

# Weekly Economics and Markets Review

- RBA commentary remains hawkish, with Governor Bullock stating that it is 'premature to be thinking about rate cuts'.
- In contrast to the RBA, the US Federal Reserve has signalled that it is likely to reduce interest rates at its next meeting. Investors will closely follow Fed Chair Powell's speech at Jackson Hole tonight for confirmation of this guidance.
- A cut from the US Federal Reserve would see it join a growing list of major global central banks that have started to ease interest rates.

## Week in review

### Domestic

- **RBA** Governor Bullock appeared before the House Standing Committee on Economics last Friday. Bullock's remarks reflected the hawkish tone of other recent RBA commentary, stressing that it is 'premature to be thinking about rate cuts' given inflation is 'still too high.' She mentioned that the RBA Board 'does not expect that it will be in a position to cut rates in the near term'.
- In a continuation of this hawkish tone, the Minutes to the RBA's August meeting indicated that 'it was unlikely' that the cash rate would be reduced in the short term. However, the Minutes also stressed that cash rate decisions are not on a predetermined path and that 'it was not possible to either rule in or rule out future changes in the cash rate'.
- SEEK job ads increased 1.7 per cent in July, its first monthly increase since March. The increase in job ads was driven by NSW and Queensland, while the volume of ads fell in Victoria. Despite the increase in the month, job ads remain around 15 per cent lower than its level from a year ago.

### Offshore

- In contrast to the RBA, the Minutes to the **US Federal Reserve's** July FOMC meeting noted that the 'vast majority' of members were in favour of an interest rate cut at the September meeting if the economy evolved as expected.
- Speeches from Fed officials over the past week were also supportive of a near-term rate cut, though commentary towards the end of the week pushed back against market pricing for a sharp reduction in rates from September. Notably, Philadelphia Fed President Harker said that while the Fed should start lowering rates in September, 'a slow, methodical approach down is the right way to go'.
- The **ECB's** July meeting minutes were cautious and did not pre-commit the central bank to any one outcome at its next meeting. The minutes suggested that while the council members saw benefits to a gradual reduction in interest rates, they remain open to discussing their options at the September meeting.
- **Riksbank** (Sweden's central bank) cut its policy rate by a further 25 basis points to 3.5 per cent.

- **S&P Global PMI's** showed that services activity continues to outpace manufacturing activity across advanced economies.
  - Both the US and euro area saw a modest decline in the manufacturing PMI in August. However, this weakness was mostly offset by stronger activity in the services sector. There was a particularly large improvement in the euro area services PMI due to a boost from the Paris Olympics.
  - In contrast to the US and euro area, the UK experienced increases in both the services and manufacturing PMI in August. Recent increases in the manufacturing PMI have seen it reach its highest level since May 2022.
- **US economic data** were also mixed over the past week, with an improvement in consumer sentiment occurring alongside a downward revision to job gains and weaker housing activity.
  - The University of Michigan consumer sentiment index increased to 67.8 in the preliminary August reading, higher than both its previous readings (66.4) and consensus expectations (63.1). The improvement was driven by an increase in consumer expectations, with the current condition component slipping slightly in the month. Median short- and long-term inflation expectations remained unchanged at 2.9 and 3.0 per cent respectively.
  - The preliminary annual revision to non-farm payrolls suggests that 818k fewer jobs were added in the year to March 2024, marking a significant shift lower in the pace of hiring over this period.
  - The slowing of the US labour market has also been evident in initial jobless claims, which increased to 232k last week (from 227k).
  - Housing starts declined by 6.8 per cent in July, noticeably weaker than expectations for a 1.5 per cent decline. Building permits were also weaker-than-expected, falling by 4.0 per cent in the month.
- In **Canada**, CPI inflation was 0.4 per cent in July month-on-month (from a 0.1 per cent decline in June). This saw annual inflation ease two-tenths to 2.5 per cent. This outcome was in line with expectations, with investors continuing to expect a further 25 basis point from the Bank of Canada at its upcoming September meeting.

## Markets

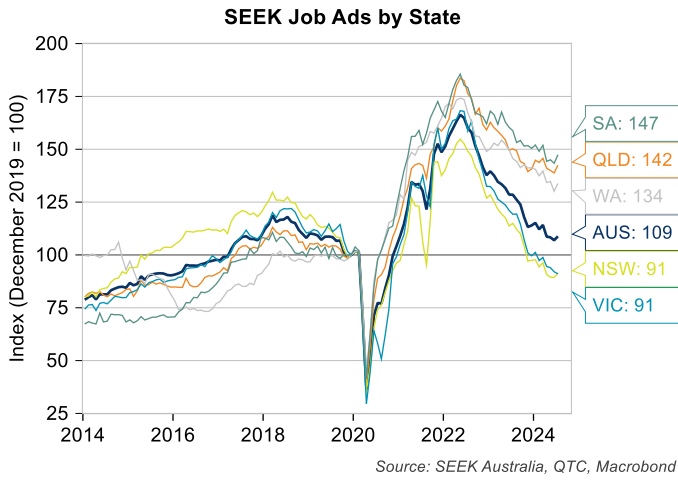
US Treasury yields moved lower over the past week in response to commentary from Fed officials and downwardly revised jobs data. Treasury yields had moved more notably lower earlier in the week, with the minutes from the Fed's July meeting reinforcing expectations for a September rate cut. However, these moves were partly reversed on Thursday following firmer-than-expected services PMI data and comments from Fed officials that suggested the easing cycle could be relatively gradual. Investors will closely follow Fed Chair Powell's speech at Jackson Hole tonight for confirmation of this guidance on US rates. Australian Government bond yields were little changed over the past week, with RBA commentary remaining consistent with previous guidance and there being no major domestic data releases.

## Economic and Market Calendar

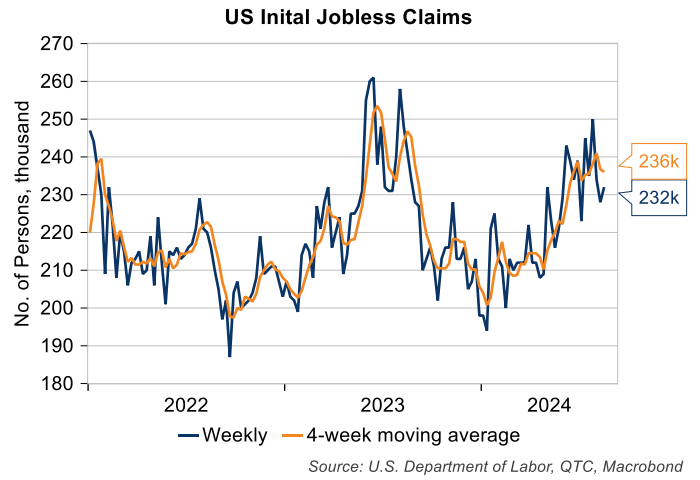
DATE	DETAILS
Domestic	<b>Wednesday:</b> Monthly CPI (Jul), Construction work done (Q2) <b>Thursday:</b> Private capital expenditure (Q2)
Offshore	<b>US:</b> Goods orders (Jul), Conference Board consumer sentiment (Aug), S&P Corelogic house prices (Aug), FHFA House prices (Jun) <b>Japan:</b> PPI (Jul) ; <b>China:</b> Industrial profits (Jul)

## Economic and Financial Market Charts

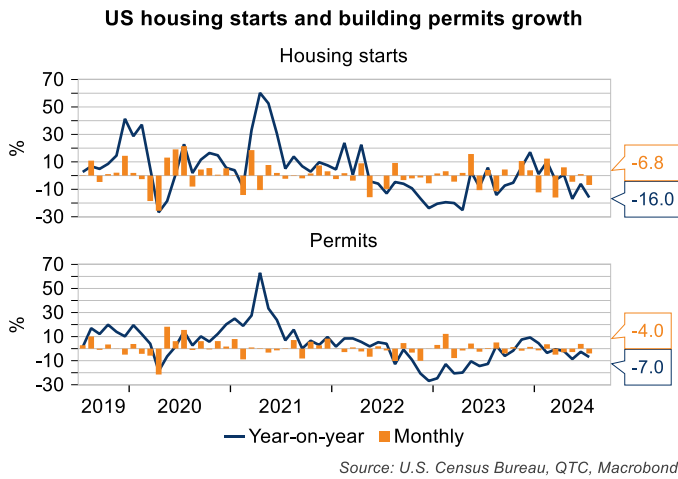
**CHART 1: SEEK JOB ADS INCREASED SLIGHTLY IN JULY, BUT REMAIN WELL BELOW THEIR LEVELS FROM A YEAR AGO**



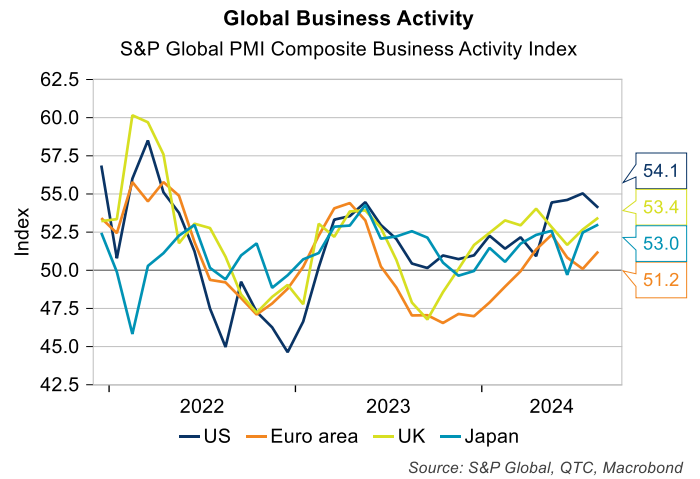
**CHART 2: THE US LABOUR MARKET HAS ALSO SLOWED, WITH INITIAL JOBLESS CLAIMS TRENDING HIGHER IN RECENT MONTHS**



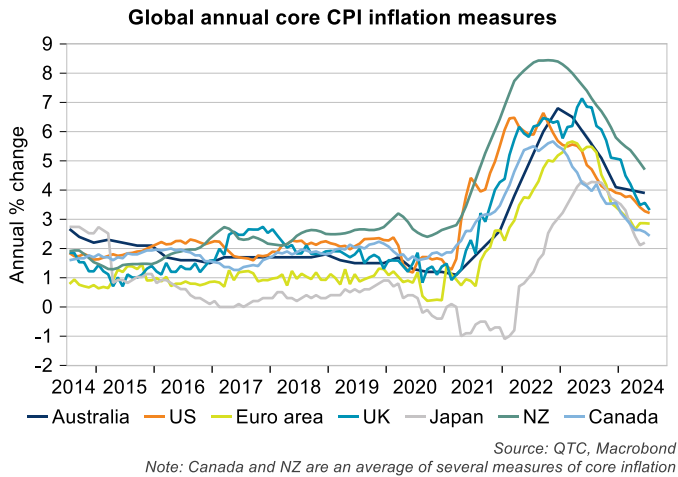
**CHART 3: US HOUSING ACTIVITY HAS SLOWED ALONGSIDE THE EASING IN THE LABOUR MARKET AND HIGHER INTEREST RATES...**



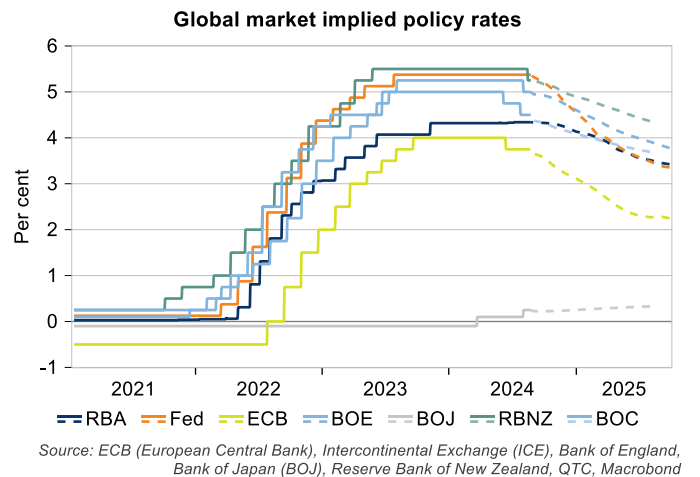
**CHART 4: ... THOUGH S&P GLOBAL'S PMI'S SUGGEST THAT US ECONOMIC ACTIVITY CONTINUES TO OUTPACE OTHER ADVANCED ECONOMIES**



**CHART 5: MEASURES OF CORE INFLATION CONTINUE TO EASE ACROSS MOST ADVANCED ECONOMIES**



**CHART 6: MOST CENTRAL BANKS HAVE STARTED TO CUT RATES (OR ARE EXPECTED TO DO SO SOON) IN RESPONSE TO AN EASING OF INFLATION, WITH THE RBA AND BOJ BEING NOTABLE EXCEPTIONS**



## 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	3.82	-0	-50	-36	AUD/USD	0.67	1.23	1.46	4.30
	NSWTC	3.82	1	-48	-37	AUD/EUR	0.60	0.07	-0.95	1.69
	TCV	3.87	-0	-49	-35	AUD/GBP	0.51	-0.61	-0.00	0.70
	WATC	3.79	-0	-50	-36	AUD/JPY	98.18	-0.59	-4.87	4.80
	Australian Government	3.51	1	-50	-40	AUD/CAD	0.91	0.53	0.25	4.63
	US Government	3.81	-9	-46	-89	AUD/NZD	1.09	-0.93	-1.63	0.65
5 Year	QTC	4.00	-1	-45	-26	AUD/SGD	0.88	0.45	-1.23	0.91
	NSWTC	4.01	0	-43	-30	AUD/HKD	5.23	1.25	1.33	3.71
	TCV	4.05	-1	-44	-27	AUD/KRW	900.67	-0.34	-1.76	5.70
	WATC	3.95	-0	-45	-29	AUD/CNY	4.79	1.07	-0.35	2.40
	Australian Government	3.56	1	-46	-40	AUD/INR	56.34	1.21	1.77	6.06
	US Government	3.72	-7	-45	-70	<b>MAJOR CURRENCIES</b>				
7 Year	QTC	4.29	1	-40	-19	EUR/USD	1.12	1.62	2.73	3.15
	NSWTC	4.29	0	-40	-27	GBP/USD	1.31	1.83	1.42	3.88
	TCV	4.34	-0	-42	-21	USD/JPY	145.22	-2.73	-6.66	-0.43
	WATC	4.19	-1	-42	-25	USD/CHF	0.85	-2.39	-4.43	-3.70
	Australian Government	3.72	1	-43	-39	USD/CNY	7.14	-0.43	-1.82	-1.90
	US Government	3.76	-6	-42	-59	<b>MAJOR COMMODITIES</b>				
10 Year	QTC	4.66	-0	-38	-15	Brent Crude Oil	77.22	-4.71	-4.68	-7.37
	NSWTC	4.65	0	-38	-25	Gold	2,484.75	1.14	3.12	29.62
	TCV	4.72	-1	-39	-21	Copper	9,130.50	-0.20	-0.39	9.22
	WATC	4.50	0	-39	-22	Iron Ore	97.11	4.01	-3.28	-1.11
	Australian Government	3.89	1	-42	-36					
	US Government	3.85	-6	-40	-39					

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

**CLICK HERE TO SUBSCRIBE**

**QTC'S ECONOMIC RESEARCH**

Topical issues important to global and Australian economies, and financial markets.

### DISCLAIMER

The information within this document is intended for general information purposes only and does not constitute financial or other advice. Specific professional advice should be obtained before acting on the basis of any matter covered in this document. This information has been prepared in part by data sourced from third parties which has not been independently verified. The opinions, forecasts and data contained in this document is based on research as at the date of publication and is subject to change without notice. Queensland Treasury Corporation (QTC) issues no invitation to anyone to rely on the information and expressly excludes any warranties or representations as to its accuracy, adequacy, currency or completeness. All opinions expressed are the views of the QTC Economics and Research Team and may differ from the views of QTC or other QTC servants or agents. To the extent permitted by law, QTC, its servants and agents (QTC Parties) disclaim all responsibility and liability for any loss or damage of any nature whatsoever which may be suffered by any person directly or indirectly through relying on the information contained in this document, whether that loss or damage is caused by any fault or negligence of the QTC Parties or otherwise. No part of this document may be reproduced, copied or published in any form or by any means without QTC's prior written consent. This document may contain statements about future events and expectations that are forward looking statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the document.