

Interest Rates (%)			FX			Commodities US\$		
Australia		Δ bp	AUD/USD	0.6372	-1.2%	WTI Crude Oil	86.90	\$1.03
90-day Bill	4.12	0	AUD/JPY	94.10	-0.4%	Brent Crude Oil	90.21	\$1.31
3-year Bond	3.83	2	AUD/EUR	0.5945	-0.5%	Mogas95*	103.96	\$4.63
10-year Bond	4.18	6	AUD/GBP	0.5073	-0.7%	CRB Index	284.92	0.56
			AUD/NZD	1.0841	-0.2%	Gold	1926.13	-\$11.68
			AUD/CNY	4.6614	-0.8%	Silver	23.55	-\$0.39
US			EUR/USD	1.0719	-0.7%	Iron Ore (62% Fe)**	116.20	\$0.70
2-year	4.95	5	USD/JPY	147.67	0.8%	Iron Ore (23-24 Average)	108.98	\$0.15
10-year	4.26	6	USD/CNY	7.3033	0.4%	Copper	8487.00	\$35.00
			RBA Policy			Equities		
			O/N Cash Rate Target		4.10	ASX200	7292	19
			Interbank O/N Cash Rate		4.07	Dow Jones	34642	-196
Other 10-year			Probability of a 25bps Hike in Oct		8.9%	S&P500	4497	-19
Japan	0.66	1	RBA Bond Holdings (31 Aug)		A\$337.0b	Stoxx600	457	-1
Germany	2.61	3				CSI300	3820	-29
UK	4.53	6						

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

\*\*Iron ore is the second SGX futures contract.

In Governor Philip Lowe's last meeting at the helm, the RBA kept interest rates on hold. The cash rate target remains at 4.10% and the interest rate on exchange settlement balances at 4.00%. The decision was in line with cash rate futures pricing for no change, while only three out of 32 participants in the Bloomberg survey expected a hike.

The wording of the post-meeting statement was largely unchanged from the previous meeting. It again cited substantial monetary policy tightening to date, declining inflation, with the central projection path showing a return to the target band in late 2025, as well as the uncertainty around this path, particularly regarding consumption and Chinese economic conditions.

The RBA's decision and post-meeting statement had little impact on cash rate expectations, with another 25bps hike only partially priced in for November. Commonwealth bond yields are higher than yesterday morning, largely on the back of global moves, while the ASX 200 closed flat yesterday. Weaker-than-expected PMI data from China was the major driver behind the strong depreciation in the Australian dollar. The AUDUSD slipped below US\$0.64 and is the lowest since early November 2022.

Data-wise, the Australian current account surplus narrowed to A\$7.7b in Q2, dragged down by a decline in the trade surplus amid lower commodity prices. Imports rose as an increase in services imports, driven by travel, more than offset a decline in goods imports. The ABS estimate that net exports contributed 0.8ppts to Q2 GDP growth. The national accounts will be released later this morning.

Abroad, the US markets started their trading week on the back foot, with equities declining, led by materials, industrials, and utilities. The falls followed declines in Europe and mixed results in Asia. Bonds also sold off, pushing yields higher.

In China, the Caixin services PMI fell 2.3pts to 51.8 in August (above 50 = expansion), indicating the slowest growth since the start of this year. The market expectations, at 53.5, were for a less significant deceleration.

Commodity prices initially declined in reaction to the weaker-than-expected Chinese data but recovered overnight. This was particularly evident in the case of oil prices, which bounced to the highest levels since mid-November 2022 after Russia and Saudi Arabia extended their voluntary oil supply cuts until the end of 2023. Iron ore futures are 0.9% up from yesterday morning's level.

## ECONOMIC DATA REVIEW

- **AU:** Current Account Balance (Q2) – Actual A\$7.7b, Expected A\$8.0b, Previous A\$12.5b (revised).
- **CH:** Caixin Services PMI (Aug) – Actual 51.8, Expected 53.5, Previous 54.1.

## ECONOMIC DATA PREVIEW

- **AU:** GDP (QoQ, Q2) – Expected 0.4%, Previous 0.2%.
- **US:** ISM Services PMI (Aug) – Expected 52.5, Previous 52.7.

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