

Interest Rates (%)			FX			Commodities US\$		
Australia			AUD/USD	0.6419	0.1%	WTI Crude Oil	80.10	\$1.09
90-day Bill	4.14	0	AUD/JPY	94.03	0.4%	Brent Crude Oil	84.73	\$1.47
3-year Bond	3.86	3	AUD/EUR	0.5942	0.0%	Mogas95*	105.79	\$5.95
10-year Bond	4.14	0	AUD/GBP	0.5096	0.0%	CRB Index	278.20	2.37
			AUD/NZD	1.0858	0.2%	Gold	1916.00	\$0.27
			AUD/CNY	4.6773	0.0%	Silver	24.26	\$0.12
US			EUR/USD	1.0802	0.1%	Iron Ore (62% Fe)**	113.25	\$0.75
2-year	5.09	7	USD/JPY	146.48	0.3%	Iron Ore (23-24 Average)	108.03	\$0.17
10-year	4.25	2	USD/CNY	7.2872	0.1%	Copper	8355.50	-\$4.00
			RBA Policy			Equities		
			O/N Cash Rate Target	4.10		ASX200	7151	47
			Interbank O/N Cash Rate	4.07		Dow Jones	34347	247
			Probability of a 25bps Hike in Sep	4.8%		S&P500	4406	29
			RBA Bond Holdings (31 Jul)	A\$337.0b		Stoxx600	451	0
						CSI300	3709	-14
Other 10-year								
Japan	0.67	1						
Germany	2.56	5						
UK	4.44	1						

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

**Iron ore is the second SGX futures contract.

US stocks edged higher on Friday, supported by the balanced language of Fed Chair Jerome Powell's speech at the Jackson Hole symposium. US 2-year Treasury yields picked up on slightly higher fed funds rate expectations, but the back end of the curve was relatively steady. The Australian dollar appreciated against the US dollar and the weaker Japanese yen.

Speaking at the Jackson Hole symposium on Friday, Chair Powell said that although there had been some progress in slowing inflation there is some way to go, leaving room for further monetary tightening. Though stressed that the FOMC is "in a position to proceed carefully". He also underscored that monetary policy would remain "restrictive" until inflation was moving back towards the Fed's goal of 2% on a sustained basis.

Fed funds rate expectations moved slightly higher after Chair Powell's speech, with the implied probability of another 25bps hike in futures pricing rising above 40% from around 35% on Thursday. Pricing for the first interest rate cut was also pushed back and is not fully priced in until the second half of next year. The rise in fed funds rate expectations was possibly also supported by an upward revision of University of Michigan consumer inflation expectations for August. Long-term inflation expectations are closely tracked by the Fed.

Earlier on Friday, the Chinese authorities took further cautious steps to support the real estate sector, proposing extension of income tax rebates for new home buyers. In addition, authorities are reportedly scrapping a rule that prevents people who previously had a mortgage from being considered a first home buyer in major cities. The decision led to a short-lived intraday rally in the Chinese stock market, although it closed 0.4% lower on the day. On the weekend, the Chinese authorities lowered stamp duty on security transactions to boost the Chinese stock market. This was the first such move since 2008.

In the local markets, 3-year Commonwealth bond yields rose slightly, while 10-year yields are unchanged since Friday. The ASX 200 closed 0.9% lower on Friday after an early selloff but has opened higher this morning.

The domestic calendar this week will be a bit busier than last week, with the Q2 GDP partials (construction work done on Wednesday and private sector capex on Thursday) as well as July data on retail trade (later today), building approvals (tomorrow), the monthly CPI indicator (on Wednesday), private sector credit (on Thursday) and housing finance (on Friday). Friday will also see the CoreLogic home price data for August. There will be lot of events offshore too, with highlights being the US and Chinese PMIs, US labour market data as well as the US personal income and its outlays report, which will include July data on PCE price inflation, targeted by the Fed.

ECONOMIC DATA REVIEW

No market-moving data.

ECONOMIC DATA PREVIEW

- **AU:** Retail Trade (MoM, Jul) – Expected 0.2%, Previous -0.8%.

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