

Interest Rates			FX		Commodities US\$			
Australia		Δ bp	AUD/USD	0.6931	0.5%	WTI Crude Oil	105.85	\$0.78
90-day Bill	1.77	3	AUD/JPY	93.46	0.3%	Brent Crude Oil	111.44	\$0.62
3-year Bond	3.30	-4	AUD/EUR	0.6557	0.0%	Mogas95*	152.40	-\$1.15
10-year Bond	3.72	-1	AUD/GBP	0.5644	0.3%	CRB Index	298.55	1.86
			AUD/NZD	1.0974	0.0%	Gold	1828.52	\$4.52
			AUD/CNY	4.6353	0.3%	Silver	21.08	\$0.13
US			EUR/USD	1.0566	0.4%	Iron Ore (62% Fe)**	114.13	-\$2.02
2-year Bond	3.07	3	USD/JPY	134.92	-0.1%	Iron Ore (21-22 Average)	137.69	-\$0.10
10-year Bond	3.14	3	USD/CNY	6.6878	-0.2%	Copper	8381.00	-\$28.00
			RBA Policy		Equities			
Other 10-year			O/N Cash Rate Target	0.85%	ASX200	6670	154	
Japan	0.23	1	Interbank O/N Cash Rate	0.81%	Dow Jones	31501	823	
Germany	1.44	0	Probability of a 50bps Hike in July	80.4%	S&P500	3912	116	
UK	2.30	1	RBA Bond Holdings (31 May)	A\$355.7b	Stoxx600	413	11	
					CSI300	4395	51	

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

**Iron ore is the second SGX futures contract.

US equities extended their gains on Friday, to conclude the first positive week in almost a month. The Dow Jones rose 2.7% on Friday, the S&P 500 added 3.1%, while the Nasdaq surged 3.5%. This followed equally strong gains in Europe and more moderate increases in Asia.

The rise was driven by speculation that the weaker economic data will reduce the Fed's appetite for aggressive monetary policy tightening going forward. Fed funds rate expectations eased slightly, while the US dollar depreciated somewhat. US Treasury yields picked up, however, as the fed funds futures still indicate an above-70% probability of a 75bps hike in July.

The speculation on less aggressive tightening was amplified in the final University of Michigan consumer confidence report for June. On the one hand, the record low in household sentiment was even more depressed than in the preliminary estimate. On the other hand, five-year consumer inflation expectations for June, cited by Fed Chair Jerome Powell as the major reason behind the 75bps fed funds rate hike earlier this month, rose less than first estimated (to 3.1% against 3.3% in the advance report and 3.0% in May). One-year inflation expectations were unchanged from the previous month, against a slight rise implied from the advance release, but remained elevated.

St Louis Fed President James Bullard (voting this year) and San Francisco Fed President Mary Daly have both backed front loading of fed funds rate increases. Bullard added that current market expectations for the fed funds rate were in line with the FOMC's judgement and assessed that the fast pace of tightening is unlikely to bring about a recession in the US.

Closer to home, the annual rate of Japanese CPI inflation was 2.5% in May, same as in the previous month, again exceeding the Bank of Japan's target of 2.0%. Annual inflation excluding food and energy was 0.8%, which was also unchanged from April. The data is unlikely to drive a change in the Bank of Japan's expansionary monetary policy.

RBA Governor Philip Lowe participated in a panel discussion on Friday night, reiterating that the Board will discuss a 25bps or 50bps cash rate hike at its meeting next week and that a 75bps increase was "never on the table". Governor Lowe reminded that, despite the recent slight decline over east, house prices are still up 20% over the past two years, strengthening the balance sheets of households and their resilience to higher interest rates.

The Aussie dollar has benefitted from the improved global market sentiment, picking up against all the major currencies but the euro, while Commonwealth bond yields declined a little. The ASX 200 closed 0.8% higher on Friday, supported by a rise in tech and lithium stocks, to be 1.6% up for the week.

The major domestic releases this week will be retail trade on Wednesday and private sector credit on Thursday; both releases are for May. The most important releases offshore will be the US personal income and outlays report for May, including the PCE price index, as well as the US ISM report for manufacturing and the Chinese PMIs.

ECONOMIC DATA REVIEW

- **JN:** CPI (YoY, May) – Actual 2.5%, Previous 2.5%.

ECONOMIC DATA PREVIEW

- **US:** Durable Goods Orders (MoM, May) – Expected 0.1%, Previous 0.5%.

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