

# Weekly Economics and Markets Review

- RBA Governor Lowe spoke on the RBA review and provided some insights into the Bank's plans moving forward, though gave few details on the policy outlook.
- In other central bank news, the Reserve Bank of New Zealand held rates steady, the Bank of Canada hiked, and Fed officials provided mixed forward guidance.
- Meanwhile on the data front, US non-farm payrolls and CPI inflation both came in below expectations.

## Week in review

### Domestic

- In a speech titled *'The Reserve Bank Review and Monetary Policy'* RBA Governor Lowe provided a [ten-point plan](#) for the Bank moving forward. This included reducing the number of Board meetings each year to eight from 11 (though making those meetings last longer) and introducing a post-meeting press conference held by the Governor to help explain the decision. Lowe also suggested the Board was open to the publication of a vote count, Board members making public appearances and the establishment of an advisory group to the Board, though he believes these should be considerations by the next RBA Board in 2024.
- Also from that speech:
  - Governor Lowe noted the decision to leave policy settings unchanged at the July Board meeting gave the Bank time to 'assess' the economy and that the Board was 'very conscious that monetary policy operates with a lag and that the full effects of the tightening to date have not yet been felt'.
  - Lowe did not reveal much on the policy outlook. He suggested that 'it remains to be determined whether monetary policy has more work to do' and stated in the Q&A that the Board had a 'completely open mind' on further policy tightening and that any decision would be determined by the inflation outlook and the impacts on domestic spending (with Lowe noting that consumption had softened).
- There were also two key survey measures released this week:
  - The *Westpac-Melbourne Institute Consumer Sentiment Index* rose marginally in July, despite the RBA not hiking rates this month, with the level of sentiment still notably below the long-run average. The details of the report were mixed, with family finances falling to a new cycle low and unemployment expectations holding on to recent gains but perceptions for future finances and the economy improving.
  - The *NAB Business Survey* for June showed conditions were stable at levels above the series long-run average, while business confidence rose slightly (though remain subdued relative to history).

### Offshore

- In other central bank news this week:
  - The Reserve Bank of New Zealand left rates on-hold at 5.5 per cent, marking the first policy pause since it started raising rates in October 2021. The forward guidance was unchanged and continued to suggest the cash rate 'will need to remain at a restrictive level for the foreseeable future'.
  - The Bank of Canada lifted its policy rate by 25-basis points to 5.0 per cent, marking the second consecutive rate rise after the Bank had paused policy earlier in the year. The forward guidance suggested the Bank would

remain data dependent with no indication given that it was at the end of its hiking cycle (as had been signalled earlier in the year).

- Commentary from Fed officials was mixed. Some stated their view that the Fed had more work to do to get inflation under control, others believe policy is restrictive enough, and many suggested they were undecided about what action policymakers should take at its next meeting on 27/28 July.
- These mixed remarks come amid a mixed backdrop as highlighted in the Fed's Beige Book of regional economic conditions which showed overall activity increased slightly since May, though that most regions expect the expansion to slow.
- Speeches highlighted how there remains a broad consensus among ECB policymakers that further rate rises will be needed over the coming months. The minutes to the Bank's June meeting affirmed this by noting that rate rises were needed in June and July (and beyond if required) to get inflation back to target.
- It was another busy week for **US** data:
  - Non-farm payrolls rose 209,000 in June. While this is a historically still solid outcome, it marks the slowest pace of monthly payrolls growth since the last decline in December 2020. It is also the first reading below expectations since March 2022. Despite the slowing payrolls growth, the unemployment rate still declined a tenth to 3.6 per cent and wages growth picked up.
  - CPI inflation came in much lower than expected in June, with the annual pace of headline inflation slowing to +3.0 per cent (from +4.0 per cent), while core inflation (which excludes food and energy) eased to +4.8 per cent (down from +5.3 per cent).
  - Meanwhile, the New York Fed's gauge of consumers' one-year ahead inflation expectations eased three-tenths to 3.8 per cent, while those for three-years ahead were unchanged at 3.0 per cent and those five-years ahead increased two-tenths to 3.0 per cent.
  - Measures of US producer prices edged higher, all less than expected.
- **UK** labour market data mostly disappointed, with the unemployment rising two-tenths to 4.0 per cent amid a decline in employment while annual average wages growth picked up (excluding bonuses now +7.3 per cent).
- Base effects and lower demand saw **Chinese** consumer and producer inflation below expectations in June at 0.0 per cent and -5.4 per cent year-on-year respectively. Chinese aggregate financing and new yuan loan data rose above expectations in June, after having disappointed in April and May. Meanwhile, China's trade surplus widened to US\$ 70.6 billion (from US\$65.8 billion), this despite a larger than expected decline in export and import values.

## Markets

Bond yields fell this week with the moves in US Treasuries particularly pronounced as inflation and non-farm payrolls both came in below expectations. This suggested to some that the Fed may be nearing the end of its tightening cycle.

### Economic & Market Calendar

DATE	DETAILS
<b>Domestic</b>	<b>Tuesday:</b> RBA Minutes (Jul) <b>Thursday:</b> Labour Force Survey (Jun), NAB Business Survey (Q2)
<b>Offshore</b>	<b>US:</b> Consumer Sentiment (Jul), Retail Sales (Jun), Industrial Production (Jun), Existing Home Sales (Jun) <b>UK:</b> CPI and PPI (Jun), Retail Sales (Jun) <b>CHN:</b> GDP (Q2), Monthly Activity Data (Jun) <b>JPN:</b> CPI (Jun) <b>New Zealand:</b> CPI (Q2)

## Economic and Financial Market Charts

CHART 1: DOMESTIC CONSUMER SENTIMENT ROSE A LITTLE IN JULY, BUT REMAINS AT LOW LEVELS...

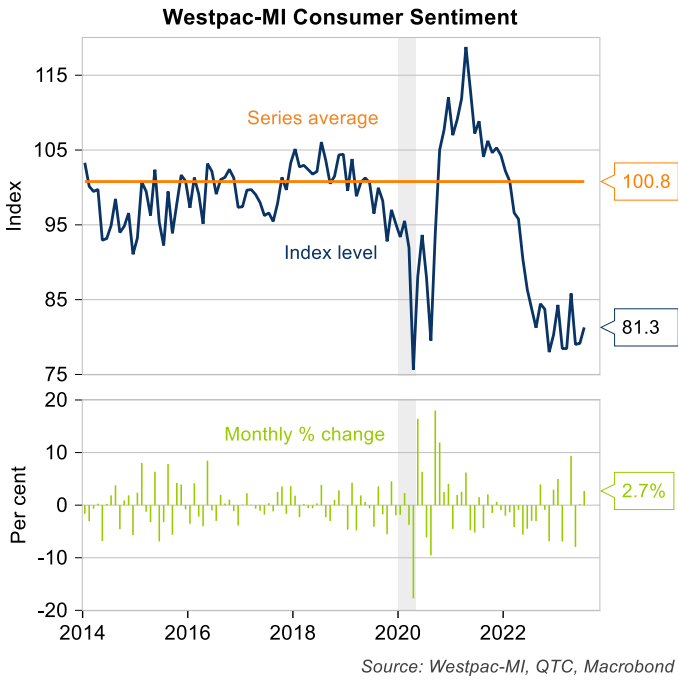


CHART 2: ...WITH A SIMILAR STORY PLAYING OUT FOR BUSINESS CONFIDENCE, THOUGH BUSINESS CONDITIONS WERE STABLE

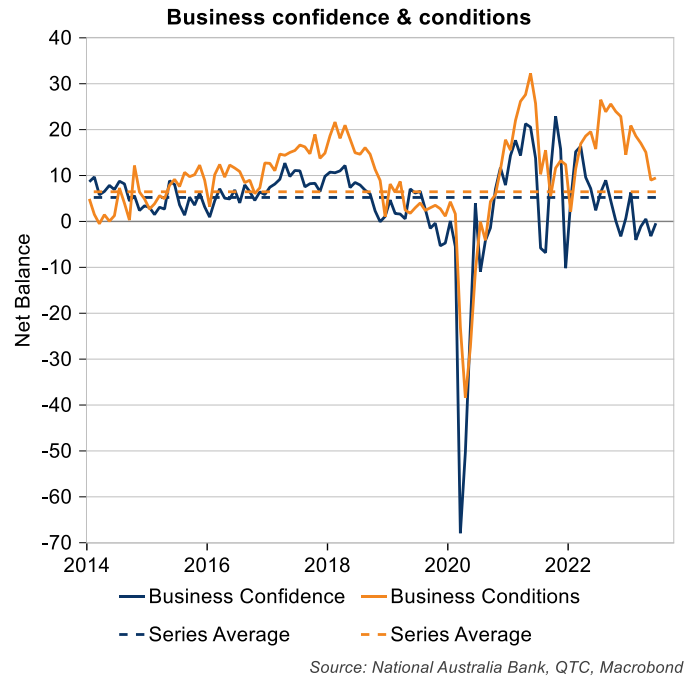


CHART 3: US NON-FARM PAYROLLS ROSE FOR A 30<sup>TH</sup> CONSECUTIVE MONTH, THOUGH AT THE SLOWEST PACE SINCE DECEMBER 2020...

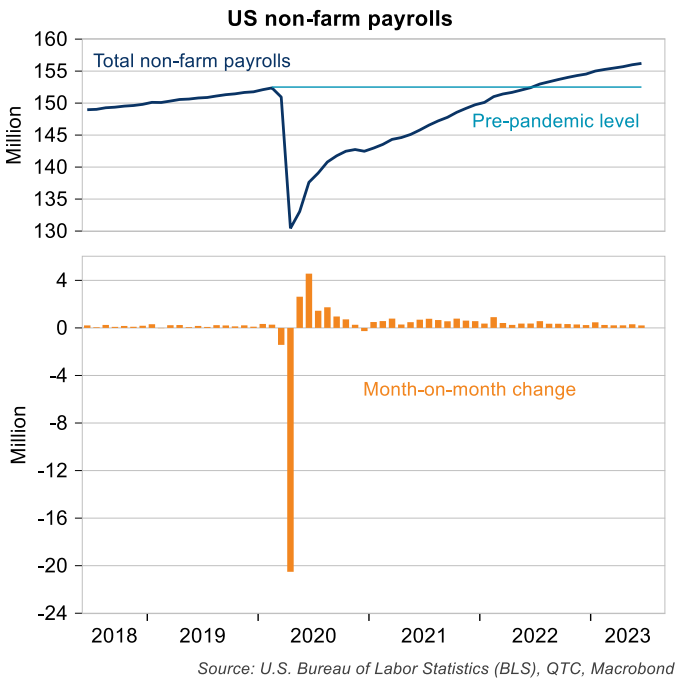
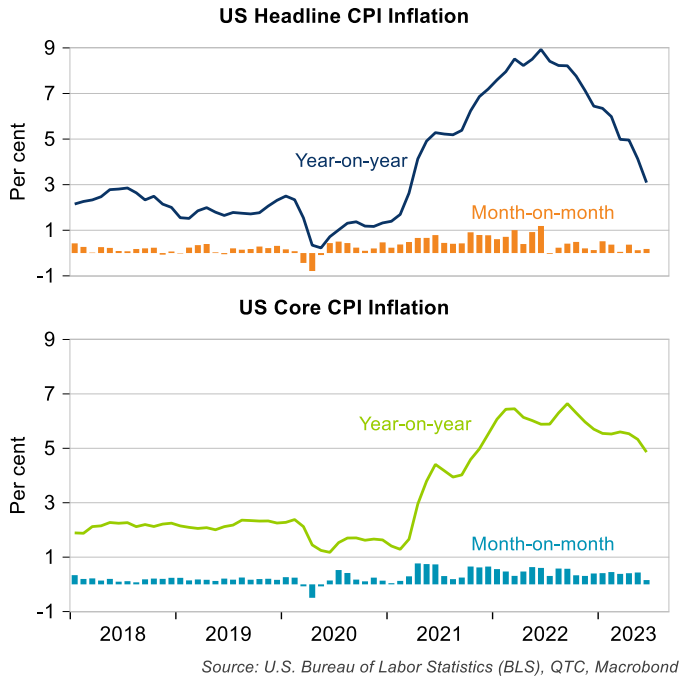


CHART 4: ... AND THE UNEMPLOYMENT RATE ALSO TICKED HIGHER, THOUGH REMAINS HISTORICALLY VERY LOW

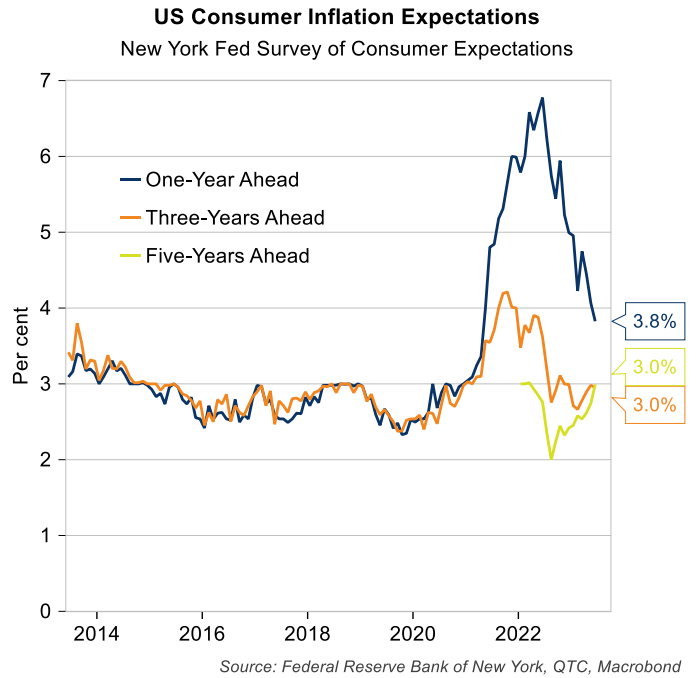


## Economic and Financial Market Charts

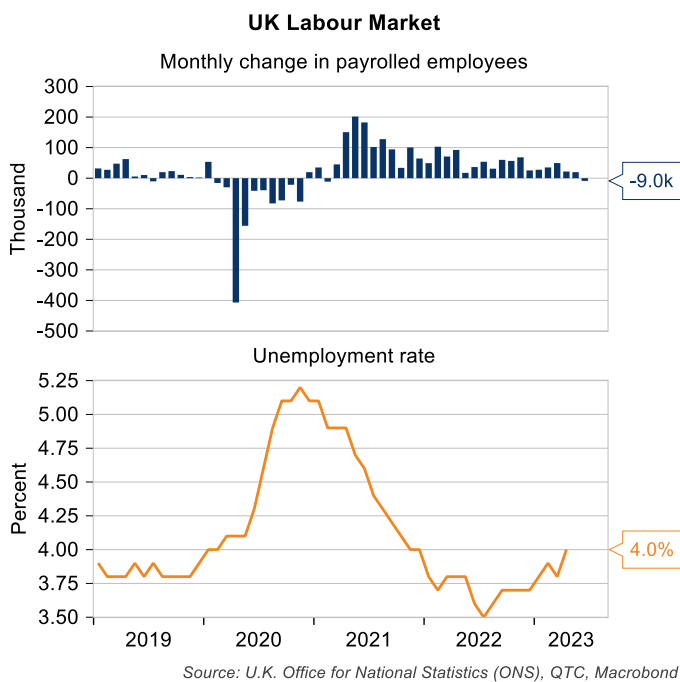
**CHART 5: US CPI INFLATION EASED FURTHER IN JUNE, WITH THE ANNUAL PACE OF HEADLINE AND CORE INFLATION AT THE SLOWEST PACES SINCE MARCH 2021 AND AUGUST 2021 RESPECTIVELY...**



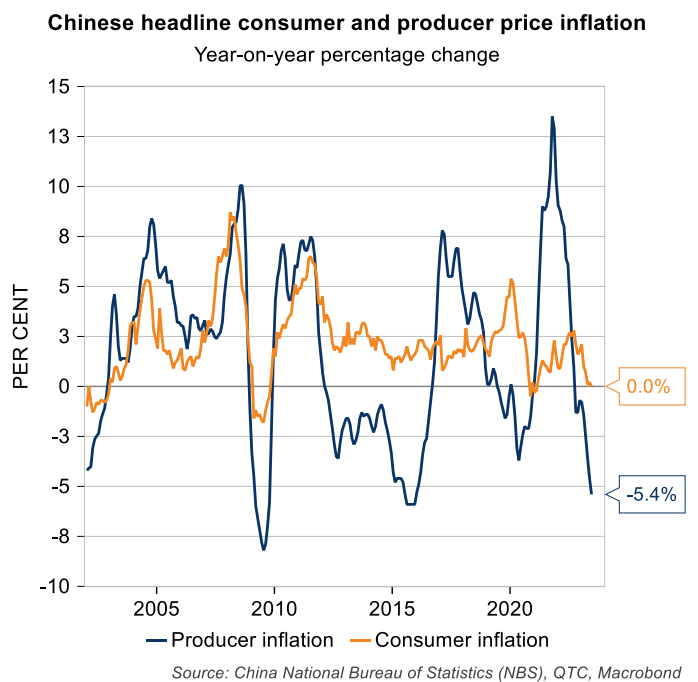
**CHART 6: ...MEANWHILE CONSUMER INFLATION EXPECTATIONS WERE MIXED, WITH SHORT-TERM EXPECTATIONS EASING FURTHER THOUGH THOSE FURTHER OUT WERE EITHER STEADY OR HIGHER**



**CHART 7: THE UK LABOUR MARKET APPEARS TO BE SOFTENING WITH THE LEVEL OF EMPLOYMENT DECLINING FOR THE FIRST TIME SINCE EARLY 2021 AND THE UNEMPLOYMENT RATE TICKING HIGHER**



**CHART 8: BASE EFFECTS AND WEAK DEMAND SAW THE ANNUAL PACE OF CHINESE CONSUMER INFLATION FLAT IN JUNE, WHILE PRODUCER INFLATION CONTINUED TO FALL FURTHER**



## Financial markets data table

The table below shows yields for bonds issued by the central financing authorities of various state governments in Australia as well as those on bonds issued by the Australian and US Governments. Further, there are values for the Australian Dollar against a range of currencies, and major exchange rates against the US Dollar. The change in these yields and rates over different time periods is also included.

MATURITY	ISSUER	YIELD	CHANGE (BASIS POINTS)			EQUITIES	RATE	CHANGE (PER CENT)		
			1 WEEK	1 MONTH	1 YEAR			1 WEEK	1 MONTH	1 YEAR
3 Year	QTC	4.27	-15	16	95	AUD/USD	0.6878	3.88	1.36	2.37
	NSWTC	4.28	-14	16	96	AUD/EUR	0.6137	0.77	-2.32	-8.76
	TCV	4.33	-15	15	106	AUD/GBP	0.5245	0.82	-2.43	-8.05
	WATC	4.26	-15	16	95	AUD/JPY	94.966	-0.47	0.04	1.72
	Australian Government	3.97	-15	14	107	AUD/CAD	0.9024	2.01	0.07	2.25
	US Government	4.25	-42	-3	109	AUD/NZD	1.0777	0.13	-2.19	-2.14
						AUD/SGD	0.9098	1.46	-0.01	-3.64
5 Year	QTC	4.28	-11	16	76	AUD/HKD	5.38	3.88	1.21	2.00
	NSWTC	4.31	-11	15	76	AUD/KRW	876.41	1.72	1.57	-0.53
	TCV	4.35	-11	15	77	AUD/CNY	4.9273	2.59	1.67	8.55
	WATC	4.25	-11	16	73	AUD/INR	56.232	2.32	0.75	4.30
	Australian Government	3.93	-13	14	84	<b>MAJOR CURRENCIES</b>				
	US Government	3.95	-40	-4	88	EUR/USD	1.1226	3.09	4.01	12.06
						GBP/USD	1.3135	3.10	4.15	11.09
7 Year	QTC	4.42	-7	16	73	USD/JPY	138.07	-4.16	-1.53	-0.64
	NSWTC	4.48	-7	15	72	USD/CHF	0.8589	-4.07	-5.11	-12.68
	TCV	4.49	-8	14	72	USD/CNY	7.1497	-1.33	-0.22	5.89
	WATC	4.39	-8	16	71	<b>MAJOR COMMODITIES</b>				
	Australian Government	3.98	-9	12	74	Brent Crude Oil	81.67	6.73	9.93	-17.59
	US Government	3.86	-34	-5	81	Gold	1,958.91	2.56	0.71	14.83
						Copper	8,499.50	2.88	0.47	18.54
10 Year	QTC	4.69	-5	16	75	Iron Ore	109.92	-0.15	0.28	16.07
	NSWTC	4.78	-5	14	77					
	TCV	4.82	-5	16	79					
	WATC	4.61	-5	14	70					
	Australian Government	4.04	-7	11	67					
	US Government	3.76	-27	-5	80					

Note: The Australian yield data (national and state) is sourced from QTC while the exchange rate and US yield data is from *Macrobond*.

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