

Interest Rates			FX			Commodities US\$		
<b>Australia</b>		<b>Δ bp</b>	AUD/USD	0.7100	0.2%	WTI Crude Oil	94.09	\$2.68
90-day Bill	2.30	3	AUD/JPY	94.53	0.4%	Brent Crude Oil	99.39	\$1.99
3-year Bond	3.16	13	AUD/EUR	0.6883	0.1%	Mogas95*	112.10	\$3.95
10-year Bond	3.45	18	AUD/GBP	0.5823	0.4%	CRB Index	295.06	5.78
			AUD/NZD	1.1030	-0.2%	Gold	1787.53	-\$3.69
			AUD/CNY	4.7886	0.5%	Silver	20.25	-\$0.32
<b>US</b>			EUR/USD	1.0312	0.1%	Iron Ore (62% Fe)**	112.28	\$2.40
2-year Bond	3.24	3	USD/JPY	133.21	0.3%	Iron Ore (22-23 Average)	108.46	\$0.13
10-year Bond	2.89	11	USD/CNY	6.7445	0.3%	Copper	8173.00	\$87.50
			<b>RBA Policy</b>			<b>Equities</b>		
			O/N Cash Rate Target	1.85%		ASX200	7038	45
			Interbank O/N Cash Rate	1.81%		Dow Jones	33337	27
			Probability of a 50bps Hike in Sep	76.3%		S&P500	4207	-3
<b>Other 10-year</b>			RBA Bond Holdings (29 July)	A\$353.1b		Stoxx600	440	0
Japan	0.20	1				CSI300	4194	84
Germany	0.98	8						
UK	2.07	12						

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

\*\*Iron ore is the second SGX futures contract.

The US stock indices were mixed overnight, as the initial positive reaction to the fall in the US PPI faded. The Dow Jones managed to close marginally up, but the S&P 500 and the Nasdaq saw a slight decline. Government bond yields rose, particularly for longer maturities, while the Aussie dollar appreciated.

The US PPI fell by 0.5% in July, against a 0.3% gain expected by the markets. This is the first fall in US producer prices since the early days of the pandemic. The decline was driven by a 9.0% plunge in energy prices. The annual rate of PPI inflation dropped 1.5ppts to 9.8%, which is the lowest level since October last year.

At the same time, US initial jobless claims rose 14k to 262k last week, from the downwardly revised level for the week ending 30 July, and are at their highest level since mid-November 2021. Continued claims also saw a slight pick-up, but remained low at just 1.4m.

In commodity markets, oil prices rose by 2-3% as the International Energy Agency increased its 2022 demand growth outlook yesterday. This came despite OPEC trimming its equivalent forecasts for the third consecutive time on the very same day. Iron ore futures picked up by another 2.2%, supported by restocking of this commodity in China.

In Australia, payroll jobs fell by 0.8% in the month to 16 July, dragged down by the seasonal impacts of school holidays, the end of financial year and increased employee absences due to outbreaks of COVID-19 and other illnesses. Despite the decline, jobs were still 4.5% higher than a year ago. Western Australia saw a smaller monthly decline than the national average (-0.4%), and continued to lead the other states in terms of labour market performance through the pandemic, with a 10.8% gain from mid-March 2020.

Due to the challenges associated with the end of the financial year, the ABS has suspended the wage estimates usually included in the payrolls report until September.

In other domestic news, Melbourne Institute expectations for 30% trimmed mean inflation dropped 0.4ppts to the still elevated 5.9% in August. Meanwhile, total pay is expected to see a 0.8% pick up through the year.

The Aussie dollar received support from higher commodity prices, appreciating against all the major currencies but the euro. Commonwealth bond yields rose quite sharply across the yield curve. The ASX 200 gained 1.1% yesterday and opened even higher this morning.

#### ECONOMIC DATA REVIEW

- **AU:** Payroll Jobs (MoM, 16 Jul) – Actual -0.8%, Previous 1.0% (revised).
- **US:** PPI (MoM, Jul) – Actual -0.5%, Expected 0.3%, Previous 1.0% (revised).
- **US:** Initial Jobless Claims (w/e 6 Aug) – Actual 262k, Expected 263k, Previous 248k (revised).

#### ECONOMIC DATA PREVIEW

- **UK:** GDP (QoQ, Q2) – Expected -0.2%, Previous 0.8%.
- **US:** University of Michigan Consumer Confidence (Aug, prelim.) – Expected 52.2, Previous 51.5.

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