

Interest Rates			FX			Commodities US\$		
<b>Australia</b>		<b>Δ bp</b>	AUD/USD	0.6648	-0.8%	WTI Crude Oil	83.70	-\$0.20
90-day Bill	2.91	2	AUD/JPY	94.63	-1.5%	Brent Crude Oil	90.62	\$0.17
3-year Bond	3.65	20	AUD/EUR	0.6757	0.6%	Mogas95*	94.65	\$0.80
10-year Bond	3.91	15	AUD/GBP	0.5902	0.3%	CRB Index	277.85	-1.69
			AUD/NZD	1.1360	0.1%	Gold	1672.71	\$7.44
			AUD/CNY	4.7049	0.1%	Silver	19.63	\$0.37
<b>US</b>			EUR/USD	0.9834	-1.3%	Iron Ore (62% Fe)**	98.26	\$2.15
2-year Bond	4.12	16	USD/JPY	142.33	-0.8%	Iron Ore (22-23 Average)	104.59	-\$0.26
10-year Bond	3.71	16	USD/CNY	7.0772	0.8%	Copper	7680.00	-\$78.00
			RBA Policy			Equities		
			O/N Cash Rate Target	2.35%		ASX200	6618	-119
			Interbank O/N Cash Rate	2.31%		Dow Jones	30077	-630
<b>Other 10-year</b>			Probability of a 50bps Hike in Oct	80.4%		S&P500	3758	-98
Japan	0.24	-2	RBA Bond Holdings (31 August)	A\$353.1b		Stoxx600	400	-4
Germany	1.97	4				CSI300	3869	-63
UK	3.51	21						

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

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

All changes relate to Wednesday morning, 8.30 AWST.

The US share market declined on Wednesday and Thursday after the upward revision to fed funds rate projections by the FOMC. Government bond yields rose across the advanced economies, with the notable exception of Japan. The Aussie dollar depreciated against the stronger greenback and the Japanese yen. The ASX 200 dropped 1.6% on Wednesday and opened lower again this morning.

As expected, the FOMC lifted the fed funds rate target range by 0.75bps to 3.00-3.25%, which is the highest level since early 2008, when it was on its way down from a peak of 5.25%. The FOMC members have also revised their fed funds rate projections significantly above the market consensus in place just before the meeting.

The projections now imply two further 75bps hikes this year. The FOMC expects that the fed funds rate will remain above its longer-run average until at least 2025. Fed Chair Jerome Powell reiterated the message from his Jackson Hole speech – that the FOMC will “keep at it” until they are confident that “the job is done”. Market pricing for rate hikes have adjusted to the FOMC projection, with a peak of 4.67% for the fed funds rate priced in for Q2 2023.

Chair Powell expressed concerns over the excessively tight labour market. Meanwhile, US initial jobless claims edged up to a historically low 213k last week, from a downwardly revised 208k in the week ending 10 September.

Across the Atlantic, the Bank of England increased its bank rate by 50bps to 2.25% yesterday. This is the highest level since late 2008 when the Bank of England was cutting rates during the GFC. Yesterday also saw a 75bps policy rate hike to 0.50% by the Swiss National Bank and a 50bps increase to 2.25% by the Norges Bank; in both cases the rates are the highest levels in a decade. ECB Board Member Isabel Schnabel said that, given high inflation, ECB rates need to rise further even if the euro area faces economic downturn.

The Bank of Japan kept its ultra-expansionary monetary policy settings unchanged yesterday but confirmed the first intervention in the foreign exchange market since 1998, pushing the Japanese yen higher.

In Australia, the composite PMI rose 0.6pts to 50.8 in August (above 50 = expansion), signalling a slight increase in the pace of growth while price and cost pressures have eased.

The RBA has published the full review of its bond purchase program, mentioned in brief in the [RBA Board minutes](#). The RBA estimates that the cost will be A\$35-58b by 2033, depending on scenarios for the interest rate on exchange settlement balances.

#### ECONOMIC DATA REVIEW

- **AU:** S&P Global Composite PMI (Sep, flash) – Actual 50.8, Previous 50.2.
- **US:** Initial Jobless Claims (w/e 17 Sep) – Actual 213k, Expected 218k, Previous 208k (revised).

#### ECONOMIC DATA PREVIEW

- **EZ:** S&P Global Composite PMI (Sep, flash) – Expected 48.2, Previous 48.9.
- **UK:** S&P Global Composite PMI (Sep, flash) – Previous 49.6.
- **US:** S&P Global Composite PMI (Sep, flash) – Previous 44.6.

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