WESTERN AUSTRALIAN
TREASURY CORPORATION

Economic Analysis

Daily Report 23 February 2024

Interest Rates (%)			FX			Commodities US$		
Australia		Δ bp	AUD/USD	0.6563	0.1%	WTI Crude Oil	78.26	$0.17
90-day Bill	4.34	0	AUD/JPY	98.72	0.1%	Brent Crude Oil	83.67	$0.64
3-year Bond	3.75	-3	AUD/EUR	0.6062	0.1%	Mogas95*	99.60	$1.39
10-year Bond	4.16	-5	AUD/GBP	0.5183	-0.1%	CRB Index	274.11	0.10
			AUD/NZD	1.0585	-0.1%	Gold	2025.33	-$0.02
			AUD/CNY	4.7149	0.2%	Silver	22.77	-$0.14
US			EUR/USD	1.0828	0.1%	Iron Ore (62% Fe)**	120.85	$0.75
2-year	4.71	5	USD/JPY	150.42	0.0%	Iron Ore (23-24 Average)	121.58	-$0.01
10-year	4.32	0	USD/CNY	7.1939	0.0%	Copper	8584.50	$42.50
			RBA Policy			**Equities**		
			O/N Cash Rate Target		4.35	ASX200	7646	38
Other 10-year			Interbank O/N Cash Rate		4.32	Dow Jones	39069	457
Japan	0.72	-2	Probability of a 25bps Cut in Mar		3.1%	S&P500	5087	105
Germany	2.44	-1	RBA Bond Holdings (31 Jan)		A$336.1b	Stoxx600	495	4
UK	4.11	0				CSI300	3487	30

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.
**Iron ore is the second SGX futures contract.

US shares surged to fresh record highs overnight, with gains led by tech stocks after the strong earnings results from Nvidia. Solid US economic data and some ambiguous Fedspeak saw US Treasury yields rise at the front end of the curve.

The positive global market sentiment helped the Aussie dollar edge higher, with the AUD/USD reaching the highest level since early February. Commonwealth bond yields declined, particularly for longer maturities. The ASX 200 closed flat yesterday, as gains in utilities, energy and information technology were offset by declines in consumer discretionary, communication services and financials. The Aussie stock market opened higher this morning.

In commodity markets, tensions in the Middle East helped keep upward pressure on oil prices. Iron ore futures prices increased but remain 13.7% lower year-to-date. Iron ore inventories at Chinese ports rose to a 10-month high.

Yesterday saw the release of the S&P Global flash PMI reports for the major advanced economies. The US S&P Global PMI fell 0.6pts to 51.4 in February (above 50 = expansion), with growth in both services and manufacturing. The details of the report pointed to a rise in employment while price indicators remained around their lowest levels since 2020. The more established ISM PMI reports will be released in early March.

S&P Global PMI reports also suggested ongoing contraction in the euro area, faster expansion in the UK and near-stagnant conditions in Japan.

US existing home sales rose by 3.1%, less than the 4.9% consensus, to be still around the lowest levels since 2010. US initial jobless claims fell 12k to 201k last week, with the four-week average also moving lower, and continued claims declined in the week ending 10 February.

Speaking last night, Fed Vice Chair Philip Jefferson said that, if the US economy evolves ‘broadly as expected’, the Fed might begin to remove some monetary policy restraint ‘later this year’. However, he suggested that risks around the expected outlook are elevated, citing resilient US consumer demand, possible deterioration in US labour market conditions and geopolitical risks. Fed Governor Cook delivered a speech about risks, both long- and short-term, focusing on supply-side and labour market risks.

Economic Data Review

- **JP:** Jibun Bank Composite PMI (Feb, flash) – Actual 50.3, Previous 51.5.
- **EZ:** HCOB Composite PMI (Feb, flash) – Actual 48.9, Expected 48.4, Previous 47.9.
- **UK:** S&P Global Composite PMI (Feb, flash) – Actual 53.3, Expected 52.9, Previous 52.9.
- **US:** Initial Jobless Claims (w/e 17 Feb) – Actual 201k, Expected 216k, Previous 213k (revised).
- **US:** Existing Home Sales (MoM, Jan) – Actual 3.1%, Expected 4.9%, Previous -0.8% (revised).
- **US:** S&P Global Composite PMI (Feb, flash) – Actual 51.4, Expected 51.8, Previous 52.0.

Economic Data Preview

No market moving data.

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