

THIS WEEK'S HIGHLIGHTS

- In Australia, employment declined in March, while the unemployment rate picked up a little but remained low at 3.8%.
- Abroad, US retail sales surprised to the upside in March, as did manufacturing production. Chinese GDP rose more than expected in Q1, supported by faster growth in urban fixed asset investment.

NEXT WEEK'S HIGHLIGHTS

- The most important domestic release will be the Q1 CPI report on Wednesday. The Q1 international price indices and PPI will come out on Friday, preceded by the Judo Bank flash PMIs for March on Tuesday.
- The key releases offshore include the S&P Global flash PMIs on Tuesday, US Q1 GDP on Thursday and the US March personal income and outlays report on Friday, which will include PCE price inflation targeted by the Fed. The People's Bank of China and Bank of Japan will announce monetary policy decisions, on Monday and Friday, respectively.

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 (↑3 pt)	ASX200	7513 (↓283 pt)
US (IOR)	5.40 (0 pt)	90-day Bills	4.36 (↑2 pt)	2-yr T-Notes	4.90 (↓3 pt)	S&P500	5011 (↓188 pt)
Eurozone (Deposit)	4.00 (0 pt)	3-yr T-Bond	3.79 (↓7 pt)	10-yr T-Notes	4.52 (↓4 pt)	DJIA	37775 (↓684 pt)
UK	5.25 (0 pt)	10-yr T-Bond	4.21 (↓7 pt)	Jap 10-yr	0.83 (↓2 pt)	Nikkei	36901 (↓2742 pt)
Japan (Lower)	0.00 (0 pt)	3-yr WATC Bond	4.10 (↓6 pt)	UK 10-yr	4.27 (↑7 pt)	CSI300	3556 (↑58 pt)
China (1Y LPR)	3.45 (0 pt)	10-yr WATC Bond	4.84 (↓3 pt)	Ger 10-yr	2.50 (↑3 pt)	Stoxx600	500 (↓5 pt)

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

FINANCIAL MARKETS OVERVIEW

Interest Rates

It was a rollercoaster week for government bond yields. Yields fell sharply last Friday night amid warnings of an imminent Iranian missile and drone attack, which eventually took place on Sunday morning (AWST). This was reversed after a strong US retail sales report on Monday and volatility continued for the rest of the week, before press reports on Israeli attacks on Iran saw yields drop again this morning.

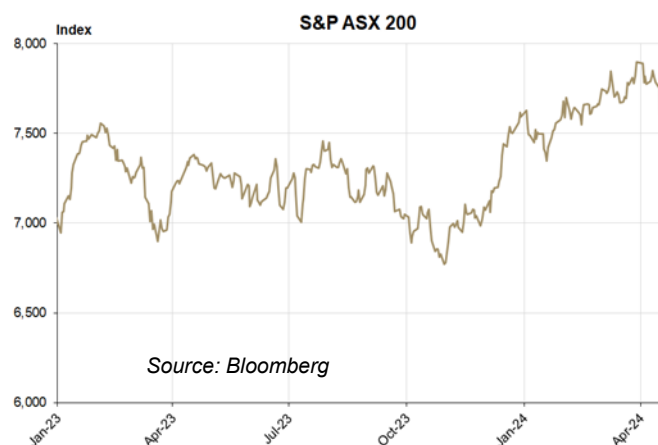
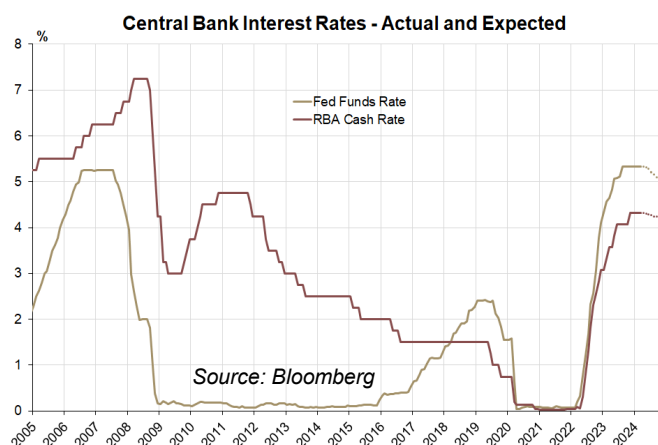
Overall, government bond yields are slightly down both in the US and Australia. Central bank rate cut expectations are being scaled back. The first fed funds rate was fully priced in for as late as November, but fresh attacks in the Middle East this morning saw market participants drag pricing for a cut back to September. The market is back to fully pricing in an RBA cash rate cut in December, after it had been pushed into 2025.

The decline in rate cut expectations was fuelled by hawkish Fed speak this week. Fed Chair Jerome Powell said recent data has not given the Fed confidence that inflation is returning to target and that the FOMC will keep the fed funds rate unchanged 'for as long as needed'. Two Fed officials did not rule out a fed funds rate hike, though stressed that this was not the baseline scenario, while several suggested there could be no rate cuts this year.

Equities

US equities continue to be weighed down by fading expectations for near term Fed interest rate cuts and conflict in the Middle East. All industry sectors have posted losses over the past five days, led by a 6% fall in info tech shares. The S&P 500 has fallen for five days in a row to be currently sitting at an eight-week low.

The Aussie market followed US shares lower, before bouncing a little on Thursday. The market has slumped again this morning to be currently sitting at near three-month lows. All industry sectors have fallen, with health, real estate, financials, consumer discretionary and info tech down 4% or more since last Friday.



For further information, please contact:

Craig McGuinness
Patrycja Beniak

Chief Economist
Economist

cmcguinness@watc.wa.gov.au
pbeniak@watc.wa.gov.au

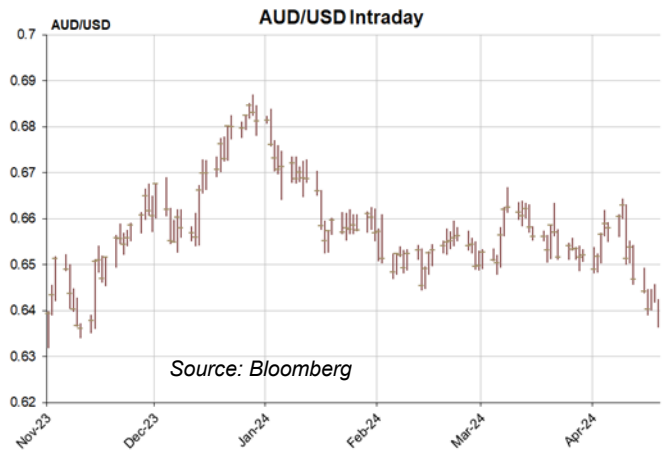
(08) 9235 9104
(08) 9235 9110

Currencies

The Aussie dollar has had a bad week, slipping below US\$0.64 for the first time in five months on Tuesday amid a rise in financial market volatility, as the conflict in the Middle East entered a new phase and expectations for US interest rate cuts continued to be pushed back.

The Aussie clawed back some of its early losses, as part of the initial kneejerk fall was unwound; however, news of explosions in Iran this morning has driven the Aussie to fresh lows against the big dollar.

Much of the decline in the AUD/USD was driven by greenback strength, with the US dollar index rising to a 5½-month high. However, the Aussie has also slipped against the rest of the G10 currency basket except for the Swedish krona.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6366	0.6493	0.6363	↓2.6	0.6900	0.6270
AUD/EUR		0.5997	0.6092	0.5995	↓1.6	0.6310	0.5007
AUD/GBP		0.5136	0.5208	0.5133	↓1.4	0.5434	0.5007
AUD/JPY		97.91	100.02	97.78	↓2.2	100.81	87.87
AUD/CNY		4.6106	4.7000	4.6088	↓2.5	4.9348	4.5489
EUR/USD		1.0617	1.0690	1.0601	↓1	1.1276	1.0448
GBP/USD		1.2394	1.2499	1.2389	↓1.3	1.3142	1.2037
USD/JPY		153.81	154.79	152.98	↑0.4	154.79	133.02
USD/CNY		7.2425	7.2427	7.2304	↑0.1	7.3499	6.8715

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6366	0.6383	0.6398	0.6422
AUD/EUR		0.5997	0.5990	0.5978	0.5942
AUD/GBP		0.5136	0.5147	0.5156	0.5169
AUD/JPY		97.91	96.82	95.76	93.72
AUD/NZD		1.0873	1.0902	1.0929	1.0973
AUD/SGD		0.8690	0.8676	0.8658	0.8616

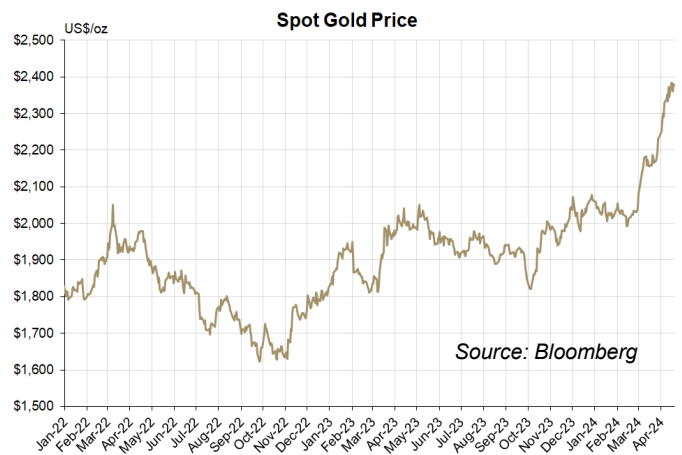
Commodities

It was another interesting week in the commodities markets.

The gold price benefitted from the escalation of Middle-eastern tensions, establishing fresh record highs and surpassing US\$2,400 an ounce on Friday morning, after alleged Israeli missile attacks on Iran and its allies.

Despite the situation in the Middle East heating up, oil prices are down for the week, with a lot of volatility on the way. Warnings of the imminent Iranian attack on Israel saw Brent futures spike temporarily last Friday. However, after the attack happened, Brent futures were flat or trending down, before spiking again this morning.

The real winner in the commodity markets was iron ore, which saw a 6.7% bounce in futures over the week. The outperformance followed the release of stronger-than-expected Chinese Q1 GDP and March urban fixed asset investment data.

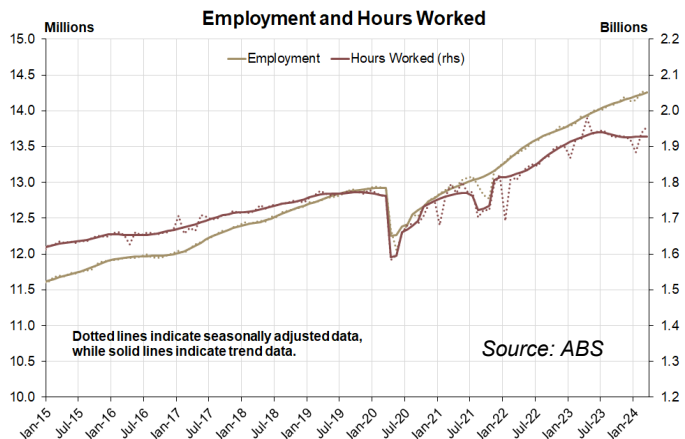


	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,411.13	\$2,417.89	\$2,324.38	(↑\$22.13)	\$2,431.52	\$1,810.51
Brent Crude Oil (US\$)	\$89.92	\$91.05	\$86.09	(↓\$0.42)	\$97.69	\$71.28
Mogas95* (US\$)	\$106.71	\$107.65	\$103.47	(↑\$0.14)	\$110.15	\$79.06
WTI Oil (US\$)	\$85.58	\$86.18	\$81.56	(↓\$0.13)	\$95.03	\$63.64
CRB Index	295.60	298.18	294.44	(↑0.05)	298.18	253.85
Iron Ore Price 62% Fe (US\$) **	\$116.20	\$117.50	\$108.60	(↑\$7.3)	\$143.50	\$94.00

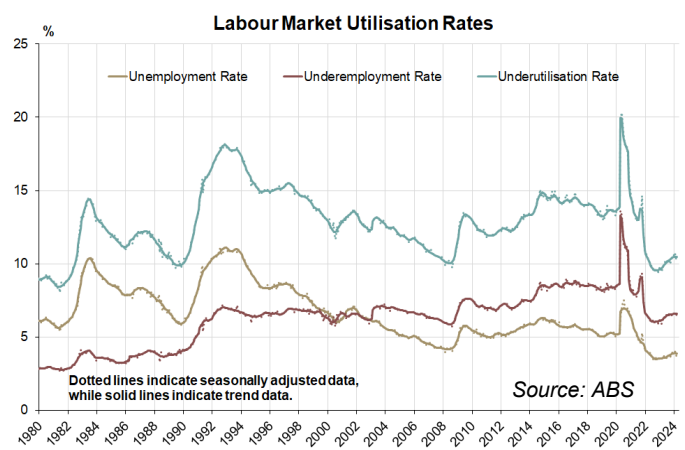
*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.
** The Iron Ore Price is the SGX 62%Fe iron ore futures 2nd contract.

DOMESTIC ECONOMY

Employment declined in March in seasonally adjusted terms but trend growth remains solid.

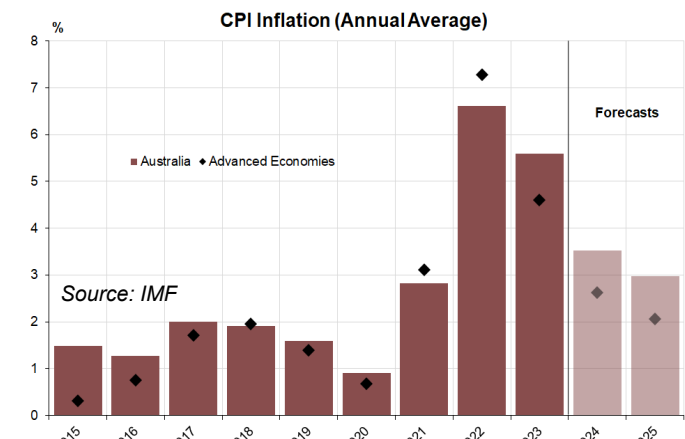
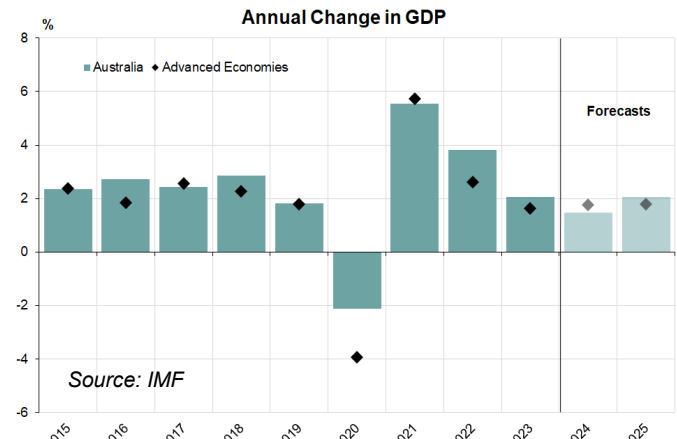


The measures of **labour market utilisation** point to easing, albeit still tight labour market conditions.



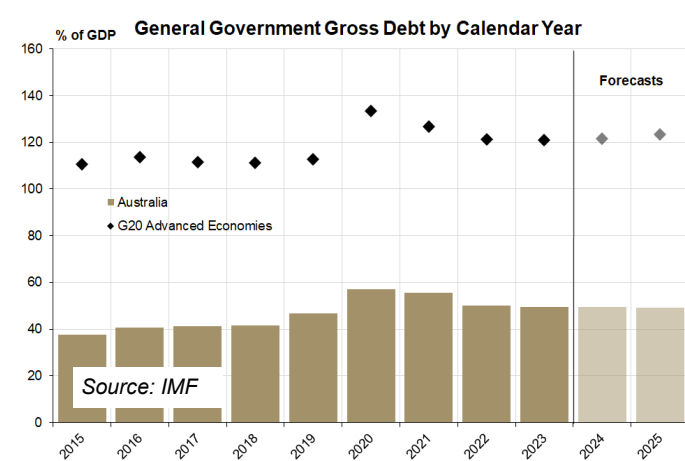
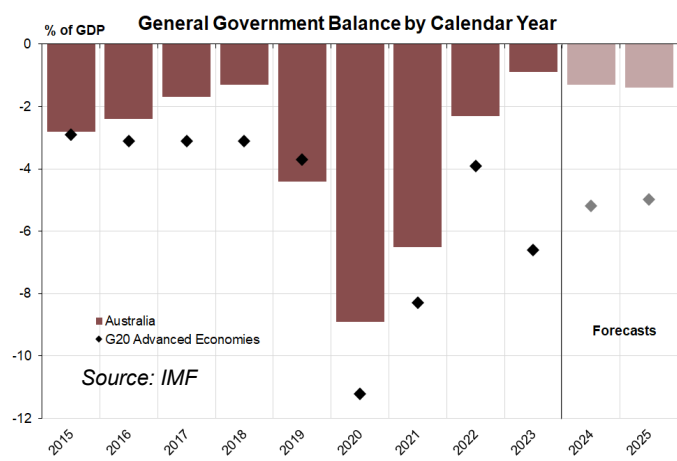
The International Monetary Fund expects **Aussie GDP** growth to slow slightly in 2024, before a pick-up in 2025.

Australian inflation is expected to decline, while remaining higher than the advanced economies on average.



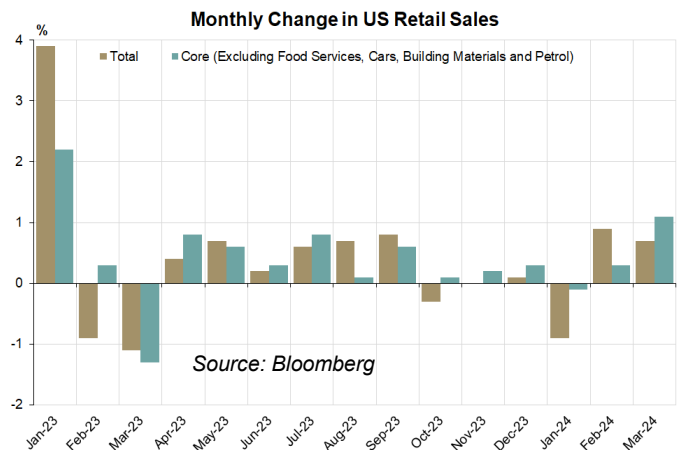
Australian fiscal position is significantly sounder than on average in the G20 advanced economies.

Aussie general government gross debt is also well below the G20 advanced economy average.

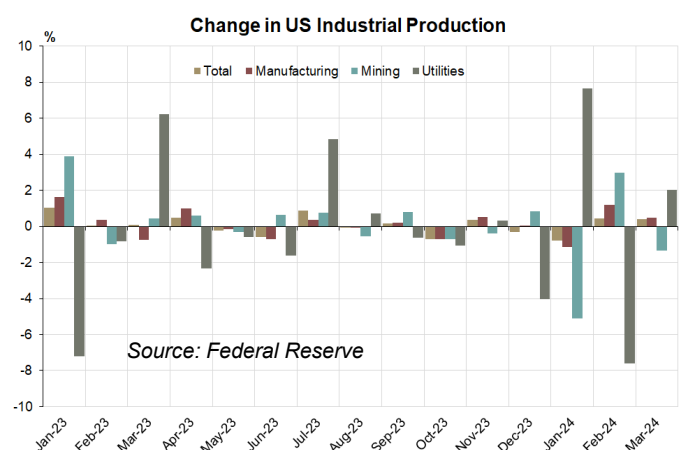


GLOBAL ECONOMY

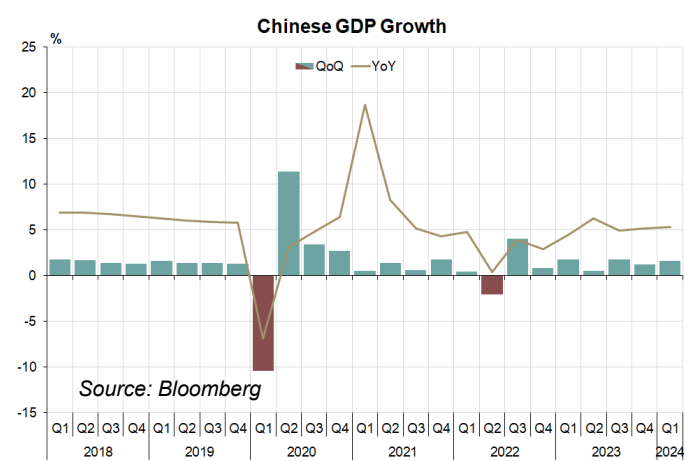
March saw the strongest gain in **US core retail sales** in over a year...



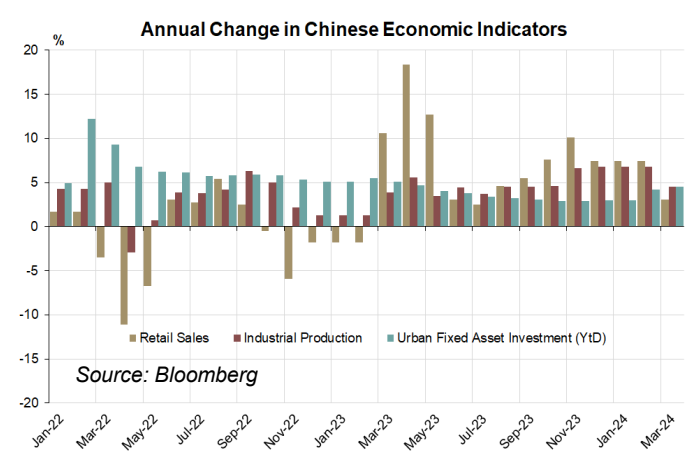
... while **US industrial production** rose for the second month in a row.



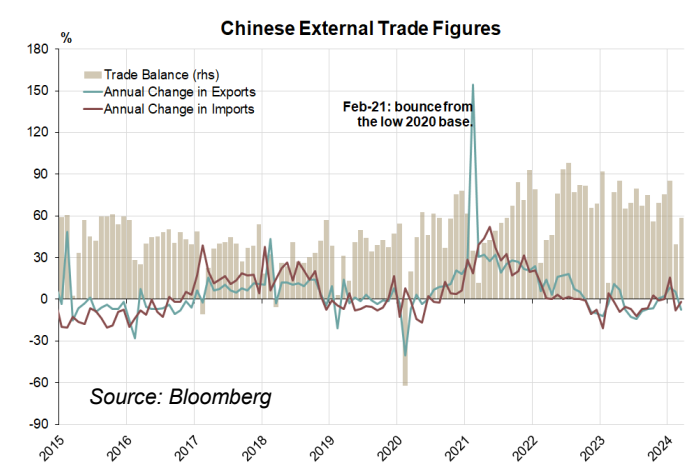
Chinese GDP growth accelerated somewhat in Q1...



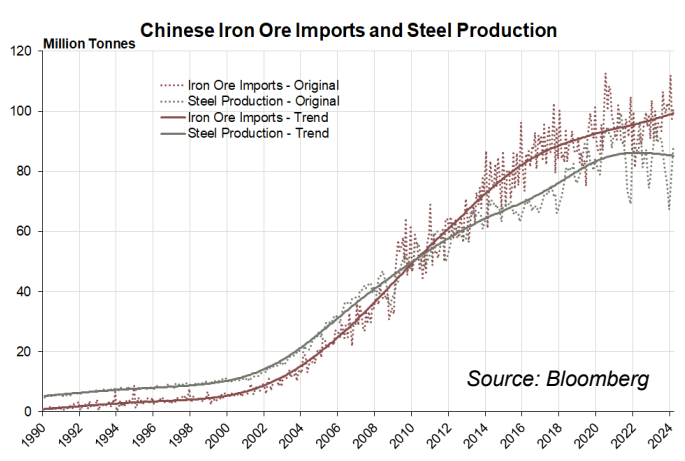
... supported by somewhat faster **urban fixed asset investment** growth, while retail sales growth slowed.



Chinese exports and imports both declined in March.



Chinese iron ore imports are trending upwards, but steel output growth is stagnating.



WESTERN AUSTRALIAN TREASURY CORPORATION

Market WATCH Weekly

19 April 2024

KEY ECONOMIC EVENTS

Last Week

Event		Actual	Forecast	Previous	Comment
Mon 15					
US	Retail Sales (MoM, Mar)	0.7%	0.4%	0.9%	Core retail sales rose 1.1%, the most in over a year.
Tue 16					
AU	ANZ Cons. Conf. (w/e 13 Mar)	2.0%	-	-1.1%	Inflation expectations down 0.1ppts to 5.1%.
CH	GDP (YoY, Q1)	5.3%	4.8%	5.2%	IMF forecasts just 4.6% growth in 2024.
CH	Retail Sales (YoY, Mar)	3.1%	4.8%	5.5%	The slowest growth since mid-2023.
CH	Industrial Production (YoY, Mar)	4.5%	6.0%	7.0%	Steel output down 7.7% YoY.
CH	Urban Fixed Inv. (YoY YtD, Mar)	4.5%	4.0%	4.2%	The strongest increase in a year.
UK	Unemployment Rate (Feb)	4.2%	4.0%	4.0%	Data quality issues continue.
US	Industrial Production (MoM, Mar)	0.4%	0.4%	0.4%	US manufacturing rose by 0.5% in March.
Wed 17					
NZ	CPI (QoQ, Q1)	0.6%	0.6%	0.5%	Up 4.0% YoY.
UK	CPI (MoM, Mar)	0.6%	0.4%	0.6%	Annual rate of services price inflation still at 6.0%.
US	Beige Book	-	-	-	Moderate growth in the US continues.
Thu 18					
AU	Employment (monthly change, Mar)	-6.6k	10.0k	117.6k	The supersized increase from Feb revised upwards.
AU	Unemployment Rate (Mar)	3.8%	3.9%	3.7%	RBA forecast of 4.2% in Jun increasingly debatable.
US	Initial Jobless Claims (w/e 13 Mar)	212k	215k	212k	Continued claims also unchanged at 1.8 in w/e 5 Apr.
Fri 19					
JP	CPI (YoY, Mar)	2.7%	2.8%	2.8%	'Core-core' inflation down 0.3ppts to 2.9%.

Next Week

Event		Forecast	Previous	Comment
Mon 22				
CH	PBoC Decision (1Y Loan Prime Rate)	3.45%	3.45%	5Y loan prime rate also to remain unchanged at 3.95%.
Tue 23				
AU	Judo Bank Composite PMI (Apr, flash)	-	53.3	Business optimism was at seven-month high in March.
JP	Jibun Bank Composite PMI (Apr, flash)	-	51.7	Increased further into expansion in March.
EZ	HCOB Composite PMI (Apr, flash)	50.6	50.3	Back in expansion.
UK	S&P Global Composite PMI (Apr, flash)	-	52.8	In March, manufacturing rose for the first time in a year.
US	S&P Global Composite PMI (Apr, flash)	-	52.1	Has been a poor indicator for ISM PMIs.
Wed 24				
AU	CPI (QoQ, Q1)	0.9%	0.6%	Annual rate of inflation to pick up 0.1ppts to 3.5%.
AU	Monthly CPI Indicator (YoY, Mar)	3.5%	3.4%	Slight acceleration expected.
US	Durable Goods Orders (MoM, Mar)	2.5%	0.3%	Orders excluding transportation to rise by just 0.2%.
Thu 25				
US	GDP (QoQ annualised, Q1, prel. est.)	2.3%	3.4%	GDPNow points to a 2.9% increase.
Fri 26				
AU	International Price Indices	-	-	Commodity price index suggests a fall in export prices.
AU	PPI (QoQ, Q1)	-	0.9%	Business reports suggest weaker growth.
JP	BoJ Decision (Policy Balance Rate)	0.00%	0.00%	No further hikes expected until mid-2024.
US	Personal Spending (MoM, Mar)	0.6%	0.8%	Retail sales figures suggest another solid increase.
US	PCE Price Index (MoM, Mar)	0.3%	0.3%	Disinflation in the US has stalled.