

Interest Rates			FX		Commodities US\$			
<b>Australia</b>		<b>Δ bp</b>	AUD/USD	0.6949	-1.1%	WTI Crude Oil	110.15	-\$6.52
90-day Bill	1.84	4	AUD/JPY	93.93	0.7%	Brent Crude Oil	113.84	-\$5.12
3-year Bond	3.72	2	AUD/EUR	0.6622	-0.6%	Mogas95*	158.01	\$1.36
10-year Bond	4.07	-5	AUD/GBP	0.5687	-0.2%	CRB Index	309.08	-8.09
			AUD/NZD	1.0994	-0.7%	Gold	1838.05	-\$8.57
			AUD/CNY	4.6669	-0.9%	Silver	21.63	-\$0.07
<b>US</b>			EUR/USD	1.0490	-0.4%	Iron Ore (62% Fe)**	120.03	-\$8.00
2-year Bond	3.17	1	USD/JPY	135.26	1.8%	Iron Ore (21-22 Average)	138.19	-\$0.08
10-year Bond	3.23	-1	USD/CNY	6.7160	0.2%	Copper	8961.50	-\$113.00
			RBA Policy		Equities			
<b>Other 10-year</b>			O/N Cash Rate Target	0.85%	ASX200	6473	62	
Japan	0.23	-4	Interbank O/N Cash Rate	0.81%	Dow Jones	29889	-38	
Germany	1.67	-4	Probability of a 75bps Hike in July	78.0%	S&P500	3675	8	
UK	2.50	-2	RBA Bond Holdings (31 May)	A\$355.7b	Stoxx600	403	0	
					CS300	4309	59	

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

\*\*Iron ore is the second SGX futures contract.

US equities steadied on Friday after the worst week since March 2020. The S&P 500 and the Nasdaq both closed higher, however, the Dow Jones Industrial Average, which comprises just 30 stocks, closed marginally lower. US Treasury yields were little changed, while the US dollar bounced following back-to-back losses.

The major drivers of the dismal market sentiment last week were expectations of aggressive Fed tightening and fears about the consequences for the US economy, including the possibility of a recession. The semi-annual monetary policy report issued by the Fed on Friday stressed that the FOMC's commitment to restoring price stability is "unconditional".

There were a couple of public appearances by Fed officials over the weekend. Fed chair Jerome Powell, in his opening remarks at a conference on the international role of the US dollar, said the Fed is "acutely focussed on returning inflation to our 2% objective". Meanwhile, Fed Governor Christopher Waller told an audience in Texas that the Fed is "all in on re-establishing price stability", admitting that the FOMC could have signalled the possibility of a steeper tightening path once the lift-off criteria were met.

In the commodity markets, oil prices dropped on recession fears, hitting the lowest levels in around a month. Iron ore futures declined 6.2% to the lowest level this year but remain elevated by historical standards.

The only economic data release of note was US industrial production for May, which rose at only half the rate expected from the upwardly revised level in the previous month.

Closer to home, the Bank of Japan left its monetary policy settings unchanged as expected and dismissed speculation that it may tweak its policy to address the weak Japanese yen. The Japanese currency depreciated sharply as a result.

In Australia, the ASX 200 fell by 1.8% on Friday, bringing the total weekly decline to 6.6%, the biggest since March 2020. Commonwealth bond yields declined at the long end of the yield curve and rose for shorter maturities, as the probability of a 75bps cash rate hike in July remained at around 80%. The Australian dollar depreciated against all the major currencies but the weaker Japanese yen.

The key domestic events next week will involve the RBA. Tomorrow will see the release of the RBA's review of its 3-year yield target policy, the minutes of the June Board meeting, and the first of two public appearances by Governor Philip Lowe. The other public appearance of Governor Lowe is scheduled for Friday. There are also a number of public appearances by central bank officials abroad, including Fed Chair Jerome Powell's testimonies ahead of US congressional committees on Wednesday and Thursday nights. The flash June PMIs for Australia and elsewhere will be released on Thursday.

#### ECONOMIC DATA REVIEW

- **US:** Industrial Production (MoM, May) – Actual 0.2%, Expected 0.4%, Previous 1.4% (revised).

#### ECONOMIC DATA PREVIEW

- **CH:** RBA Decision (One-year Prime Loan Rate) – Expected 3.70%, Previous 3.70%.

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