

THIS WEEK'S HIGHLIGHTS

- In Australia, the RBA left interest rates unchanged this week, as expected, and moved closer to a neutral stance.
- Data-wise, employment saw a supersized increase in February, while the unemployment rate declined back to a near 50-year low. The Judo Bank composite PMI suggested that the Australian economy remained in expansion in February.
- Abroad, the FOMC left the fed funds rate unchanged this week, but continued to signal cuts later this year and discussed a slowdown in quantitative tightening down the road. The S&P Global flash PMIs suggested that expansion continued across the major advanced economies except for the euro area.

NEXT WEEK'S HIGHLIGHTS

- Another busy week ahead domestically, with Westpac consumer sentiment for March on Tuesday, the monthly CPI indicator for February on Wednesday as well as retail trade and private sector credit for February on Thursday.
- Highlights offshore include US February durable goods orders on Tuesday, the third estimate of US Q4 GDP on Thursday and the US personal income and outlays report for February, which will include PCE price inflation targeted by the Fed.

| Central Bank Rates (%) | Weekly Change | Australian Interest Rates (%) | Weekly Change | Major Overseas Interest Rates (%) | Weekly Change | Global Equities | Weekly Change |
|------------------------|---------------|-------------------------------|---------------|-----------------------------------|---------------|-----------------|------------------|
| Australia | 4.35 (0 pt) | O/N Interbank Cash | 4.32 (0 pt) | USD 3-month | 5.59 (0 pt) | ASX200 | 7739 (↑120 pt) |
| US (IOR) | 5.40 (0 pt) | 90-day Bills | 4.35 (0 pt) | 2-yr T-Notes | 4.62 (↓7 pt) | S&P500 | 5242 (↑91 pt) |
| Eurozone (Deposit) | 4.00 (0 pt) | 3-yr T-Bond | 3.70 (↓5 pt) | 10-yr T-Notes | 4.26 (↓2 pt) | DJIA | 39781 (↑876 pt) |
| UK | 5.25 (0 pt) | 10-yr T-Bond | 4.07 (↓8 pt) | Jap 10-yr | 0.75 (↓5 pt) | Nikkei | 40869 (↑2124 pt) |
| Japan (Lower) | 0.00 (↑10 pt) | 3-yr WATC Bond | 4.00 (↓6 pt) | UK 10-yr | 4.00 (↓9 pt) | CSI300 | 3547 (↓2 pt) |
| China (1Y LPR) | 3.45 (0 pt) | 10-yr WATC Bond | 4.66 (↓9 pt) | Ger 10-yr | 2.41 (↓2 pt) | Stoxx600 | 510 (↑3 pt) |

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

FINANCIAL MARKETS OVERVIEW

Interest Rates

The [RBA Board](#) kept the cash rate target unchanged at 4.35% this week. The explicit reference to interest rate hikes was scrapped from the statement, but the Board stressed that they are not 'ruling anything in or out'.

The FOMC also left the fed funds rate unchanged this week and released updated forecasts. The median fed funds rate projection still implies three 25bps cuts in 2024, but half of the FOMC meeting participants saw the need for less or even no cuts this year. Fed Chair Jerome Powell said that the FOMC was discussing slowing the pace of quantitative tightening 'fairly soon'.

The Bank of England left its bank rate unchanged at 5.25% yesterday, while the Swiss National Bank unexpectedly cut its policy rate by 25bps to 1.50%.

On the other side of the ledger, the Bank of Japan increased its policy balance rate from -0.10% to a 0.00-0.10% corridor, thereby ending the negative interest rate policy in place since 2016. In addition, the Bank of Japan scrapped its yield curve control policy and concluded its ETF and J-REIT purchases.

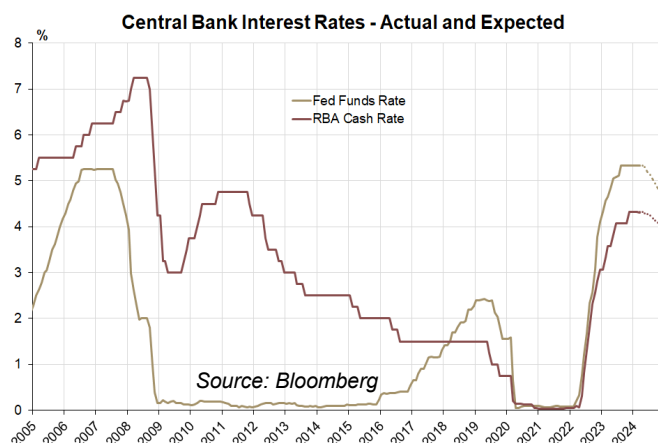
US and Aussie government bond yields are down for the week.

Equities

Equities hit fresh record highs across the US, Europe and Japan. The Japanese market was the strongest performer of the major markets despite the Bank of Japan's monetary tightening this week, while European markets were given a lift late in the week by the rate cut from Swiss National Bank.

Industrials and financials led the gains on Wall Street, though there were gains in all industry sectors in the S&P 500.

The Aussie market closed the Thursday session at its highest level since making a record high almost two weeks ago, but has slipped a little this morning.



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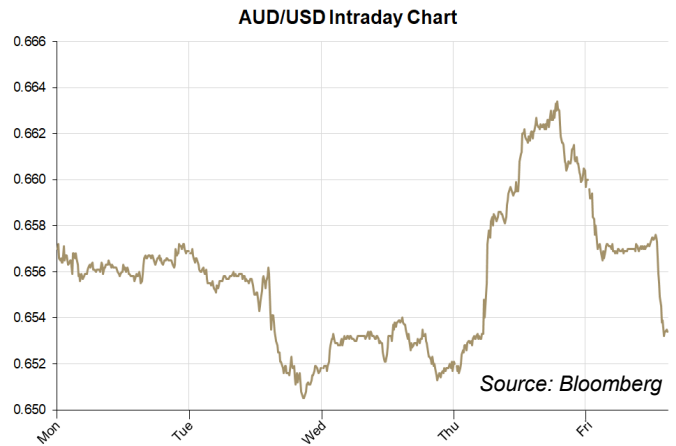
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Currencies

It has been a volatile week for the Australian dollar. The AUD depreciated to US\$0.6504 on Tuesday, when the RBA Board moved closer to a neutral bias in their post-meeting communication. This initial weakness was followed by appreciation on Thursday, firstly due to positive market perception of FOMC's post-meeting communication and then after the very strong Aussie labour force survey results. The AUD/USD reached US\$0.6635, before the Aussie slipped overnight and again today.

Overall, the Aussie is down for the week against the greenback and the euro but appreciated against the British pound and Japanese yen, and was the strongest G10 currency after the US and Canadian dollars as well as the euro.

The Japanese yen was the weakest G10 currency this week, as Bank of Japan monetary policy remains extremely accommodative despite the abandonment of negative interest rate policy and yield curve control.



| Spot Rates | | Current | High | Low | Change (%) | 52-Week High | 52-Week Low |
|------------|--|---------|--------|--------|------------|--------------|-------------|
| AUD/USD | | 0.6533 | 0.6635 | 0.6504 | ↓0.6 | 0.6900 | 0.6270 |
| AUD/EUR | | 0.6024 | 0.6069 | 0.5995 | ↓0.3 | 0.6310 | 0.5007 |
| AUD/GBP | | 0.5168 | 0.5193 | 0.5126 | ↑0.2 | 0.5480 | 0.5007 |
| AUD/JPY | | 99.05 | 100.17 | 97.27 | ↑1.5 | 100.17 | 86.06 |
| AUD/CNY | | 4.7187 | 4.7763 | 4.6826 | ↓0.4 | 4.9348 | 4.5456 |
| EUR/USD | | 1.0846 | 1.0943 | 1.0835 | ↓0.3 | 1.1276 | 1.0448 |
| GBP/USD | | 1.2642 | 1.2803 | 1.2641 | ↓0.8 | 1.3142 | 1.2037 |
| USD/JPY | | 151.60 | 151.86 | 148.04 | ↑2.1 | 151.91 | 129.64 |
| USD/CNY | | 7.2222 | 7.2223 | 7.1945 | ↑0.4 | 7.3499 | 6.8169 |

| Forward Rates | | Spot | 3M | 6M | 12M |
|---------------|--|--------|--------|--------|--------|
| AUD/USD | | 0.6533 | 0.6550 | 0.6564 | 0.6583 |
| AUD/EUR | | 0.6024 | 0.6017 | 0.6006 | 0.5972 |
| AUD/GBP | | 0.5168 | 0.5179 | 0.5187 | 0.5195 |
| AUD/JPY | | 99.05 | 97.93 | 96.85 | 94.84 |
| AUD/NZD | | 1.0854 | 1.0881 | 1.0908 | 1.0946 |
| AUD/SGD | | 0.8798 | 0.8785 | 0.8767 | 0.8727 |

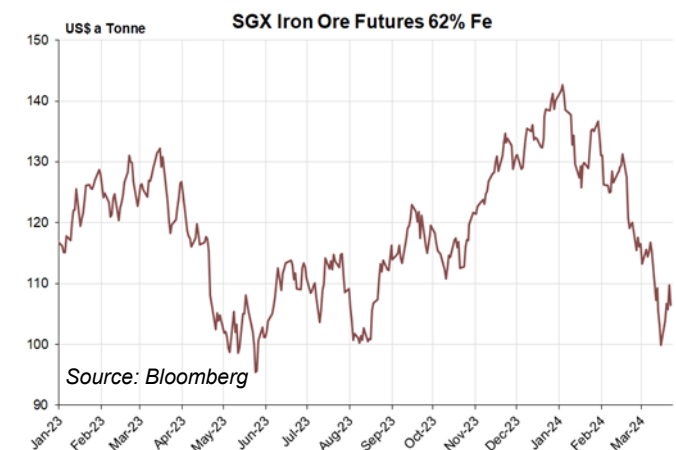
Commodities

Iron ore futures price slumped to a nine-month low on Monday, before some better-than-expected Chinese industrial production and investment data sparked a turnaround. Rumours that some Chinese infrastructure investment plans will be expedited drove a further strong uplift on Thursday, although prices have slipped again today.

Oil prices hit their highest levels since October, as further Ukrainian strikes on Russian oil refineries added to the uncertainty over the supply outlook. However, prices fell back on Thursday and have continued to decline today.

Gold jumped above US\$2200/oz for the first time, before easing following a sharp lift in the greenback late in the week.

Copper prices hit fresh one-year highs before slipping back.



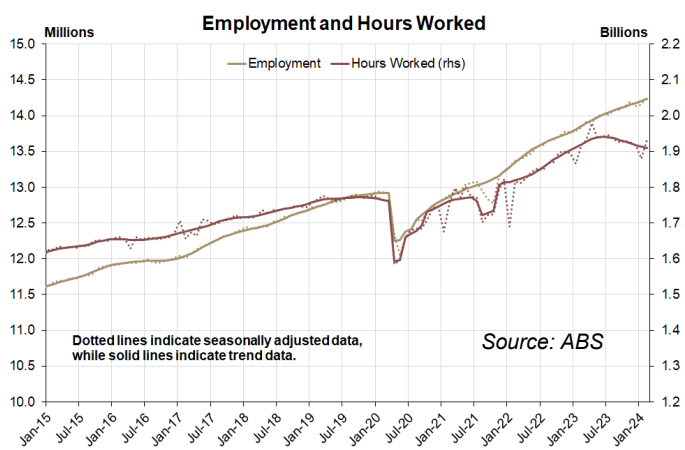
| | Current | High | Low | Change | 52-Week High | 52-Week Low |
|---------------------------------|------------|------------|------------|-------------|--------------|-------------|
| Gold (US\$) | \$2,172.77 | \$2,220.89 | \$2,146.15 | (↑\$110.37) | \$2,220.89 | \$1,810.51 |
| Brent Crude Oil (US\$) | \$85.22 | \$87.70 | \$85.06 | (↓\$0.2) | \$97.69 | \$71.28 |
| Mogas95* (US\$) | \$103.91 | \$105.70 | \$102.44 | (↑\$1.96) | \$110.15 | \$79.06 |
| WTI Oil (US\$) | \$80.54 | \$83.85 | \$80.30 | (↓\$0.51) | \$95.03 | \$63.64 |
| CRB Index | 286.56 | 287.24 | 282.95 | (↑3.62) | 290.29 | 253.85 |
| Iron Ore Price 62% Fe (US\$) ** | \$106.70 | \$110.50 | \$97.00 | (↑\$5.05) | \$143.50 | \$94.00 |

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

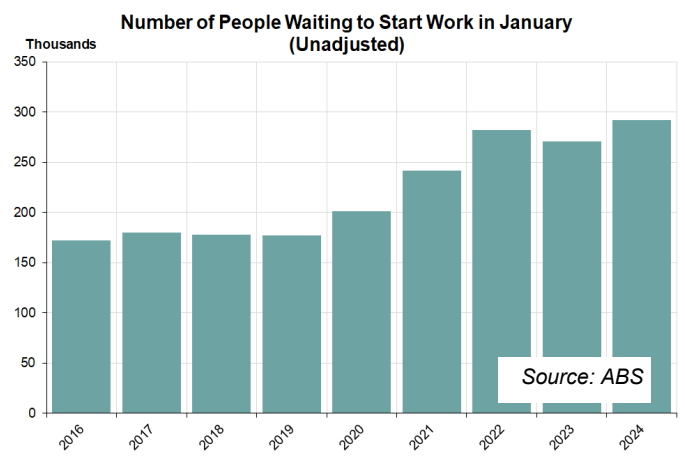
** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

DOMESTIC ECONOMY

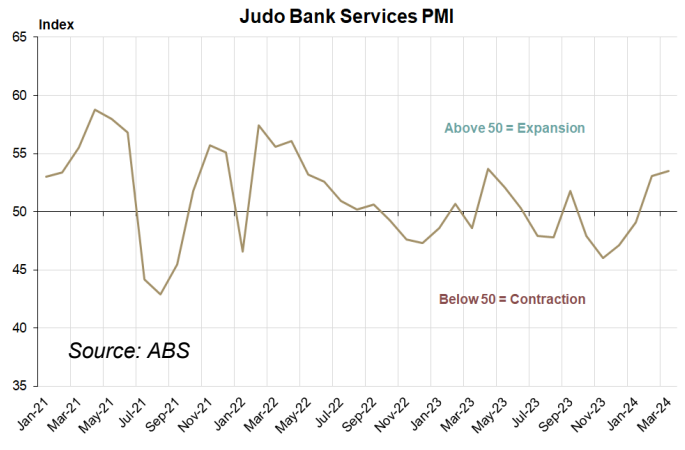
Employment resumed rising in February, with a big 116.5k gain.



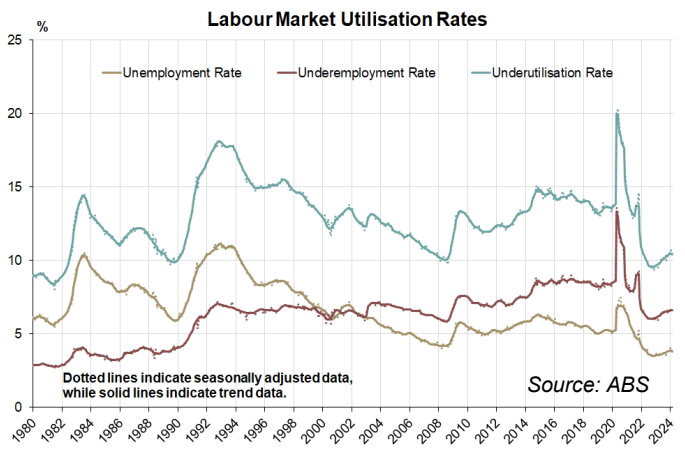
The supersized employment gain in February reflected a change in seasonal patterns after COVID-19.



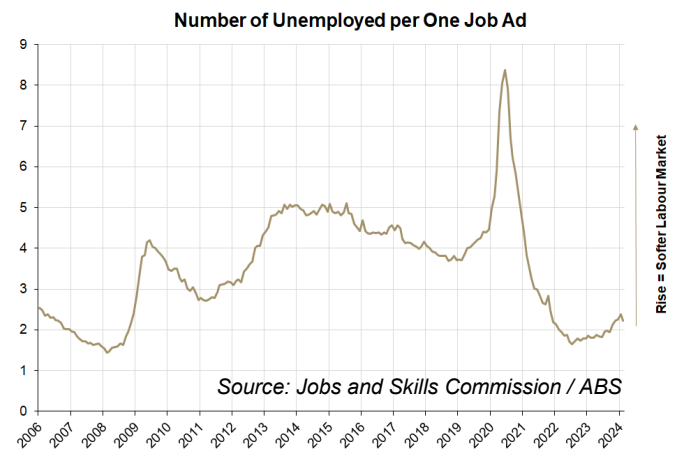
According to the Judo Bank flash PMI report, the pace of expansion in **services** accelerated in March...



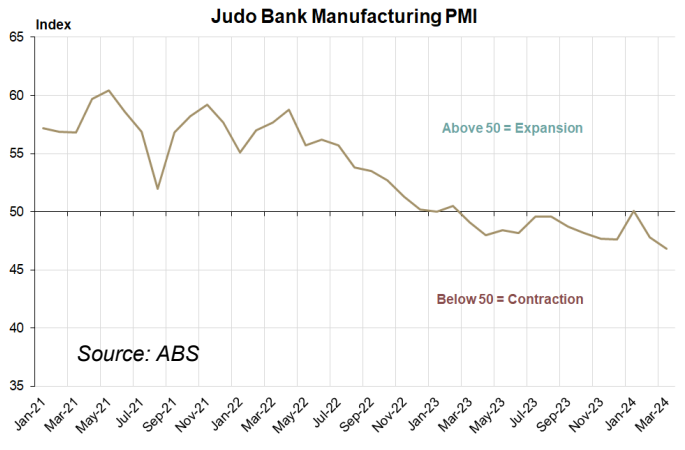
The **unemployment rate** declined to 3.7% in seasonally adjusted terms, but was steady at 3.8% in trend terms.



Despite some softening of late, Aussie **labour market conditions** remain very tight.

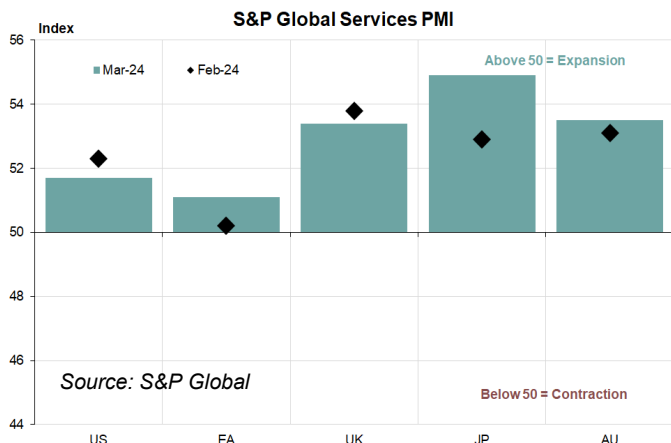


... while the contraction in **manufacturing** deepened.

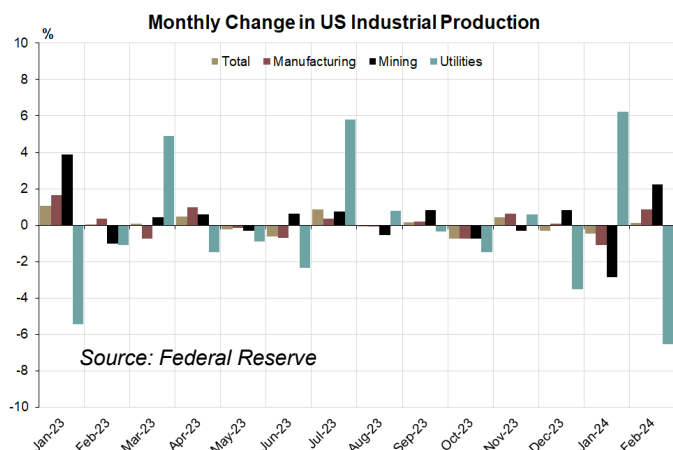


GLOBAL ECONOMY

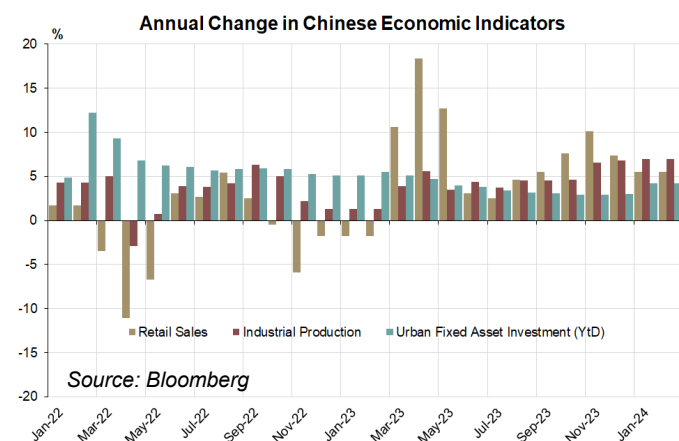
The S&P Global **flash PMI** report for March suggested that services are in expansion across all the major economies...



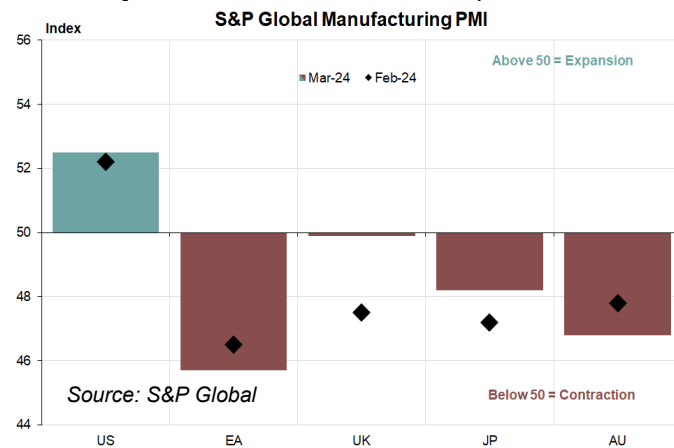
US industrial production was flat in February, as a rise in manufacturing and mining was offset by a drop in utilities.



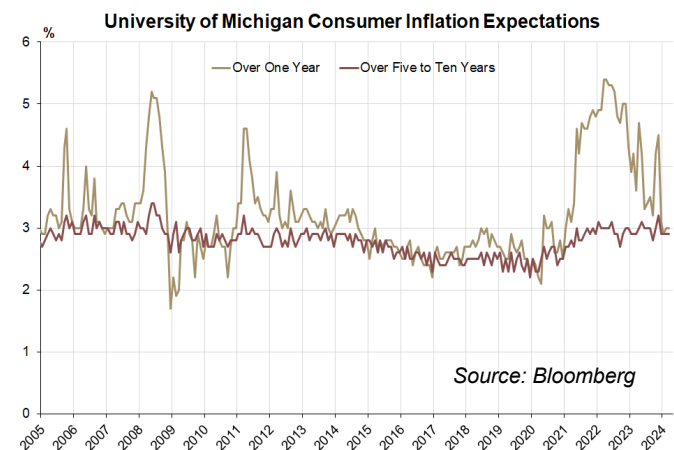
In **China**, industrial production and investment showed some strength into 2024, but retail sales remained weak.



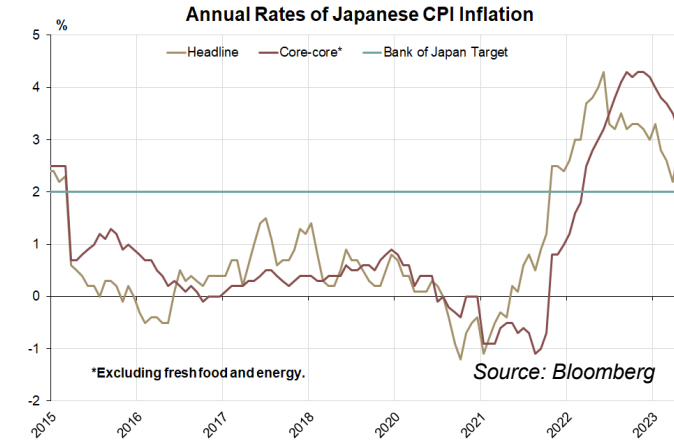
... while **manufacturing** activity remains in contraction in all the major advanced economies except for the US.



US consumer inflation expectations remain above pre-COVID levels.



In **Japan**, headline consumer price inflation rose on base effects, while 'core-core' inflation remained high.



WESTERN AUSTRALIAN TREASURY CORPORATION

Market WATCH Weekly

22 March 2024

KEY ECONOMIC EVENTS

Last Week

| | Event | Actual | Forecast | Previous | Comment |
|---------------|--------------------------------------|--------|----------|----------|--|
| Mon 18 | | | | | |
| CH | Retail Sales (YoY YtD, Feb) | 5.5% | 5.6% | 7.4% | Continues to underperform. |
| CH | Industrial Production (YoY YtD, Feb) | 7.0% | 5.2% | 6.8% | Manufacturing up 7.7% YoY YtD. |
| CH | Urban Asset Inv. (YoY YtD, Feb) | 4.2% | 3.2% | 3.0% | Property investment dropped by 9.0% YoY YtD. |
| Tue 19 | | | | | |
| AU | RBA Decision (Cash Rate Target) | 4.35% | 4.35% | 4.35% | Not ruling anything in or out. |
| AU | ANZ Cons. Conf. (w/e 16 Mar) | -0.6% | - | 1.5% | Inflation expectations ebbed 0.1ppts to 4.8%. |
| JP | BoJ Decision (Policy Bal. Rate) | 0.00% | -0.10% | -0.10% | The Bank of Japan also ended its YCC policy. |
| Wed 20 | | | | | |
| UK | CPI (MoM, Feb) | 0.6% | 0.7% | -0.6% | Annual rate at 3.4%, the lowest since Sep 2021. |
| US | FOMC Decision (IoER) | 5.40% | 5.40% | 5.40% | Balance sheet reduction to start 'fairly soon'. |
| Thu 21 | | | | | |
| AU | Employment (monthly change, Feb) | 116.5k | 40.0k | 15.3k | Impacted by a change in seasonal patterns. |
| AU | Unemployment Rate (Feb) | 3.7% | 4.0% | 4.1% | Unchanged at 3.8% in trend terms. |
| AU | Judo Bank Comp. PMI (Mar, flash) | 52.4 | - | 52.1 | Input cost inflation the lowest since August 2021. |
| JP | Jibun Bank Comp. PMI (Mar, flash) | 52.3 | - | 50.6 | Manufacturing still in deep contraction. |
| EZ | HCOB Composite PMI (Mar, flash) | 49.9 | 49.7 | 49.2 | Contraction in euro area manufacturing deepened. |
| UK | S&P Global Comp. PMI (Mar, flash) | 52.9 | 53.1 | 53.0 | Good PMIs contrast with the weakness in real data. |
| UK | BoE Decision (Bank Rate) | 5.25% | 5.25% | 5.25% | One MPC member voted for a rate cut. |
| US | Initial Jobless Claims (w/e 16 Mar) | 210k | 213k | 212k | Continued claims broadly unchanged in w/e 9 Mar. |
| US | S&P Global Comp. PMI (Mar, flash) | 52.2 | 52.2 | 52.5 | An ongoing and broad-based expansion. |
| Fri 22 | | | | | |
| JP | CPI (YoY, Feb) | 2.8% | 2.9% | 2.2% | 'Core-core' inflation down 0.3ppts to 3.2%. |

Next Week

| | Event | Forecast | Previous | Comment |
|---------------|---|----------|----------|--|
| Mon 25 | <i>No market-moving data</i> | | | |
| Tue 26 | | | | |
| AU | Westpac Consumer Sent. (Mar) | - | 6.2% | ANZ weekly figures suggest a deterioration. |
| US | Conference Board Cons. Conf. (MoM, Mar) | - | 106.7 | More focus on the labour market than UMich equivalent. |
| US | C-S Hse Prices 20 Cities (YoY, Jan) | - | 6.1% | The pace of increased slowed towards the end of 2023. |
| US | Durable Goods Orders (MoM, Feb) | 0.8% | -6.2% | Half of the gain expected to come from transport orders. |
| Wed 27 | | | | |
| AU | Monthly CPI Indicator (YoY, Feb) | 3.5% | 3.4% | Covers 73% of the CPI basket. |
| Thu 28 | | | | |
| AU | Retail Trade (MoM, Feb) | 0.5% | 1.1% | Changing seasonal patterns has disrupted this report, too. |
| AU | Private Sector Credit (MoM, Feb) | 0.4% | 0.4% | January saw a broad-based increase. |
| AU | Job Vacancies (QoQ, Q1) | - | -0.7% | Monthly reports point to another decline. |
| US | GDP (QoQ Annualised, Q4, final) | 3.2% | 3.2% | GDPNow suggests GDP growth slowed in Q1 2024. |
| Fri 29 | | | | |
| US | Personal Spending (MoM, Feb) | 0.4% | 0.2% | Retail sales suggested strength. |
| US | PCE Price Index (MoM, Feb) | 0.4% | 0.3% | Annual rate has been declining, in contrast to CPI. |