

THIS WEEK'S HIGHLIGHTS

- In Australia, the monthly CPI indicator suggested that annual consumer price inflation rose to 4.0% in May. Private sector credit growth remained steady in May. Westpac consumer confidence picked up in June, but remained depressed. Melbourne Institute consumer inflation expectations also rose in June, yet are well off their mid-2022 highs. Job vacancies declined between February and May.
- Abroad, US core capital goods orders fell in May, while US Q1 household spending growth was revised down.

NEXT WEEK'S HIGHLIGHTS

- A busy week ahead domestically, with the June CoreLogic house price index and Melbourne Institute inflation gauge on Monday, the RBA Board minutes on Tuesday, May retail sales and dwelling approvals on Wednesday, May trade balance on Thursday and May household spending indicator on Friday.
- The highlights offshore include the FOMC minutes, US labour market figures as well as the US and Chinese PMIs. The results of the first round of the French general election on the weekend could also turn out to be a potential market mover.

Central Bank Rates (%)	Weekly Change	Australian Interest Rates (%)	Weekly Change	Major Overseas Interest Rates (%)	Weekly Change	Global Equities	Weekly Change
Australia	4.35	O/N Interbank Cash	4.33	USD 3-month	5.60	ASX200	7797
US (IOR)	5.40	90-day Bills	4.45	2-yr T-Notes	4.72	S&P500	5483
Eurozone (Deposit)	3.75	3-yr T-Bond	4.11	10-yr T-Notes	4.31	DJIA	39164
UK	5.25	10-yr T-Bond	4.36	Jap 10-yr	1.09	Nikkei	39703
Japan (Lower)	0.00	3-yr WATC Bond	4.39	UK 10-yr	4.13	CSI300	3478
China (1Y LPR)	3.45	10-yr WATC Bond	4.99	Ger 10-yr	2.45	Stoxx600	513

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

FINANCIAL MARKETS OVERVIEW

Interest Rates

Government bond yields generally rose last week, with Australian yields seeing relatively strong increases.

The sell-off in Commonwealth bonds came as RBA cash rate expectations increased significantly after the upside surprise to the May CPI indicator, especially given the hawkish post-meeting statement from the RBA Board last week, signalling unease with inflation remaining persistently above its target range. A 25bps hike is currently around 40% priced in for August, and rate cut expectations have moved towards the end of 2025.

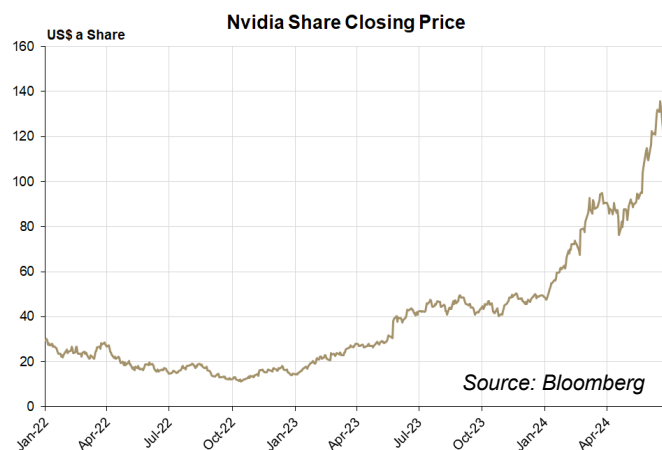
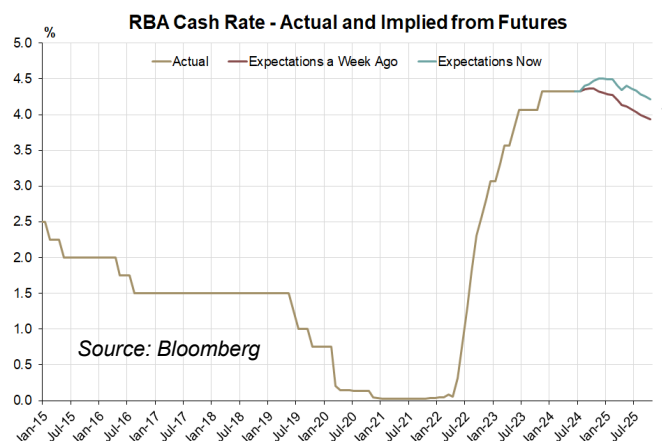
There was some RBA-speak this week, which was quite mixed. On the one hand, Assistant Governor Chris Kent presented ample evidence that Aussie financial conditions are restrictive, but conceded that the recent economic data 'reinforced the need to remain vigilant to the upside risks to inflation'. On the other hand, Deputy Governor Andrew Hauser, when asked about the upside surprise to the monthly CPI indicator, said that it would be a mistake to set monetary policy based on one statistical release.

Equities

US and Aussie equities are up for the week, with a lot of volatility on the way.

Wall Street started the week on the back foot, amid a sell-off in information technology as investors withdrew from the semiconductor balloon. However, the following sessions brought some recovery to infotech stocks, but the performance was rather lacklustre, as investors await the PCE inflation figures due tonight.

Aussie stocks outperformed their US equivalents slightly, despite the upside surprise to the monthly CPI indicator triggering some panic on Wednesday, which dragged into Thursday. Today brought some improvement to market sentiment, however, thanks to which the ASX 200 is 0.3% up for the week.



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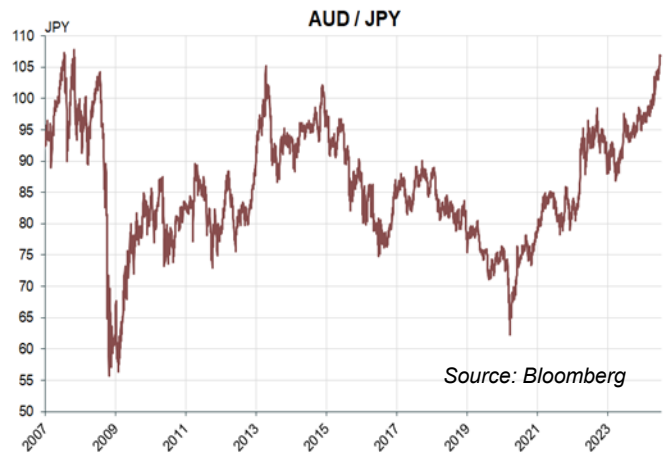
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Currencies

The Aussie dollar traded in a narrow range against the greenback this week.

The currency spiked to almost US\$0.70 on Wednesday after the higher-than-expected Aussie inflation indicator, drove a sharp increase in pricing for a further interest rate increase by the RBA. However, the Aussie fell back almost as quickly as it rose, partly as a result of a lift in the greenback. The currency came under fresh downward pressure on Thursday after new RBA Deputy Governor Andrew Hauser said the monthly CPI would not necessarily prompt a rate hike on its own and hit its weekly low this morning before stabilising.

The big mover this week has again been the Japanese yen which fell to its lowest level against the greenback since 1986 and its lowest level against the Aussie dollar since 2007.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6638	0.6689	0.6620	↓0.3	0.6895	0.6270
AUD/EUR		0.6206	0.6251	0.6187	↓0.2	0.6251	0.5007
AUD/GBP		0.5253	0.5279	0.5233	↓0.1	0.5393	0.5007
AUD/JPY		106.81	107.07	105.61	↑0.9	107.07	91.80
AUD/CNY		4.8233	4.8602	4.8112	↓0.3	4.9348	4.5884
EUR/USD		1.0695	1.0746	1.0666	↓0.2	1.1276	1.0448
GBP/USD		1.2636	1.2702	1.2613	↓0.2	1.3142	1.2037
USD/JPY		160.91	161.27	158.82	↑1.3	161.27	137.25
USD/CNY		7.2663	7.2690	7.2576	↑0.1	7.3499	7.0880

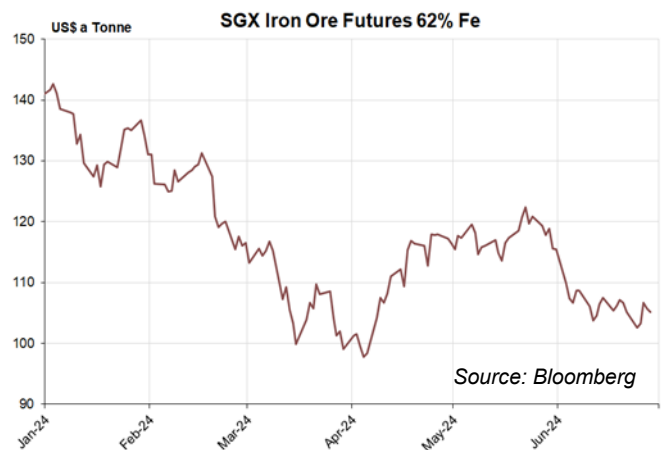
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6638	0.6654	0.6665	0.6672
AUD/EUR		0.6206	0.6193	0.6174	0.6129
AUD/GBP		0.5253	0.5262	0.5267	0.5270
AUD/JPY		106.81	105.59	104.27	102.02
AUD/NZD		1.0930	1.0956	1.0977	1.0998
AUD/SGD		0.9012	0.8995	0.8971	0.8910

Commodities

It's been another tough week for commodities, with the CRB commodity price index appearing on track for its fourth weekly loss in the past five weeks.

Brent crude oil futures prices have traded in a fairly narrow range after climbing back above US\$85.00 a barrel 1½ weeks ago. Prices appeared to be heading for a small loss for the week before popping higher on Thursday as rising concerns that war could breakout between Israel and Hezbollah offset signs of weaker US demand.

Iron ore futures prices, continued to slide early in the week, hitting an 11-week low on Tuesday as lingering concerns over the health of the Chinese property sector weighed on the outlook for steel demand. Midweek reports of a fresh easing in homebuyer requirements in Beijing helped lift prices off their lows

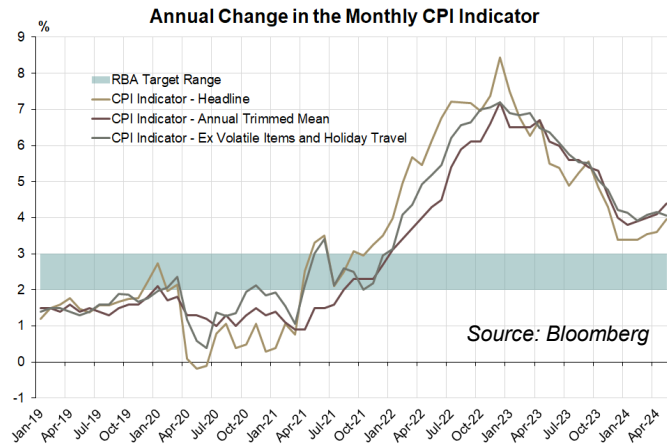


	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,323.23	\$2,337.16	\$2,293.75	(↓\$35.54)	\$2,450.07	\$1,810.51
Brent Crude Oil (US\$)	\$86.78	\$86.78	\$84.47	(↑\$1.16)	\$97.69	\$72.29
Mogas95* (US\$)	\$96.22	\$97.12	\$94.00	(↑\$1.18)	\$110.15	\$81.53
WTI Oil (US\$)	\$82.19	\$82.22	\$80.18	(↑\$0.97)	\$95.03	\$67.71
CRB Index	291.30	294.78	291.29	(↓4.08)	300.23	258.09
Iron Ore Price 62% Fe (US\$) **	\$105.65	\$107.45	\$101.95	(↓\$1)	\$143.50	\$95.40

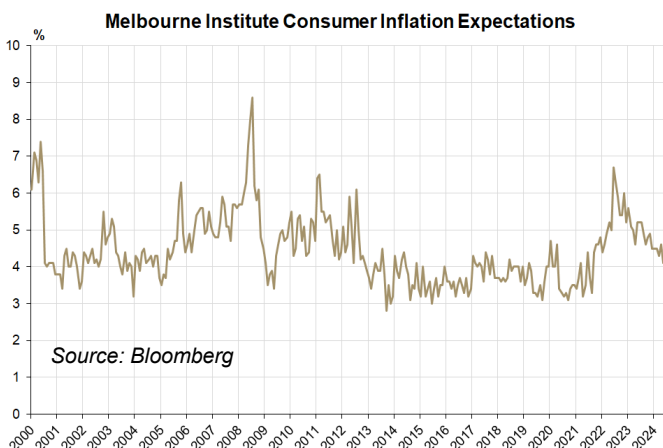
*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.
 ** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

DOMESTIC ECONOMY

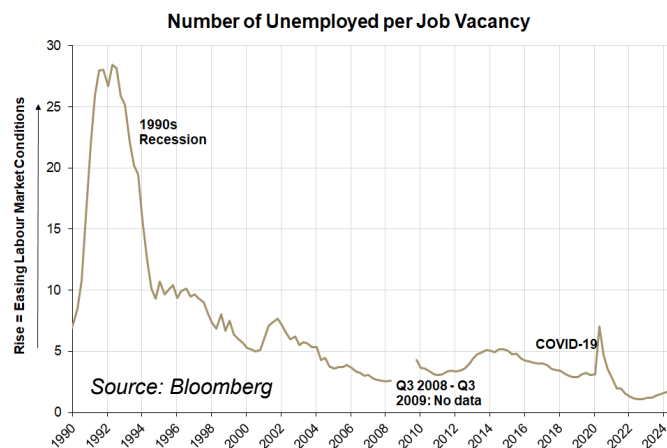
The **monthly CPI indicator** saw higher inflation in May, but the ex volatile items and holiday travel indicator fell.



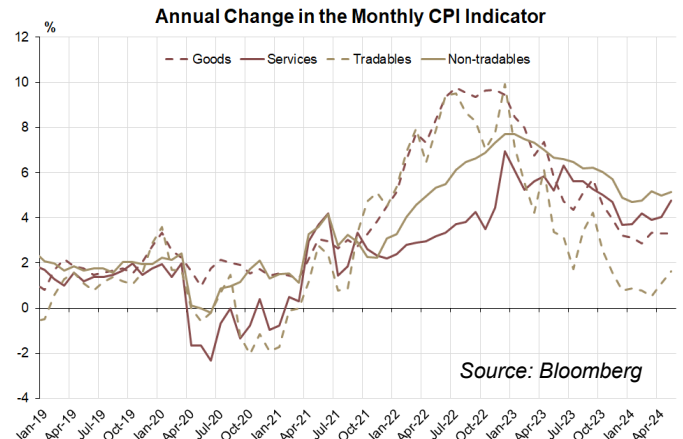
Consumer inflation expectations picked up in June, but remain well off their mid-2022 highs.



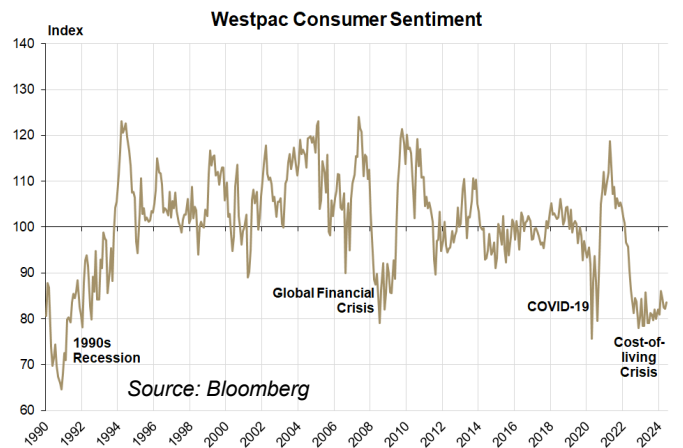
Dismal consumer sentiment stands in a stark contrast with still very good **labour market conditions**.



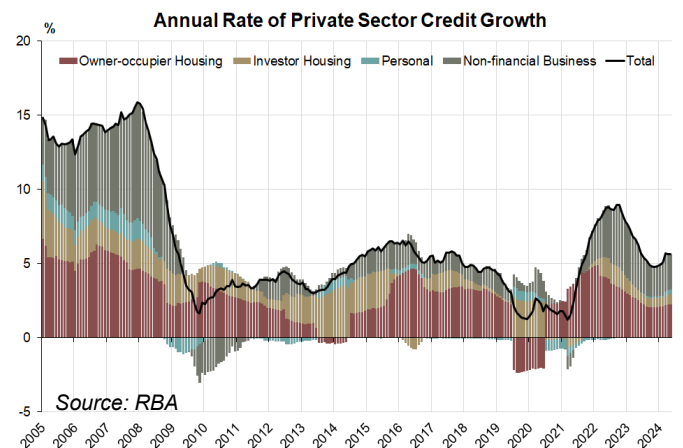
Inflation rates for **services and non-tradables** remained high and increased in May.



Despite an uptick in June, **Westpac consumer confidence** is still at recessionary levels.

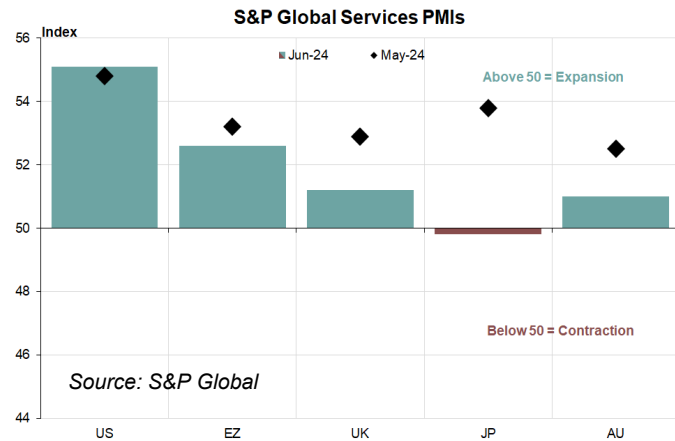


Private sector credit growth has slowed from its 2022 peak, but remains solid.

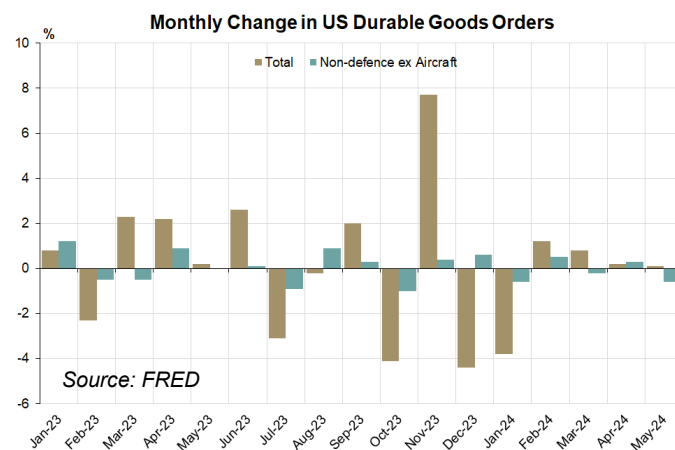


GLOBAL ECONOMY

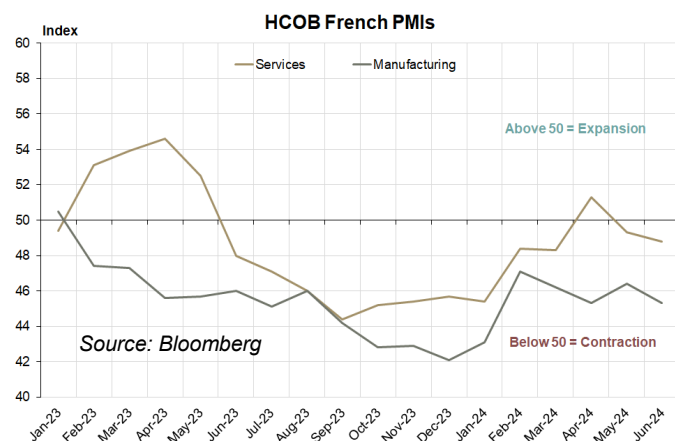
The **S&P Global services PMIs** were weaker in the developed economies in June except the US...



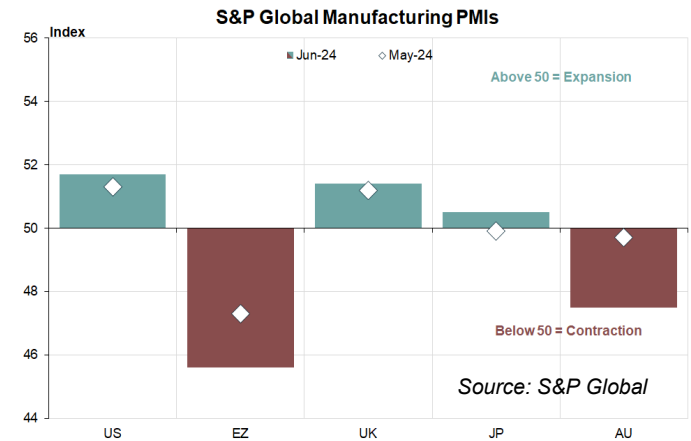
US durable goods orders saw only a slight increase in May, while core capital goods orders fell.



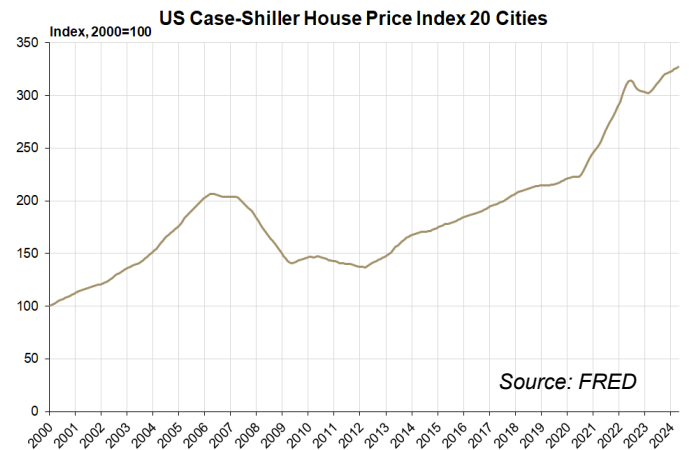
The **French services PMI** saw the second month of contraction in June, while manufacturing activity fell further.



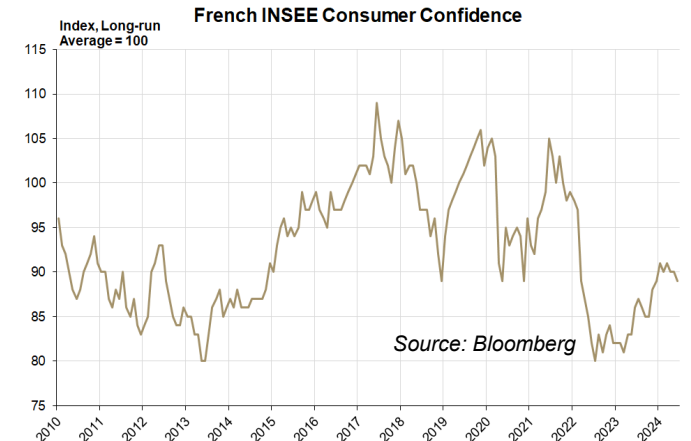
... while results for **manufacturing** were mixed, with contraction in the euro area accelerating in June.



US house prices continue to establish new record highs, despite historically high mortgage interest rates.



French consumers turned more pessimistic ahead of the uncertain general election outcome in June and July.



WESTERN AUSTRALIAN TREASURY CORPORATION

Market WATCH Weekly

28 June 2024

KEY ECONOMIC EVENTS

Last Week

	Event	Actual	Forecast	Previous	Comment
Mon 24	<i>No market-moving data.</i>				
Tue 25					
AU	Westpac Cons. Sent. (MoM, Jun)	1.7%	-	-0.3%	Remains at recessionary levels despite the increase.
US	CFNAI (May)	0.18	-0.25	-0.26	Improvement driven by the production indicators.
US	C-S Hse Prices 20 Cities (YoY, Apr)	0.4%	0.3%	0.3%	Up 7.2% YoY and at a new record high.
US	Conf. Board Cons. Conf. (Jun)	100.4	100.0	101.4	Assessment of the present situation improved in Jun.
Wed 26					
AU	Monthly CPI Indicator (YoY, May)	4.0%	3.8%	3.6%	Annual trimmed mean inflation up 0.3ppts to 4.4%.
AU	RBA Assistant Gov Kent Speaks	-	-	-	Financial conditions definitely restrictive in Australia.
Thu 27					
AU	MI Consumer Infl. Exp. (Jun)	4.4%	-	4.1%	Well off its high from mid-2022 of 6.7%.
AU	Job Vacancies (QoQ, Q2)	-2.7%	-	-6.2%	Still less than 2 unemployed per job vacancy.
AU	RBA Deputy Gov Hauser Speaks	-	-	-	Cautious on the upside surprise to the monthly CPI.
US	Durable Goods Orders (MoM, May)	0.1%	-0.5%	0.2%	Core orders fell by 0.6% in May.
US	GDP (QoQ Annualised, Q1, final)	1.4%	1.4%	1.3%	Downgrade to personal spending offset elsewhere.
US	Initial Jobless Claims (w/e 22 Jun)	233k	235k	239k	Continued claims little changed at above 1.8m.
Fri 28					
AU	Private Sector Credit (MoM, May)	0.4%	0.4%	0.5%	Investor housing credit growth at a near 2-year high.
Tonight					
US	Personal Spending (MoM, May)	-	0.3%	0.2%	Retail sales report suggested a weak result.
US	PCE Price Index (MoM, May)	-	0.0%	0.3%	Headline and core rates both to decline to 2.8%.

Next Week

	Event	Forecast	Previous	Comment
Mon 01				
AU	CoreLogic House Prices (MoM, Jun)	-	0.8%	Perth price growth the fastest in the nation.
AU	Melbourne Institute Inflation Gauge (Jun)	-	0.3%	First gauge into Aussie inflation in June.
AU	ANZ-Indeed Job Ads (MoM, Jun)	-	-2.1%	Falling but well above pre-COVID levels.
CH	Caixin Manufacturing PMI (Jun)	51.5	51.7	Follows the official NBS PMIs over the weekend.
US	ISM Manufacturing PMI (Jun)	49.0	48.7	Flash S&P PMI report pointed to expansion.
Tue 02				
AU	RBA Minutes	-	-	Insights into the discussion into a possible rate hike.
US	JOLTS Job Openings (May)	-	8.0m	Largely back at pre-COVID levels.
Wed 03				
AU	Retail Trade (MoM, May)	0.3%	0.1%	Aussie household consumption remains weak.
AU	Dwelling Approvals (MoM, May)	2.0%	-0.3%	Very limited number of houses added to the pipeline.
CH	Caixin Services PMI (Jun)	-	54.0	Saw faster expansion in May.
US	ADP Employment (monthly change, Jun)	160k	152k	Has been a poor indicator for official figures.
US	ISM Services PMI (Jun)	52.0	53.8	Flash S&P PMI report suggested faster expansion.
US	FOMC Minutes	-	-	May contain more hints on the timing of the first rate cuts.
Thu 04				
AU	Trade Balance (May)	A\$6.6b	A\$6.5b	Saw an increase in April.
Fri 05				
AU	Household Spending Indicator (YoY, May)	-	3.4%	To replace the retail trade report from mid-2025.
US	Employment (monthly change, Jun)	185k	272k	Expansion in the US labour market slowing, but solid.
US	Unemployment Rate (Jun)	4.0%	4.0%	FOMC's longer-run estimate increased to 4.2%.