

Highlights this week

- In Australia, the RBA Monetary Policy Board minutes confirmed that cash rate cuts are likely to continue in the coming months. The July CPI indicator was an upside surprise. Construction work done rose more than expected in Q2, but private sector capex growth disappointed. Private credit growth accelerated in July, driven by an increase in business borrowing.
- Abroad, US Q2 real GDP growth saw a small upward revision. US durable goods orders declined in July, dragged down by a fall in aircraft orders. Homes sales data shows the US housing market remains depressed. US consumer survey data suggested increasing consumer concern about the labour market.

Highlights next week

- The key domestic release next week will be the Q2 GDP report on Wednesday. RBA Governor Michele Bullock is scheduled to speak in Perth that night. Monday will see the Cotality home value index for August and dwelling approvals for July, while the Q2 balance of payments release is due on Tuesday, followed by the July goods trade balance on Thursday.
- Highlights offshore include US and Chinese PMIs as well as US labour market data for August.

Central Bank Rates (%)	Weekly Change	Australian Interest Rates (%)	Weekly Change	Major Overseas Interest Rates (%)	Weekly Change	Global Equities	Weekly Change
Australia	3.60 (0 pt)	O/N Interbank Cash	3.59 (0 pt)	USD 3-month	4.85 (0 pt)	ASX200	8973 (↓47 pt)
US (IOR)	4.40 (0 pt)	90-day Bills	3.57 (0 pt)	2-yr T-Notes	3.63 (↓16 pt)	S&P500	6502 (↑132 pt)
Eurozone (Deposit)	2.00 (0 pt)	3-yr T-Bond	3.41 (↓1 pt)	10-yr T-Notes	4.21 (↓12 pt)	DJIA	45637 (↑851 pt)
UK	4.00 (0 pt)	10-yr T-Bond	4.29 (↓2 pt)	Jap 10-yr	1.62 (↑1 pt)	Nikkei	42727 (↑117 pt)
Japan (Target)	0.50 (0 pt)	3-yr WATC Bond	3.56 (↓2 pt)	UK 10-yr	4.70 (↓3 pt)	CSI300	4490 (↑202 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	4.80 (↓3 pt)	Ger 10-yr	2.70 (↓6 pt)	Stoxx600	554 (↓5 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets**Interest Rates**

US Treasury yields fell, and the yield curve steepened, with the two-year yield falling to the lowest level since April. The initial catalyst for the declines were remarks from Fed Chair Jerome Powell last Friday that shifting risks mean the Fed may have to adjust its policy stance (that is cut interest rates).

Comments from the head of the New York Fed – and FOMC vice chair – John Williams that every meeting is “live” further added to expectations that a September interest rate cut is on the cards.

Aussie bond yields were pulled lower by the decline in US yields, although yields came under some upward pressure following the upside surprise to the Australian monthly CPI indicator.

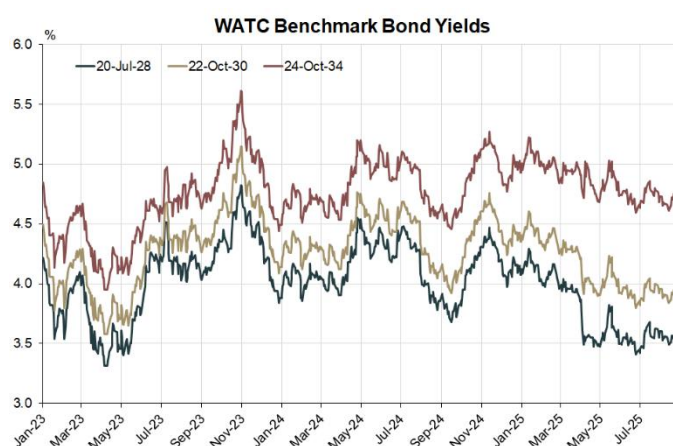
The RBA Monetary Policy Board minutes reiterated that the staff forecasts consistent with the RBA's inflation and employment objectives were conditional on further reductions in interest rates. This means that the cut in August is likely to be followed by further easing, with the pace determined by incoming data and decided on a meeting-by-meeting basis.

The Board discussed its balance sheet run-down and decided there was no clear reason why it should alter its current policy of letting its bond holdings unwind as they mature. They also determined the matter no longer warranted active consideration.

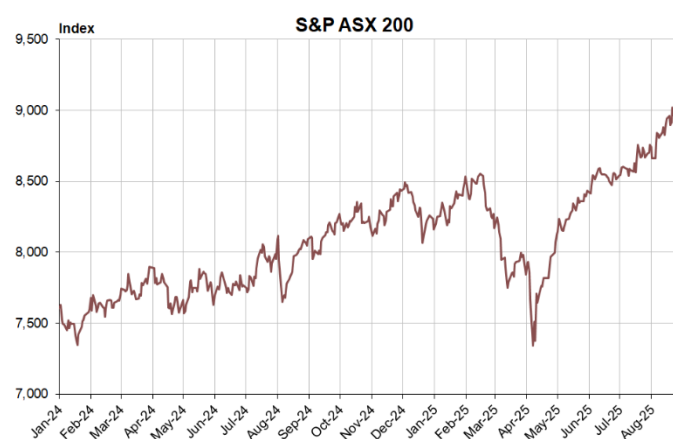
Equities

US equities continued to make fresh record highs this week as traders looked to Fed interest rate cuts restarting later this year. The rise was led by energy, consumer discretionary and tech stocks, while so-called defensive categories consumer staples, utilities and health saw the biggest declines.

The Aussie market has had an up and down week, with the ASX 200 remaining below last Thursday's record close of 9019. Most industry sectors are in the red, with health, consumer staples and communication services the worst performers. Mining and energy have been the best performers. The rebound in the materials category (which includes mining) was aided by a small bounce in James Hardie shares after a big selloff last week.



Source: Bloomberg



Source: Bloomberg

Currencies

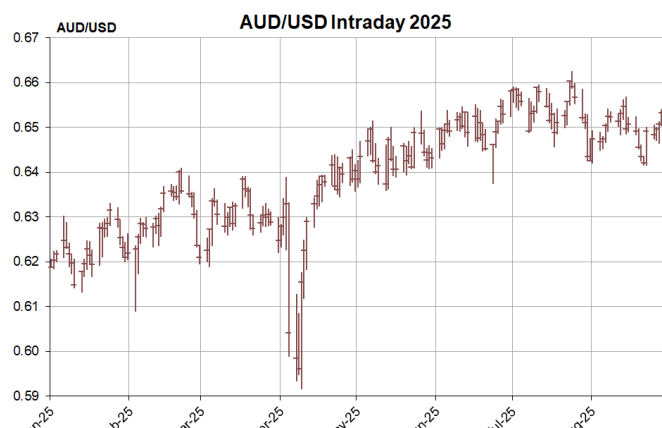
The Australian dollar is on track for its first weekly gain against the US dollar in three weeks to be at its highest level in a fortnight.

Most of the gain came last Friday, with the AUD/USD exchange rate having best day in almost three months, as the greenback slipped after Fed Chair Jerome Powell hinted that the Fed may cut rates in September.

The AUD/USD remained relatively steady in the first half of this week before picking up again over the past 24 hours as the US dollar began to lose ground again.

The Australian dollar has also gained against the broader currency universe over the past week and is the strongest member performer of the G10 currency basket.

The AUD trade-weighted index has made solid gains after last week's decline saw the index equal its lowest levels in over four months last Thursday.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6536	0.6542	0.6463	↑1.7	0.6942	0.5915
AUD/EUR		0.5605	0.5610	0.5530	↑1.3	0.6261	0.4620
AUD/GBP		0.4843	0.4846	0.4797	↑1.1	0.5229	0.4620
AUD/JPY		96.07	96.17	95.28	↑0.7	102.41	86.05
AUD/CNY		4.6603	4.6653	4.6286	↑1	4.8726	4.3523
EUR/USD		1.1661	1.1734	1.1574	↑0.4	1.1829	1.0141
GBP/USD		1.3496	1.3533	1.3417	↑0.6	1.3789	1.2100
USD/JPY		146.97	148.18	146.66	↓1	158.87	139.58
USD/CNY		7.1295	7.1680	7.1268	↓0.7	7.3511	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6536	0.6546	0.6555	0.6564
AUD/EUR		0.5605	0.5582	0.5561	0.5521
AUD/GBP		0.4843	0.4848	0.4855	0.4868
AUD/JPY		96.07	95.29	94.58	93.31
AUD/NZD		1.1099	1.1080	1.1061	1.1026
AUD/SGD		0.8389	0.8343	0.8299	0.8212

Commodities

Gold prices had a bright end to last week, jumping 1% against the greenback amid comments from Fed Chair Jerome Powell that heightened expectations for a Fed interest rate cut in September. The momentum continued through most of this week to push the yellow metal to its highest level in over a month.

Iron ore futures hit two-week highs as Rio Tinto shut down operations at its Simandou iron ore mines due to a worker death, raising concerns over supply growth. News of further support for the ailing Chinese property sector also helped sentiment as Shanghai eased homebuying rules, following a similar move in Beijing, increasing hopes for further measures to come.

Brent crude oil jumped to 2 ½-week highs on Monday as hopes for a ceasefire between Russia and Ukraine continued to fade. Prices dipped only to rise again amid news that the US had doubled tariffs to 50% on most imports from India as punishment for buying Russian oil, with upward pressure maintained by news European leaders have referred Iran to the UN to set the clock ticking on the reimposition of sanctions over its nuclear program.



Source: Bloomberg

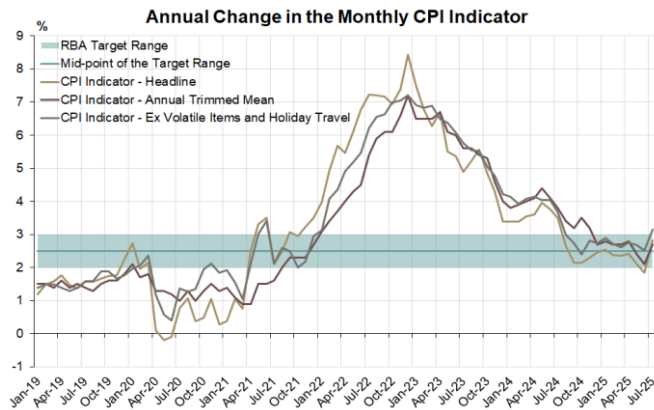
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,409.38	\$3,423.23	\$3,351.41	(↑\$71)	\$3,500.10	\$2,471.95
Brent Crude Oil (US\$)	\$68.24	\$69.07	\$66.91	(↑\$0.57)	\$82.63	\$58.40
Mogas95* (US\$)	\$80.41	\$80.93	\$76.91	(↑\$0.01)	\$95.91	\$67.57
WTI Oil (US\$)	\$64.22	\$65.10	\$62.95	(↑\$0.75)	\$80.77	\$55.12
CRB Index	301.75	301.75	298.46	(↑3.33)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$104.20	\$104.50	\$100.65	(↑\$2.8)	\$115.00	\$88.40

*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.

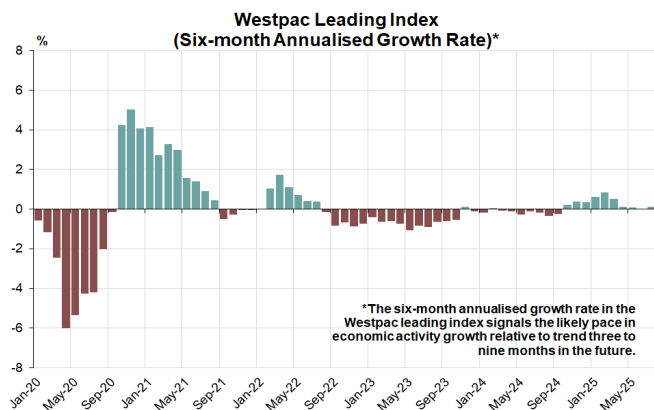
Domestic Economy

The **monthly CPI indicator** suggested a sharp pick-up in inflation in July...



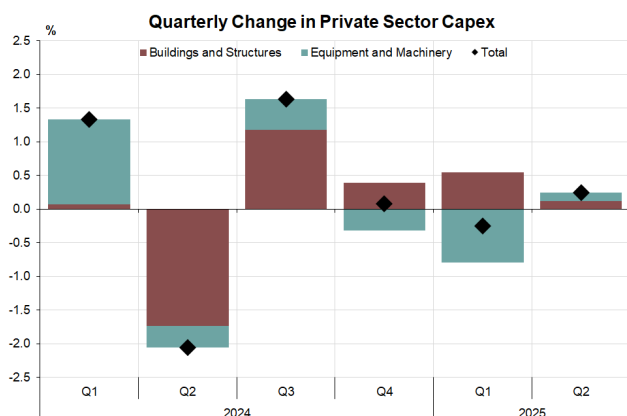
Source: ABS

The **Westpac leading index** suggests economic growth will be slightly above trend in the coming months.



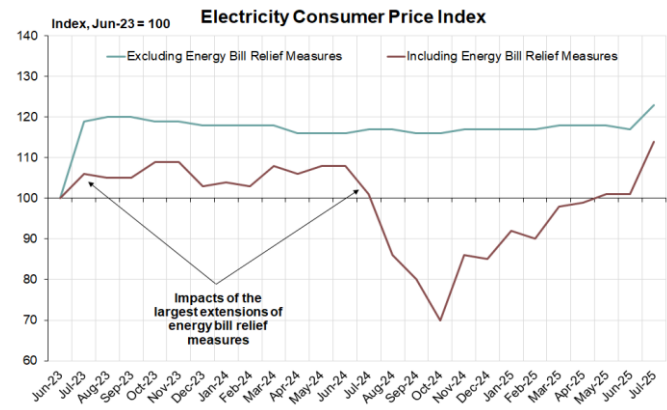
Source: Bloomberg

Growth in spending for building and equipment, while sluggish, was enough for **private capex** to tick up.



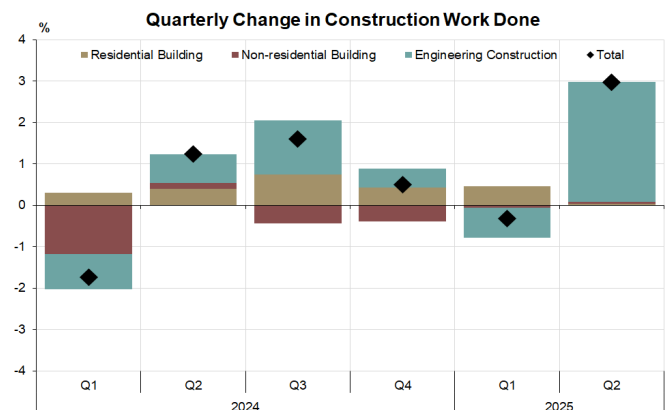
Source: ABS

... driven largely by timing of the Commonwealth and State **energy bill relief measures**.



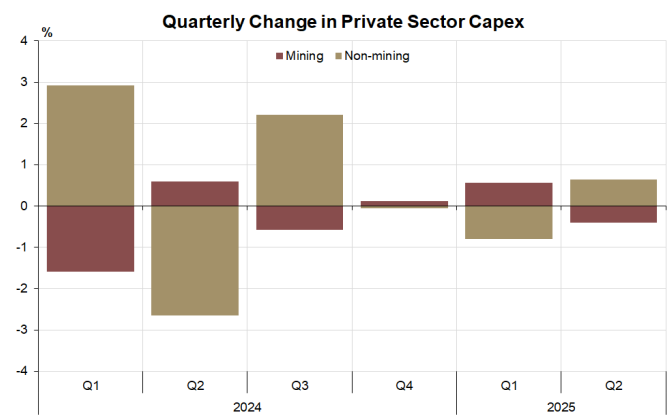
Source: ABS

Growth in **construction work done** accelerated in Q2, thanks to engineering construction.



Source: ABS

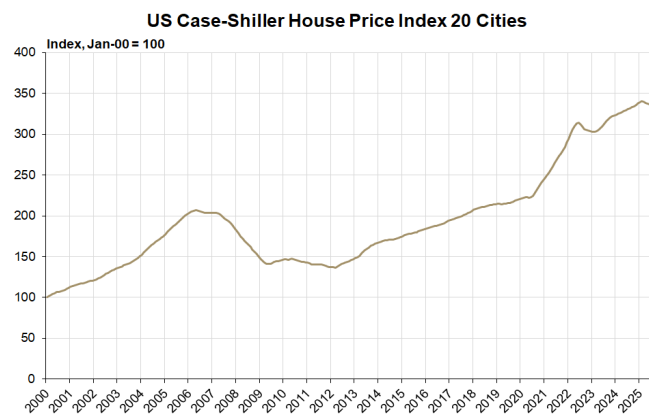
The uptick in private sector capex was outside of the mining sector, while **mining investment** saw a decline.



Source: ABS

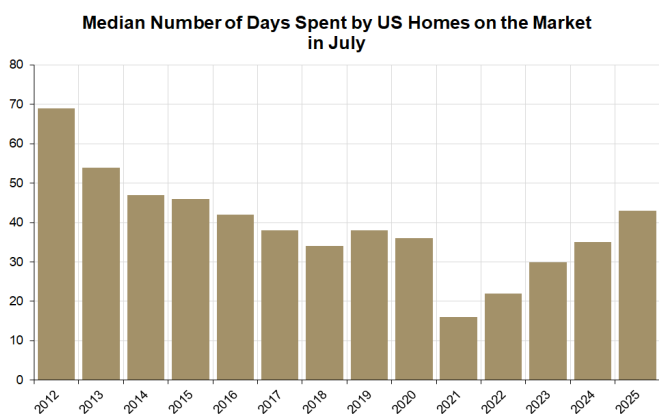
Global Economy

After reaching a record high in February, **US house prices** have started to decline...



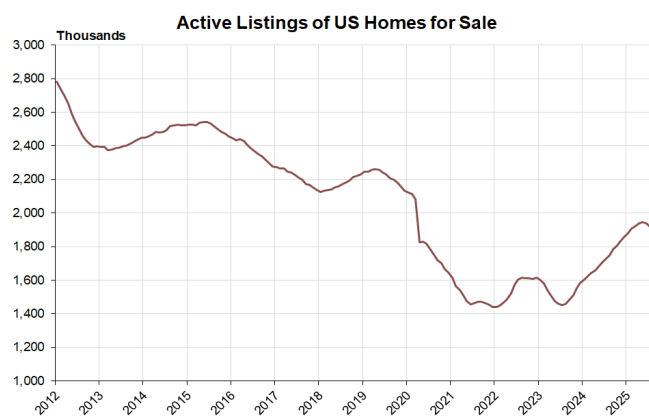
Source: FRED

In July, the time an **unsold home** spent on the market was the longest in almost a decade.



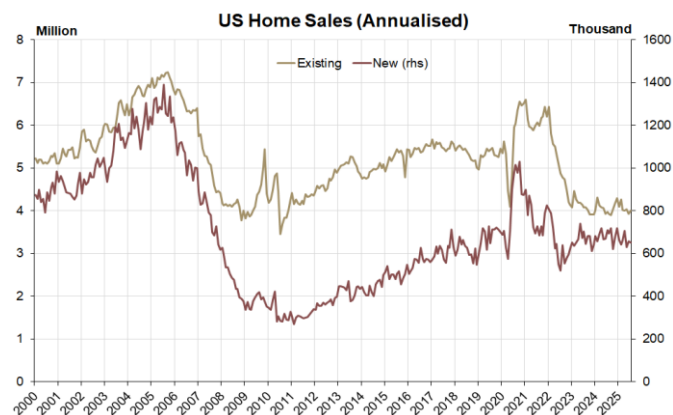
Source: Redfin

... which is met with **active listings** being significantly lower than a decade ago, despite the recent rise.



Source: Redfin

... with the number of **home sales** falling to low levels in recent years after picking up during the pandemic.



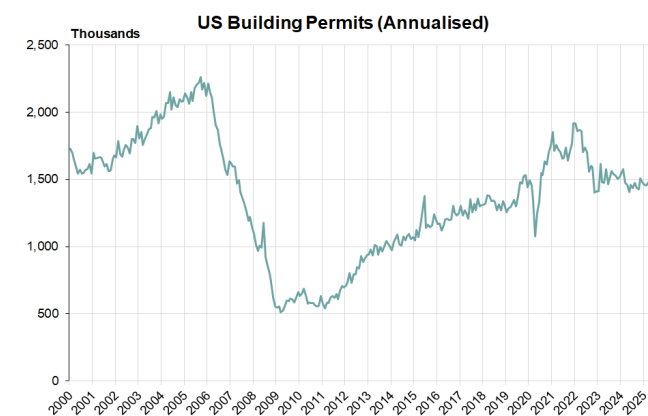
Source: Redfin

Subdued **home sales** reflect depressed demand, with mortgage applications hovering at multidecade lows.



Source: Bloomberg

At the same time, **building approvals** have been on a steady decline since 2022.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 25					
US	National Activity Index (Jul)	-0.19	-0.11	-0.18	Points to a below-trend pace of expansion.
US	New Home Sales (MoM, Jul)	-0.6%	0.5%	4.1%	June gain revised upwards from 0.6%.
Tue 26					
AU	RBA Minutes	-	-	-	Further rate cuts very likely, even at a faster pace.
AU	ANZ Cons. Conf. (w/e 23 Aug)	86.0	-	89.4	Despite a decline, remains well above 2023 lows.
US	Durable Goods Orders (MoM, Jul)	-2.8%	-3.8%	-9.4%	Core capital goods orders picked up by 1.1%.
US	CB Cons. Confidence (MoM, Jul)	97.4	96.5	98.7	Least 'jobs plentiful' vs 'jobs hard to get' since 2021.
US	C-S Hse Pce 20 Cities (MoM, Jun)	-0.3%	-0.2%	-0.3%	The fourth monthly decline in a row.
Wed 27					
AU	Monthly CPI Indicator (YoY, Jul)	2.8%	2.3%	1.9%	Annual trimmed mean inflation up 0.6ppts to 2.7%.
AU	Construction Work (QoQ, Q2)	3.0%	1.0%	-0.3%	Residential construction growth slowed to just 0.1% QoQ.
AU	Westpac Leading Index (MoM, Jul)	0.14%	-	-0.03%	6m annualised growth rate up to 0.12% from 0.01%.
Thu 28					
AU	Private Sector Capex (QoQ, Q2)	0.2%	0.8%	-0.2%	Growth limited by a decline in mining investment.
US	GDP (QoQ annualised, Q2, 2nd)	3.3%	3.1%	3.0%	Despite upward revisions underlying growth still tepid.
US	Initial Jobless Claims (w/e 23 Aug)	229k	230k	235k	Hiring has slowed but no sign of a surge in job losses.
Fri 29					
AU	Private Sector Credit (MoM, Jul)	0.7%	0.6%	0.6%	Increase driven by a faster rise in business credit.
Tonight					
US	Personal Spending (MoM, Jul)	-	0.4%	0.3%	Retail sales suggest a somewhat smaller gain in July.
US	PCE Price Index (MoM, Jul)	-	0.2%	0.3%	CPI and PPI point to some upside risk.
US	Goods Trade Balance (Jul, adv.)	-	-US\$90b	-US\$85b	Has largely come back to the 2023 levels.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 01				
AU	Cotality Home Value Index (MoM, Aug)	-	0.6%	RBA easing has sparked a renewed rise in housing demand.
AU	Dwelling Approvals (MoM, Jul)	-5.1%	11.9%	June saw a rebound to the highest levels since 2022.
AU	MI Inflation Gauge (MoM, Aug)	-	0.9%	First insights into price formation in Australia in August.
CH	RatingDog Manufacturing PMI (Aug)	49.7	49.5	Official PMIs coming out on Sunday.
Tue 02				
AU	Current Account Balance (Q2)	-	-A\$14.7b	Net exports to contribute positively to GDP growth in Q2.
EZ	HICP (YoY, Aug, flash)	-	2.0%	Has been broadly in line with the ECB's goal since early 2025.
US	ISM Manufacturing PMI (Aug)	48.9	48.0	Has been more negative than the S&P Global counterpart.
Wed 03				
AU	GDP (QoQ, Q2)	0.6%	0.2%	Annual rate expected to accelerate 0.4ppts to 1.7%.
AU	RBA Governor Michele Bullock Speaks	-	-	Shann Memorial Lecture, the University of Western Australia.
CH	RatingDog Services PMI (Aug)	52.5	52.6	Has been more positive than its official NBS equivalent.
US	JOLTS Job Openings (Jul)	-	7.4m	Still slightly more openings than the number of unemployed.
US	Beige Book	-	-	Anecdotal evidence on economic activity in the Fed districts.
Thu 04				
AU	Goods Trade Balance (Jul)	A\$4.0b	A\$5.4b	Higher exports and lower imports saw surplus widen in June.
AU	Household Spending Indicator (MoM, Jul)	-	0.5%	Has now entirely replaced the retail trade report.
US	ADP Employment (monthly change, Aug)	60k	104k	Has been a poor indicator of the official labour market figures.
US	ISM Services PMI (Aug)	50.5	50.1	Employment and price sub-indicators to be closely followed.
Fri 05				
US	Non-farm Payrolls (monthly change, Aug)	78k	73k	Another weak labour market report expected.
US	Unemployment Rate (Aug)	4.3%	4.2%	Has been kept low by supply-side constraints.