

THIS WEEK'S HIGHLIGHTS

- In Australia, the CPI inflation figures surprised to the upside, though pointed to further disinflation in the annual terms. The Judo Bank flash PMIs suggested the fastest pace of expansion in two years.
- Abroad, US GDP growth slowed in Q1, while PCE price inflation picked up. The S&P Global flash PMIs suggested even slower growth in the US in April and faster expansion in Europe and Japan.

NEXT WEEK'S HIGHLIGHTS

- It will be a busy week ahead domestically, with March retail trade and private sector credit on Tuesday, CoreLogic house prices for April on Wednesday, March dwelling approvals and external trade figures on Thursday, and March housing finance on Friday.
- The most important event offshore will be the FOMC meeting on Thursday morning (AWST) with no changes expected, but market participants will look for any guidance regarding the timing of rate cuts. Other global highlights will include the US labour market data as well as US and Chinese PMIs.

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 (0 pt)	ASX200	7587 (↑174 pt)
US (IOR)	5.40 (0 pt)	90-day Bills	4.41 (↑5 pt)	2-yr T-Notes	4.99 (↑9 pt)	S&P500	5048 (↑37 pt)
Eurozone	4.00 (0 pt)	3-yr T-Bond	4.13 (↑34 pt)	10-yr T-Notes	4.69 (↑17 pt)	DJIA	38086 (↑310 pt)
UK	5.25 (0 pt)	10-yr T-Bond	4.52 (↑31 pt)	Jap 10-yr	0.92 (↑9 pt)	Nikkei	37780 (↑879 pt)
Japan (Lower)	0.00 (0 pt)	3-yr WATC Bond	4.44 (↑34 pt)	UK 10-yr	4.36 (↑9 pt)	CSI300	3568 (↑12 pt)
China (1Y LPR)	3.45 (0 pt)	10-yr WATC Bond	5.19 (↑35 pt)	Ger 10-yr	2.63 (↑13 pt)	Stoxx600	502 (↑13 pt)

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

FINANCIAL MARKETS OVERVIEW

Interest Rates

Government bond yields increased across the board this week.

US Treasury yields slipped early in the week before the upside surprise to US PCE inflation figures pushed yields higher.

The increase in Commonwealth bond yields was much stronger, driven by a solid rise in RBA cash rate expectations after the upside surprise to Aussie Q1 CPI inflation figures on Wednesday. There are no cuts priced in for this year anymore, with the market pricing in some chance of a hike. Pricing toward a rate reduction have moved towards mid-2025. This appears to be a bit overdone, but a correction is unlikely until the RBA gives some guidance after the monetary policy meeting on 6-7 May.

Overall, US Treasury yields and Commonwealth bond yields are now the highest since November 2023.

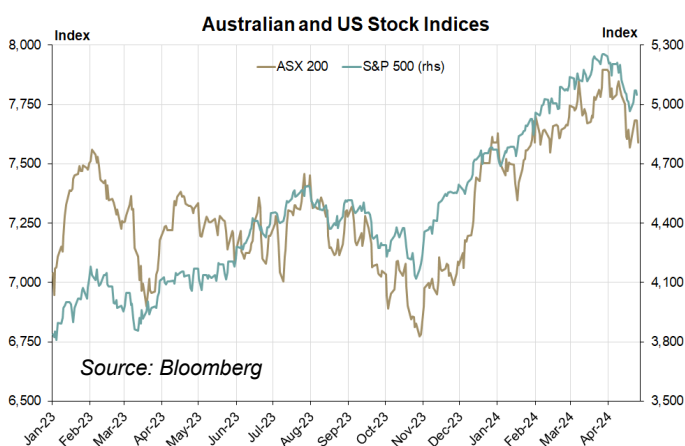
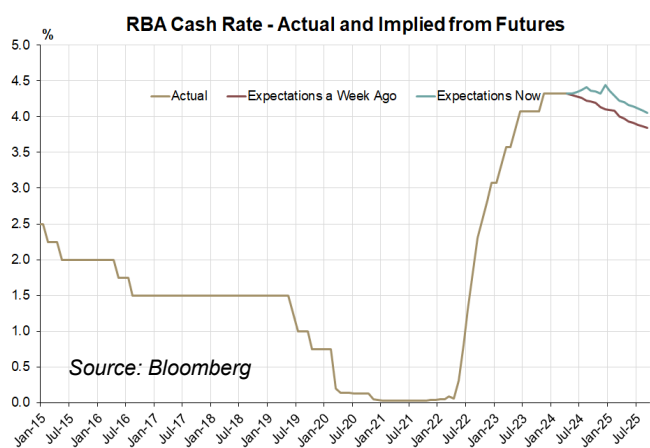
The Bank of Japan left its interest rates unchanged this week, as expected.

Equities

It was quite a choppy, albeit still positive week for the equities.

Wall Street started the week on the front foot thanks to a rebound in tech stocks after a strong decline over the previous ten trading days. The gains in US equities stalled on Wednesday and were almost given up entirely at the open on Thursday, as the weaker-than-expected US Q1 GDP report dented market sentiment. However, the market clawed back most of those early losses over the remainder of the session.

The Aussie stock market outperformed Wall Street this week, with a 1.0% rise since the previous edition of *Market WATCH Weekly*, supported by gains in healthcare, information technology and consumer staples. However, the ASX is not having a good day today, catching up to the weaker market sentiment in the US on Thursday night.



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Currencies

The Australian dollar has been the strongest of the G10 currency basket by a fair way this week, boosted by the improvement in financial market sentiment and the unwinding of pricing for an RBA interest rate cut later this year, after the release of stronger-than-expected Aussie Q1 inflation numbers on Wednesday.

The sharp rise in the Aussie and slide in the greenback has seen the AUD/USD exchange rate rise above US\$0.65 for the first time in almost two weeks.

The Japanese yen has been the weakest of the G10 currencies, driven lower as pricing for US interest rate cuts this year continued to fade. The Aussie broke through ¥100 early in the week and kept going to be currently sitting at 9½-year highs.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6519	0.6538	0.6407	↑2.4	0.6900	0.6270
AUD/EUR		0.6083	0.6094	0.6012	↑1.4	0.6310	0.5007
AUD/GBP		0.5217	0.5239	0.5179	↑1.6	0.5405	0.5007
AUD/JPY		101.78	101.84	99.13	↑3.9	101.84	88.14
AUD/CNY		4.7236	4.7372	4.6539	↑2.5	4.9348	4.5489
EUR/USD		1.0719	1.0739	1.0624	↑1	1.1276	1.0448
GBP/USD		1.2496	1.2527	1.2300	↑0.8	1.3142	1.2037
USD/JPY		156.12	156.14	154.46	↑1.5	156.14	133.24
USD/CNY		7.2464	7.2473	7.2385	↑0.1	7.3499	6.8924

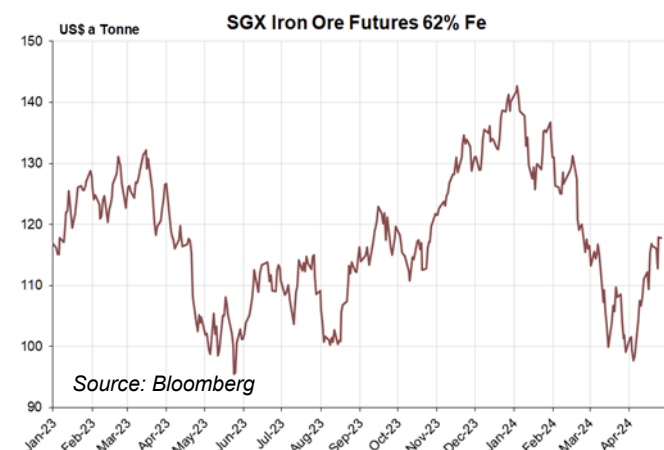
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6519	0.6536	0.6549	0.6566
AUD/EUR		0.6083	0.6075	0.6060	0.6018
AUD/GBP		0.5217	0.5228	0.5234	0.5238
AUD/JPY		101.78	100.63	99.47	97.21
AUD/NZD		1.0947	1.0975	1.0998	1.1029
AUD/SGD		0.8873	0.8858	0.8836	0.8782

Commodities

The repricing of expectations for US interest rate cuts this year and easing concerns that the Middle East conflict would spin out of control has seen gold pull back from record highs.

Oil prices have eased from the levels of a week ago, when Israel's retaliation against Iran, briefly drove Brent crude back through US\$90 a barrel. Brent dropped to a 3½-week low on Monday, but oil prices have come under further upward pressure in recent days as fresh violence in the Middle East re-emerged and Iraq recommitted to OPEC+ output caps.

Iron ore futures fell early in the week before rebounding to a two-month high as sentiment turned more positive on the outlook for the Chinese property market following a news report that government policies to boost demand are starting to have an impact. Prices have slipped back again over the past 24 hours.

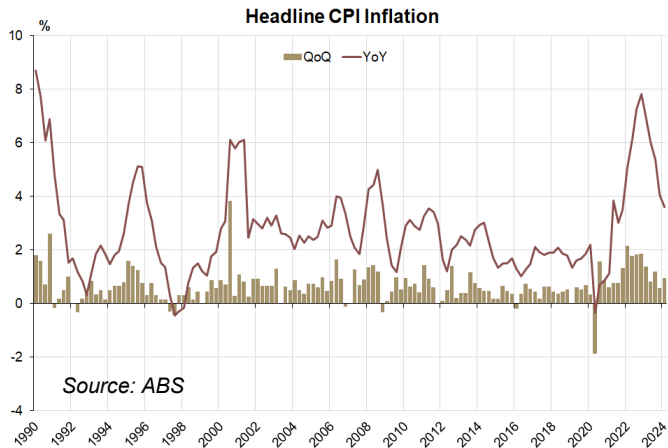


	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,333.16	\$2,388.68	\$2,291.64	(↓\$70.86)	\$2,431.52	\$1,810.51
Brent Crude Oil (US\$)	\$89.32	\$89.45	\$85.79	(↓\$0.94)	\$97.69	\$71.28
Mogas95* (US\$)	\$105.75	\$106.36	\$102.00	(↓\$1.46)	\$110.15	\$79.07
WTI Oil (US\$)	\$83.81	\$83.97	\$80.88	(↓\$2.02)	\$95.03	\$63.64
CRB Index	297.66	298.15	297.09	(↑2.06)	298.18	253.85
Iron Ore Price 62% Fe (US\$) **	\$117.85	\$120.15	\$112.30	(↑\$2.05)	\$143.50	\$94.00

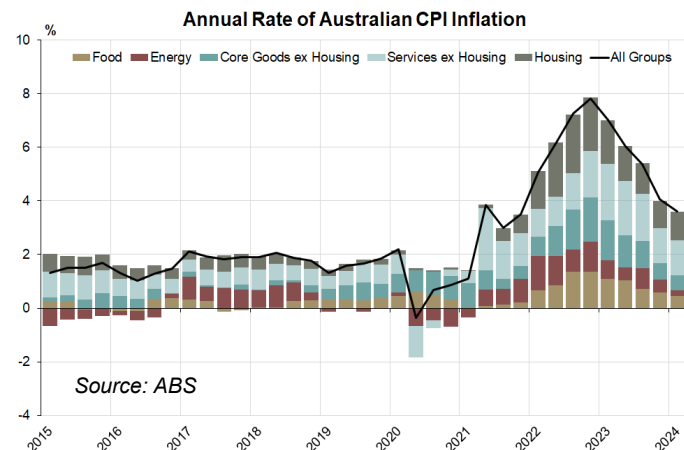
*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.
 ** The Iron Ore Price is the SGX 62%Fe iron ore futures 2nd contract.

DOMESTIC ECONOMY

The first quarter of 2024 saw a stronger rise in consumer prices, but **annual CPI inflation** continued to fall.



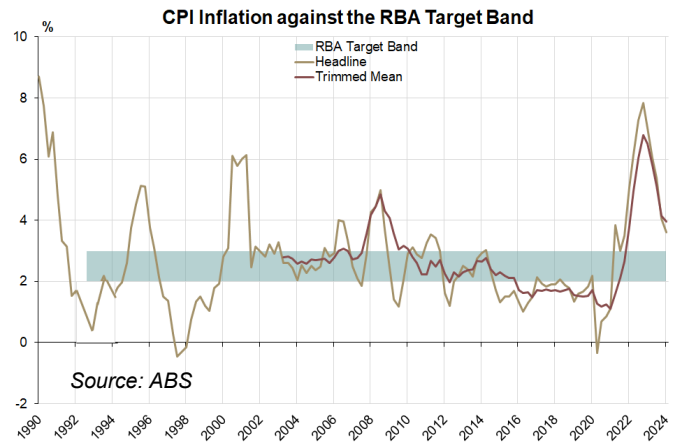
Services and housing are behind the sticky inflation rates.



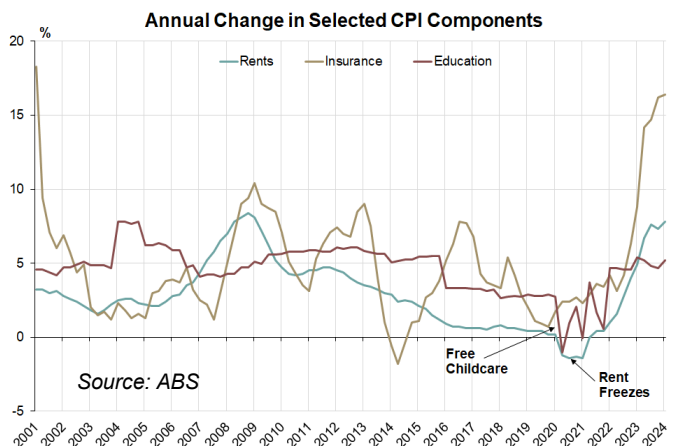
Despite a decline over the past few quarters, the **terms of trade** remain close to their record highs.



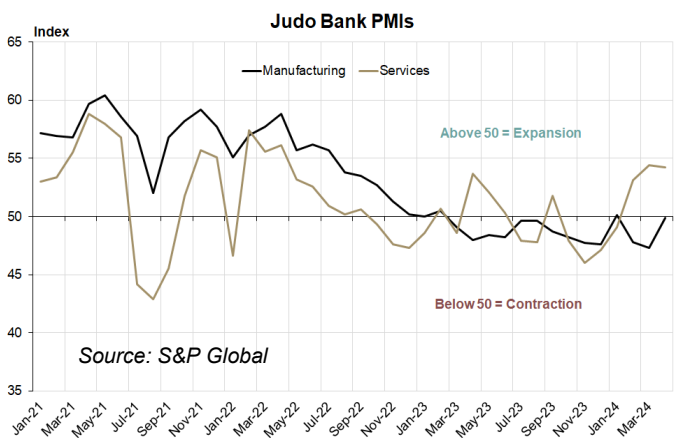
Despite the progress on disinflation, headline and trimmed mean inflation are above **the RBA target band**.



Despite ongoing disinflation, **insurance, education and rental costs** are rising at the fastest pace in years.

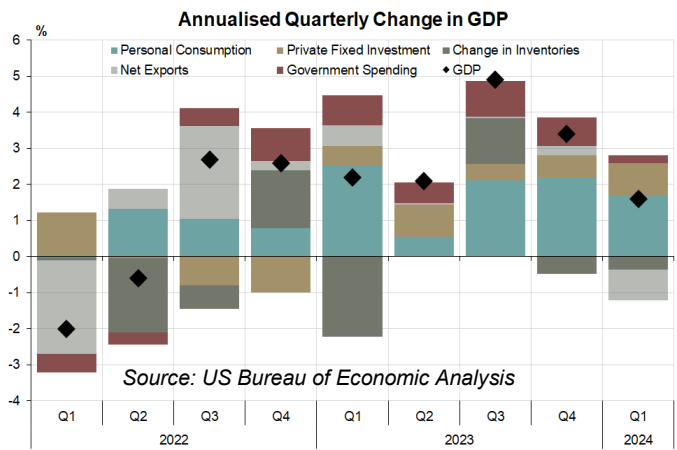


The **Judo Bank flash PMIs** pointed to ongoing expansion in services in April, while manufacturing was stagnant.

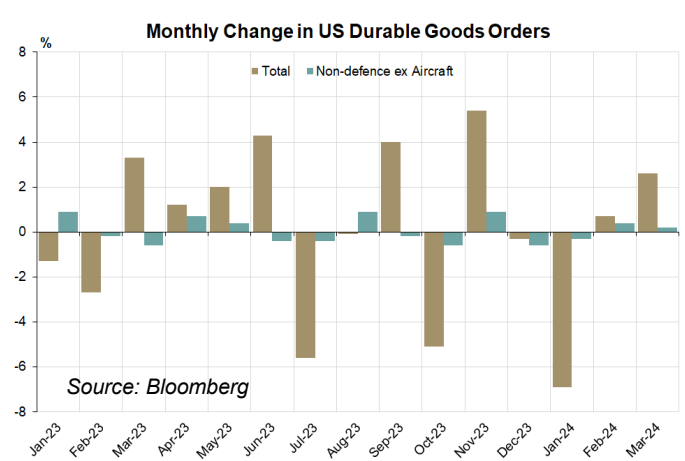


GLOBAL ECONOMY

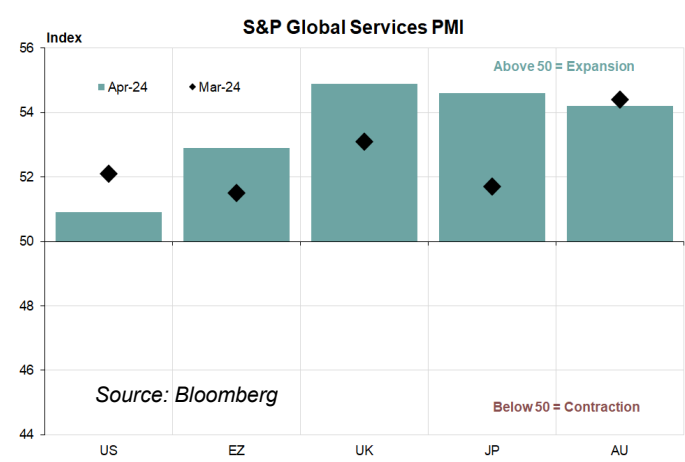
US GDP growth continued to slow in Q1, but remained solid, supported by personal consumption and investment.



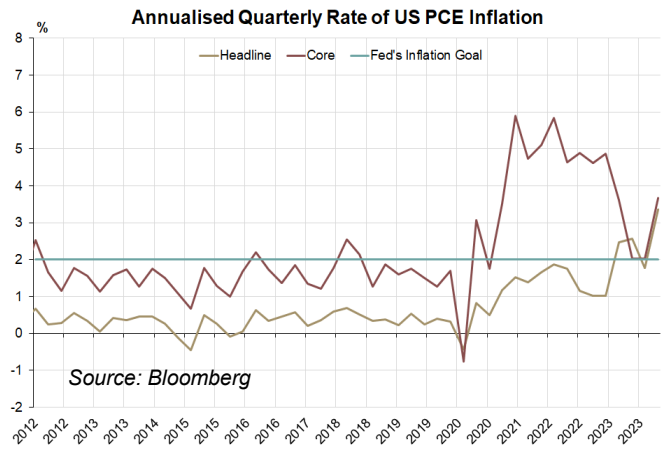
US durable goods orders have been volatile due to choppy defence and aircraft orders.



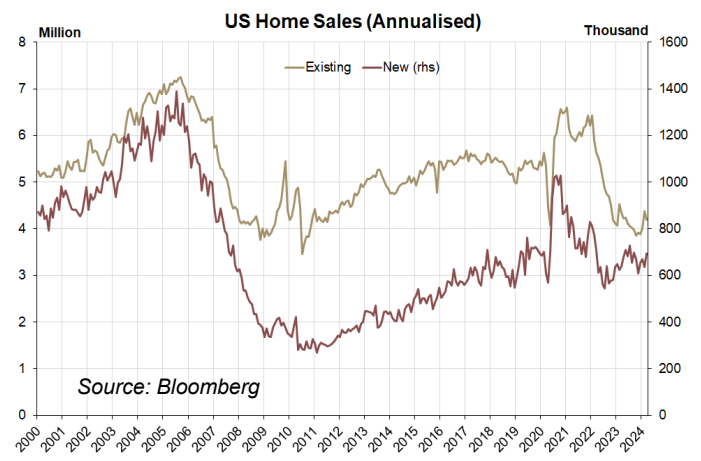
The **S&P Global reports** pointed to slower expansion in the US and acceleration in growth elsewhere.



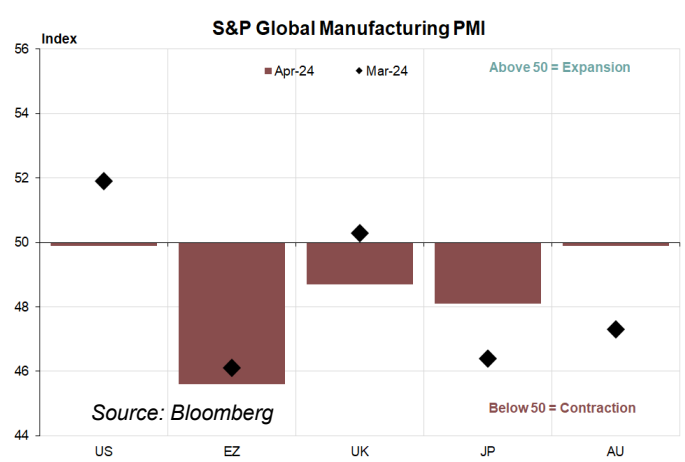
Annualised quarterly rate of US PCE inflation bounced in Q1, supported by a rise in durable goods and services.



US existing home sales remain depressed, while new home sales are close to the historical average.



The **manufacturing PMI** remained or fell back into contraction across the advanced economies.



WESTERN AUSTRALIAN TREASURY CORPORATION

Market WATCH Weekly

26 April 2024

KEY ECONOMIC EVENTS

Last Week

Event		Actual	Forecast	Previous	Comment
Mon 22					
CH	PBoC Decision (1Y LPR)	3.45%	3.45%	3.45%	5Y LPR also kept unchanged, at 3.95%.
Tue 23					
AU	Judo Bank Comp. PMI (Apr, flash)	53.6	-	53.3	Points to the fastest growth in two years.
JP	Jibun Bank Comp. PMI (Apr, flash)	52.6	-	51.7	Japanese price pressures on the rise.
EZ	HCOB Composite PMI (Apr, flash)	51.4	50.7	50.3	European manufacturing still in deep contraction.
UK	S&P Global Comp. PMI (Apr, flash)	54.0	52.6	52.8	The UK economy continues to surprise to the upside.
US	S&P Global Comp. PMI (Apr, flash)	50.9	52.0	52.1	Suggests that US activity growth is at a 3-month low.
Wed 24					
AU	CPI (QoQ, Q1)	1.0%	0.8%	0.6%	Annual rate declined 0.5ppts to 3.6%.
AU	Monthly CPI Indicator (YoY, Mar)	3.5%	3.4%	3.4%	Trimmed mean inflation picked up to 4.0%.
US	Durable Goods Orders (MoM, Mar)	2.6%	2.5%	0.7%	Core capital goods orders rose 0.2% in March.
Thu 25					
US	GDP (QoQ ann., Q1, prel. est.)	1.6%	2.5%	3.4%	PCE core inflation at an annualised 3.5%, a 1Y high.
US	Initial Jobless Claims (w/e)	207k	215k	212k	Continued claims fell in week ending 13 April.
Fri 26					
AU	Export Price Index (QoQ, Q1)	-2.1%	-0.6%	5.6%	Dragged down by a fall in lithium prices.
AU	Import Price Index (QoQ, Q1)	-1.8%	0.1%	1.1%	Decline is thanks to lower petroleum prices.
AU	PPI (QoQ, Q1)	0.9%	-	0.9%	Annual rate accelerated 0.2ppts to 4.3%.
JP	BoJ Decision (Policy Balance Rate)	0.00%	0.00%	0.00%	Policy rate unchanged as expected.
Tonight					
US	Personal Spending (MoM, Mar)	-	0.5%	0.3%	Retail sales figures suggest another solid increase.
US	PCE Price Index (MoM, Mar)	-	2.6%	2.5%	Disinflation in the US has stalled.

Next Week

Event		Forecast	Previous	Comment
Mon 29	<i>No market-moving data.</i>			
Tue 30				
AU	Retail Trade (MoM, Mar)	0.3%	0.3%	Down in per capita terms.
AU	Private Sector Credit (MoM, Mar)	0.4%	0.5%	Saw another broad-based increase in February.
CH	NBS Composite PMI (Apr)	-	52.7	First insights into the Chinese economy in April.
CH	Caixin Manufacturing PMI (Apr)	-	51.1	Chinese manufacturing is underperforming.
EZ	GDP (QoQ, Q1)	0.2%	0.0%	Euro area narrowly escaped recession in late 2023.
EZ	HICP (YoY, Apr, flash)	2.4%	2.4%	Core inflation to fall further.
US	C-S House Prices 20 Cities (YoY, Mar)	-	6.6%	Has been climbing for two years.
US	Conference Board Consumer Conf. (Apr)	104.1	104.7	More focused on labour market than the UoM equivalent.
Wed 01				
AU	CoreLogic House Price Index (MoM, Apr)	-	0.6%	Perth continues to lead the increase.
US	ADP Employment (monthly change, Apr)	185k	184k	Has been a poor indicator of the official job figures.
US	ISM Manufacturing PMI (Apr)	50.1	50.3	US manufacturing not in contraction, but still stagnating.
US	JOLTS Job Openings (Mar)	8.8m	8.8m	Still more openings than unemployed.
US	FOMC Decision (IoER)	5.40%	5.40%	Rate cut expectations have moved towards November.
Thu 02				
AU	Dwelling Approvals (YoY, Mar)	3.7%	-1.9%	Despite the expected rebound, will remain depressed.
AU	Trade Balance (Mar)	A\$7.4b	A\$7.3b	Saw a fall in Feb amid lower exports and higher imports.
Fri 03				
US	Employment (monthly change, Apr)	250k	303k	US labour market conditions remain strong.
US	Unemployment Rate (Apr)	3.8%	3.8%	Too low for the Fed.
US	ISM Services PMI (Apr)	51.5	51.4	S&P Global PMI report suggested slower expansion.