

Interest Rates			FX			Commodities US\$		
<b>Australia</b>		$\Delta$ bp	AUD/USD	0.7118	0.3%	WTI Crude Oil	91.85	-\$2.24
90-day Bill	2.32	2	AUD/JPY	94.76	0.2%	Brent Crude Oil	97.88	-\$1.51
3-year Bond	3.16	0	AUD/EUR	0.6935	0.8%	Mogas95*	113.65	\$1.55
10-year Bond	3.42	-4	AUD/GBP	0.5863	0.7%	CRB Index	293.48	-1.58
			AUD/NZD	1.1032	0.0%	Gold	1799.05	\$11.52
			AUD/CNY	4.7993	0.2%	Silver	20.78	\$0.53
<b>US</b>			EUR/USD	1.0263	-0.5%	Iron Ore (62% Fe)**	110.37	-\$1.91
2-year Bond	3.25	1	USD/JPY	133.07	-0.1%	Iron Ore (22-23 Average)	108.52	\$0.06
10-year Bond	2.85	-5	USD/CNY	6.7425	0.0%	Copper	8091.50	-\$81.50
			RBA Policy			Equities		
			O/N Cash Rate Target	1.85%		ASX200	7062	24
			Interbank O/N Cash Rate	1.81%		Dow Jones	33761	424
<b>Other 10-year</b>			Probability of a 50bps Hike in Sep	76.3%		S&P500	4280	73
Japan	0.19	-1	RBA Bond Holdings (29 July)	A\$353.1b		Stoxx600	441	1
Germany	0.98	0				CSI300	4191	-3
UK	2.11	4						

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

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

Wall Street saw gains on Friday, driven by hopes that US inflation may have peaked. These hopes received further support from a plunge in US international price indices in July, and a decline in short-term inflation expectations. The probability of a 75bps fed funds rate increase in late September declined below 50%, despite hawkish comments by Richmond Fed President Thomas Barkin, saying that interest rate increases will continue until US PCE inflation runs at 2% "for a period of time".

US import prices retreated 1.4% in July, which exceeded the consensus of a 1.1% decline and was the largest fall since April 2020. The fall was led by a 7.5% plunge in imported fuel prices, but imported food prices also declined by 0.9% (the most since November 2020). Unless the margin is fully captured up the supply chain, the lower import prices should feed into weaker US consumer price growth over time. US export prices also saw a larger-than-expected 3.3% drop in July, also the strongest decline since the height of the pandemic.

US University of Michigan consumer sentiment surged 7.0% in August, to the still depressed 55.1. The improvement in sentiment was supported by a further decline of one-year inflation expectations, which receded to 5.0%. While this is the lowest level since February, it is elevated by historical standards. Moreover, five-year inflation expectations, more relevant from the monetary policy perspective, rose back to 3.0%, which is still inconsistent with the FOMC goal of 2.0%.

In commodity markets, oil prices declined by around 2%, finally reacting to the [downgraded demand forecasts by the OPEC](#). The largest fall was recorded for WTI futures, which came after a major pipeline transporting oil from the US Gulf was fixed. Iron ore futures fell by 1.7%.

A decline in inflation expectations drove the long-term government bond yields lower globally and also in Australia. The better global market sentiment supported the Aussie dollar, which appreciated against all the major currencies.

The most important domestic events [this week](#) will be RBA minutes tomorrow, Q4 wage price index on Wednesday and the labour force survey results for July on Thursday. The key releases offshore will be US and Chinese economic activity data for July, as well as the minutes from the most recent FOMC meeting.

#### ECONOMIC DATA REVIEW

- **US:** Export Prices (MoM, Jul) – Actual -3.3%, Expected -0.4%, Previous 0.7%.
- **US:** Import Prices (MoM, Jul) – Actual -1.4%, Expected -1.1%, Previous 0.3% (revised).
- **US:** University of Michigan Consumer Confidence (Aug, prelim.) – Previous 55.1, Expected 52.2, Previous 51.5.

#### ECONOMIC DATA PREVIEW

- **JP:** GDP (QoQ, Q2) – Expected 0.6%, Previous -0.1%.
- **CH:** Retail Sales (YoY, Jul) – Expected 4.9%, Previous 3.1%.
- **CH:** Industrial Production (YoY, Jul) – Expected 4.4%, Previous 3.9%.
- **CH:** Urban Fixed Asset Investment (YoY, Jul) – Expected 6.1%, Previous 6.1%.

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