

Interest Rates			FX		Commodities US\$			
Australia		Δ bp	AUD/USD	0.6903	-0.7%	WTI Crude Oil	88.14	-\$1.25
90-day Bill	2.26	6	AUD/JPY	93.43	1.1%	Brent Crude Oil	93.99	\$0.06
3-year Bond	3.01	16	AUD/EUR	0.6792	-0.1%	Mogas95*	103.80	-\$9.64
10-year Bond	3.24	11	AUD/GBP	0.5725	0.0%	CRB Index	281.04	-0.17
			AUD/NZD	1.1075	0.2%	Gold	1773.84	-\$19.75
			AUD/CNY	4.6669	-0.6%	Silver	19.80	-\$0.41
US			EUR/USD	1.0163	-0.7%	Iron Ore (62% Fe)**	109.11	\$3.40
2-year Bond	3.25	20	USD/JPY	135.39	1.8%	Iron Ore (22-23 Average)	108.10	\$0.04
10-year Bond	2.83	15	USD/CNY	6.7607	0.2%	Copper	7870.50	\$143.00
			RBA Policy		Equities			
Other 10-year			O/N Cash Rate Target	1.85%		ASX200	6992	-4
Japan	0.18	1	Interbank O/N Cash Rate	1.81%		Dow Jones	32803	77
Germany	0.94	14	Probability of a 50bps Hike in Sep	81.2%		S&P500	4145	-7
UK	2.04	16	RBA Bond Holdings (29 July)	A\$353.1b		Stoxx600	436	-3
						CS300	4157	55

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

**Iron ore is the second SGX futures contract.

US stocks were mixed overnight, with the S&P and the tech-heavy Nasdaq closing in the red, as strong US labour market data saw traders revise up their rate hike expectations. A late rally saw the Dow Jones close higher.

The probability of another 75bps hike in late September implied from fed funds futures jumped to above 70%, further supported by comments by Fed Governor Michelle Bowman, who indicated that further large interest rate increases could continue. Government bond yields surged across the advanced economies, particularly at the front end of the yield curve, and the US dollar appreciated. The AUD depreciated against the stronger greenback.

US non-farm payrolls rose by another 528k in July, more than twice as much as the 250k anticipated by the markets, coming back to pre-COVID levels. The unemployment rate unexpectedly declined 0.1ppts to be back at the pre-pandemic low of 3.5%, equal to the lowest level since May 1969. This came amid a further decline in the participation rate to 62.1%, which is 1.3ppts below the February 2020 level. Wages growth accelerated to 0.5% in the month, against the market expectations of a slowdown to 0.3%, with the annual growth rate unexpectedly remaining at 5.2% (mkt exp 4.9%).

The Chinese trade surplus rose to a record high of US\$101.3b in July, driven by acceleration of export growth to 18.0% YoY (mkt exp 2.3%). Imports rose by 2.3% YoY, slightly less than the 3.7% envisaged by the consensus, but faster than the 1.0% in the year to June. Iron ore imports saw a 2.6% MoM increase.

In Australia, the RBA published its quarterly Statement on Monetary Policy, [confirming](#) the significant upward revision to inflation projection and a downgrade to the GDP growth outlook. The detailed forecasts suggest that the downward revision to economic growth was mainly due to a slower rise in consumption amid cost-of-living pressures and rising mortgage rates, with the RBA seeing the major risks to the projection coming from the behaviour of the household sector. Dwelling investment growth is projected to turn negative towards the end of the 2023, but business investment is expected to continue its strong increase.

The RBA acknowledged that inflation expectations have picked up, but judged that market-based mid- to longer-run inflation expectations remained well anchored within the target range. Long-term expectations of union officials rose to 3.5%, however, to be the highest since 2009. Well-anchored inflation expectations are important to keep inflation stable over the longer run, as they impact the behaviours of businesses and households, including wage setting. Over 60% of businesses participating in its liaison program expect wages growth higher than the upper bound of the RBA's target range over the year from now. The Bank forecasts wages growth to accelerate to nearly 4.0% towards the end of 2024.

ECONOMIC DATA REVIEW

- **CH:** Trade Balance (Jul) – Actual US\$101.3b, Expected US\$90.b, Previous US\$97.9b.
- **US:** Non-farm Payrolls (monthly change, Jul) – Actual 528k, Expected 250k, Previous 398k (revised).
- **US:** Unemployment Rate (Jul) – Actual 3.5%, Expected 3.6%, Previous 3.6%.

ECONOMIC DATA PREVIEW

No market-moving data.

Disclaimer

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