

Interest Rates			FX		Commodities US\$			
Australia		Δ bp	AUD/USD	0.6914	-0.4%	WTI Crude Oil	103.88	-\$4.16
90-day Bill	1.74	-4	AUD/JPY	94.03	-0.7%	Brent Crude Oil	109.53	-\$3.64
3-year Bond	3.43	-18	AUD/EUR	0.6539	-1.0%	Mogas95*	155.31	-\$5.84
10-year Bond	3.82	-21	AUD/GBP	0.5639	-0.5%	CRB Index	304.65	-4.35
			AUD/NZD	1.1006	-0.1%	Gold	1837.49	\$10.40
			AUD/CNY	4.6312	-0.2%	Silver	21.38	-\$0.12
US			EUR/USD	1.0573	0.6%	Iron Ore (62% Fe)**	108.14	-\$6.77
2-year Bond	3.02	-18	USD/JPY	136.07	-0.2%	Iron Ore (21-22 Average)	137.87	-\$0.12
10-year Bond	3.13	-14	USD/CNY	6.6983	0.5%	Copper	8773.00	-\$222.00
			RBA Policy		Equities			
Other 10-year			O/N Cash Rate Target	0.85%	ASX200	6524	-13	
Japan	0.24	0	Interbank O/N Cash Rate	0.81%	Dow Jones	30483	-47	
Germany	1.63	-14	Probability of a 50bps Hike in July	82.8%	S&P500	3760	-5	
UK	2.47	-17	RBA Bond Holdings (31 May)	A\$355.7b	Stoxx600	406	-3	
					CSI300	4271	-55	

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

**Iron ore is the second SGX futures contract.

US equity markets closed slightly lower after a volatile session, amid ambiguous comments by Fed Chair Jerome Powell. The declines in the US stock indices followed losses in Europe and Asia.

During his testimony before a US Senate committee, Chair Powell said that the Fed is committed to bringing inflation back to its goal of 2%, for which restrictive monetary policy settings are needed. He stressed that the FOMC is not trying to provoke a recession in its decisions on monetary policy tightening. However, he also admitted that achieving a soft landing would be “very challenging”, and that recession was “certainly a possibility” as a result.

Meanwhile, the probability of a 75bps hike in July implied from fed funds futures declined somewhat but remained above 80%. US Treasury yields fell quite sharply across the yield curve and the US dollar depreciated. Sharp declines in yields were recorded across the major advanced economies, with the exception of Japan where yields remain very low.

In commodity markets, oil prices fell sharply overnight, in reaction to the comments on recession by Chair Powell. US President Joe Biden has asked Congress for a three-month suspension of the federal gasoline tax to lower fuel prices for US consumers, however, the proposal appears to lack widespread support. For various reasons the move is opposed by some members of his own Democratic party, as well as the Republicans. Iron ore futures prices dropped 5.9% yesterday, following the short-lived rebound on Tuesday.

Data-wise, UK inflation rose 0.1ppts to 9.1% in May, in line with expectations, reaching a new 30-year high.

In Australia, the flash PMI composite declined 0.3ppts to 52.6 in June (above 50 = expansion), signalling further normalisation in economic activity growth after the sharp rebound from COVID outbreaks. According to respondents of the survey, the rise in interest rates and inflation pressures weighed on demand for services. Firms also reported a further increase in input costs, driven by higher prices of raw materials and fuels. The flash PMI reports for the major advanced economies will be published later today.

The Australian dollar is down against all the major currencies, while Commonwealth bond yields fell more than their US equivalents. The probability of a 50bps hike in July implied from cash rate futures rose above 80%. The ASX 200 closed slightly lower yesterday but opened in the black this morning.

ECONOMIC DATA REVIEW

- **AU:** PMI Composite (flash, Jun) – Actual 52.6, Previous 52.9.
- **UK:** CPI (YoY, May) – Actual 9.1%, Expected 9.1%, Previous 9.0%.

ECONOMIC DATA PREVIEW

- **JN:** PMI Composite (flash, Jun) – Previous 52.3.
- **EZ:** PMI Composite (flash, Jun) – Previous 54.8.
- **UK:** PMI Composite (flash, Jun) – Previous 53.1.
- **US:** PMI Composite (flash, Jun) – Previous 52.3.
- **US:** Initial Jobless Claims (w/e 18 Jun) – Expected 225k, Previous 229k.

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