

THIS WEEK'S HIGHLIGHTS

- In Australia, the monthly CPI indicator suggested that the annual rate of consumer price inflation declined to 5.6% in May, while retail sales rose more than expected.
- Abroad, US Q1 GDP growth was revised significantly upwards. US durable goods orders saw another solid increase in May, while the Conference Board consumer confidence index surged in June.

NEXT WEEK'S HIGHLIGHTS

- It will be another busy week domestically. The most important event will be the RBA cash rate decision on Tuesday, which looks like it will be a close call. Monday will see a lot of housing market data (on May housing finance, May building approvals and June home prices). There is also the trade balance for May on Thursday.
- The major events abroad will be the FOMC minutes, the US and Chinese PMIs as well as US labour force data.

Central Bank Rates (%)			Australian Interest Rates (%)			Major Overseas Interest Rates (%)			Global Equities		
		Weekly Change			Weekly Change			Weekly Change			Weekly Change
Australia	4.10	(0 pt)	O/N Interbank Cash	4.07	(0 pt)	USD 3-month	5.54	(0 pt)	ASX200	7189	(↑44 pt)
US (IOR)	5.15	(0 pt)	90-day Bills	4.35	(↑3 pt)	2-yr T-Notes	4.87	(↑8 pt)	S&P500	4396	(↑14 pt)
Eurozone	3.50	(0 pt)	3-yr T-Bond	4.03	(↓4 pt)	10-yr T-Notes	3.84	(↑5 pt)	DJIA	34122	(↑175 pt)
UK	5.00	(0 pt)	10-yr T-Bond	4.00	(↓3 pt)	Jap 10-yr	0.40	(↑2 pt)	Nikkei	33059	(↓157 pt)
Japan	-0.10	(0 pt)	3-yr WATC Bond	4.33	(↓3 pt)	UK 10-yr	4.36	(↓2 pt)	CSI300	3842	(↓22 pt)
China (1Y LPR)	3.55	(0 pt)	10-yr WATC Bond	4.53	(↓5 pt)	Ger 10-yr	2.41	(↓7 pt)	Stoxx600	457	(↑2 pt)

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

FINANCIAL MARKETS OVERVIEW

Interest Rates

US government bond yields picked up this week in reaction to comments by top central bank officials in Sintra that interest rates may remain higher for longer. Fed funds futures are now implying that, after a final 25bps hike in late July, the fed funds rate target range will be kept steady at 5.25-5.50% for the remainder of 2023.

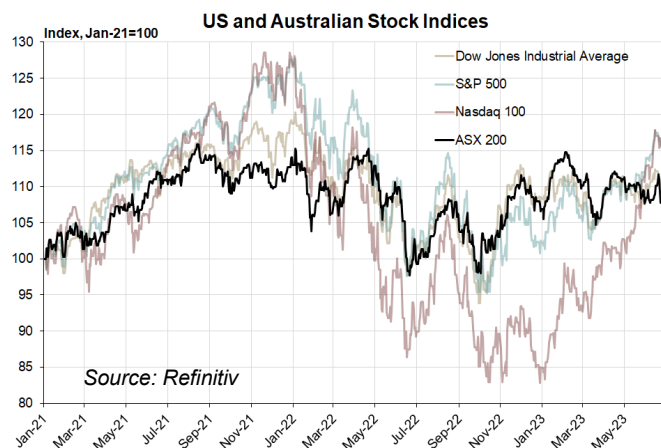
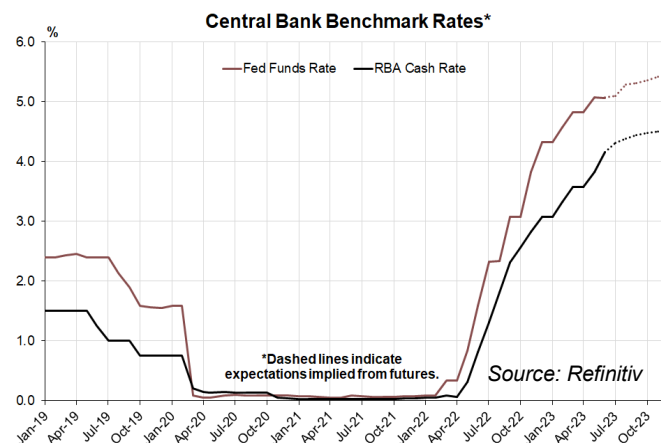
Aussie Commonwealth bond yields fell this week, mainly in reaction to the downside surprise to the monthly CPI indicator on Wednesday, which suggested that the annual rate of consumer price inflation declined to 5.6% in May. RBA cash rate expectations declined following the release, but rose again after the stronger-than-expected retail trade figures for May on Thursday. A 25bps hike is less than 50% priced in for the next week, however, while the peak of the tightening cycle is expected to be around 4.50% at the end of the year. Pricing for cash rate cuts has been pushed to well into 2024.

Equities

US equities have had a positive week, despite hawkish comments by central bank officials made at the ECB annual forum in Sintra, Portugal.

The rise in stock prices was supported by a streak of positive US economic data surprises this week, including durable goods orders for May, the third estimate of GDP growth in Q1 and initial jobless claims for last week.

The ASX 200 followed Wall Street higher, receiving additional support from a decline in RBA cash rate expectations after the downside surprise to the monthly CPI indicator on Wednesday, as well as the strong retail trade figures for May on Thursday. The ASX 200 saw a slight decline in early trade on Friday, but is up 0.6% from this time last week.



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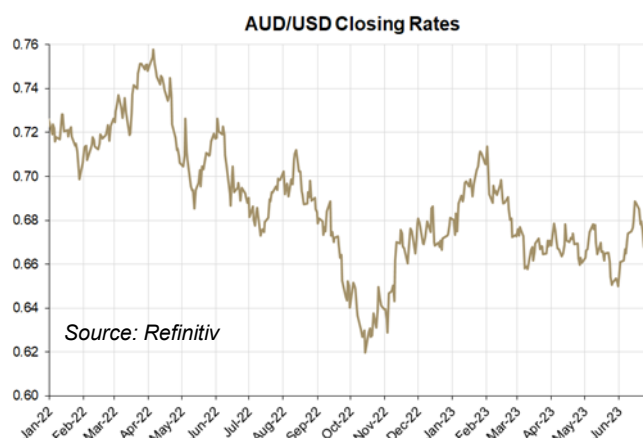
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Currencies

The Aussie dollar is on track for its second weekly decline in a row against the big dollar. The Aussie was initially pushed lower by a string of softer than expected PMI reports that suggested a broad-based slowdown across the major economies. This was followed by another sharp drop midweek after hawkish rhetoric from the world's top central bankers at the ECB central bank forum this week.

More broadly, the Aussie has been the weakest of the G10 currencies over the past week and has even softened against the weak Japanese yen, which has slumped to its lowest level against the greenback since November last year. The speed of the yen's slide prompted comments from the Japanese Finance Ministry hinting at possible intervention.



Spot rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6625	0.6767	0.6593	↓1.9	0.7157	0.6169
AUD/EUR		0.6092	0.6191	0.6037	↓1.1	0.7000	0.5953
AUD/GBP		0.5248	0.5330	0.5195	↓1	0.6260	0.5195
AUD/JPY		95.88	96.84	95.12	↓0.6	98.43	86.03
AUD/CNY		4.8029	4.8853	4.7748	↓0.9	4.9200	4.4365
EUR/USD		1.0871	1.1011	1.0841	↓0.7	1.1095	0.9534
GBP/USD		1.2623	1.2838	1.2589	↓0.9	1.2848	1.0382
USD/JPY		144.72	145.07	141.59	↑1.3	151.94	127.21
USD/CNY		7.2486	7.2486	7.1775	↑1	7.3270	6.6732

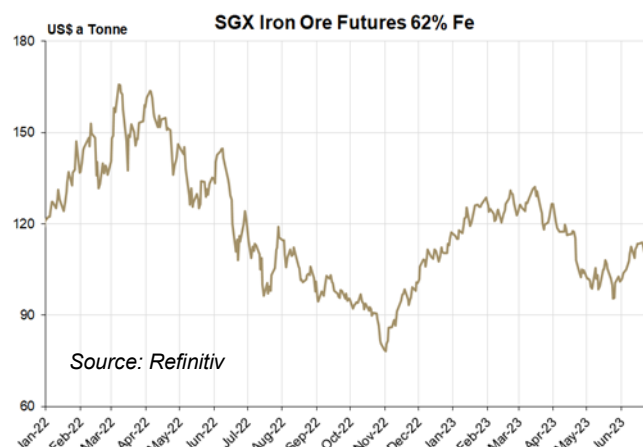
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6625	0.6642	0.6657	0.6675
AUD/EUR		0.6092	0.6078	0.6060	0.6028
AUD/GBP		0.5248	0.5259	0.5273	0.5310
AUD/JPY		95.88	94.76	93.49	91.10
AUD/NZD		1.0878	1.0911	1.0936	1.0974
AUD/SGD		0.8981	0.8970	0.8953	0.8903

Commodities

Commodities have mainly slipped against the stronger US dollar over the past week, with the CRB commodity price index falling to a 2½-week low.

Oil prices managed to hold their own, after falling early, boosted by news of a second successive weekly drop in US oil inventories that eased concerns over falling demand.

Iron ore futures prices climbed in the first half of the week but gave up some of the earlier gains on Thursday. The decline appears to have been driven by reports that restrictions on sintering machines will be introduced in the Chinese steelmaking hub of Tangshan in an effort to combat emissions, which will flow through to reduced steel production.



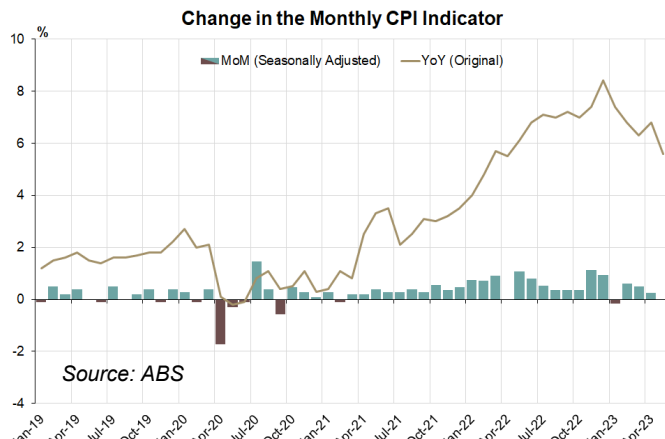
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$1,908.06	\$1,936.60	\$1,892.82	(↓\$6.23)	\$2,072.19	\$1,613.60
Brent Crude Oil (US\$)	\$74.64	\$74.98	\$71.57	(↑\$0.54)	\$116.67	\$70.12
Mogas95* (US\$)	\$89.55	\$93.68	\$89.55	(↓\$4.08)	\$156.74	\$82.60
WTI Oil (US\$)	\$69.95	\$70.60	\$67.05	(↑\$0.55)	\$111.45	\$63.64
CRB Index	259.08	265.72	259.08	(↓6.64)	301.75	253.85
Iron Ore Price 62% Fe (US\$) **	\$112.80	\$113.75	\$106.25	(↑\$1.14)	\$133.20	\$75.30

*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

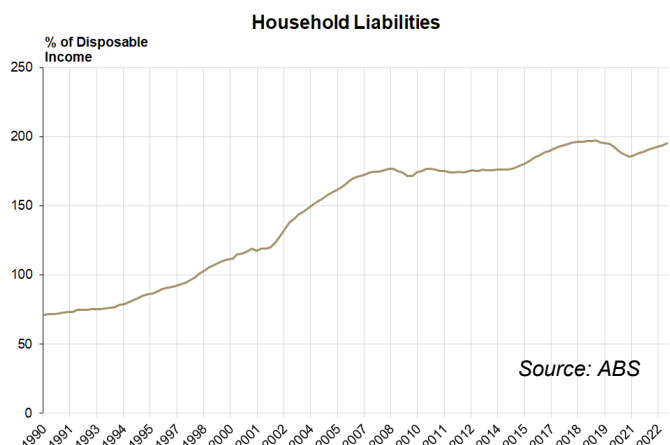
The **monthly CPI indicator** pointed to a decline in the annual rate consumer price inflation in May.



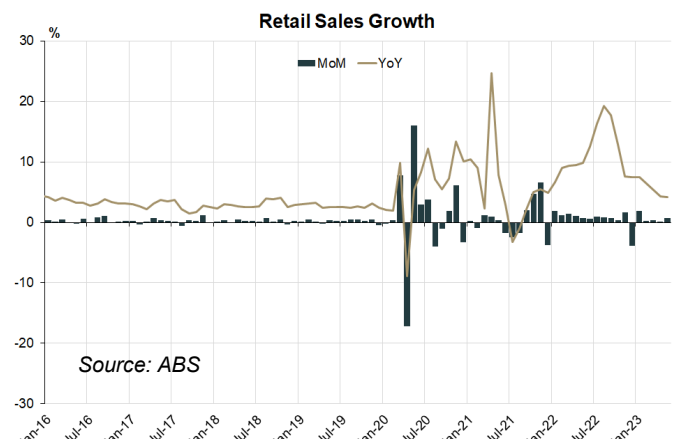
The **labour market** remains exceptionally tight, suggesting further upward pressure on wages.



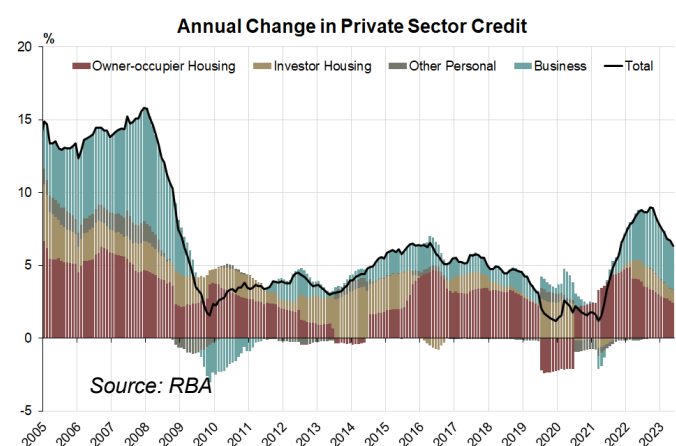
Household sector liabilities are worth around two years of disposable income.



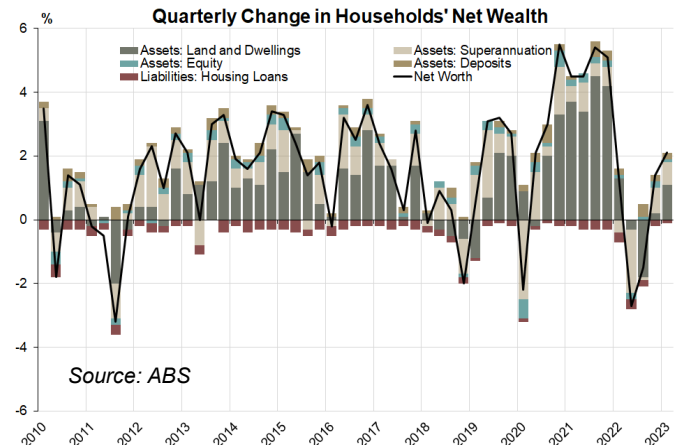
Retail sales picked up in May due to increased promotional activity, but continued to normalise in annual terms.



Private sector credit growth is slowing, driven by owner-occupier housing loans.

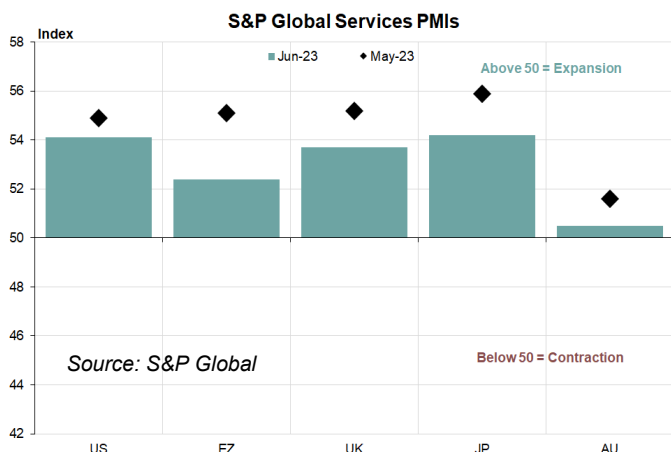


Household net wealth continued to rise in Q1, helped by a renewed increase in the value of land and dwellings.

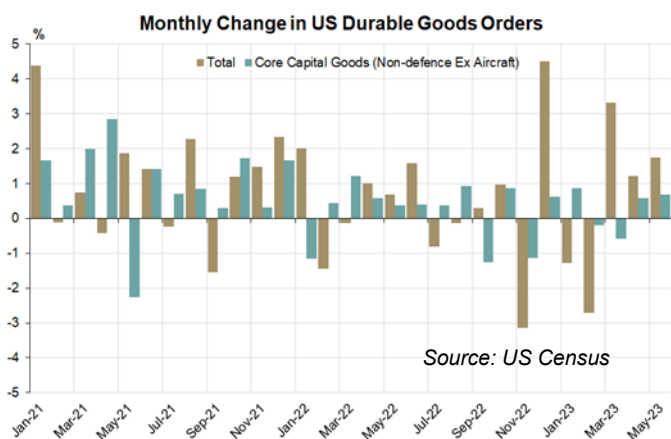


GLOBAL ECONOMY

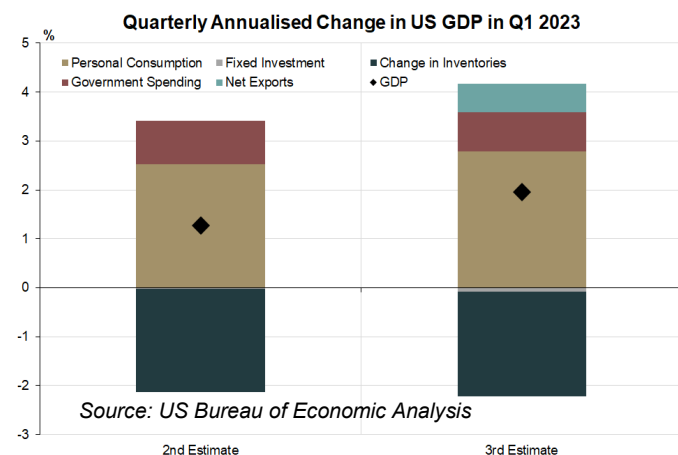
The S&P Global PMI reports pointed to a slowdown in expansion in services across the advanced economies.



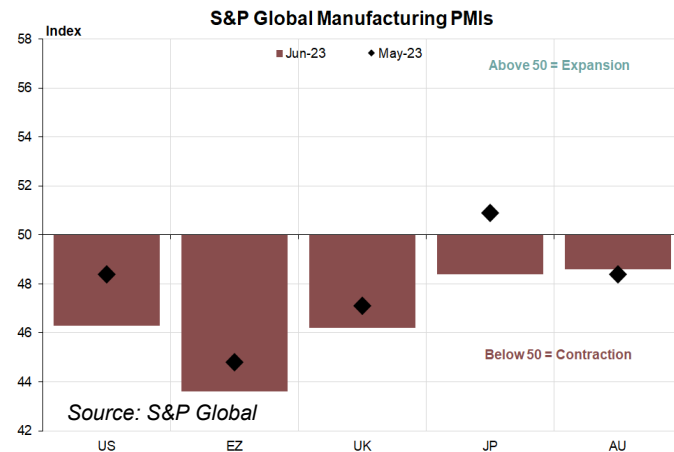
However, US durable goods orders saw a second consecutive monthly increase in May.



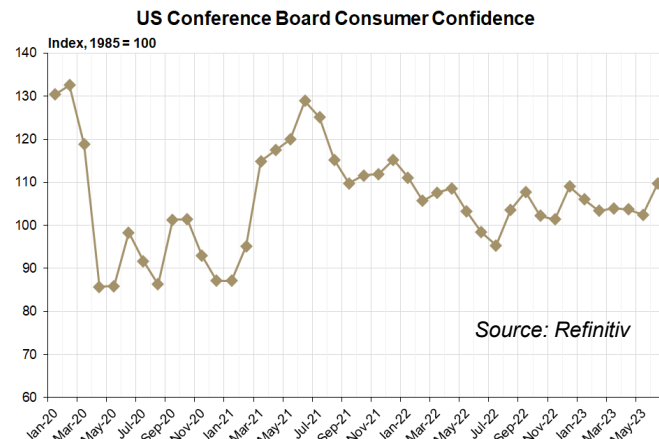
US Q1 GDP growth was revised upwards, thanks to up-grades to private consumption and net exports.



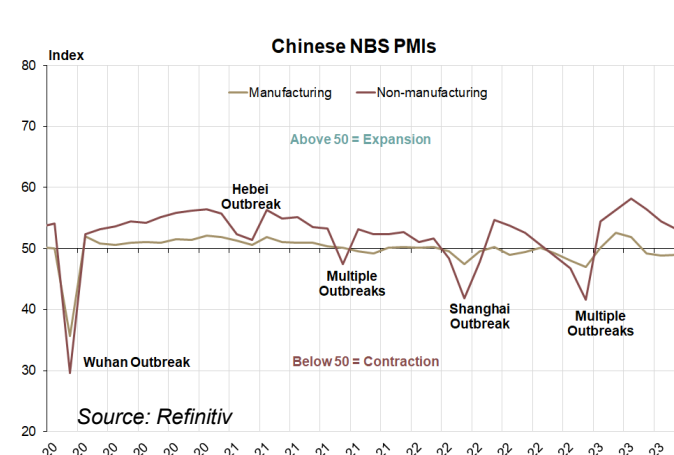
Manufacturing saw a faster decline in activity in the US and Europe and slipped into contraction in Japan.



US consumer confidence has picked up, but remains subdued.



Chinese NBS PMIs pointed to further slowdown in services and stagnant activity in manufacturing.



WESTERN AUSTRALIAN TREASURY CORPORATION

Market WATCH Weekly

30 June 2023

KEY ECONOMIC EVENTS

This Week

	Event	Actual	Forecast	Previous	Comment
Mon 26	<i>No market moving data.</i>				
Tue 27					
AU	ANZ Consumer Conf. (w/e 24 Jun)	3.5%	-	-0.4%	Inflation expectations jumped 0.4ppts to 5.9%.
US	Durable Goods Orders (MoM, May)	1.7%	-1.1%	1.2%	Core capital goods orders picked up by 0.7%.
US	Conf. Board Cons. Confidence (Jun)	109.7	103.6	102.5	The highest level since January 2022.
US	C-S Hse Prices 20 Cities (YoY, Apr)	-1.7%	-2.3%	-1.1%	Saw the third consecutive monthly increase.
Wed 28					
AU	Monthly CPI (YoY, May)	5.6%	6.1%	6.8%	Driven by lower prices of fuel and holiday expenses.
Thu 29					
AU	Retail Trade (MoM, May)	0.7%	0.1%	0.0%	Helped by the earlier EoFY sales.
AU	Job Vacancies (QoQ, Q2)	-2.0%	-	-1.5%	1.2 officially unemployed people per a job vacancy.
AU	Nat. Accounts: Fin. and Wealth (Q1)	-	-	-	Household debt continued to climb in Q1.
US	GDP (QoQ, Q1, final)	2.0%	1.4%	2.6%	Upward revision to private consumption and exports.
US	Initial Jobless Claims (w/e 24 Jun)	239k	265k	265k	Came back to levels from late May.
Fri 30					
AU	Private Sector Credit (MoM, May)	0.4%	0.4%	0.6%	Pace of monthly growth in business credit halved.
CH	NBS Composite PMI (Jun)	52.3	-	52.9	The slowest expansion so far this year.
Tonight					
EZ	HICP (YoY, Jun, flash)	-	5.6%	6.1%	Core inflation expected to be steady at 5.3%.
US	Personal Spending (MoM, May)	-	0.2%	0.8%	Retail trade report suggested only a moderate gain.
US	PCE Price Index (MoM, May)	-	3.8%	4.4%	Core PCE price inflation forecast to remain at 4.7%.

Next Week

	Event	Forecast	Previous	Comment
Mon 03				
AU	Dwelling Approvals (MoM, May)	4.2%	-8.1%	Aussie housing market structurally short of supply.
AU	Housing Finance (MoM, May)	1.4%	-2.9%	Refinancing activity remains strong.
AU	CoreLogic House Price Index (MoM, Jun)	-	1.2%	First insights into the housing market in June.
AU	Melb. Institute Inflation Gauge (MoM, Jun)	-	0.9%	Has been a poor indicator for the monthly CPI.
CH	Caixin Manufacturing PMI (Jun)	50.0	50.9	Official PMIs suggest further stagnation.
US	ISM Manufacturing PMI (Jun)	47.1	46.9	S&P Global report also points to further contraction.
Tue 04				
AU	RBA Board Decision (Cash Rate Target)	4.10%	4.10%	A 50-50 chance of another 25bps hike.
Wed 05				
CH	Caixin Services PMI (Jun)	56.2	57.1	Official PMIs point to a slowdown.
US	ADP Employment (monthly change, Jun)	250k	278k	Has been a poor indicator of the official payrolls report.
US	FOMC Minutes	-	-	May provide much-needed clarity about the Fed outlook.
Thu 06				
AU	Trade Balance (May)	A\$11.0b	A\$11.2b	Has been above A\$10b for eight months.
US	ISM Services PMI (Jun)	54.1	54.9	Expansion in services expected to remain strong.
US	JOLTS Job Openings (May)	-	10.1m	US labour market remains very tight.
Fri 07				
US	Non-farm Payrolls (monthly change, Jun)	200k	339k	US labour market has been showing great resilience.
US	Unemployment Rate (Jun)	3.6%	3.7%	Has been below Fed's long run estimate for 1.5 years.