

THIS WEEK'S HIGHLIGHTS

- In Australia, NAB business conditions weakened slightly in March, yet remain above the historical average, while business confidence improved but remains low. Westpac consumer sentiment deteriorated in April. The value of new home loans picked up in February, but the number of construction loans fell.
- Abroad, the US CPI and PPI reports for March confirmed that the disinflation process has stalled. Chinese consumer price inflation remained low in March, while producer price deflation continued.

NEXT WEEK'S HIGHLIGHTS

- The domestic data calendar will be light next week, with the March labour force survey results the only release of note.
- The highlights offshore include be Chinese Q1 GDP as well as US and Chinese activity data for March.

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	5.56 (↓1 pt)	ASX200	7796 (↑52 pt)
US (IOR)	5.40 (0 pt)	90-day Bills	4.34 (↓2 pt)	2-yr T-Notes	4.93 (↑29 pt)	S&P500	5199 (↑52 pt)
Eurozone (Deposit)	4.00 (0 pt)	3-yr T-Bond	3.86 (↑17 pt)	10-yr T-Notes	4.57 (↑26 pt)	DJIA	38459 (↓138 pt)
UK	5.25 (0 pt)	10-yr T-Bond	4.28 (↑17 pt)	Jap 10-yr	0.85 (↑7 pt)	Nikkei	39643 (↑831 pt)
Japan (Lower)	0.00 (0 pt)	3-yr WATC Bond	4.16 (↑18 pt)	UK 10-yr	4.20 (↑18 pt)	CSI300	3498 (↓70 pt)
China (1Y LPR)	3.45 (0 pt)	10-yr WATC Bond	4.86 (↑20 pt)	Ger 10-yr	2.46 (↑10 pt)	Stoxx600	505 (↓6 pt)

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

FINANCIAL MARKETS OVERVIEW

Interest Rates

US Treasury yields surged to 2024 highs reflecting a further decline in fed funds rate cut expectations after the upside surprise to US CPI inflation figures. The rise in US yields pushed developed market bond yields higher.

At the time of writing, the first fed funds rate cut is fully priced in for September, with only one more cut to follow later in 2024. The shift in fed funds rate expectations impacted RBA cash rate expectations, with cuts no longer fully priced in for 2024. Commonwealth bond yields rose less than their US equivalents, but still reached their respective 2024 highs.

The ECB kept interest rates unchanged, as expected, but ECB President Christine Lagarde said that 'the consensus of a very large majority' was what they need to 'reinforce confidence' about inflation returning to target before deciding on rate cuts in June. The first ECB rate cut is now not fully priced in until July.

The RBNZ left its official cash rate unchanged at 5.50%, but stressed that inflation will likely return to the 1-3% target range this year. The markets expect the first rate cut in November.

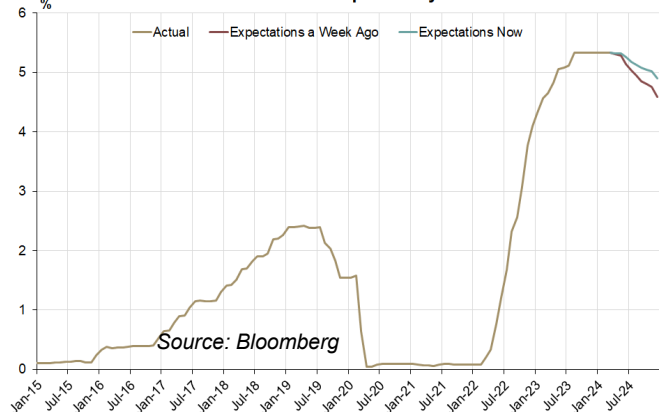
The Bank of Canada left its policy rate unchanged at 5.00%, with the first cut fully priced in for July.

Equities

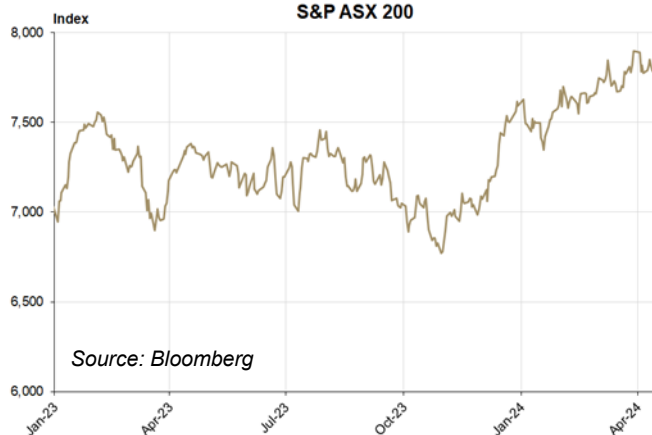
After closing last week on a strong note, US equities were relatively steady over the first half of this week. However, they fell sharply following higher-than-expected US inflation, which saw traders push back expectations for Fed rate cuts. A sharp rise in tech shares saw the market bounce back overnight.

The Aussie equity market drifted higher over the first three days of the week, before giving up most of those gains over the past two days as expectations for RBA rate cuts continue to be pushed back. Materials and utilities have been the strongest industry sectors this week, while real estate, energy and consumer staples have been the weakest.

Fed Funds Rate - Actual and Expected by the Futures Market



S&P ASX 200



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Currencies

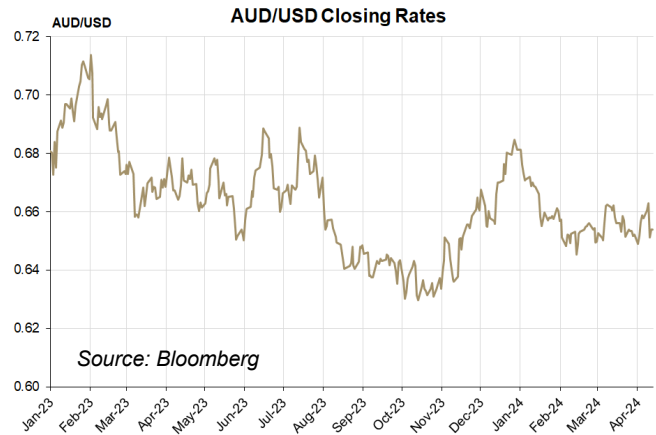
The decline in fed funds rate cut expectations after the upside surprise to the US CPI figures triggered sharp appreciation of the US dollar this week. The US dollar index bounced by around 1% to the highest level since mid-November 2023.

All G10 currencies are down against the US dollar this week, with the Japanese yen being the weakest performer and the Kiwi dollar the strongest.

The Aussie dollar is in the middle of the currency ladder for the week, with headwinds from the deterioration in global market sentiment being partly offset by the stronger gold and iron ore prices.

While the AUD is 0.4% down against the big dollar, it managed to appreciate against the euro (+0.5%), British pound (+0.1%) and the underperforming Japanese yen (+0.9%).

The USD/CNY was again flat for the week.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6535	0.6644	0.6499	↓0.4	0.6900	0.6270
AUD/EUR		0.6096	0.6108	0.6054	↑0.5	0.6310	0.5007
AUD/GBP		0.5207	0.5232	0.5184	↑0.1	0.5435	0.5007
AUD/JPY		100.11	100.81	99.39	↑0.9	100.81	87.87
AUD/CNY		4.7286	4.8042	4.7012	↓0.4	4.9348	4.5489
EUR/USD		1.0720	1.0885	1.0699	↓1	1.1276	1.0448
GBP/USD		1.2551	1.2709	1.2511	↓0.6	1.3142	1.2037
USD/JPY		153.20	153.32	151.57	↑1.3	153.32	132.02
USD/CNY		7.2364	7.2375	7.2280	↑0	7.3499	6.8321

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6535	0.6552	0.6568	0.6593
AUD/EUR		0.6096	0.6089	0.6077	0.6041
AUD/GBP		0.5207	0.5217	0.5226	0.5237
AUD/JPY		100.11	98.99	97.90	95.79
AUD/NZD		1.0887	1.0915	1.0941	1.0983
AUD/SGD		0.8854	0.8840	0.8822	0.8781

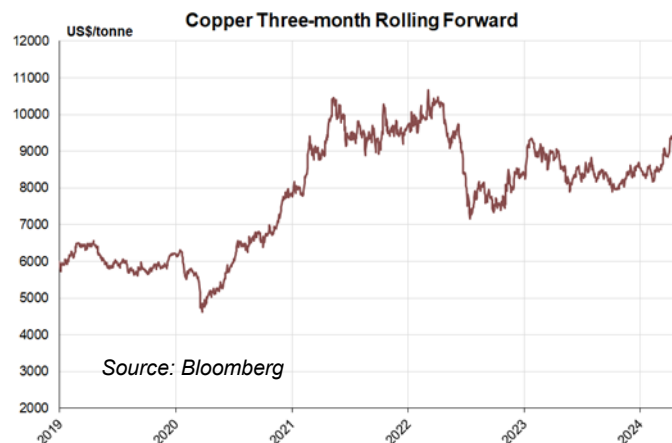
Commodities

Gold has climbed to fresh record highs as geopolitical risks and central bank buying more than offset the usual negative impact of higher bond yields and stronger greenback.

Oil prices have fallen this week after hitting a five-month high last Friday, but they remain supported by the risk of an escalation of the conflict in the Middle East.

Iron ore futures prices climbed sharply early in the week on reports of declining Chinese steel stockpiles and that steel mills are getting ready to increase production, before stabilising later in the week.

Copper, which will play a key role in the decarbonisation process, hit the highest levels since mid-2022 on Tuesday, before giving up some of its early gains.

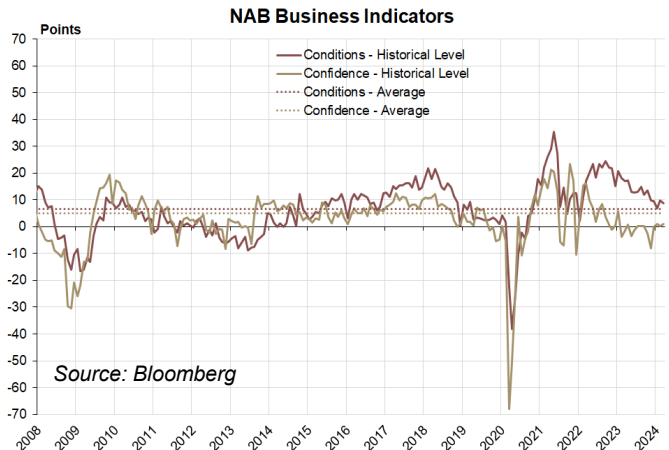


	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,389.00	\$2,395.48	\$2,303.03	(↑\$114.02)	\$2,395.48	\$1,810.51
Brent Crude Oil (US\$)	\$90.34	\$91.10	\$88.78	(↓\$0.61)	\$97.69	\$71.28
Mogas95* (US\$)	\$106.56	\$106.70	\$103.78	(↑\$0.6)	\$110.15	\$79.06
WTI Oil (US\$)	\$85.71	\$87.10	\$84.55	(↓\$1.02)	\$95.03	\$63.64
CRB Index	295.55	297.86	295.55	(↓0.79)	297.86	253.85
Iron Ore Price 62% Fe (US\$) **	\$108.90	\$109.00	\$96.75	(↑\$11.9)	\$143.50	\$94.00

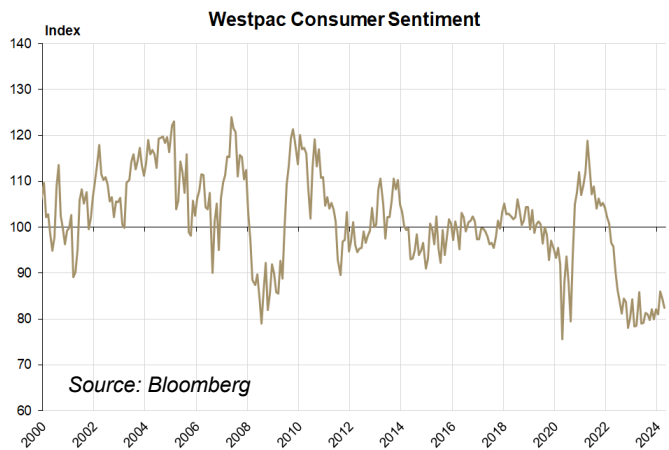
*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.
 ** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

DOMESTIC ECONOMY

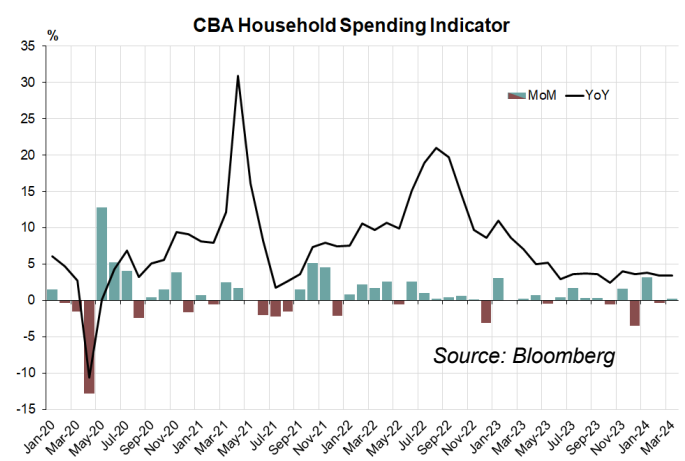
NAB business conditions remain above the average level, while confidence is still depressed.



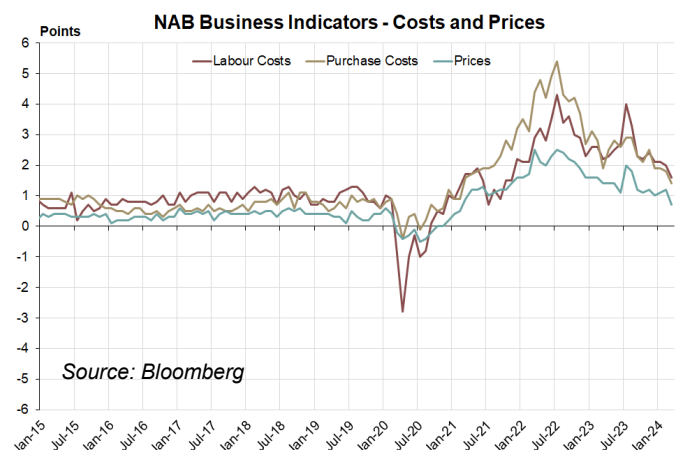
Westpac consumer sentiment declined in April and remained low.



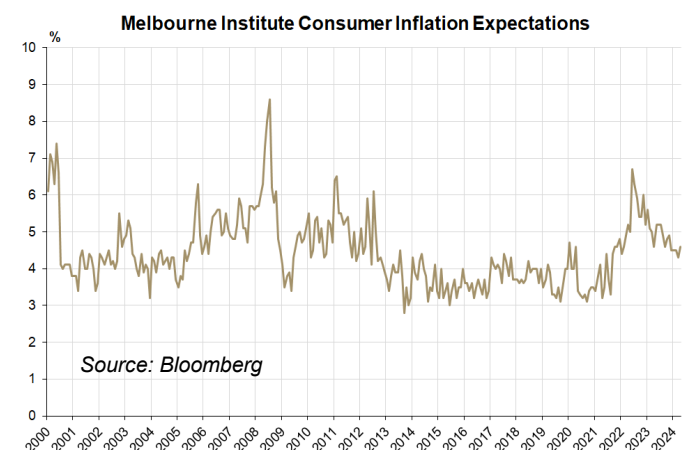
Downbeat household sentiment has translated into flat household spending in the past two months.



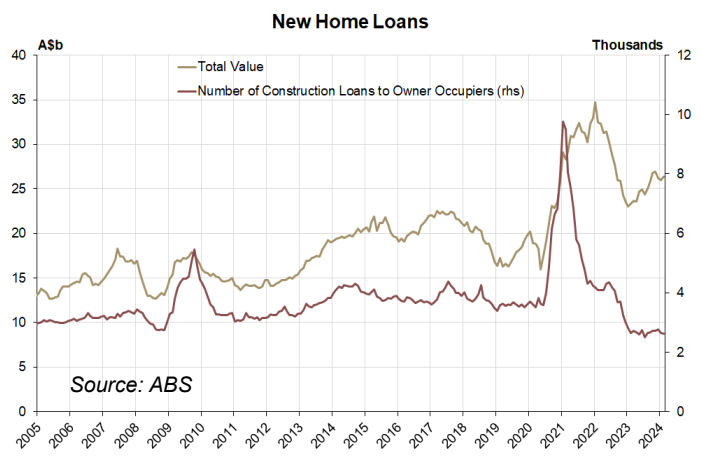
Business price and cost pressures resumed subsiding in March.



Melbourne Institute consumer inflation expectations rose in April, but it is still well below the 2022 highs.

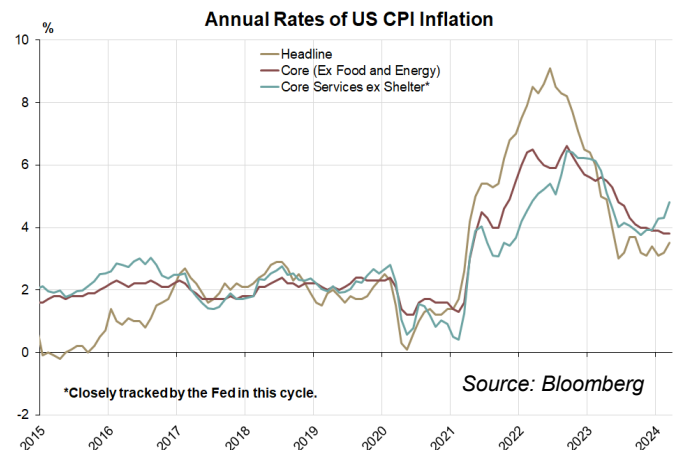


The value of **new home loans** rose in March, but the number of construction loans fell further

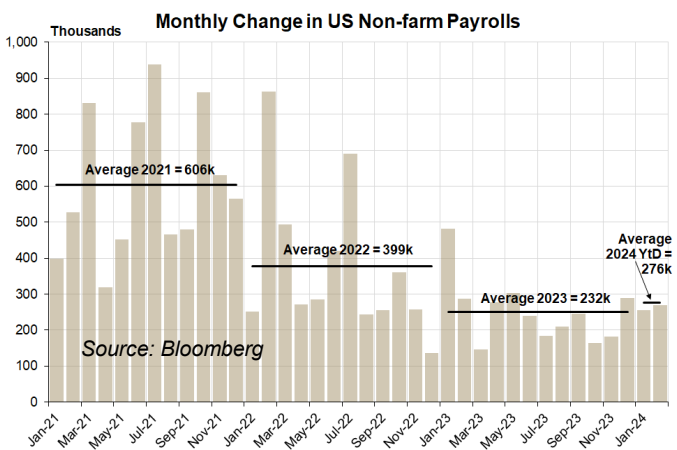


GLOBAL ECONOMY

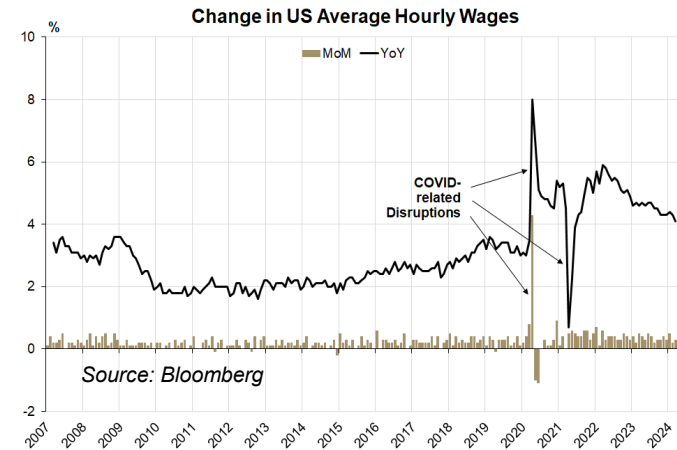
The disinflation process in the US has come to a halt, which is clear from both the **March CPI report...**



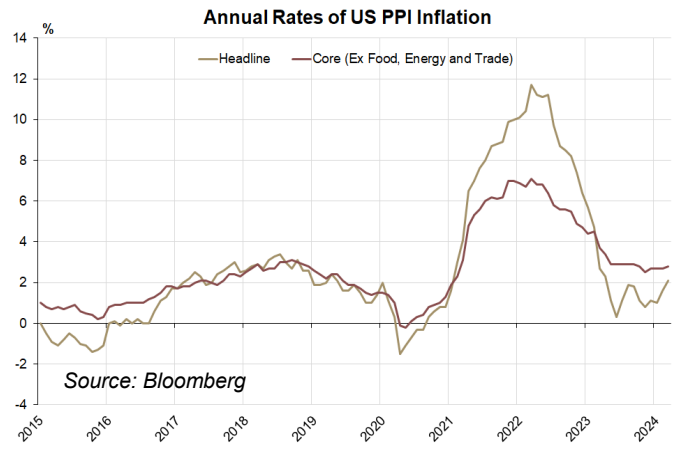
US non-farm payrolls have been resilient so far this year.



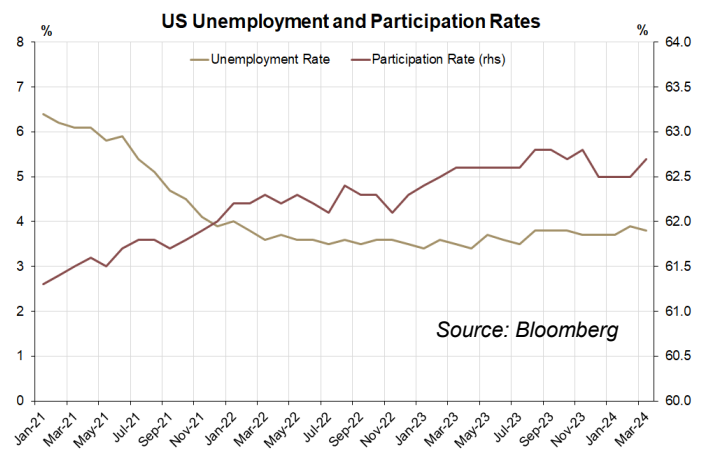
US wage growth is decelerating steadily, but remains much faster than before COVID-19 hit.



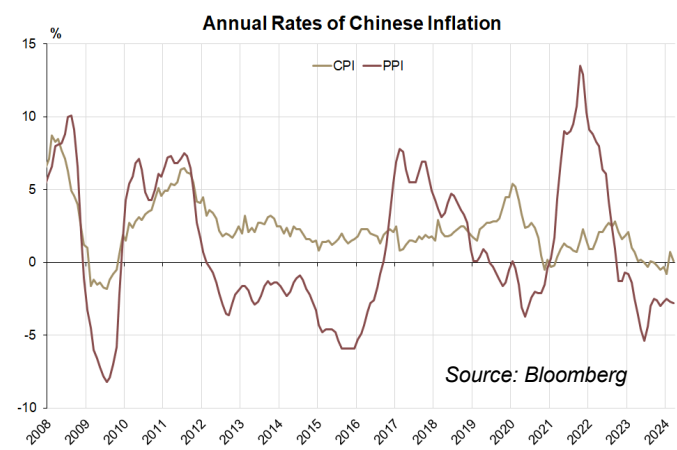
... as well as the **March PPI report.**



US unemployment rate declined in March amid a rise in the labour force participation rate.



Chinese CPI inflation remains very low, while producer price deflation continues.



WESTERN AUSTRALIAN TREASURY CORPORATION

Market WATCH Weekly

12 April 2024

KEY ECONOMIC EVENTS

Last Week

	Event	Actual	Forecast	Previous	Comment
Mon 08					
AU	Housing Finance (MoM, Feb)	1.5%	2.0%	-0.8%	Number of construction loans declined by 1.0%.
Tue 09					
AU	Westpac Cons. Sent. (MoM, Apr)	-2.4%	-	-1.8%	Consumers less convinced rate cuts are coming.
AU	NAB Business Conditions (Mar)	9	-	10	WA the only mainland state to see a gain.
AU	NAB Business Confidence (Mar)	1	-	0	WA business confidence the strongest of all states.
US	NFIB Small Business Conf. (Mar)	88.5	89.9	89.4	The lowest level since December 2012.
Wed 10					
NZ	RBNZ Decision (Official Cash Rate)	5.50%	5.50%	5.50%	First official cash rate cut fully priced in for August.
CA	Bank of Canada (Policy Rate)	5.00%	5.00%	5.00%	A 25pt cut almost full priced in for July.
US	CPI (MoM, Mar)	0.4%	0.3%	0.4%	US CPI inflation has picked up steam in early 2024.
Thu 11					
AU	Payroll Jobs (MoM, w/e 16 Mar)	-	0.4%	2.1%	Payrolls up 1.5% over the year.
AU	CBA Hsehold Spending (MoM, Mar)	-	0.2%	-0.4%	Household spending up 3.4% YoY.
AU	Consumer Inflation Exp. (Apr)	-	4.6%	4.3%	Highest level since November.
CH	CPI (YoY, Mar)	0.1%	0.4%	0.7%	CPI fell 1.0% over the month.
CH	PPI (YoY, Mar)	-2.8%	-2.8%	-2.7%	Has been in deflation for 18 months.
EZ	ECB Decision (Deposit Rate)	4.00%	4.00%	4.00%	Rate cut expectations have shifted towards July.
US	PPI (MoM, Mar)	0.2%	0.3%	0.6%	Annual PPI inflation up 0.5ppts to 2.1%.
Tonight					
CH	Trade Balance (Mar)	-	US\$69.1b	US\$39.7b	Exports to fall by 1.9%, imports to rise by 1.0%.
UK	Monthly GDP (MoM, Feb)	-	0.1%	0.2%	UK could emerge from a technical recession in Q1.
US	UoM Consumer Conf. (Apr, prel.)	-	79.0	79.4	Will contain inflation expectations tracked by the Fed.

Next Week

	Event	Forecast	Previous	Comment
Mon 15				
US	Retail Sales (MoM, Mar)	0.4%	0.6%	Core retail sales expected to rise by 0.3% MoM.
Tue 16				
CH	GDP (YoY, Q1)	5.0%	5.2%	The 2024 growth target is 'around 5%'.
CH	Retail Sales (YoY, Mar)	5.0%	5.5%	Continues to underperform.
CH	Industrial Production (YoY, Mar)	5.7%	7.0%	Showed some signs of tentative strength in early 2024.
CH	Urban Fixed Asset Inv. (YoY YtD, Mar)	4.2%	4.2%	Key indicator of iron ore demand.
UK	Unemployment Rate (Feb)	-	3.9%	UK office for national statistics signals data quality issues.
US	Industrial Production (MoM, Mar)	0.4%	0.1%	ISM report pointed to a rise in manufacturing.
Wed 17				
NZ	CPI (QoQ, Q1)	0.6%	0.5%	Good leading indicator for Aussie inflation momentum.
UK	CPI (MoM, Mar)	-	0.6%	February saw the lowest inflation since September 2021.
US	Beige Book	-	-	Anecdotal information on conditions in Fed districts.
Thu 18				
AU	Employment (monthly change, Mar)	0.0k	116.5k	The supersized gain for February may be revised down.
AU	Unemployment Rate (Mar)	3.9%	3.7%	RBA expects the unemployment rate will resume rising.
Fri 19				
JP	CPI (YoY, Mar)	2.8%	2.8%	Saw a renewed spike in February.