

### THIS WEEK'S HIGHLIGHTS

- In Australia, retail trade saw a surprising decline in March. Dwelling approvals and new home loans rose in March, while the CoreLogic home value index rose again in April. The goods trade surplus fell in March.
- Abroad, the FOMC left the fed funds rate target range unchanged this week, but slowed the pace of quantitative tightening.
- From global data, the ISM manufacturing PMI slipped back into contraction in April, while ADP employment saw another increase. The Chinese PMIs pointed to a mixed picture in manufacturing and a slowdown in services.

### NEXT WEEK'S HIGHLIGHTS

- The most important domestic event next week will be the RBA decision on Tuesday, followed by the post-meeting conference by RBA Governor Michele Bullock and the quarterly Statement on Monetary Policy with updated projections on the same day.
- Data-wise, the Melbourne Institute inflation gauge for April will come out on Monday, followed by Q1 retail sales volumes on Tuesday.
- The key events offshore will be the March Caixin Chinese services PMI on Monday, the Bank of England decision on Thursday and the UK Q1 GDP report on Friday. Friday will also see the University of Michigan consumer sentiment report, which will include consumer inflation expectations closely 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	4.32 (0 pt)	USD 3-month	5.59 (↑1 pt)	ASX200	7630 (↑43 pt)
US (IOR)	5.40 (0 pt)	90-day Bills	4.41 (↓1 pt)	2-yr T-Notes	4.87 (↓12 pt)	S&P500	5064 (↑16 pt)
Eurozone (Deposit)	4.00 (0 pt)	3-yr T-Bond	4.04 (↓10 pt)	10-yr T-Notes	4.58 (↓11 pt)	DJIA	38226 (↑140 pt)
UK	5.25 (0 pt)	10-yr T-Bond	4.42 (↓10 pt)	Jap 10-yr	0.90 (↓1 pt)	Nikkei	38236 (↑456 pt)
Japan (Lower)	0.00 (0 pt)	3-yr WATC Bond	4.37 (↓7 pt)	UK 10-yr	4.29 (↓8 pt)	CSI300	3604 (↑36 pt)
China (1Y LPR)	3.45 (0 pt)	10-yr WATC Bond	5.11 (↓8 pt)	Ger 10-yr	2.54 (↓9 pt)	Stoxx600	503 (↑1 pt)

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

## FINANCIAL MARKETS OVERVIEW

### Interest Rates

Government bond yields are down across the board this week.

The FOMC left the fed funds rate target range unchanged at 5.25-5.50% and slowed the pace of quantitative tightening by reducing the monthly redemption cap on maturing Treasuries on its balance sheet to US\$25b from US\$60b. Fed Chair Jerome Powell stressed that, given the recent upside surprises to US inflation, gaining sufficient confidence to embark on rate cuts will likely take a bit longer. However, he ruled out rate hikes.

Fed funds rate expectations are hardly changed for the week, with the first cut fully priced in for November.

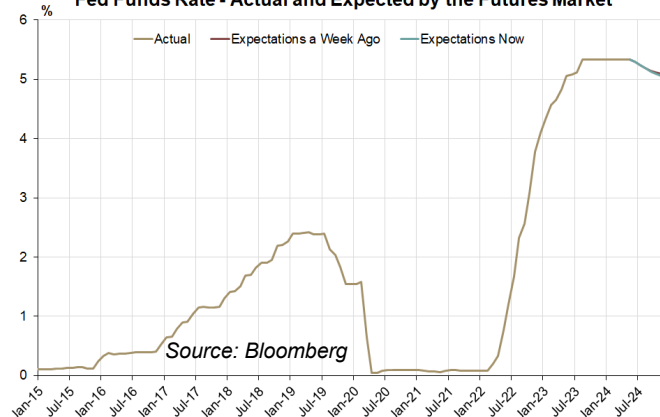
In its new Economic Outlook, OECD suggested that RBA monetary policy should remain restrictive 'in the short term' to bring inflation down. Markets continue to expect no cash rate cuts this year.

### Equities

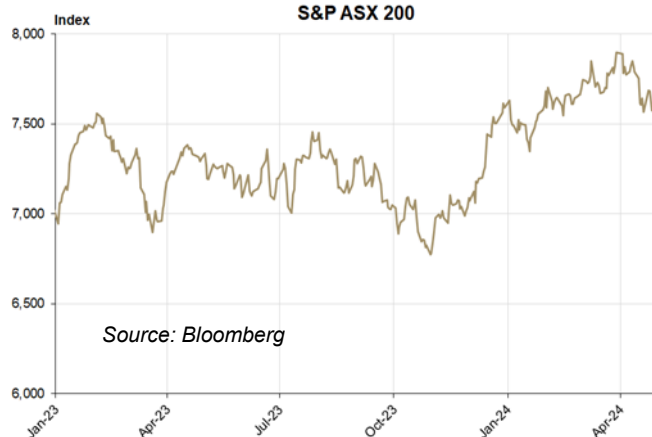
US equities opened the week positively, closing Monday's session at a 2½-week high. However, they fell sharply on Tuesday, as news of higher-than-expected US Q1 labour cost growth added to concerns that the rebound in inflation early this year will delay Fed rate cuts. The market bounced on Thursday night, since the FOMC statement and Chair Powell's press conference were not as hawkish as feared.

The Aussie market has climbed over four of the past five days. The only decline was a big fall on Wednesday, which followed the sharp decline on Wall Street the previous night, but the market picked up again over the past couple of days. Info tech and real estate have been the strongest sectors, while consumer staples, energy and industrials were the weakest.

Fed Funds Rate - Actual and Expected by the Futures Market



S&P ASX 200



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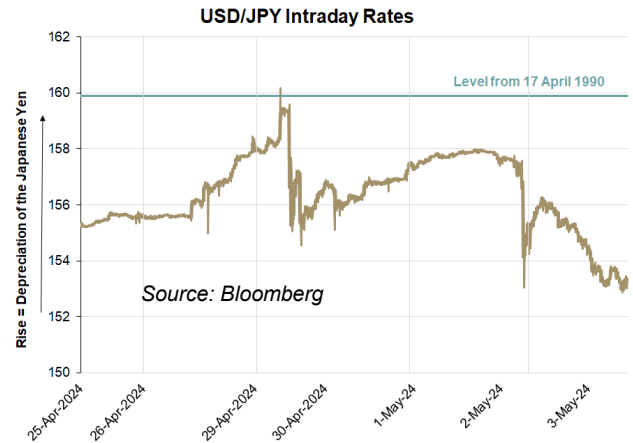
### Currencies

It has been a rollercoaster week for the Australian dollar. However, over the past two days, the currency has made up for all the losses from earlier in the week.

The AUD took a hit from the disappointing domestic retail trade figures on Tuesday. The sell-off gathered pace during the US session, with the upside surprise to the US employment cost index sparking temporary concerns that the FOMC might keep the fed funds rate at the current level for longer, if not increase it. Those concerns eased, as Chair Powell ruled out rate hikes on Thursday morning, and the Aussie has been trending upwards since then.

Overall, the AUD is up versus all the major currencies for the week, with the notable exception of the Japanese yen.

The JPY was in freefall last Friday, hitting an over 30-year low, against the greenback, and an 11-year low against the Aussie. This was followed by two short and sharp appreciation episodes on Monday afternoon and Wednesday night that have pushed the yen higher, sparking speculation of foreign exchange intervention by Japanese authorities.



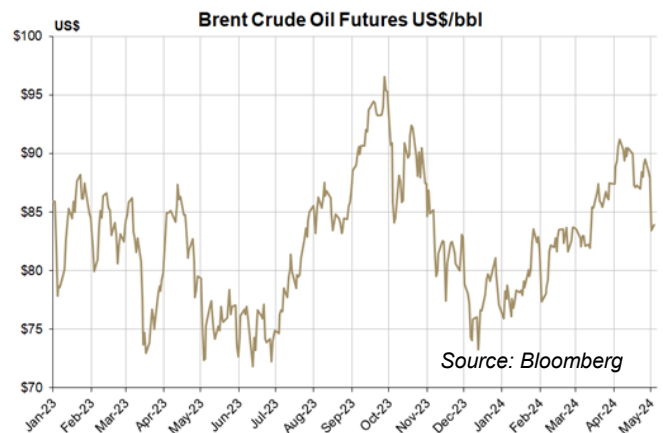
Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6579	0.6587	0.6465	↑0.9	0.6900	0.6270
AUD/EUR		0.6129	0.6138	0.6062	↑0.8	0.6310	0.5007
AUD/GBP		0.5240	0.5251	0.5179	↑0.4	0.5405	0.5007
AUD/JPY		100.58	104.94	99.94	↓1.2	104.94	89.17
AUD/CNY		4.7639	4.7716	4.6823	↑0.9	4.9348	4.5884
EUR/USD		1.0737	1.0740	1.0650	↑0.2	1.1276	1.0448
GBP/USD		1.2556	1.2570	1.2466	↑0.5	1.3142	1.2037
USD/JPY		152.87	160.17	152.76	↓2.1	160.17	133.50
USD/CNY		7.2411	7.2473	7.2275	↓0.1	7.3499	6.8924

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6579	0.6596	0.6609	0.6626
AUD/EUR		0.6129	0.6120	0.6105	0.6064
AUD/GBP		0.5240	0.5251	0.5257	0.5262
AUD/JPY		100.58	99.45	98.31	96.10
AUD/NZD		1.1013	1.1042	1.1064	1.1088
AUD/SGD		0.8896	0.8881	0.8858	0.8803

### Commodities

Oil prices have slipped this week, as news of a bigger-than-expected increase in US oil inventories, evidence of a sharp fall in US fuel demand and rising hopes for a ceasefire in Gaza drove a big fall in the second half of the week. Prices are currently sitting at its lowest levels since mid-March.

Iron ore futures prices fell midweek on reports the Chinese Government will adjust steel production limits amid excess supply. Weak revenue and profits among steelmakers and further news around tariffs on Chinese steel exports added to the downward pressure, although prices have picked up again over the past couple of days.

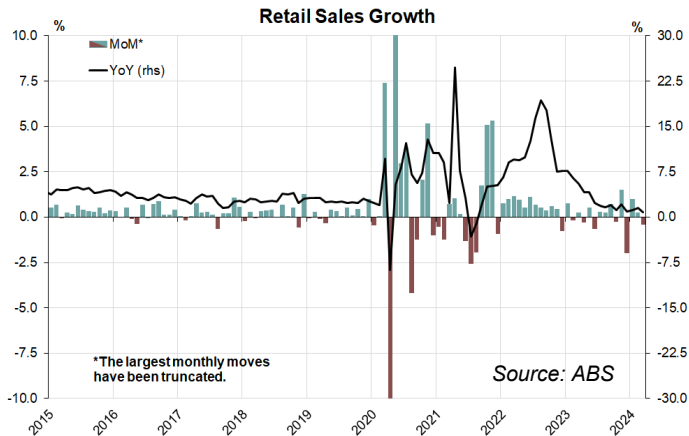


	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,302.41	\$2,346.83	\$2,281.73	(↓\$30.75)	\$2,431.52	\$1,810.51
Brent Crude Oil (US\$)	\$83.86	\$89.29	\$83.05	(↓\$5.46)	\$97.69	\$71.39
Mogas95* (US\$)	\$99.12	\$106.62	\$97.82	(↓\$6.63)	\$110.15	\$80.82
WTI Oil (US\$)	\$79.13	\$83.91	\$78.41	(↓\$4.68)	\$95.03	\$63.64
CRB Index	284.74	295.30	284.74	(↓12.92)	298.18	253.85
Iron Ore Price 62% Fe (US\$) **	\$116.55	\$118.35	\$114.35	(↓\$1.3)	\$143.50	\$94.00

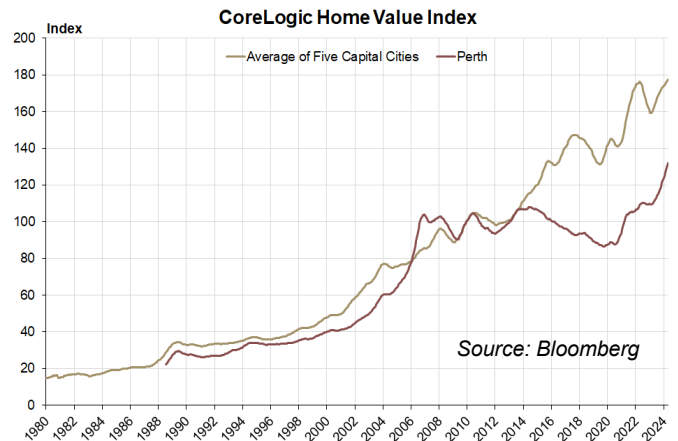
\*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.  
\*\* The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

### DOMESTIC ECONOMY

**Retail sales** declined in March, taking the annual growth rate to the lowest level in this expansion.

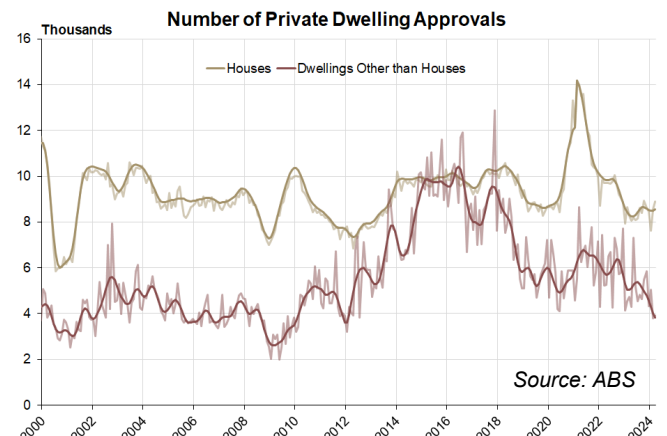
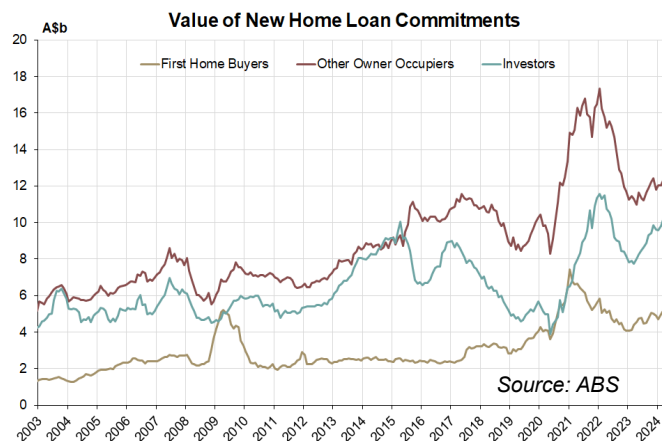


According to the CoreLogic report, **dwelling prices** continued their ascent in April.



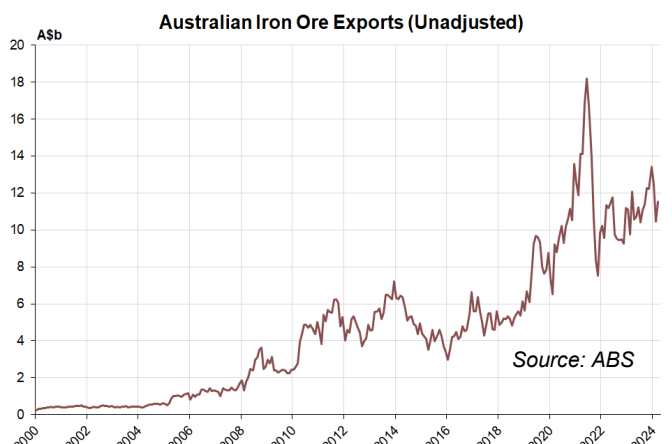
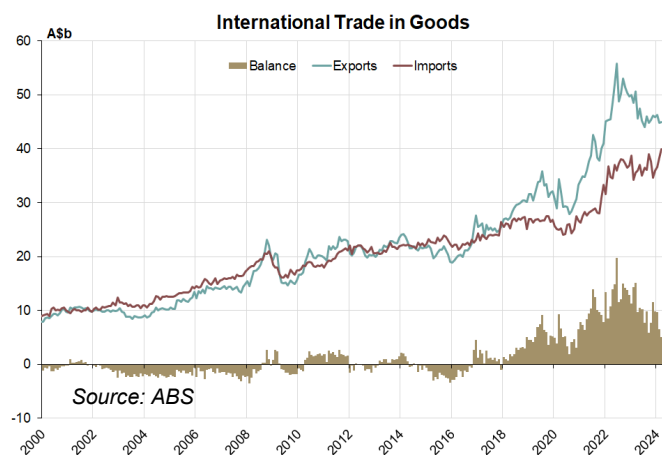
**New home loans** saw a broad-based increase in March, with investor loans leading the way.

**Private sector house approvals** have stabilised at a low level and other private approvals are trending downwards.



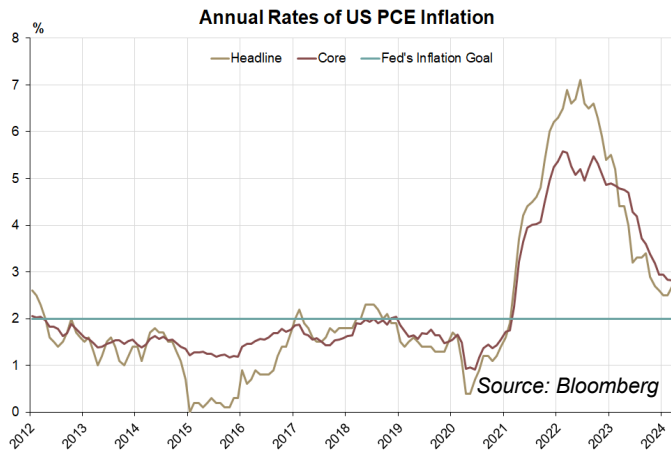
**Goods trade surplus** declined in March, as imports saw a broad-based and solid increase.

While off 2021 highs, the value of **iron ore exports** remains elevated compared to pre-pandemic standards.

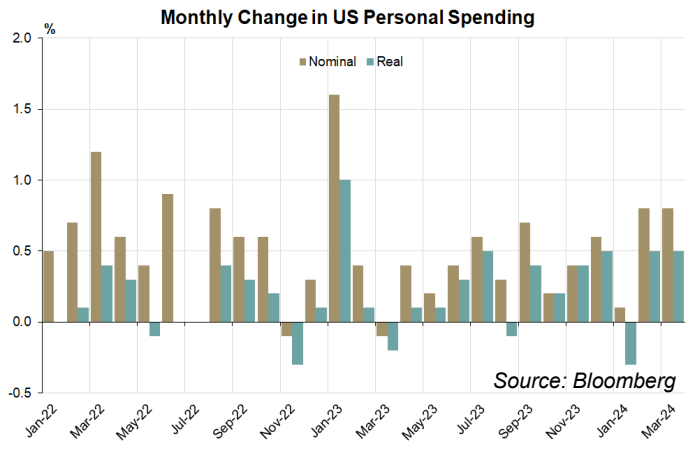


### GLOBAL ECONOMY

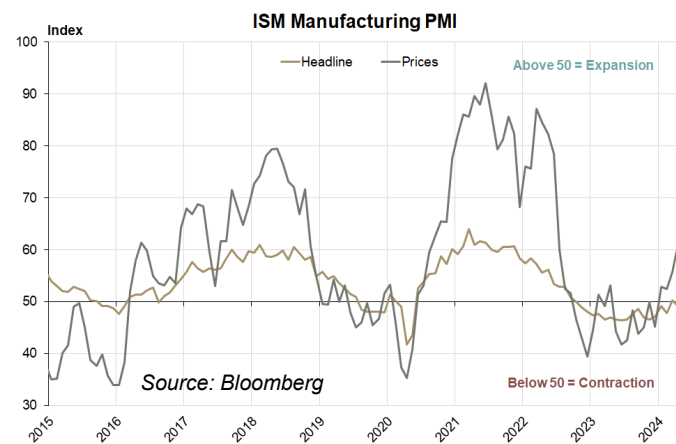
The annual rate of **US headline PCE inflation** picked up in March, while core inflation was steady and above the goal.



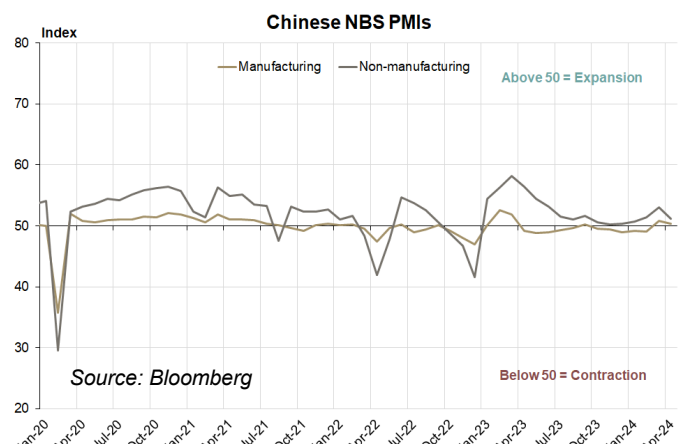
**US personal spending** saw another solid increase in March, both in real and nominal terms.



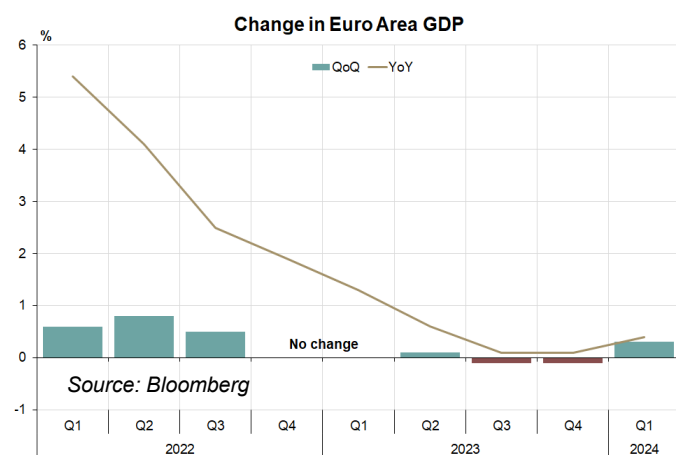
The **ISM manufacturing PMI** slipped back into contraction in April, while prices paid growth accelerated.



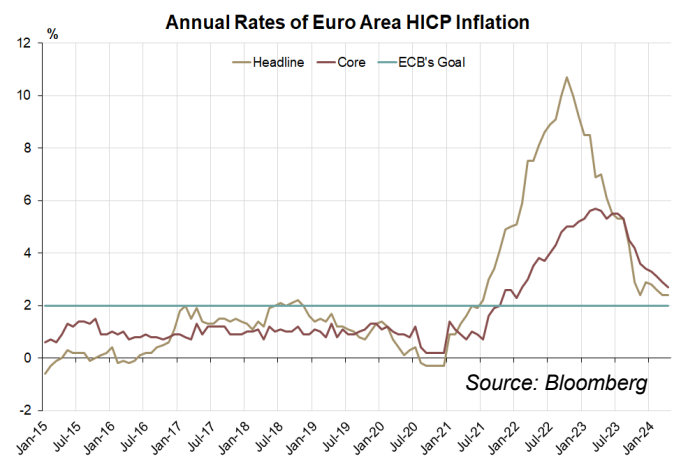
The **Chinese PMIs** continue to suggest near-stagnant conditions in the economy.



The **euro area** has exited a technical recession, which it turned out to have entered after a downward revision of Q4.



**Euro area HICP inflation** stalled somewhat above the ECB's goal in April, while core inflation declined further.



# WESTERN AUSTRALIAN TREASURY CORPORATION

## Market WATCH Weekly

3 May 2024

### KEY ECONOMIC EVENTS

#### Last Week

Event	Actual	Forecast	Previous	Comment	
<b>Mon 29</b>					
<i>No market-moving data.</i>					
<b>Tue 30</b>					
AU	Retail Trade (MoM, Mar)	-0.4%	0.2%	0.2%	Food retailing the only category to see a gain.
AU	Private Sector Credit (MoM, Mar)	0.3%	0.4%	0.5%	Annual rate +0.1ppts to 5.1%, the most since Sep-23.
AU	ANZ Cons. Conf. (w/e 27 Apr)	1.0%	-	-3.8%	Inflation expectations up 0.3ppts to 5.3%.
CH	NBS Composite PMI (Apr)	51.7	-	52.7	Slowdown in both services and manufacturing.
CH	Caixin Manufacturing PMI (Apr)	51.4	51.0	51.1	New export orders rose the fastest in 3.5 years.
EZ	GDP (QoQ, Q1)	0.3%	0.1%	-0.1%	Technical recession in the euro area in late 2023.
EZ	HICP (YoY, Apr, flash)	2.4%	2.4%	2.4%	Core inflation down 0.2ppts to 2.7%.
US	Employment Costs Index (QoQ, Q1)	1.2%	1.0%	0.9%	The strongest gain in a year.
US	C-S Hse Price 20 Cities (MoM, Mar)	0.6%	0.1%	0.1%	Annual rate accelerated to 7.3%.
US	Conference Board Cons. Conf. (Apr)	97.0	104.0	103.1	The lowest level since mid-2022.
<b>Wed 01</b>					
AU	CoreLogic House Prices (MoM, Apr)	0.6%	-	0.6%	Perth again saw the strongest increase, of 2.0%.
US	ADP Employment (MoM, Apr)	192k	183k	208k	March figure revised up from 184k.
US	ISM Manufacturing PMI (Apr)	49.2	50.0	50.3	Prices paid inflation accelerated in April.
US	JOLTS Job Openings (Mar)	8.5m	8.7m	8.8m	Still 2 million more job openings than unemployed.
US	FOMC Decision (IoER)	5.40%	5.40%	5.40%	Redemption cap on maturing Treasuries halved.
<b>Thu 02</b>					
AU	Dwelling Approvals (MoM, Mar)	1.9%	3.4%	-0.9%	Private sector house approvals up 3.8%.
AU	Trade Balance (Mar)	A\$5.0b	A\$7.3b	A\$7.0b	Dragged down by a solid broad-based rise in imports.
US	Initial Jobless Claims (w/e 27 Apr)	208k	211k	208k	Continued claims also unchanged in w/e 20 April.
<b>Fri 03</b>					
AU	Housing Finance (MoM, Mar)	3.1%	1.0%	1.9%	A broad-based increase.
AU	Household Spend. Ind. (YoY, Mar)	2.1%	-	3.6%	Discretionary spending down 0.1% YoY.
<b>Tonight</b>					
US	Non-farm Payrolls (MoM, Apr)	-	240k	303k	US labour market keeps surprising with its strength.
US	Unemployment Rate (Apr)	-	3.8%	3.8%	Below the FOMC's longer-run estimate of 4.1%
US	ISM Services PMI (Apr)	-	52.0	51.4	S&P Global PMIs pointed to slower expansion.

#### Next Week

Event	Forecast	Previous	Comment	
<b>Mon 06</b>				
AU	Melb. Inst. Inflation Gauge (MoM, Apr)	-	0.1%	First insights into consumer prices in April
CH	Caixin Services PMI (Apr)	-	52.7	The official figures suggest slower expansion.
<b>Tue 07</b>				
AU	RBA Decision (Cash Rate Target)	4.35%	4.35%	Rate cut expectations have moved to 2025.
AU	RBA Governor M. Bullock Speaks	-	-	A hawkish change to forward guidance possible.
AU	RBA Statement on Monetary Policy	-	-	Inflation forecasts may be revised upwards.
AU	Retail Sales Volumes (QoQ, Q4)	-0.3%	0.3%	Monthly reports point to a soft result.
<b>Wed 08</b>				
<i>No market-moving data.</i>				
<b>Thu 09</b>				
UK	Bank of England Decision (Bank Rate)	5.25%	5.25%	The first cut fully priced in for September.
<b>Fri 10</b>				
UK	GDP (QoQ, Q1)	0.4%	-0.3%	UK expected to climb out of recession.
US	UoM Cons. Conf. (Apr, prel.)	77.0	77.2	Will contain inflation expectations tracked by the Fed.