

Interest Rates			FX			Commodities US\$				
Australia	Δ bp		AUD/USD	0.6514	-0.5%	WTI Crude Oil	65.63	\$0.87		
		90-day Bill	3.57	0	AUD/JPY	96.82	0.3%	Brent Crude Oil	69.12	\$0.83
		3-year Bond	3.45	1	AUD/EUR	0.5601	0.1%	Mogas95*	81.05	\$1.71
		10-year Bond	4.37	3	AUD/GBP	0.4870	0.7%	CRB Index	304.38	2.03
				AUD/NZD	1.1125	0.3%	Gold	3540.69	\$57.75	
				AUD/CNY	4.6502	-0.6%	Silver	40.82	\$0.07	
US			EUR/USD	1.1631	-0.7%	Iron Ore (62% Fe)**	103.10	\$1.10		
		2-year	3.65	2	USD/JPY	148.64	0.9%	Iron Ore (25-26 Average)	100.95	\$0.05
		10-year	4.28	2	USD/CNY	7.1383	0.0%	Copper	9980.50	\$96.50
		RBA Policy			Equities					
Other 10-year			O/N Cash Rate Target	3.60		ASX200	8849	-51		
			Interbank O/N Cash Rate	3.59		Dow Jones	45296	-249		
			Probability of a 25bps Cut in Sep	20.0%		S&P500	6416	-45		
			RBA Bond Holdings (31 Jul)	A\$272.1b		Stoxx600	543	-8		
						CSI300	4490	-33		

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

**Iron ore is the second SGX futures contract.

The US stocks started their trading week on the back foot, as investors remained concerned about US institutions and the economy. The losses were quite broad-based, led by real estate, followed by financials and information technology. US Treasury yields ticked up across the yield curve, while the US dollar appreciated sharply.

The losses on Wall Street followed considerable losses in Europe, particularly Germany. The bourses in the Asia-Pacific region closed mixed yesterday. The ASX 200 lost another 0.3%, with financials and information technology being the only sectors that saw some gains.

Despite the sour global market sentiment, the Australian dollar appreciated against all the major currencies except for the stronger US dollar. The appreciation was helped by a rise in global commodity prices. Commonwealth bond yields rose a little since yesterday morning.

Concerns over the state of US institutions and geopolitics sent the gold price to yet another record high yesterday. The geopolitical concerns came against the backdrop of a series of bilateral meetings between Chinese, Indian and Russian leaders at the Shanghai Cooperation Organisation gathering in the Chinese capital Beijing.

In other commodity news, oil prices rose a little further amid concerns about the impact of Ukrainian drone attacks on Russian oil facilities on the physical market. Iron ore futures rose by 1.1% since this time yesterday.

Data-wise, the US ISM manufacturing PMI rose 0.7pts to 48.7 in August (below 50 = contraction). The details of the report were mixed. New orders rose back into expansion, but new export orders remained in deep contraction. Employment also continued to fall sharply, while cost growth – while decelerating – remained steep.

Across the Atlantic, the annual rate of euro area HICP inflation rose by 0.1ppts to 2.1% in August, which was a slight upside surprise to market participants, who expected no change at 2.0%.

In Australia, current account deficit unexpectedly narrowed to A\$13.7b in Q2, thanks to a smaller net primary income deficit, partly offset by a decline in trade surplus in value terms. However, trade surplus picked up in volume terms, thanks to which net trade is estimated to have added 0.1ppts to real GDP growth in the quarter.

The ABS also estimates that total public demand was neutral for growth in Q2. The complete national accounts report for Q2 will be released later this morning.

Economic Data Review

- **AU:** Current Account Balance (Q2) – Actual -A\$13.7b, Expected -A\$16.0b, Previous -A\$14.1b (revised).
- **EZ:** HICP (YoY, Aug) – Actual 2.1%, Expected 2.0%, Previous 2.0%.
- **US:** ISM Manufacturing PMI (Aug) – Actual 48.7, Expected 49.0, Previous 48.0.

Economic Data Preview

- **AU:** GDP (QoQ, Q2) – Expected 0.5%, Previous 0.6%.
- **AU:** Public Appearance by RBA Governor Michele Bullock.
- **CH:** RatingDog Services PMI (Aug) – Expected 52.5, Previous 52.6.
- **US:** JOLTS Job Openings (Jul) – Expected 7,373k, Previous 7,437.
- **US:** Beige Book.