

THIS WEEK’S HIGHLIGHTS

- In Australia, the monthly CPI indicator suggested that headline consumer price inflation was unchanged in January. Retail trade increased less than expected in January. Private sector credit continued to rise steadily in January. Private capex and construction work done picked up in Q4.
- Abroad, US PCE inflation continued to decline towards the Fed’s goal in January. The Chinese PMIs pointed to further anaemic expansion in February. The Reserve Bank of New Zealand has left its official cash rate unchanged, as expected.

NEXT WEEK’S HIGHLIGHTS

- A busy week ahead domestically, with the Q4 national accounts on Wednesday being the most important release. Other highlights include January dwelling approvals and the February Melbourne Institute inflation gauge on Monday, Q4 balance of payments on Tuesday as well as the January goods trade balance and housing finance on Thursday.
- Key events offshore will be US labour market data as well as the US and Chinese services PMI data; all those releases are for February. Fed Chair Jerome Powell will testify twice in the US Congress, while the Bank of Canada and ECB will announce monetary policy decisions, with no changes expected.

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	5.60	(↑2 pt)	ASX200	7731	(↑81 pt)
US (IOR)	5.40	(0 pt)	90-day Bills	4.34	(0 pt)	2-yr T-Notes	4.62	(↓9 pt)	S&P500	5096	(↑9 pt)
Eurozone	4.00	(0 pt)	3-yr T-Bond	3.70	(↓9 pt)	10-yr T-Notes	4.24	(↓8 pt)	DJIA	38996	(↓73 pt)
UK	5.25	(0 pt)	10-yr T-Bond	4.12	(↓7 pt)	Jap 10-yr	0.72	(0 pt)	Nikkei	39884	(↑785 pt)
Japan	-0.10	(0 pt)	3-yr WATC Bond	3.99	(↓5 pt)	UK 10-yr	4.12	(↑2 pt)	CSI300	3528	(↑47 pt)
China (1Y LPR)	3.45	(0 pt)	10-yr WATC Bond	4.69	(↓5 pt)	Ger 10-yr	2.41	(↓3 pt)	Stoxx600	495	(↓0 pt)

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

FINANCIAL MARKETS OVERVIEW

Interest Rates

Government bond yields are mostly down for the week, both in the US and Australia.

Fed officials speaking this week stressed that their decisions remain data driven, though some suggested the first fed funds rate cuts could be as early as in the northern summer if disinflation continues. The PCE inflation figures released this week showed further steady decline towards the Fed’s 2% goal.

Futures pricing still implies that the first rate cut in the US will be around mid-2024. For Australia, cash rate futures continue to price in the first cut for September 2024.

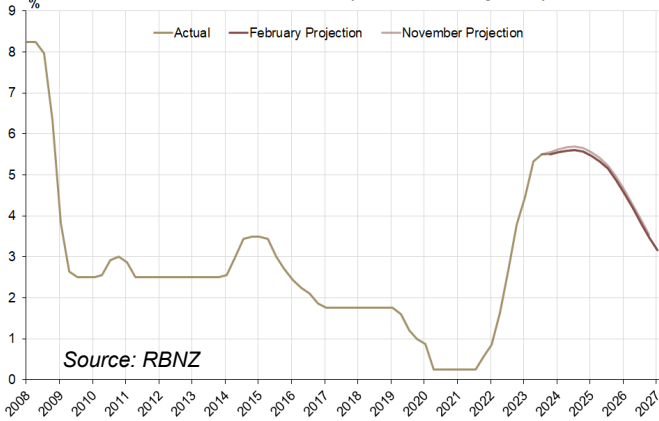
The Reserve Bank of New Zealand (RBNZ) has kept its official cash rate unchanged at 5.50% this week, while the rate projection was revised slightly downwards. The post-meeting statement was less hawkish than expected, which saw market rate hike expectations disappear, with the first rate cut is now fully priced in for September.

Equities

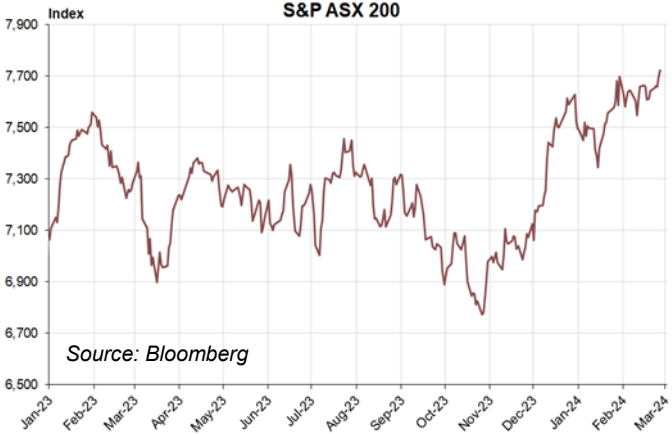
Trade in the US equity market was relatively flat for most of this week following last week’s strong gains, though a solid rise overnight lifted the S&P 500 to a fresh record high. Elsewhere, the European Stoxx 600 has slipped from last Friday’s record close and the Japanese Nikkei 225 remains around record highs. In mainland China, the CSI 300 continues to claw its way back after hitting a five-year low in early February.

The Aussie market has outperformed the US and European markets this week after underperforming last week. The ASX 200 has lifted to a fresh record high this morning. The gains over the week have been led by info tech and consumer shares.

RBNZ Official Cash Rate (Actual and Projected)



S&P ASX 200



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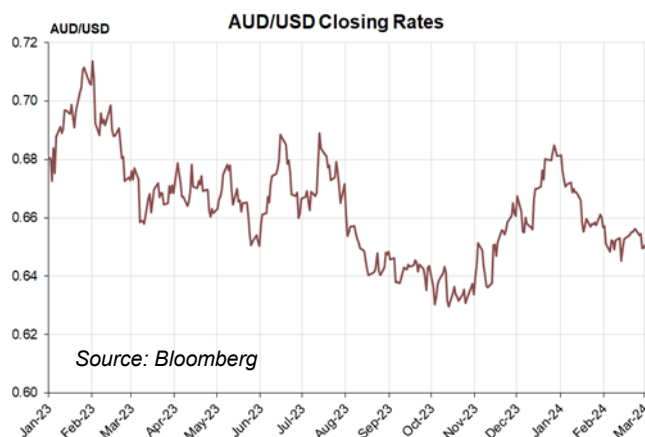
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Currencies

The Aussie dollar ended last week at its highest closing level against the US dollar in three weeks, but has slipped this week. The early drift lower accelerated on Wednesday, as a slumping New Zealand dollar dragged the Aussie down, pushing the AUD/USD to a two-week low.

The catalyst for the fall in the Kiwi was a less hawkish-than-expected RBNZ post-meeting statement, which surprised traders and saw pricing for a further Kiwi cash rate increase almost completely unwound.

The Aussie is weaker against all the G10 trading currencies, except for the New Zealand dollar. The Japanese yen has been the strongest G10 currency followed by the greenback.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6507	0.6581	0.6487	↓0.8	0.6900	0.6270
AUD/EUR		0.6012	0.6075	0.5989	↓0.8	0.6372	0.5007
AUD/GBP		0.5151	0.5192	0.5127	↓0.6	0.5645	0.5007
AUD/JPY		97.81	99.06	97.35	↓0.9	99.06	86.06
AUD/CNY		4.6823	4.7358	4.6665	↓0.7	4.9348	4.5455
EUR/USD		1.0820	1.0866	1.0796	↓0	1.1276	1.0448
GBP/USD		1.2633	1.2701	1.2613	↓0.2	1.3142	1.1804
USD/JPY		150.33	150.85	149.21	↓0.1	151.91	129.64
USD/CNY		7.1963	7.1995	7.1880	↑0	7.3499	6.8169

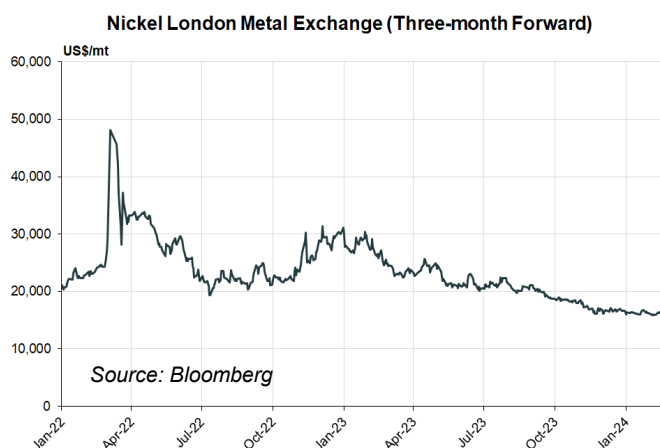
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6507	0.6525	0.6540	0.6559
AUD/EUR		0.6012	0.6006	0.5996	0.5964
AUD/GBP		0.5151	0.5162	0.5172	0.5184
AUD/JPY		97.81	96.70	95.61	93.55
AUD/NZD		1.0679	1.0709	1.0737	1.0784
AUD/SGD		0.8755	0.8744	0.8728	0.8689

Commodities

Brent crude oil, the global benchmark, is down compared to the last edition of *Market WATCH Weekly*. The fall mainly reflects a significant decline last Friday night, in reaction to rising hopes for a possible ceasefire in Gaza and news that the latest batch of US sanctions against Russia did not target the metals and energy sectors. Oil prices were on the rise in the following days, but Brent remains around 1.5% below the levels of this time last week. The US domestic price (WTI) is almost unchanged.

Nickel futures slipped on Monday, but have posted solid gains over the past three days. Despite these gains, they remain significantly lower than this time last year.

Iron ore futures dropped 2.6% amid further concerns over the state of the Chinese economy and real estate sector. They are now at the lowest levels since the second half of October 2023.



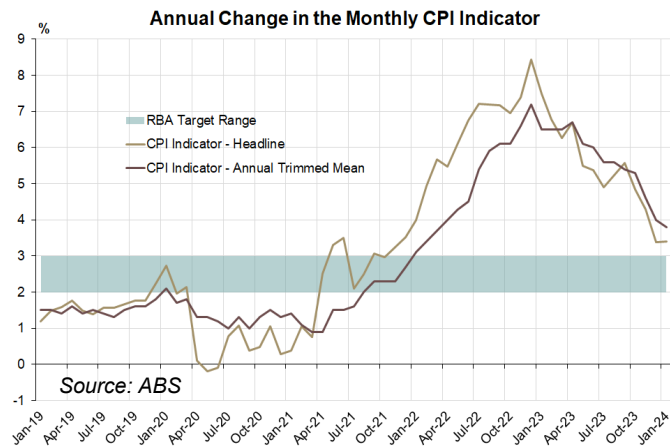
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,045.16	\$2,050.75	\$2,024.59	(↑\$19.74)	\$2,135.39	\$1,809.50
Brent Crude Oil (US\$)	\$82.19	\$84.31	\$81.00	(↓\$1.13)	\$97.69	\$70.12
Mogas95* (US\$)	\$99.56	\$102.10	\$97.74	(↓\$0.99)	\$110.15	\$79.06
WTI Oil (US\$)	\$78.46	\$79.62	\$75.84	(↑\$0.24)	\$95.03	\$63.64
CRB Index	275.08	276.49	270.82	(↑0.97)	290.29	253.85
Iron Ore Price 62% Fe (US\$) **	\$116.30	\$121.10	\$113.60	(↓\$4)	\$143.50	\$94.00

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

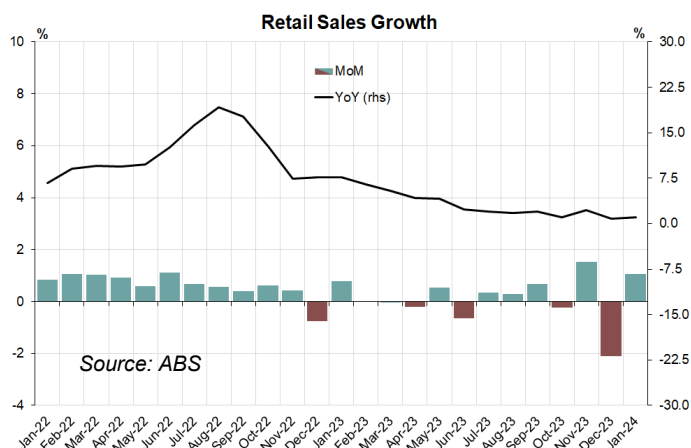
** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

DOMESTIC ECONOMY

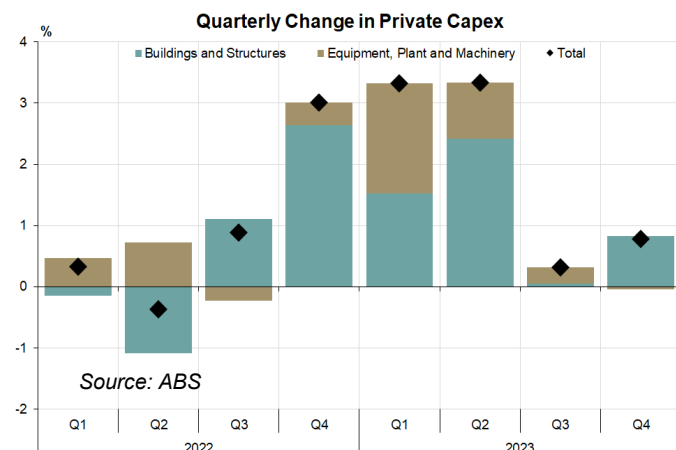
The **monthly CPI indicator** suggested headline inflation was steady and trimmed mean inflation fell in January.



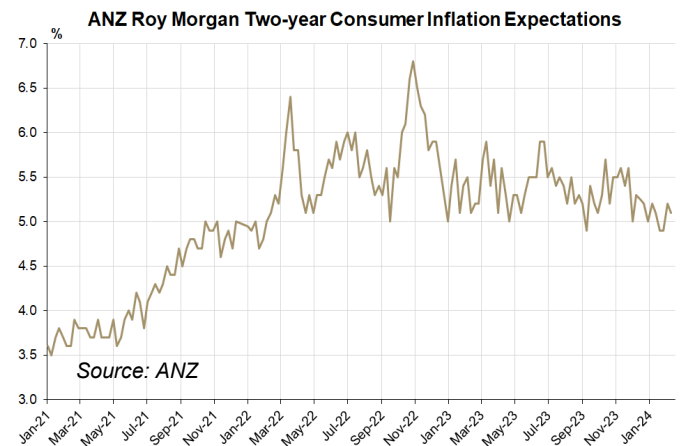
Retail trade picked up in January, but the annual rate of growth remained subdued.



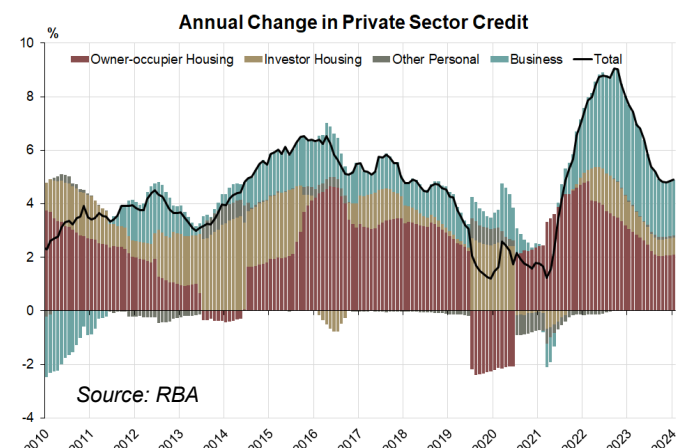
The rise in **private capex** was solely thanks to building, supported by solid spending for renewable energy.



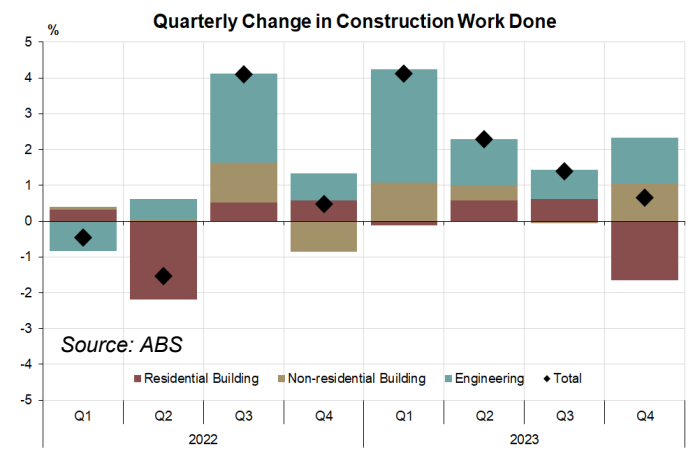
Consumer inflation expectations are off their 2022 highs, but remain elevated.



The deceleration in annual growth in **private sector credit** has stalled.

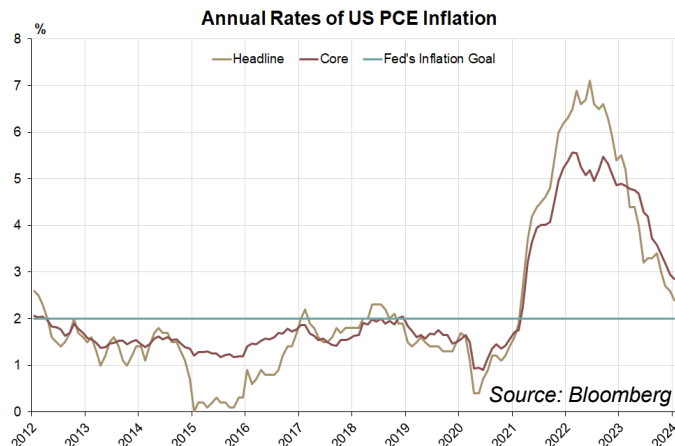


While non-residential building and engineering helped **construction** higher in Q4, residential building fell.

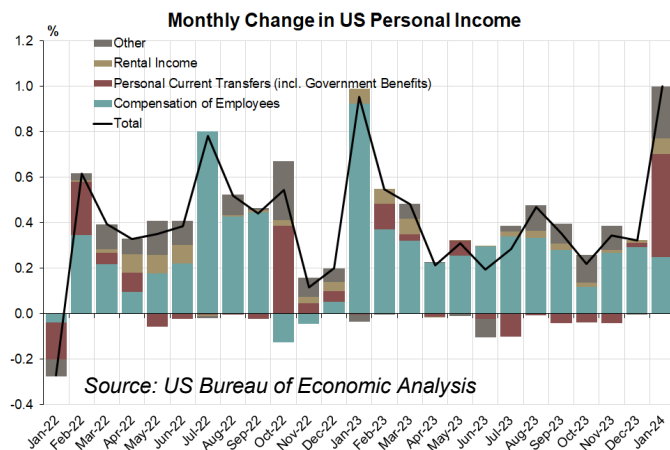


GLOBAL ECONOMY

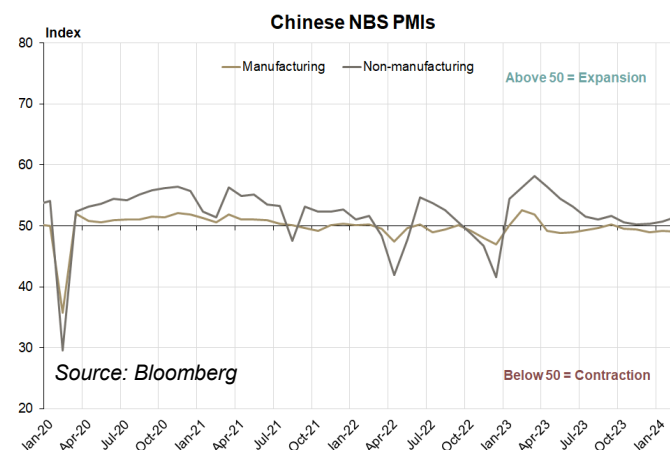
US PCE inflation continues to decline towards the Fed's goal of 2%, both for the headline and core indices.



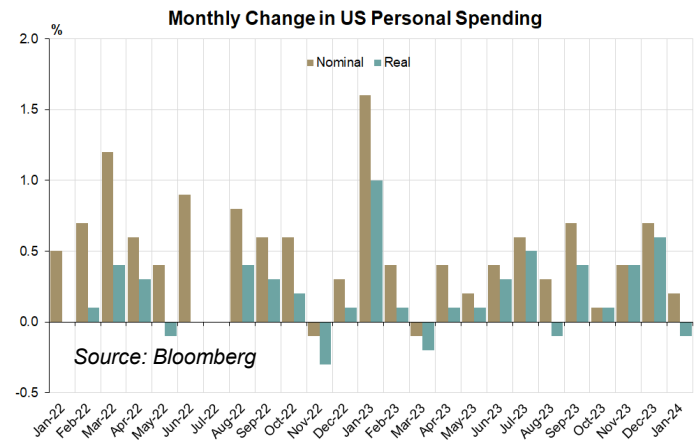
US personal income growth accelerated in January, helped by stronger government transfers and dividends.



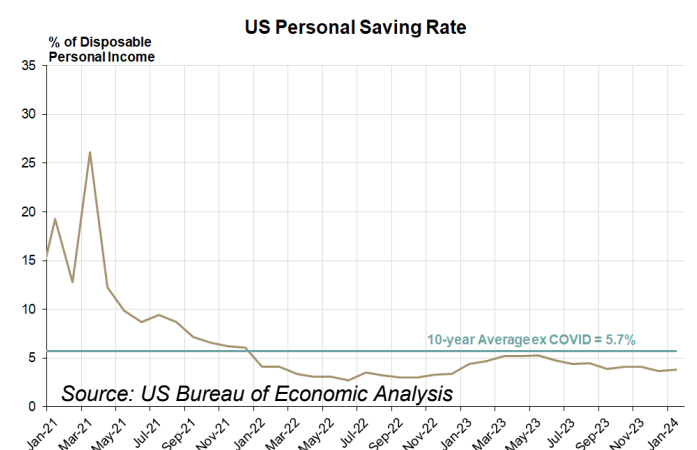
NBS Chinese PMIs pointed to anaemic ongoing expansion, driven by the services sector.



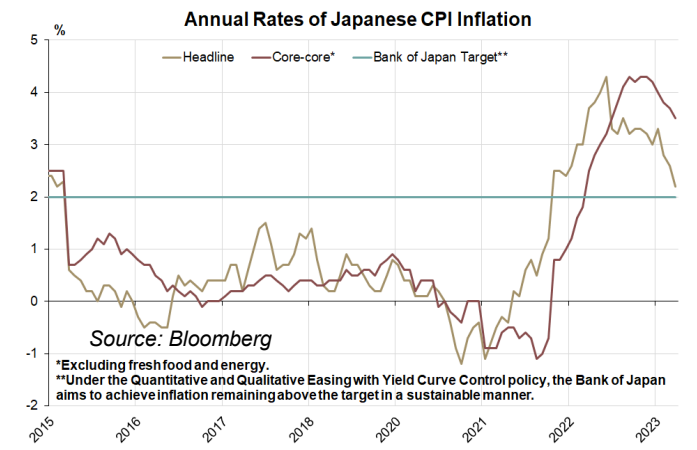
US consumer spending growth slowed in nominal terms and was negative in real terms in January.



The US personal savings rate remains low by historical standards.



Japanese CPI inflation is declining towards the target, though underlying inflation remains sticky.



KEY ECONOMIC EVENTS

Last Week

	Event	Actual	Forecast	Previous	Comment
Mon 26	No market-moving data.				
Tue 27					
AU	ANZ Cons. Conf. (w/e 24 Feb)	0.5%	-	0.2%	Inflation expectations declined 0.1ppts to 5.1%.
JP	CPI (YoY, Jan)	2.2%	1.9%	2.6%	'Core-core' inflation 0.2ppts down to 3.5%.
US	Durable Goods Orders (MoM, Jan)	-6.1%	-5.0%	-0.3%	Core orders ticked up by 0.1% in January.
US	C-S Hse Prices 20 Cities (YoY, Dec)	0.2%	0.2%	0.2%	Up 6.1% YoY and at a new record high.
US	Conf. Board Cons. Conf. (Feb)	106.7	115.0	110.9	A broad-based decline.
Wed 28					
AU	Monthly CPI Indicator (YoY, Jan)	3.4%	3.6%	3.4%	Annual trimmed mean inflation down to 3.8%.
AU	Construction Work Done (QoQ, Q4)	0.7%	0.6%	1.4%	Residential building work done down 5.2% in Q4.
NZ	RBNZ Decision (Official Cash Rate)	5.00%	5.00%	5.00%	OCR projection path revised 0.1ppts downwards.
US	GDP (QoQ ann., Q4, 2nd est.)	3.2%	3.3%	3.3%	PCE growth revised 0.3ppts up to 2.8% (annualised).
Thu 29					
AU	Retail Trade (MoM, Jan)	1.1%	1.5%	-2.1%	No change in trend terms in January.
AU	Private Sector Credit (MoM, Jan)	0.4%	0.4%	0.4%	A broad-based increase.
AU	Private Capex (QoQ, Q4)	0.8%	0.5%	0.3%	Equipment investment down 0.1% in Q4.
US	Personal Spending (MoM, Jan)	0.2%	0.2%	0.7%	Real personal spending declined by 0.1% in January.
US	PCE Price Index (MoM, Jan)	0.3%	0.3%	0.2%	Annual rates at 2.4% (headline) and 2.8% (core).
US	Initial Jobless Claims (w/e 24 Feb)	215k	210k	202k	Continued claims back above 1.9 million.
Fri 01					
AU	CoreLogic Hse Prices (MoM, Feb)	0.6%	-	0.4%	Perth registered the strongest increase of 1.8%.
CH	NBS Composite Index (Feb)	50.9	-	50.9	Manufacturing at 49.1, non-manufacturing at 51.4.
CH	Caixin Manufacturing PMI (Feb)	50.9	50.7	50.8	New export orders up the second month in a row.
Tonight					
EZ	HICP (MoM, Feb, flash)	-	2.5%	2.8%	Further deceleration in annual terms expected.
US	ISM Manufacturing PMI (Feb)	-	49.5	49.1	S&P Global report pointed to renewed expansion.

Next Week

	Event	Forecast	Previous	Comment
Mon 04				
AU	Dwelling Approvals (MoM, Jan)	4.0%	-9.5%	Often volatile due to high-rise activity.
AU	Melbourne Institute Inflation (MoM, Feb)	-	0.3%	Judo Bank flash PMI report suggested re-acceleration.
AU	Business Indicators (QoQ, Q4)	-	-	Includes quarterly estimates of profits and wages.
Tue 05				
AU	Current Account (Q4)	A\$4.9b	-A\$0.2b	Dragged down by a decline in the trade surplus in Q3.
CH	Caixin Services PMI (Feb)	52.9	52.7	NBS PMIs suggested a rise further into expansion.
US	ISM Services PMI (Feb)	52.9	53.4	S&P Global PMIs pointed to slower expansion.
Wed 06				
AU	GDP (QoQ, Q4)	0.2%	0.2%	Annual rate expected to decelerate 0.7ppts to 1.4%.
CA	Bank of Canada Decision (Policy Rate)	5.00%	5.00%	First cut fully priced in for July.
US	ADP Employment (monthly change, Feb)	150k	107k	Has been a poor indicator for non-farm payrolls.
US	JOLTS Job Openings (Jan)	-	9.0m	Still more job openings than officially unemployed.
US	Beige Book	-	-	Anecdotal information on conditions in Fed districts.
US	Fed Monetary Policy Report	-	-	Fed Chair Jerome Powell testifies to the US Congress.
Thu 07				
AU	Housing Finance (MoM, Jan)	2.3%	-4.1%	December saw a broad-based decline.
AU	Goods Trade Balance (Jan)	A\$11.0b	A\$11.0b	Supersized surpluses propped up by commodity prices.
EZ	ECB Decision (Deposit Rate)	4.00%	4.00%	ECB might deliver its first cut before the Fed.
US	Fed Monetary Policy Report	-	-	Chair Powell's second of twin testimonies to Congress.
Fri 08				
US	Non-farm Payrolls (monthly change, Feb)	190k	353k	Large increases in Dec and Jan unlikely to be repeated.
US	Unemployment Rate (Feb)	3.7%	3.7%	FOMC's median longer-run estimate is 4.1%.