

THIS WEEK'S HIGHLIGHTS

- In Australia, RBA minutes showed that the RBA Board discussed a pause at the June meeting, which led to a decline in cash rate expectations. Judo Bank flash PMIs pointed to a slower pace of expansion in the private sector in June.
- Abroad, Fed Chair Jerome Powell maintained the hawkish tone at the hearings before the Congress this week, while the Bank of England delivered a larger-than-expected rate hike. The People's Bank of China continued to ease its monetary policy, though the pace of this easing was disappointing for some. US initial jobless claims remained the highest since late 2021.

NEXT WEEK'S HIGHLIGHTS

- It will be another busy week at home, with the monthly CPI indicator due on Wednesday, the retail trade report scheduled for Thursday and private sector credit figures coming out on Friday. All those releases are for the month of May.
- The major highlights abroad will be the Chinese NBS PMIs for June as well as the US personal income and outlays report for May, which will contain PCE inflation targeted by the Fed.

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	(↑3 pt)	ASX200	7145	(↓71 pt)
US (IOR)	5.15	(0 pt)	90-day Bills	4.32	(↑4 pt)	2-yr T-Notes	4.79	(↑11 pt)	S&P500	4382	(↓44 pt)
Eurozone	3.50	(0 pt)	3-yr T-Bond	4.07	(↑6 pt)	10-yr T-Notes	3.79	(↑5 pt)	DJIA	33947	(↓461 pt)
UK	5.00	(↑50 pt)	10-yr T-Bond	4.03	(↑2 pt)	Jap 10-yr	0.38	(↓5 pt)	Nikkei	33216	(↓82 pt)
Japan	-0.10	(0 pt)	3-yr WATC Bond	4.36	(↑5 pt)	UK 10-yr	4.38	(↓1 pt)	CSI300	3864	(↓68 pt)
China (1Y LPR)	3.55	(↓10 pt)	10-yr WATC Bond	4.58	(0 pt)	Ger 10-yr	2.48	(↓2 pt)	Stoxx600	455	(↓9 pt)

FINANCIAL MARKETS OVERVIEW

Interest Rates

The RBA minutes released on Tuesday showed that a pause in monetary tightening was considered at the June meeting. However, the RBA Board opted for a 25bps cash rate hike, mainly to underscore its determination to bring inflation down to its target.

Following the release of minutes, cash rate expectations declined, with the probability of a 25bps hike in July dropping below 50%.

Aussie and US government bond yields rose this week. At the time of writing, 3-year Commonwealth bond yields are slightly higher than 10-year yields. An inverted yield curve historically precedes recessions.

The US sovereign yield curve inverted further, with increases at the front of the curve, as Fed Chair Jerome Powell maintained his hawkish tone at the Congress hearings midweek.

The Bank of England increased its bank rate by 50bps to 5.00%, against the 25bps hike consensus. The Norges Bank also delivered a supersized 50bps hike this week, while the Swiss National Bank increased its policy rate by 25bps.

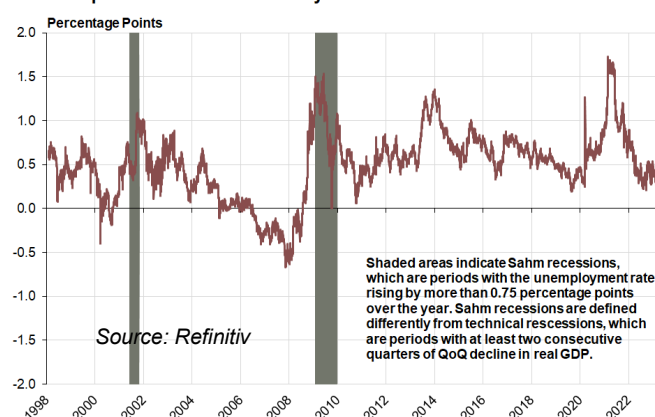
The People's Bank of China reduced the one- and five-year loan prime rates by 10bps to 3.55% and 4.10%, respectively. This was slightly less than hoped by some market participants.

Equities

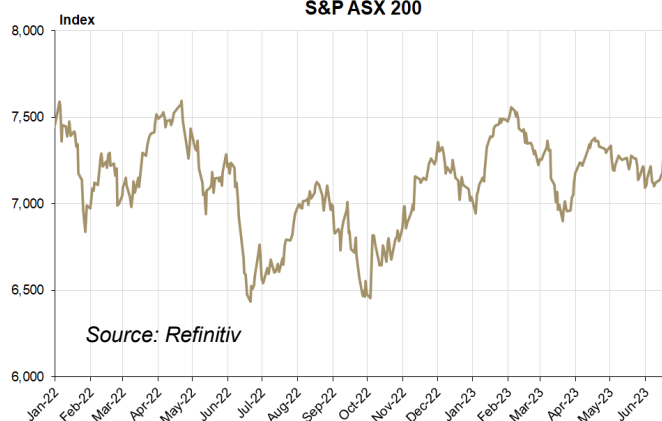
This was a somewhat disappointing week for equities, which were hit by the hawkish tone struck by Chair Powell in US Congress on Wednesday and Thursday. Sentiment was also dented by a lack of ground-breaking news on Chinese stimulus that investors had been hoping for some time.

The Aussie market also saw considerable losses, particularly towards the end of the week. The declines were contained by RBA Board minutes that were widely perceived as not as hawkish as the statement following the meeting in early June. At the time of writing, the ASX 200 is heading for a 1.0% fall for the week.

Spread between 10- and 3-year Commonwealth Bond Yields



S&P ASX 200



For further information, please contact:

Craig McGuinness

Chief Economist

cmcguinness@watc.wa.gov.au

(08) 9235 9104

Patrycja Beniak

Economist

pbeniak@watc.wa.gov.au

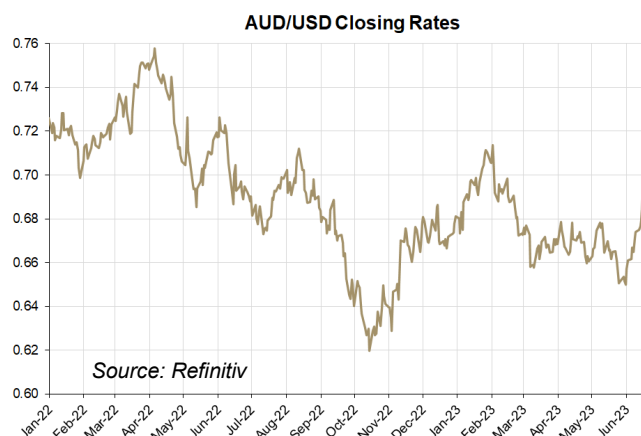
(08) 9235 9110

Currencies

The Australian dollar has had quite a challenging week, hit by weaker global sentiment, disappointment about the Chinese stimulus, a decline in iron ore prices and less hawkish RBA minutes.

The AUD was the second weakest G10 currency, surpassed only by the Japanese yen. The JPY was dragged down by the Bank of Japan's decision to maintain the ultra-expansionary monetary policy settings last Friday.

The strongest currency in the G10 basket was the Canadian dollar, supported by the re-emergence of expectations for further tightening by the Bank of Canada. The euro and Danish krone, which is pegged to the single currency, were also strong this week thanks to expectations for further tightening by the ECB.



Spot rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6751	0.6899	0.6739	↓1.8	0.7157	0.6169
AUD/EUR		0.6162	0.6309	0.6147	↓1.9	0.7000	0.5953
AUD/GBP		0.5300	0.5395	0.5287	↓1.5	0.6260	0.5210
AUD/JPY		96.47	97.67	95.07	↑0.2	98.43	86.03
AUD/CNY		4.8458	4.9200	4.8393	↓1.2	4.9200	4.4365
EUR/USD		1.0951	1.1011	1.0802	↑0.1	1.1095	0.9534
GBP/USD		1.2736	1.2848	1.2628	↓0.3	1.2848	1.0382
USD/JPY		142.91	143.23	139.83	↑2	151.94	127.21
USD/CNY		7.1779	7.1779	7.1051	↑0.6	7.3270	6.6731

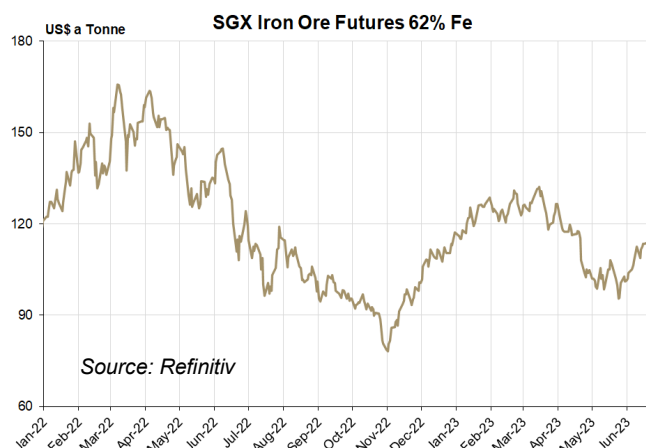
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6751	0.6767	0.6779	0.6792
AUD/EUR		0.6162	0.6149	0.6134	0.6097
AUD/GBP		0.5300	0.5311	0.5325	0.5352
AUD/JPY		96.47	95.36	94.15	91.62
AUD/NZD		1.0924	1.0955	1.0980	1.1013
AUD/SGD		0.9082	0.9075	0.9052	0.8999

Commodities

Commodity prices are mostly down for the week.

Iron ore futures were hit by disappointment about the stimulatory measures taken or hinted by the Chinese authorities. Friday saw the news that the Chinese cabinet had met to discuss a stimulus package, but agreed to introduce it only 'in a timely manner'. This was followed by a smaller-than-expected cut in loan prime rates on Tuesday.

Oil prices were also dragged down by disappointment about the Chinese stimulus. The declines were reinforced by the hawkish comments by Chair Powell. In addition, there were some news that raised hopes for slight easing in supply pressures. Iranian oil exports rose to five-year highs in May, while Iraq and Turkey began discussing reopening a pipeline to Ceyhan that had closed in March.



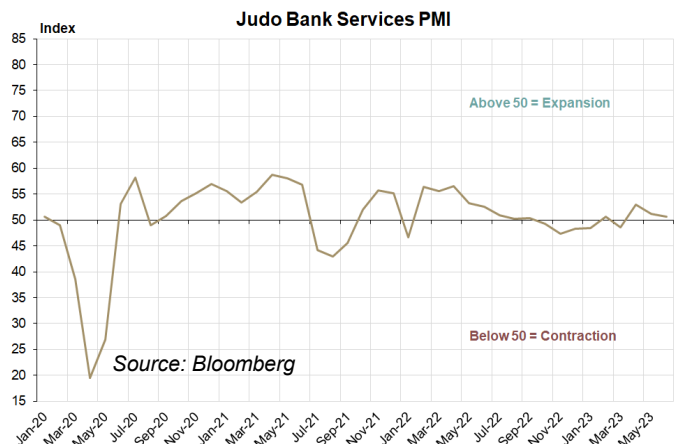
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$1,914.29	\$1,967.79	\$1,911.99	(↓\$42.9)	\$2,072.19	\$1,613.60
Brent Crude Oil (US\$)	\$74.10	\$77.24	\$73.59	(↓\$1.32)	\$120.41	\$70.12
Mogas95* (US\$)	\$93.63	\$98.68	\$93.05	(↑\$0.63)	\$161.20	\$82.60
WTI Oil (US\$)	\$69.40	\$72.72	\$68.93	(↓\$1.01)	\$114.05	\$63.64
CRB Index	265.72	270.91	265.72	(↓1.19)	301.75	253.85
Iron Ore Price 62% Fe (US\$) **	\$111.66	\$114.30	\$108.70	(↓\$1.71)	\$133.20	\$75.30

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

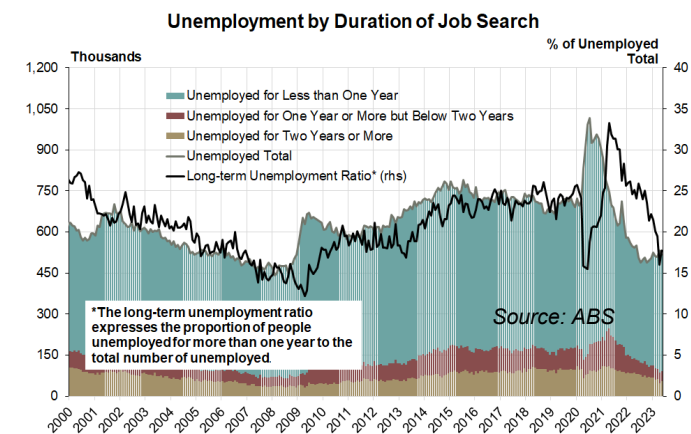
** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

DOMESTIC ECONOMY

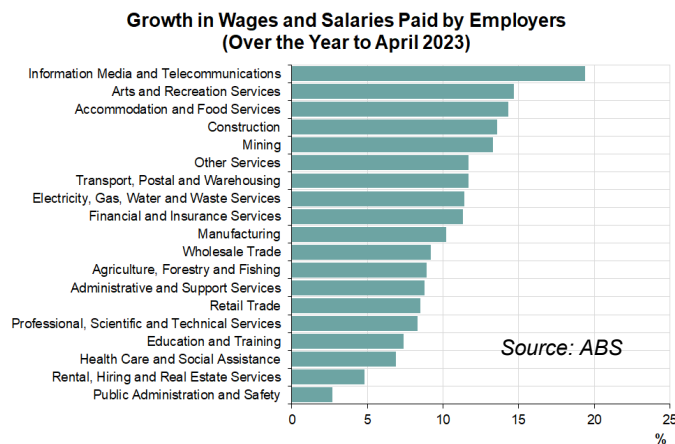
According to the **Judo Bank flash PMI report**, the pace of expansion in the services sector slowed June...



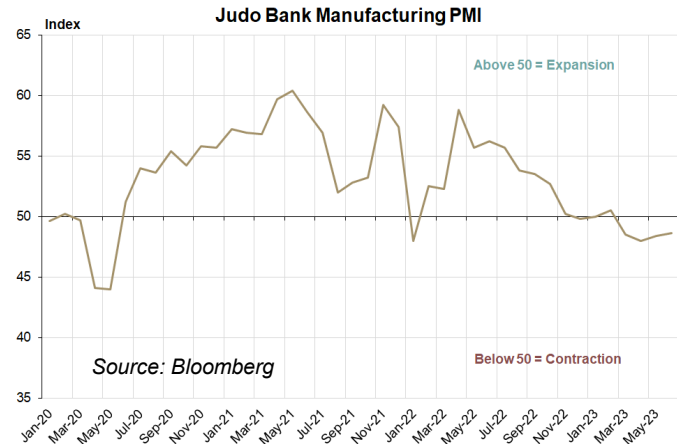
The long-term unemployment ratio saw a slight increase in May, but remains very low.



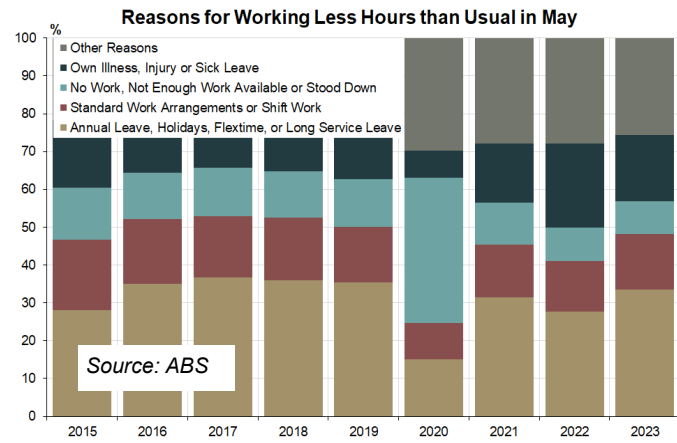
The pace of growth in wages and salaries paid by employers varies across the industries.



... while the **manufacturing sector** was still in contraction.



One of the key reasons for the decline in hours worked in May was people taking more leave than a year before.

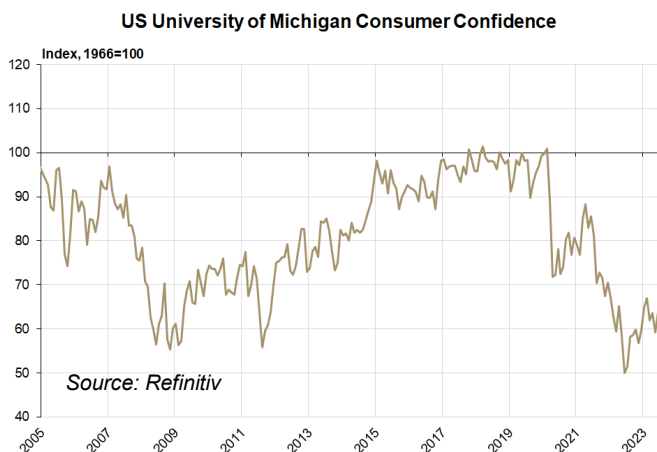


Western Australia saw the strongest increase in wages and salaries paid by employers over the year to April.

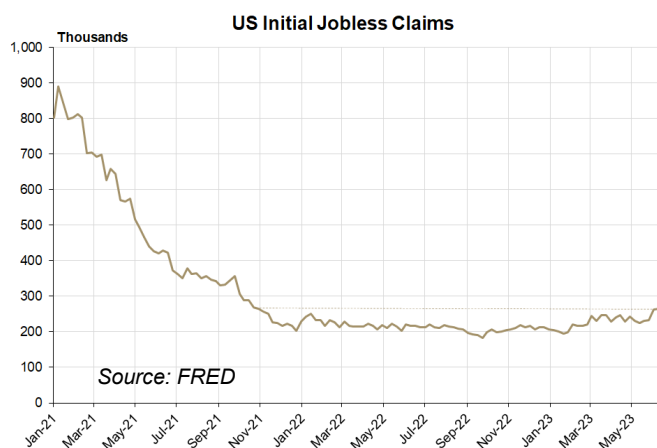


GLOBAL ECONOMY

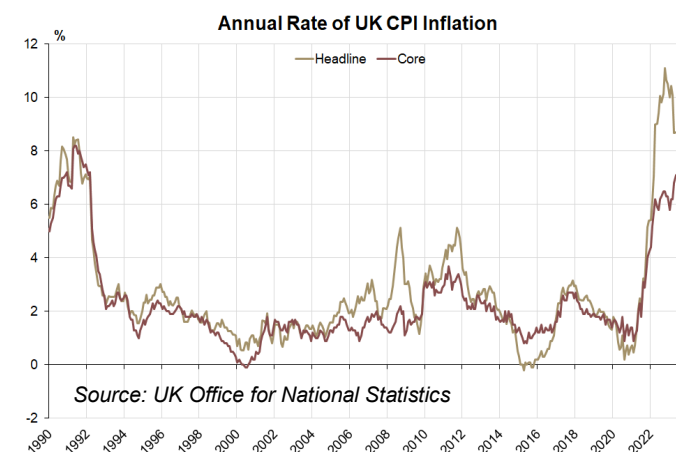
*Despite the recent improvement, **US University of Michigan consumer confidence** remains depressed.*



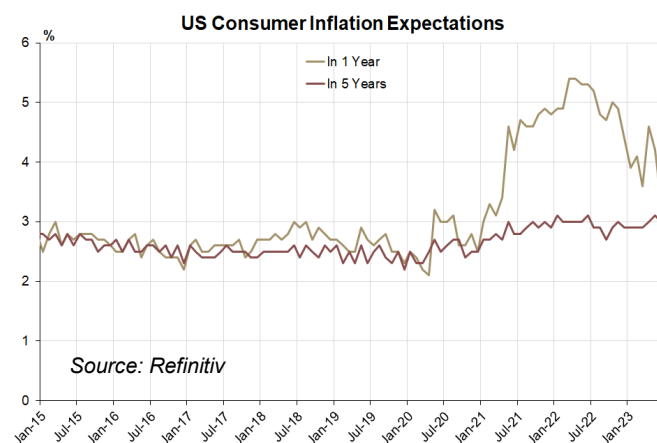
***US initial jobless claims** are at the highest levels since October 2021.*



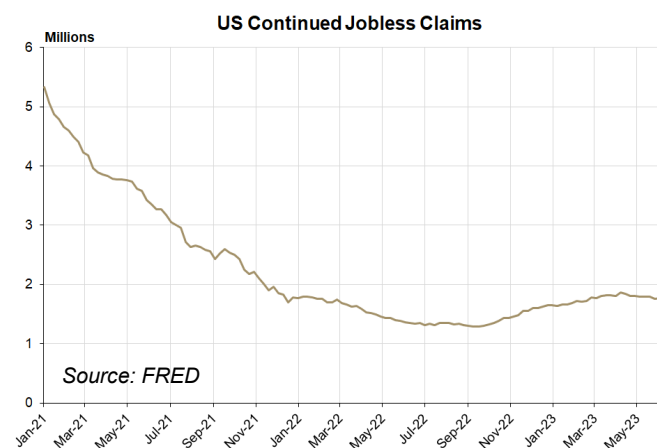
***UK CPI inflation** remained elevated in May, with core inflation rising to the highest level since March 1992.*



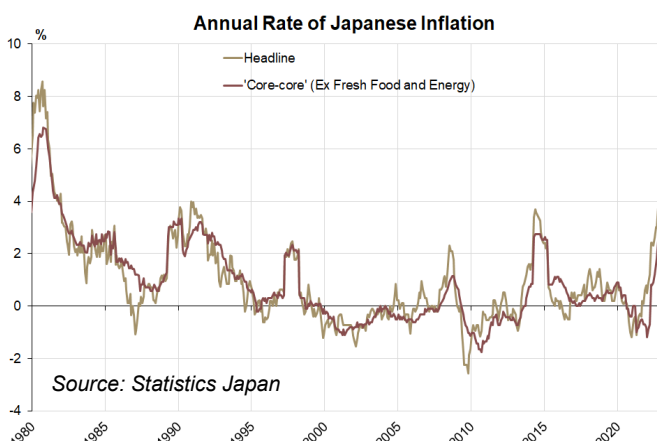
***US consumer inflation expectations** fell in June, but are still higher than before the COVID-19 pandemic hit.*



***US continued jobless claims** have stabilised around the highest levels since the turn of 2021 and 2022.*



***Japanese 'core-core' CPI inflation** rose to the highest level since mid-1981.*



WESTERN AUSTRALIAN TREASURY CORPORATION

Market WATCH Weekly

23 June 2023

KEY ECONOMIC EVENTS

This Week

	Event	Actual	Forecast	Previous	Comment
Mon 19	<i>No market moving data.</i>				
Tue 20					
AU	RBA Minutes (Jun)	-	-	-	July pause appears more likely after minutes.
AU	RBA Deputy Governor's Speech	-	-	-	RBA estimates that NAIRU is at least 4.5%.
AU	ANZ Consumer Conf. (w/e 17 Jun)	-0.4%	-	-4.1%	'Current financial conditions' subindex at record low.
CH	PBoC Decision (1Y LPR)	3.55%	3.55%	3.65%	Cut in the five-year rate was smaller than hoped.
Wed 21					
UK	CPI (YoY, May)	8.7%	8.4%	8.7%	Core inflation rose to 7.1%, the highest since 1992.
Thu 22					
UK	BoE Decision (Bank Rate)	5.00%	4.75%	4.50%	A nearly 6% cycle peak priced in by the markets.
US	Initial Jobless Claims (w/e 17 Jun)	264k	260k	264k	Remained at the highest level since late 2021.
Fri 23					
AU	Judo Bank Comp. PMI (Jun, flash)	50.5	-	51.6	The pace of expansion in services has slowed.
JP	Jibun Bank Comp. PMI (Jun, flash)	52.3	-	54.3	Japanese manufacturing fell back into contraction.
JP	CPI (YoY, May)	3.2%	3.2%	3.5%	'Core-core' inflation the highest since mid-1981.
Tonight					
EZ	HCOB Composite PMI (Jun, flash)	-	52.5	53.9	EZ manufacturing expected to remain in recession.
UK	S&P Global Comp. PMI (Jun, flash)	-	53.6	54.0	Contraction in UK manufacturing to deepen in June.
US	S&P Global Comp. PMI (Jun, flash)	-	53.5	54.3	Slight deceleration in US services growth is forecast.

Next Week

	Event	Forecast	Previous	Comment
Mon 26	<i>No market moving data.</i>			
Tue 27				
US	Durable Goods Orders (MoM, May)	-1.0%	1.1%	Business reports also suggest a decline.
US	Conference Board Cons. Conf. (Jun)	103.5	102.3	This index has a greater weighing on the labour market.
US	C-S Hse Price Index 20 Cities (YoY, Apr)	-	-0.8%	Saw a MoM increase in March.
Wed 28				
AU	Monthly CPI (YoY, May)	6.0%	6.8%	The expected YoY fall in inflation is due to base effects.
Thu 29				
AU	Retail Trade (MoM, May)	0.1%	0.0%	Aussie consumers are turning cautious.
AU	Job Vacancies (QoQ, Q2)	-	-1.5%	Monthly indicators suggest a further decline.
AU	National Accounts: Fin. and Wealth (Q1)	-	-	Insights into households' balance sheets.
US	GDP (QoQ, Q1, final)	1.4%	2.6%	0.1ppts upward revision expected.
Fri 30				
AU	Private Sector Credit (MoM, May)	0.4%	0.6%	Credit growth is slowing amid RBA tightening.
CH	NBS Composite PMI (Jun)	-	52.9	First insights into the Chinese economic activity in June.
EZ	HICP (YoY, Jun, flash)	5.6%	6.1%	Core inflation to remain unchanged at 5.3%.
US	Personal Spending (MoM, May)	0.2%	0.8%	Retail trade report also suggested only a moderate gain.
US	PCE Price Index (YoY, May)	3.8%	4.4%	Core PCE forecast to remain at 4.7%.