

### THIS WEEK'S HIGHLIGHTS

- In Australia, NAB business conditions remained solid in July, while business confidence improved slightly. Westpac consumer confidence deteriorated further in August. Payrolls fell in the month to 15 July.
- Abroad, the annual rate of US CPI inflation rose slightly in headline terms, but core inflation ebbed further. Chinese external trade turnover continued its freefall in July, while deflation spread into consumer prices in annual terms.

### NEXT WEEK'S HIGHLIGHTS

- The key domestic releases next week will be the RBA Board minutes and Q2 wage price index on Tuesday and the July labour force survey on Thursday.
- The highlights offshore will include US July retail sales and Chinese economic activity data for July on Tuesday, as well as US July industrial production and the FOMC minutes on Wednesday. There is also the RBNZ decision on Wednesday.

Central Bank Rates (%)			Australian Interest Rates (%)			Major Overseas Interest Rates (%)			Global Equities		
		Weekly Change			Weekly Change			Weekly Change			Weekly Change
Australia	4.10	(0 pt)	O/N Interbank Cash	4.07	(0 pt)	USD 3-month	5.63	(0 pt)	ASX200	7347	(↑41 pt)
US (IOR)	5.40	(0 pt)	90-day Bills	4.17	(↓2 pt)	2-yr T-Notes	4.84	(↓6 pt)	S&P500	4469	(↓33 pt)
Eurozone (Deposit)	3.75	(0 pt)	3-yr T-Bond	3.83	(↓2 pt)	10-yr T-Notes	4.11	(↓7 pt)	DJIA	35176	(↓40 pt)
UK	5.25	(0 pt)	10-yr T-Bond	4.12	(↓7 pt)	Jap 10-yr	0.58	(↓7 pt)	Nikkei	32474	(↑350 pt)
Japan	-0.10	(0 pt)	3-yr WATC Bond	4.07	(↓2 pt)	UK 10-yr	4.36	(↓11 pt)	CSI300	3905	(↓130 pt)
China (1Y LPR)	3.55	(0 pt)	10-yr WATC Bond	4.56	(↓7 pt)	Ger 10-yr	2.53	(↓8 pt)	Stoxx600	464	(↑6 pt)

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

## FINANCIAL MARKETS OVERVIEW

### Interest Rates

Government bond yields declined this week amid less hawkish comments by Fed officials, including a comment from the vice chair of the FOMC regarding possible rate cuts next year, as well as a solid 10-year US Treasury note auction mid-week.

The declines were contained towards the end of the week, as the Bureau of Labour Statistics report showed a slight pick-up in the annual rate of US headline CPI inflation, while the results of the 30-year US Treasury bond auction disappointed.

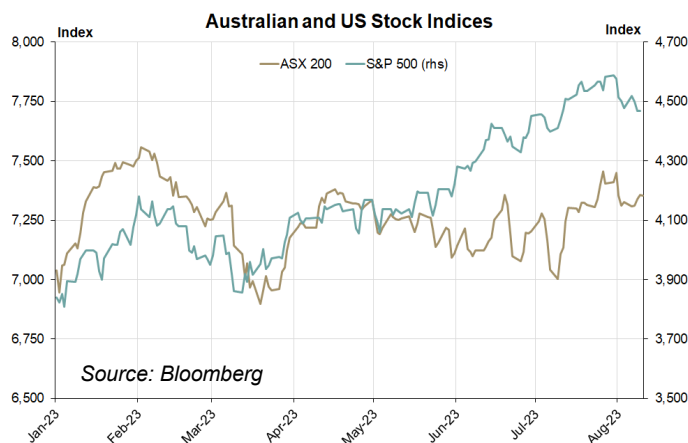
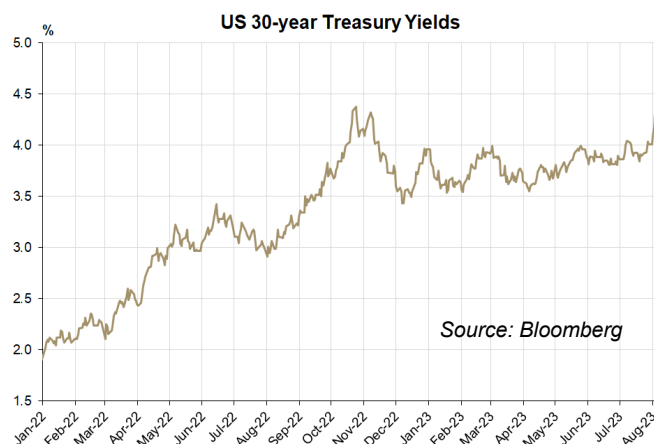
In Australia, RBA Governor Philip Lowe appeared before a House of Reps committee this morning, together with his successor Michele Bullock and several other Bank officials. Most importantly, he said that 'there is a credible path for inflation to return to the target range within the next couple of years', though the Head of Economic Analysis Department, Marion Kohler, added that the RBA would need to increase the cash rate above 5% to bring inflation back to target as early as 2024.

### Equities

Equities painted a mixed picture this week, with US stocks down somewhat, while there were slight increases in Europe and Asia-Pacific, including Australia.

Information technology led the declines in the US, on news the US Government will slap limits on US tech investments in China. Finance stocks also fell in reaction to Moody's downgrading the credit rating of some US regional banks and putting the ratings of six large banks under review. The energy sector saw strong gains, though, amid higher oil prices this week.

In Australia, the ASX 200 is 0.6% higher than when the previous edition of Market WATCH was closed. The strongest gains were recorded for consumer discretionary, communication services, energy and finance, with the last boosted by a massive profit made by the Commonwealth Bank. Similarly to the US, the largest losses were recorded in information technology.



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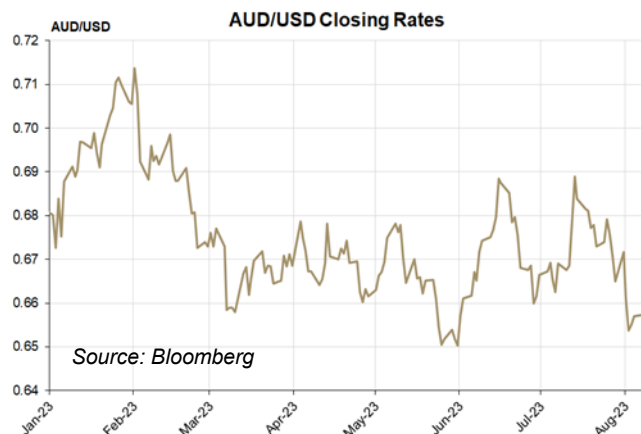
### Currencies

The Aussie dollar remained under downward pressure this week, dropping to a near 10-week low of US\$0.6497 on Tuesday, as news that Moody's had downgraded the credit ratings of several US banks and had others on review, sent a shudder through markets. The Chinese trade data also weighed on the Aussie.

The AUD regained some lost ground on Wednesday and jumped to over US\$0.66, as the greenback sold off after the US CPI showed inflation continues to ease.

The recovery was short-lived and the Aussie has slipped back toward US\$0.65 this morning as the US dollar recovered its post CPI losses.

The Aussie has also slipped against the other majors, except the weak Japanese yen, and has slumped to its lowest level against the euro and British pound since May 2020.



Spot rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6524	0.6616	0.6497	↓0.7	0.7158	0.6170
AUD/EUR		0.5936	0.5993	0.5928	↓1.1	0.7000	0.5157
AUD/GBP		0.5143	0.5173	0.5112	↓0.3	0.6277	0.5157
AUD/JPY		94.42	94.94	92.90	↑0.9	98.60	86.06
AUD/CNY		4.7164	4.7671	4.6895	↑0	4.9348	4.4465
EUR/USD		1.0990	1.1065	1.0929	↑0.3	1.1276	0.9536
GBP/USD		1.2684	1.2819	1.2666	↓0.4	1.3142	1.0350
USD/JPY		144.72	144.90	141.52	↑1.6	151.95	127.23
USD/CNY		7.2293	7.2308	7.1836	↑0.7	7.3274	6.6909

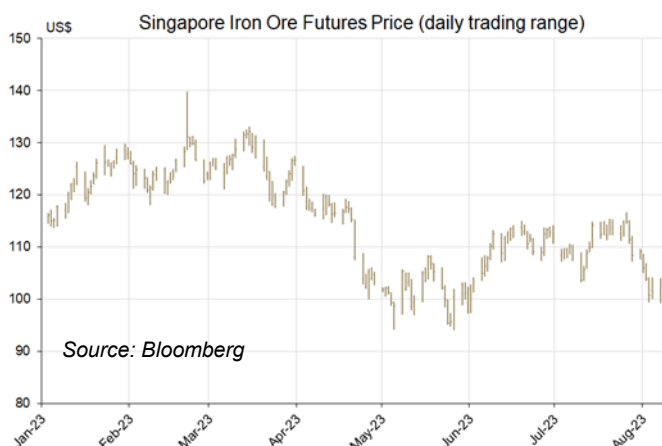
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6524	0.6545	0.6564	0.6588
AUD/EUR		0.5936	0.5929	0.5917	0.5890
AUD/GBP		0.5143	0.5158	0.5173	0.5203
AUD/JPY		94.42	93.35	92.20	90.01
AUD/NZD		1.0854	1.0888	1.0920	1.0978
AUD/SGD		0.8804	0.8795	0.8781	0.8738

### Commodities

Escalating concern over the outlook for the Chinese property sector, following news that another Chinese property developer could default on its debt after missing a coupon payment this week, added to the downward pressure on iron ore prices. The benchmark futures price dipped below US\$100 on several occasions before finding support.

Supply concerns continue to lift oil prices and signs of strong demand for auto fuel in the US pushed the West Texas Intermediate price to the highest level since November last year.

News that workers at North West Shelf LNG facilities had voted in favour of a strike helped drive a 28% increase in the benchmark European gas price on Wednesday, highlighting lingering nervousness over gas supplies as the Russia-Ukraine war rolls on.



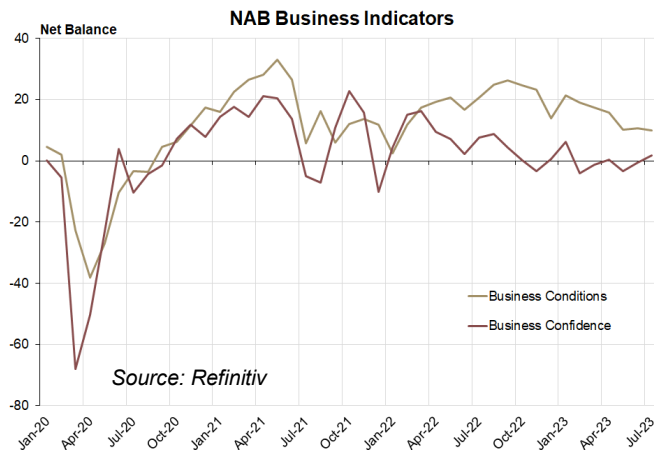
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$1,913.89	\$1,946.80	\$1,910.94	(↓\$22.5)	\$2,062.99	\$1,614.96
Brent Crude Oil (US\$)	\$86.45	\$88.10	\$83.32	(↑\$1.15)	\$105.48	\$70.12
Mogas95* (US\$)	\$100.65	\$103.89	\$95.27	(↑\$1.38)	\$110.11	\$77.66
WTI Oil (US\$)	\$82.89	\$84.89	\$79.90	(↑\$1.12)	\$97.66	\$63.64
CRB Index	279.96	282.04	278.48	(↑1.48)	301.75	253.85
Iron Ore Price 62% Fe (US\$) **	\$101.15	\$104.00	\$99.20	(↓\$0.65)	\$139.80	\$75.00

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

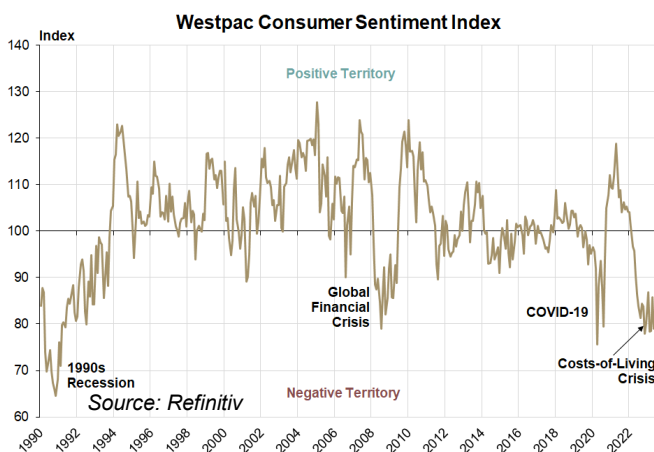
\*\* The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

### DOMESTIC ECONOMY

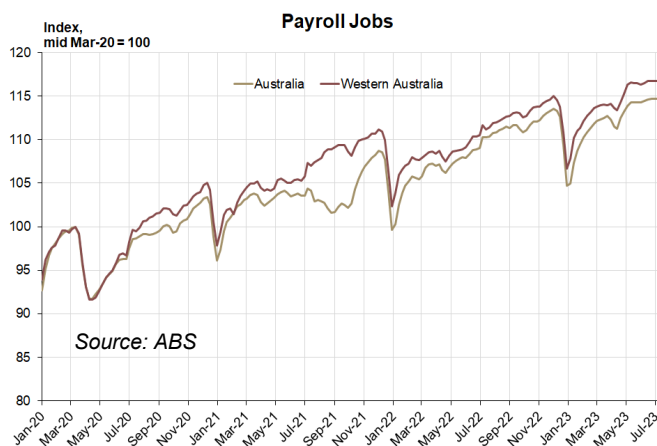
**NAB business conditions** remained solid in July, while business confidence improved slightly.



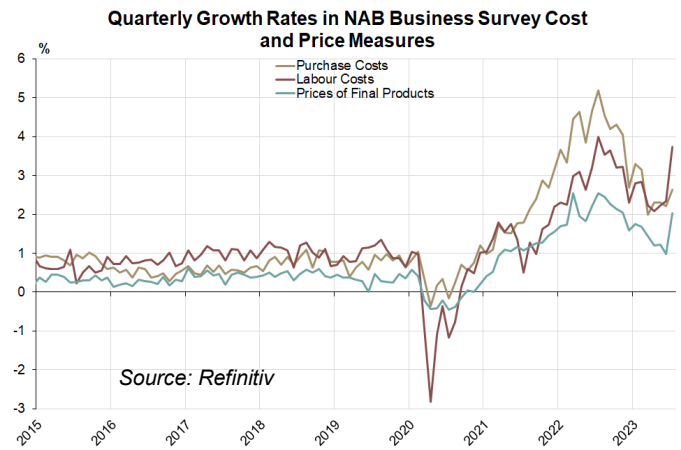
The ongoing cost-of-living crisis is reflected in subdued consumer sentiment.



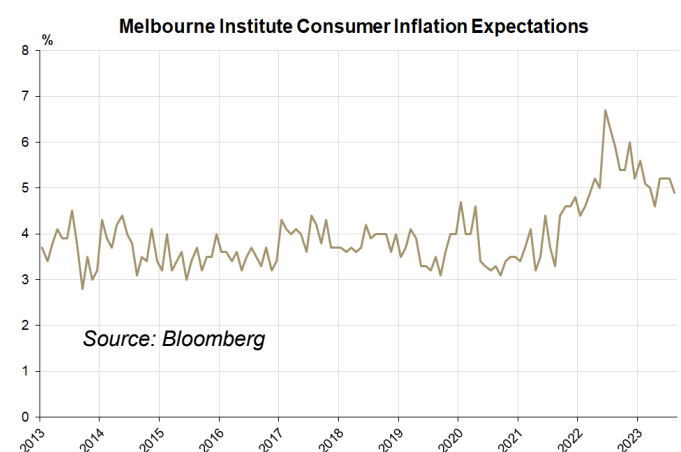
**Payrolls** declined slightly in seasonally unadjusted terms in the month to 15 July amid the EOFY seasonality.



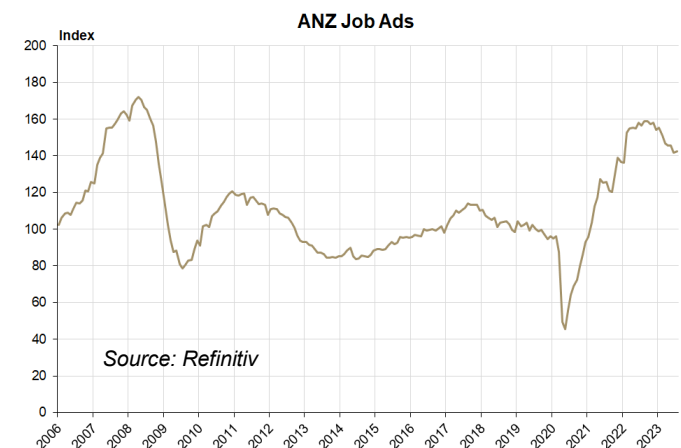
**Labour costs and final product prices** surged in July after the strong minimum wage increase.



**Consumer inflation expectations** have eased, but remain elevated.

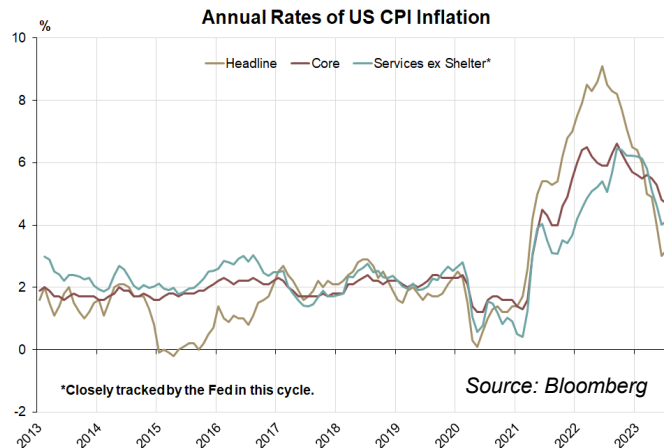


**ANZ job ads** remained in a downtrend in July, but are still elevated by historical standards.

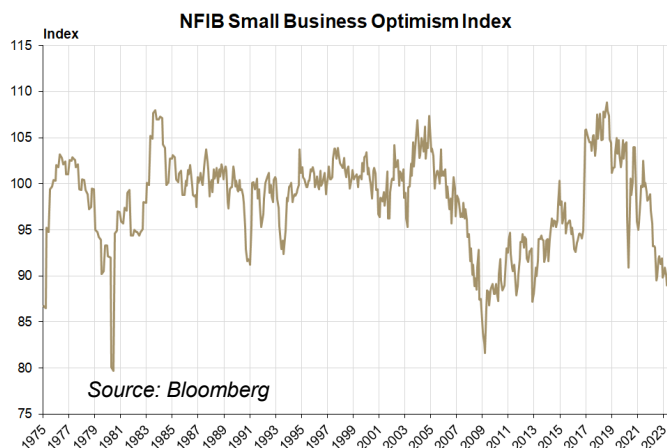


### GLOBAL ECONOMY

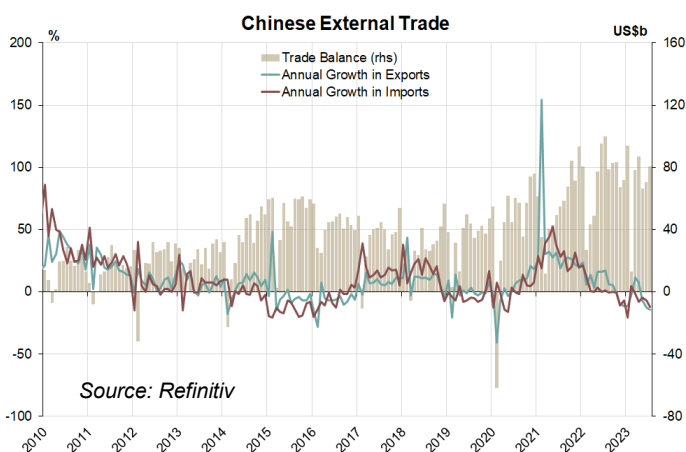
The annual rate of **US CPI inflation** rose slightly in headline terms, but core inflation declined.



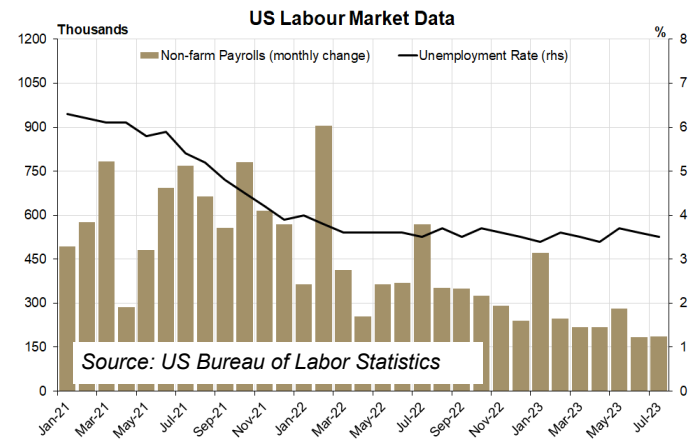
**US small businesses** remained deeply pessimistic in July.



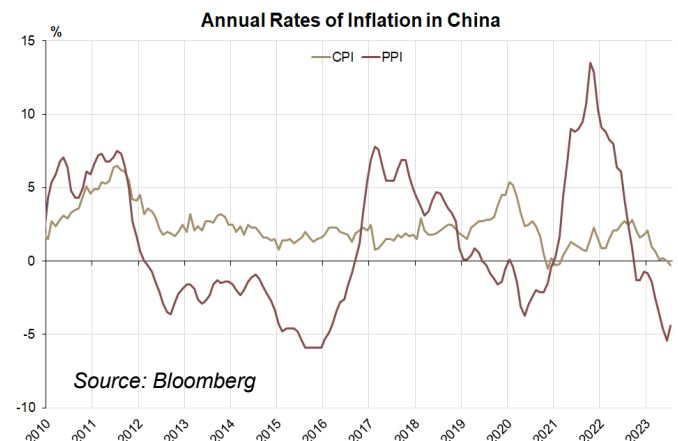
The **Chinese trade balance** widened further in July, as the fall in imports deepened.



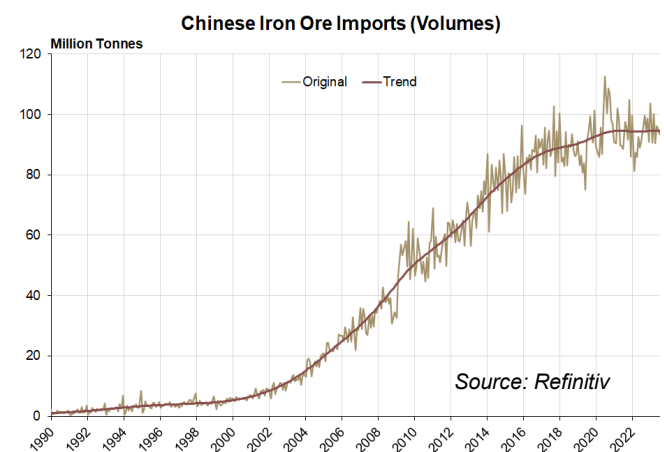
Growth in **US non-farm payrolls** has slowed, but the unemployment rate edged back to 3.5%.



In China, **deflation** has spread into consumer prices in annual headline terms.



**Chinese iron ore imports** remained robust in July.



# WESTERN AUSTRALIAN TREASURY CORPORATION

## Market WATCH Weekly

11 August 2023

### KEY ECONOMIC EVENTS

#### *This Week*

	Event	Actual	Forecast	Previous	Comment
<b>Mon 07</b>					
AU	ANZ Job Ads (MoM, Jul)	0.4%	-	-2.7%	June figures revised down.
<b>Tue 08</b>					
AU	NAB Business Conditions (Jul)	10	-	11	Conditions remain strong.
AU	NAB Business Confidence (Jul)	2	-	-1	A slight improvement but still below average.
AU	Westpac Cons. Sent. (MoM, Aug)	-0.4%	-	-4.0%	Dragged down by the ongoing cost-of-living crisis.
CH	Trade Balance (Jul)	US\$80.6b	US\$70.6b	US\$70.6b	Iron ore imports lower in the month but up 2.5% YoY.
US	NFIB Business Optimism (Jun)	91.9	91.3	91.0	Still at depressed levels due to expected low sales.
<b>Wed 09</b>					
CH	CPI (YoY, Jul)	-0.3%	-0.4%	0.0%	Rose 0.2% MoM, core inflation climbed to 0.8% YoY.
CH	PPI (YoY, Jul)	-4.4%	-4.0%	-5.4%	Pace of deflation slowed.
<b>Thu 10</b>					
AU	Payroll Jobs (MoM, w/e 15 Jul)	-0.2%	-	0.3%	Can be heavily impacted by EOFY seasonality.
AU	MI Cons. Infl. Expectations (Aug)	4.9%	-	5.2%	The lowest level since April.
US	CPI (MoM, Jul)	0.2%	0.2%	0.2%	Annual rate of core inflation declined 0.1ppts to 4.7%.
US	Initial Jobless Claims (w/e 5 Aug)	248k	230k	227k	The highest level since late June.
<b>Tonight</b>					
AU	RBA Governor Speaks	-	-	-	Inflation on 'credible' path to target.
UK	GDP (QoQ, Q2)	-	0.0%	0.1%	Expected to pick up by 0.2% YoY.
US	PPI (MoM, Jul)	-	0.7%	0.1%	Business indicators suggested a slight pick-up.

#### *Next Week*

	Event	Forecast	Previous	Comment
<b>Mon 14</b>	No market-moving data.			
<b>Tue 15</b>				
AU	RBA Minutes (Aug)	-	-	Probably a non-event.
AU	Wage Price Index (QoQ, Q2)	0.9%	0.8%	Annual rate expected to be unchanged at 3.7%.
CH	Retail Sales (YoY, Jul)	4.2%	3.1%	PMIs also pointed to acceleration.
CH	Industrial Production (YoY, Jul)	4.3%	4.4%	Business reports suggest stagnation in manufacturing.
CH	Urban Fixed Asset Inv. (YoY YtD, Jul)	3.8%	3.8%	Key indicator for Chinese iron ore demand.
UK	Unemployment Rate (Jun)	4.0%	4.0%	UK unemployment rate remains quite low.
US	Retail Sales (MoM, Jul)	0.4%	0.2%	US consumers just keep on spending.
<b>Wed 16</b>				
NZ	RBNZ Decision (Official Cash Rate)	5.50%	5.50%	RBNZ probably done for this cycle.
UK	CPI (YoY, Jul)	6.7%	7.9%	Disinflation in the UK has started.
US	Industrial Production (MoM, Jul)	0.4%	0.5%	PMI reports suggest further decline in manufacturing.
US	FOMC Minutes	-	-	May contain more insights on further tightening.
<b>Thu 17</b>				
AU	Employment (monthly change, Jul)	15.0k	32.6k	Aussie employment continues to surprise to the upside.
AU	Unemployment Rate (Jul)	3.6%	3.7%	RBA forecasts a rise to 4.5% in the next two years.
<b>Fri 18</b>				
JP	CPI (YoY, Jul)	3.3%	3.3%	Japan's inflation remains elevated for this country.