

### THIS WEEK'S HIGHLIGHTS

- In Australia, the monthly CPI indicator pointed to further disinflation in July, while retail sales rose more than expected. Private sector capex saw another solid and broad-based increase in Q2, while residential construction work done was flat. Building approvals and new home loans dropped again in July, which was followed by another increase in home prices in August.
- Abroad, the annual rate of US PCE inflation rose slightly in July. The ADP report for August saw the smallest increase in employment since March. The NBS PMIs pointed to a further slowdown in Chinese services and stagnation in manufacturing.

### NEXT WEEK'S HIGHLIGHTS

- Another busy week ahead domestically, with the RBA cash rate decision on Tuesday. The Melbourne Institute inflation gauge for August is also due on Monday, the Q2 current account on Tuesday, Q2 GDP on Wednesday and the July trade balance on Thursday. RBA Governor Philip Lowe will deliver his final speech at the Anika Foundation on Thursday.
- The highlights offshore will include US and Chinese PMIs as well as the Chinese trade data; all those releases are for August.

Central Bank Rates (%)		Weekly Change	Australian Interest Rates (%)		Weekly Change	Major Overseas Interest Rates (%)		Weekly Change	Global Equities		Weekly Change
Australia	4.10	(0 pt)	O/N Interbank Cash	4.07	(0 pt)	USD 3-month	5.67	(↑2 pt)	ASX200	7281	(↑167 pt)
US (IOR)	5.40	(0 pt)	90-day Bills	4.13	(0 pt)	2-yr T-Notes	4.86	(↓16 pt)	S&P500	4508	(↑131 pt)
Eurozone (Deposit)	3.75	(0 pt)	3-yr T-Bond	3.72	(↓13 pt)	10-yr T-Notes	4.11	(↓14 pt)	DJIA	34722	(↑622 pt)
UK	5.25	(0 pt)	10-yr T-Bond	4.00	(↓16 pt)	Jap 10-yr	0.65	(↓1 pt)	Nikkei	32821	(↑1128 pt)
Japan	-0.10	(0 pt)	3-yr WATC Bond	3.97	(↓13 pt)	UK 10-yr	4.36	(↓7 pt)	CSI300	3784	(↑75 pt)
China (1Y LPR)	3.45	(0 pt)	10-yr WATC Bond	4.47	(↓15 pt)	Ger 10-yr	2.47	(↓5 pt)	Stoxx600	458	(↑7 pt)

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

## FINANCIAL MARKETS OVERVIEW

### Interest Rates

Government bond yields fell quite significantly this week, as incoming data pointed to easing, albeit still tight labour market conditions in the US. ADP employment report and JOLTS job openings released this week were both weaker than expected. PCE price inflation was in line with expectations, showing stabilisation above the fed funds rate target.

The declines in bond yields later in the week followed the initial increase in reaction to Fed Chair Jerome Powell's speech at the 2023 Jackson Hole symposium. Chair Powell said that monetary policy would remain "restrictive" until inflation was moving back towards the Fed's goal of 2% on a sustained basis.

Australian yields also saw large declines, mainly thanks to the downside surprise to the July monthly inflation indicator. RBA cash rate expectations fell slightly after the release, with no hikes priced in for the next two months. We are also of the opinion that the RBA Board will leave the cash rate on hold next week.

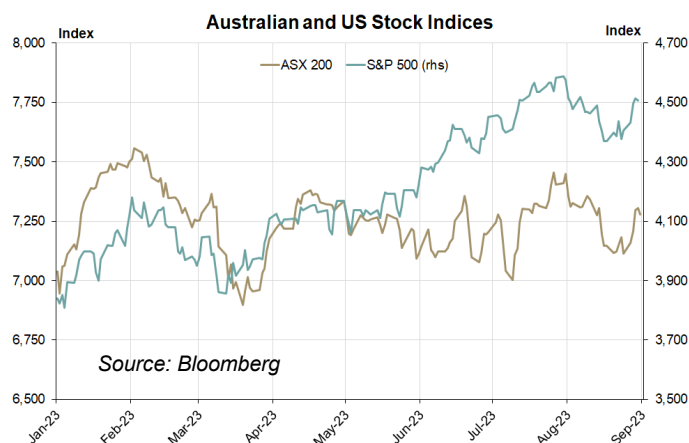
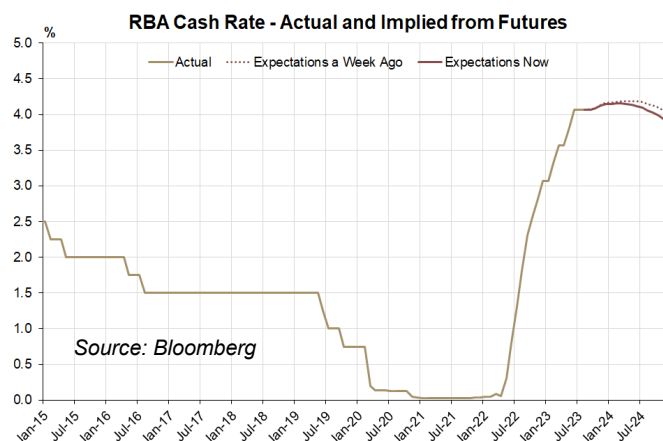
### Equities

It was a positive week for equities, both in Australia and globally.

US equities rose in the week to Thursday, as the downside surprises to the US labour market data supported the view of no more fed funds rate increases in this cycle.

Chinese stock prices were boosted by further measures by the Chinese government to support economic activity and confidence in the equity market, including a stamp duty cut for security transactions. This was the first such move since 2008.

Aussie stocks also saw solid gains this week, supported not only by Chinese stimulus hopes and a slight decline in cash rate expectations, but also by the stronger-than-expected retail trade data for July. The gains in the Aussie stock market were broad-based, unsurprisingly led by consumer discretionary stocks, followed by the materials and financials.



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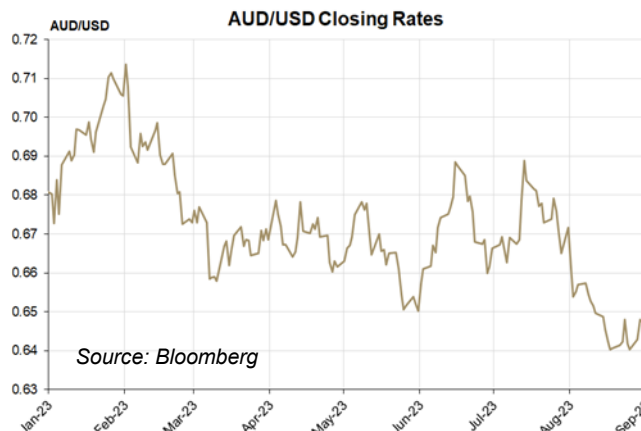
### Currencies

The Australian dollar climbed against all the major currencies this week, despite softer-than-anticipated Aussie inflation data adding to expectations that the RBA rate hike cycle is over.

The Aussie has been the strongest G10 currency over the past week, while the big dollar has been the weakest.

The Aussie dollar remained at around nine-month lows against the big dollar early in the week and flirted with falling back below US\$0.64, before lifting on Tuesday as the greenback weakened following some soft US economic data.

The Aussie continued to rise on Wednesday, peaking at US\$0.6522, before settling back to trade in a relatively narrow range over the past couple of days.



Spot rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6468	0.6522	0.6401	↑0.8	0.7158	0.6170
AUD/EUR		0.5967	0.5989	0.5923	↑0.3	0.6869	0.5112
AUD/GBP		0.5108	0.5134	0.5083	↑0.1	0.6277	0.5112
AUD/JPY		94.09	95.06	93.75	↑0.4	98.60	86.06
AUD/CNY		4.6998	4.7489	4.6695	↑0.6	4.9348	4.4465
EUR/USD		1.0842	1.0945	1.0782	↑0.5	1.1276	0.9536
GBP/USD		1.2662	1.2746	1.2563	↑0.7	1.3142	1.0350
USD/JPY		145.45	147.37	145.24	↓0.4	151.95	127.23
USD/CNY		7.2656	7.2956	7.2402	↓0.2	7.3274	6.6909

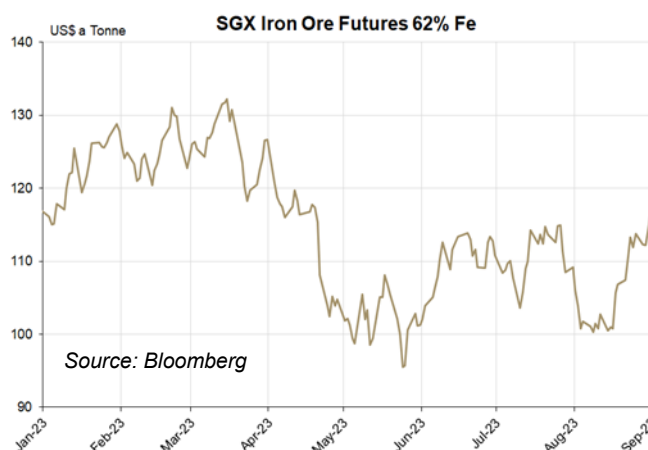
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6468	0.6489	0.6511	0.6540
AUD/EUR		0.5967	0.5960	0.5949	0.5923
AUD/GBP		0.5108	0.5125	0.5141	0.5174
AUD/JPY		94.09	93.04	91.92	89.78
AUD/NZD		1.0858	1.0892	1.0927	1.0989
AUD/SGD		0.8739	0.8731	0.8718	0.8679

### Commodities

Commodity prices are mainly stronger this week, with the CRB Index currently sitting at a three-week high.

Iron ore futures prices were soft early but then lifted sharply, as further announcements from Chinese authorities of piecemeal support for the economy lifted hopes for more sweeping stimulus. The benchmark contract in Singapore rose to its highest level since April at the close of the session on Thursday. However, futures prices have lost ground today, as rumours circulated that Chinese steelmaking hub Tangshan will soon reinstate production limits.

Oil prices have seen a strong increase this week. Prices initially picked up on uncertainty over the impact of Hurricane Idalia on US oil supplies. This was compounded by the coup in Gabon, which is a member of OPEC, surprisingly strong US fuel demand and a big drop in US crude oil inventories last week. News that Russia had agreed to extend OPEC+ production cuts into October gave prices a further lift on Thursday.



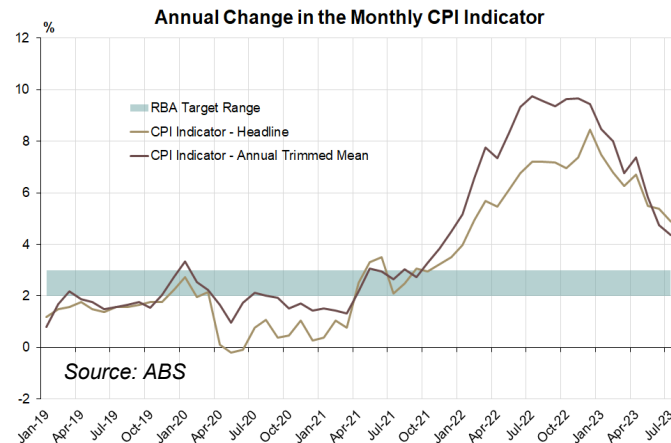
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$1,938.92	\$1,949.05	\$1,912.88	(↓\$24.82)	\$2,062.99	\$1,614.96
Brent Crude Oil (US\$)	\$87.05	\$87.06	\$83.80	(↑\$3.48)	\$99.56	\$70.12
Mogas95* (US\$)	\$97.03	\$107.49	\$96.57	(↓\$2.86)	\$108.40	\$77.66
WTI Oil (US\$)	\$83.80	\$83.85	\$79.34	(↑\$4.54)	\$93.74	\$63.64
CRB Index	281.91	281.91	275.83	(↑6.07)	290.41	253.85
Iron Ore Price 62% Fe (US\$) **	\$113.50	\$116.75	\$111.15	(↑\$0.1)	\$139.80	\$75.00

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

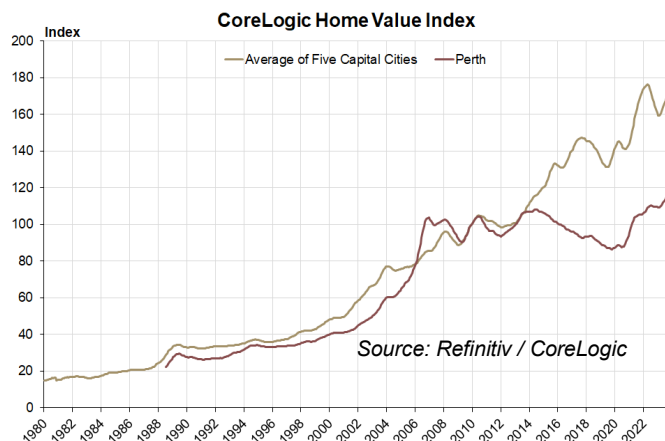
\*\* The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

### DOMESTIC ECONOMY

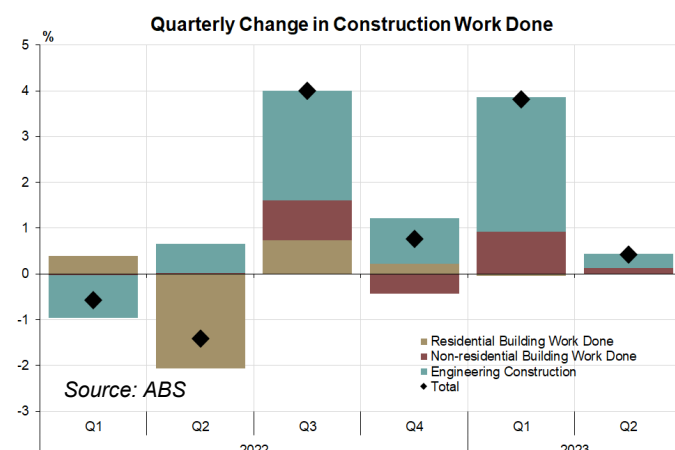
The **monthly CPI indicator** pointed to further gradual disinflation in July.



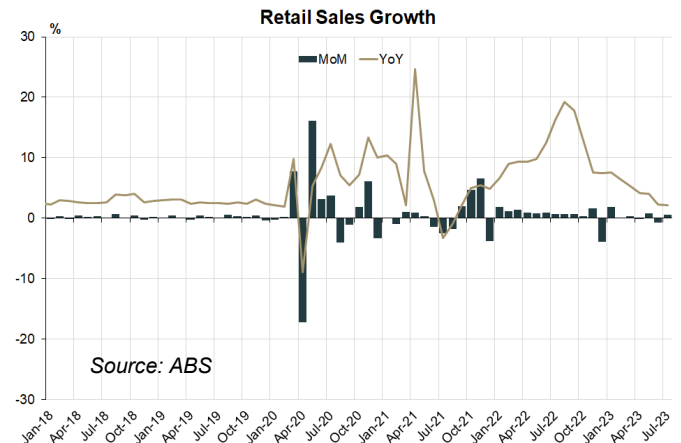
**House prices** continued to climb across all capital cities in August, with Perth prices reaching a new record high.



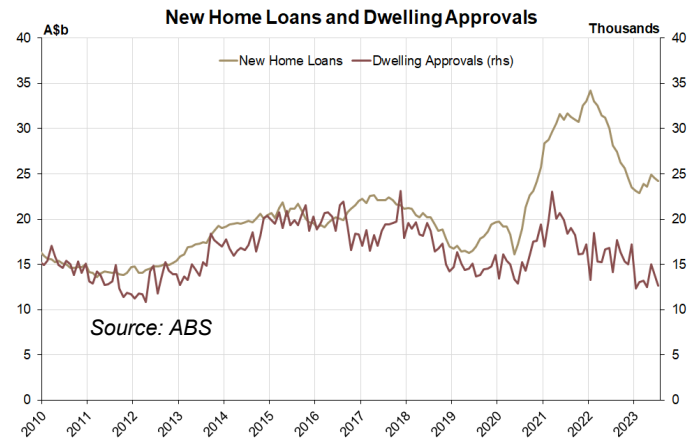
Growth in **construction work done** slowed in Q2, with residential building again soft.



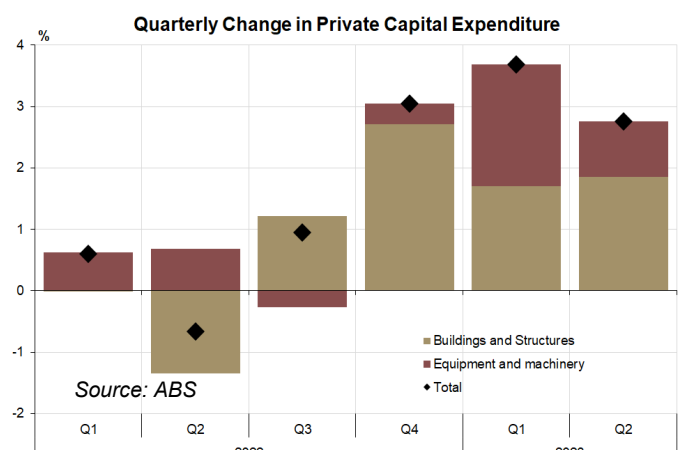
**Retail sales** saw an increase due to the Women's World Cup in July, but annual growth continued to weaken.



**New home loans** and **dwelling approvals** both fell in July.

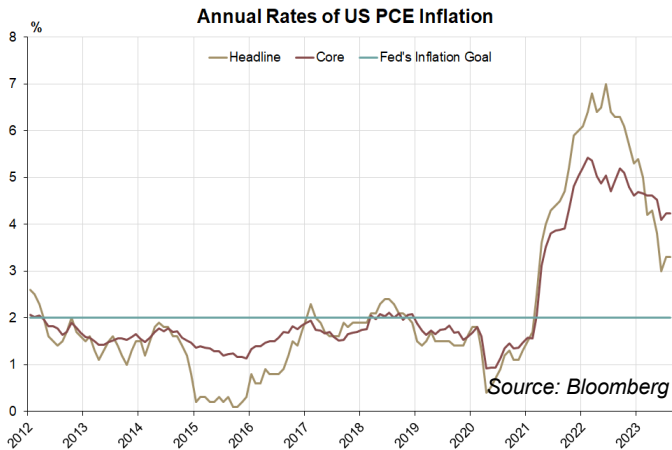


**Private sector capex** saw another solid increase in both major categories in Q2.

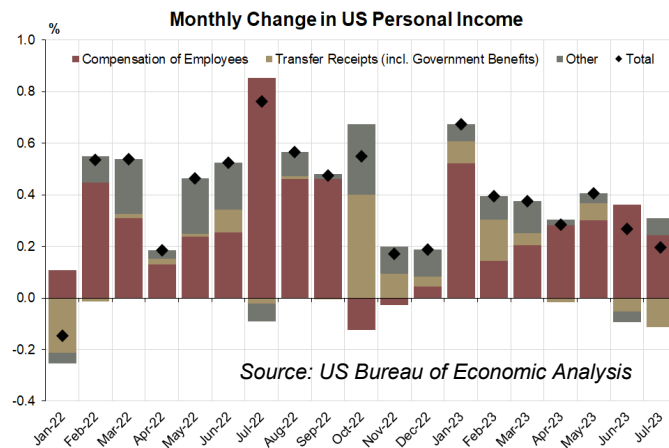


### GLOBAL ECONOMY

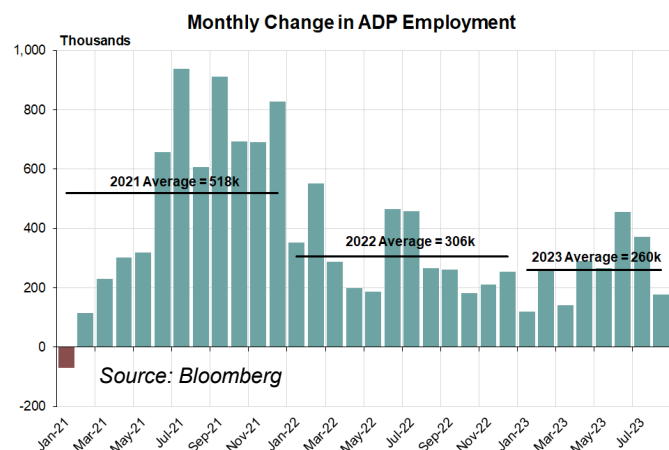
The **PCE price indices** for July suggest that disinflation could be stalling in the US.



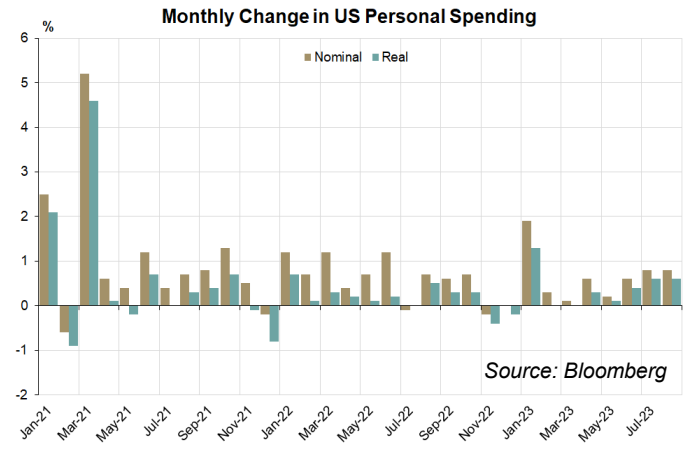
Solid US consumption growth is supported by a steady increase in wages...



According to the **ADP report**, August saw a below-average increase in employment in the US.



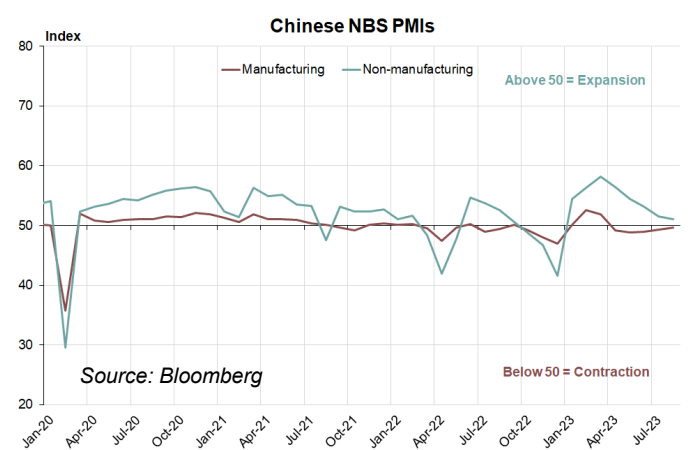
US consumer spending posted another strong rise in July, both in nominal and real terms.



... as the US labour market remains very tight despite the recent fall in **JOLTS job openings**.



Chinese **NBS PMIs** pointed to further stagnation in manufacturing and a slowdown in services growth in August.



## KEY ECONOMIC EVENTS

*This Week*

	Event	Actual	Forecast	Previous	Comment
<b>Mon 28</b>					
AU	Retail Sales (MoM, Jul)	0.5%	0.3%	-0.8%	Partly helped by the 2023 FIFA Women's World Cup.
<b>Tue 29</b>					
AU	ANZ Cons. Conf. (w/e 26 Aug)	3.0%	-	-3.1%	Inflation expectations down 0.3ppts to 5.2%.
US	C-S Hse Price Index (MoM, Jun)	0.9%	0.8%	1.0%	Down 1.2% YoY.
US	Conf. Board Cons. Conf. (Aug)	106.1	116.0	114.0	July figures revised downwards.
US	JOLTS Job Openings (Jul)	8.8m	9.5m	9.2m	The lowest level since March 2021.
<b>Wed 30</b>					
AU	Monthly CPI Indicator (YoY, Jul)	4.9%	5.2%	5.4%	Annual trimmed mean inflation down 0.4ppts to 5.6%.
AU	Building Approvals (MoM, Jul)	-8.1%	-0.5%	-7.9%	The downside surprise due to lower unit approvals.
AU	Construction Work Done (QoQ, Q2)	0.4%	0.9%	3.8%	Residential construction growth was flat in Q2.
US	Pending Home Sales (MoM, Jul)	0.9%	-1.0%	0.4%	June increase revised up 0.1ppts.
US	ADP Employment (MoM, Aug)	177k	195k	371k	The slowest growth since March.
US	GDP (QoQ ann., Q2, 2nd est.)	2.1%	2.4%	2.4%	Annualised PCE inflation revised down 0.1ppts.
<b>Thu 31</b>					
AU	Private Sector Capex (QoQ, Q2)	2.8%	1.0%	3.7%	Plant and equipment capex up 1.9% in the quarter.
AU	Private Sector Credit (MoM, Jul)	0.3%	0.3%	0.3%	Personal credit growth accelerated to 0.5% MoM.
CH	NBS Composite PMI (Aug)	51.3	-	51.1	Non-manufacturing PMI declined 0.5ppts to 51.0.
EZ	HICP (YoY, Aug, flash)	5.3%	5.1%	5.3%	Core inflation fell 0.2ppts to 5.3%, as expected.
US	Personal Spending (MoM, Jul)	0.8%	0.7%	0.6%	US real personal spending up 0.6% in July.
US	PCE Price Index (MoM, Jul)	0.2%	0.2%	0.2%	The annual rate is up 0.3ppts to 3.0%.
US	Initial Jobless Claims (w/e 26 Aug)	228k	235k	232k	Continued claims rose to 1,725k in w/e 19 Aug.
<b>Fri 01</b>					
AU	CoreLogic Home Prices (MoM, Aug)	1.0%	-	0.8%	Perth home prices up 1.0% to a new record high.
AU	Housing Finance (MoM, Jul)	-1.2%	0.0%	-1.6%	Owner-occupier refinancing at a fresh series high.
CH	Caixin Manufacturing PMI (Aug)	51.0	49.0	49.2	New export orders remained in contraction in Aug.
<b>Tonight</b>					
US	ISM Manufacturing PMI (Aug)	-	47.0	46.4	Has been in contraction (below 50) for nine months.
US	Non-farm Payrolls (MoM, Aug)	-	170k	187k	ADP report suggests a possible downside surprise.
US	Unemployment Rate (Aug)	-	3.5%	3.5%	The Fed's longer-run estimate is 4.0%.

*Next Week*

	Event	Forecast	Previous	Comment
<b>Mon 04</b>				
AU	Melbourne Institute Inflation (MoM, Aug)	-	0.8%	PMIs pointed to further disinflation.
<b>Tue 05</b>				
AU	RBA Decision (Cash Rate Target)	4.10%	4.10%	Market pricing suggests cash rate has likely peaked.
CH	Caixin Services PMI (Aug, flash)	53.5	54.1	NBS PMI report suggests slower expansion.
<b>Wed 06</b>				
AU	GDP (QoQ, Q2)	0.3%	0.2%	Annual growth expected to slow to 1.8% from 2.3% in Q1.
US	ISM Services PMI (Aug)	52.4	52.7	US services sector remains resilient.
<b>Thu 07</b>				
AU	Trade Balance (Aug)	A\$10.0b	A\$11.3b	Australia continues to boast supersized trade surpluses.
AU	Speech by RBA Governor Philip Lowe	-	-	Governor Lowe's final appearance at Anika Foundation.
CH	Trade Balance (Jul)	US\$73.5b	US\$80.6b	Chinese trade turnover has been falling for two months.
<b>Fri 08</b>	No market-moving data.			