

Economic Analysis

Daily Report 19 March 2024

Interest Rates (%)			FX			Commodities US\$		
Australia			AUD/USD	0.6556	0.0%	WTI Crude Oil	82.75	\$1.66
90-day Bill	4.35	-1	AUD/JPY	97.80	0.0%	Brent Crude Oil	86.91	\$1.54
3-year Bond	3.74	-3	AUD/EUR	0.6030	0.1%	Mogas95*	103.86	\$0.91
10-year Bond	4.14	-2	AUD/GBP	0.5153	0.0%	CRB Index	287.24	2.61
			AUD/NZD	1.0786	0.1%	Gold	2162.29	\$6.30
			AUD/CNY	4.7189	-0.1%	Silver	25.08	-\$0.07
US			EUR/USD	1.0874	-0.1%	Iron Ore (62% Fe)**	103.05	\$3.40
2-year	4.73	0	USD/JPY	149.16	0.1%	Iron Ore (23-24 Average)	120.62	-\$0.07
10-year	4.33	2	USD/CNY	7.1984	0.0%	Copper	9089.00	\$17.00
			RBA Policy			Equities		
			O/N Cash Rate Target	4.35		ASX200	7682	24
			Interbank O/N Cash Rate	4.32		Dow Jones	38790	76
			Probability of a 25bps Cut in Mar	0.0%		S&P500	5149	32
			RBA Bond Holdings (29 Feb)	A\$335.5b		Stoxx600	504	-1
						CSI300	3604	34
Other 10-year								
Japan	0.77	-2						
Germany	2.46	2						
UK	4.09	-1						

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

**Iron ore is the second SGX futures contract.

US stocks rose overnight, supported by strong gains in communication technology amid news that Apple is in talks with Google about incorporating its Gemini artificial intelligence service into the iPhone system. Gains were recorded in all sectors but health care and real estate. This followed declines in Europe and increases in most of the Asia-Pacific.

US 10-year Treasury yields picked up to fresh 2024 highs, as fed funds rate cut expectations continued to dwindle. Japanese government bond yields declined amid uncertainty over the Bank of Japan decision later today, with the consensus being for no change, although speculation is mounting for an exit from the negative interest rate policy.

In local markets, the ASX 200 closed 0.1% lower yesterday, with gains and losses equally split across sectors and a strong decline in the interest-rate sensitive real estate sector.

The Australian dollar is little changed and Commonwealth bond yields declined ahead of the RBA meeting. No changes are expected, but the post-meeting statement and press conference will be closely followed for any forward guidance. Similar to the fed funds rate, RBA rate cut expectations are being gradually scaled back, but the first reduction is still fully priced in for September.

Data-wise, the Chinese industrial production and urban fixed asset investment data for the first two months of the year surprised to the upside, though partly thanks to the low base from the previous year. Industrial production rose 7.0% YoY YtD, against the consensus expectation for a 5.2% increase, while urban fixed asset investment rose by 4.2% YoY YtD (mkt exp. 3.2%). However, property investment fell a greater-than-expected 9.0% YoY YtD against market expectations of an 8.0% fall. Retail sales growth came broadly in line with expectations at 5.5% YoY YtD versus 5.6% expected.

The upside surprise to the Chinese industrial production and investment data supported commodity prices. Iron ore futures bounced 3.8% but remained down 26.2% year-to-date. Oil prices surged by around 2%, supported by reports of production cuts in Iraq and more Ukrainian drone strikes on Russian refineries.

ECONOMIC DATA REVIEW

- **CH:** Retail Sales (YoY YtD, Jan-Feb) – Actual 5.5%, Expected 5.6%, Previous 7.4%.
- **CH:** Industrial Production (YoY YtD, Jan-Feb) – Actual 7.0%, Expected 5.2%, Previous 6.8%.
- **CH:** Urban Fixed Asset Investment (YoY YtD, Jan-Feb) – Actual 4.2%, Expected 3.2%, Previous 3.0%.

ECONOMIC DATA PREVIEW

- **AU:** RBA Board Decision (Cash Rate Target) – Expected 4.35%, Previous 4.35%.
- **JP:** Bank of Japan Decision (Policy Balance Rate) – Expected -0.10%, Previous -0.10%.

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