

THIS WEEK'S HIGHLIGHTS

- In Australia, employment saw another solid increase in June, while the unemployment rate remained low. The RBA Board minutes showed that the July decision to pause was a close call.
- Abroad, US retail sales rose less than expected in June, while industrial production saw a broad-based decline. Chinese GDP growth slowed in quarterly terms in Q2, while the June activity numbers were mixed.

NEXT WEEK'S HIGHLIGHTS

- The key domestic releases next week will be the Q2 CPI on Wednesday and June retail trade on Friday. Other highlights include the July PMI (Fri), Q2 international price indices (Thu) and Q2 PPI (Fri).
- A busy week abroad, with decisions from the FOMC (Wed), ECB (Thu) and Bank of Japan (Fri). The preliminary US GDP report for Q2 is scheduled for Tuesday. US personal income and outlays for June, which will include the PCE price inflation figures targeted by the Fed, are due Friday, as are the PMIs for the major advanced economies.

Central Bank Rates (%)			Australian Interest Rates (%)			Major Overseas Interest Rates (%)			Global Equities		
		Weekly Change			Weekly Change			Weekly Change			Weekly Change
Australia	4.10	(0 pt)	O/N Interbank Cash	4.07	(0 pt)	USD 3-month	5.61	(↑4 pt)	ASX200	7300	(↑28 pt)
US (IOR)	5.15	(0 pt)	90-day Bills	4.36	(↑7 pt)	2-yr T-Notes	4.83	(↑19 pt)	S&P500	4535	(↑25 pt)
Eurozone	3.50	(0 pt)	3-yr T-Bond	4.00	(↑9 pt)	10-yr T-Notes	3.85	(↑8 pt)	DJIA	35225	(↑830 pt)
UK	5.00	(0 pt)	10-yr T-Bond	4.02	(↑4 pt)	Jap 10-yr	0.48	(0 pt)	Nikkei	32418	(↑117 pt)
Japan	-0.10	(0 pt)	3-yr WATC Bond	4.32	(↑6 pt)	UK 10-yr	4.27	(↓18 pt)	CSI300	3842	(↓55 pt)
China (1Y LPR)	3.55	(0 pt)	10-yr WATC Bond	4.61	(↑2 pt)	Ger 10-yr	2.45	(↑1 pt)	Stoxx600	464	(↑3 pt)

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

FINANCIAL MARKETS OVERVIEW

Interest Rates

Government bond yields rose across the advanced economies this week, as investors await another 25bps hike from the FOMC next week. The UK, where inflation figures surprised to the downside this week, was the most notable exception.

Commonwealth bond yields also increased, particularly at the front end of the yield curve amid a rise in cash rate expectations triggered by the surprisingly strong employment report on Thursday. Market pricing for a 25bps August rate hike rose back above 50%, with a cycle peak priced at slightly below 4.50%.

The RBA Board minutes, released on Tuesday, had no impact on cash rate expectations, despite showing another close call between a pause and a 25bps hike. The RBA Board members opted for a pause due to the uncertainty about the lagged impact of the significant interest rate increases to date. They noted that, at the August meeting, they would have the benefit of additional data on the global economy, the labour market, household spending and inflation. These would feed into their updated projections and the assessment of the risks surrounding them.

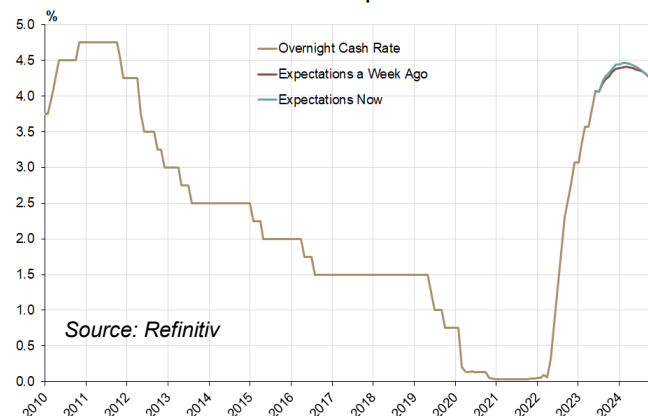
Equities

Equities had a positive week, with the quarterly earnings season is now in full swing. The mixed economic data released this week had little impact on market sentiment.

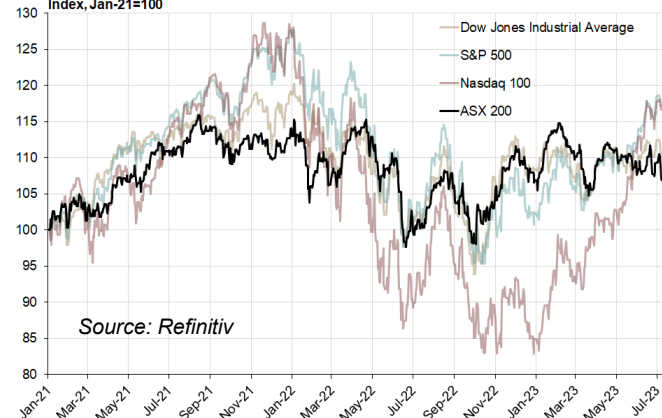
The relatively disappointing sales reported by some new technology companies weighed on the Nasdaq 100 (-0.7%) and the S&P 500 (0.6%). However, solid gains in more traditional companies saw the blue chip Dow Jones add 2.4% since last Thursday.

The gains in Australia were modest, with the ASX 200 up 0.4% since the last edition of Market WATCH. The underperformance was reflected, among other factors, the rise in cash rate expectations after the surprisingly strong labour force survey on Thursday.

RBA Historical and Expected Cash Rate



US and Australian Stock Indices



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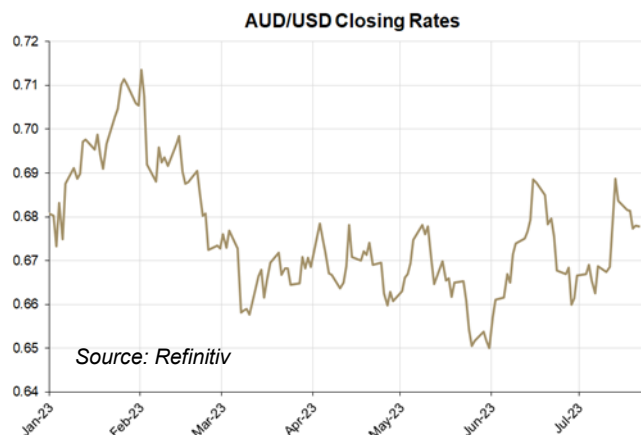
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Currencies

The Aussie dollar has been one of the weakest members of the G10 currency basket over the past week ahead of only the British pound and Kiwi dollar.

The Aussie is on track for its first weekly loss against the greenback in three weeks. After sitting at around a four-week high this time last week, the currency began to slide, particularly against the stronger USD, after the big dollar regained some of the sharp losses from earlier last week.

The Aussie remained on the back foot through most of this week, partly due to ongoing concerns over the outlook for the Chinese economy. There was a short rebound following the better-than-expected Aussie employment numbers on Thursday, before those gains were eroded by another lift in the USD.



Spot rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6777	0.6894	0.6749	↓1.6	0.7157	0.6169
AUD/EUR		0.6083	0.6160	0.6020	↓0.9	0.7000	0.5953
AUD/GBP		0.5260	0.5304	0.5185	↑0.3	0.6260	0.5153
AUD/JPY		95.05	95.42	93.72	↓0	98.43	86.03
AUD/CNY		4.8583	4.9346	4.8472	↓1.4	4.9346	4.4365
EUR/USD		1.1136	1.1275	1.1117	↓0.8	1.1275	0.9534
GBP/USD		1.2883	1.3144	1.2838	↓1.9	1.3144	1.0382
USD/JPY		140.25	140.49	137.23	↑1.6	151.94	127.21
USD/CNY		7.1688	7.1688	7.1190	↑0.3	7.3270	6.6905

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6777	0.6797	0.6813	0.6829
AUD/EUR		0.6083	0.6073	0.6057	0.6025
AUD/GBP		0.5260	0.5274	0.5288	0.5315
AUD/JPY		95.05	93.95	92.73	90.38
AUD/NZD		1.0882	1.0915	1.0945	1.0989
AUD/SGD		0.8989	0.8982	0.8964	0.8906

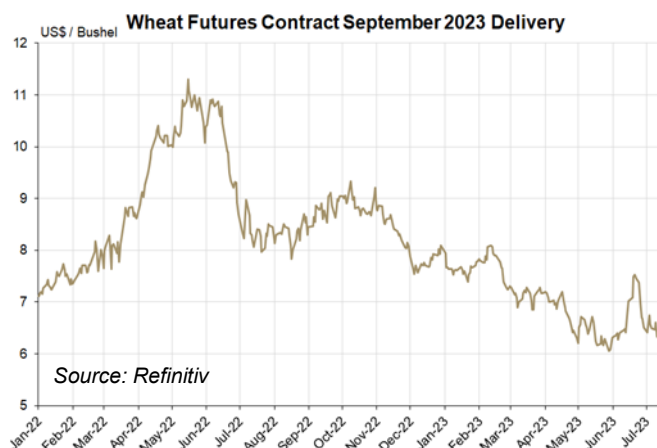
Commodities

Commodities are mainly higher over the past five days, with oil and base metal prices the major exceptions.

Wheat prices have seen the biggest lift following news that Russia cancelled the deal ensuring grain shipments out of Ukraine and reports that Russia had shelled grain facilities at Ukrainian ports. However, futures prices remain well below 2022 levels.

Oil prices slipped early in the week, possibly on a combination of soft Chinese economic data and some profit taking after the price of Brent crude hit an 11-week high last Thursday. However prices have drifted higher again in recent days with signs the market may be tightening due to supply restrictions.

Iron ore futures prices climbed sharply last Friday and have traded in a narrow band over the course of this week to be up 4.4% since last week's Market WATCH.



	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$1,969.99	\$1,987.39	\$1,945.65	(↑\$11.5)	\$2,072.19	\$1,613.60
Brent Crude Oil (US\$)	\$80.38	\$81.70	\$78.19	(↓\$1.12)	\$110.67	\$70.12
Mogas95* (US\$)	\$99.32	\$100.15	\$98.55	(↑\$1.77)	\$120.10	\$82.60
WTI Oil (US\$)	\$76.36	\$77.30	\$73.84	(↓\$0.75)	\$101.88	\$63.64
CRB Index	274.70	274.70	267.90	(↑3.96)	301.75	253.85
Iron Ore Price 62% Fe (US\$) **	\$114.74	\$115.00	\$109.75	(↑\$4.82)	\$133.20	\$75.30

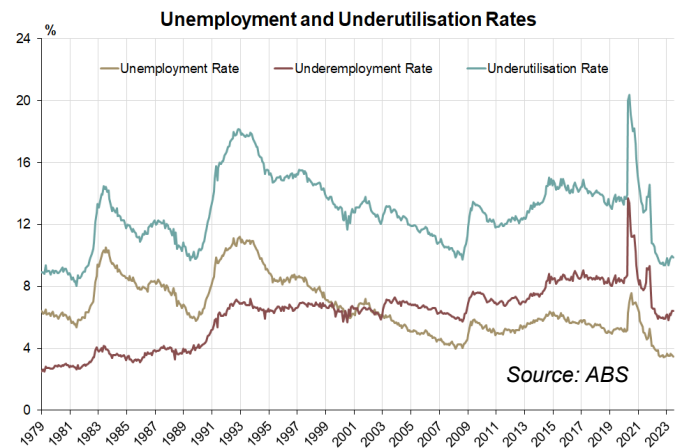
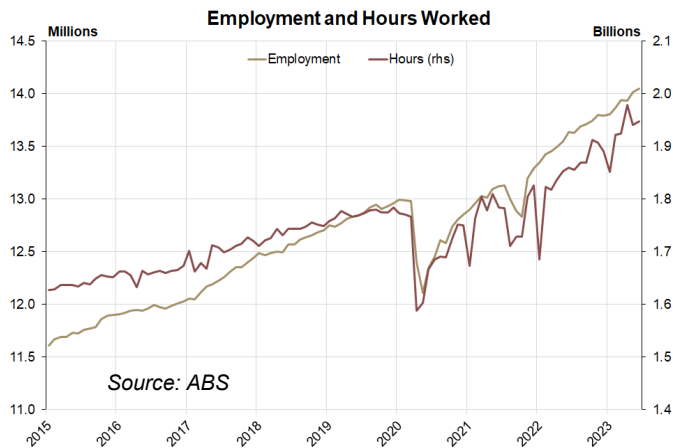
*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.

** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

DOMESTIC ECONOMY

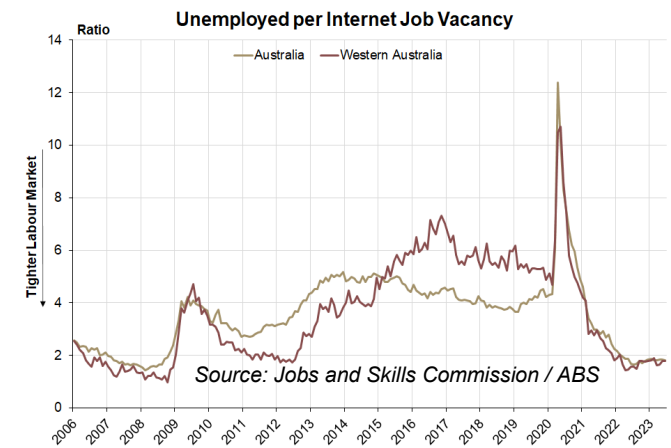
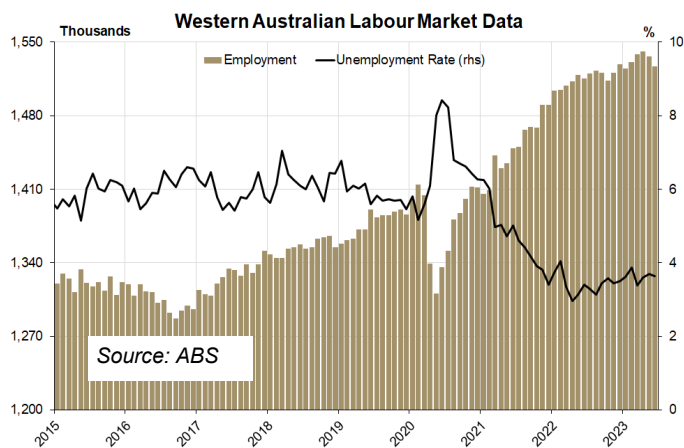
Australian employment rose to a new record high in June, while hours worked also picked up.

The **unemployment and underutilisation rates** remain very low.



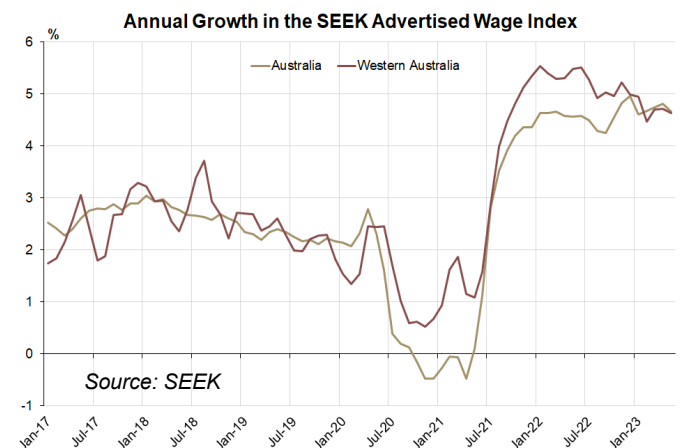
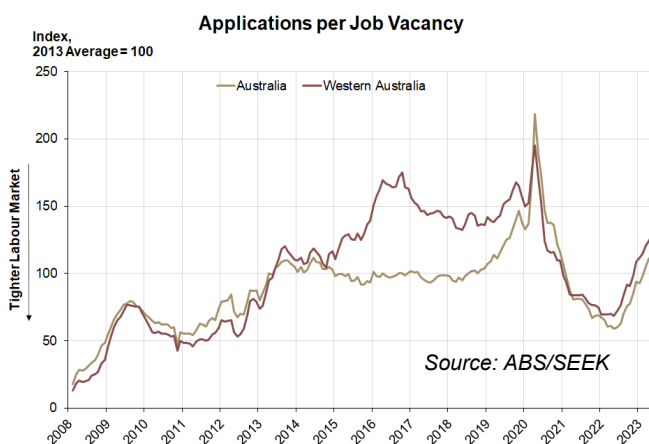
Despite a decline, **Western Australian employment** is close to a record high, while the unemployment rate is low.

There are still less than two officially unemployed people per internet job vacancy.



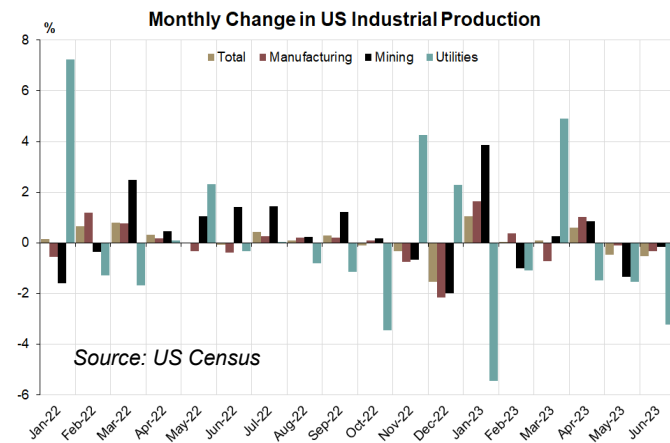
However, the number of **applicants** per job vacancy is on the rise, suggesting conditions are easing.

Annual growth in **SEEK advertised wages** has stabilised at an elevated level.

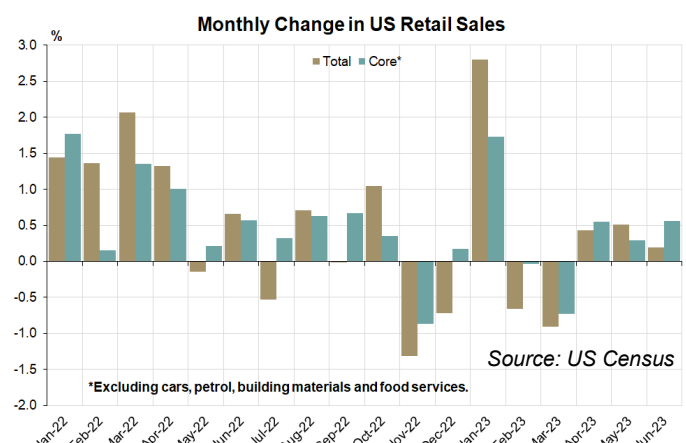


GLOBAL ECONOMY

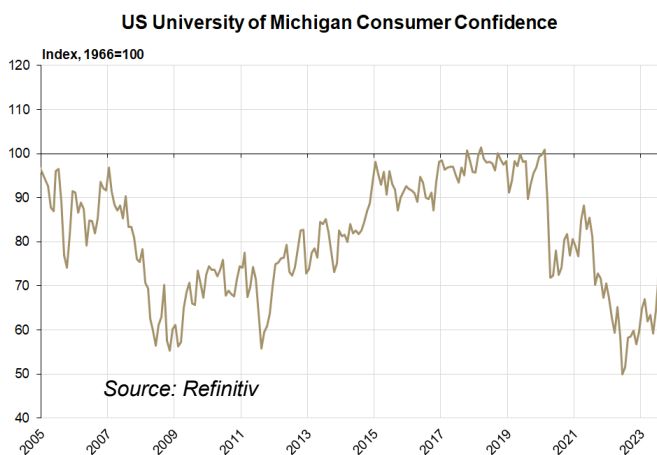
US industrial production saw a broad-based decline in June, led by the volatile utilities output.



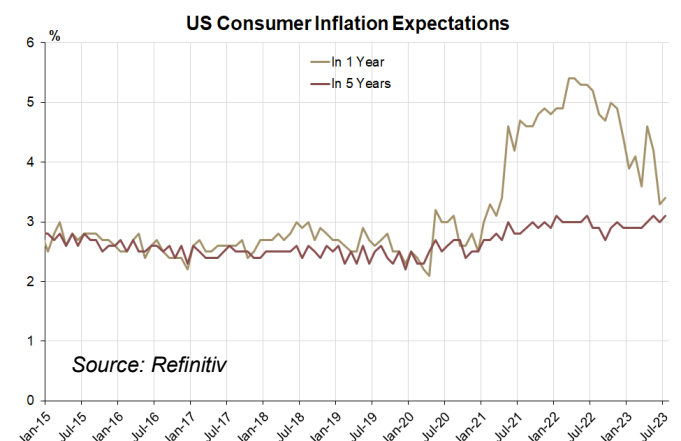
US retail sales rose further in June, with acceleration in the so-called core sales growth.



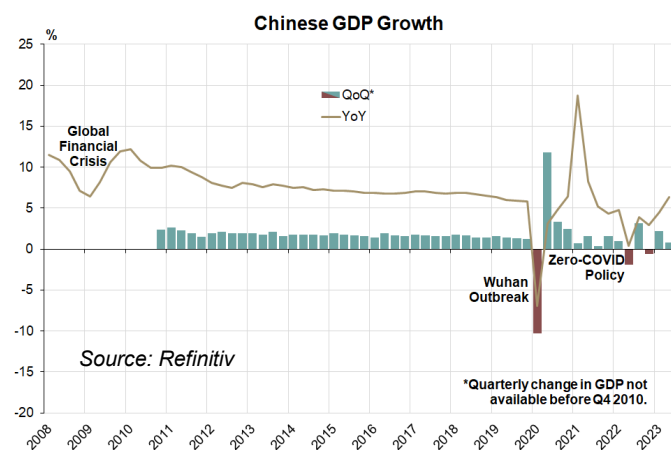
University of Michigan consumer confidence jumped in July, but remained low by historical standards.



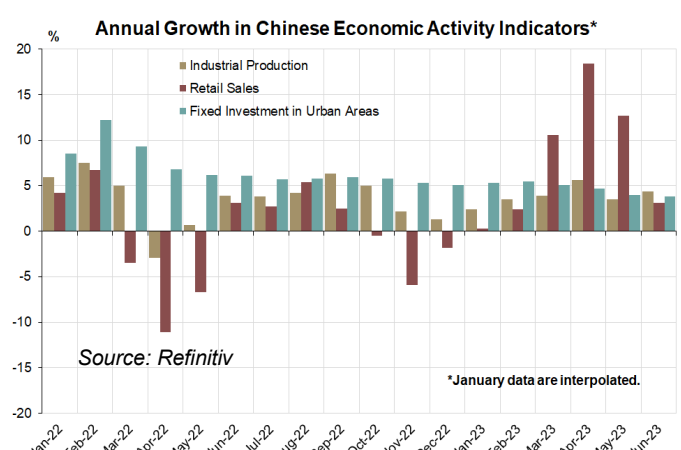
US consumer inflation expectations ticked up in July.



Chinese GDP growth accelerated further in annual terms due to base effects, but slowed in quarterly terms.



Chinese retail sales growth fell sharply in June due to base effects, while industrial output growth was steady.



KEY ECONOMIC EVENTS

This Week

	Event	Actual	Forecast	Previous	Comment
Mon 17					
CH	GDP (YoY, Q2)	6.3%	7.3%	4.5%	Up by 0.8% in the quarter, against 0.5% expected.
CH	Retail Sales (YoY, Jun)	3.1%	3.2%	12.7%	Chinese retail sales continues to disappoint.
CH	Industrial Production (YoY, Jun)	4.4%	2.7%	3.5%	Steel output up 0.4% YoY.
CH	Urban Asset Inv. (YoY YtD, Jun)	3.8%	3.4%	4.0%	Key indicator for Chinese iron ore demand.
Tue 18					
AU	RBA Minutes (Jun)	-	-	-	A close call between a pause and a 25bps hike.
AU	ANZ Consumer Conf. (w/e 15 Jul)	-1.0%	-	-1.1%	Inflation expectations rose 0.1ppts to 5.6%.
US	Retail Sales (MoM, Jun)	0.2%	0.5%	0.5%	Core retail sales rose by 0.6% in June.
US	Industrial Production (MoM, Jun)	-0.5%	-0.1%	-0.5%	Manufacturing output saw a 0.3% decline.
Wed 19					
NZ	CPI (QoQ, Q2)	1.1%	0.9%	1.2%	Annual rate of CPI inflation the lowest since Q4 2021.
UK	CPI (MoM, Jun)	0.1%	0.4%	0.7%	Slowed 0.8ppts to a still alarming 7.9% YoY.
Thu 20					
AU	Employment (monthly change, Jun)	32.6k	15.0k	76.5k	Another solid gain driven by full-time employment.
AU	Unemployment Rate (Jun)	3.5%	3.6%	3.5%	May unemployment rate revised down 0.1ppts.
CH	PBoC Decision (1Y LPR)	3.55%	3.55%	3.55%	Rates unchanged despite faltering economy.
US	Initial Jobless Claims (w/e 15 Jul)	228k	243k	237k	Continued claims remain moderate at around 1.8m.
Fri 21					
JP	CPI (YoY, Jun)	3.3%	3.3%	3.2%	'Core-core' inflation ebbed 0.1ppts to 4.2%.

Next Week

	Event	Forecast	Previous	Comment
Mon 24				
AU	Judo Bank Composite PMI (Jul, flash)	-	50.1	Aussie private sector was back in stagnation in June.
JP	Jibun Bank Composite PMI (Jul, flash)	-	52.1	The pace of expansion eased in June.
EZ	HCOB Composite PMI (Jul, flash)	49.1	49.9	June figures pointed to stalled growth
UK	S&P Global Composite PMI (Jul, flash)	-	52.8	UK economy may be starting to crack.
US	S&P Global Composite PMI (Jul, flash)	-	53.2	In June, costs in services rose the most since January.
Tue 25				
US	C-S Hse Price Index 20 Cities (YoY, May)	-	-1.7%	Has been on the rise in monthly terms since March.
Wed 26				
AU	CPI (QoQ, Q2)	1.0%	1.4%	Annual rate of inflation expected to decline to 6.0%.
AU	Monthly CPI Indicator (YoY, Jun)	5.5%	5.6%	A further decline expected.
US	FOMC Decision (IoER)	5.40%	5.15%	Expected to be the final move from the Fed in this cycle.
Thu 27				
AU	International Price Indices (QoQ, Q2)	-	-	Commodity price index suggests a fall in export prices.
EZ	ECB Decision (Deposit Rate)	3.75%	3.50%	Another hike after this not quite fully priced in.
US	GDP (QoQ Annualised, Q2, prel.)	1.8%	2.0%	Atlanta Fed's GDPNow points to a 2.3% rise.
US	Durable Goods Orders (MoM, Jun)	1.0%	1.8%	Business reports indicate a slowdown.
Fri 28				
AU	Retail Trade (MoM, Jun)	0.0%	0.7%	Bank card spending data points to renewed weakness.
AU	PPI (QoQ, Q2)	-	1.0%	Business reports suggest easing cost pressures.
JP	BoJ Decision (Compl. Deposit Rate)	-0.10%	-0.10%	There is ongoing speculation of a relaxing of YCC.
US	Personal Spending (MoM, Jun)	0.4%	0.1%	Retail sales data indicated a slight increase.
US	PCE Price Index (MoM, Jun)	0.2%	0.1%	Headline inflation to fall sharply, core to remain sticky.