

Interest Rates			FX			Commodities US\$			
Australia		Δ bp	AUD/USD	0.6526	0.1%	WTI Crude Oil	63.13	-\$1.07	
	90-day Bill	3.63	0	AUD/JPY	96.43	-0.2%	Brent Crude Oil	66.15	-\$0.75
	3-year Bond	3.39	-3	AUD/EUR	0.5591	-0.4%	Mogas95*	77.88	-\$0.57
	10-year Bond	4.26	0	AUD/GBP	0.4835	-0.4%	CRB Index	295.36	-0.33
			AUD/NZD	1.0964	-0.1%	Gold	3346.80	-\$3.95	
			AUD/CNY	4.6891	0.1%	Silver	37.90	\$0.15	
US			EUR/USD	1.1672	0.5%	Iron Ore (62% Fe)**	104.40	\$0.60	
	2-year	3.74	-3	USD/JPY	147.76	-0.4%	Iron Ore (25-26 Average)	100.43	\$0.15
	10-year	4.30	1	USD/CNY	7.1814	-0.1%	Copper	9840.50	\$109.00
			RBA Policy			Equities			
Other 10-year			O/N Cash Rate Target		3.60	ASX200	8871	11	
			Interbank O/N Cash Rate		3.59	Dow Jones	44459	484	
	Japan	1.52	2	Probability of a 25bps Cut in Sep		36.0%	S&P500	6446	72
	Germany	2.74	5	RBA Bond Holdings (31 Jul)		A\$272.1b	Stoxx600	548	1
	UK	4.63	6				CSI300	4144	21

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

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

As expected, the RBA Monetary Policy Board decided unanimously to cut the cash rate target by another 25bps to 3.60% yesterday. The post-meeting statement stressed that inflation is gradually returning to the mid-point of the 2-3% target range and labour market, while still 'a little' tight, is showing some signs of easing. The forward guidance was unchanged from the previous statement, with decisions remaining data-dependent amid elevated uncertainty.

The August unemployment and inflation projections were unchanged from the May forecast round, 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%. GDP growth forecasts were revised down, however, to reflect a downgrade to the productivity growth assumption to 0.7% from 1.0%.

The projections are based on the assumption that the cash rate will fall slightly below 3.00% in this cycle. During the press conference, RBA Governor Michele Bullock was a bit more cautious, talking about 'a couple of' more cuts, but not ruling out back-to-back cuts completely.

While the RBA decision was no surprise to the markets, the fact that it was unanimous as well as the downgrade to GDP growth outlook did generate some impact. Commonwealth bond yields declined at the front end of the yield curve, even if cash rate cut expectations remain roughly unchanged from before the decision. The AUD/USD fell slightly, but rose back overnight. The ASX 200 closed at a fresh record high yesterday, before opening lower this morning.

Abroad, US stocks bounced back last night, as the US CPI came broadly in line with expectations, supporting the case for an earlier resumption of the easing cycle by the Fed. The probability of a 25bps cut in September is again approaching 100%, pushing US 2-year Treasury yields lower. The US dollar depreciated quite sharply.

The US CPI rose by 0.2% in July, in line with market consensus, but the annual rate of inflation remained at 2.7%. Core inflation ticked up to a five-month high of 3.1%, with annual core goods price inflation accelerating a little, but remaining low and core services price inflation steady. In other US data, NFIB small business optimism index rose to a five-month high in July.

The UK unemployment rate remained unchanged at 4.7% in June, while employment growth accelerated to 238k over the three months to June from 134k in the previous three months.

Back home, the NAB business report for July showed broad-based deterioration in business conditions and improvement in business confidence to the highest level in nearly three years. The report also pointed to a faster, albeit still moderate, rise in business costs and prices.

### Economic Data Review

- **AU:** NAB Business Conditions (Jul) – Actual 5, Previous 7 (revised).
- **AU:** NAB Business Confidence (Jul) – Actual 7, Previous 5.
- **UK:** Unemployment Rate (Jun) – Actual 4.7%, Expected 4.7%, Previous 4.7%.
- **US:** CPI (MoM, Jul) – Actual 0.2%, Expected 0.2%, Previous 0.3%.
- **US:** NFIB Small Business Optimism (Jul) – Actual 100.3, Expected 98.6, Previous 98.6.

### Economic Data Preview

- **AU:** Wage Price Index (QoQ, Q2) – Expected 0.8%, Previous 0.9%.