

| Interest Rates       |              |             | FX                                |           |       | Commodities US\$         |          |          |
|----------------------|--------------|-------------|-----------------------------------|-----------|-------|--------------------------|----------|----------|
| <b>Australia</b>     |              | <b>Δ bp</b> | AUD/USD                           | 0.6686    | 0.3%  | WTI Crude Oil            | 64.56    | \$1.20   |
|                      | 90-day Bill  | 3.56        | AUD/JPY                           | 97.83     | -0.5% | Brent Crude Oil          | 68.51    | \$0.97   |
|                      | 3-year Bond  | 3.43        | AUD/EUR                           | 0.5634    | -0.6% | Mogas95*                 | 82.62    | \$1.71   |
|                      | 10-year Bond | 4.22        | AUD/GBP                           | 0.4897    | -0.1% | CRB Index                | 307.28   | 1.81     |
| <b>US</b>            |              |             | AUD/NZD                           | 1.1169    | -0.1% | Gold                     | 3693.59  | \$10.76  |
|                      |              |             | AUD/CNY                           | 4.7549    | 0.1%  | Silver                   | 42.58    | -\$0.09  |
|                      | 2-year       | 3.50        | EUR/USD                           | 1.1865    | 0.9%  | Iron Ore (62% Fe)**      | 105.70   | -\$1.45  |
|                      | 10-year      | 4.03        | USD/JPY                           | 146.33    | -0.7% | Iron Ore (25-26 Average) | 101.81   | \$0.05   |
| <b>Other 10-year</b> |              |             | USD/CNY                           | 7.1143    | -0.1% | Copper                   | 10126.50 | -\$60.00 |
|                      |              |             | <b>RBA Policy</b>                 |           |       | <b>Equities</b>          |          |          |
|                      |              |             | O/N Cash Rate Target              | 3.60      |       | ASX200                   | 8846     | -33      |
|                      |              |             | Interbank O/N Cash Rate           | 3.60      |       | Dow Jones                | 45758    | -126     |
| Japan                | 1.61         | 2           | Probability of a 25bps Cut in Sep | 8.0%      |       | S&P500                   | 6607     | -9       |
| Germany              | 2.69         | 0           | RBA Bond Holdings (29 Aug)        | A\$272.1b |       | Stoxx600                 | 551      | -6       |
| UK                   | 4.64         | 1           |                                   |           |       | CSI300                   | 4523     | -10      |

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

\*\*Iron ore is the second SGX futures contract.

US stocks retreated from record highs overnight, as the upside surprises to US economic data raised some questions not so much for the Fed's decision tonight, but rather the monetary policy outlook. US Treasury yields fell a little further, however, while the US dollar depreciated sharply. The US dollar index is now the weakest since February 2022.

The FOMC is widely expected to cut the fed funds rate by 25bps tonight, but it will be the 'dot plot' rate forecast chart that market participants will pay close attention to for signs of any change. Both Stephen Miran and Lisa Cook are taking part in the meeting, increasing the chance for a more dovish rate outlook.

The slight declines on Wall Street followed losses in Europe and mixed results in the Asia-Pacific region. The ASX 200 closed 0.3% higher yesterday, with energy seeing the strongest gains, but followed Wall Street lower this morning. The Australian dollar depreciated against all the major currencies, except for the weaker greenback. The AUD/USD remains at its 10-month high. Commonwealth bond yields are little changed since yesterday.

The gold price rose to yet another record high in the US dollar terms last night. Oil prices picked up further, as Ukrainian attacks on Russian oil facilities picked up, while the Israeli strike on the Houthi-controlled port of Hodeidah in Yemen added another piece of the puzzle to the Middle Eastern tensions. Iron ore futures pulled back after gains over the past days, which were driven by hopes for stimulus in China.

US retail sales rose by 0.6% in August, double the 0.3% expected by the market participants. The July figures were also revised slightly upwards (to +0.6% from the originally estimated +0.5%). The retail sales control group, which is a reliable proxy of the consumer spending component of GDP, surged by 0.7%, which was the fourth increase in a row. The retail sales release is not adjusted for price changes, and hence some of the increase could be due to a rise in prices.

US industrial production ticked up by 0.1% in August, while the market consensus was for a 0.1% decline. However, the August gain followed a downward revision of the July numbers (to -0.4% from the original estimate of -0.1%). Manufacturing rose by 0.2% in August, which slightly contrasts with the PMIs, while mining activity increased by 0.1% and utilities saw a 0.1% gain.

Across the Pacific, the UK unemployment rate was unchanged at 4.7% over the three months to July, as expected, growth in weekly private earnings excluding bonuses slowed to 4.7%, unseen since February 2022.

In Australia, Assistant Governor Sarah Hunter held a fireside chat at a conference organised by the Australian Finance Industry Association. However, she said nothing new, highlighting that the RBA was determined to keep the economy balanced. She also dismissed the upside surprise to the July CPI indicator figures, saying that they are waiting for the more comprehensive quarterly figures and the full monthly CPI, which will be first released by the ABS in November.

## Economic Data Review

- **UK:** Unemployment Rate (Jul) – Actual 4.7%, Expected 4.7%, Previous 4.7%.
- **US:** Retail Sales (MoM, Aug) – Actual 0.6%, Expected 0.3%, Previous 0.6% (revised).
- **US:** Industrial Production (MoM, Aug) – Actual 0.1%, Expected -0.1%, Previous -0.4% (revised).

## Economic Data Preview

- **UK:** CPI (MoM, Aug) – Expected 0.3%, Previous 0.1%.
- **US:** FOMC Decision (IoER) – Expected 4.15%, Previous 4.40%.