

| Interest Rates | | | FX | | Commodities US\$ | | | |
|----------------------|------|-------------|------------------------------------|-----------|------------------|--------------------------|---------|---------|
| Australia | | Δ bp | AUD/USD | 0.6739 | 1.3% | WTI Crude Oil | 77.46 | -\$3.85 |
| 90-day Bill | 3.10 | 3 | AUD/JPY | 93.92 | 0.1% | Brent Crude Oil | 85.41 | -\$2.95 |
| 3-year Bond | 3.29 | 8 | AUD/EUR | 0.6472 | 0.3% | Mogas95* | 99.04 | \$0.49 |
| 10-year Bond | 3.58 | 2 | AUD/GBP | 0.5585 | -0.1% | CRB Index | 276.87 | -2.37 |
| | | | AUD/NZD | 1.0782 | -0.2% | Gold | 1752.96 | \$10.57 |
| | | | AUD/CNY | 4.8238 | 1.5% | Silver | 21.58 | \$0.47 |
| US | | | EUR/USD | 1.0408 | 0.9% | Iron Ore (62% Fe)** | 95.35 | \$1.91 |
| 2-year Bond | 4.47 | -4 | USD/JPY | 139.36 | -1.1% | Iron Ore (22-23 Average) | 98.90 | -\$0.04 |
| 10-year Bond | 3.69 | -7 | USD/CNY | 7.1580 | 0.3% | Copper | 8005.00 | -\$8.00 |
| | | | RBA Policy | | Equities | | | |
| Other 10-year | | | O/N Cash Rate Target | 2.85% | | ASX200 | 7257 | 17 |
| Japan | 0.24 | 0 | Interbank O/N Cash Rate | 2.81% | | Dow Jones | 34194 | 96 |
| Germany | 1.92 | -6 | Probability of a 25bps Hike in Dec | 71.9% | | S&P500 | 4027 | 24 |
| UK | 3.01 | -12 | RBA Bond Holdings (31 Oct) | A\$352.5b | | Stoxx600 | 439 | 3 |
| | | | | | | CSI300 | 3774 | 4 |

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

**Iron ore is the second SGX futures contract.

US stocks picked up slightly and US Treasury yields fell, as the FOMC minutes suggested that the Committee is leaning towards a slower pace of tightening ahead. The Australian dollar appreciated against all the major currencies but the stronger British pound.

The FOMC minutes showed that a “substantial majority” of participants at the November meeting judged that it would likely soon be appropriate to slow the pace of tightening. Given the lags in monetary policy transition, the slower tightening would allow the Fed to better assess the impacts of the tightening already in place on employment and inflation. The markets are now pricing in an 80% chance of a 50bps hike at the 14 December meeting.

Data-wise, US durable goods orders rose 1.0% in October, with core capital goods orders (non-defence excluding aircraft) picking up by 0.7% after a 0.8% decline in the previous month. Initial jobless claims rose to 240k last week, to be the highest since mid-August. The S&P Global US composite PMI declined 1.9pts to 46.3 in November, signalling the second-largest fall in activity since May 2020. According to the S&P Global report, firms increased selling prices at the slowest rate in over two years in November, while employment rose only marginally.

Across the Atlantic, the euro area (47.8) and the UK (48.3) flash composite PMIs pointed to a slightly slower pace of contraction and softer growth in prices of goods sold.

In commodity markets, oil prices fell sharply as China’s COVID situation continues to deteriorate, US gasoline inventories saw a bigger-than-expected increase and European Union members debated the level of the proposed G7 price cap on seaborne Russian oil. Iron ore futures prices rose another 2% yesterday.

Closer to home, the RBNZ increased its official cash rate by 75bps to 4.25% and revised its interest rate projection upwards. Currently, the Kiwi central bank expects that the official cash rate will peak at 5.50% in Q3 2023, rather than at 4.10% in Q2 2023 forecast in August. This was despite the RBNZ projecting a recession in 2023.

The events across the Tasman had an impact on RBA cash rate expectations, which picked up somewhat. The probability of a 25bps cash rate hike on 6 December rose to around 70%, while the peak of the current tightening cycle is expected at 3.85% in mid-2023. Consequently, Commonwealth bond yields picked up, particularly for shorter maturities.

ECONOMIC DATA REVIEW

- **NZ:** RBNZ Decision (Official Cash Rate) – Actual 4.25%, Expected 4.25%, 3.50%.
- **EZ:** S&P Global Composite PMI (Nov, flash) – Actual 47.8, Previous 47.3.
- **UK:** S&P Global Composite PMI (Nov, flash) – Actual 48.3, Previous 48.2.
- **US:** Durable Goods Orders (MoM, Oct) – Actual 1.0%, Expected 0.4%, Previous 0.3% (revised).
- **US:** S&P Global Composite PMI (Nov, flash) – Actual 46.3, Previous 48.2.
- **US:** Initial Jobless Claims (w/e 19 Nov) – Actual 240k, Expected 225k, Previous 223k (revised).

ECONOMIC DATA PREVIEW

- **JP:** S&P Global Composite PMI (Nov, flash) – Previous 51.8.

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