

THIS WEEK'S HIGHLIGHTS

- In Australia, RBA minutes confirmed that a hike was discussed in June meeting. Retail trade and dwelling approvals exceeded expectations in May, while trade surplus narrowed. The Melbourne Institute inflation gauge suggested that the annual rate of consumer price inflation could have picked up in June. ANZ-Indeed job ads fell further in June.
- Abroad, US ISM PMIs pointed to contraction in both services and manufacturing in June. ADP employment growth slowed in June. Chinese PMIs came out mixed, but continued to suggest stagnation or just moderate expansion in June.

NEXT WEEK'S HIGHLIGHTS

- Another busy week ahead domestically, with housing finance for May on Monday, the NAB business report for June on Tuesday and payroll jobs over the month to 15 June on Thursday being the major highlights.
- The key events offshore include US and Chinese inflation data for June, University of Michigan's preliminary report on US consumer confidence and inflation expectations for July as well as the Chinese trade balance for June. The RBNZ is to announce its monetary policy decision on Wednesday, with no changes 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	4.33 (0 pt)	USD 3-month	5.58 (↓2 pt)	ASX200	7829 (↑32 pt)
US (IOR)	5.40 (0 pt)	90-day Bills	4.46 (↑2 pt)	2-yr T-Notes	4.70 (↓2 pt)	S&P500	5537 (↑54 pt)
Eurozone (Deposit)	3.75 (0 pt)	3-yr T-Bond	4.16 (↑5 pt)	10-yr T-Notes	4.37 (↑5 pt)	DJIA	39308 (↑144 pt)
UK	5.25 (0 pt)	10-yr T-Bond	4.41 (↑6 pt)	Jap 10-yr	1.08 (↓1 pt)	Nikkei	40955 (↑1253 pt)
Japan (Lower)	0.00 (0 pt)	3-yr WATC Bond	4.47 (↑7 pt)	UK 10-yr	4.20 (↑7 pt)	CSI300	3420 (↓57 pt)
China (1Y LPR)	3.45 (0 pt)	10-yr WATC Bond	5.10 (↑11 pt)	Ger 10-yr	2.61 (↑16 pt)	Stoxx600	518 (↑5 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 curve, but picked up for longer maturities. The minutes of the June FOMC meeting confirmed the Committee needs to see more evidence inflation is easing before cutting rates. Fed Chair Jerome Powell said there were signs of a renewed disinflationary trend.

Developments in Europe were a bit more volatile, with yields picking up significantly across the euro area just after the results of the first round of the French elections. However, spread between French and German yields narrowed, as the polls are showing that the populist National Rally will fall short of a majority in the French parliament.

At home, Commonwealth bond yields rose across the yield curve. The RBA June Board minutes confirmed a cash rate hike was discussed in June, but the Board members opted to keep the rate unchanged since the available data was insufficient to alter their view that inflation would return to target by 2026.

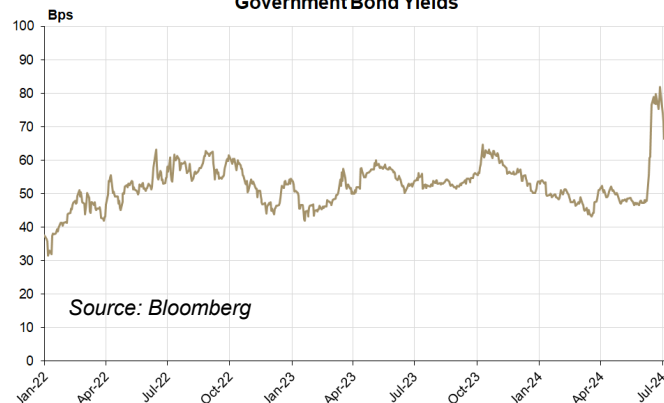
Equities

It has been a good week for equities, with the MSCI index of developed market shares on its way to its fifth consecutive weekly gain.

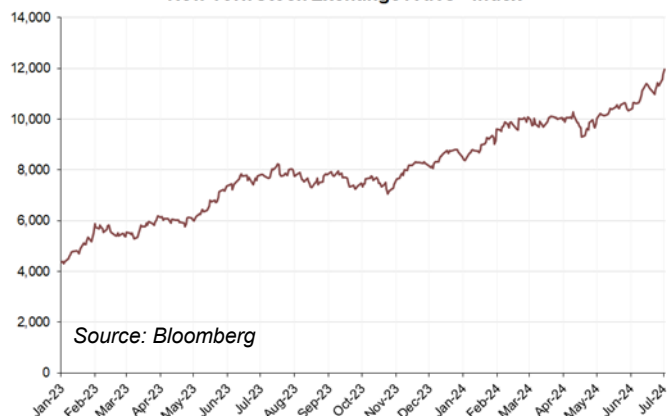
US equities climbed over the first three days of the week, pushing the S&P 500 to a record high on Wednesday ahead of the 4 July holiday on Thursday. The gain was led by tech mega stocks, with the FANG+ index of 10 highly traded growth stocks (includes Nvidia, Tesla, Alphabet etc.) rising 4.7% over the four trading days since this time last week.

The Aussie market slipped early in the week but rebounded midweek, with resources leading the way. The market has opened a little lower this morning.

Spread between 10-year French and German Government Bond Yields



New York Stock Exchange FANG+ Index



For further information, please contact:

Craig McGuinness
Patrycja Beniak

Chief Economist
Economist

cmcguinness@watac.wa.gov.au
pbeniak@watac.wa.gov.au

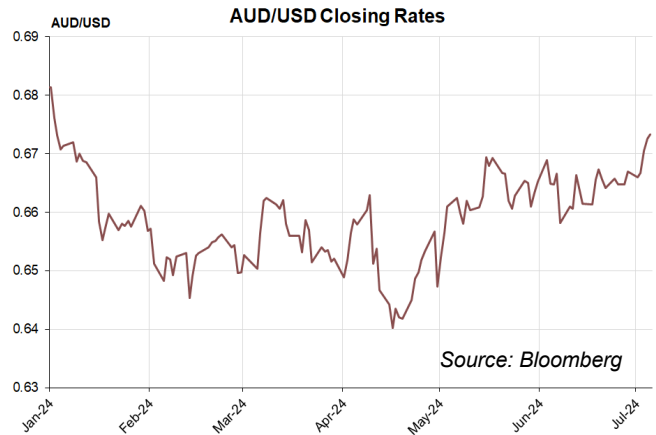
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Currencies

The Australian dollar was the strongest G10 currency this week, appreciating by 1.5% versus the weaker greenback. The AUD/USD has broken out of the range that it had been trading in for a month, to reach the highest level since early January.

The Aussie dollar benefitted from mounting RBA cash rate hike expectations for the coming months, especially against the backdrop of mounting expectations for fed funds rate cuts later this year. The broad-based rise in commodity prices and hopes for stimulus in China were also supportive of the AUD this week.

The AUD also rose another 1.5% against the Japanese yen, to hit its highest level since 1991, before levelling off in the second half of the week as Japanese officials intensified their verbal intervention. The JPY was again the weakest G10 currency.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6738	0.6739	0.6634	↑1.5	0.6895	0.6270
AUD/EUR		0.6229	0.6233	0.6181	↑0.4	0.6251	0.5007
AUD/GBP		0.5278	0.5286	0.5248	↑0.5	0.5393	0.5007
AUD/JPY		108.46	108.60	107.24	↑1.5	108.60	91.80
AUD/CNY		4.8972	4.8981	4.8240	↑1.5	4.9348	4.5884
EUR/USD		1.0816	1.0818	1.0710	↑1.1	1.1276	1.0448
GBP/USD		1.2765	1.2777	1.2616	↑1	1.3142	1.2037
USD/JPY		160.98	161.95	160.63	↑0	161.95	137.25
USD/CNY		7.2685	7.2736	7.2660	↑0	7.3499	7.0880

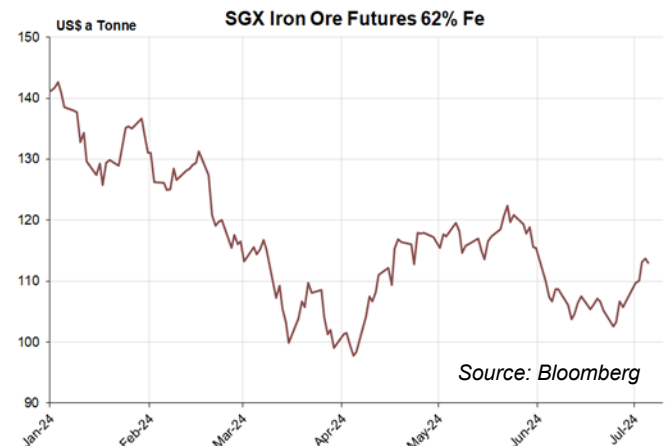
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6738	0.6754	0.6764	0.6770
AUD/EUR		0.6229	0.6217	0.6198	0.6153
AUD/GBP		0.5278	0.5287	0.5292	0.5292
AUD/JPY		108.46	107.23	105.94	103.60
AUD/NZD		1.1007	1.1033	1.1051	1.1065
AUD/SGD		0.9102	0.9085	0.9060	0.8999

Commodities

Commodity prices climbed against a weaker US dollar this week, with the CRB on track for its first weekly gain in three weeks.

Iron ore futures prices have been a standout performer, with the benchmark Singapore futures price rising to the highest level since the end of May before edging back this morning. The rise appears to have been driven by hopes the upcoming Third Plenary session of the Communist Party Central Committee will see further support thrown at the economy. The plenum will reportedly focus on deepening reform and modernisation.

Oil prices remain buoyed by concerns over the escalating conflict between Israel and Hezbollah in addition to the hurricane threat to Gulf of Mexico oil installations with crude oil rising to two-month highs.



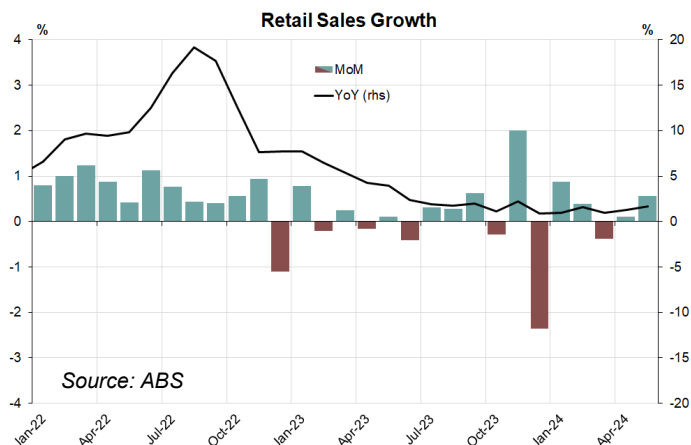
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,360.01	\$2,364.96	\$2,318.61	(↑\$36.78)	\$2,450.07	\$1,810.51
Brent Crude Oil (US\$)	\$87.23	\$87.60	\$84.85	(↑\$0.45)	\$97.69	\$72.29
Mogas95* (US\$)	\$98.50	\$99.61	\$94.97	(↑\$2.28)	\$110.15	\$81.53
WTI Oil (US\$)	\$83.81	\$84.38	\$80.97	(↑\$1.62)	\$95.03	\$67.71
CRB Index	294.02	294.02	290.47	(↑2.72)	300.23	258.09
Iron Ore Price 62% Fe (US\$) **	\$111.90	\$114.30	\$105.90	(↑\$6.25)	\$143.50	\$95.40

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

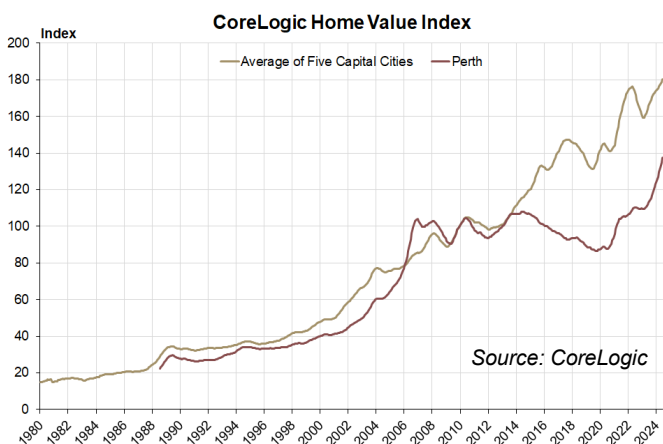
** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

DOMESTIC ECONOMY

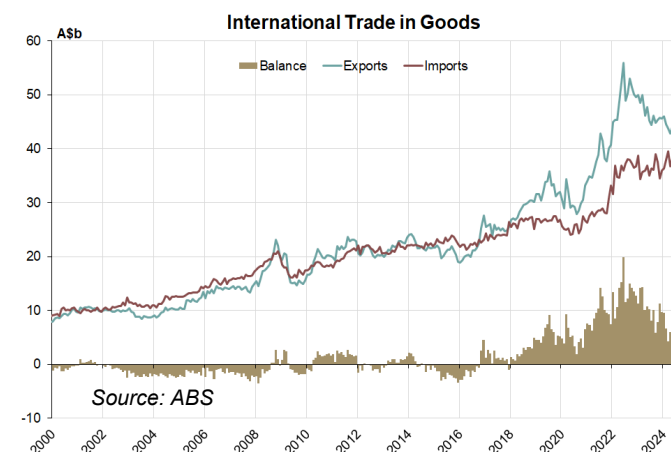
Retail trade growth accelerated in May, as consumers took advantage of earlier end-of-financial-year sales.



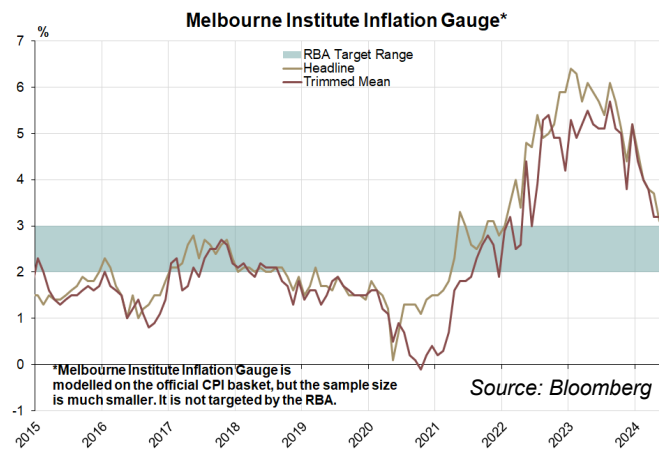
According to CoreLogic, Aussie **home prices** reached another record high in June, with Perth catching up quickly.



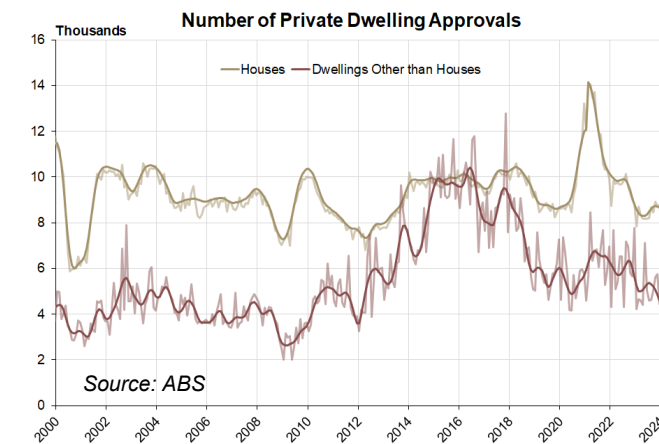
The **trade surplus** continues to normalise, along with export values, while import values are trending higher.



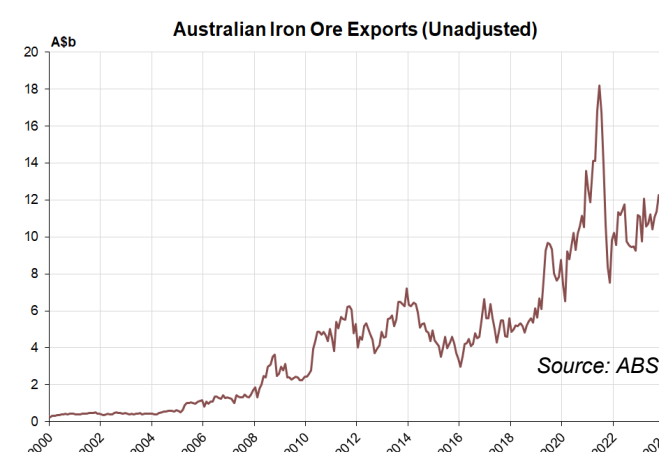
In June, the **Melbourne Institute core inflation gauge** is at 3% for the first time since early 2022.



Building consents, especially for private sector houses, are showing signs of life.

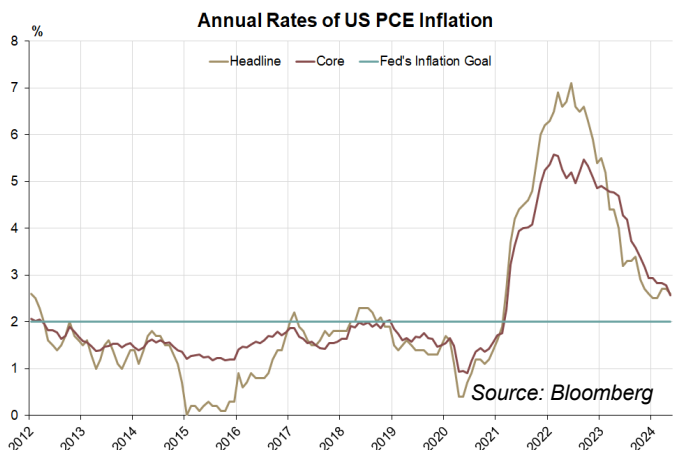


Iron ore exports have come off their 2021 highs, but remain high compared to pre-pandemic levels.

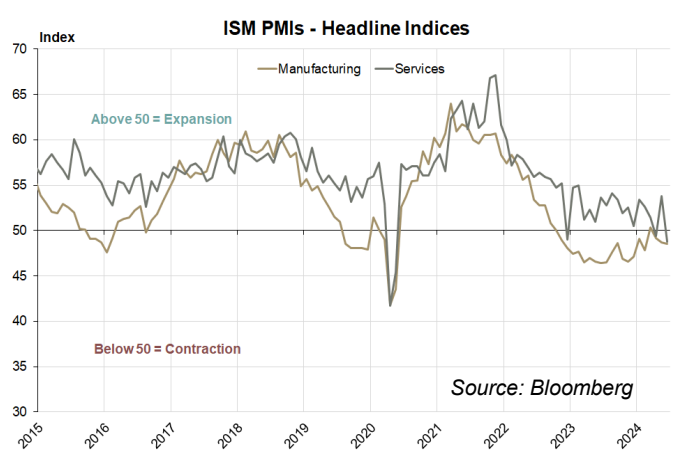


GLOBAL ECONOMY

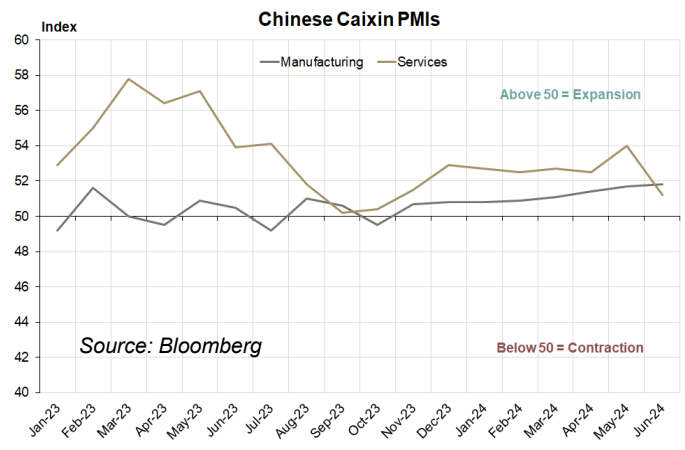
Disinflation has resumed in the US, with **headline and core PCE inflation rates** declining towards the target.



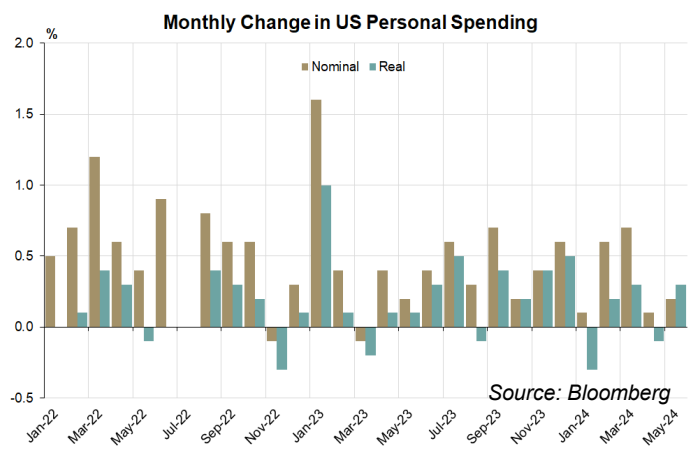
The **ISM PMIs** pointed to slight contraction in US manufacturing and services...



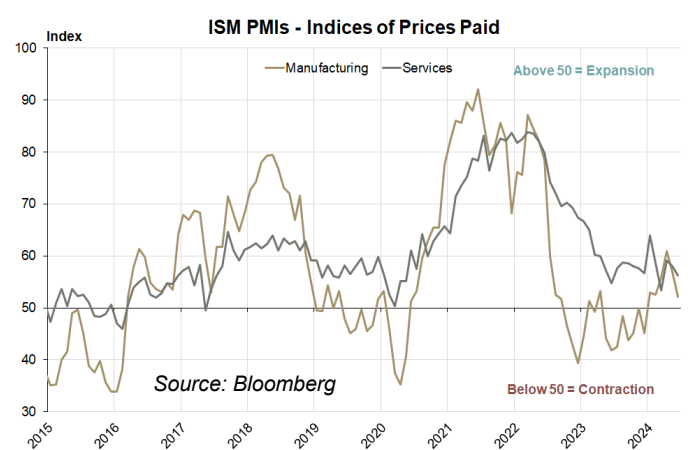
In China, the **Caixin PMIs** suggested a sharp slowdown in services and faster growth in manufacturing.



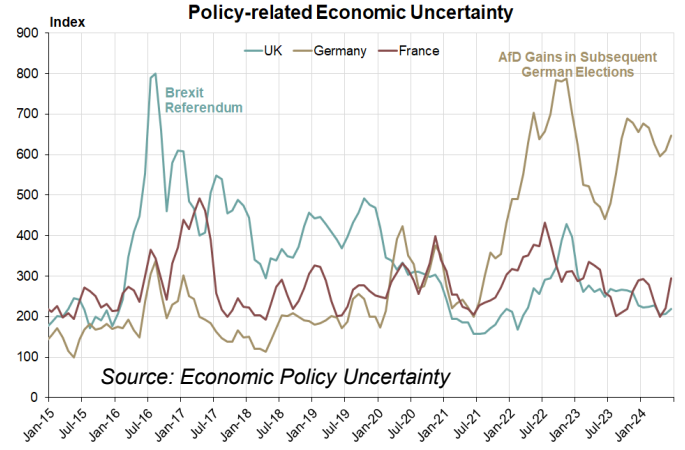
US private consumption picked up in May after showing some weakness in the previous month.



... while **prices paid growth** was reported to have slowed following a spike earlier in the year.



Economic policy uncertainty in France rose ahead of the elections, but—similarly to the UK—remained low.



WESTERN AUSTRALIAN TREASURY CORPORATION

Market WATCH Weekly

5 July 2024

KEY ECONOMIC EVENTS

Last Week

Event		Actual	Forecast	Previous	Comment
Mon 01					
AU	CoreLogic House Prices (MoM, Jun)	0.7%	-	0.8%	Perth saw the strongest increase of 2.0%.
AU	MI Inflation Gauge (MoM, Jun)	0.3%	-	0.3%	Annual headline rate up 0.1ppts to 3.2%
AU	ANZ-Indeed Job Ads (MoM, Jun)	-2.2%	-	-1.9%	Fifth decline in a row, down 17.6% YoY.
CH	Caixin Manufacturing PMI (Jun)	51.8	51.5	51.7	Chinese manufacturers least optimistic since 2019.
US	ISM Manufacturing PMI (Jun)	48.5	49.1	48.7	Third contraction in a row.
Tue 02					
AU	RBA Minutes	-	-	-	Led to a slight decline in cash rate expectations.
US	JOLTS Job Openings (May)	8.1m	7.9m	7.9m	Still more job openings than officially unemployed.
Wed 03					
AU	Retail Trade (MoM, May)	0.6%	0.3%	0.1%	Upside surprise driven by early EOFY sales.
AU	Dwelling Approvals (MoM, May)	5.5%	1.6%	1.9%	Private sector house approvals up 2.1% in May.
CH	Caixin Services PMI (Jun)	51.2	53.4	54.0	Points to the slowest growth since October 2023.
US	ADP Employment (MoM, Jun)	150k	165k	157k	Has been an unreliable indicator for official figures.
US	ISM Services PMI (Jun)	48.8	52.7	53.8	The fastest contraction since May 2020.
US	Initial Jobless Claims (w/e 29 Jun)	238k	235k	234k	Continued claims heading towards 1.9 million.
US	FOMC Minutes	-	-	-	Nothing surprising here.
Thu 04					
AU	Trade Balance (May)	A\$5.8b	A\$6.3b	A\$6.0b	Dragged down by imports rising more than exports.
Fri 05					
AU	Hsehold Spending Ind. (YoY, May)	0.1%	-	2.2%	Discretionary spending down 1.9% YoY.
Tonight					
US	Non-farm Payrolls (MoM, Jun)	-	190k	272k	Half of May gain from government and healthcare.
US	Unemployment Rate (Jun)	-	4.0%	4.0%	FOMC upped its longer-run estimate 0.1ppts to 4.2%.

Next Week

Event		Forecast	Previous	Comment
Mon 08				
AU	Housing Finance (MoM, May)	2.0%	4.8%	Saw another broad-based increase in April.
Tue 09				
AU	NAB Business Conditions (Jun)	-	6	Despite deterioration, remains above the series average.
AU	NAB Business Confidence (Jun)	-	-3	Judo Bank reported a further fall.
Wed 10				
AU	Business Turnover Indicator (MoM, May)	-	1.5%	Experimental indicator derived from business statements.
CH	CPI (YoY, May)	0.4%	0.3%	Chinese inflation pressure remains weak.
CH	PPI (YoY, May)	-0.8%	-1.4%	Producer price deflation continues in China.
Thu 11				
AU	Payroll Jobs (w/e 15 Jun)	-	0.1%	Up 1.2% over the year to 13 May.
NZ	RBNZ Decision (Official Cash Rate)	5.50%	5.50%	The first cut not fully priced in before November.
UK	Monthly GDP (MoM, May)	-	0.0%	Business reports pointed to an increase.
US	CPI (MoM, Jun)	0.1%	0.0%	Annual rate of inflation expected to slow 0.2ppts to 3.1%.
Fri 12				
CH	Trade Balance (Jun)	US\$83.7b	US\$82.6b	Chinese trade turnover gradually picking up.
US	PPI (MoM, Jun)	0.1%	-0.2%	A 0.1% pick-up also anticipated for core PPI.
US	UoM Consumer Confidence (Jul, prelim.)	67.0	68.2	Will contain inflation expectations tracked by the Fed.