

THIS WEEK’S HIGHLIGHTS

- In Australia, GDP growth was anaemic in Q4 and GDP per capita fell further. The current account surplus widened in Q4. The trade balance increased, while dwelling approvals and new home loans both declined in January. Household spending was up 3.0% YoY in January. The Melbourne Institute inflation gauge pointed to further disinflation in February.
- Abroad, the US ISM services PMI pointed to slower expansion and price growth in February, while the ADP reported moderate US payrolls growth. The Chinese PMIs suggested further soft growth in February, but the trade figures pointed to acceleration in export and import growth.

NEXT WEEK’S HIGHLIGHTS

- A quieter week at home, with the NAB business survey for February on Tuesday, the CBA household spending indicator for February on Wednesday and payroll jobs for the month ending 17 February on Thursday.
- A busier week offshore, with the most important releases being the US inflation, retail trade and industrial production data; all those releases are for February. Friday will see the preliminary University of Michigan consumer survey for March, which will include inflation expectations, which are closely tracked by the Fed.

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 (↓2 pt)	ASX200	7830 (↑99 pt)
US (IOR)	5.40 (0 pt)	90-day Bills	4.35 (↑1 pt)	2-yr T-Notes	4.51 (↓12 pt)	S&P500	5157 (↑61 pt)
Eurozone (Deposit)	4.00 (0 pt)	3-yr T-Bond	3.63 (↓7 pt)	10-yr T-Notes	4.09 (↓17 pt)	DJIA	38791 (↓205 pt)
UK	5.25 (0 pt)	10-yr T-Bond	4.00 (↓12 pt)	Jap 10-yr	0.74 (↑2 pt)	Nikkei	39924 (↑73 pt)
Japan	-0.10 (0 pt)	3-yr WATC Bond	3.95 (↓4 pt)	UK 10-yr	4.00 (↓13 pt)	CSI300	3531 (↑22 pt)
China (1Y LPR)	3.45 (0 pt)	10-yr WATC Bond	4.60 (↓10 pt)	Ger 10-yr	2.31 (↓11 pt)	Stoxx600	503 (↑9 pt)

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

FINANCIAL MARKETS OVERVIEW

Interest Rates

Government bond yields are mostly down for the week, with the notable exception of Japan, as top central bank officials suggested that interest rate cuts will begin later this year.

Fed Chair Jerome Powell testified before US Congressional committees twice this week, repeating that the Fed needs to become more confident inflation is declining ‘sustainably’ towards the 2% goal, but that he expects rate cuts will start later this year. Fed funds futures is almost fully pricing in the first cut for June.

The ECB left interest rates unchanged on Thursday, but President Christine Lagarde hinted that cuts in the euro area could begin as early as June, which would be in line with the market expectations.

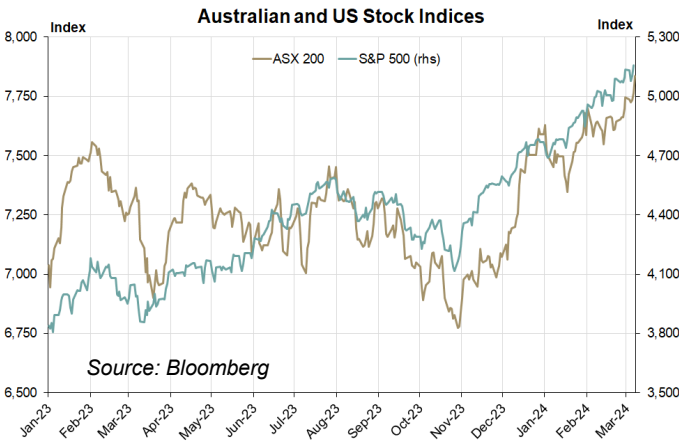
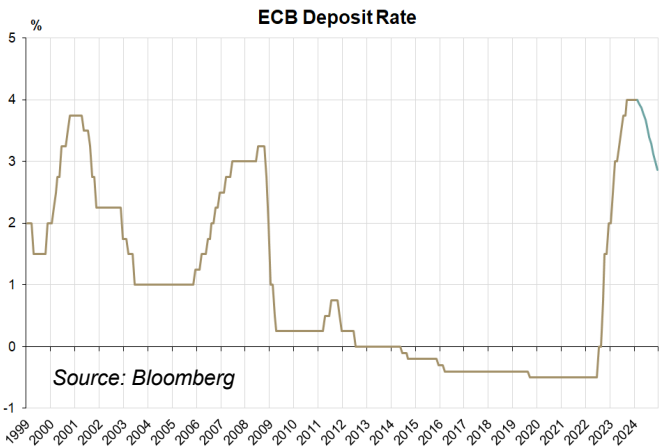
The Bank of Canada left its policy rate unchanged at 5.00%, as expected. The first rate cut from the Canadian central bank is fully priced in for July.

On the other side of the ledger, speculation is mounting that the Bank of Japan could exit its negative interest rate policy at its upcoming monetary policy meeting on 18-19 March, which led to a slight increase in Japanese government bond yields.

Equities

The US stock market performance was lacklustre in the first days of the week, as investors awaited the twin testimonies by Fed Chair Jerome Powell and the labour market figures. The hints from Chair Powell that the FOMC will start cutting the fed funds rate later this year saw optimism return to the market, helping the S&P 500 to a fresh record high on Thursday.

The ASX 200 also established fresh record highs towards the end of the week and appears to be heading towards another record high today.



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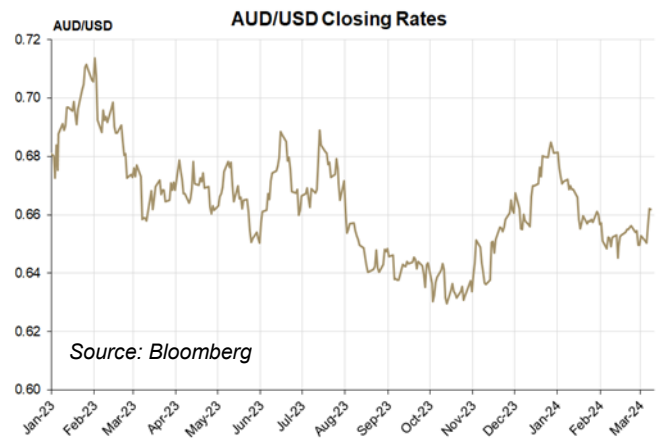
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Currencies

The Australian dollar has been the strongest member of the G10 currency basket this week and climbed to its highest levels against the greenback since the end of January on a mixture of Aussie dollar strength and US dollar weakness.

The AUD was little soft early in the week, weighed down by a cautious market and some weak domestic economic data. The currency lifted sharply over the second half of the week, with market sentiment boosted by comments from Fed Chair Jerome Powell to Congress that the Fed expects to start cutting interest rates later this year. While nothing really new, Powell's comments helped send the USD Index to near two-month lows.

The euro had a momentary slump on Thursday after ECB president Christine Lagarde again identified June as a likely month for the first rate cut in her press conference after the ECB meeting, but the currency soon recovered.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6622	0.6630	0.6478	↑1.8	0.6900	0.6270
AUD/EUR		0.6048	0.6082	0.5972	↑0.6	0.6310	0.5007
AUD/GBP		0.5169	0.5188	0.5110	↑0.4	0.5583	0.5007
AUD/JPY		97.97	98.21	97.38	↑0.2	99.06	86.06
AUD/CNY		4.7638	4.7648	4.6633	↑1.7	4.9348	4.5455
EUR/USD		1.0949	1.0956	1.0798	↑1.2	1.1276	1.0448
GBP/USD		1.2811	1.2820	1.2600	↑1.4	1.3142	1.1832
USD/JPY		147.93	150.72	147.53	↓1.6	151.91	129.64
USD/CNY		7.1938	7.1995	7.1910	↓0	7.3499	6.8169

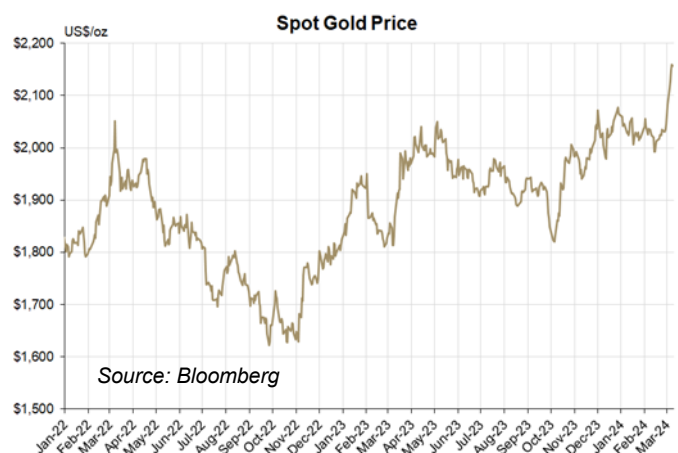
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6622	0.6640	0.6654	0.6673
AUD/EUR		0.6048	0.6042	0.6031	0.5998
AUD/GBP		0.5169	0.5181	0.5191	0.5205
AUD/JPY		97.97	96.86	95.78	93.75
AUD/NZD		1.0730	1.0760	1.0789	1.0836
AUD/SGD		0.8830	0.8817	0.8800	0.8759

Commodities

Commodities have mainly lifted over the past week, helped by central bank comments. The CRB commodity price index is up 1.5% since this time last week to be sitting at a four-month high, while gold has smashed through its previous record highs.

Oil prices fell early in the week as the US and Chinese services PMIs were a little softer than expected and Chinese authorities disappointed markets with no clearly defined stimulus plan. However prices soon picked up following Powell's comments to Congress and news of a big drawdown in US fuel stocks last week.

The recovery in nickel prices has continued, with prices currently at a four-month high and appearing on track for the fourth weekly rise in a row.

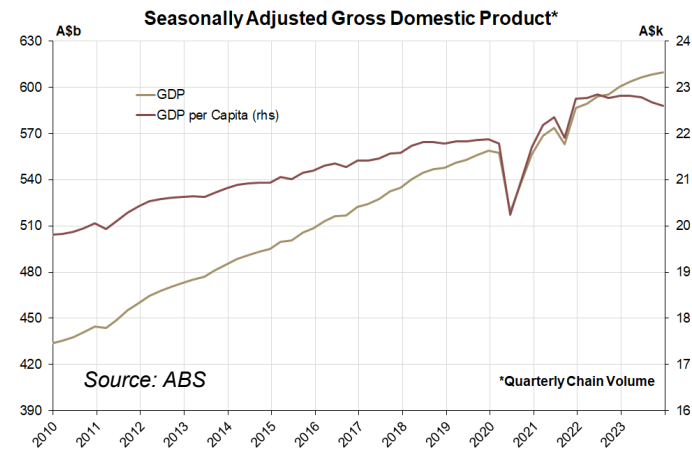


	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,159.68	\$2,164.78	\$2,079.54	(↑\$114.52)	\$2,164.78	\$1,810.51
Brent Crude Oil (US\$)	\$83.28	\$84.08	\$81.72	(↑\$1.09)	\$97.69	\$70.12
Mogas95* (US\$)	\$99.95	\$101.77	\$90.62	(↑\$0.4)	\$110.15	\$79.06
WTI Oil (US\$)	\$79.36	\$80.67	\$77.52	(↑\$0.9)	\$95.03	\$63.64
CRB Index	279.09	279.09	275.08	(↑4.01)	290.29	253.85
Iron Ore Price 62% Fe (US\$) **	\$115.85	\$117.90	\$111.95	(↓\$0.45)	\$143.50	\$94.00

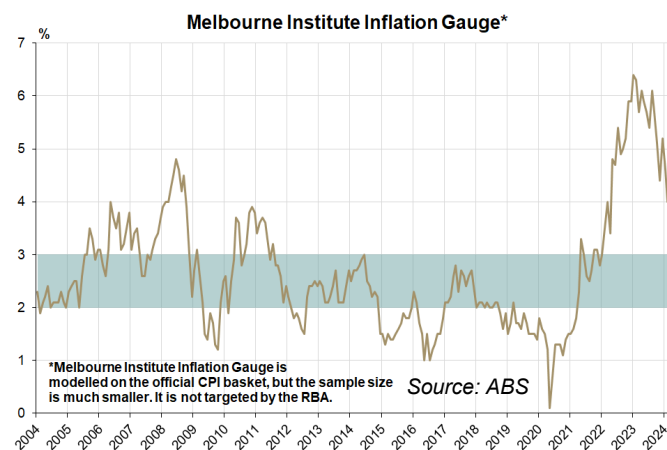
*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.
 ** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

DOMESTIC ECONOMY

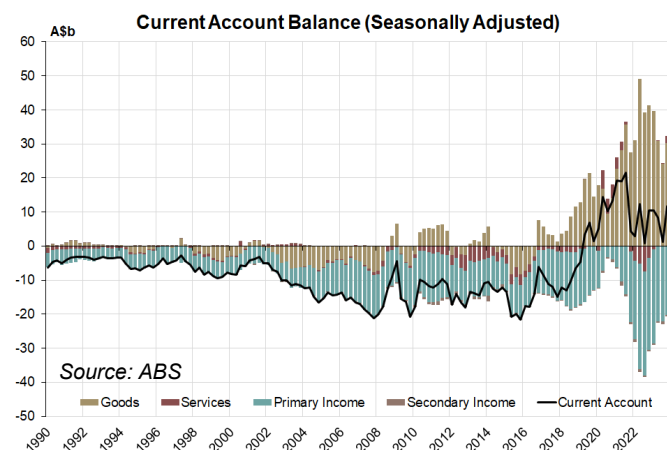
Real GDP growth remained soft in Q4 and GDP per capita continued to decline.



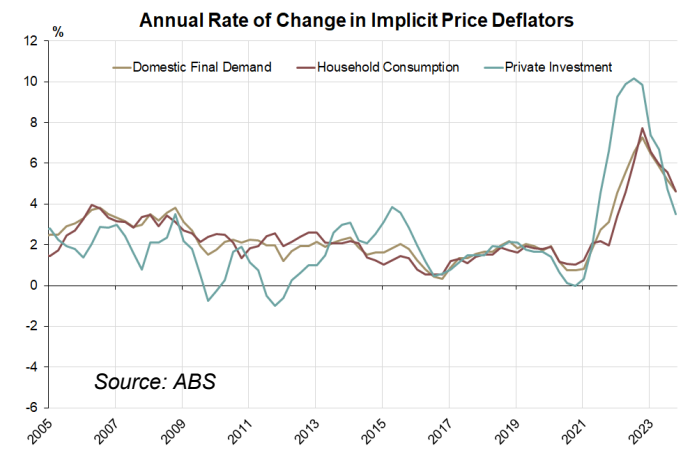
Melbourne Institute inflation gauge suggests that disinflation continued into early 2024.



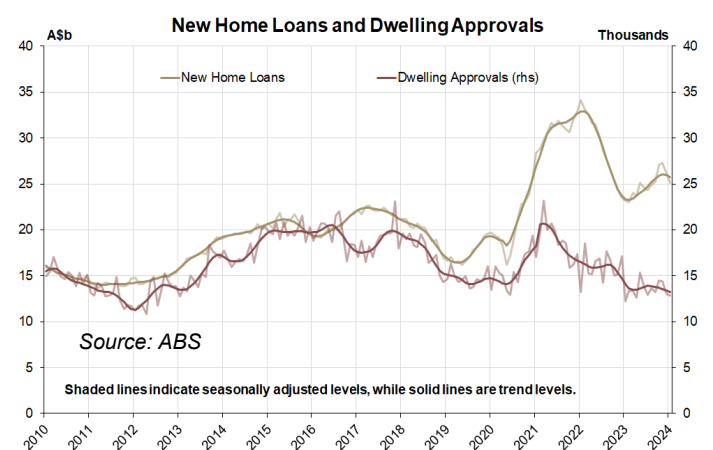
The **current account** surplus rose in Q4, with a higher trade surplus and further narrowing in net primary income.



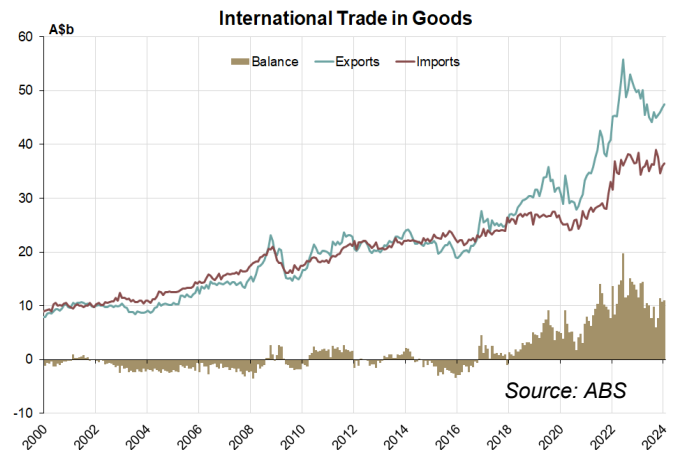
The national accounts confirm that disinflation continues in the domestic economy, but inflation rates are still high.



New home loans and **dwelling approvals** declined in January, with dwelling approvals near decade lows.



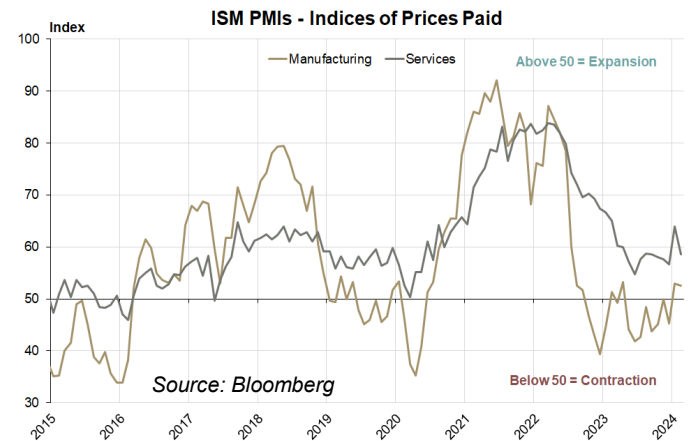
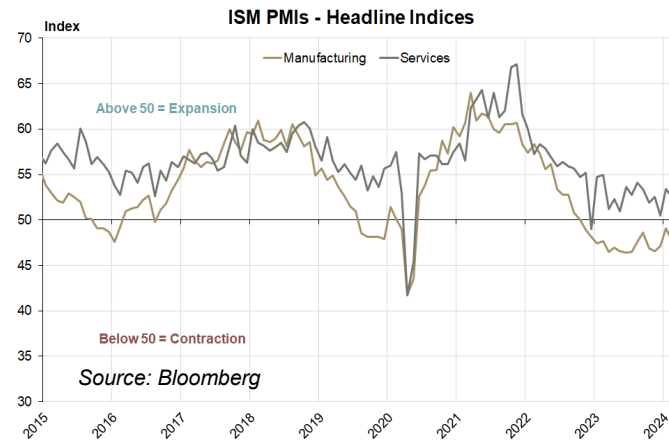
Higher exports more than offset increased imports in January resulting in another strong **external trade surplus**.



GLOBAL ECONOMY

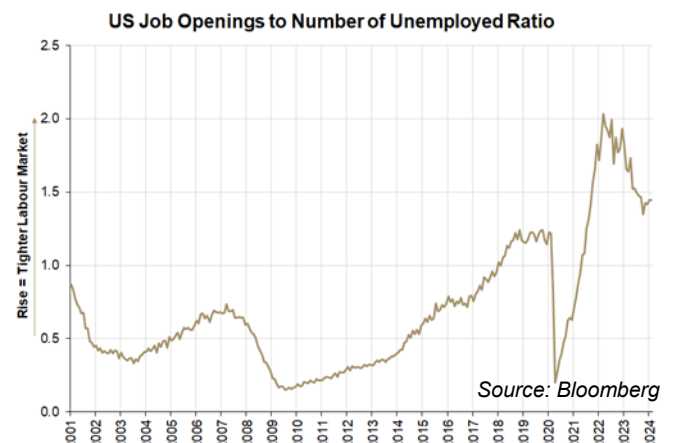
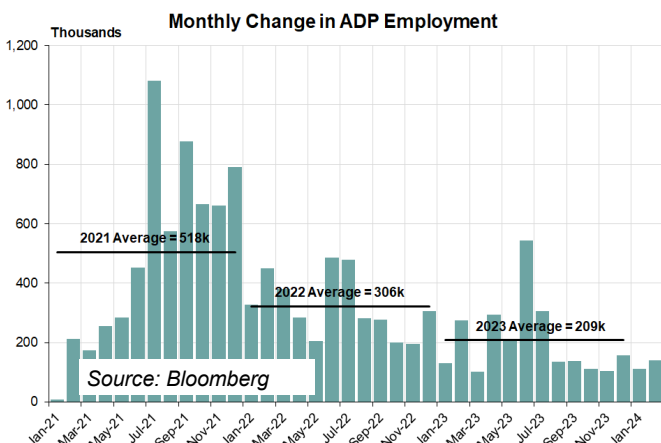
The **US ISM PMI** reports pointed to a slower expansion in services and faster contraction in manufacturing...

... while **price pressures** eased a little, particularly in services.



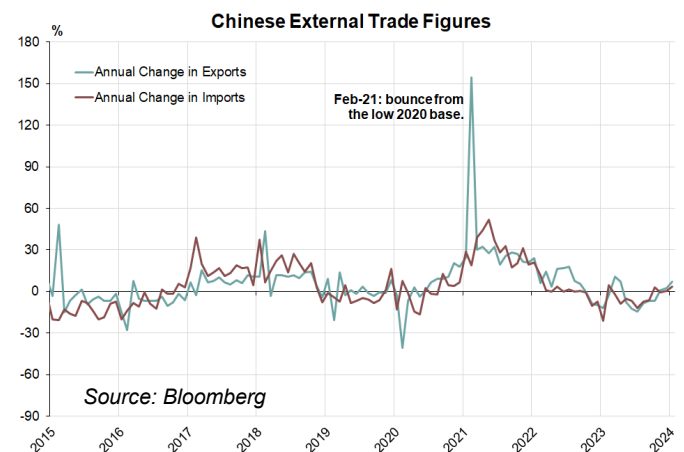
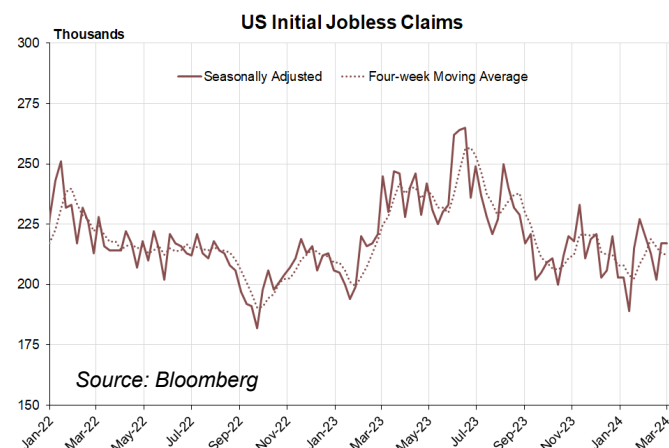
According to the ADP report, **US private sector payrolls** growth in early 2024 was slower than in 2023.

Despite some softening, **US labour market conditions** remain tight, with more **job openings** than unemployed.



Meanwhile, the number of **US new jobless claims** remains moderate.

Chinese exports and imports growth accelerated in early 2023.



WESTERN AUSTRALIAN TREASURY CORPORATION

Market WATCH Weekly

8 March 2024

KEY ECONOMIC EVENTS

Last Week

Event		Actual	Forecast	Previous	Comment
Mon 04					
AU	Dwelling Approvals (MoM, Jan)	-1.0%	4.0%	-10.1%	Private house approvals down 9.9% in January.
AU	Melb. Inst. Inflation (MoM, Feb)	-0.1%	-	0.3%	Annual rate of inflation down 0.6ppts to 4.0%.
AU	ANZ Job Ads (MoM, Feb)	-2.8%	-	3.4%	January figures were revised up from +1.7%.
Tue 05					
AU	Current Account (Q4)	A\$11.8b	A\$5.0b	A\$1.3b	The trade surplus rose to A\$32.3b.
AU	ANZ Cons. Conf. (w/e 2 Mar)	-2.4%	-	0.5%	The lowest level in 2024 so far.
CH	Caixin Services PMI (Feb)	52.5	52.9	52.7	Ongoing rise in new overseas orders.
US	ISM Services PMI (Feb)	52.6	53.0	53.4	Employment subindex fell back into contraction.
Wed 06					
AU	GDP (QoQ, Q4)	0.2%	0.2%	0.3%	Annual rate of growth down 0.6ppts to 1.5%.
CA	BoC Decision (Policy Rate)	5.00%	5.00%	5.00%	First cut fully priced in for July.
US	ADP Employment (MoM, Feb)	140k	150k	111k	Has been a poor indicator for the official job figures.
US	JOLTS Job Openings (Jan)	8.9m	8.9m	8.9m	Still 2.7m more openings than officially unemployed.
US	Beige Book	-	-	-	Price pressures eased further in several districts.
US	Fed Monetary Policy Report	-	-	-	Chair Powell expects rate cuts to start in 2024.
Thu 07					
AU	Housing Finance (MoM, Jan)	-3.9%	2.0%	-4.1%	A broad-based decline.
AU	Goods Trade Balance (Jan)	A\$11.0b	A\$11.5b	A\$10.7b	A rise in the surplus driven by higher exports.
CH	Trade Balance (Jan-Feb)	US\$125b	US\$106b	US\$68b	Exports up 7.1% YoY, imports increased 3.5% YoY.
EZ	ECB Decision (Deposit Rate)	4.00%	4.00%	4.00%	ECB should have enough information to cut in June.
US	Fed Monetary Policy Report	-	-	-	'Not far from' confident inflation will reach its goal.
US	Initial Jobless Claims (w/e 2 Mar)	217k	216k	217k	Continued claims slightly above 1.9m.
Tonight					
US	Non-farm Payrolls (MoM, Feb)	-	200k	353k	Large rises in Dec and Jan unlikely to be repeated.
US	Unemployment Rate (Feb)	-	3.7%	3.7%	FOMC's median longer-run estimate is 4.1%.

Next Week

Event		Forecast	Previous	Comment
Mon 11				
No market moving data.				
Tue 12				
AU	NAB Business Conditions (Feb)	-	6	Business conditions are normalising.
AU	NAB Business Confidence (Feb)	-	1	Has been subdued since mid-2022.
US	CPI (MoM, Feb)	0.4%	0.3%	US disinflation stalled in January.
Wed 13				
AU	CBA Household Spending (MoM, Feb)	-	3.1%	First insights into consumer demand in February.
UK	Monthly GDP (MoM, Jan)	-	-0.1%	The UK entered a technical recession in Q4.
Thu 14				
AU	Payroll Jobs (MoM, 17 Feb)	-	0.5%	The latest release was for the month ending 9 Dec 2024.
US	Retail Sales (MoM, Feb)	0.6%	-0.8%	Expected to be supported by higher car sales.
US	PPI (MoM, Feb)	0.3%	0.3%	ISM reports suggest slower price growth.
Fri 15				
US	Industrial Production (MoM, Feb)	-0.1%	-0.1%	ISM manufacturing report pointed to a decline.
US	UMich Consumer Sentiment (Mar, prel.)	77.5	76.9	Will contain inflation expectations tracked by the Fed.