

THIS WEEK'S HIGHLIGHTS

- In Australia, RBA Board minutes showed that a cash rate hike was not considered at the March meeting. Dwelling approvals fell again in February, while the trade balance narrowed but remained solid.
- Abroad, the ISM reports for March suggested that US manufacturing rose back into expansion in March, while growth in services slowed. ADP employment rose more than expected in March. The Chinese PMIs pointed to a slight, albeit broad-based, expansion in March.

NEXT WEEK'S HIGHLIGHTS

- The key domestic releases next week will be housing finance for February on Monday and the NAB business report for March on Tuesday.
- It will be another big week in central banking abroad, with monetary policy decisions from the ECB, Bank of Canada and Reserve Bank of New Zealand.
- The global data calendar will be also quite packed, with US and Chinese inflation figures for March as well as the Chinese trade report being the major highlights.

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	5.57	(0 pt)	ASX200	7744	(↓149 pt)
US (IOR)	5.40	(0 pt)	90-day Bills	4.36	(↑1 pt)	2-yr T-Notes	4.64	(↑3 pt)	S&P500	5147	(↓101 pt)
Eurozone (Deposit)	4.00	(0 pt)	3-yr T-Bond	3.69	(↑4 pt)	10-yr T-Notes	4.31	(↑9 pt)	DJIA	38597	(↓1163 pt)
UK	5.25	(0 pt)	10-yr T-Bond	4.11	(↑12 pt)	Jap 10-yr	0.78	(↑6 pt)	Nikkei	38812	(↓1471 pt)
Japan (Lower)	0.00	(0 pt)	3-yr WATC Bond	3.98	(↑5 pt)	UK 10-yr	4.02	(↑9 pt)	CSI300	3568	(↑54 pt)
China (1Y LPR)	3.45	(0 pt)	10-yr WATC Bond	4.66	(↑10 pt)	Ger 10-yr	2.36	(↑7 pt)	Stoxx600	511	(↓1 pt)

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

FINANCIAL MARKETS OVERVIEW

Interest Rates

Government bond yields saw renewed increases this week, supported by somewhat more hawkish Fed speak.

Most importantly, Fed Chair Jerome Powell said that the strength of the US economy provides room for patience about interest rate cuts, stressing that future decisions will be data driven. Some Fed speakers this week saw room for just one cut this year (Raphael Bostic) or no cuts at all (Neel Kashkari).

RBA Board minutes confirmed that an interest rate hike was not discussed at the March meeting for the first time since the current tightening cycle started in May 2022. It also confirmed the RBA Board has moved closer to a neutral stance.

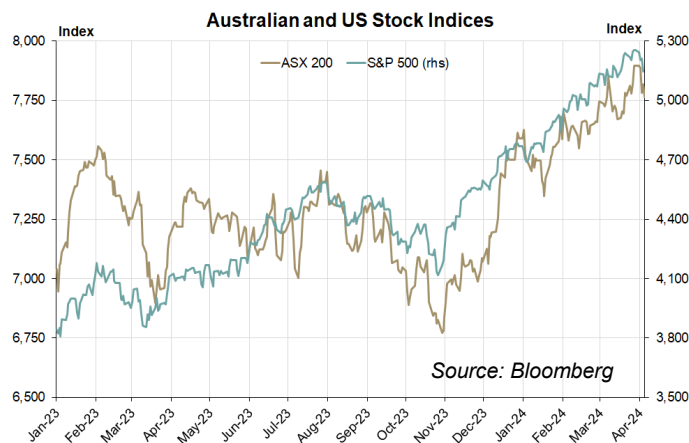
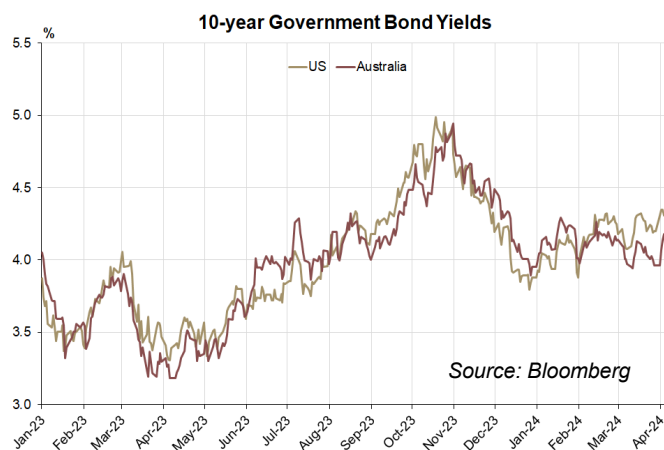
The Board also discussed some options for a change in monetary policy implementation after declines in Exchange Settlement balances, as unconventional policy measures are unwound. The Board opted for switching to full allotment open market operations, which over time would imply several fully market-driven open market operations a week.

Equities

It has been an underwhelming week for equities, with market sentiment dented by geopolitical concerns and fears that US rate cuts may come later than previously expected.

The S&P 500 is down 1.9% since the last edition of Market WATCH Weekly, while the Dow Jones has declined by 2.9%. The only sectors that saw gains were energy (amid a rise in oil prices) as well as communication services.

The Aussie stock market closed at a record high ahead of Easter, but followed Wall Street lower this week. The declines were broad-based, with utilities and energy the only sectors to record gains.



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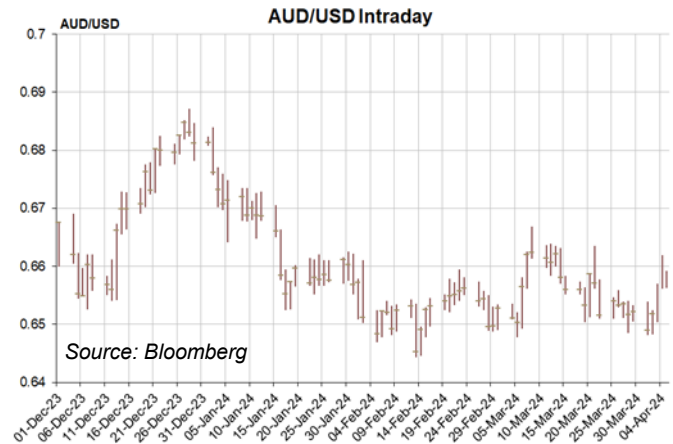
Currencies

The Aussie dollar traded in a relatively narrow range against the greenback over the early part of the week. However, comments from Fed Chair Jerome Powell regarding the likelihood of US rate cuts this year sent the big dollar lower and the AUD/USD exchange rate to a two-week high on Thursday.

The exchange rate has since slipped back below US\$0.66 as the greenback bounced off its lows, largely due to safe-haven buying connected to geopolitical tensions in the Middle East.

The Aussie is also stronger against the other major trading currencies over the past week and rose above ¥100 on Thursday, before the Japanese yen strengthened.

The AUD has been the second best performer among G10 currency market members, behind the Norwegian krone.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6564	0.6619	0.6481	↑0.4	0.6900	0.6270
AUD/EUR		0.6063	0.6093	0.6034	↑0.4	0.6310	0.5007
AUD/GBP		0.5199	0.5226	0.5157	↑0.5	0.5435	0.5007
AUD/JPY		99.22	100.40	98.26	↑0.3	100.40	87.59
AUD/CNY		4.7479	4.7874	4.6860	↑1	4.9348	4.5489
EUR/USD		1.0826	1.0877	1.0725	↑0	1.1276	1.0448
GBP/USD		1.2625	1.2684	1.2540	↓0	1.3142	1.2037
USD/JPY		151.16	151.95	150.81	↓0.1	151.97	130.78
USD/CNY		7.2332	7.2363	7.2193	↑0.1	7.3499	6.8321

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6564	0.6581	0.6595	0.6616
AUD/EUR		0.6063	0.6056	0.6045	0.6010
AUD/GBP		0.5199	0.5210	0.5218	0.5227
AUD/JPY		99.22	98.13	97.04	95.00
AUD/NZD		1.0924	1.0953	1.0977	1.1013
AUD/SGD		0.8860	0.8846	0.8828	0.8790

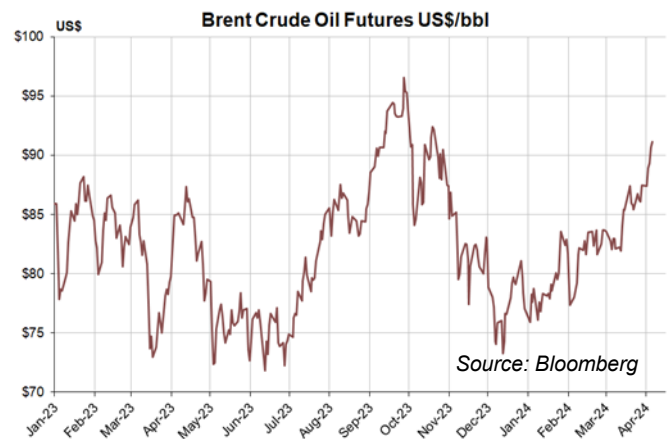
Commodities

Gold had another strong week, rising to fresh record highs as geopolitical tensions escalated.

An airstrike on the Iranian embassy in Damascus drove oil prices higher early in the week. The upward momentum was given added impetus by further Ukrainian drone attacks on Russian oil infrastructure and the OPEC+ recommitment to maintaining their current production caps until the end of June.

Oil prices received another leg up late in the week as Iran and Israel traded threats, with Brent crude climbing above US\$90 for the first time in five months.

Iron ore futures prices have had a choppy week, falling to a 10-month low on Monday before bouncing midweek, only to slide back over the past couple of days.



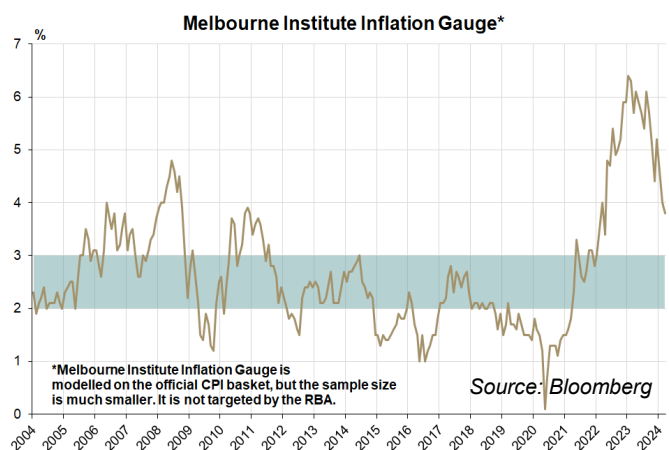
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,274.98	\$2,305.64	\$2,228.61	(↑\$80.28)	\$2,305.64	\$1,810.51
Brent Crude Oil (US\$)	\$90.95	\$91.30	\$86.40	(↑\$4.45)	\$97.69	\$71.28
Mogas95* (US\$)	\$105.96	\$106.83	\$102.68	(↑\$2)	\$110.15	\$79.06
WTI Oil (US\$)	\$86.73	\$87.22	\$82.60	(↑\$4.85)	\$95.03	\$63.64
CRB Index	296.34	296.34	286.76	(↑9.58)	296.34	253.85
Iron Ore Price 62% Fe (US\$) **	\$97.00	\$104.00	\$95.40	(↓\$3.95)	\$143.50	\$94.00

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

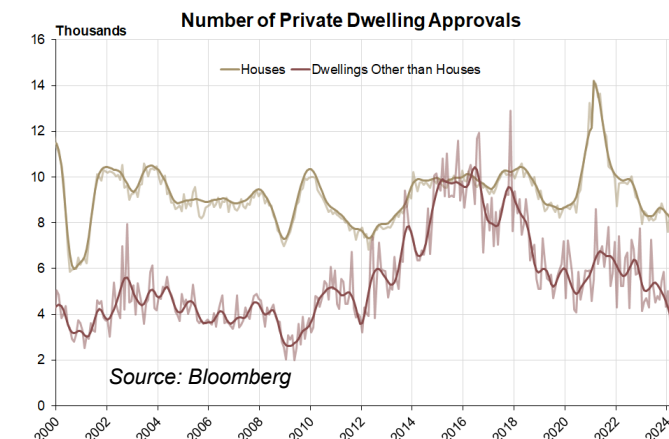
** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

DOMESTIC ECONOMY

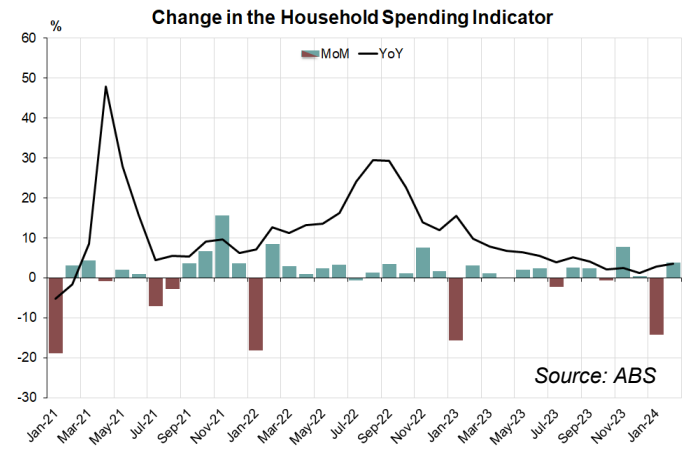
Melbourne Institute inflation gauge suggests that consumer price disinflation continued in March.



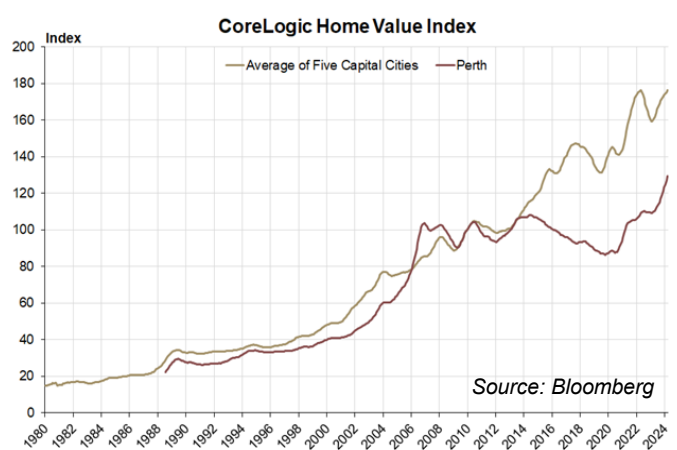
Dwelling approvals continued to fall in trend terms in February.



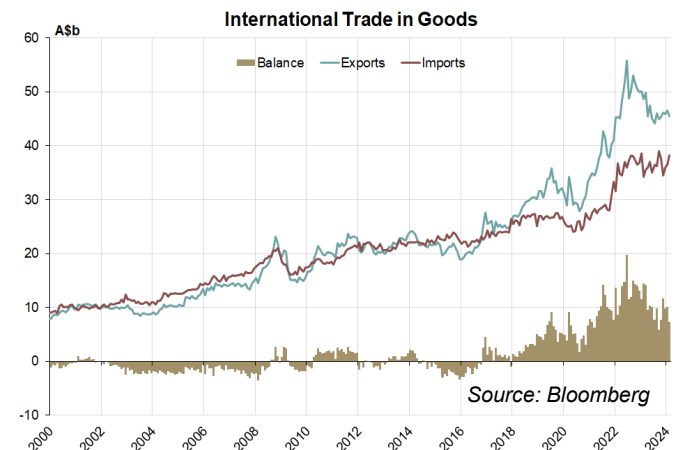
The **household spending indicator**, like the retail trade report, showed a rise in private consumption in March.



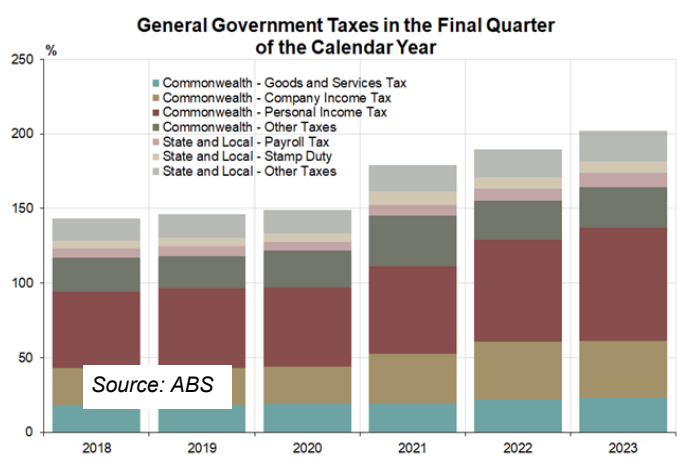
The **CoreLogic house price indices** rose to fresh record highs, both nationally and in Perth.



The **goods trade balance** declined in February amid a fall in exports and an increase in imports.



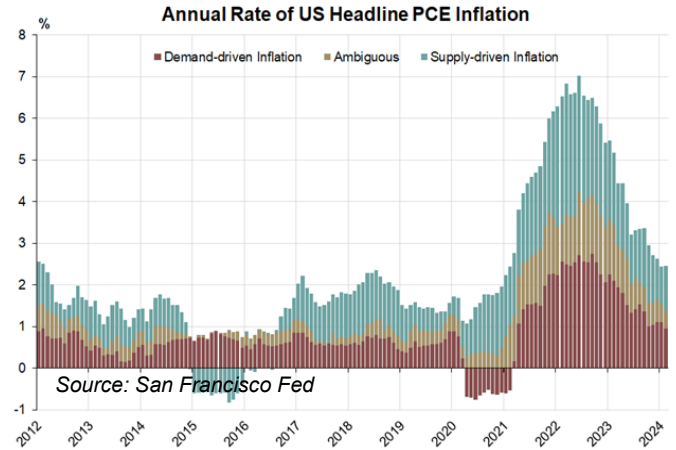
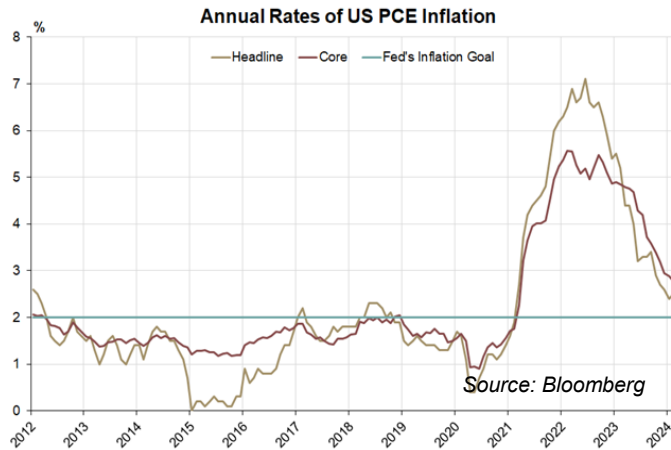
The strong labour market, solid corporate profits and rising house prices are driving **tax income** higher.



GLOBAL ECONOMY

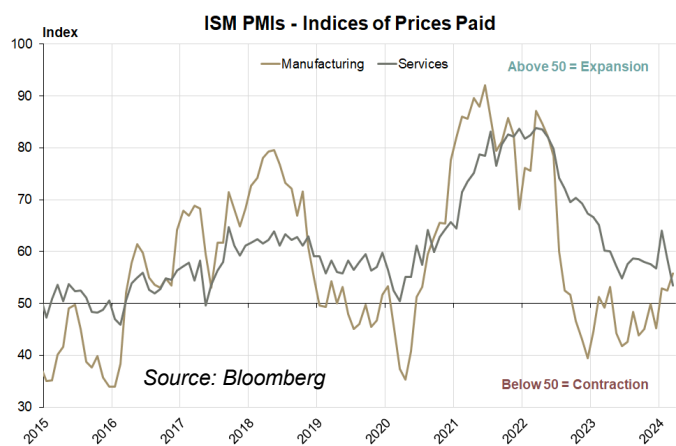
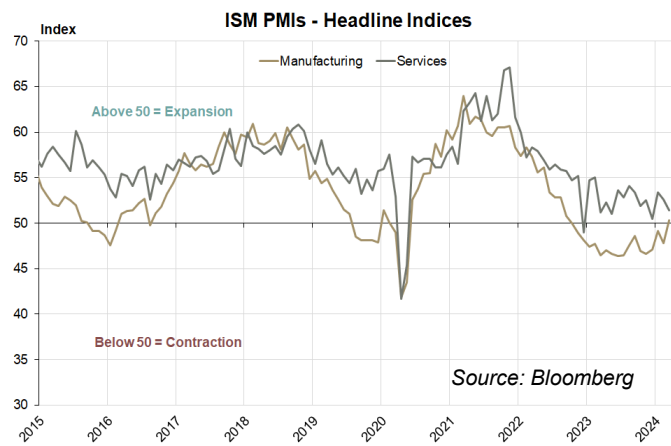
Despite the progress over the past two years, the annual rates of **US PCE inflation** are somewhat above the goal.

Demand-driven inflation has ceased to decline in the US.



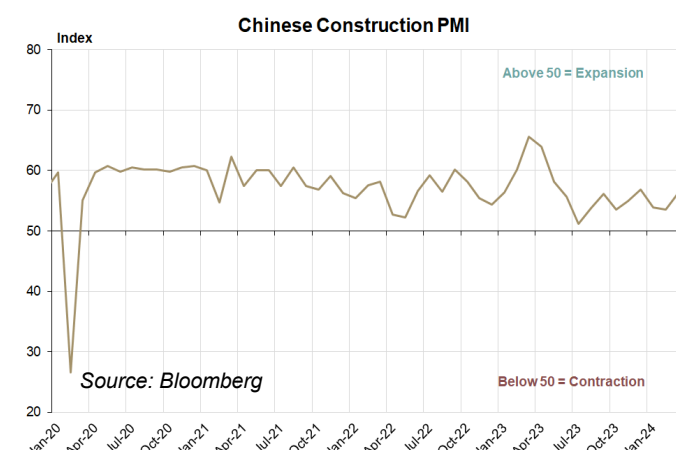
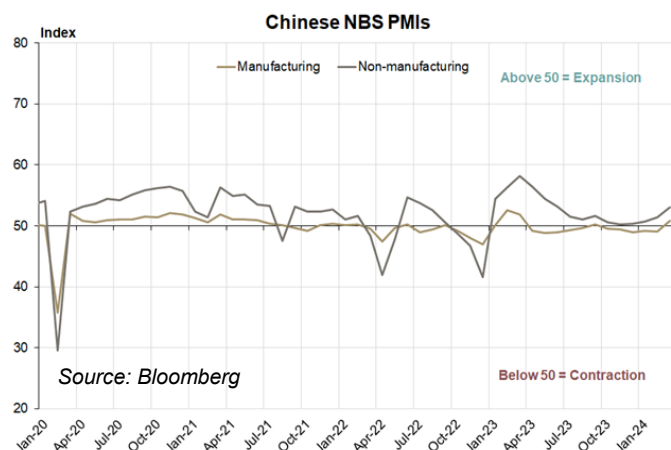
The **ISM reports** suggested that US manufacturing rose back in expansion in March, but growth in services slowed.

The **ISM price subindices** suggest that, while inflation slowed in services, it accelerated in manufacturing.



The **NBS Chinese PMIs** suggest that the Chinese economy is showing tentative signs of life.

The pace of expansion in **Chinese construction** picked up but remains soft by Chinese standards.



WESTERN AUSTRALIAN TREASURY CORPORATION

Market WATCH Weekly

5 April 2024

KEY ECONOMIC EVENTS

Last Week

	Event	Actual	Forecast	Previous	Comment
Mon 01					
CH	Caixin Manufacturing PMI (Mar)	51.1	51.0	50.9	The official NBS PMI also back in expansion.
US	ISM Manufacturing PMI (Mar)	50.3	48.3	47.8	In expansion for the first time since September 2022.
Tue 02					
AU	RBA Board Minutes	-	-	-	Closer to a neutral stance.
AU	CoreLogic Hse Prices (MoM, Mar)	0.6%	-	0.6%	Perth home prices saw the largest increase of 1.9%.
AU	MI Inflation Gauge (MoM, Mar)	0.1%	-	-0.1%	Annual rate of growth slowed 0.2ppts to 3.8%.
AU	ANZ Job Ads (MoM, Mar)	-1.0%	-	-2.1%	Still 32.1% higher than before COVID-19 hit.
US	JOLTS Job Openings (Dec)	8.8m	8.7m	8.7m	Two million more than officially unemployed.
Wed 03					
CH	Caixin Services PMI (Mar)	52.7	52.5	52.5	Caixin PMI composite also 0.2ppts up to 52.7.
EZ	HICP (YoY, Mar)	2.4%	2.5%	2.6%	Core inflation down 0.2ppts to 2.9%.
US	ADP Employment (mthly chge, Mar)	184k	150k	155k	February figures revised upwards.
US	ISM Services PMI (Mar)	51.4	52.8	52.6	Subindex of prices paid index hit a four-year low.
Thu 04					
AU	Dwelling Approvals (MoM, Feb)	-1.9%	3.0%	-2.5%	Private house approvals rose by 10.7%.
AU	Household Spend. Ind. (MoM, Feb)	3.8%	-	-14.2%	Up 3.6% YoY.
US	Initial Jobless Claims (w/e 30 Mar)	221k	214k	212k	Still very low.
Fri 05					
AU	Goods Trade Balance (Feb)	A\$7.3b	A\$10.5b	A\$10.1b	Fall driven by lower exports and higher imports.
Tonight					
US	Non-farm Payrolls (MoM, Mar)	-	214k	275k	Big Dec and Jan gains will not be repeated.
US	Unemployment Rate (Mar)	-	3.8%	3.9%	Slightly below the Fed's longer-run estimate of 4.1%.

Next Week

	Event	Forecast	Previous	Comment
Mon 08				
AU	Housing Finance (MoM, Feb)	1.8%	-3.9%	Saw a broad-based decline in January.
Tue 09				
AU	NAB Business Conditions (Mar)	-	10	Saw a quite surprising uptick in February.
AU	NAB Business Confidence (Mar)	-	0	Judo Bank report suggested some improvement.
US	NFIB Small Business Conf. (Mar)	90.0	89.4	February saw the lowest level in half a year.
Wed 10				
NZ	RBNZ Decision (Official Cash Rate)	5.50%	5.50%	First cut fully priced in for August.
CA	Bank of Canada (Policy Rate)	5.00%	5.00%	Easing cycle to start in July.
US	CPI (MoM, Mar)	0.3%	0.4%	Annual rate expected to rise by 0.3ppts to 3.5%.
Thu 11				
CH	CPI (YoY, Mar)	0.4%	0.7%	China emerged from deflation, but CPI inflation is low.
CH	PPI (YoY, Mar)	-2.8%	-2.7%	Strong decline in Chinese producer prices continues.
EZ	ECB Decision (Deposit Rate)	4.00%	4.00%	Could be the first G3 central bank to start reducing rates.
US	PPI (MoM, Mar)	0.3%	0.6%	Goods price deflation could be coming to an end.
Fri 12				
CH	Trade Balance (Mar)	US\$73.6b	US\$125.2b	Exports expected to fall again, imports are to rise.
UK	Monthly GDP (MoM, Feb)	-	0.2%	UK could emerge from a technical recession in Q1.
US	UoM Consumer Confidence (Apr, prel.)	78.7	79.4	Will contain inflation expectations tracked by the Fed.