

Interest Rates (%)			FX			Commodities US\$		
Australia			AUD/USD	0.6405	-0.3%	WTI Crude Oil	89.61	\$0.41
90-day Bill	4.15	1	AUD/JPY	94.56	-0.8%	Brent Crude Oil	93.28	\$0.14
3-year Bond	4.05	-1	AUD/EUR	0.6012	-0.5%	Mogas95*	101.94	\$0.95
10-year Bond	4.34	4	AUD/GBP	0.5214	-0.1%	CRB Index	285.93	-2.55
			AUD/NZD	1.0814	-0.4%	Gold	1921.78	-\$4.82
			AUD/CNY	4.6904	-0.5%	Silver	23.44	\$0.33
US			EUR/USD	1.0655	0.2%	Iron Ore (62% Fe)**	118.00	-\$3.25
2-year	5.14	-6	USD/JPY	147.63	-0.5%	Iron Ore (23-24 Average)	110.94	\$0.04
10-year	4.50	7	USD/CNY	7.3064	0.3%	Copper	8194.00	-\$151.50
			RBA Policy			Equities		
			O/N Cash Rate Target	4.10		ASX200	6972	-161
			Interbank O/N Cash Rate	4.07		Dow Jones	34070	-370
			Probability of a 25bps Hike in Oct	8.9%		S&P500	4330	-72
Other 10-year			RBA Bond Holdings (31 Aug)	A\$337.0b		Stoxx600	455	-6
Japan	0.75	1				CSI300	3672	-33
Germany	2.74	4						
UK	4.31	9						

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

**Iron ore is the second SGX futures contract.

US equity prices continued to fall overnight in reaction to the [hawkish pause](#) from the FOMC. The S&P 500 reached the lowest level since late June, while the Dow Jones is the lowest since the first half of July.

US long-term Treasury yields climbed further, with 10-year yields establishing a new 15-year high. At the same time, there were quite strong declines at the front end of the US sovereign curve, as fed funds rate expectations ebbed. However, a 25bps hike in the US is still around 50% priced in for later this year.

The scarce data flow from the US overnight justified tight monetary policy to some extent. Last week, initial jobless claims declined to the lowest level since late January, while continued claims are at their lowest level since mid-January.

Across the Atlantic, there were some dovish surprises from the central banks. The Bank of England unexpectedly kept its bank rate unchanged at 5.25%, which was the first such move in this tightening cycle. The Swiss National Bank also opted for no hike yesterday. However, the Norges Bank increased its policy rate by 25bps and said that they are ready to tighten their monetary policy further.

Closer to home, the annual rate of Japanese inflation slowed to 3.2% in August. This was an upside surprise to the market participants, who expected a fall to 3.1%. The so-called 'core-core' inflation, which excludes fresh food and energy, remained at the 40-year high of 4.3%, as expected. The Bank of Japan is to announce its monetary policy decision later today. The monetary policy settings will remain ultra-expansionary, though some further tweaks in the yield curve control policy cannot be ruled out completely.

In Australia, the Judo Bank composite PMI rose back into expansion in September, supported by a recovery in services while manufacturing remained in contraction. The details of the PMI report pointed to the ongoing strong increase in input costs, but selling price inflation declined to five-month low.

In the local markets, long-term Commonwealth bonds picked up, but there were slight declines for shorter maturities. The ASX 200 closed 1.4% yesterday, with losses across all sectors, before dropping by another 1.3% this morning. The Australian dollar depreciated against all the major currencies.

ECONOMIC DATA REVIEW

- **AU:** Judo Bank Composite PMI (Sep, flash) – Actual 50.2, Previous 48.0.
- **JP:** CPI (YoY, Aug) – Actual 3.2%, Expected 3.0%, Previous 3.3%.
- **US:** Initial Jobless Claims (w/e 16 Sep) – Actual 201k, Expected 225k, Previous 221k (revised).

ECONOMIC DATA PREVIEW

- **JP:** Bank of Japan Decision (Complementary Deposit Rate) – Expected -0.10%, Previous -0.10%.
- **JP:** Jibun Bank Composite PMI (Sep, flash) – Previous 52.6.
- **EZ:** HCOB Composite PMI (Sep, flash) – Expected 46.5, Previous 46.7.
- **UK:** S&P Global Composite PMI (Sep, flash) – Expected 48.7, Previous 48.6.
- **US:** S&P Global Composite PMI (Sep, flash) – Expected 50.4, Previous 50.2.

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