

THIS WEEK'S HIGHLIGHTS

- In Australia, new home loans saw a broad-based decline in May. NAB business conditions deteriorated further in June, but business confidence improved. Westpac consumer confidence dropped in July. Payroll jobs saw only a small uptick over the month to 15 June.
- Abroad, US CPI unexpectedly fell in June. Chinese trade surplus widened, as imports saw renewed decline while exports growth accelerated.

NEXT WEEK'S HIGHLIGHTS

- The only domestic highlight next week will be the labour force survey for June, which is one of the key releases that the RBA will follow ahead of the August cash rate decision.
- Highlights offshore include US and Chinese activity data for June, as well as Chinese Q2 GDP. The ECB is to announce its monetary policy decision on Thursday, 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	O/N Interbank Cash	4.34	USD 3-month	5.57	ASX200	7953
US (IOR)	5.40	90-day Bills	4.46	2-yr T-Notes	4.51	S&P500	5585
Eurozone (Deposit)	3.75	3-yr T-Bond	4.06	10-yr T-Notes	4.21	DJIA	39754
UK	5.25	10-yr T-Bond	4.34	Jap 10-yr	1.07	Nikkei	41594
Japan (Lower)	0.00	3-yr WATC Bond	4.36	UK 10-yr	4.07	CSI300	3468
China (1Y LPR)	3.45	10-yr WATC Bond	5.02	Ger 10-yr	2.46	Stoxx600	520

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

FINANCIAL MARKETS OVERVIEW

Interest Rates

Government bond yields are down for the week, particularly in the US where the downside surprise to CPI inflation figures, a soft labour market report and dovish Fedspeak triggered a significant decline in fed funds rate expectations.

Fed Jerome Chair Powell was testifying before US Congress this week, acknowledging that US labour market conditions have 'cooled considerably from where they were two years ago', and that reducing the fed funds rate 'too little or too late' could unnecessarily weaken economic activity and employment. He also again welcomed the progress in reducing inflation.

Overall, at the time of writing, the first fed funds rate cut is almost fully priced in for September, with two more cuts priced in for January 2025.

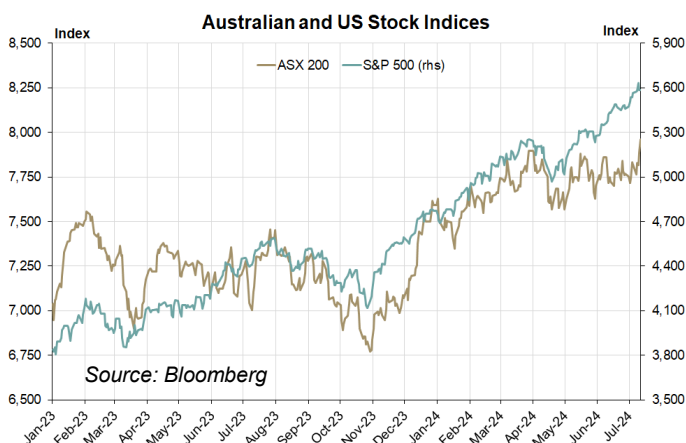
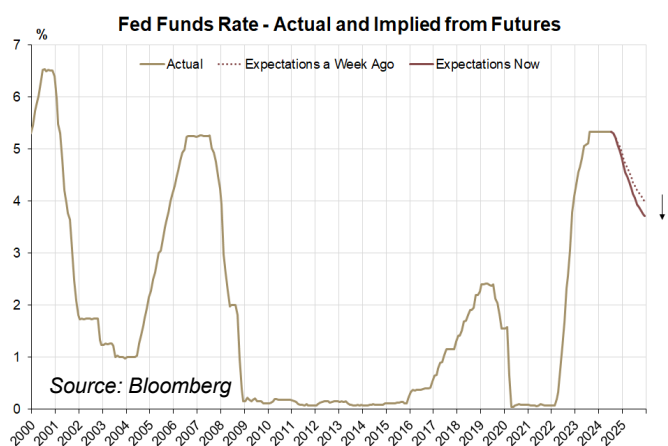
The RBNZ has kept its official cash rate unchanged this week, but said that inflation will likely come back to the 1-3% target range in the second half of this year, which led to the emergence of October rate cut expectations.

Equities

It was a positive week in the global equity markets, with the MSCI World index, a gauge of global stock performance, reaching a record high on Wednesday. The increases were helped by rising hopes for a fed funds rate cut as early as in September after a series of softer US data, as well as the balanced election results in France.

US stocks saw considerable gains, which took the S&P 500 and Nasdaq to fresh record highs on Wednesday night, before slipping on Thursday. The Dow Jones continued to underperform, however, with some sectors seeing marked losses for the week.

The Aussie stock market outperformed Wall Street this week, despite considerable declines in materials, utilities and energy. At the time of writing, the ASX 200 is headed for a new record high.



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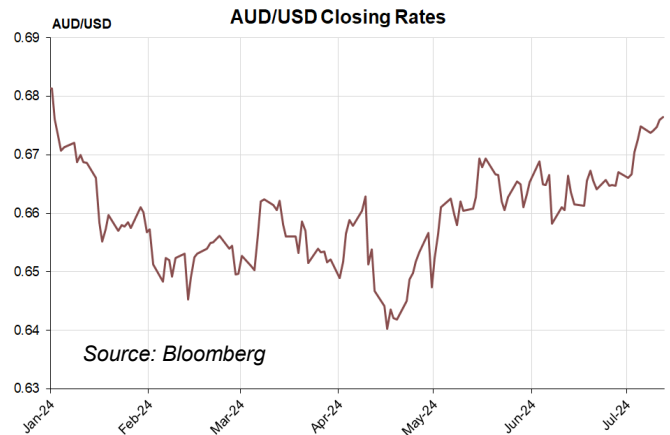
Currencies

The Australian dollar had a mixed week, appreciating versus the weaker greenback and weakening against the remaining major currencies.

Depreciation was particularly strong against the Japanese yen and British pound, which were the strongest G10 currencies this week, while the AUD was in the middle of the currency ladder.

The New Zealand dollar and Norwegian krone were the weakest currencies this week. In both cases this was the result of a decline in central bank policy rate expectations.

The US dollar also received some headwinds from lower fed funds rate expectations and a decline in economic policy uncertainty in Europe. The big dollar's weakness pushed the AUD/USD to the highest level since early January.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6756	0.6799	0.6712	↑0.3	0.6895	0.6270
AUD/EUR		0.6219	0.6241	0.6190	↓0.2	0.6251	0.5007
AUD/GBP		0.5236	0.5275	0.5231	↓0.8	0.5393	0.5007
AUD/JPY		107.63	109.37	106.76	↓0.8	109.37	91.80
AUD/CNY		4.9060	4.9340	4.8904	↑0.2	4.9348	4.5884
EUR/USD		1.0864	1.0900	1.0802	↑0.4	1.1276	1.0448
GBP/USD		1.2904	1.2949	1.2778	↑1.1	1.3142	1.2037
USD/JPY		159.31	161.81	157.44	↓1	161.95	137.25
USD/CNY		7.2622	7.2762	7.2501	↓0.1	7.3499	7.0880

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6756	0.6771	0.6780	0.6782
AUD/EUR		0.6219	0.6206	0.6188	0.6143
AUD/GBP		0.5236	0.5244	0.5249	0.5249
AUD/JPY		107.63	106.40	105.15	102.88
AUD/NZD		1.1101	1.1126	1.1139	1.1139
AUD/SGD		0.9080	0.9062	0.9038	0.8976

Commodities

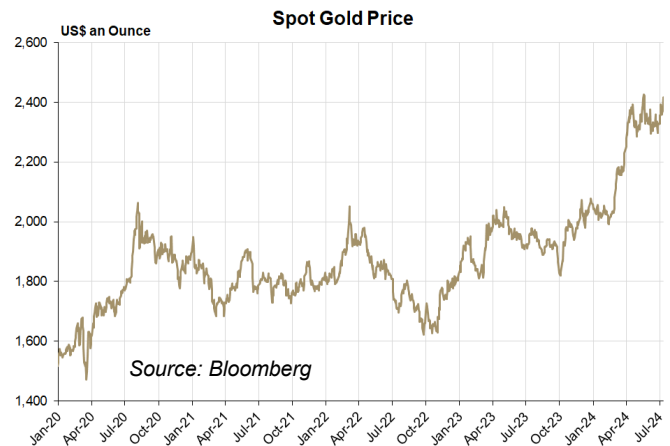
Industrial commodity prices are down across the board this week, with the Commodity Research Bureau index down by 1.2%.

The declines were led by iron ore as hopes for another round of stimulus in China eased. Also contributing to lower iron ore prices, seaborne exports of this commodity saw a decline year-to-date reflecting mainly seasonal weather disruptions.

Chinese trade data released today showed that iron ore imports declined by 4.3% in June, but remained 2.2% up over the year.

Oil prices also declined this week as the International Energy Administration maintained their view that oil demand will remain subdued in the second half of 2024.

The weaker greenback and geopolitical concerns resulted in a 2% increase in the gold price in US dollar terms. The gold price is now only 0.4% off its record high from 20 May.



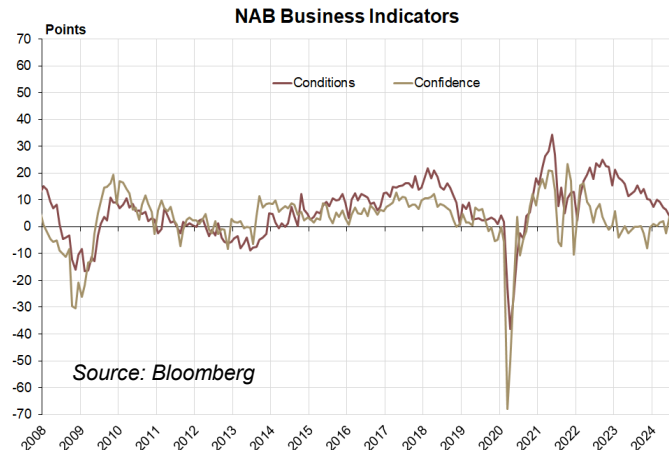
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,407.44	\$2,424.58	\$2,349.56	(↑\$47.43)	\$2,450.07	\$1,810.51
Brent Crude Oil (US\$)	\$85.57	\$86.92	\$84.00	(↓\$1.66)	\$97.69	\$72.29
Mogas95* (US\$)	\$95.91	\$97.19	\$93.98	(↓\$2.59)	\$110.15	\$81.53
WTI Oil (US\$)	\$82.92	\$83.32	\$80.81	(↓\$0.89)	\$95.03	\$67.71
CRB Index	290.41	293.43	289.71	(↓3.61)	300.23	258.09
Iron Ore Price 62% Fe (US\$) **	\$107.90	\$112.35	\$104.95	(↓\$4)	\$143.50	\$95.40

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

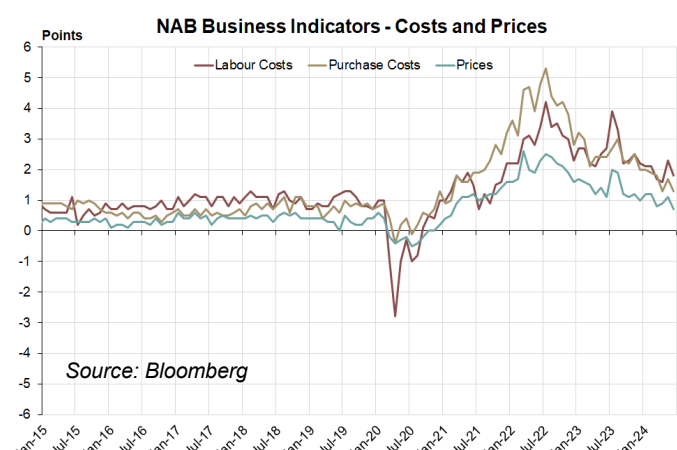
** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

DOMESTIC ECONOMY

NAB business conditions continue to deteriorate, but business confidence improved in June...

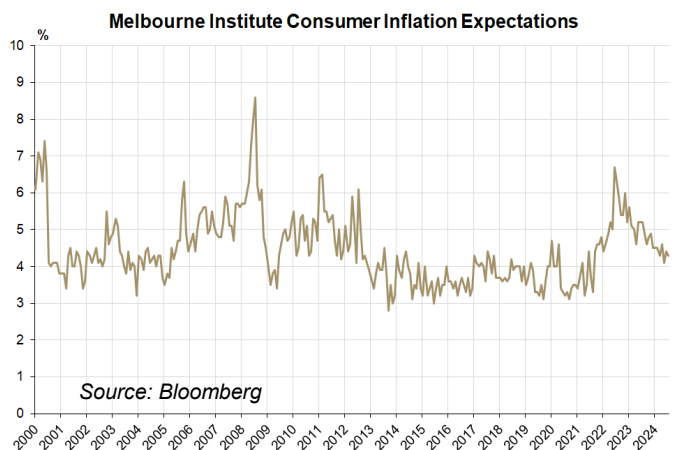
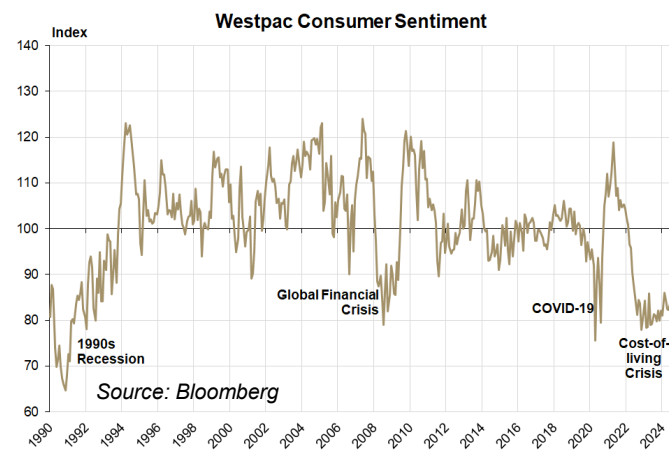


... as **costs and price pressures** resumed to ease for companies.



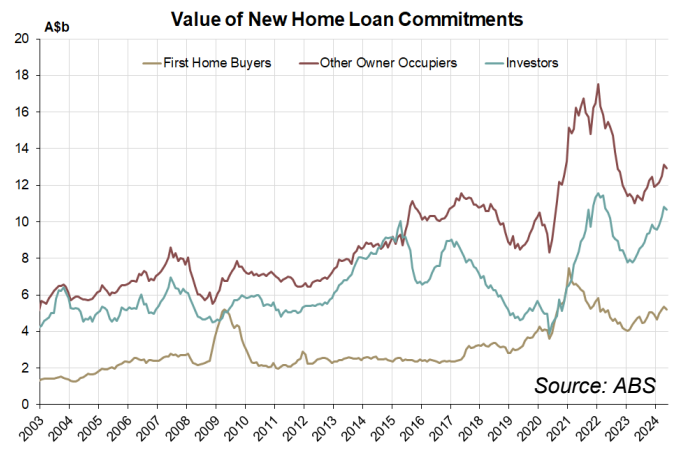
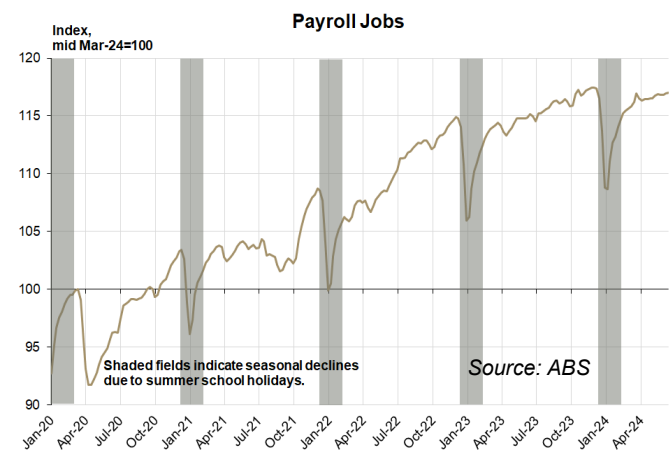
With 60% of households expecting another cash rate hike, **consumer confidence** remains depressed...

... but **consumer inflation expectations** are clearly on a decline.



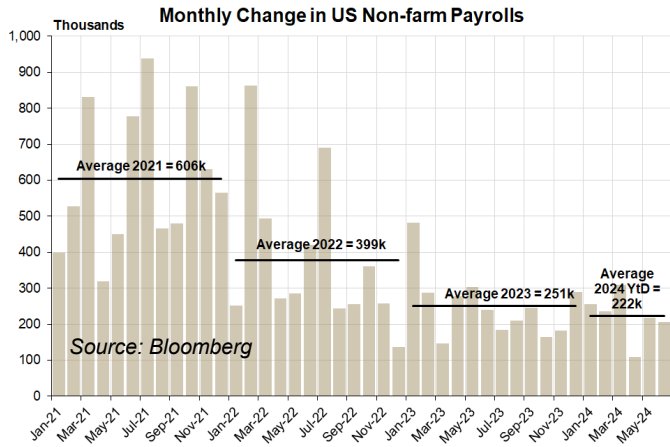
Payroll jobs have been broadly flat since late March.

Despite the broad-based decline in May, **new home loans** remain above their 2023 lows.

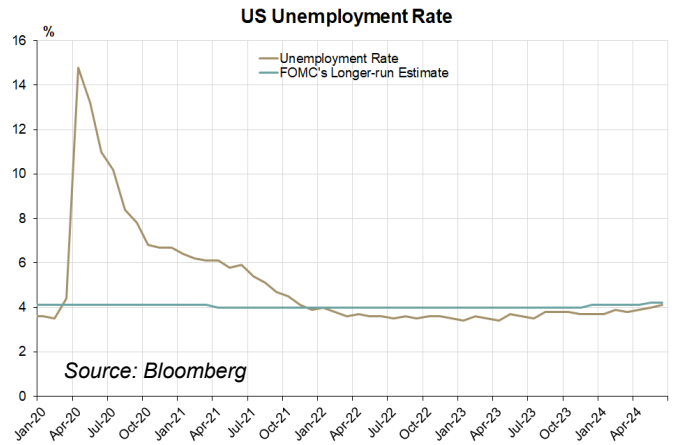


GLOBAL ECONOMY

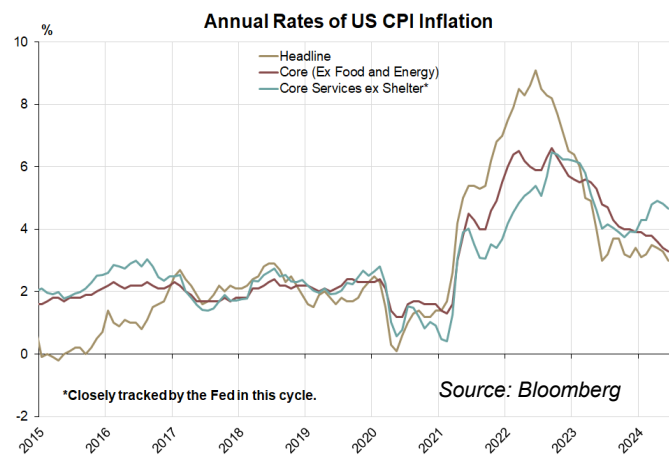
US employment growth is decelerating further...



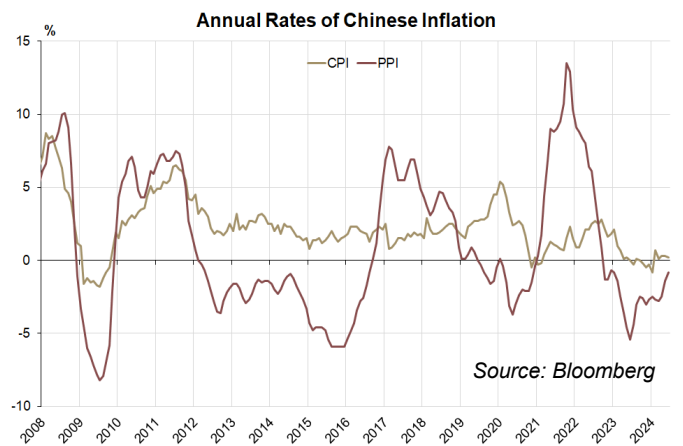
... while the unemployment rate is on a slow but steady growth path.



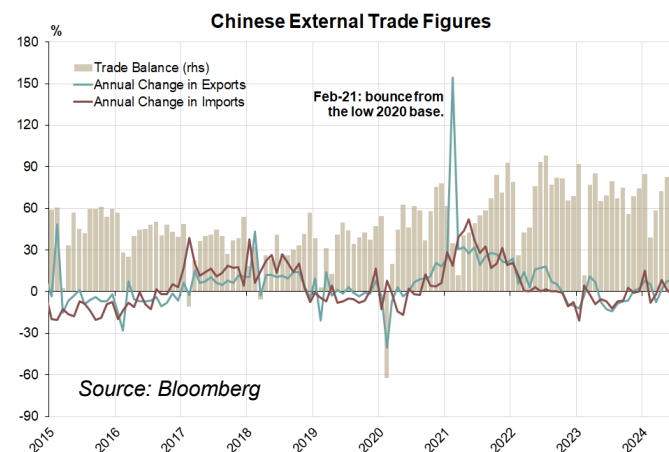
Disinflation continues in the US, but services price inflation remains elevated.



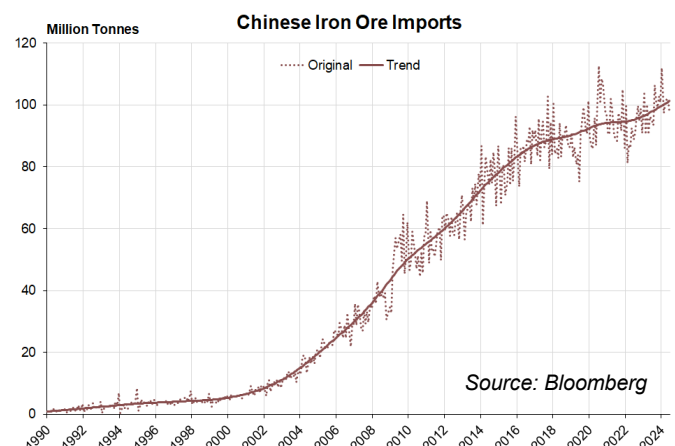
Sustained deflation in the Chinese production sector is adding to global disinflation processes.



Acceleration in exports and renewed decline in imports helped Chinese trade surplus to a new record high.



Chinese iron ore imports declined in June, but continue to trend upwards and are higher than a year ago.



WESTERN AUSTRALIAN TREASURY CORPORATION

Market WATCH Weekly

12 July 2024

KEY ECONOMIC EVENTS

Last Week

Event		Actual	Forecast	Previous	Comment
Mon 08					
AU	Housing Finance (MoM, May)	-1.7%	1.8%	4.8%	A broad-based decline.
Tue 09					
AU	Westpac Cons. Conf. (MoM, Jul)	-1.1%	-	1.7%	60% of households expect higher mortgage rates.
AU	NAB Business Conditions (Jun)	4	-	6	A drop in employment indicator.
AU	NAB Business Confidence (Jun)	4	-	-2	May confidence revised slightly upwards.
Wed 10					
AU	Business Turnover Ind. (MoM, May)	-0.6%	-	1.6%	Fall in 8 out of 13 industries.
NZ	RBNZ Decision (Official Cash Rate)	5.50%	5.50%	5.50%	RBNZ has softened its language somewhat.
CH	CPI (YoY, May)	0.2%	0.4%	0.3%	CPI core inflation ex food and energy steady at 0.6%.
CH	PPI (YoY, May)	-0.8%	-0.8%	-1.4%	Chinese PPI inflation narrowing.
Thu 11					
AU	Payroll Jobs (w/e 15 Jun)	0.1%	-	0.4%	Growth only in health, education and public sector.
UK	Monthly GDP (MoM, May)	0.4%	0.2%	0.0%	Supported by a rebound in the construction activity.
US	CPI (MoM, Jun)	-0.1%	0.1%	0.0%	Annual rate down to 3.0%.
US	Initial Jobless Claims (w/e 6 Jul)	222k	235k	239k	Continued claims largely unchanged at above 1.8m.
Fri 12					
CH	Trade Balance (Jun)	US\$99.1b	US\$85.3b	US\$82.6b	A record high.
Tonight					
US	PPI (MoM, Jun)	-	0.1%	-0.2%	Annual rate to remain low at 2.3%.
US	UoM Cons. Confidence (Jul, prelim.)	-	68.5	68.2	Will contain inflation expectations tracked by the Fed.

Next Week

Event		Forecast	Previous	Comment
Mon 15				
CH	GDP (YoY, Q2)	5.0%	5.3%	Expected to rise by 1.0% QoQ.
CH	Retail Sales (YoY, Jun)	3.3%	3.7%	Slowdown after the May spike expected.
CH	Industrial Production (YoY, Jun)	4.8%	5.6%	Chinese steel output was again on a rise in May.
CH	Urban Fixed Asset Inv. (YoY YtD, Jun)	3.8%	4.0%	Key indicator for Chinese demand for iron ore.
Tue 16				
US	Retail Sales (MoM, Jun)	-0.2%	0.1%	More weak data from the US if forecasts are right.
Wed 17				
NZ	CPI (QoQ, Q2)	0.5%	0.6%	RBNZ expects return to the target range in H2 2024.
UK	CPI (MoM, Jun)	0.1%	0.3%	Annual rate hit target in May, but is expected to rise back.
US	Industrial Production (MoM, Jun)	0.3%	0.7%	ISM PMI indicators pointed to a decline.
US	Beige Book	-	-	Anecdotal information on activity in Fed districts.
Thu 18				
AU	Employment (monthly change, Jun)	20.0k	39.4k	Slower job formation expected after two solid months.
AU	Unemployment Rate (Jun)	4.1%	4.0%	Would be slightly above the RBA forecasts.
EZ	ECB Decision (Deposit Rate)	3.75%	3.75%	ECB expected to stay put until Sep or even Oct.
Fri 19				
JP	CPI (YoY, May)	2.9%	2.8%	'Core-core' inflation expected to rise 0.1ppts to 2.2%.