

Highlights this week

- In Australia, the RBA minutes maintained the hawkish tone from the June post-meeting statement. The national Cotality home value index declined in June, driven by lower prices in Sydney and Melbourne. Dwelling approvals saw another fall in May, while the annual rate of private sector credit growth reached the highest level since late 2022. The goods trade balance turned back negative in May.
- Abroad, US non-farm payrolls rose by half as much as market participants had hoped, while the unemployment rate ebbed amid lower workforce participation. The US ISM manufacturing PMI suggested further expansion in June, with some easing in cost pressures and supply chain disruptions. Chinese PMIs suggested expansion in all sectors except construction in June.

Highlights next week

- A very quiet week ahead domestically, with the Melbourne Institute inflation gauge and ANZ job ads for June being the only releases of note. RBA Assistant Governor Sarah Hunter is set to speak at an economic conference on Wednesday.
- Highlights offshore include the US ISM services PMI on Monday, FOMC minutes on Wednesday and Chinese PMIs on Thursday. The RBNZ is to announce its monetary policy decision on Wednesday, with a 25bps hike expected by most market participants.

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	4.35 (0 pt)	USD 3-month	3.53 (0 pt)	ASX200	8827 (↑67 pt)
US (IOR)	3.65 (0 pt)	90-day Bills	4.46 (0 pt)	2-yr T-Notes	4.14 (↑3 pt)	S&P500	7483 (↑126 pt)
Eurozone (Deposit)	2.25 (0 pt)	3-yr T-Bond	4.41 (↑5 pt)	10-yr T-Notes	4.48 (↑9 pt)	DJIA	52900 (↑979 pt)
UK	3.75 (0 pt)	10-yr T-Bond	4.80 (↑7 pt)	Jap 10-yr	2.77 (↑13 pt)	Nikkei	69160 (↓1813 pt)
Japan (Target)	1.00 (0 pt)	3-yr WATC Bond	4.61 (↑5 pt)	UK 10-yr	4.78 (↑8 pt)	CSI300	4840 (↓136 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	5.21 (↑6 pt)	Ger 10-yr	2.90 (↑5 pt)	Stoxx600	648 (↑8 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets

Interest Rates

Government bond yields picked up this week, following declines in late June after the announcement of a 60-day ceasefire between the US and Iran. Government bond yields remain elevated both in the US and Australia.

Fedspeak this week was quite mixed, with the rank-and-file speaking in favour of monetary policy tightening, and the new Fed Chair, Kevin Warsh, judging that inflation risks are on a decline. However, Chair Warsh has also reiterated his preference for a smaller Fed balance sheet and hinted at a review into the FOMC's monetary policy communication.

The ECB is also looking to shake up its strategy, as noted by President Christine Lagarde in her speech this week.

The minutes from the RBA Monetary Policy Board meeting in June maintained the relatively hawkish tone of the post-meeting statement. The Board assessed that financial conditions are now 'somewhat restrictive' and explicitly stated that increasing the cash rate remains on the table. It was also stressed that monetary policy needs to remain restrictive to unwind excess demand through below-trend growth.

Equities

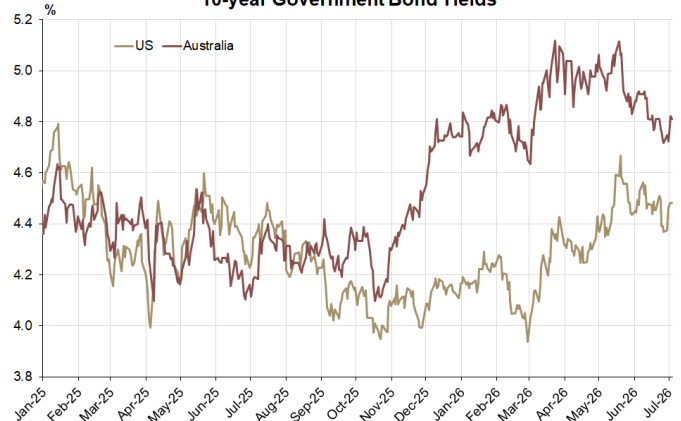
Australian equities appear on track for their third weekly rise in the past four weeks, despite some midweek volatility.

Materials and gold miners were standout performers followed by health led by pharmaceuticals. Utilities and real estate had sharp losses.

The ASX 200 climbed 3.5% in Q2, its first quarterly rise since Q3 last year.

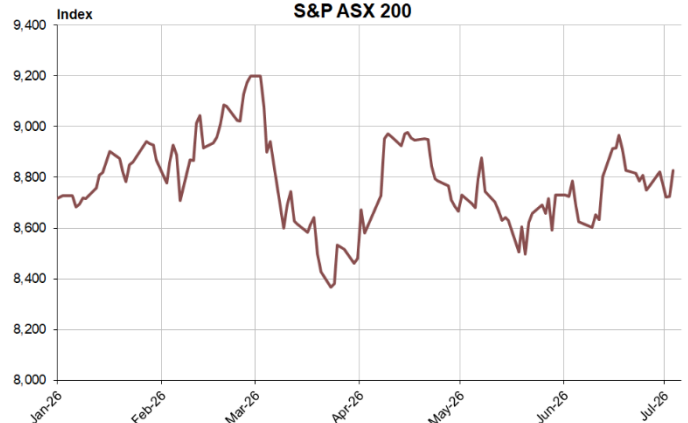
The S&P 500 gained +1.7% on the week, closing Tuesday's session at 7,499 to close its best quarter in six years, having added \$8 trillion in market value over Q2 led by AI related shares.

10-year Government Bond Yields



Source: Bloomberg

S&P ASX 200



Source: Bloomberg

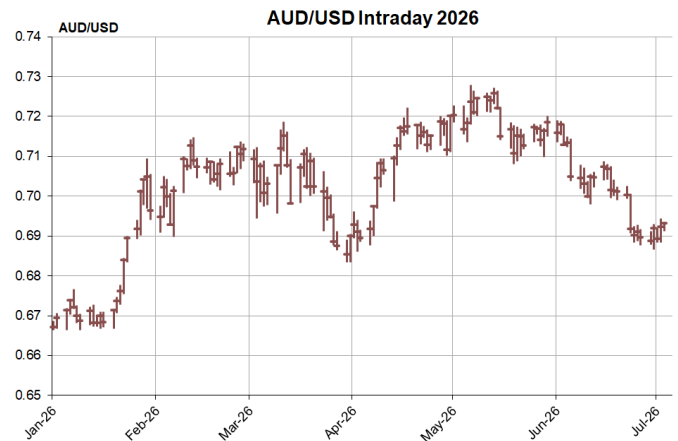
Currencies

The Australian dollar has underperformed most G10 currencies this week, outpacing only the US and Canadian dollars.

The AUD/USD slipped to its lowest level in almost three months on Tuesday, before staging a sharp turnaround over the following three days, leaving it on track for its first weekly gain since late May.

The rebound has been driven largely by US dollar weakness, with the greenback retreating after the US dollar index reached its highest level in a year last week, as expectations for further Fed rate hikes eased.

The Australian dollar trade-weighted index – which values the AUD against a basket of currencies based on the share of trade – slipped to the lowest level since early April before stabilising.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6930	0.6943	0.6865	↑0.7	0.7278	0.6415
AUD/EUR		0.6059	0.6068	0.6018	↑0	0.6207	0.4761
AUD/GBP		0.5189	0.5234	0.5165	↓0.6	0.5394	0.4761
AUD/JPY		111.70	112.63	111.16	↑0.3	114.92	94.24
AUD/CNY		4.6992	4.7098	4.6639	↑0.4	4.9567	4.5602
EUR/USD		1.1438	1.1473	1.1362	↑0.7	1.2081	1.1325
GBP/USD		1.3357	1.3385	1.3191	↑1.3	1.3868	1.3010
USD/JPY		161.17	162.84	160.64	↓0.4	162.84	143.45
USD/CNY		6.7801	6.8048	6.7794	↓0.3	7.2140	6.7555

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6930	0.6918	0.6908	0.6892
AUD/EUR		0.6059	0.6026	0.5993	0.5930
AUD/GBP		0.5189	0.5180	0.5172	0.5158
AUD/JPY		111.70	110.70	109.69	107.85
AUD/NZD		1.2149	1.2093	1.2043	1.1966
AUD/SGD		0.8949	0.8877	0.8804	0.8668

Commodities

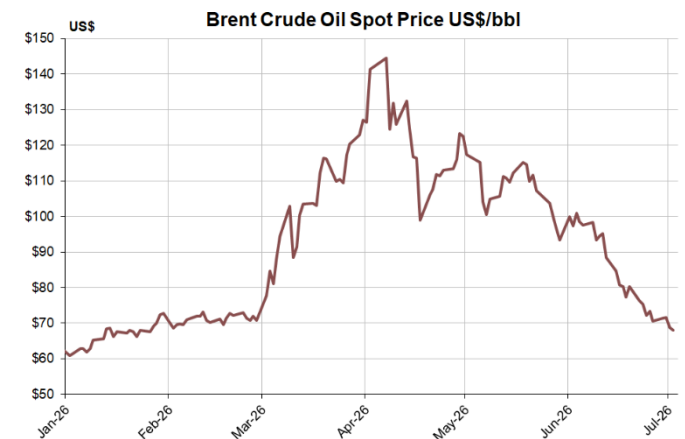
Oil prices fell again this week as US-Iran talks began in Doha and flows through the Strait of Hormuz looked set to rise further. More vessels are heading toward the Strait to clear the backlog, raising the risk of a short-term oversupply.

The Brent crude spot price fell to US\$68.10 a barrel overnight, its lowest level since January.

LNG shipments have not recovered at the same pace, with QatarEnergy extending its force majeure on some shipments until early September due to damage to infrastructure.

Gold traded near US\$4,000 an ounce for most of the week, before rising after weaker US jobs data pushed Treasury yields lower.

Iron ore futures jumped on Thursday after rumours that China Mineral Resources Group had told steel mills to stop taking some FMG ore, which could reduce supply. Prices later fell back as the rumour remained unconfirmed.



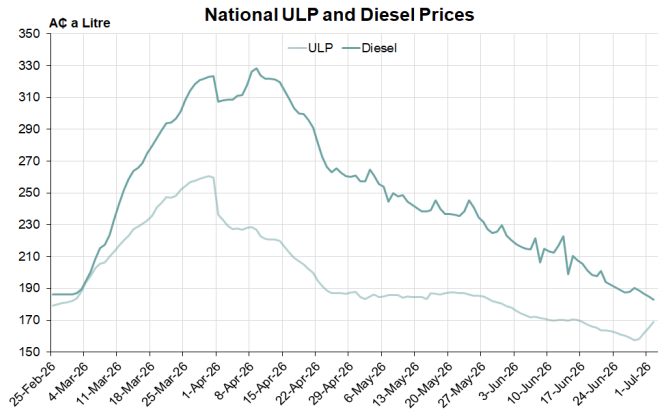
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,125.73	\$4,195.39	\$3,943.29	(↑\$132.16)	\$5,595.47	\$3,268.18
Brent Crude Oil (US\$)	\$71.80	\$73.64	\$70.14	(↓\$2.53)	\$126.41	\$58.72
Mogas95* (US\$)	\$94.25	\$101.27	\$90.46	(↓\$3.43)	\$150.55	\$68.52
WTI Oil (US\$)	\$68.44	\$71.60	\$67.04	(↓\$2.7)	\$119.48	\$54.98
CRB Index	353.03	353.86	351.31	(↓3.02)	406.18	291.69
Iron Ore Price 61% Fe (US\$) **	\$97.75	\$101.20	\$96.80	(↑\$0.45)	\$111.90	\$94.80

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.
 ** The Iron Ore Price is the SGX61% Fe iron ore futures 2nd contract.

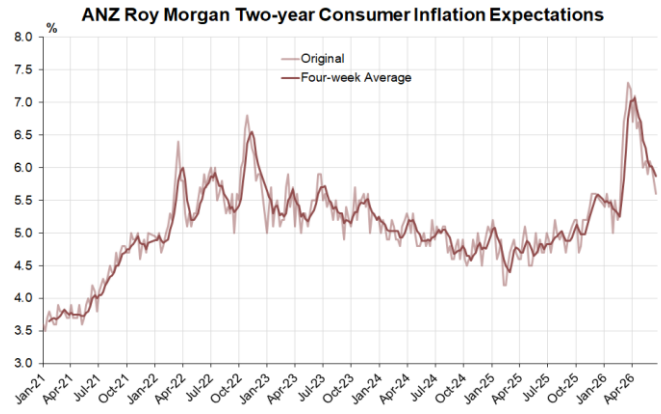
Domestic Economy

Petrol prices picked up a bit after the partial unwind of the fuel excise tax cut, but remained at pre-war levels...



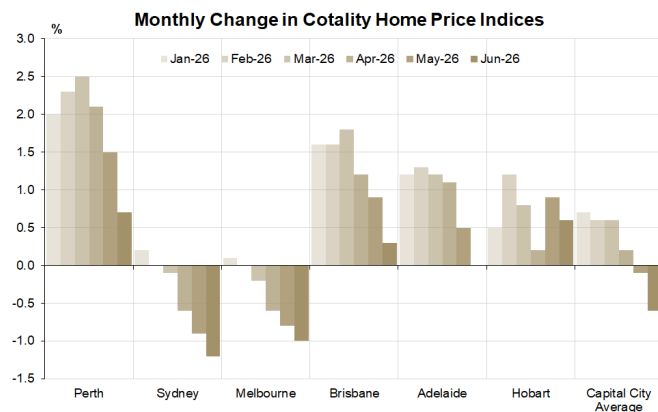
Source: ABS / FuelPrice Australia

... easing concerns over fuel prices saw **consumer inflation expectations** ease, though to a still high level.



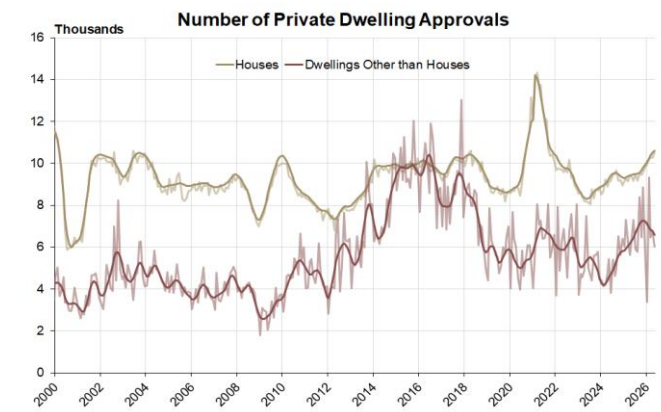
Source: ANZ

The fall in **home prices** is still contained to Sydney and Melbourne, but slowdown is also visible elsewhere.



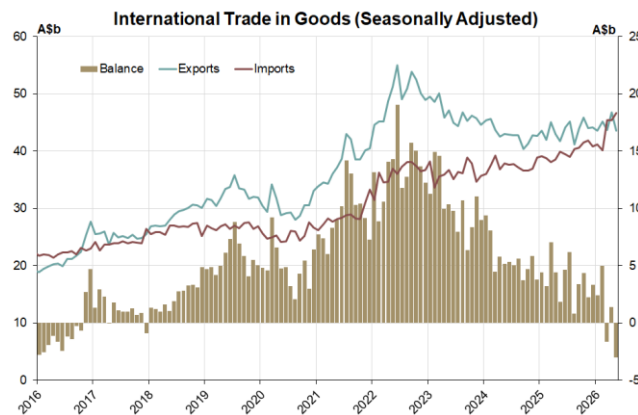
Source: Cotality

House approvals are trending upwards, but are well off their peaks, while unit approvals are again in retreat.



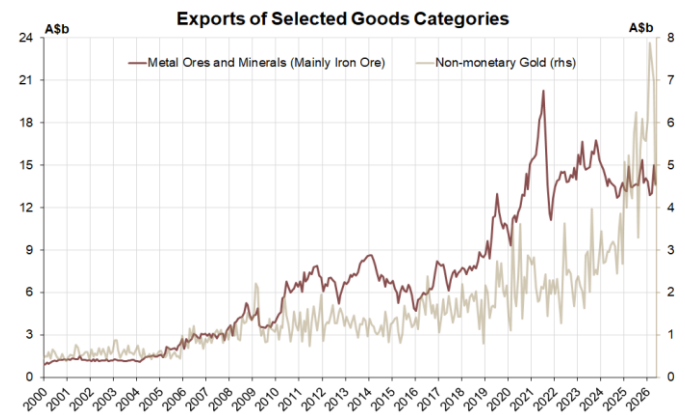
Source: ABS

The **Goods trade balance** turned back negative in May, reflecting both a drop in exports and a rise in imports.



Source: ABS

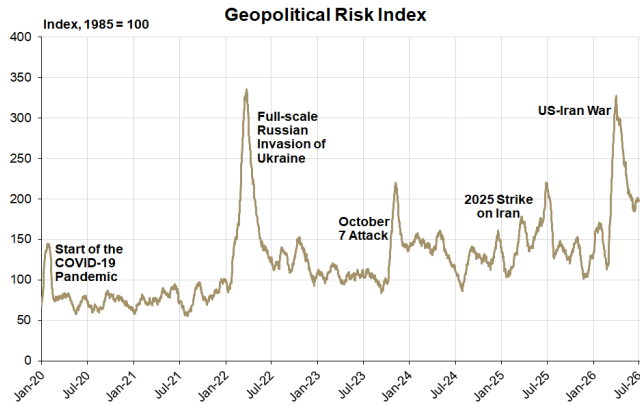
... with the **decline in export values** concentrated in iron ore and the choppy non-monetary gold.



Source: ABS

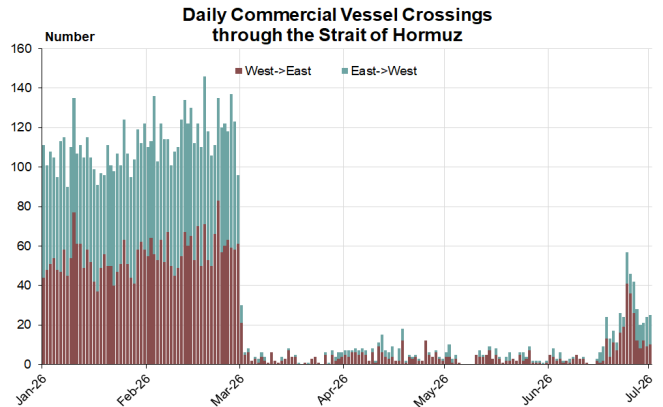
Global Economy

The US-Iran ceasefire saw the **geopolitical risk index** ease significantly, but to a still elevated level.



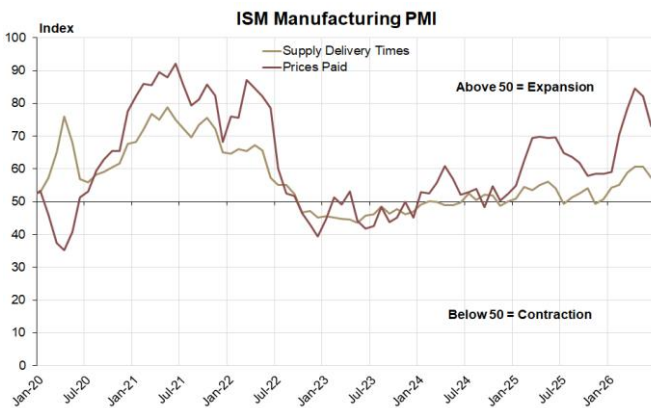
Source: Bloomberg

The number of **crossings through the Strait of Hormuz** is up from the past three months, but still very low.



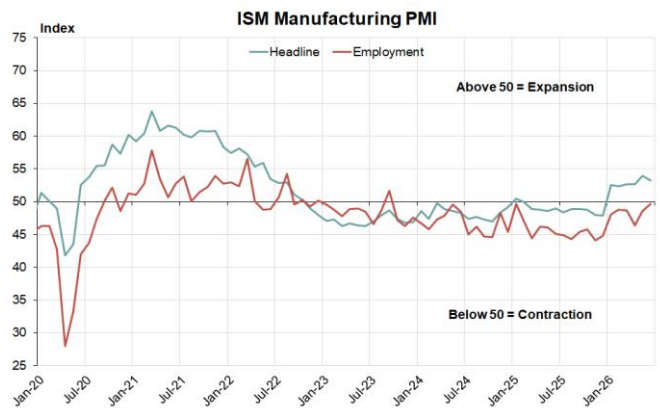
Source: Bloomberg

The ISM manufacturing report points to some easing in **cost and supply pressures**, but they are still elevated.



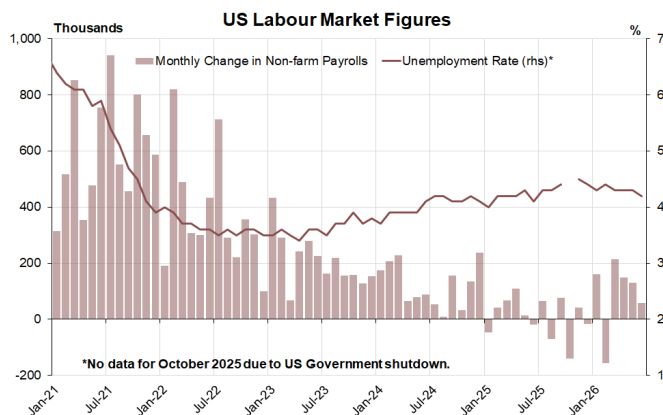
Source: Bloomberg

Overall, the solid expansion in **US manufacturing** continues, though still without job gains.



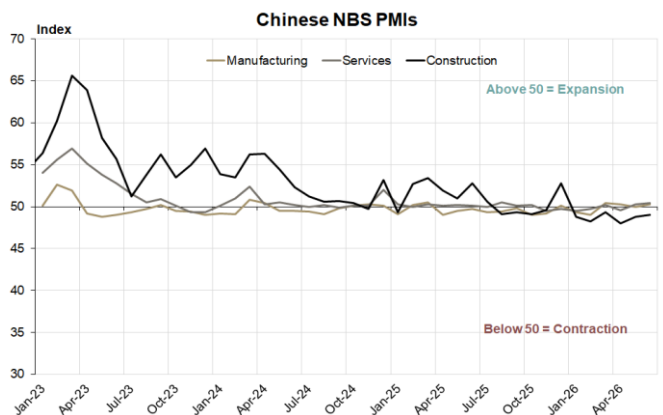
Source: Bloomberg

US non-farm payrolls growth is slowing, while the unemployment rate is on decline amid low participation.



Source: Bloomberg

In China, the **NBS PMIs** pointed to further slight expansion in all sectors except for construction.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 29					
	<i>No market moving data</i>				
Tue 30					
AU	RBA Minutes (Jun)	-	-	-	Hawkish, in line with the post-meeting statement.
AU	Private Sector Credit (MoM, Jun)	0.7%	0.6%	0.7%	Annual growth at 8.2%, the fastest since late 2022.
AU	ANZ Cons. Conf. (w/e 27 Jun)	75.9	-	72.8	The highest since the start of the ME war, but still low.
CH	NBS Composite (Jun)	50.6	-	50.5	All sectors except construction still in expansion.
US	C-S Hse Price 20 City (MoM, Apr)	0.0%	-0.1%	-0.2%	Annual home price growth still slow at 0.8%.
US	JOLTS Job Openings (May)	7.6m	7.3m	7.6m	Slightly above the number of officially unemployed.
US	CB Consumer Confidence (Jun)	91.2	94.4	90.6	US consumer confidence is depressed.
Wed 01					
AU	Cotality Home Value (MoM, Jun)	-0.6%	-	-0.1%	Falls in Sydney & Melbourne, gains in Perth & Brisbane.
AU	Dwelling Approvals (MoM, May)	-1.1%	0.0%	-0.2%	Private sector house approvals rose by 2.8% in May.
EZ	HICP (YoY, Jun, flash)	2.8%	3.0%	3.2%	Core inflation ebbed by 0.2ppts to 2.4%; still above 2%.
CH	RatingDog Manuf. PMI (Jun)	51.7	52.0	51.8	Lower new export orders and rising selling prices.
US	ISM Manufacturing PMI (Jun)	53.3	53.9	54.0	Suggests easing cost pressures and supply disruptions.
US	ADP Employment (MoM, Jun)	98k	120k	122k	Official increase in private payrolls was twice smaller.
Thu 02					
AU	Goods Trade Balance (May)	-\$3.0b	A\$2.2b	A\$1.4b	Plunged back into deficit for the second time this year.
US	Non-farm Payrolls (MoM, Jun)	57k	113k	129k	Decline caused by a fall in hospitality and leisure jobs.
US	Unemployment Rate (Jun)	4.2%	4.3%	4.3%	Labour force participation at a five-year low.
US	Initial Jobless Claims (w/e 27 Jun)	215k	218k	216k	Continued claims little changed at just above 1.8m.
Fri 03					
CH	RatingDog Services PMI (Jun)	54.1	53.0	54.4	RatingDog composite PMI down 0.4pts to 53.6 in June.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 06				
AU	Melbourne Institute Inflation (YoY, Jun)	-	4.4%	Failed to predict a decline in full CPI inflation in May.
AU	ANZ Job Ads (MoM, Jun)	-	1.8%	Remain well above the pre-COVID levels.
US	ISM Services PMI (Jun)	54.1	54.5	S&P Global PMI signalled ongoing solid expansion.
Tue 07				
	<i>No market-moving data.</i>			
Wed 08				
AU	RBA Assistant Governor S. Hunter Speaks	-	-	Speech at the Australian Conference of Economists.
NZ	RBNZ Decision (Official Cash Rate)	2.50%	2.25%	A 25bps hike around 80% priced in.
US	FOMC Minutes	-	-	Insights into the hawkish pivot of many participants.
Thu 09				
CH	CPI (YoY, Jun)	1.1%	1.2%	Demand pressure in China remains sluggish.
CH	PPI (YoY, Jun)	4.1%	3.9%	May saw the highest annual PPI inflation since mid-2022.
Fri 10				
	<i>No market-moving data.</i>			