

Interest Rates			FX		Commodities US\$			
Australia		Δ bp	AUD/USD	0.7017	-1.4%	WTI Crude Oil	88.36	-\$3.50
90-day Bill	2.32	0	AUD/JPY	93.36	-1.4%	Brent Crude Oil	95.10	-\$2.80
3-year Bond	3.02	-13	AUD/EUR	0.6904	-0.5%	Mogas95*	111.55	-\$2.10
10-year Bond	3.28	-13	AUD/GBP	0.5818	-0.8%	CRB Index	289.54	-3.94
			AUD/NZD	1.1030	-0.1%	Gold	1778.43	-\$22.65
			AUD/CNY	4.7516	-1.0%	Silver	20.21	-\$0.62
US			EUR/USD	1.0160	-1.0%	Iron Ore (62% Fe)**	105.98	-\$4.39
2-year Bond	3.19	-6	USD/JPY	133.07	0.0%	Iron Ore (22-23 Average)	108.45	-\$0.07
10-year Bond	2.79	-5	USD/CNY	6.7715	0.4%	Copper	7980.00	-\$111.50
			RBA Policy		Equities			
Other 10-year			O/N Cash Rate Target	1.85%		ASX200	7064	-1
Japan	0.19	0	Interbank O/N Cash Rate	1.81%		Dow Jones	33912	151
Germany	0.91	-7	Probability of a 50bps Hike in Sep	71.2%		S&P500	4297	17
UK	2.02	-9	RBA Bond Holdings (29 July)	A\$353.1b		Stoxx600	442	1
						CSI300	4186	-5

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

**Iron ore is the second SGX futures contract.

US shares advanced again on Monday, as a set of disappointing economic data from the US and China translated into a further decline in fed funds rate hike expectations. The odds of a 75bps hike increase in the fed funds rate in late September has dropped to 34%. US Treasury yields declined, but the US dollar appreciated.

New York Fed Empire State manufacturing index unexpectedly dropped 42.4pts to -31.3 in August, which is the lowest level since May 2020. The drop was broad-based, with plunges in new orders, shipments and unfilled orders. Employment continued to rise, but hours worked fell. The prices paid index also declined, but remained elevated. The Empire State manufacturing survey encompasses manufacturing in New York State only.

The Chinese economic activity data for July unexpectedly showed renewed deterioration in all the key economic indicators amid new COVID-19 flare-ups. Retail sales growth slowed from 3.1% YoY to 2.7% YoY, against the acceleration to 5.0% YoY that was expected. Urban fixed asset investment growth unexpectedly eased to 5.7% from 6.1% in June. Industrial production growth edged down 0.1ppt to 3.8%, with steel production falling 10.2% MoM and 6.1% YoY.

Faced with the weaker economic data, the People's Bank of China cut its interest rates by 10bps, including the medium-term lending facility rate to 2.75% and the seven-day reverse repo rate to 2.0%.

The weak Chinese data translated into a drop in commodity prices. Brent futures prices are the lowest since mid-February, while iron ore futures dropped by another 4.0%.

The fall in commodity prices and concerns over the pace of the Chinese recovery were reflected in depreciation of the Aussie dollar against all the major currencies. Commonwealth bond yields fell more than their US equivalents. The ASX 200 rose yesterday, supported by positive earnings data, and opened again higher this morning.

The ANZ Roy Morgan consumer confidence has completely reversed its drop after the RBA 50bps hike in early August, rising by 4.9% last week to be the highest since June. The improvement came despite another rise in two-year consumer inflation expectations, to 5.8%. Western Australia led the rise in confidence.

ECONOMIC DATA REVIEW

- **AU:** ANZ Roy Morgan Consumer Confidence (w/e 13 Aug) – Actual 4.9%, Previous -4.5%.
- **JP:** GDP (QoQ, Q2) – Actual 0.5%, Expected 0.6%, Previous 0.0% (revised).
- **CH:** Retail Sales (YoY, Jul) – Actual 2.7%, Expected 5.0%, Previous 3.1%.
- **CH:** Industrial Production (YoY, Jul) – Actual 3.8%, Expected 4.5%, Previous 3.9%.
- **CH:** Urban Fixed Asset Investment (YoY, Jul) – Actual 5.7%, Expected 6.1%, Previous 6.1%.
- **US:** New York Fed Empire State Manufacturing Index (Aug) – Actual -31.3, Expected 5.5, Previous 11.1.

ECONOMIC DATA PREVIEW

- **AU:** RBA Minutes.
- **US:** Industrial Production (MoM, Jul) – Expected 0.2%, Previous -0.2%.

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