

Interest Rates (%)			FX			Commodities US\$		
<b>Australia</b>		<b>Δ bp</b>	AUD/USD	0.6376	0.1%	WTI Crude Oil	87.66	\$0.76
90-day Bill	4.12	0	AUD/JPY	94.25	0.2%	Brent Crude Oil	90.72	\$0.51
3-year Bond	3.84	1	AUD/EUR	0.5947	0.0%	Mogas95*	101.07	-\$2.89
10-year Bond	4.17	-1	AUD/GBP	0.5102	0.6%	CRB Index	284.74	-0.19
			AUD/NZD	1.0870	0.3%	Gold	1916.70	-\$9.43
			AUD/CNY	4.6678	0.1%	Silver	23.13	-\$0.42
<b>US</b>			EUR/USD	1.0723	0.0%	Iron Ore (62% Fe)**	115.00	-\$1.20
2-year	5.02	7	USD/JPY	147.81	0.1%	Iron Ore (23-24 Average)	109.10	\$0.12
10-year	4.29	3	USD/CNY	7.3180	0.2%	Copper	8371.50	-\$115.50
			<b>RBA Policy</b>			<b>Equities</b>		
			O/N Cash Rate Target	4.10		ASX200	7200	-92
<b>Other 10-year</b>			Interbank O/N Cash Rate	4.07		Dow Jones	34443	-199
Japan	0.66	0	Probability of a 25bps Hike in Oct	6.6%		S&P500	4465	-31
Germany	2.65	4	RBA Bond Holdings (31 Aug)	A\$337.0b		Stoxx600	454	-3
UK	4.53	1				CSI300	3812	-8

\*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 last night, as the strong US ISM services PMI report raised questions about whether the Fed is done for this tightening cycle. The declines were led by information technology amid a big fall in Apple shares. US Treasury yields rose across the yield curve, with relatively strong increases for shorter maturities. However, another 25bps fed funds rate hike continues to be only around 20% priced in for November.

The US ISM services PMI rose 1.8pts to 54.5 in August (above 50 = expansion), signalling the fastest expansion since February. Strength was evident across the report, with employment rising the most this year so far and new orders also seeing a renewed strong acceleration. The index of prices paid also pointed to a rise in cost inflation.

At the same time, the Fed's Beige Book said that economic activity was "modest" in July and August, with jobs growth "subdued across the nation" and inflation slowing, mainly in the manufacturing and consumer goods sectors.

Speaking overnight, Boston Fed President Susan Collins said that the FOMC should weigh the risks of inflation staying elevated for longer against the risks of too restrictive policy. She called for a "patient and careful, but deliberate" approach to monetary policy at this stage, not ruling out further fed funds rate increases.

In Australia, **real GDP** rose by 0.4% in Q2, broadly in line with expectations and the same as in Q1 (upgraded from 0.2%). The annual growth rate decelerated to 2.1% from 2.4%. Real GDP per capita declined by another 0.3% in Q2, while the annual rate of growth turned negative (also -0.3%).

The largest contribution to the expenditure measure of GDP growth came from net exports (+0.8ppts), followed by public fixed investment (+0.4ppts). Private business investment in machinery and equipment added 0.2ppts while non-dwelling construction cut 0.1ppts from growth. Household consumption rose just 0.1%, adding just 0.1ppts to growth and taking the annual growth rate down to 1.5%, the lowest since Q1 2021.

Western Australian real state final demand rose by 0.4% QoQ and 3.7% YoY, the highest annual growth of all states.

The reaction to the GDP data was mixed. The Australian dollar appreciated, temporarily rising above US\$0.64, but fell back later in the day. Commonwealth bond yields were rose a little at the front end of the yield curve, yet there were slight declines for longer maturities. The ASX 200 lost 0.7% yesterday, as an increase in energy stocks was more than offset by losses in other sectors.

#### ECONOMIC DATA REVIEW

- **AU:** GDP (QoQ, Q2) – Actual 0.4%, Expected 0.4%, Previous 0.4% (revised).
- **US:** ISM Services PMI (Aug) – Actual 54.5, Expected 52.5, Previous 52.7.

#### ECONOMIC DATA PREVIEW

- **AU:** Trade Balance (Jul) – Expected A\$10.0b, Previous A\$11.3b.
- **AU:** Public Appearance by RBA Governor Philip Lowe.
- **CH:** Trade Balance (Aug) – Expected US\$73.9b, Previous US\$80.6b.
- **US:** Initial Jobless Claims (w/e 2 Sep) – Expected 234k, Previous 228k.

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