

THIS WEEK'S HIGHLIGHTS

- At home, the RBA Board minutes revealed a 50bps increase was discussed at the November meeting.
- Data-wise, the unemployment rate fell back to 3.4% in October, while employment saw another solid increase. The wage price index rose more than expected in Q3. Western Australian gross state product rose by 3.1% in 2021-22.
- Offshore, US retail sales saw a solid increase in October, but industrial production declined. The US October PPI surprised to the downside. Chinese retail sales declined in October, while industrial production slowed and urban investment growth was steady.

NEXT WEEK'S HIGHLIGHTS

- The calendar for the next week will be quite light, with the flash November S&P Global Aussie PMIs on Wednesday being the only major data release. RBA Governor Philip Lowe is to deliver a speech on Tuesday.
- The flash November PMIs will be also released for the major advanced economies (on Wednesday and Thursday). Other highlights include the FOMC minutes and US October durable goods orders. The RBNZ is to announce its monetary policy decision on Wednesday morning.

Central Bank Rates (%)	Weekly Change	Australian Interest Rates (%)	Weekly Change	Major Overseas Interest Rates (%)	Weekly Change	Global Equities	Weekly Change				
Australia	2.85	(0 pt)	O/N Interbank Cash	2.81	(0 pt)	USD 3-month	4.68	(↑3 pt)	ASX200	7156	(↑27 pt)
US (IOR)	3.90	(0 pt)	90-day Bills	3.05	(↑1 pt)	2-yr T-Notes	4.46	(↑13 pt)	S&P500	3947	(↓10 pt)
Eurozone (Deposit)	1.50	(0 pt)	3-yr T-Bond	3.23	(↑3 pt)	10-yr T-Notes	3.77	(↓4 pt)	DJIA	33546	(↓169 pt)
UK	3.00	(0 pt)	10-yr T-Bond	3.64	(↓4 pt)	Jap 10-yr	0.25	(0 pt)	Nikkei	27976	(↓184 pt)
Japan	-0.10	(0 pt)	3-yr WATC Bond	3.67	(↑1 pt)	UK 10-yr	3.19	(↓9 pt)	CSI300	3817	(↑59 pt)
China (1Y LPR)	3.65	(0 pt)	10-yr WATC Bond	4.30	(↓3 pt)	Ger 10-yr	2.02	(↑2 pt)	Stoxx600	428	(↓4 pt)

*changes are since the issue of last week's Market Watch

FINANCIAL MARKETS OVERVIEW

Interest Rates

US and Australian government bond yields declined slightly this week for longer maturities. However, they are up at the front end of the yield curve, with the rise in the US reflecting hawkish rhetoric from Fed officials and the increase in Australia driven by strong Aussie labour market and wages data.

The RBA minutes revealed that a 50bps cash rate hike was discussed at the November meeting. The document reiterated that the RBA Board opted for a smaller 25bps increase due to an already material tightening and the lags in the monetary policy transmission. The financial stress amid higher mortgage payments was also brought to attention.

The RBA also published a review of its approach to forward guidance through the pandemic, including their pledge not to increase the cash rate before 2024. The document concludes that, in the future, forward guidance should be more flexible on the one hand but straightforward and easy to understand on the other, with cautiousness about any time-based guidance.

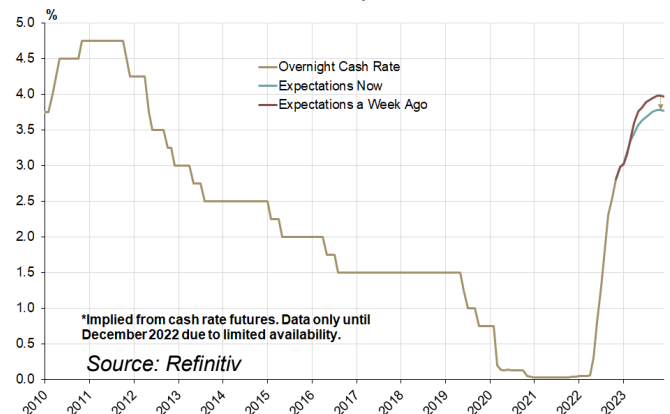
Equities

It has been a choppy week for equity markets, with hawkish Fed rhetoric in the US maintaining downward pressure on Wall Street despite further encouraging inflation news.

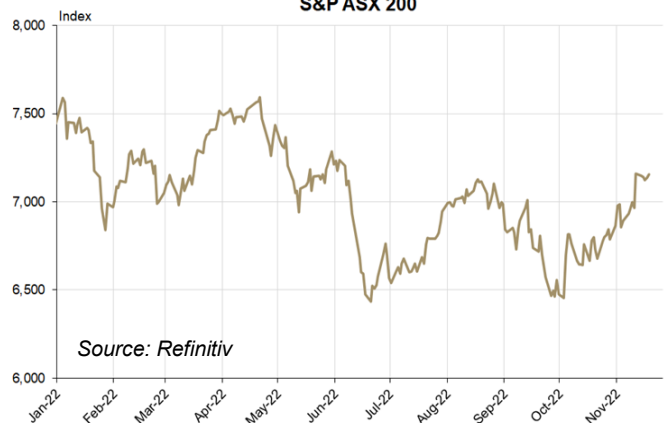
Traders received a scare midweek from reports that a Russian missile had landed in Poland, a NATO member. However, traders breathed a sigh of relief when it was revealed it was most likely caused by Ukrainian air defences.

The Aussie market drifted lower over the first half of the week after jumping 2.8% last Friday, but has clawed back those losses over the past couple of days.

RBA Historical and Expected Cash Rate*



S&P ASX 200



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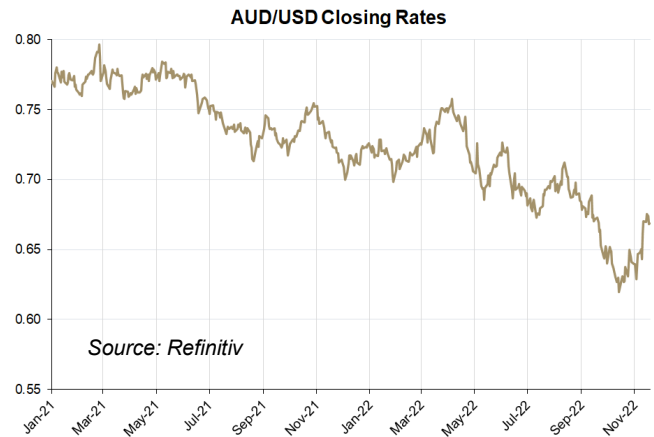
Currencies

The US dollar depreciated sharply this week, dragged down by the fall in fed funds rate expectations following the downside surprise to US CPI inflation numbers.

On Tuesday night, the USD received more headwinds from another downside surprise, this time to US PPI inflation.

Consequently, the majority of other G10 currencies, including the Aussie dollar, are up versus the greenback this week. With a 1.6% appreciation against the USD, the AUD is in the middle of the currency ladder this week.

The Australian dollar depreciated against the stronger euro and British pound, but strengthened slightly versus the Japanese yen.



Spot rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6697	0.6797	0.6576	↑1.7	0.7661	0.6169
AUD/EUR		0.6460	0.6554	0.6426	↓0.2	0.7000	0.6160
AUD/GBP		0.5633	0.5727	0.5619	↓0.3	0.6260	0.5200
AUD/JPY		93.86	94.65	92.58	↑0.1	98.43	78.75
AUD/CNY		4.7884	4.8085	4.6938	↑1.3	4.8743	4.4286
EUR/USD		1.0363	1.0480	1.0162	↑1.9	1.1495	0.9534
GBP/USD		1.1884	1.2025	1.1645	↑2	1.3748	1.0382
USD/JPY		140.15	142.48	137.67	↓1.6	151.94	112.52
USD/CNY		7.1501	7.1501	7.0237	↓0.4	7.3270	6.3025

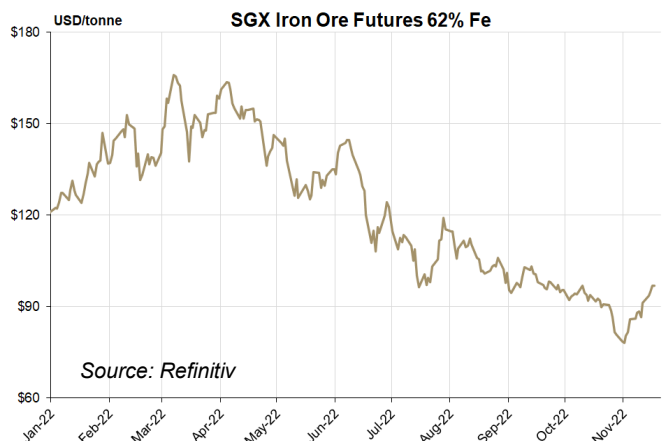
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6697	0.6719	0.6742	0.6777
AUD/EUR		0.6460	0.6434	0.6416	0.6376
AUD/GBP		0.5633	0.5637	0.5645	0.5659
AUD/JPY		93.86	93.01	92.13	90.09
AUD/NZD		1.0882	1.0901	1.0930	1.0983
AUD/SGD		0.9206	0.9228	0.9241	0.9229

Commodities

Iron ore futures prices have surged this week, buoyed by news of an easing in Chinese COVID-19 quarantine times and the Chinese government unveiling a 16-point rescue plan for the property sector. The benchmark price gained 12% over four days before a marginal decline yesterday on reports of production cuts at Chinese steel mills.

Oil prices closed last week with strong upward momentum but slumped on Monday as concerns over Chinese demand again came to the fore. The slide came amid news of rising COVID-19 cases in Chongqing and OPEC again cutting its forecast for demand growth.

Downward pressure was maintained over the remainder of the week with Brent crude hitting its lowest levels in a month.



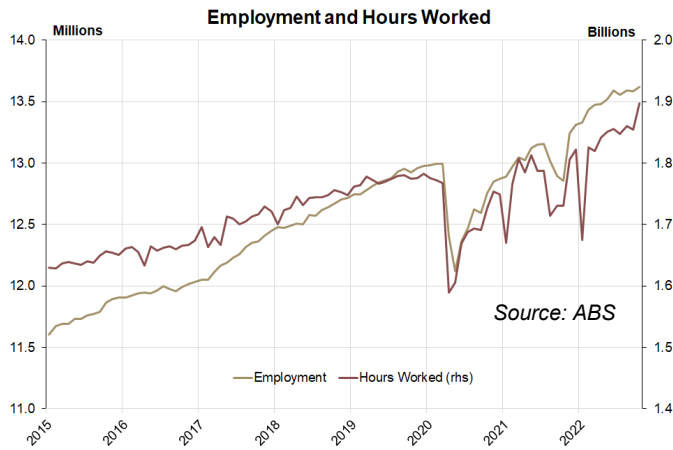
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$1,762.55	\$1,786.35	\$1,746.28	(↓\$13.84)	\$2,069.89	\$1,613.60
Brent Crude Oil (US\$)	\$90.25	\$96.95	\$89.53	(↓\$3.58)	\$139.13	\$65.72
Mogas95* (US\$)	\$100.36	\$104.40	\$100.41	(↑\$1.73)	\$161.20	\$81.00
WTI Oil (US\$)	\$82.23	\$90.10	\$81.40	(↓\$4.43)	\$130.50	\$62.43
CRB Index	277.60	285.79	277.60	(↓4.52)	329.59	218.39
Iron Ore Price 62% Fe (US\$) **	96.95	\$97.90	\$85.50	(↑\$10.44)	\$171.00	\$75.30

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

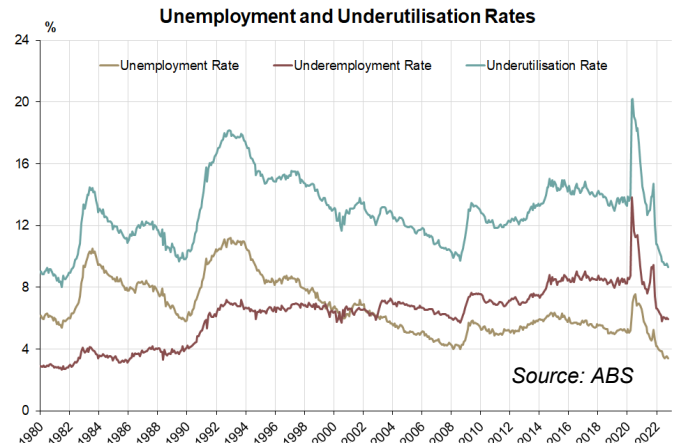
** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

DOMESTIC ECONOMY

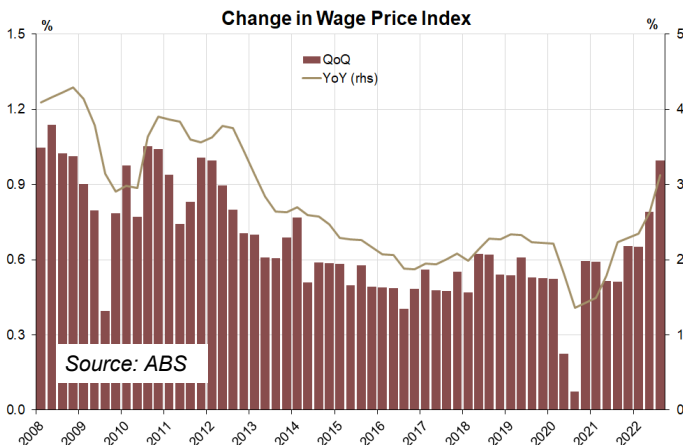
Employment and hours worked reached fresh record highs in October.



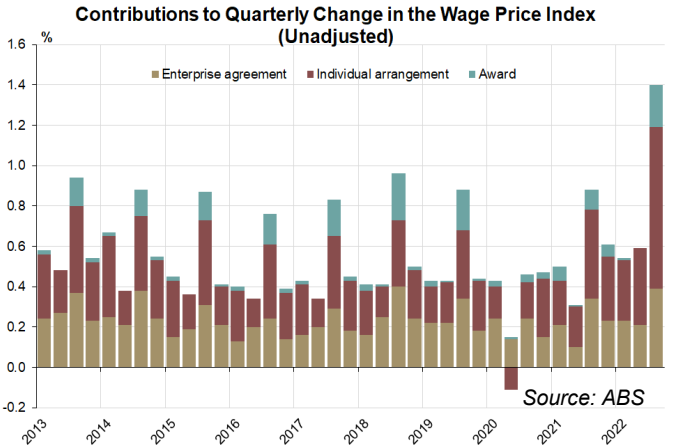
The **unemployment rate** fell back to 3.4%, taking the underutilisation rate to the lowest level since 1982.



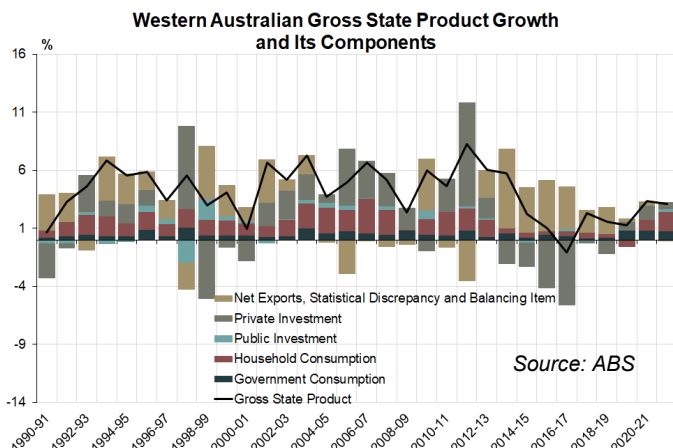
Wages growth accelerated markedly in Q3...



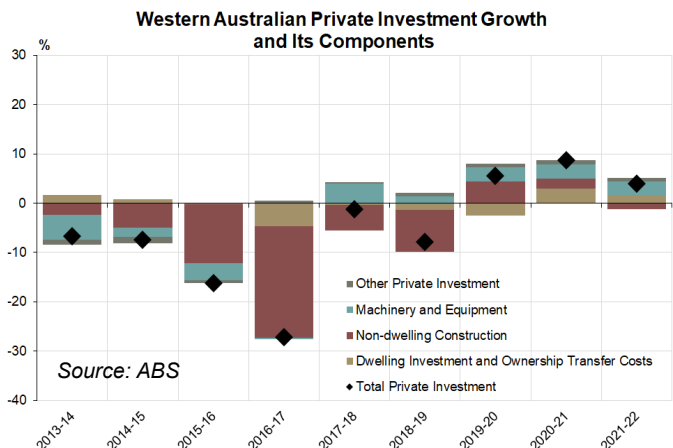
... driven by **individual agreements**, partly helped by an increase in minimum wages and award rates.



Western Australian gross state product rose 3.1% in 2021-22, driven by a recovery in household consumption.

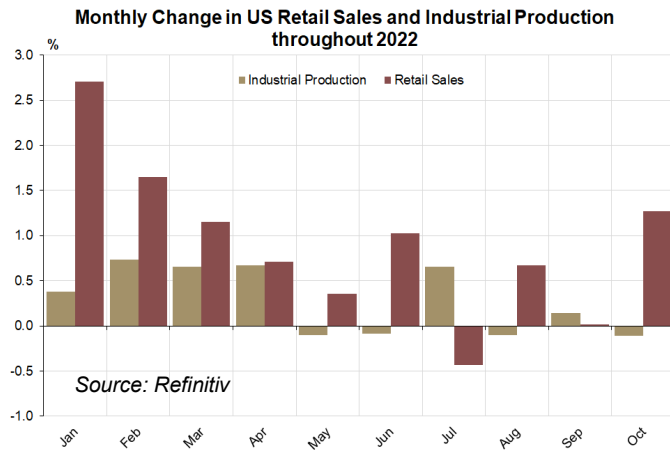


WA private investment continued to recover, with a solid contribution from machinery and equipment spending.

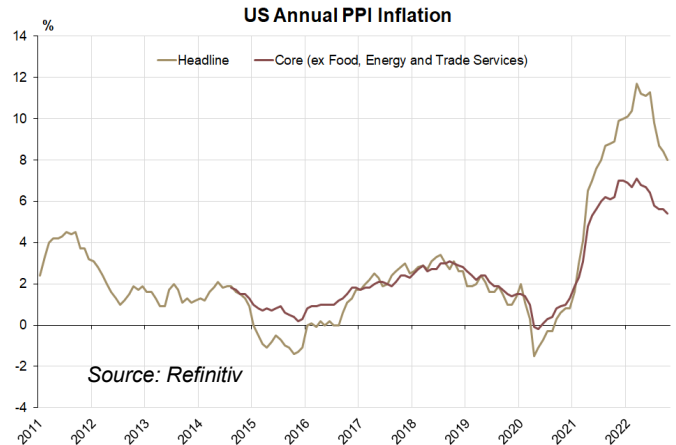


GLOBAL ECONOMY

In October, US retail sales saw the strongest gain since January, but industrial production declined slightly.

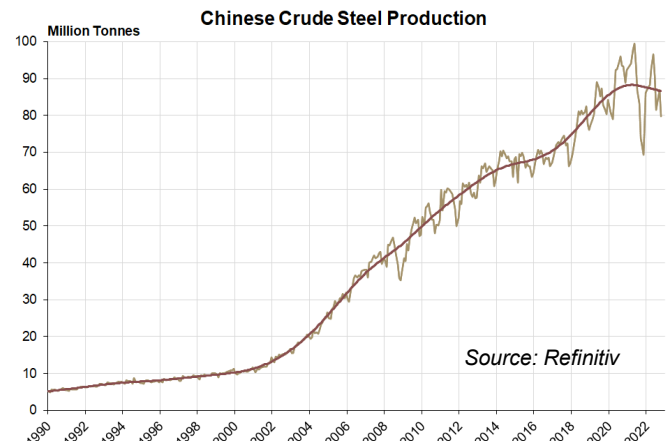
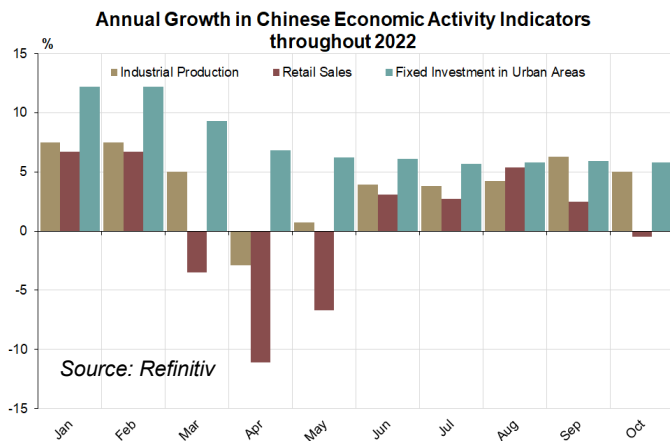


US PPI inflation has declined recently, but remains historically high.



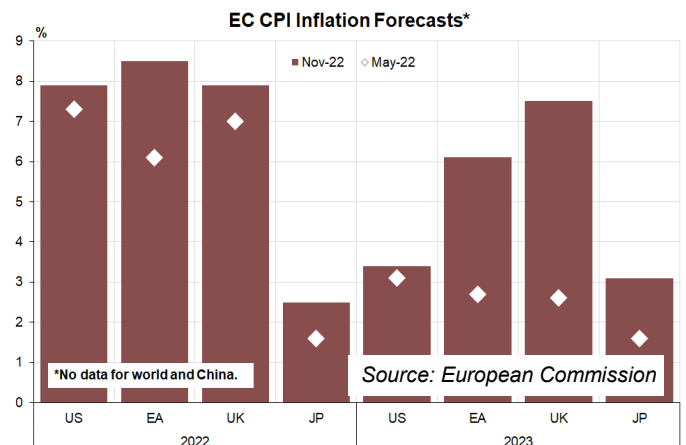
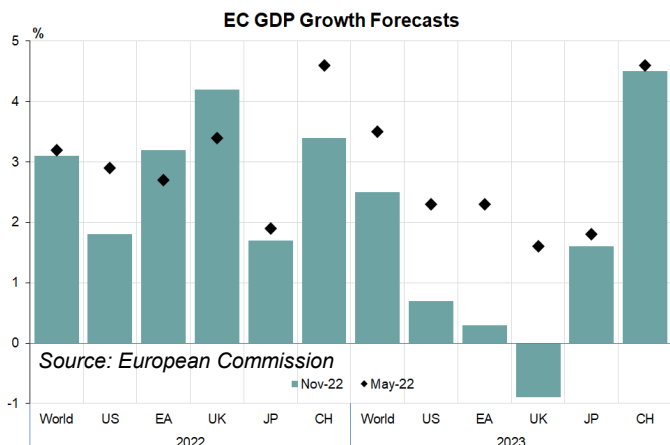
Chinese retail sales declined in October, but growth in industrial production and urban investment remained solid.

Despite the usual October decline, Chinese steel production was up 15.1% through the year.



European Commission downgraded its 2022 and 2023 GDP growth forecasts for most major economies...

... while revising its CPI inflation forecasts significantly upwards.



WESTERN AUSTRALIAN TREASURY CORPORATION

Market **WATCH** Weekly

18 November 2022

KEY ECONOMIC EVENTS

This Week

Event	Actual	Forecast	Previous	Comment	
Mon 14	<i>No market moving data.</i>				
Tue 15					
AU	RBA Minutes	-	-	-	A 50bps hike was discussed at the meeting.
AU	ANZ Consumer Conf. (w/e 12 Nov)	2.7%	-	-1.5%	Inflation expectations declined 0.3ppts to 6.5%.
CH	Retail Sales (YoY, Oct)	-0.5%	1.0%	2.5%	First decline since May. Due to the zero-COVID policy.
CH	Industrial Production (YoY, Oct)	5.0%	5.1%	6.3%	Steel production rose by 15.1% YoY.
CH	Urban Investment (YoY YtD, Oct)	5.8%	5.9%	5.9%	Key indicator for iron ore demand.
UK	Unemployment Rate (Sep)	3.6%	3.5%	3.5%	Claimant count suggests a further increase in Oct.
US	PPI (MoM, Oct)	0.2%	0.5%	0.2%	September numbers revised downwards.
Wed 16					
AU	Wage Price Index (QoQ, Q3)	1.0%	0.9%	0.8%	Up 3.1% YoY.
UK	CPI (YoY, Oct)	11.1%	10.7%	10.1%	The highest level of inflation since October 1981.
US	Retail Sales (MoM, Oct)	1.3%	0.9%	0.0%	Partly helped by higher petrol prices.
US	Industrial Production (MoM, Oct)	-0.1%	0.2%	0.1%	Decline driven by utilities output and mining.
Thu 17					
AU	Employment (monthly change, Oct)	32.2k	15.0k	-3.8k	Surged to a new record high.
AU	Unemployment Rate (Oct)	3.4%	3.6%	3.5%	A new monthly series low.
US	Initial Jobless Claims (w/e 12 Nov)	222k	222k	226k	Continued claims rose to 1,507k in w/e 5 November.
Fri 18					
AU	State Accounts (2021-22)	-	-	-	Western Australian gross state product rose by 3.1%.
JP	CPI (YoY, Oct)	3.7%	3.7%	3.0%	Inflation ex fresh food and energy surged to 2.5%.

Next Week

Event	Forecast	Previous	Comment	
Mon 21	<i>No market moving data.</i>			
Tue 22				
AU	Public Appearance by RBA Governor	-	-	Philip Lowe to speak at the 2022 CEDA Annual Dinner.
Wed 23				
AU	S&P Global Composite PMI (Nov, flash)	-	49.8	Slipped into contraction in November.
NZ	RBNZ Decision (Official Cash Rate)	4.00%	3.50%	Markets split between a 50- and 75bps hike.
EZ	S&P Global Composite PMI (Nov, flash)	-	47.3	Fall in euro area economic activity the fastest since 2020.
UK	S&P Global Composite PMI (Nov, flash)	-	48.2	UK to stay in recession for two years.
US	Durable Goods Orders (MoM, Oct)	0.4%	0.4%	Business reports suggest a slower increase.
US	S&P Global Composite PMI (Nov, flash)	-	48.2	October report pointed to softer inflation pressures.
US	FOMC Minutes	-	-	May contain some hints on the further pace of tightening.
Thu 24				
JP	S&P Global Composite PMI (Nov, flash)	-	51.8	Rose further into expansion in October.
Fri 25	<i>No market moving data.</i>			