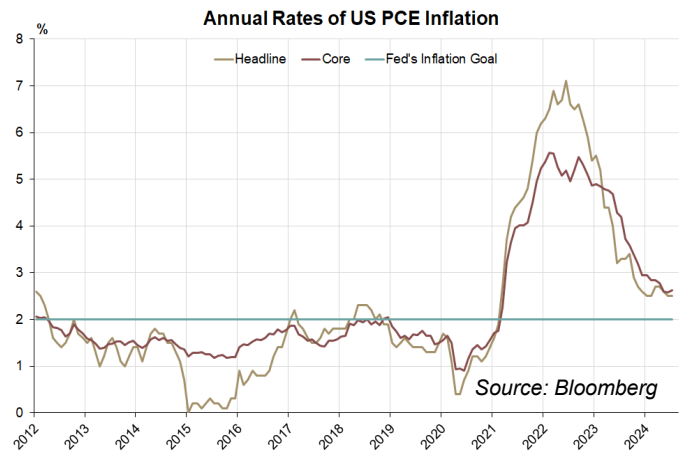


**Exports of metal ores and minerals** remain above pre-pandemic levels.

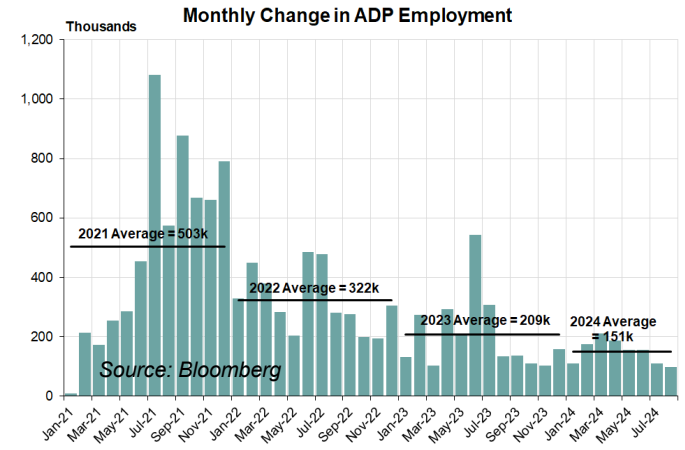


### GLOBAL ECONOMY

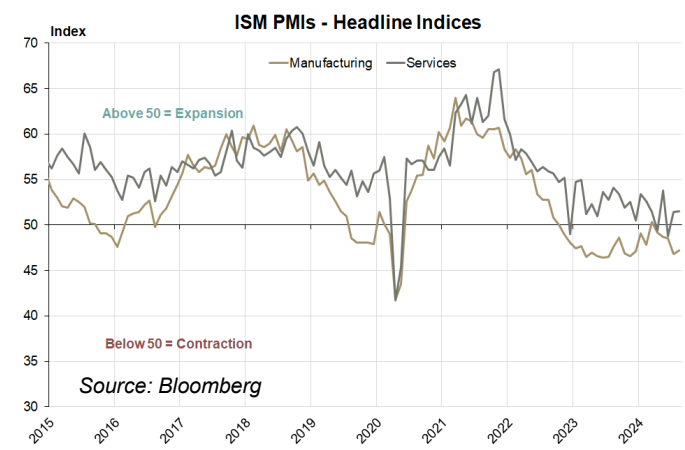
**US PCE inflation rates** remain above the FOMC goal.



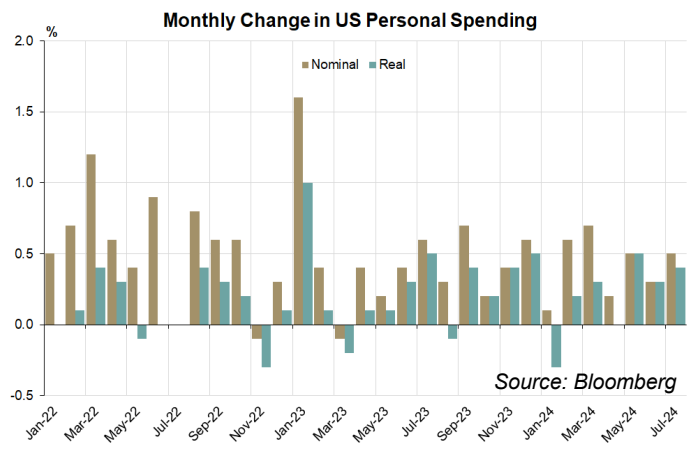
August saw the smallest gain in **US ADP employment** since early 2021.



The **ISM PMIs** suggested further contraction in manufacturing and only moderate expansion in services.



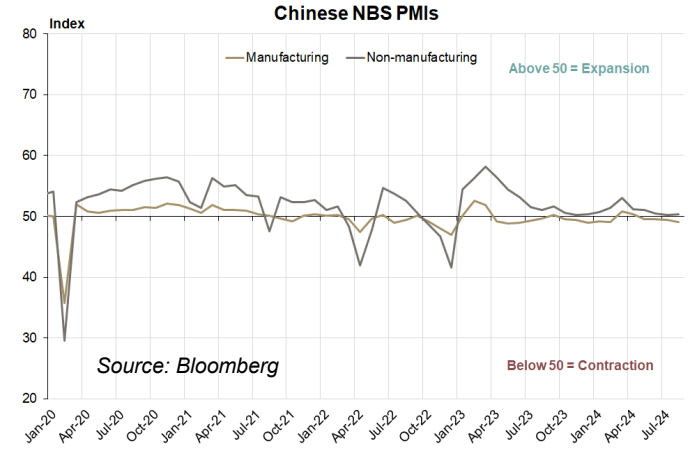
**US personal spending** continues to rise at a steady pace...



Also **JOLTS job openings** suggest that **US labour market conditions** are the softest in over three years.



The **Chinese PMIs** continued to signal slight contraction in manufacturing and sluggish growth in other sectors.



# WESTERN AUSTRALIAN TREASURY CORPORATION

## Market WATCH Weekly

6 September 2024

### KEY ECONOMIC EVENTS

#### Last Week

	Event	Actual	Forecast	Previous	Comment
<b>Mon 02</b>					
AU	Dwelling Approvals (MoM, Jul)	10.4%	2.8%	-6.4%	Supported by a rebound in apartment approvals.
AU	CoreLogic Home Prices (MoM, Aug)	0.5%	-	0.5%	Perth prices rose by 2.0%, to be above Melbourne.
AU	MI Inflation Gauge (MoM, Aug)	-0.1%	-	0.4%	The annual rate down 0.3ppts to 2.5%.
AU	ANZ Job Ads (MoM, Aug)	-2.1%	-	-2.7%	Seventh monthly fall in a row.
CH	Caixin Manufacturing PMI (Aug)	50.4	-	49.8	NBS PMI was 49.1, pointing to contraction.
<b>Tue 03</b>					
AU	Current Account (Q2)	-\$10.7b	-\$5.0b	-\$6.3b	Deficit the widest in six years.
AU	ANZ Cons. Confidence (w/e 31 Aug)	0.6%	-	-0.5%	Inflation expectations are now the lowest since 2020.
US	ISM Manufacturing PMI (Aug)	47.5	47.2	46.8	Fall in new orders accelerated.
<b>Wed 04</b>					
AU	GDP (QoQ, Q2)	0.2%	0.2%	0.2%	Annual growth at just 1.0%, 2023-24 growth at 1.5%.
AU	Hsehold Spending Ind. (MoM, Jul)	0.8%	0.6%	-0.5%	Trend was flat in July.
CH	Caixin Services PMI (Aug)	51.6	51.8	52.1	Composite index was unchanged at 51.2 in August.
CA	BoC Decision (Policy Rate)	4.25%	4.25%	4.50%	50bps cuts fully priced in for the remainder of 2024.
US	JOLTS Job Openings (Jul)	7.7m	8.1m	7.9m	The lowest since February 2021.
US	Beige Book	-	-	-	Most districts reporting flat or declining activity.
<b>Thu 05</b>					
AU	Trade Balance (Jul)	A\$6.0b	A\$5.0b	A\$5.4b	Supported by higher exports and lower imports.
AU	RBA Governor M. Bullock Speaks	-	-	-	Thinking of rate cuts is still 'premature'.
US	ADP Employment (MoM, Aug)	99k	145k	111k	The smallest gain since January 2021.
US	ISM Services PMI (Aug)	51.5	51.4	51.4	Pointed to near-stagnant employment growth.
US	Initial Jobless Claims (w/e 31 Aug)	227k	230k	232k	Four-week average is also moving south.
<b>Fri 06</b>					
AU	Housing Finance (MoM, Jul)	3.9%	1.0%	1.0%	Strong growth in owner-occupier and investor loans.
<b>Tonight</b>					
US	Non-farm Payrolls (MoM, Aug)	-	165k	114k	Private sector payrolls expected to rise by 140k.
US	Unemployment Rate (Aug)	-	4.2%	4.3%	July increase driven by higher participation.

#### Next Week

	Event	Forecast	Previous	Comment
<b>Mon 09</b>				
CH	CPI (YoY, Aug)	0.7%	0.5%	Weak demand weighing on Chinese inflation.
CH	PPI (YoY, Aug)	-1.4%	-0.8%	The pace of Chinese deflation expected to accelerate.
<b>Tue 10</b>				
AU	NAB Business Conditions (Aug)	-	6	Judo Bank PMIs suggest improvement in conditions.
AU	NAB Business Confidence (Aug)	-	1	At below average levels.
AU	Westpac Consumer Sentiment (MoM, Sep)	-	2.8%	Remains depressed despite the recent improvement.
CH	Trade Balance (Sep)	US\$81.5b	US\$84.7b	Chinese external trade has shown signs of life of late.
US	NFIB Small Business Optimism (Aug)	-	93.7	Still depressed but has improved in recent months.
<b>Wed 11</b>				
AU	RBA Assistant Governor Speaks	-	-	S. Hunter's speech at the Barrenjoey Economic Forum.
UK	Monthly GDP (MoM, Jul)	-	0.0%	UK business indicators have not been that bad.
US	CPI (MoM, Sep)	0.2%	0.2%	Annual rate expected to decline 0.3ppts to 2.6%.
<b>Thu 12</b>				
AU	MI Consumer Inflation Expectations (Sep)	-	4.5%	Weekly figures pointed to a decline.
US	PPI (MoM, Sep)	0.2%	0.1%	ISM reports suggested slightly faster growth in PPI.
<b>Fri 13</b>				
US	UoM Consumer Sentiment (Sep, prelim.)	-	67.9	Will contain inflation expectations tracked by the Fed.