

Highlights this week

- In Australia, the RBA cut its cash rate target by 25bps to 3.60%, as expected, and downgraded its productivity and GDP growth estimates.
- Data-wise, Australian wages growth held steady in Q2, which was followed by a rebound in employment growth and a slight decline in the unemployment rate in July. NAB business conditions deteriorated in July, but business confidence improved.
- Abroad, the annual rate of US CPI inflation was steady in July, but US PPI inflation surprised to the upside. The Chinese activity data for July revealed a broad-based and larger-than-expected slowdown.

Highlights next week

- Next week's domestic calendar will be quite light, with the Westpac Melbourne Institute consumer sentiment on Tuesday and the S&P Global flash PMIs on Thursday being the only releases of note, both are for August.
- Thursday will also see the PMIs for the major advanced economies. They will be preceded by the FOMC minutes and RBNZ interest rate decision on Wednesday. The Jackson Hole symposium, which is famous for forward-looking central bank messaging, is set to start on Friday night.

Central Bank Rates (%)		Weekly Change	Australian Interest Rates (%)		Weekly Change	Major Overseas Interest Rates (%)		Weekly Change	Global Equities		Weekly Change
Australia	3.60	(125 pt)	O/N Interbank Cash	3.59	(125 pt)	USD 3-month	4.85	(0 pt)	ASX200	8892	(166 pt)
US (IOR)	4.40	(0 pt)	90-day Bills	3.61	(16 pt)	2-yr T-Notes	3.73	(11 pt)	S&P500	6469	(1129 pt)
Eurozone (Deposit)	2.00	(0 pt)	3-yr T-Bond	3.37	(13 pt)	10-yr T-Notes	4.28	(14 pt)	DJIA	44911	(1943 pt)
UK	4.00	(0 pt)	10-yr T-Bond	4.24	(0 pt)	Jap 10-yr	1.56	(17 pt)	Nikkei	42649	(1681 pt)
Japan (Target)	0.50	(0 pt)	3-yr WATC Bond	3.52	(14 pt)	UK 10-yr	4.64	(19 pt)	CSI300	4173	(158 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	4.73	(12 pt)	Ger 10-yr	2.71	(18 pt)	Stoxx600	554	(18 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets**Interest Rates**

RBA Monetary Policy Board decided unanimously to cut the cash rate target by another 25bps to 3.60% yesterday. The forward guidance was unchanged from the previous statement, with decisions remaining data-dependent amid elevated uncertainty. However, during the press conference, RBA Governor Michele Bullock mentioned 'a couple of' more cuts, and did not rule out back-to-back cuts completely.

The August unemployment and inflation projections were unchanged from May, still implying that trimmed mean inflation will be roughly around the mid-point of the 2–3% target range until the end of the projection horizon, while the unemployment rate will be stable around the current level of 4.3%. The GDP growth forecasts were revised down, however, to reflect a downgrade to the productivity growth assumption to 0.7% from 1.0%.

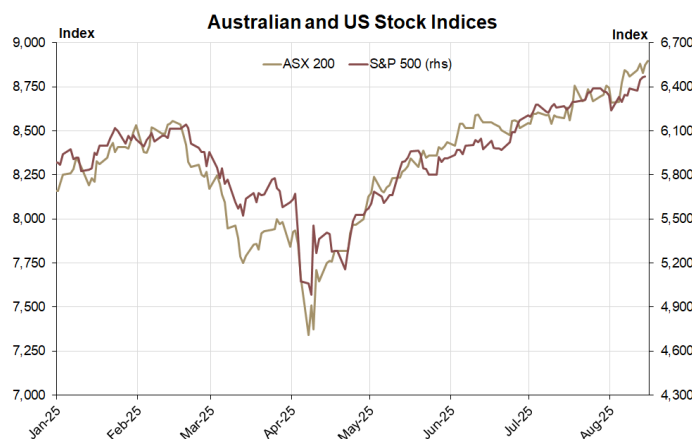
Long-term government bond yields rose across the major advanced economies this week, but in Australia remained roughly the same as this time last week. At the same time, there were declines at the front end of the yield curve both in the US and Australia. The decline in the US was supported by intensification of fed funds rate cut expectations as the annual rate of US CPI inflation held steady in July.

Equities

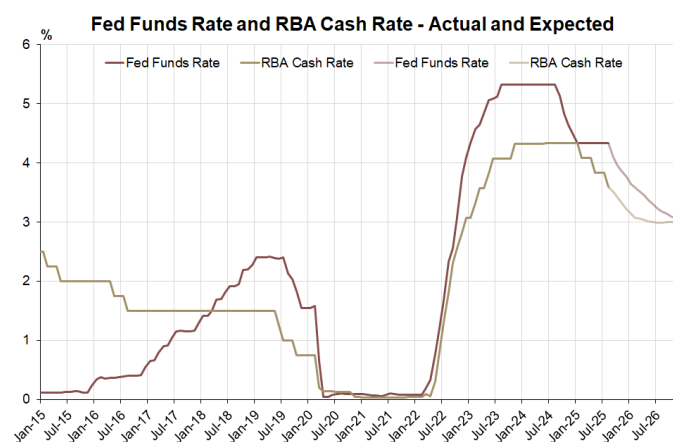
It was another positive week in the equity markets.

The S&P 500 and Nasdaq reached fresh record highs, supported by intensification of fed funds rate expectations. This came after the downside surprise to some elements of the US CPI report for July and US Treasury Secretary Scott Bessent urging the Fed to cut rates by 150–175bps, including by 50bps in September.

The ASX 200 underperformed versus the US market, but managed to reach a record high after the RBA cash rate cut on Tuesday, and was running just below that level in the following days. At the time of writing, it appears that the ASX 200 will reset the record high today.



Source: Bloomberg



Source: Bloomberg

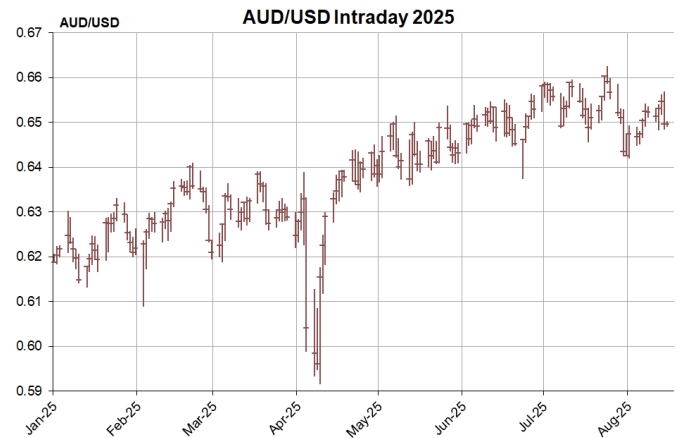
Currencies

The Australian dollar has been among the weakest of the G10 currencies over the past week and fell against all the major currencies.

The AUD/USD slipped in the hours following the RBA interest rate cut, hitting a low of US\$0.6482, before bouncing as the greenback weakened.

The slide in the US dollar gained momentum after US Treasury Secretary Scott Bessent called for sharp interest rate cuts from the Fed. This was followed by a bounce in the AUD amid news of a decline in the Aussie unemployment rate in July, pushing the AUD/USD to a three-week high of US\$0.6569 on Thursday.

However, there was another sharp turnaround in the US session on Thursday, with the US dollar rising amid news of stronger-than-expected US producer price inflation. The shift has pushed the AUD/USD back below US\$0.65.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6498	0.6569	0.6482	↓0.4	0.6942	0.5915
AUD/EUR		0.5576	0.5615	0.5571	↓0.3	0.6261	0.4620
AUD/GBP		0.4801	0.4858	0.4793	↓1	0.5229	0.4620
AUD/JPY		95.83	96.84	95.52	↓0.2	102.41	86.05
AUD/CNY		4.6641	4.7118	4.6551	↓0.4	4.8726	4.3523
EUR/USD		1.1652	1.1730	1.1590	↓0.1	1.1829	1.0141
GBP/USD		1.3534	1.3595	1.3400	↑0.7	1.3789	1.2100
USD/JPY		147.49	148.52	146.21	↑0.2	158.87	139.58
USD/CNY		7.1815	7.1915	7.1676	↓0	7.3511	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6498	0.6508	0.6518	0.6530
AUD/EUR		0.5576	0.5553	0.5532	0.5493
AUD/GBP		0.4801	0.4806	0.4813	0.4825
AUD/JPY		95.83	95.05	94.33	93.09
AUD/NZD		1.0974	1.0957	1.0944	1.0920
AUD/SGD		0.8345	0.8301	0.8259	0.8183

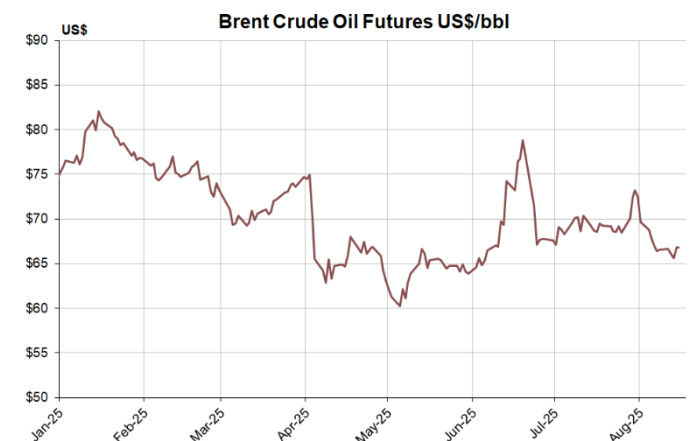
Commodities

Oil prices slipped over the early part of the week, with Brent crude falling to a two-month low on Wednesday, before bouncing.

The early fall came as recent downward pressure was compounded by the International Energy Agency, which forecast an increase in the oil supply surplus. Demand is expected to rise to 103.7m barrels per day this year against a supply forecast of 105.6m bpd. Supply is anticipated to rise a further 1.9m bpd in 2026, while demand is projected to increase 700k bpd.

Oil prices rebounded on Thursday ahead of tonight's meeting between Donald Trump and Vladimir Putin. A failure to make any progress toward a ceasefire in Ukraine could increase the threat of a further tightening of sanctions on Russian oil supplies.

Gold prices fell sharply on Monday, reportedly on news that the yellow metal will not be subject to US import tariffs. Prices were pushed lower again on Thursday, after the strong rise in the US PPI pushed US interest rates and the greenback higher.



Source: Bloomberg

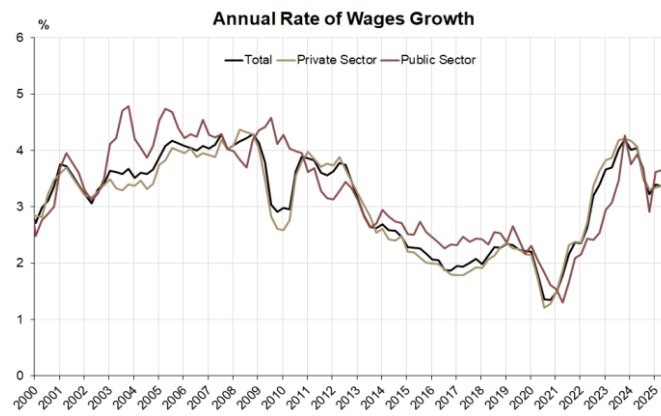
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,337.52	\$3,405.04	\$3,329.94	(↓\$51.76)	\$3,500.10	\$2,432.29
Brent Crude Oil (US\$)	\$66.91	\$67.13	\$65.01	(↑\$0.5)	\$82.63	\$58.40
Mogas95* (US\$)	\$79.02	\$79.13	\$75.78	(↑\$1.96)	\$95.91	\$67.57
WTI Oil (US\$)	\$63.99	\$64.44	\$61.94	(↑\$0.17)	\$80.77	\$55.12
CRB Index	295.09	295.69	294.07	(↑1.22)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$102.40	\$105.05	\$101.35	(↑\$0.4)	\$115.00	\$88.40

*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.

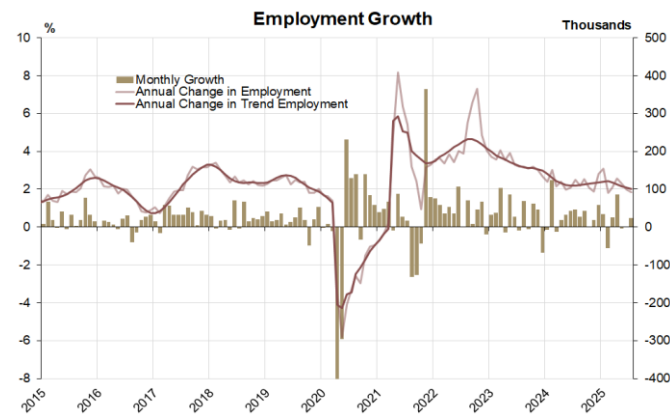
Domestic Economy

Public sector **wages growth** picked up in Q2, but the market-reliant private sector wages growth was steady.



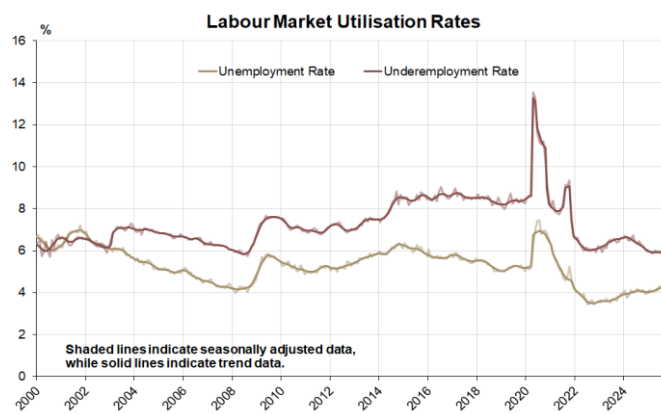
Source: ABS

Employment bounced back in July, but the annual job gains are slowing.



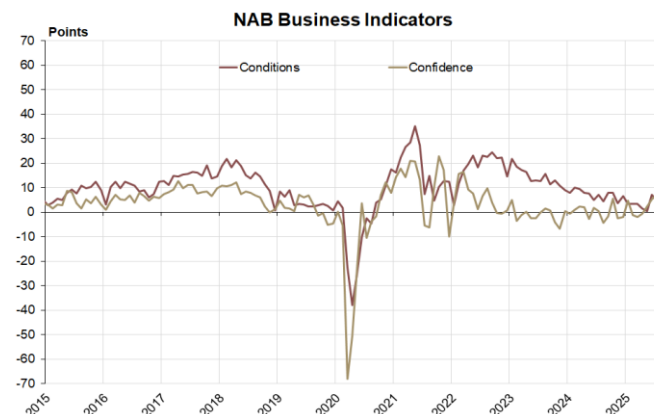
Source: ABS

The **unemployment rate** is trending up, while the underemployment rate has stabilised at two-year lows.



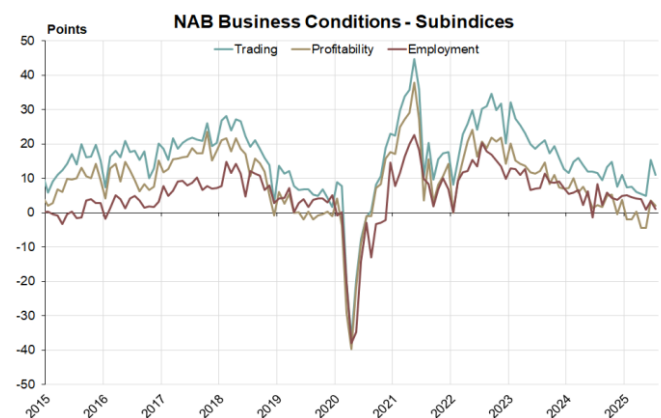
Source: ABS

NAB business conditions declined a little in July, but business confidence reached nearly three-year highs.



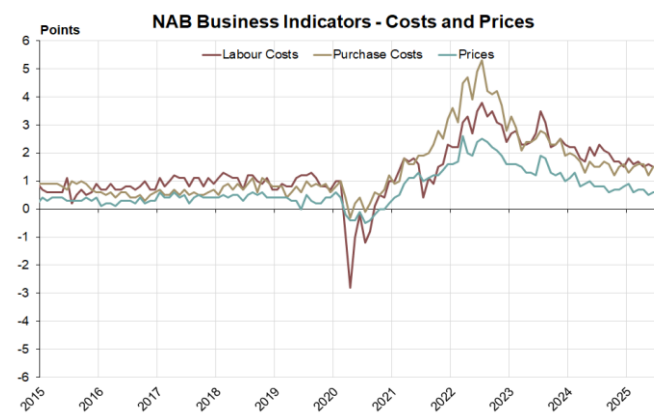
Source: Bloomberg

Deterioration in business conditions in July was **broad-based**, with employment conditions close to neutral.



Source: Bloomberg

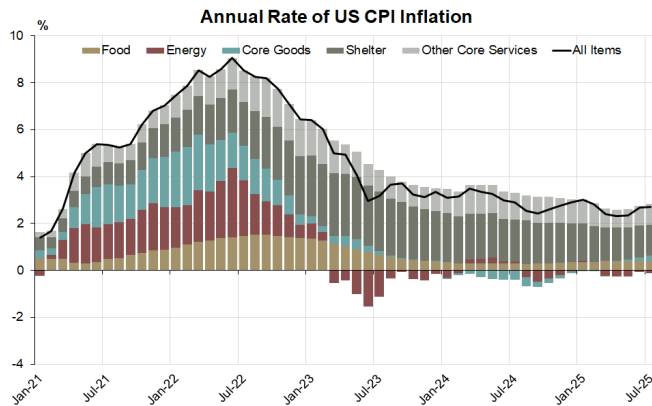
Growth in **business costs and prices** accelerated slightly in July, but remained well off its 2022 highs.



Source: Bloomberg

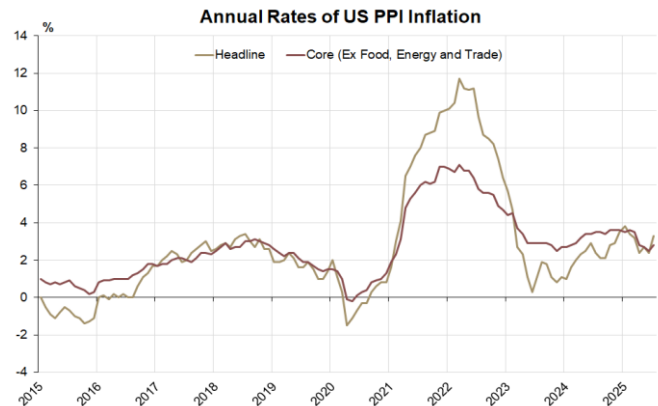
Global Economy

The annual rate of **US CPI inflation** held steady in July, but annual goods and food price inflation picked up.



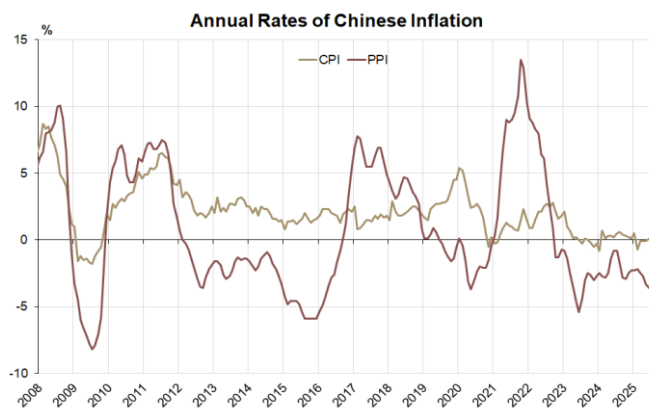
Source: Bloomberg

US PPI inflation also saw an unexpected rise in July, both in headline and core terms.



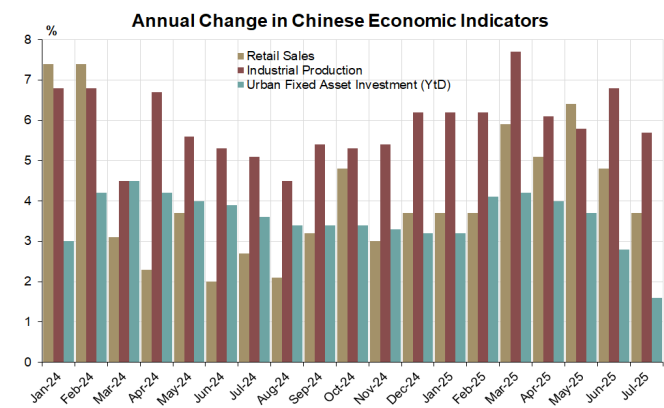
Source: Bloomberg

Across the Pacific, conversely, **Chinese CPI inflation** is non-existent, while producer prices remain in deflation.



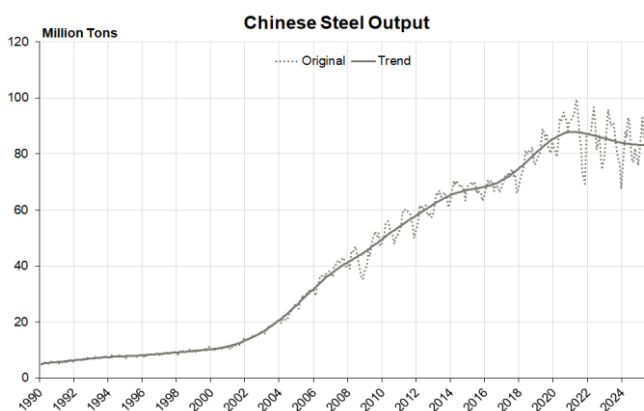
Source: Bloomberg

The **Chinese activity data for July** showed a broad-based slowdown...



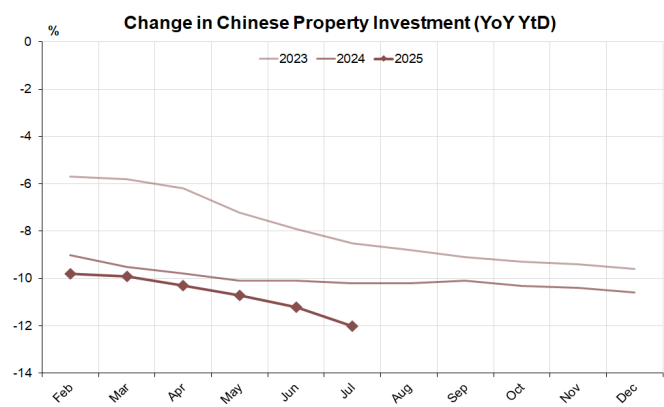
Source: Bloomberg

... with **Chinese steel output** coming back to its long-run production levels...



Source: Bloomberg

... and a re-acceleration of the **Chinese property investment** downturn.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 11					
	No market moving data				
Tue 12					
AU	RBA Decision (Cash Rate Target)	3.60%	3.60%	3.85%	RBA did not surprise this time.
AU	RBA SoMP (Q3)	-	-	-	Productivity growth estimates revised downwards.
AU	RBA Governor M. Bullock Speaks	-	-	-	'A couple of' more cuts justified.
AU	NAB Business Conditions (Jul)	5	-	7	Western Australia one of the two states that saw a gain.
AU	NAB Business Confidence (Jul)	7		5	The highest level since August 2022.
AU	ANZ Cons. Conf. (w/e 9 Aug)	89.3	-	90.6	Inflation expectations declined 0.2ppts to 5.0%.
UK	Unemployment Rate (Jun)	4.7%	4.7%	4.7%	UK jobs growth almost doubled in three months to June.
US	CPI (MoM, Jul)	0.2%	0.2%	0.3%	Annual inflation steady at 2.7%.
US	NFIB Small Business Opt. (Jul)	100.3	98.9	98.6	Back at February levels.
Wed 13					
AU	Wage Price Index (QoQ, Q2)	0.8%	0.8%	0.9%	Annual wages growth unexpectedly held steady at 3.4%.
AU	New Home Loans (QoQ, Q2)	2.0%	2.0%	-1.2%	Owner-occupier loans up 2.4%, investor loans up 1.4%.
Thu 14					
AU	Employment (monthly change, Jul)	24.5k	25.0k	1.0k	Employment growth in July was in line with trend.
AU	Unemployment Rate (Jul)	4.2%	4.2%	4.3%	Underemployment rate ebbed 0.1ppts to 5.9%.
UK	GDP (QoQ, Q2)	0.3%	0.1%	0.7%	The upside surprise thanks to government spending.
US	PPI (MoM, Jul)	0.9%	0.2%	0.0%	The strongest monthly gain since March 2022.
US	Initial Jobless Claims (w/e 9 Aug)	224k	225k	227k	Continued claims down to 1,953k in w/e 9 August.
Fri 15					
JP	GDP (QoQ, Q2)	0.3%	0.1%	0.1%	Propped up by private consumption and investment.
CH	Retail Sales (YoY, Jul)	3.7%	4.6%	4.8%	The slowest growth so far this year.
CH	Industrial Production (YoY, Jul)	5.7%	6.0%	6.8%	Smelting of ferrous materials up 4.1% YoY.
CH	Urban Asset Inv. (YoY YtD, Jul)	1.6%	2.7%	2.8%	Property investment down 12.0% YoY YtD.
Tonight					
US	Retail Sales (MoM, Jul)	-	0.6%	0.6%	The recent gains driven partly by higher prices.
US	Industrial Production (MoM, Jul)	-	0.0%	0.3%	Manufacturing also expected to be flat in July.
US	UoM Cons. Conf. (Aug, prelim.)	-	62.0	61.7	Has become less reliable after switch to online survey.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 18				
	No market moving data			
Tue 19				
AU	Westpac Consumer Sentiment (Aug)	-	0.6%	Remains 21.6% off its 2021 highs.
Wed 20				
NZ	RBNZ Decision (Official Cash Rate)	3.00%	3.25%	A 25bps cut almost 90% priced in.
UK	CPI (MoM, Jul)	-	0.3%	Annual rate pushed up by higher bill costs.
US	FOMC Minutes	-	-	More insights into split between doves and hawks.
Thu 21				
AU	S&P Global Composite PMI (Aug, flash)	-	53.8	First insights into Aussie business activity
JP	Jibun Bank Composite PMI (Aug, flash)	-	51.6	Japanese manufacturing slipped back into contraction in July.
EZ	HCOB Composite PMI (Aug, flash)	-	50.9	France in contraction, Germany near stagnation.
UK	S&P Global Composite PMI (Aug, flash)	-	51.5	Failed to predict a weak Q2 in the UK.
US	S&P Global Composite PMI (Aug, flash)	-	55.1	Has been more optimistic than the established ISM PMIs.
Fri 22				
JP	CPI (YoY, Jul)	3.1%	3.3%	'Core-core' inflation expected to remain at 3.4%.
US	Jackson Hole Symposium	-	-	Well-known from Fed forward guidance speeches.