

Interest Rates (%)			FX			Commodities US\$		
Australia			AUD/USD	0.6446	-0.2%	WTI Crude Oil	89.25	-\$2.24
90-day Bill	4.14	0	AUD/JPY	95.61	0.1%	Brent Crude Oil	93.53	-\$0.84
3-year Bond	4.06	11	AUD/EUR	0.6051	0.1%	Mogas95*	101.17	-\$2.04
10-year Bond	4.29	6	AUD/GBP	0.5227	0.3%	CRB Index	288.48	-1.52
			AUD/NZD	1.0868	0.0%	Gold	1930.34	-\$0.44
			AUD/CNY	4.7146	0.1%	Silver	23.17	-\$0.03
US			EUR/USD	1.0652	-0.3%	Iron Ore (62% Fe)**	121.30	\$0.10
2-year	5.18	9	USD/JPY	148.32	0.4%	Iron Ore (23-24 Average)	110.90	\$0.20
10-year	4.41	5	USD/CNY	7.2863	-0.2%	Copper	8345.50	\$53.00
			RBA Policy			Equities		
			O/N Cash Rate Target	4.10		ASX200	7163	-4
			Interbank O/N Cash Rate	4.07		Dow Jones	34441	-77
			Probability of a 25bps Hike in Oct	6.6%		S&P500	4402	-42
Other 10-year			RBA Bond Holdings (31 Aug)	A\$337.0b		Stoxx600	461	4
Japan	0.73	0				CSI300	3706	-15
Germany	2.70	-4						
UK	4.22	-13						

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

**Iron ore is the second SGX futures contract.

US stocks declined overnight, while US Treasury yields rose further, as FOMC projections pointed to one more 25bps hike this year, while forecasts for the fed funds rate for the following years were revised slightly upwards. This followed gains in European stock markets and declines in government bond yields in the UK and euro area.

As expected, the FOMC left the fed funds rate target range unchanged at 5.25-5.50% at its September meeting, but continued to stress that it is ready to adjust monetary policy further if needed. It also released updated economic projections, showing that more than half of FOMC members were in favour of another 25bps fed funds rate hike later this year. What is more, the median forecasts for the fed funds rate in 2024 and 2025, while lower than the current level, were 50bps higher than forecast in June.

The need for firmer monetary policy was also evident in the forecasts of economic indicators. The forecasts for GDP growth in 2023 and 2024 were revised upwards. There were also slight upward revisions to both headline and core PCE inflation rate forecasts. Finally, the unemployment rate projections were revised significantly downwards.

During the post-meeting conference, Fed Chair Jerome Powell also underscored several times that the FOMC was uncertain if the 5.25-5.50% is the terminal level for the fed funds rate target range for this cycle. Furthermore, it appears that the FOMC is ready to keep the interest rates higher for longer in order to ensure the return of inflation to its goal.

Following the FOMC's announcement and the press conference, fed funds rate expectations rose quite considerably, with around a 50% probability of another hike this year priced in by the futures. US Treasury yields rose further, with 10-year yields now the highest since October 2007. 2-year yields are the highest since early 2000s. The US dollar also appreciated, to be at its strongest since early March.

UK CPI rose by 0.3% in August, to be 6.7% up through the year. The numbers were a large downside surprise to the markets, which expected increases of 0.7% MoM and 7.0% YoY. The annual rate of core inflation dropped 0.7ppts to 6.2%, which is the lowest level since March. UK gilt yields dropped quite sharply in reaction to the data.

Closer to home, Kiwi GDP rose by 0.9% in Q2, exceeding the market expectations of a 0.4% gain. The numbers for Q1 were revised upwards and no longer point to a technical recession across the Tasman at the turn of 2022 and 2023.

In the local markets, Commonwealth bond yields rose more than their US equivalents, while the AUD appreciated against all the major currencies but the stronger greenback. The ASX 200 opened 0.2% lower this morning.

ECONOMIC DATA REVIEW

- **NZ:** GDP (QoQ, Q2) – Actual 0.9%, Expected 0.4%, Previous 0.0% (revised).
- **UK:** CPI (YoY, Aug) – Actual 6.7%, Expected 7.0%, Previous 6.8%.

ECONOMIC DATA PREVIEW

- **UK:** Bank of England Decision (Bank Rate) – Expected 5.50%, Previous 5.25%.
- **US:** Initial Jobless Claims (w/e 16 Sep) – Expected 225k, Previous 220k.

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