

THIS WEEK'S HIGHLIGHTS

- In Australia, the monthly CPI indicator pointed to a rise in inflation in August, while retail sales growth disappointed. Job vacancies saw a significant drop in the three months to August, but remained elevated.
- Western Australian Treasury's report on state finances showed that the 2022-23 operating surplus was larger than first estimated, while total public sector net debt declined further.
- Offshore, US durable goods orders rose in August, supported by a surge in non-defence orders excluding aircraft.

NEXT WEEK'S HIGHLIGHTS

- The most important event next week will be the RBA Board cash rate decision on Tuesday, with no change expected.
- Tuesday will also see reports on new home loans and dwelling approvals, which will be followed by an external trade report on Thursday. All those releases are for August. CoreLogic home prices and Melbourne Institute inflation gauge for September are on Monday.
- The key releases offshore will be US labour force data and ISM PMIs for September. There is also the RBNZ decision on Wednesday, with no change in the official cash rate expected.

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	5.65	(↓1 pt)	ASX200	7047	(↑34 pt)
US (IOR)	5.40	(0 pt)	90-day Bills	4.14	(↓1 pt)	2-yr T-Notes	5.07	(↓6 pt)	S&P500	4300	(↓30 pt)
Eurozone	4.00	(0 pt)	3-yr T-Bond	4.10	(↑4 pt)	10-yr T-Notes	4.58	(↑8 pt)	DJIA	33666	(↓404 pt)
UK	5.25	(0 pt)	10-yr T-Bond	4.49	(↑14 pt)	Jap 10-yr	0.77	(↑2 pt)	Nikkei	31913	(↓439 pt)
Japan	-0.10	(0 pt)	3-yr WATC Bond	4.30	(↑3 pt)	UK 10-yr	4.48	(↑18 pt)	CSI300	3690	(↓4 pt)
China (1Y LPR)	3.45	(0 pt)	10-yr WATC Bond	4.88	(↑11 pt)	Ger 10-yr	2.93	(↑19 pt)	Stoxx600	449	(↓6 pt)

FINANCIAL MARKETS OVERVIEW

Interest Rates

Long-term government bond yields continued to climb this week amid realisation that central banks, while they are approaching or have approached the end of the tightening cycle, may need to keep their interest rates high for some time in order to bring inflation down to the respective targets.

The prospect of the looming US government shutdown added to the sell-off in US Treasuries, after Moody's said the shutdown might have a negative impact on the US credit rating.

A renewed increase in oil prices this week drove US breakeven inflation higher, which also contributed to a rise in yields.

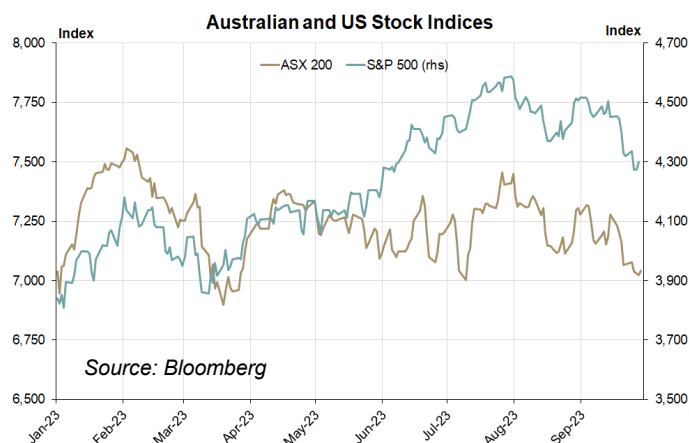
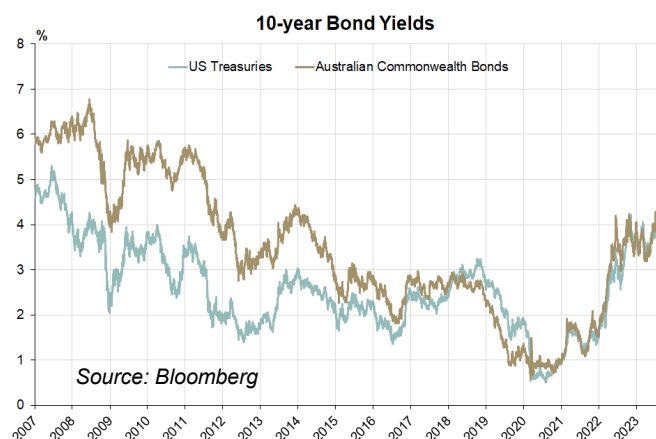
Overall, US 10-year yields reached a 16-year high mid-week, while 30-year yields are the highest since early 2011, but there were slight declines at the front end of the US sovereign curve.

Australian bond yields followed their US equivalents higher, with 10-year Commonwealth bond yields the highest since late 2011 and 30-year yields at a record high (since 2016).

Equities

It was another underwhelming week for the US equities, with broad-based declines for all three major stock indices. The only industry to see significant gains this week was energy, supported by a renewed rise in oil prices, while utilities saw the largest declines. The sell-off in the US stock market came to a halt on Thursday night.

The Aussie stock market outperformed Wall Street this week, supported by relatively strong gains in the energy sector. The decline in iron ore prices in the first half of the week translated into a drop in materials, which was the third worst performing sector this week.



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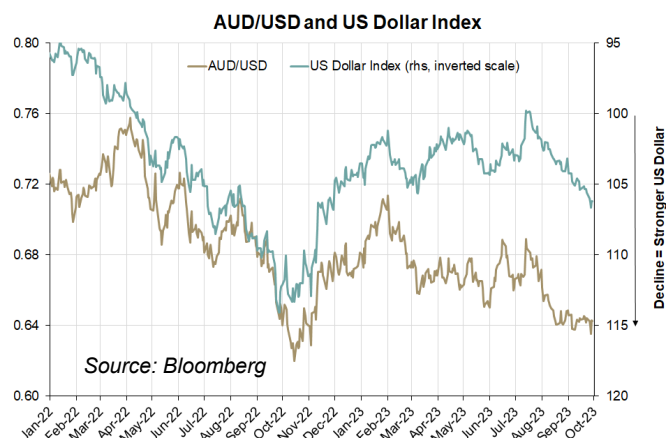
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Currencies

It was a slightly better week for the Australian dollar, despite the deterioration in global market sentiment and mixed performance of commodities.

The AUD appreciated against all the major currencies but the stronger US dollar, with the AUD/USD temporarily sliding back below US\$0.64. The US dollar index rose to the highest level in 10 months amid concerns over the US government shutdown and monetary policy remaining tighter for longer.

The Aussie dollar was in the middle of the G10 currency ladder this week. The Swiss franc was the weakest of the main currencies, while the Swedish krona was the strongest after Riksbank decided to increase its policy rate by 25bps to 4.00%, which is the highest level since 2008.



Spot rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6423	0.6451	0.6331	↓0	0.7158	0.6170
AUD/EUR		0.6082	0.6087	0.6027	↑0.8	0.6705	0.5007
AUD/GBP		0.5265	0.5275	0.5227	↑0.7	0.6013	0.5007
AUD/JPY		95.94	96.01	94.72	↑1.1	97.68	86.06
AUD/CNY		4.6890	4.7192	4.6313	↑0	4.9348	4.4465
EUR/USD		1.0560	1.0657	1.0488	↓0.8	1.1276	0.9633
GBP/USD		1.2198	1.2265	1.2111	↓0.7	1.3142	1.0763
USD/JPY		149.40	149.71	148.25	↑1.1	151.95	127.23
USD/CNY		7.2980	7.3128	7.2913	↓0	7.3274	6.6909

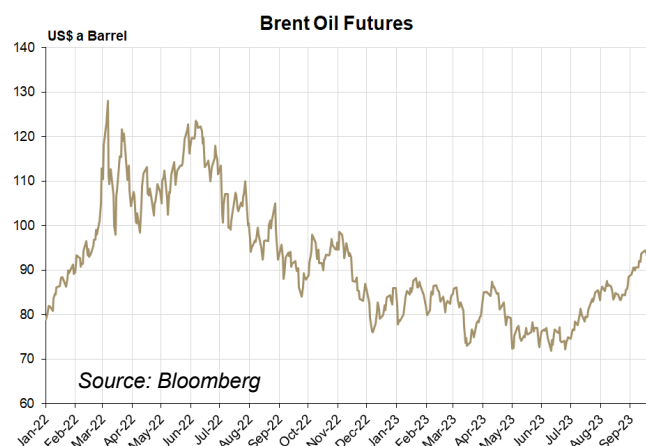
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6423	0.6444	0.6463	0.6489
AUD/EUR		0.6082	0.6074	0.6066	0.6040
AUD/GBP		0.5265	0.5279	0.5292	0.5313
AUD/JPY		95.94	94.78	93.67	91.42
AUD/NZD		1.0769	1.0804	1.0837	1.0897
AUD/SGD		0.8775	0.8767	0.8751	0.8709

Commodities

Oil prices resumed climbing this week amid renewed supply concerns. US crude inventories dropped more than expected last week, which followed a ban on diesel and gasoline exports introduced by the Russian government. Mid-week, Brent futures were the highest since November 2022, before retreating on Thursday night.

Iron ore futures rose by 0.2% this week, despite declines early in the week, as renewed concerns over the state of the Chinese property sector mounted after Evergrande's subsidiary failed to repay another bond on time.

The gold price dropped by 2.5% in US dollar terms this week amid appreciation of the greenback.



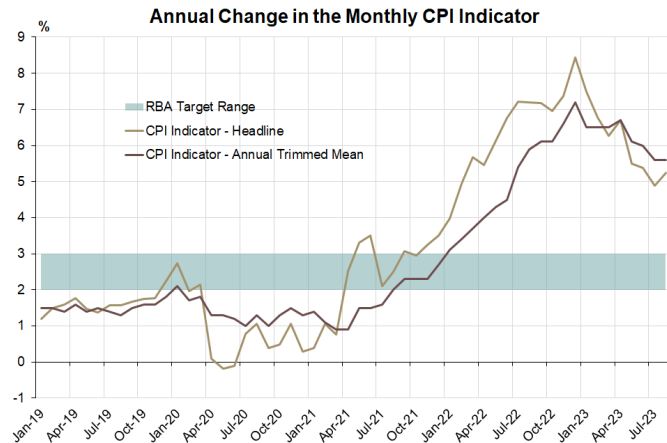
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$1,865.51	\$1,927.23	\$1,857.76	(↓\$59.61)	\$2,062.99	\$1,616.74
Brent Crude Oil (US\$)	\$95.17	\$97.69	\$91.80	(↑\$1.48)	\$99.56	\$70.12
Mogas95* (US\$)	\$97.28	\$104.74	\$96.94	(↓\$5.18)	\$110.15	\$77.66
WTI Oil (US\$)	\$91.64	\$95.03	\$88.19	(↑\$1.53)	\$95.03	\$63.64
CRB Index	287.06	287.46	284.72	(↑1.13)	290.29	253.85
Iron Ore Price 62% Fe (US\$) **	\$119.10	\$121.70	\$114.00	(↑\$0.25)	\$139.80	\$75.00

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

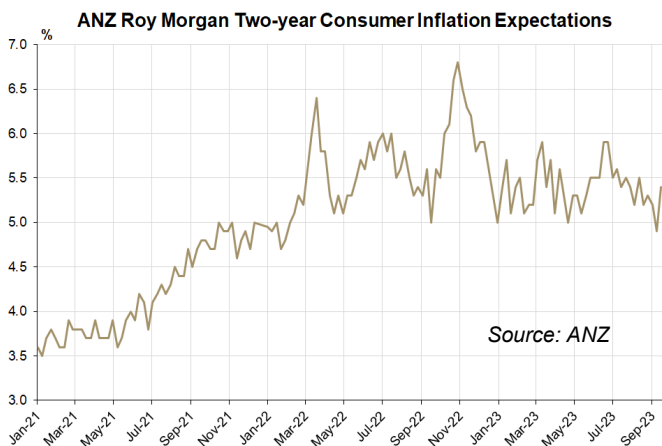
** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

DOMESTIC ECONOMY

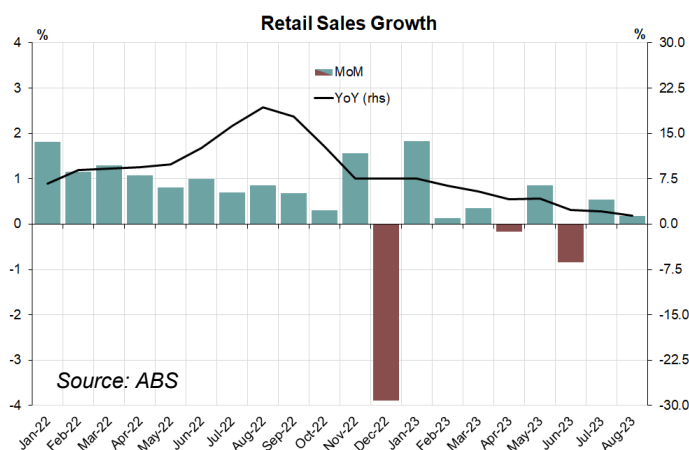
The **monthly CPI indicator** pointed to a rise in headline inflation in August, while core inflation remained elevated.



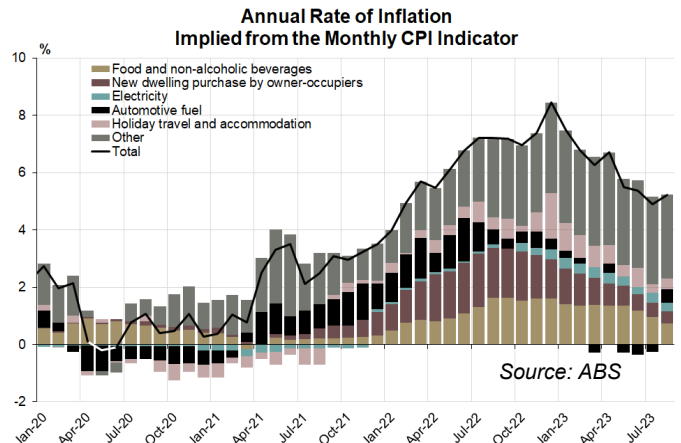
Higher petrol prices are translating into a renewed rise in consumer inflation expectations.



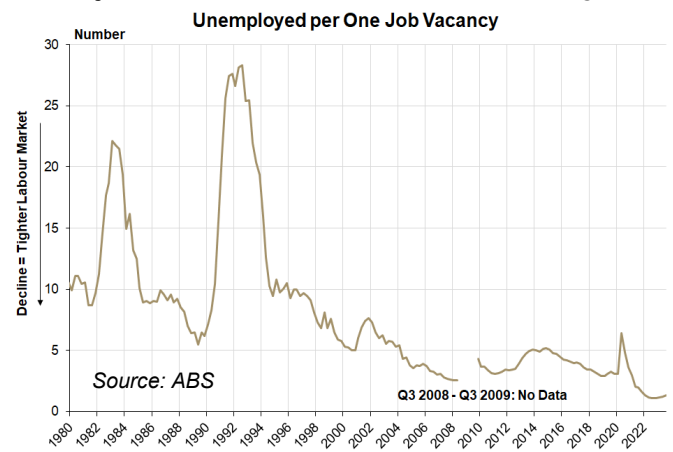
Retail trade growth slowed in August, both in monthly and annual terms.



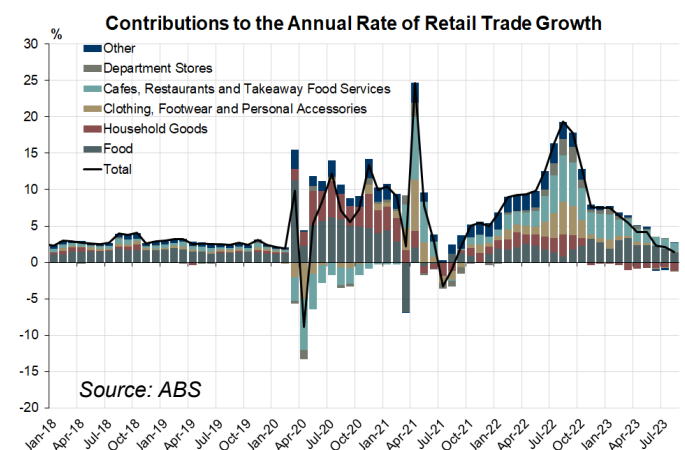
The rise in headline inflation was driven by a rebound in petrol prices.



The number of officially unemployed per one job vacancy remained low in the three months to August.

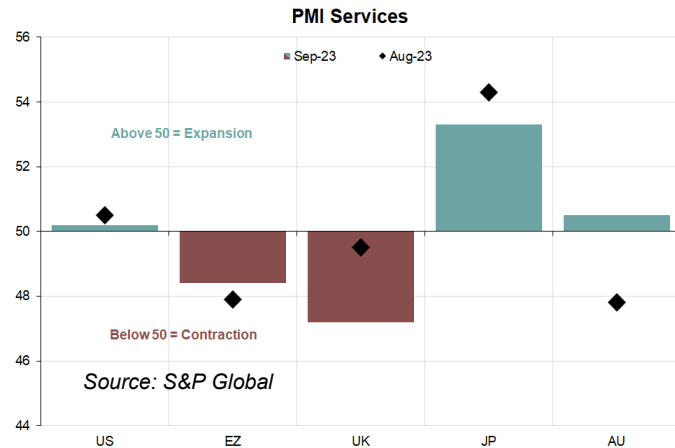


Food-related industries remain the only sectors that contribute to retail sales growth in annual terms.

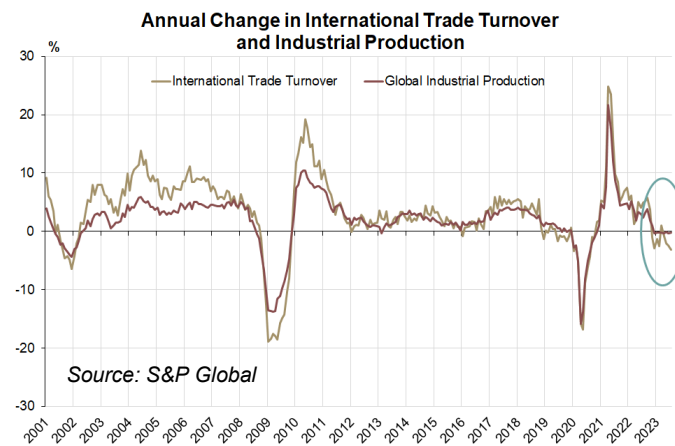


GLOBAL ECONOMY

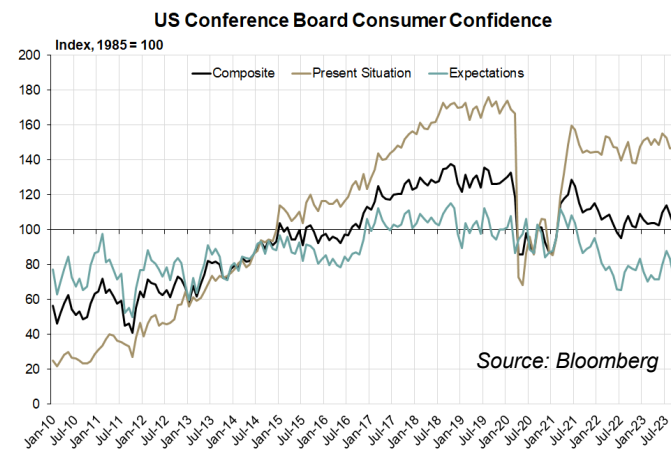
Flash S&P Global PMIs revealed a mixed picture of the services industry in the major advanced economies...



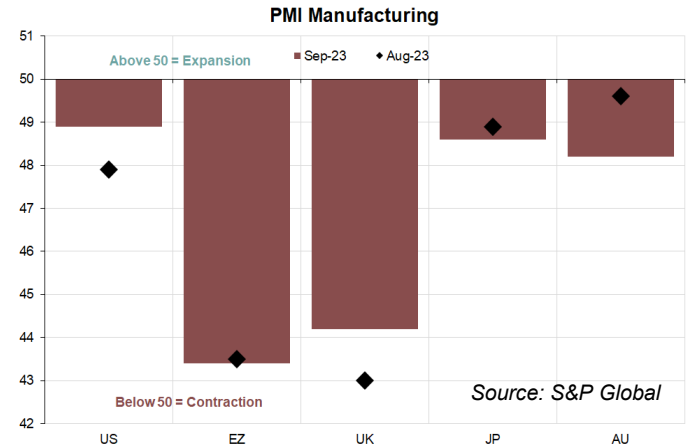
The contraction in the **global trade** is even stronger, with trade turnover declining at the fastest pace since COVID.



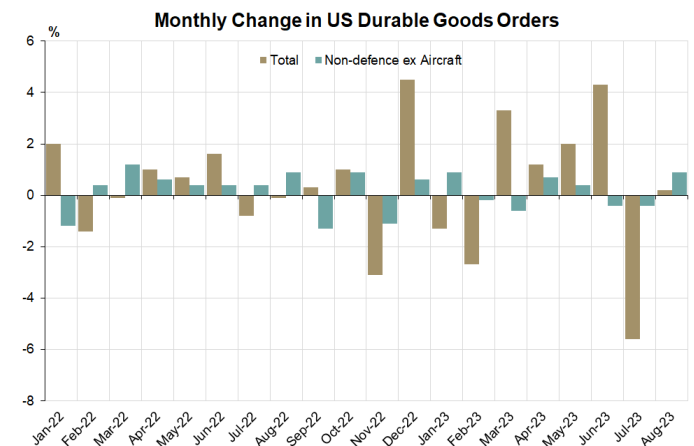
US Conference Board consumer confidence fell in September, dragged down by deteriorating expectations.



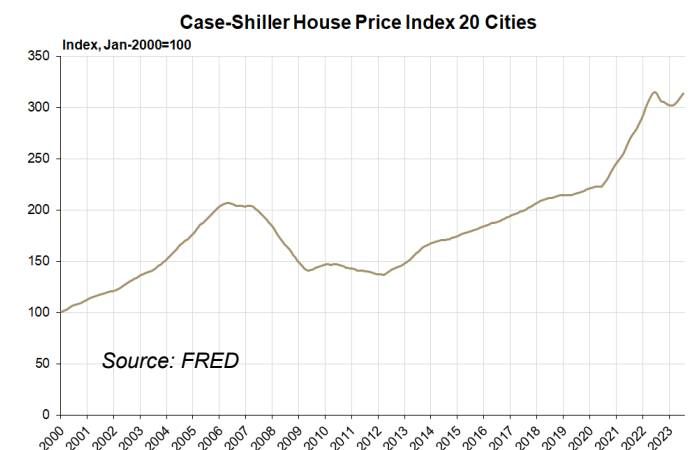
... while **global manufacturing** remained in contraction in September.



US durable goods orders rose in August, driven by the less volatile core orders.



US house prices are just 0.4% short of their record high from mid-2022.



WESTERN AUSTRALIAN TREASURY CORPORATION

Market WATCH Weekly

29 September 2023

KEY ECONOMIC EVENTS

This Week

	Event	Actual	Forecast	Previous	Comment
Mon 25	<i>No market-moving data.</i>				
Tue 26					
AU	ANZ Consumer Conf. (w/e 23 Sep)	-4.2%	-	2.9%	Inflation expectations up 0.5ppts to 5.4%.
US	C-S Hse Pces 20 Cities (YoY, Jul)	0.1%	-0.1%	-1.2%	Just 0.4% off its record high from June 2022.
US	Conf. Board Cons. Conf. (Sep)	103.0	105.9	108.7	August numbers revised upwards.
Wed 27					
AU	Monthly CPI Indicator (YoY, Aug)	5.2%	5.2%	4.9%	Rise driven by a rebound in fuel prices.
US	Durable Goods Orders (MoM, Aug)	0.5%	-0.4%	-5.6%	Core orders up 0.9% in August.
Thu 28					
AU	<u>WA Rep on State Fin 2022-23</u>	-	-	-	Operating surplus at A\$5.1b in 2022-23.
AU	Retail Trade (MoM, Aug)	0.2%	0.3%	0.5%	Annual trend growth the slowest on record.
AU	Job Vacancies (QoQ, Q3)	-8.9%	-	-2.5%	Still roughly as many job vacancies as unemployed.
AU	Nat. Accounts: Finance and Wealth	-	-	-	First QoQ drop in household deposits since 2007.
US	GDP (QoQ Annualised, Q2, final)	2.1%	2.2%	2.1%	GDP deflator growth revised downwards.
US	Initial Jobless Claims (w/e 23 Sep)	204k	215k	202k	Continued claims also roughly unchanged at 1.7m.
Fri 29					
AU	Private Sector Credit (MoM, Aug)	0.4%	0.3%	0.3%	MoM acceleration driven by business credit.
Tonight					
EZ	HICP (YoY, Sep, flash)	-	-	5.2%	Disinflation in the euro area continues.
US	Personal Spending (MoM, Sep)	-	0.4%	0.8%	Retail sales data suggested another solid increase.
US	PCE Price Index (MoM, Sep)	-	0.5%	0.2%	CPI report pointed to faster price growth.

Next Week

	Event	Forecast	Previous	Comment
Mon 02				
AU	Melbourne Institute Infl. Gauge (MoM, Sep)	-	0.2%	Judo Bank report pointed to slower price growth.
AU	CoreLogic House Price Index (MoM, Sep)	-	1.0%	Aussie house prices propped up by low supply.
US	ISM Manufacturing PMI (Sep)	47.8	47.6	Prices paid subindex expected to remain in contraction.
Tue 03				
AU	RBA Board Decision (Cash Rate Target)	4.10%	4.10%	25bps hike partly priced in for the turn of 2023 and 2024.
AU	Dwelling Approvals (MoM, Aug)	2.5%	-8.1%	Has been volatile of late due to choppy high-rise activity.
AU	New Home Loans (MoM, Aug)	0.5%	-1.2%	Refinancing activity remains high.
US	JOLTS Job Openings (Jul)	8.9m	8.8m	US labour market remains very tight.
Wed 04				
NZ	RBNZ Decision (Official Cash Rate)	5.50%	5.50%	No more hikes expected from the RBNZ in this cycle.
US	ADP Employment (monthly change, Sep)	150k	177k	Has been a poor indicator of the official employment data.
US	ISM Services PMI (Sep)	53.5	54.5	S&P Report pointed to significant slowdown.
Thu 05				
AU	Trade Balance (Aug)	A\$8.7b	A\$8.0b	Australia continues to record solid trade surpluses.
Fri 06				
US	Non-farm Payrolls (monthly change, Sep)	170k	187k	US employment growth is slowing.
US	Unemployment Rate (Sep)	3.7%	3.8%	Still slightly below the FOMC's longer run estimate of 4%.