

THIS WEEK'S HIGHLIGHTS

- In Australia, the NAB business conditions index picked up in February, while business confidence remained below average. Payroll jobs saw a seasonal increase in the month to 17 February.
- Abroad, the US CPI and PPI figures for February again surprised to the upside, while the retail sales report disappointed.

NEXT WEEK'S HIGHLIGHTS

- A big week in central banking, with RBA, Bank of Japan, Bank of England and FOMC rate decisions due, with no changes to policy rates expected.
- The key domestic data releases will be labour force survey results for February and Judo Bank flash PMIs for March; both reports are scheduled for Thursday.
- Data highlights offshore include the Chinese activity data for the January-February period on Monday and the S&P Global flash PMIs for March on Thursday.

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	(0 pt)	ASX200	7619	(↓212 pt)
US (IOR)	5.40	(0 pt)	90-day Bills	4.34	(↓1 pt)	2-yr T-Notes	4.69	(↑18 pt)	S&P500	5150	(↓7 pt)
Eurozone (Deposit)	4.00	(0 pt)	3-yr T-Bond	3.75	(↑12 pt)	10-yr T-Notes	4.28	(↑19 pt)	DJIA	38906	(↑114 pt)
UK	5.25	(0 pt)	10-yr T-Bond	4.14	(↑14 pt)	Jap 10-yr	0.80	(↑6 pt)	Nikkei	38745	(↓1179 pt)
Japan	-0.10	(0 pt)	3-yr WATC Bond	4.07	(↑12 pt)	UK 10-yr	4.09	(↑9 pt)	CSI300	3549	(↑18 pt)
China (1Y LPR)	3.45	(0 pt)	10-yr WATC Bond	4.75	(↑15 pt)	Ger 10-yr	2.43	(↑12 pt)	Stoxx600	506	(↑3 pt)

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

FINANCIAL MARKETS OVERVIEW

Interest Rates

Government bond yields rose quite significantly this week, as upside surprises to US CPI and PPI figures pushed up inflation expectations and led to scaling back of fed funds rate cut expectations.

US Treasury yields rose around 20bps across the 2-10Y curve, which remains heavily inverted.

Commonwealth bond yields increased by around 15bps for 3-10Y maturities, while BBSW rates were relatively steady ahead of the RBA monetary policy meeting next week.

Japanese government bond yields also saw solid increases amid speculation that the Bank of Japan may exit its negative interest rate policy next week. However, the market consensus is for no change in the policy balance rate from the current -0.10%.

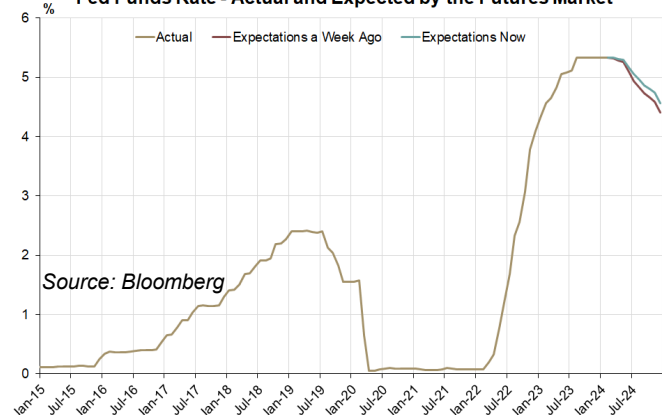
Apart from the RBA and Bank of Japan, the Bank of England and FOMC are also to announce their decisions next week, with no changes expected.

Equities

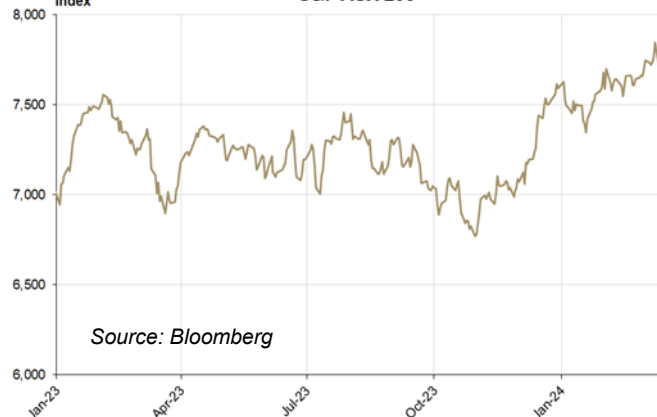
US equities have slipped in four of the past five days, including a decline last Friday following a mixed US employment report. After a soft start to this week, traders surprisingly shook off higher-than-expected CPI inflation to push the S&P 500 to a fresh record high on Tuesday. However, shares have slipped again over the past two days, including overnight, as US PPI inflation also exceeded expectations.

The Aussie market closed last Friday's session at an all-time high of 7847, before slumping on Monday following a weak session in the US last Friday. The market was relatively steady through the middle of the week, with a lack of data to drive trade. However, shares have slumped again this morning, led by mining and financial shares, with the ASX 200 currently sitting at a three-week low.

Fed Funds Rate - Actual and Expected by the Futures Market



S&P ASX 200



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Market WATCH Weekly

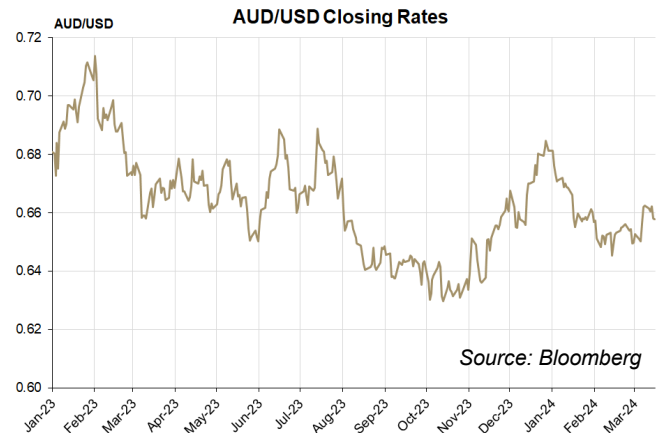
15 March 2024

Currencies

The Australian dollar is down across the board this week, reflecting deterioration in global market sentiment, ongoing concerns over China and the associated slide in iron ore prices.

However, the Australian dollar was not the weakest G10 currency, but sat in the middle of the G10 exchange rate ladder this week. The poorest performers were the Swiss franc, the Kiwi dollar and the Scandies.

All G10 currencies depreciated against the US dollar this week. The greenback's strength was mainly due to a decline in fed funds rate cut expectations, following the upside surprise to the US inflation figures released over the week.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6574	0.6668	0.6570	↓0.7	0.6900	0.6270
AUD/EUR		0.6043	0.6082	0.6036	↓0.1	0.6310	0.5007
AUD/GBP		0.5160	0.5185	0.5142	↓0.2	0.5531	0.5007
AUD/JPY		97.58	98.16	96.90	↓0.4	99.06	86.06
AUD/CNY		4.7353	4.7909	4.7252	↓0.6	4.9348	4.5456
EUR/USD		1.0880	1.0981	1.0879	↓0.6	1.1276	1.0448
GBP/USD		1.2740	1.2894	1.2731	↓0.6	1.3142	1.2028
USD/JPY		148.44	148.45	146.49	↑0.3	151.91	129.64
USD/CNY		7.1943	7.1989	7.1716	↑0	7.3499	6.8169

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6574	0.6592	0.6607	0.6627
AUD/EUR		0.6043	0.6036	0.6026	0.5992
AUD/GBP		0.5160	0.5171	0.5180	0.5191
AUD/JPY		97.58	96.46	95.39	93.34
AUD/NZD		1.0748	1.0777	1.0805	1.0848
AUD/SGD		0.8787	0.8773	0.8756	0.8716

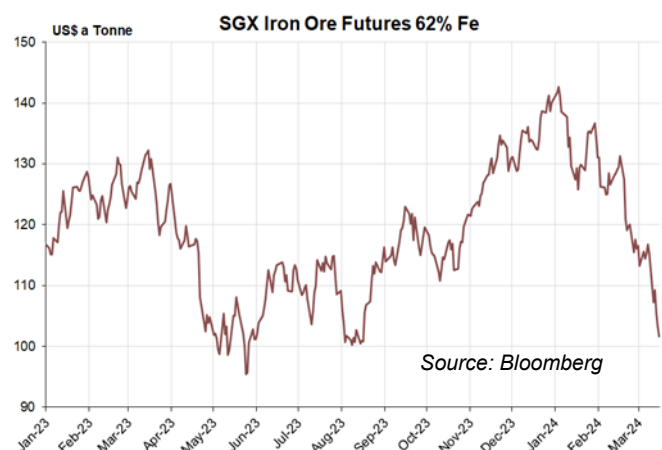
Commodities

Concerns over the outlook for the Chinese economy continued to weigh on iron ore prices this week. The benchmark Singapore futures price is on track for its biggest weekly fall since mid-2022 and is currently at near seven-month lows. Recent downward pressure was given added impetus from news that several major Chinese steel mills will close for maintenance in the wake of falling steel prices and rising inventories.

The gold price hit a fresh record high on Monday, but slipped as market pricing for US rate cuts this year were wound back.

Oil prices climbed in the second half of the week, as US oil inventories fell for the first time in seven weeks and the International Energy Agency warned of a supply deficit this year.

Copper, which will be a key metal in the move to net zero, jumped to a near 11-month high after Chinese smelters pledged to cut back on capacity due to lower processing fees.



	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,162.40	\$2,189.07	\$2,150.66	(↑\$2.72)	\$2,195.15	\$1,810.51
Brent Crude Oil (US\$)	\$85.42	\$85.69	\$81.08	(↑\$2.14)	\$97.69	\$70.12
Mogas95* (US\$)	\$101.95	\$102.39	\$93.64	(↑\$1.99)	\$110.15	\$79.06
WTI Oil (US\$)	\$81.05	\$81.62	\$76.79	(↑\$1.69)	\$95.03	\$63.64
CRB Index	282.95	282.95	276.60	(↑3.85)	290.29	253.85
Iron Ore Price 62% Fe (US\$) **	\$101.65	\$114.95	\$101.20	(↓\$14.2)	\$143.50	\$94.00

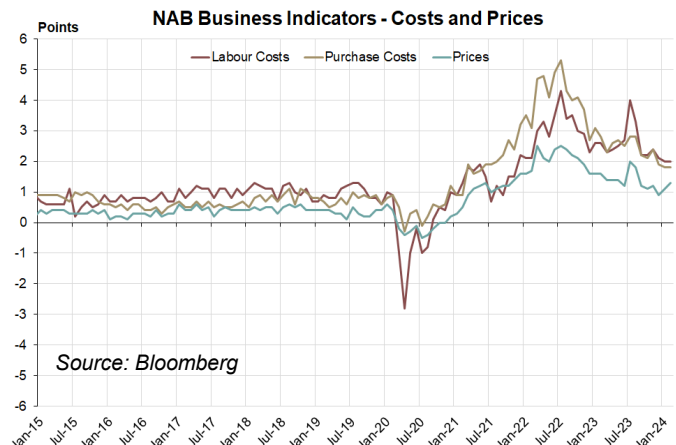
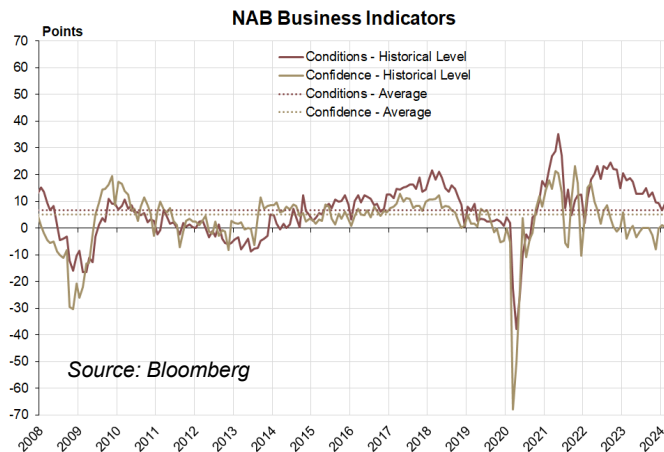
*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.

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

DOMESTIC ECONOMY

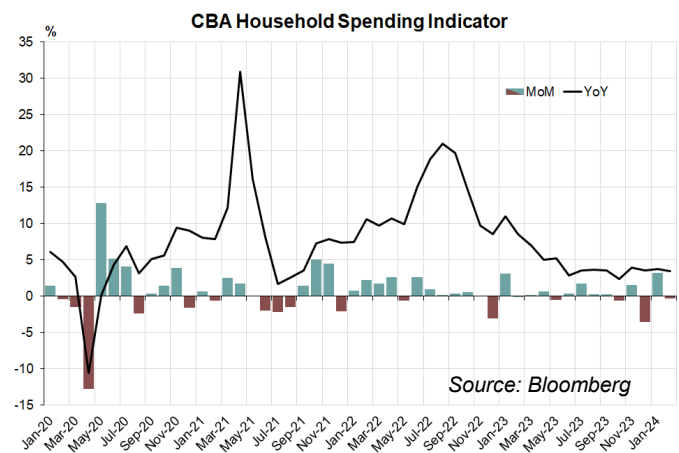
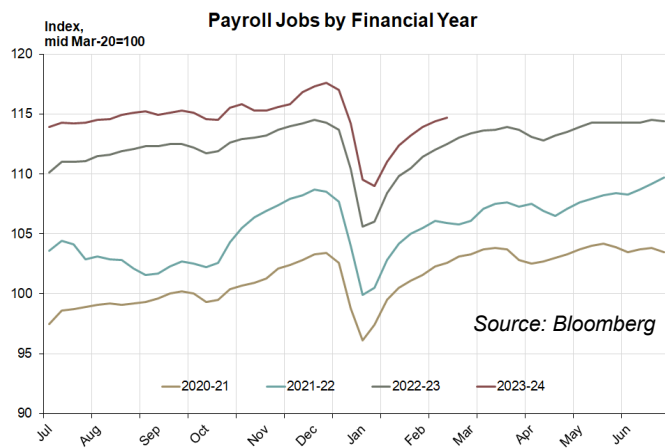
*The **NAB business conditions index** picked up in February, while business confidence remained below average.*

***Cost inflation** was steady but remained acute and price pressures appear to have intensified.*



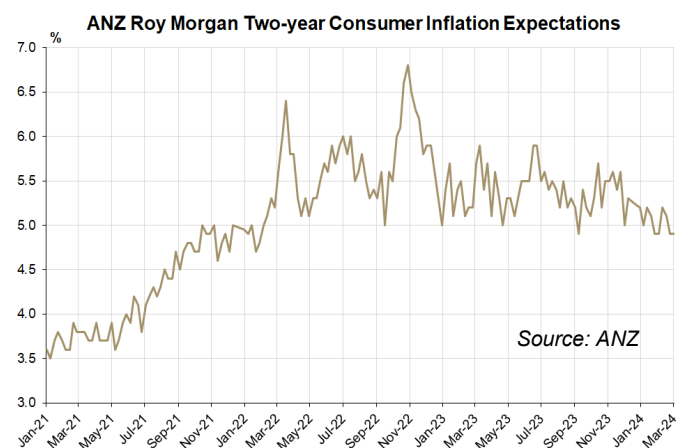
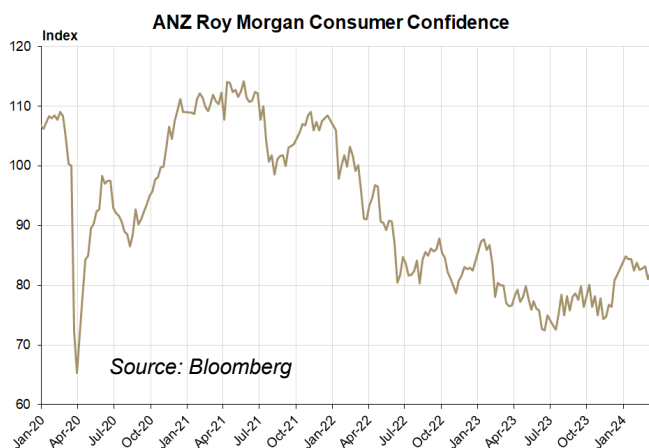
***Payroll jobs** saw a seasonal increase in the month to 17 February.*

*The **CBA household spending indicator** signalled further weakness in private consumption in February.*



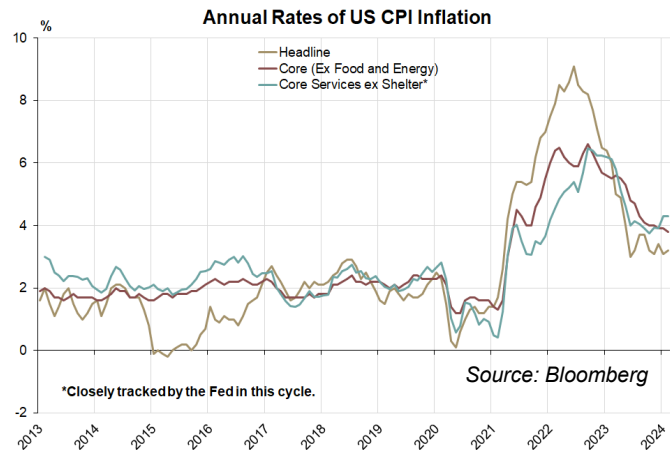
*Despite some improvement, the **ANZ Roy Morgan consumer confidence index** remains depressed...*

*... while **inflation expectations** are off their 2022 highs, but are still elevated.*

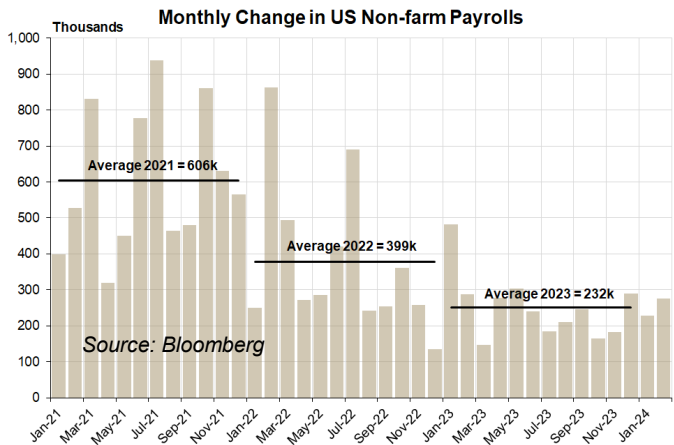


GLOBAL ECONOMY

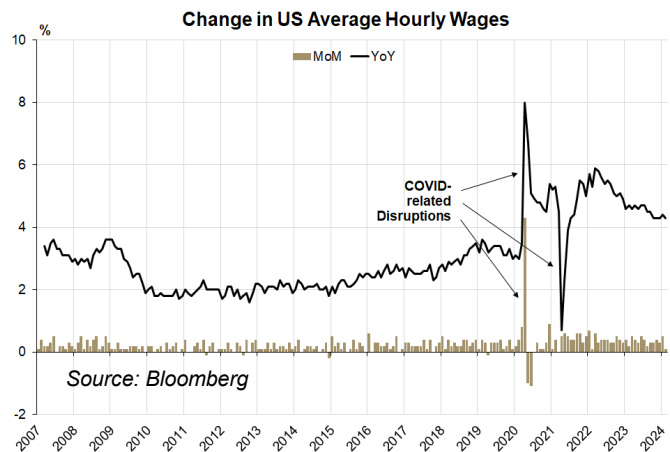
The process of US disinflation has stalled, both regarding **consumer price inflation**...



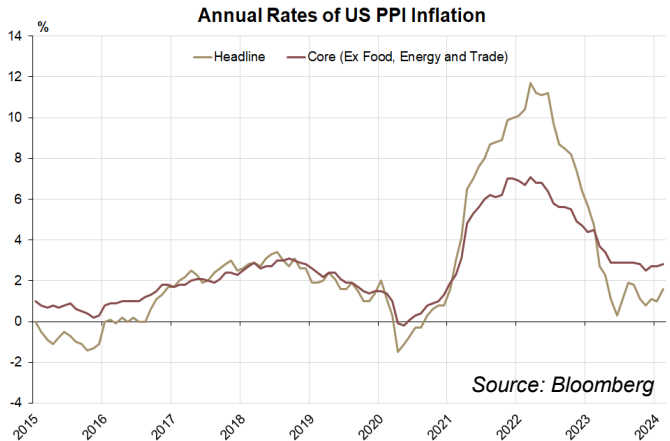
US non-farm payrolls saw a solid increase in February, but 300k+ gains for the previous months were downgraded.



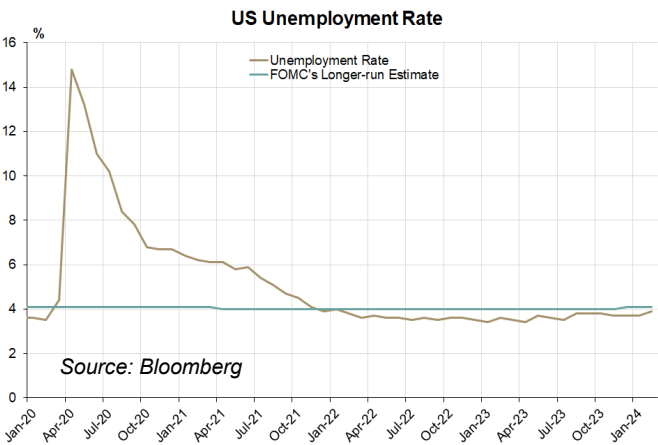
US wages growth has stabilised above the pre-COVID levels.



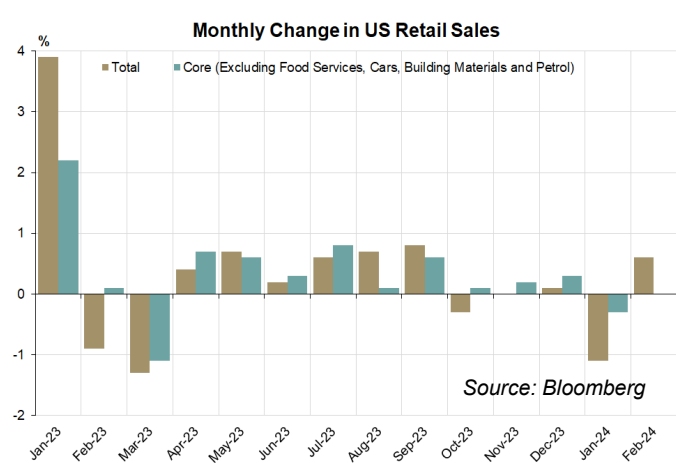
... as well as **producer price inflation**.



The **US unemployment rate** picked up in February, yet remains slightly below the FOMC's longer-run estimate.



US retail trade bounced back in February, but was unchanged in core terms.



WESTERN AUSTRALIAN TREASURY CORPORATION

Market WATCH Weekly

15 March 2024

KEY ECONOMIC EVENTS

Last Week

	Event	Actual	Forecast	Previous	Comment
Mon 11					
JP	GDP (QoQ, Q4, final)	0.1%	0.3%	-0.1%	Japan has avoided technical recession.
US	1Y NY Fed Cons. Infl. Exp. (Feb)	3.0%	-	3.0%	Three- and five-year expectations picked up in Feb.
Tue 12					
AU	NAB Business Conditions (Feb)	10	-	7	Broad-based improvement.
AU	NAB Business Confidence (Feb)	0	-	1	Decline driven by retail, construction and recreation.
AU	ANZ Cons. Conf. (w/e 9 Mar)	1.5%	-	-2.6%	Consumer inflation expectations unchanged at 4.9%.
UK	Unemployment Rate (Jan)	3.9%	3.8%	3.8%	Employment fell by 21k in January.
US	CPI (MoM, Feb)	0.4%	0.4%	0.3%	Annual rate climbed 0.1ppts to 3.2%.
US	NFIB Small Business Survey (Feb)	89.4	90.5	89.9	The lowest level since May 2023.
Wed 13					
AU	CBA Hsehold Spending (MoM, Feb)	-0.3%	-	3.2%	Declines led by household goods and transport.
UK	Monthly GDP (MoM, Jan)	0.2%	0.2%	-0.1%	Still down in quarterly terms.
Thu 14					
AU	Payroll Jobs (MoM, 17 Feb)	2.0%	-	-1.6%	A seasonal increase.
US	Retail Sales (MoM, Feb)	0.6%	0.8%	-1.1%	Core retail trade was unchanged in February.
US	PPI (MoM, Feb)	0.6%	0.3%	0.3%	Annual rate up 0.6ppts to 1.6%.
US	Initial Jobless Claims (w/e 9 Mar)	209k	218k	210k	Continued claims roughly unchanged at 1.8m.
Fri 15					
US	Industrial Production (MoM, Feb)	-	-0.1%	-0.1%	ISM manufacturing report pointed to a decline.
US	UMich Consumer Sent. (Mar, prel.)	-	77.5	76.9	Will include inflation expectations tracked by the Fed.

Next Week

	Event	Forecast	Previous	Comment
Mon 18				
CH	Retail Sales (YoY YtD, Feb)	5.5%	7.4%	Authorities want to boost consumption in 2024.
CH	Industrial Production (YoY YtD, Feb)	4.4%	6.8%	Government policy suppressed steel output in late 2023.
CH	Urban Fixed Asset Inv. (YoY YtD, Feb)	3.2%	3.0%	Key indicator for Chinese iron ore demand.
Tue 19				
AU	RBA Board Decision (Cash Rate Target)	4.35%	4.35%	Cuts expected to begin later in the year.
JP	Bank of Japan Decision (Policy Bal. Rate)	-0.10%	-0.10%	First rate hike since 2007 expected by some.
Wed 20				
UK	CPI (MoM, Feb)	-	-0.6%	Annual rate of inflation still well above the BoE's target.
US	FOMC Decision (IoER)	5.40%	5.40%	New 'dot plot' chart to provide guidance on rate cuts.
Thu 21				
AU	Employment (monthly change, Feb)	30.0k	0.5k	Rise reflects people waiting to start work in Dec and Jan.
AU	Unemployment Rate (Feb)	4.0%	4.1%	Unemployment rate to resume climb later in 2024.
AU	Judo Bank Composite PMI (Mar, flash)	-	52.1	First insights into private sector's performance in March.
JP	Jibun Bank Composite PMI (Mar, flash)	-	50.6	Deep contraction in manufacturing continues.
EZ	HCOB Composite PMI (Mar, flash)	-	49.2	Weakness compared to other advanced economies.
UK	S&P Global Composite PMI (Mar, flash)	-	53.0	UK's performance surprises to the upside.
UK	Bank of England Decision (Bank Rate)	5.25%	5.25%	The first cut fully priced in for August.
US	S&P Global Composite PMI (Mar, flash)	-	52.5	Has been a poor indicator for the ISM PMI report.
Fri 22				
JP	CPI (YoY, Feb)	2.9%	2.2%	'Core-core' inflation expected to sit at 3.5% in January.