

Highlights this week

- In Australia, the Westpac Melbourne Institute consumer sentiment index surged to a 3.5-year high in August. The S&P Global composite PMI indicated the fastest pace of expansion in over three years.
- Abroad, the FOMC minutes turned out to be slightly hawkish. S&P Global PMIs pointed to expansion in services across all the major advanced economies, while manufacturing remained in contraction in the UK and Japan only.

Highlights next week

- The key domestic events next week include the RBA Monetary Policy Board minutes on Tuesday, July CPI indicator and Q2 construction work done on Wednesday, Q2 private sector capex on Thursday and July private sector credit on Friday.
- The main highlight offshore will be the US personal income and outlays report for July on Friday, which will include PCE inflation targeted by the Fed. The other releases of note will be on Tuesday and will include US Conference Board consumer confidence for August and US durable goods orders for July.

Central Bank Rates (%)	Weekly Change	Australian Interest Rates (%)	Weekly Change	Major Overseas Interest Rates (%)	Weekly Change	Global Equities	Weekly Change
Australia	3.60 (0 pt)	O/N Interbank Cash	3.59 (0 pt)	USD 3-month	4.85 (0 pt)	ASX200	9019 (↑127 pt)
US (IOR)	4.40 (0 pt)	90-day Bills	3.57 (↓4 pt)	2-yr T-Notes	3.79 (↑6 pt)	S&P500	6370 (↓98 pt)
Eurozone (Deposit)	2.00 (0 pt)	3-yr T-Bond	3.42 (↑5 pt)	10-yr T-Notes	4.33 (↑4 pt)	DJIA	44786 (↓126 pt)
UK	4.00 (0 pt)	10-yr T-Bond	4.31 (↑7 pt)	Jap 10-yr	1.61 (↑5 pt)	Nikkei	42610 (↓39 pt)
Japan (Target)	0.50 (0 pt)	3-yr WATC Bond	3.58 (↑6 pt)	UK 10-yr	4.73 (↑9 pt)	CSI300	4288 (↑115 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	4.83 (↑10 pt)	Ger 10-yr	2.76 (↑5 pt)	Stoxx600	559 (↑5 pt)

Changes are since the previous issue of Market WATCH Weekly.

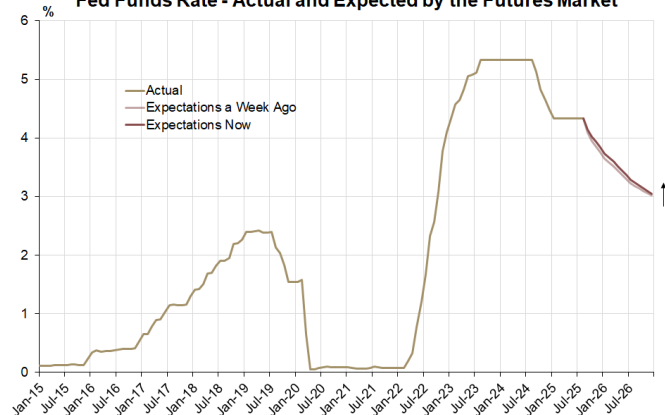
Financial Markets**Interest Rates**

Minutes from the July FOMC meeting, which preceded the latest weak US jobs report, revealed that a majority of Committee members were more concerned about upside risks to the inflation outlook than about labour market conditions. Committee members also agreed that even now the level of inflation remains 'somewhat elevated'.

The RBNZ cut its official cash rate by 25bps to 3.00% yesterday, as expected, while lowering its estimate of a terminal rate for this monetary policy easing cycle, to just above 2.50%.

The slightly hawkish FOMC minutes, coupled with generally upbeat US flash PMIs for August indicating a faster rise in employment, costs and selling prices, prompted investors to scale back their fed funds rate cut expectations somewhat. At the time of writing, a 25bps cut in September is expected with a 75% probability, compared to over 90% a week ago.

US Treasury yields increased this week as a result, particularly at the front end of the yield curve. Government bond yields also picked up in the other advanced economies, including Australia.

Fed Funds Rate - Actual and Expected by the Futures Market

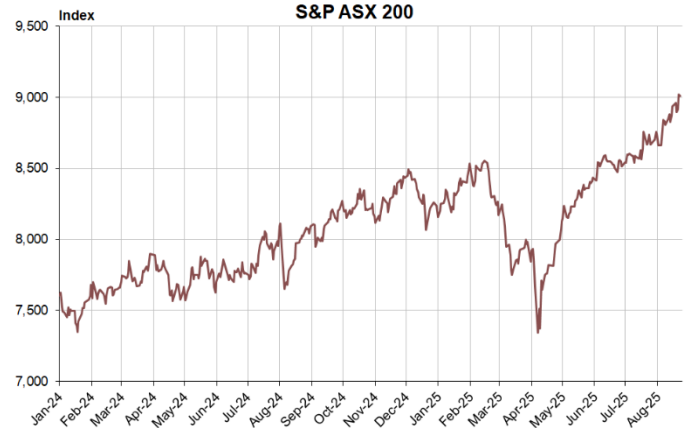
Source: Bloomberg

Equities

Aussie equities climbed to fresh record highs this week, with the ASX 200 rising above 9000 for the first time. The gains came despite a soft week on Wall Street, big falls in Aussie healthcare shares and a 37% drop in James Hardie after the company handed down a dire quarterly earnings report.

These losses were more than offset by strong gains across most other sectors. Consumer discretionary shares led the way higher, boosted by news of an ongoing improvement in consumer confidence. Communication services and financials also recorded strong gains over the past five days.

The strong rise in Aussie equities came despite declines in the US market. The falls were led by tech stocks amid concerns that the hype over the outlook for artificial intelligence, which pushed the market to record highs, might be a little overdone.

S&P ASX 200

Source: Bloomberg

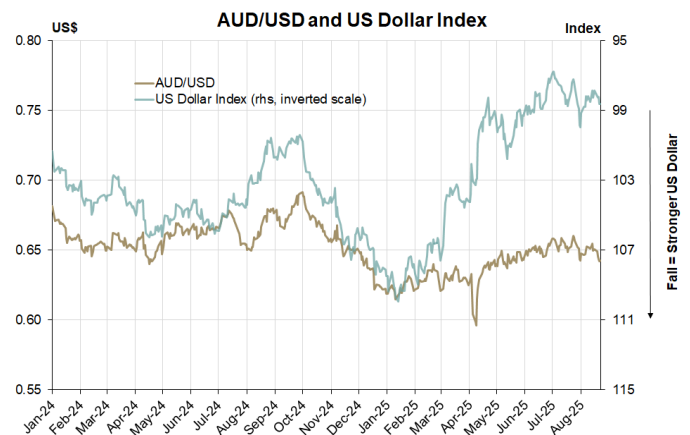
Currencies

It was another downbeat week for the Australian dollar, which was hit by a double whammy of weaker global market sentiment ahead of Fed Chair Jerome Powell's speech in Jackson Hole and a decline in iron ore prices.

The AUD depreciated against all major currencies this week. The fall was particularly sharp against the stronger greenback, which benefited from a rise in geopolitical risks and a decline in fed funds rate cut expectations.

The Aussie dollar was the second weakest G10 currency this week, outperforming only the New Zealand dollar, which was dragged down by the RBNZ announcing that they see space for further rate cuts.

The oil-dependent Norwegian krone was the strongest G10 currency this week.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6425	0.6524	0.6415	↓1.1	0.6942	0.5915
AUD/EUR		0.5533	0.5580	0.5508	↓0.8	0.6261	0.4620
AUD/GBP		0.4789	0.4812	0.4761	↓0.3	0.5229	0.4620
AUD/JPY		95.35	96.20	94.40	↓0.5	102.41	86.05
AUD/CNY		4.6135	4.6850	4.6015	↓1.1	4.8726	4.3523
EUR/USD		1.1613	1.1717	1.1601	↓0.3	1.1829	1.0141
GBP/USD		1.3418	1.3567	1.3406	↓0.9	1.3789	1.2100
USD/JPY		148.39	148.46	146.87	↑0.6	158.87	139.58
USD/CNY		7.1805	7.1893	7.1687	↓0	7.3511	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6425	0.6436	0.6446	0.6459
AUD/EUR		0.5533	0.5510	0.5489	0.5452
AUD/GBP		0.4789	0.4794	0.4801	0.4814
AUD/JPY		95.35	94.57	93.86	92.63
AUD/NZD		1.1037	1.1019	1.1000	1.0968
AUD/SGD		0.8280	0.8236	0.8194	0.8117

Commodities

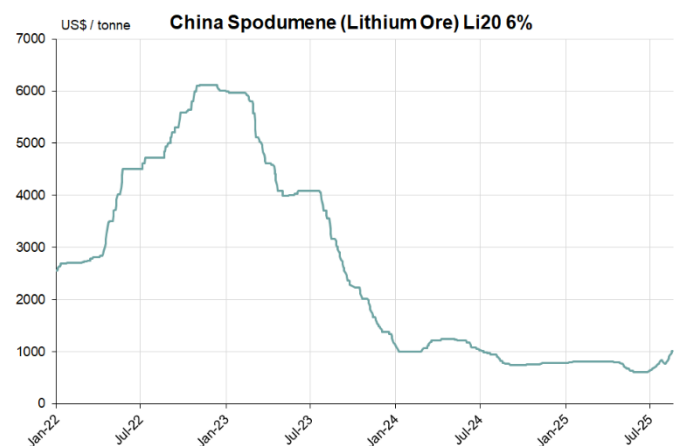
Oil prices remain subdued despite picking up in the second half of the week.

Prices opened the week lower on rising hopes for a ceasefire in Ukraine. The early falls came as US President Donald Trump backed up his summit with his Russian counterpart Vladimir Putin last Friday, with a meeting with European leaders and Ukrainian President Volodymyr Zelenskyy on Monday.

With little progress appearing to be made and renewed threats from the US to impose secondary sanctions on India for purchasing Russian oil, global prices have since drifted higher again. The US domestic benchmark WTI was less impacted and remains lower over the week.

Declines in iron ore futures prices have been limited, despite last Friday's weak steel production and investment data.

Chinese spodumene (lithium ore) prices are on track for a third consecutive weekly rise, reaching their highest level in more than a year, though they remain well off the highs of the 2022-23 price boom.



Source: Bloomberg

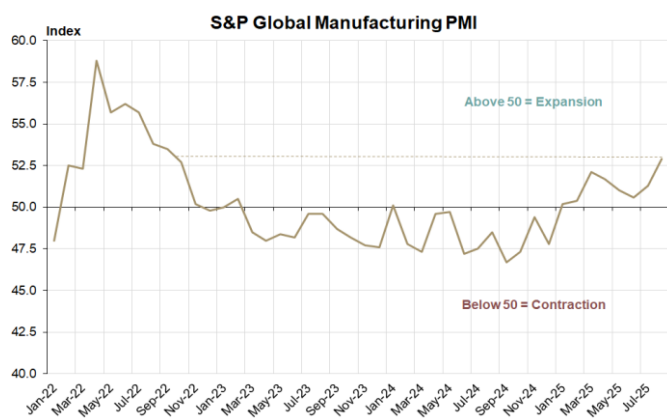
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,338.38	\$3,358.45	\$3,311.60	(↑\$0.86)	\$3,500.10	\$2,470.92
Brent Crude Oil (US\$)	\$67.67	\$67.80	\$65.30	(↑\$0.76)	\$82.63	\$58.40
Mogas95* (US\$)	\$80.40	\$80.43	\$77.04	(↑\$1.38)	\$95.91	\$67.57
WTI Oil (US\$)	\$63.47	\$63.79	\$62.18	(↓\$0.52)	\$80.77	\$55.12
CRB Index	298.42	298.42	294.05	(↑3.33)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$101.40	\$103.00	\$100.05	(↓\$1)	\$115.00	\$88.40

*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.

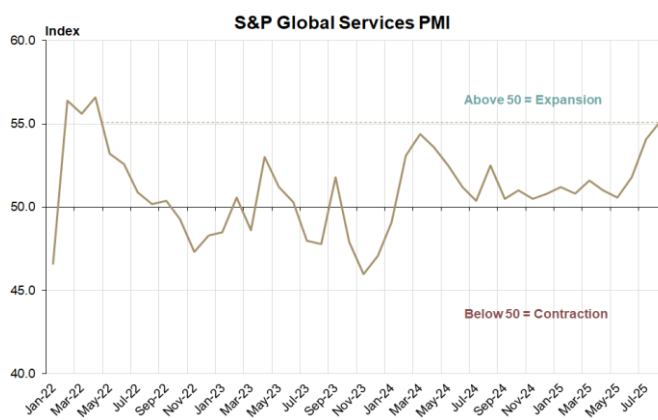
Domestic Economy

The **S&P Global PMI** report for August suggested the fastest expansion in manufacturing since late 2022...



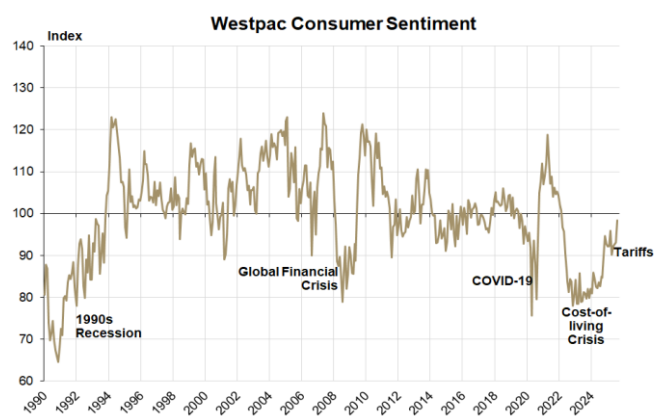
Source: Bloomberg

... and the strongest growth in the **services sector** since April 2022.



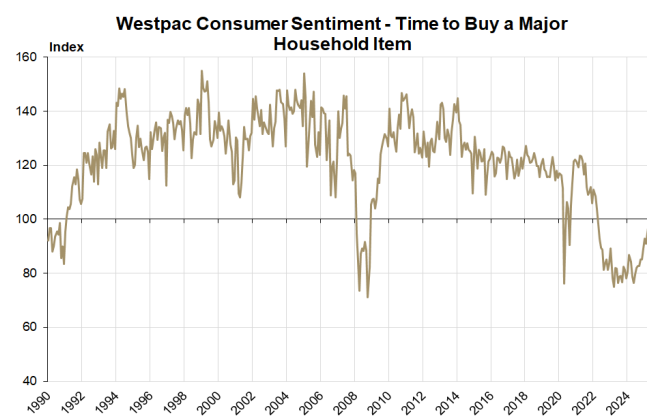
Source: Bloomberg

Westpac consumer confidence rose to a three-year high in August, to be close to its neutral level.



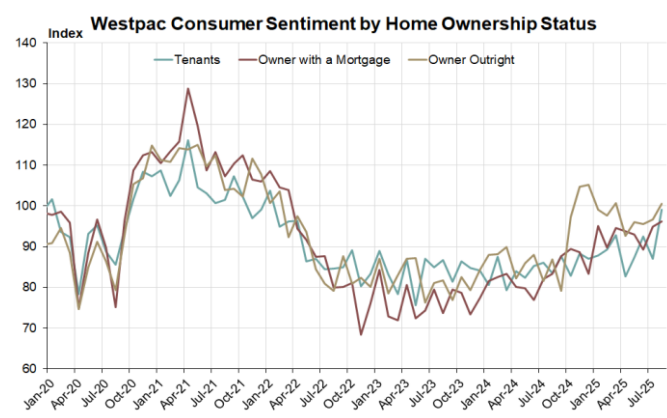
Source: Bloomberg

The subcomponent indicating **demand for durable household goods** is already in positive territory.



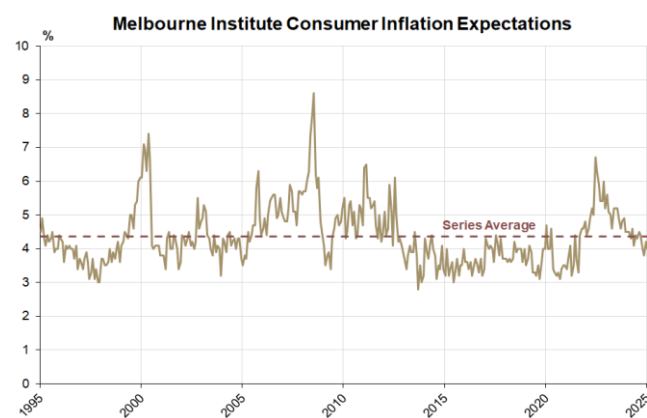
Source: Bloomberg

Despite the recent rate cuts, **homeowners with a mortgage** continue to see the lowest confidence.



Source: Bloomberg

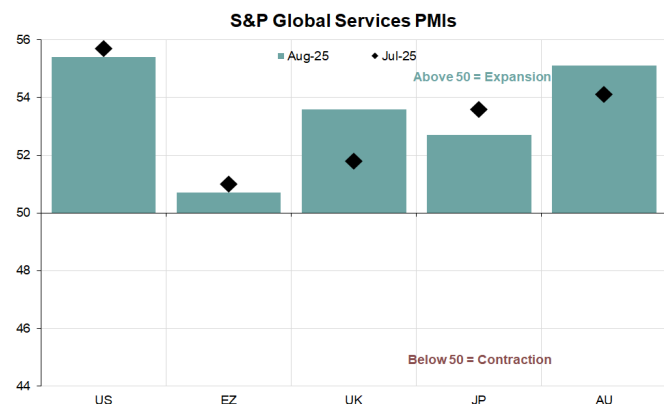
Consumer inflation expectations fell to well below the historical average in August.



Source: Bloomberg

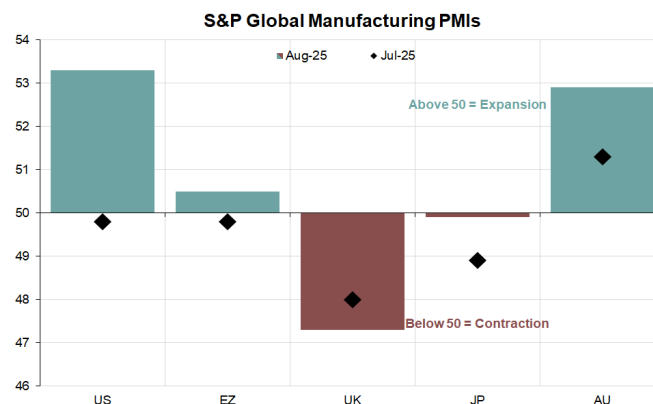
Global Economy

S&P Global services PMIs remained in expansion across all the major advanced economies in August...



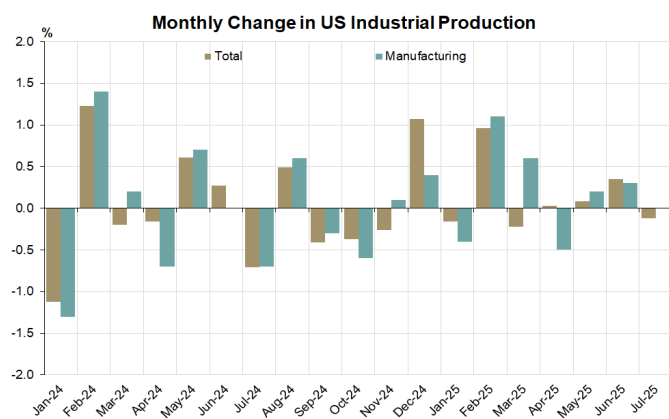
Source: Bloomberg

... while **S&P Global manufacturing PMIs** were in contraction only in the UK and Japan.



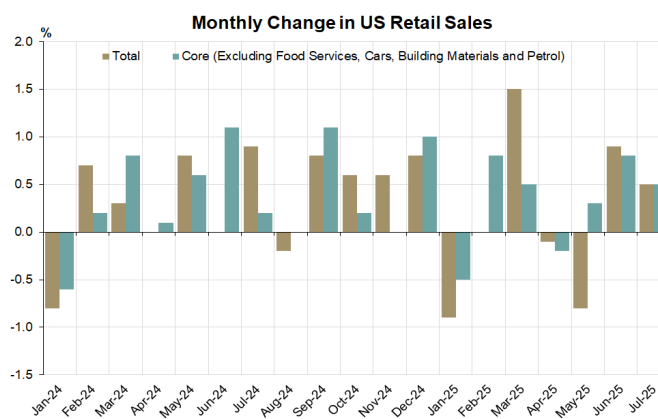
Source: Bloomberg

... which followed a decline in **US industrial production** and flat manufacturing output...



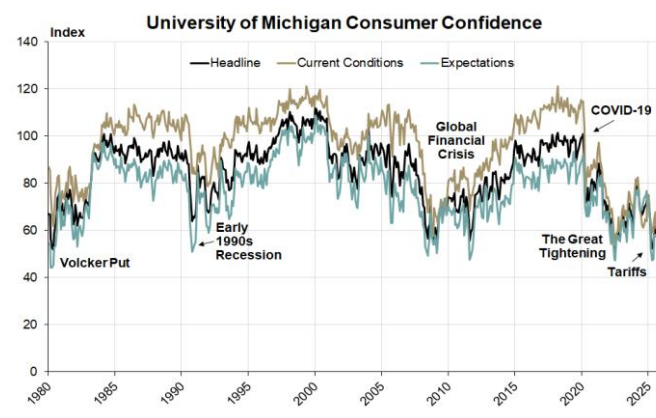
Source: Bloomberg

... but also quite a decent gain in **US retail sales** in July...



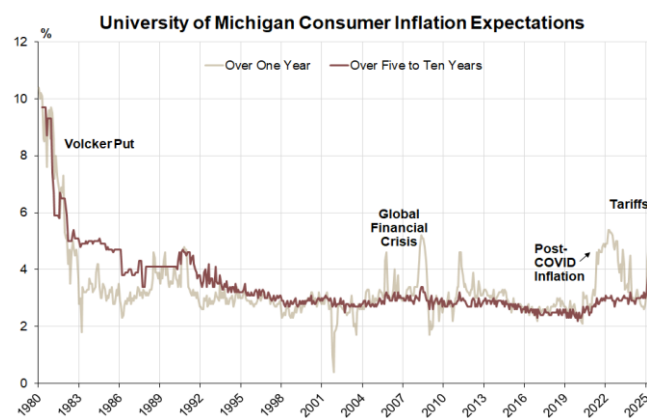
Source: Bloomberg

... despite depressed **consumer confidence**, at least according to the University of Michigan report.



Source: Bloomberg

US inflation expectations ticked back up in August but remain somewhat off their recent highs.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 18					
	No market moving data				
Tue 19					
AU	Westpac Consumer Sent. (Aug)	5.7%	-	0.6%	Has reached a 3.5-year high and is close to neutral.
Wed 20					
NZ	RBNZ Decision (OCR)	3.00%	3.00%	3.25%	RBNZ says there is scope for further rate cuts.
UK	CPI (MoM, Jul)	0.1%	0.0%	0.3%	Annual inflation up to 3.8%, the highest since early 2024.
US	FOMC Minutes	-	-	-	Fed more worried about inflation than the labour market.
Thu 21					
AU	S&P Global Composite PMI (Aug)	54.9	-	53.8	The fastest pace of expansion since April 2022.
AU	MI Inflation Expectations (Aug)	3.9%	-	4.7%	One of the lowest levels in this disinflation phase.
JP	S&P Global Composite PMI (Aug)	51.9	-	51.6	Japanese manufacturing in only marginal contraction.
EZ	HCOB Composite PMI (Aug)	51.1	50.6	50.9	Euro area manufacturing back in expansion.
UK	S&P Global Composite PMI (Aug)	53.0	51.6	51.5	Contraction in UK manufacturing accelerated.
US	Initial Jobless Claims (w/e 16 Aug)	235k	225k	224k	Continued claims the highest in nearly four years.
US	S&P Global Composite PMI (Aug)	55.4	53.5	55.1	Price inflation the strongest since 2022.
Fri 22					
JP	CPI (YoY, Jul)	3.1%	3.1%	3.3%	'Core-core' inflation remained at 3.4%, as expected.
Tonight					
US	Jackson Hole Symposium	-	-	-	Well-known for Fed forward guidance speeches.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 25				
	No market moving data			
Tue 26				
AU	RBA Minutes	-	-	More insights into discussion on the August rate cut.
US	Durable Goods Orders (MoM, Jul)	-3.4%	-9.4%	The June drop driven by volatile aircraft orders.
US	Conference Board Cons. Conf. (MoM, Jul)	96.8	97.2	Focus on the 'jobs plentiful' and 'jobs hard to get' indicators.
US	C-S Hse Price Index 20 Cities (MoM, Jun)	-	-0.3%	US house prices in decline for three months.
Wed 27				
AU	Monthly CPI Indicator (YoY, Jul)	2.3%	1.9%	Encompasses only 43% of the basket.
AU	Construction Work Done (QoQ, Q2)	1.0%	0.0%	Q1 rise in building work done offset by a fall in engineering.
AU	Westpac Leading Index (MoM, Jul)	-	-0.03%	Suggested sub-trend growth in three to nine months in June.
Thu 28				
AU	Private Sector Capex (QoQ, Q2)	1.0%	-0.1%	Q1 decline led by equipment, plant and machinery.
US	GDP (QoQ annualised, Q2, 2nd)	3.1%	3.0%	Expect revisions to subcomponents.
Fri 29				
US	Private Sector Credit (MoM, Jul)	0.6%	0.6%	Personal credit has seen some revival of late.
US	Personal Spending (MoM, Jul)	0.4%	0.3%	Retail sales suggest a somewhat smaller gain in July.
US	PCE Price Index (MoM, Jul)	0.2%	0.3%	CPI and PPI point to some upside risk, mainly to core inflation.