

Interest Rates			FX		Commodities US\$			
Australia		Δ bp	AUD/USD	0.6977	0.4%	WTI Crude Oil	111.27	\$1.12
90-day Bill	1.86	2	AUD/JPY	94.31	0.4%	Brent Crude Oil	115.10	\$1.26
3-year Bond	3.78	6	AUD/EUR	0.6629	0.1%	Mogas95*	150.64	-\$7.37
10-year Bond	4.16	9	AUD/GBP	0.5690	0.1%	CRB Index***	309.08	0.00
			AUD/NZD	1.1001	0.1%	Gold	1839.98	\$1.93
			AUD/CNY	4.6676	0.0%	Silver	21.64	\$0.00
US			EUR/USD	1.0521	0.3%	Iron Ore (62% Fe)**	110.94	-\$9.09
2-year Bond	3.24	7	USD/JPY	135.18	-0.1%	Iron Ore (21-22 Average)	138.08	-\$0.11
10-year Bond	3.29	6	USD/CNY	6.6900	-0.4%	Copper	8977.50	\$16.00
			RBA Policy		Equities			
Other 10-year			O/N Cash Rate Target	0.85%		ASX200	6476	3
Japan	0.24	1	Interbank O/N Cash Rate	0.81%		Dow Jones***	29889	0
Germany	1.75	9	Probability of a 75bps Hike in July	78.0%		S&P500***	3675	0
UK	2.60	10	RBA Bond Holdings (31 May)	A\$355.7b		Stoxx600	407	4
						CSIB00	4330	21

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

**Iron ore is the second SGX futures contract.

***No change due to a public holiday.

It was a quiet night in the global financial markets, with US investors away for the Juneteenth holiday. European stocks gained, following declines across most of the Asia-Pacific, including Australia. Government bond yields picked up across the advanced economies, including Australia, with the back end of the yield curve seeing relatively strong increases. The Aussie dollar appreciated against the greenback and the Japanese yen.

Despite the public holiday, there was some communication from the Fed. St Louis Fed President James Bullard (voting this year) assessed that the US economy does not need to be plunged into a recession as a result of aggressive monetary policy normalisation by the Fed, citing the 1994 tightening cycle as an example.

In addition, US President Joe Biden and US Treasury Secretary Janet Yellen have both said that a US recession is not evitable, though Secretary Yellen warned that economic growth will slow.

On the other side of the Atlantic, in a testimony ahead of the European Parliament, ECB President Christine Lagarde reconfirmed plans to embark on monetary policy tightening in July, though she warned of the risk of a disorderly market correction. ECB Chief Economist Philip Lane said that the bank will not revisit the decision to deliver just a 25bps hike in July, but the size of the September increase is still yet to be decided.

In commodity markets, oil futures prices increased in reaction to reassuring comments about the US economic outlook coming from the Biden administration. Iron ore futures prices dropped by another 7.6% to a fresh 2022 low. This came as the People's Bank of China left its benchmark one-year loan prime rate unchanged, as expected.

In Australia, the RBA has concluded a review of a 3-year yield target introduced to strengthen the forward guidance, as part of their monetary easing package released early in the pandemic. The bottom line is that the RBA acknowledged that, while the target was successful in lowering the funding costs and supporting credit growth, the disorderly exit from the policy caused some reputational damage to the bank.

In more communication from the RBA this morning, Governor Philip Lowe is speaking on inflation and monetary policy at the time of writing, stressing again that while the recent rise in inflation was largely caused by global factors, domestic factors are also playing a role. Most notably, labour force shortages and other capacity pressures are also increasingly at play. He assessed that medium-term inflation expectations have been well anchored around the target band so far, stressing that reducing inflation will be easier if it stays this way.

Data-wise, the ANZ Roy Morgan consumer confidence index picked up by 1.6% last week, which followed very strong declines earlier in the month. Consumer inflation expectations bounced 0.3ppts to 5.9%.

ECONOMIC DATA REVIEW

- **AU:** ANZ Roy Morgan Consumer Confidence (w/e 18 Jun) – Actual 1.6%, Previous -7.6%.
- **CH:** PBOC Decision (One-year Prime Loan Rate) – Actual 3.70%, Expected 3.70%, Previous 3.70%.

ECONOMIC DATA PREVIEW

- **AU:** RBA Board Minutes.

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