

Interest Rates			FX		Commodities US\$			
Australia		Δ bp	AUD/USD	0.6953	-0.4%	WTI Crude Oil	90.31	-\$0.18
90-day Bill	2.28	2	AUD/JPY	94.00	-0.2%	Brent Crude Oil	96.14	-\$0.27
3-year Bond	3.02	5	AUD/EUR	0.6812	-0.6%	Mogas95*	105.36	\$0.00
10-year Bond	3.22	4	AUD/GBP	0.5762	-0.3%	CRB Index	284.55	2.75
			AUD/NZD	1.1072	-0.3%	Gold	1792.30	\$3.41
			AUD/CNY	4.6950	-0.4%	Silver	20.48	-\$0.17
US			EUR/USD	1.0203	0.1%	Iron Ore (62% Fe)**	109.58	-\$2.09
2-year Bond	3.28	7	USD/JPY	135.24	0.3%	Iron Ore (22-23 Average)	108.28	\$0.05
10-year Bond	2.79	4	USD/CNY	6.7525	0.0%	Copper	7983.00	-\$4.50
			RBA Policy		Equities			
Other 10-year			O/N Cash Rate Target	1.85%	ASX200	7001	-27	
Japan	0.16	0	Interbank O/N Cash Rate	1.81%	Dow Jones	32774	-58	
Germany	0.92	3	Probability of a 50bps Hike in Sep	77.5%	S&P500	4122	-18	
UK	1.99	4	RBA Bond Holdings (29 July)	A\$353.1b	Stoxx600	436	-3	
					CS300	4156	9	

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel price. No change due to a public holiday.

**Iron ore is the second SGX futures contract.

All three major US stock indices slid on Tuesday, ahead of the US inflation data release scheduled for tonight. The markets expect a 0.4ppts decline in annual headline CPI inflation to 8.7%, but core inflation is forecast to rise 0.2ppts to 6.1%. Such a result would see the FOMC continue “expeditious” monetary policy tightening. The tech sector was additionally hit by a warning from a major chipmaker that demand for chips is declining.

The decline on Wall Street followed losses in continental Europe and mixed results in Asia. The weaker global market sentiment, coupled with a decline in iron ore prices, was reflected in depreciation of the Aussie dollar against all the major currencies.

Government bond yields rose across all maturities, with relatively large increases at the front end of the yield curve. The probability of a 75bps hike by the Fed remains high at just a touch below 70%.

The US NFIB small business optimism index edged higher in July, however, sentiment remained gloomy with the index remaining at around a nine-year low. There was room for some optimism, if you looked hard enough, with the net number of companies expecting improvement in economic conditions rising for the first time in 2022, although it remained heavily negative. In addition, less companies expect selling prices to rise, but inflation was still reported as the major barrier by the largest net proportion of companies on record.

In commodity markets, iron ore futures fell by 1.9%, dragged down by concerns over the new COVID-19 outbreaks and restrictions in China.

In Australia, NAB business conditions rose 6pts to 20 in July, the highest level since June 2021, supported by improvement in all three subindices; trading, profitability and employment. The increase came despite the fastest rise in purchase and labour costs on record (since 1997). Confidence improved as well, rising 5pts to the above-average 6. Improvement in conditions and confidence was broad-based, with construction surprisingly leading the increase. Western Australian business conditions remained stronger than the national average.

The Westpac consumer sentiment index continued to deteriorate in August, falling by another 3.0%. This was the ninth decline in a row, again caused by high inflation and rising interest rates. The ‘time to buy a dwelling’ declined further and remained near the lowest levels since the global financial crisis, while the house price expectations index fell by another 2.3%. The unemployment expectations index declined, signalling ongoing optimism about labour market conditions.

ECONOMIC DATA REVIEW

- **AU:** NAB Business Conditions (Jul) – Actual 20, Previous 14 (revised).
- **AU:** NAB Business Confidence (Jul) – Actual 7, Previous 2 (revised).
- **AU:** Westpac Consumer Sentiment (Aug) – Actual -3.0%, Previous -3.0%.

ECONOMIC DATA PREVIEW

- **CH:** CPI (YoY, Jul) – Expected 2.9%, Previous 2.5%.
- **CH:** PPI (YoY, Jul) – Expected 4.8%, Previous 6.1%.
- **US:** CPI (MoM, Jul) – Expected 0.2%, Previous 1.3%.

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