

## Economic Analysis

Daily Report 1 March 2024

Interest Rates (%)			FX			Commodities US\$		
<b>Australia</b>		<b>Δ bp</b>	AUD/USD	0.6504	0.1%	WTI Crude Oil	78.30	\$0.19
90-day Bill	4.34	0	AUD/JPY	97.68	-0.1%	Brent Crude Oil	81.91	-\$1.77
3-year Bond	3.70	2	AUD/EUR	0.6017	0.4%	Mogas95*	99.13	-\$0.21
10-year Bond	4.13	0	AUD/GBP	0.5150	0.4%	CRB Index	275.08	-0.19
			AUD/NZD	1.0685	0.2%	Gold	2043.61	\$8.44
			AUD/CNY	4.6726	-0.1%	Silver	22.65	\$0.18
<b>US</b>			EUR/USD	1.0809	-0.3%	Iron Ore (62% Fe)**	117.25	\$1.90
2-year	4.62	-3	USD/JPY	150.19	-0.3%	Iron Ore (23-24 Average)	121.43	-\$0.02
10-year	4.25	-1	USD/CNY	7.1886	-0.1%	Copper	8493.50	\$45.00
			<b>RBA Policy</b>			<b>Equities</b>		
			O/N Cash Rate Target	4.35		ASX200	7700	52
			Interbank O/N Cash Rate	4.32		Dow Jones	38996	47
<b>Other 10-year</b>			Probability of a 25bps Cut in Mar	2.8%		S&P500	5096	27
Japan	0.71	2	RBA Bond Holdings (31 Jan)	A\$336.1b		Stoxx600	495	0
Germany	2.41	-5				CSI300	3516	66
UK	4.12	-6						

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

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

Wall Street closed the month in black, with the S&P 500 and Nasdaq edging up to fresh record highs. The gains were quite broad-based, led by information technology and communication services, and followed mixed results in Europe and the Asia-Pacific. US Treasury yields declined, as the PCE inflation figures came in line with expectations. The Australian dollar appreciated against all the major currencies but the stronger Japanese yen, with the AUD/USD rising back above US\$0.65. Commonwealth bond yields are little changed. The ASX 200 rose 0.5% yesterday, with all sectors but utilities closing in black, before opening higher this morning.

US PCE price index rose by 0.3% in January, in line with expectations, which followed a downwardly revised increase of 0.1% in December 2023. The annual headline PCE inflation, which is targeted by the Fed, declined 0.2ppts to 2.4%, which is not far off the 2% goal, while core PCE inflation ebbed 0.1ppts to 2.8%.

At the same time, US personal spending rose by 0.2% in nominal terms in January, but declined by 0.1% in real terms, though from an upwardly revised level for December. The figures were in line with expectations.

In an interview last night, San Francisco Fed President Mary Daly said that, as inflation is coming down, it would be 'appropriate' to reduce the fed funds rate, and advocated cutting rates before inflation reaches 2%. Atlanta Fed President Raphael Bostic repeated that he expects rate cuts in the summer, though cautioned there may be 'bumps along the way'. His Chicago counterpart Austan Goolsbee warned against relying on a single month's inflation figure.

From the local data, retail trade rose 1.1% in January, less than the 1.5% expected by the markets but from an upwardly revised level for the previous month. Private sector credit saw a broad-based and steady increase of 0.4% in January. According to CoreLogic data, house prices rose another 0.6% nationwide in February. Home prices rose in all mainland capital cities, with Perth registering the strongest increase of 1.8%.

Private sector capex rose 0.8% in Q4 2023 (exp 0.5%), following downwardly revised growth of 0.3% in Q3. The Q4 rise was driven by investment in buildings and structures, supported by spending for renewable energy infrastructure, while equipment investment ebbed 0.1%.

### ECONOMIC DATA REVIEW

- **AU:** Retail Trade (MoM, Jan) – Actual 1.1%, Expected 1.5%, Previous -2.1% (revised).
- **AU:** Private Sector Credit (MoM, Jan) – Actual 0.4%, Expected 0.4%, Previous 0.4%.
- **AU:** Private Capex (QoQ, Q4) – Actual 0.8%, Expected 0.5%, Previous 0.3% (revised).
- **AU:** CoreLogic House Price Index (MoM, Feb) – Actual 0.6%, Previous 0.4%.
- **US:** Personal Spending (MoM, Jan) – Actual 0.2%, Expected 0.2%, Previous 0.7%.
- **US:** PCE Price Index (MoM, Jan) – Actual 0.3%, Expected 0.3%, Previous 0.1% (revised).

### ECONOMIC DATA PREVIEW

- **CH:** NBS Composite PMI (Feb) – Previous 50.9.
- **CH:** Caixin Manufacturing PMI (Feb) – Expected 50.7, Previous 50.8.
- **US:** ISM Manufacturing PMI (Feb) – Expected 49.5, Previous 49.1.

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