

### THIS WEEK'S HIGHLIGHTS

- In Australia, the NAB business conditions index was stable but remained solid in June, while business confidence improved but remained soft. The Westpac consumer sentiment index improved in July, however consumers remain depressed. Payroll jobs rose again in the month to 10 June, while total wages climbed.
- [Moody's Investors Service](#) has upgraded Western Australia's credit rating to the top 'Aaa', with a 'stable' outlook.
- Abroad, US CPI inflation continued to decline in June. The fall in Chinese exports and imports accelerated in June. Chinese consumer price growth stalled in June, while PPI deflation deepened.

### NEXT WEEK'S HIGHLIGHTS

- The key domestic events next week will be RBA Board minutes on Tuesday and June labour force survey on Thursday.
- The highlights offshore include Chinese Q2 GDP and June activity numbers on Monday and the US retail sales and industrial production data for June on Tuesday.

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	5.57	(↑3 pt)	ASX200	7272	(↑219 pt)
US (IOR)	5.15	(0 pt)	90-day Bills	4.29	(↓1 pt)	2-yr T-Notes	4.64	(↓36 pt)	S&P500	4510	(↑98 pt)
Eurozone (Deposit)	3.50	(0 pt)	3-yr T-Bond	3.91	(↓36 pt)	10-yr T-Notes	3.77	(↓27 pt)	DJIA	34395	(↑473 pt)
UK	5.00	(0 pt)	10-yr T-Bond	3.98	(↓27 pt)	Jap 10-yr	0.48	(↑5 pt)	Nikkei	32301	(↓305 pt)
Japan	-0.10	(0 pt)	3-yr WATC Bond	4.26	(↓37 pt)	UK 10-yr	4.45	(↓21 pt)	CSI300	3897	(↑71 pt)
China (1Y LPR)	3.55	(0 pt)	10-yr WATC Bond	4.59	(↓26 pt)	Ger 10-yr	2.44	(↓19 pt)	Stoxx600	461	(↑14 pt)

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

## FINANCIAL MARKETS OVERVIEW

### Interest Rates

Government bond yields are down sharply for the week, with much of the fall coming after the downside surprise to the US CPI figures for June on Wednesday night.

In his speech on Wednesday, RBA Governor Philip Lowe sounded slightly dovish, saying that 'it remains to be determined whether monetary policy has some work to do' and that it will depend on how 'the economy and inflation evolve'. He added that the RBA Board will assess the 'many cross-currents' (upside and downside) affecting the inflation outlook.

Governor Lowe also announced some changes to the RBA monetary policy framework, including less frequent RBA Board meetings (eight instead of 11 a year).

Governor Lowe's dovish tilt resulted in a decline in cash rate expectations, with a 25bps hike now just around 30% priced in for August and the peak expected to be below 4.50% in early 2024.

Today saw the news that current RBA deputy governor Michele Bullock will succeed Philip Lowe as the RBA Governor.

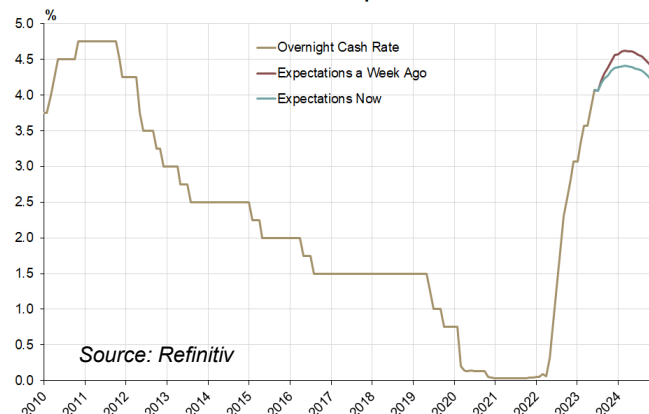
Elsewhere, the Bank of Canada increased its policy rate by another 25bps to 5.00%, while the Reserve Bank of New Zealand kept its official cash rate unchanged at an elevated 5.50%.

### Equities

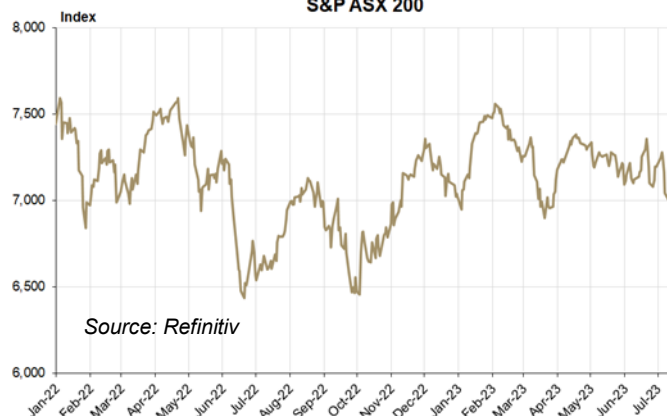
Equities posted strong gains across most major markets this week. Shares were boosted by softer-than-expected US inflation data, which pushed bond yields lower and raised hopes that the end of the Fed's interest rate hiking cycle is near. In the US, the S&P 500 is currently at its highest level since April 2022.

The ASX 200 closed at its lowest level in over three months on Monday but rebounded through the remainder of the week. The index rose 1.5% on Tuesday, its biggest gain in six months and then topped that with a 1.6% rise on Thursday. The ASX 200 is up another 0.3% so far this morning. Info tech and miners have led the way.

RBA Historical and Expected Cash Rate



S&P ASX 200



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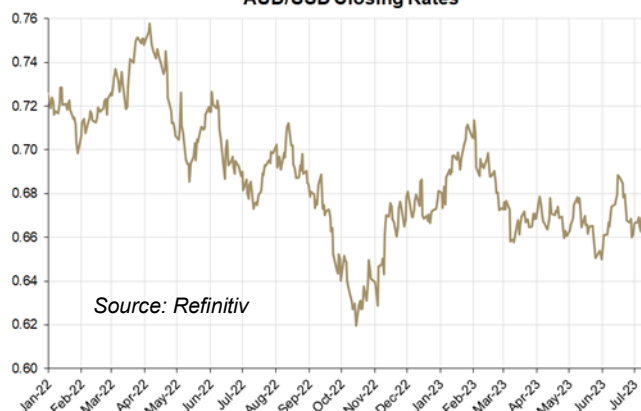
### Currencies

The Aussie dollar is on track for its best week against the greenback since November last year. The big gains came on Wednesday and Thursday, after the big dollar slumped following news of a bigger-than-expected slowdown in US inflation that saw traders pull back on their expectations for the peak in the fed funds rate.

More broadly, the Aussie was middle of the road this week among the G10 currencies.

The Japanese yen has been the strongest of the major currencies, though it remains historically very soft, with traders looking toward a tweaking of its ultra-easy monetary policy in the wake of so-called core-core inflation (ex food and energy) sitting at over 40-year highs and climbing.

AUD/USD Closing Rates



Spot rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6889	0.6894	0.6616	↑4	0.7157	0.6169
AUD/EUR		0.6136	0.6160	0.6047	↑0.8	0.7000	0.5953
AUD/GBP		0.5246	0.5261	0.5153	↑0.8	0.6260	0.5153
AUD/JPY		95.09	96.31	93.23	↓0.3	98.43	86.03
AUD/CNY		4.9256	4.9342	4.7838	↑2.6	4.9342	4.4365
EUR/USD		1.1223	1.1229	1.0832	↑3.1	1.1229	0.9534
GBP/USD		1.3131	1.3144	1.2672	↑3.1	1.3144	1.0382
USD/JPY		138.03	144.65	137.91	↓4.1	151.94	127.21
USD/CNY		7.1500	7.1500	7.1495	↓1.3	7.3270	6.6905

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6889	0.6909	0.6927	0.6943
AUD/EUR		0.6136	0.6126	0.6112	0.6084
AUD/GBP		0.5246	0.5260	0.5278	0.5313
AUD/JPY		95.09	94.00	92.81	90.50
AUD/NZD		1.0771	1.0808	1.0836	1.0877
AUD/SGD		0.9107	0.9098	0.9083	0.9027

### Commodities

Commodity prices are generally up for the week, supported by hopes that the decline in US inflation signalled by this week's data means that the Fed will not need to deliver much more tightening. The increases were additionally helped by renewed expectations for a stimulus package in China, after dismal trade and inflation data released this week.

Iron ore futures are down 0.2% since this time last week. The losses came early, with sharp falls last Friday and again on Monday as concerns over the impact to demand from severe weather conditions in parts of China added to concerns over the effect of pollution controls on steel output.

Those falls were almost fully recovered over the remainder of the week as some debt relief for the property sector via a one-year repayment extension signalled further help could be on the way.

SGX Iron Ore Futures 62% Fe



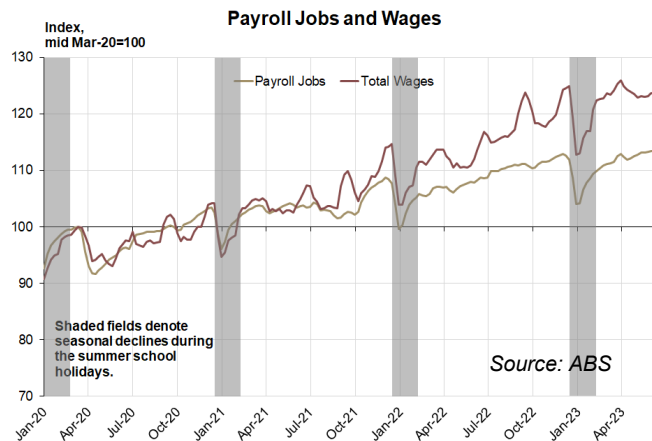
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$1,958.49	\$1,963.29	\$1,909.31	(↓\$48)	\$2,072.19	\$1,613.60
Brent Crude Oil (US\$)	\$81.50	\$81.75	\$76.03	(↑\$4.92)	\$110.67	\$70.12
Mogas95* (US\$)	\$97.55	\$97.60	\$90.63	(↑\$6.75)	\$127.73	\$82.60
WTI Oil (US\$)	\$77.11	\$77.33	\$72.67	(↑\$5.23)	\$104.46	\$63.64
CRB Index	270.74	270.74	264.38	(↑8.82)	301.75	253.85
Iron Ore Price 62% Fe (US\$) **	\$109.92	\$110.50	\$103.40	(↓\$0.17)	\$133.20	\$75.30

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

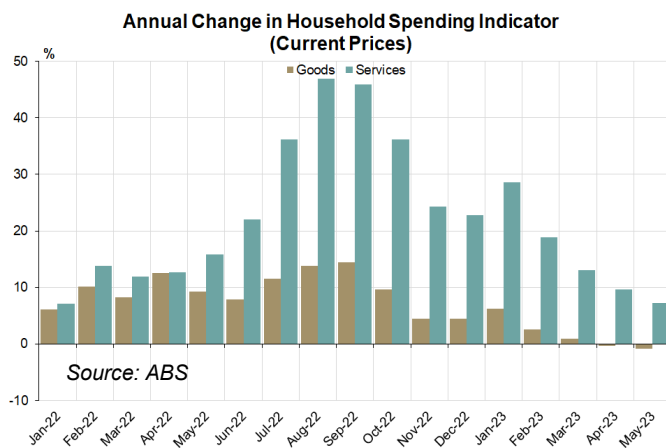
\*\* The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

### DOMESTIC ECONOMY

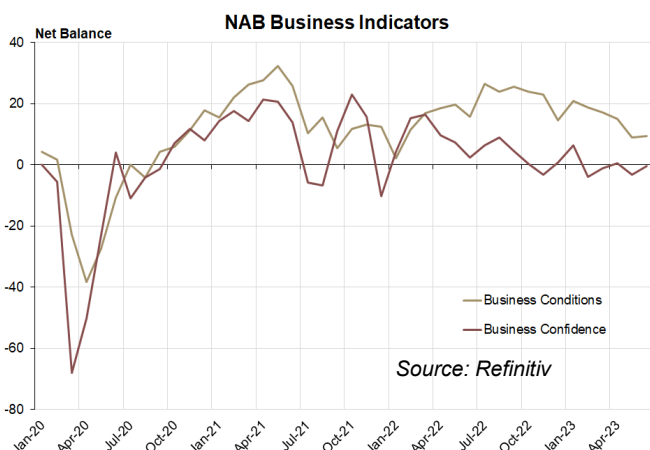
**Payroll jobs** picked up again in the month to 10 June, while total wages resumed climbing.



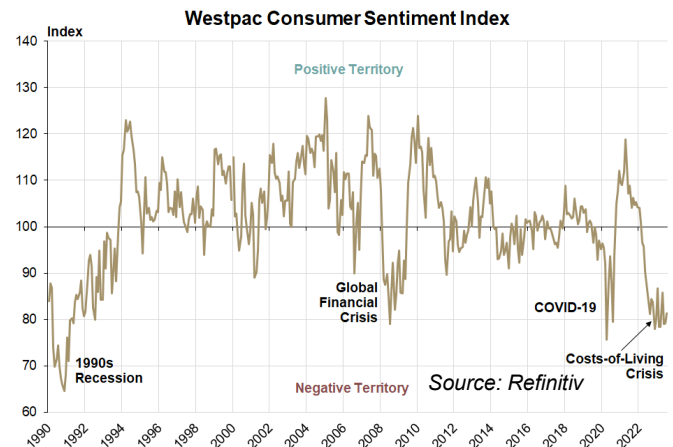
The decline in private spending on **goods** continued in May, while growth in spending on **services** slowed.



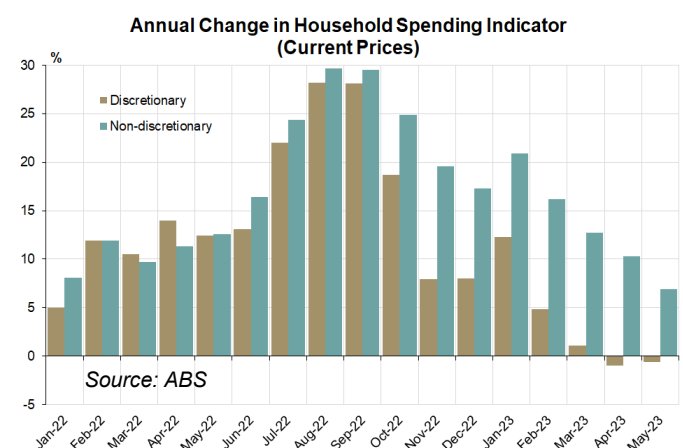
**NAB business conditions** have stabilised after declining in the previous months, while confidence improved slightly.



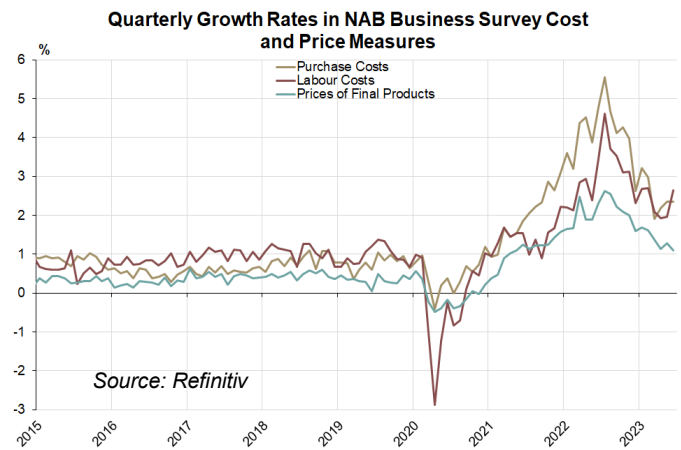
The **Westpac consumer sentiment index** has oscillated around recessionary levels for almost a year.



The fall in household spending on **discretionary items** decelerated slightly in May.

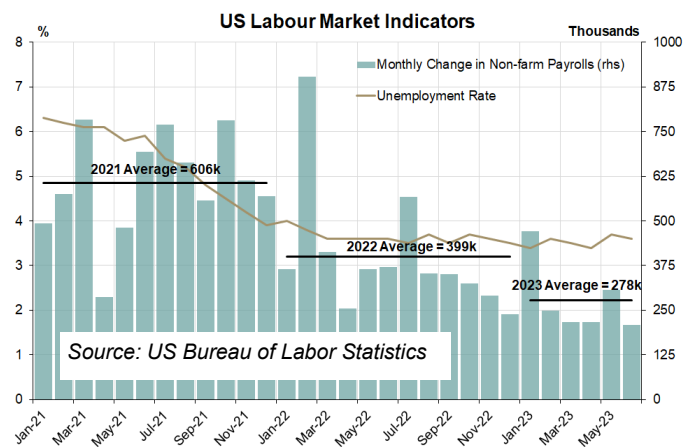


The **NAB report** also pointed to a further slowdown in price growth, while growth in labour costs accelerated.

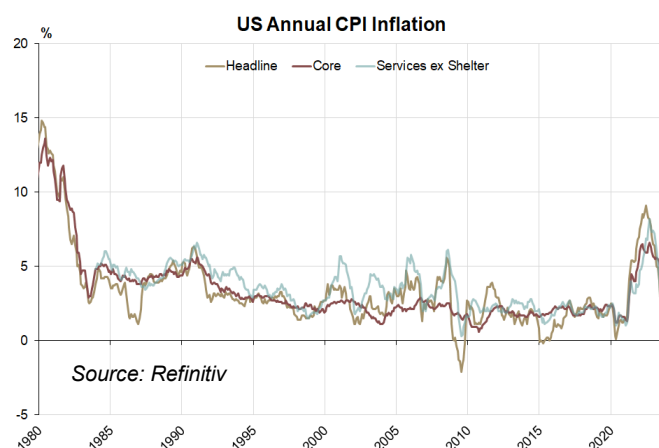


### GLOBAL ECONOMY

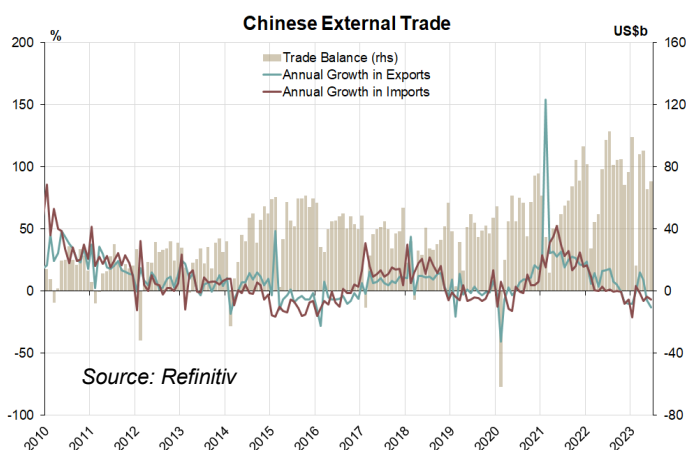
*The US labour market expansion is slowing...*



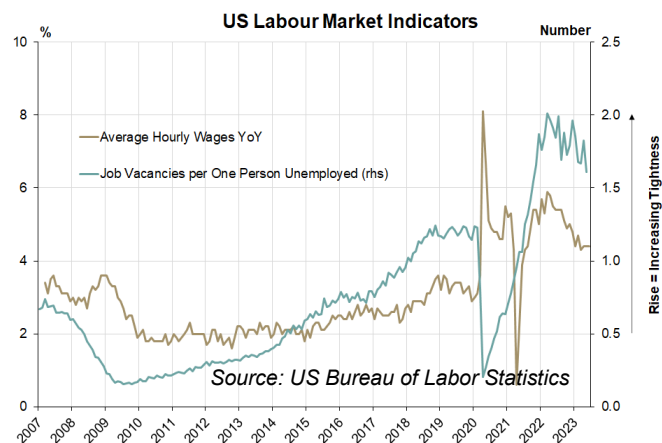
*US CPI inflation declined further in June, but core inflation remains relatively high.*



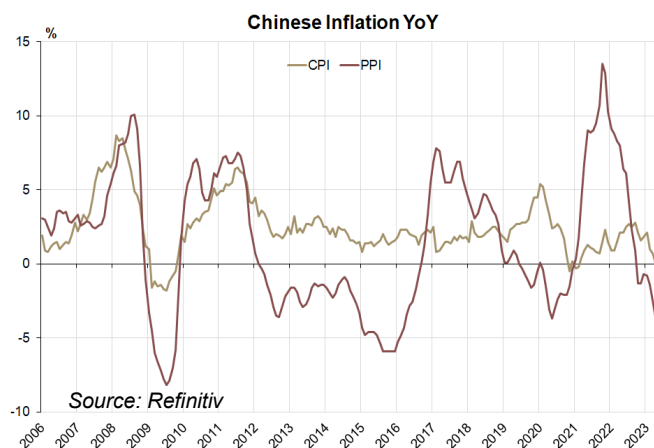
*The pace of decline in Chinese exports and imports accelerated in June, partly due to a high base from 2022.*



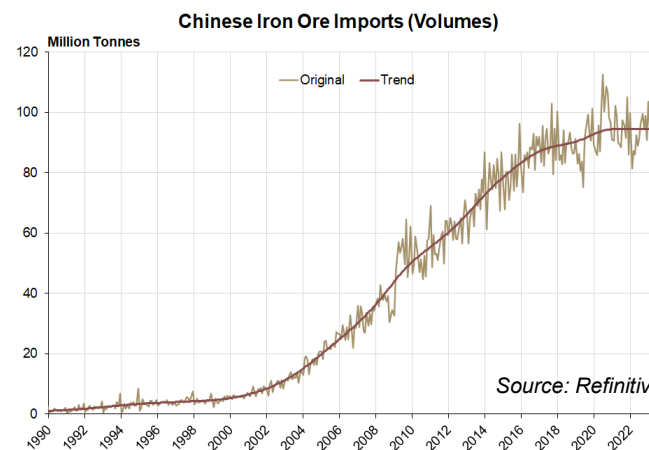
*... but US wages growth remains elevated amid ongoing labour market tightness.*



*Chinese inflation, conversely, is pretty much non-existent.*



*Chinese iron ore imports in June remained high despite a small decline.*



# WESTERN AUSTRALIAN TREASURY CORPORATION

## Market WATCH Weekly

14 July 2023

### KEY ECONOMIC EVENTS

#### *This Week*

	Event	Actual	Forecast	Previous	Comment
<b>Mon 10</b>					
CH	CPI (YoY, Jun)	0.0%	0.2%	0.2%	Core inflation declined 0.2ppts to 0.4%.
CH	PPI (YoY, Jun)	-5.4%	-5.0%	-4.6%	The fastest pace of deflation in seven years.
<b>Tue 11</b>					
AU	NAB Business Conditions (Jun)	9	-	9	Conditions sustained thanks to higher profits.
AU	NAB Business Confidence (Jun)	-3	-	0	Retailing is the industry with the lowest confidence.
AU	Westpac Cons. Sent. (MoM, Jul)	2.7%	-	0.2%	Despite a rise, consumer confidence is depressed.
UK	Unemployment Rate (May)	4.0%	3.8%	3.8%	Wages growth remained elevated at 7.3% YoY.
<b>Wed 12</b>					
AU	RBA Governor Philip Lowe Speaks	-	-	-	Just eight RBA Board meetings a year from 2024 on.
NZ	RBNZ Decision (Official Cash Rate)	5.50%	5.50%	5.50%	RBNZ to keep interest rates high for some time.
CA	BoC Decision (Policy Rate)	5.00%	5.00%	4.75%	This is expected to be the final move from the BoC.
US	CPI (MoM, Jun)	0.2%	0.3%	0.1%	Annual core inflation the lowest since October 2021.
US	Beige Book	-	-	-	Suggested US economic growth was soft in June.
<b>Thu 13</b>					
AU	Payroll Jobs (MoM, w/e 10 Jun)	0.3%	-	1.1%	Rose by 4.7% over the year to 10 June.
AU	Total Wages (MoM, w/e 10 Jun)	0.5%	-	-0.9%	Up 9.0% YoY.
CH	Trade Balance (Jun)	US\$70.6b	US\$74.8b	US\$65.8b	Exports down 12.4% YoY, imports fell by 6.8% YoY.
UK	Monthly GDP (MoM, May)	-0.1%	-0.4%	0.2%	Upside surprise due to a rise in services.
US	PPI (MoM, Jun)	0.1%	0.2%	-0.3%	Annual rate of PPI inflation also fell to just 0.1%.
US	Initial Jobless Claims (w/e 8 Jul)	237k	250k	249k	Continued claims rose by 11k to 1.8m in w/e 1 July.
<b>Tonight</b>					
US	UoM Consumer Confidence (Jun)	-	65.4	64.4	Will contain inflation expectations tracked by the Fed.

#### *Next Week*

	Event	Forecast	Previous	Comment
<b>Mon 17</b>				
CH	GDP (YoY, Q2)	7.0%	4.5%	Quarterly increase expected at 0.8%.
CH	Retail Sales (YoY, Jun)	3.1%	12.7%	May was supported by a low statistical base a year ago.
CH	Industrial Production (YoY, Jun)	2.5%	3.5%	Steel production growth is reportedly slowing.
CH	Urban Fixed Asset Inv. (YoY YtD, Jun)	3.4%	4.0%	Key indicator for Chinese iron ore demand.
<b>Tue 18</b>				
AU	RBA Minutes (Jun)	-	-	More insights into the RBA decision to pause in June.
US	Retail Sales (MoM, Jun)	0.5%	0.3%	US retail sales growth has slowed this year.
US	Industrial Production (MoM, Jun)	0.0%	-0.2%	ISM reports pointed to a further decline in manufacturing.
<b>Wed 19</b>				
NZ	CPI (QoQ, Q2)	1.0%	1.2%	Tends to be a good indicator for Aussie CPI momentum.
UK	CPI (MoM, Jun)	-	0.7%	Core inflation was the highest in three decades in May.
<b>Thu 20</b>				
AU	Employment (monthly change, Jun)	15.0k	75.9k	Payrolls pointed to another increase.
AU	Unemployment Rate (Jun)	3.6%	3.6%	To remain close to the monthly series lows.
<b>Fri 21</b>				
JP	CPI (YoY, Jun)	3.3%	3.2%	'Core-core' inflation the highest since early 1980s.