

Weekly Economic Report

2 September 2024

Financial markets charts

The week that was

- Recent data shows that inflation in the US and Europe continues to fall gradually, in line with expectations. Inflationary pressures in Australia also eased further in July, even beyond the impact of rebates in some states lowering electricity prices. However, the Reserve Bank of Australia (RBA) is not confident that inflation is sustainably falling towards target and has reiterated that it will not cut rates in 2024.
- US 10-year bond yields rose 10bps, boosted by data that showed the US economy grew more strongly than expected in the June quarter. The positive data on the US economy and inflation also supported US equities, with the S&P500 gaining 0.2%. Technology stocks underperformed, weighed down by a fall in Nvidia's share price after its earnings outlook disappointed investors.
- The resilience of the US economy and consumer spending stands in sharp contrast to weak conditions in Australia. Household spending and residential construction are anemic, and business investment was weaker-than-expected in the June quarter.
- Australian 10-year bond yields rose 5bps and the ASX200 rose by 0.8%, supported by some positive corporate earnings reports.

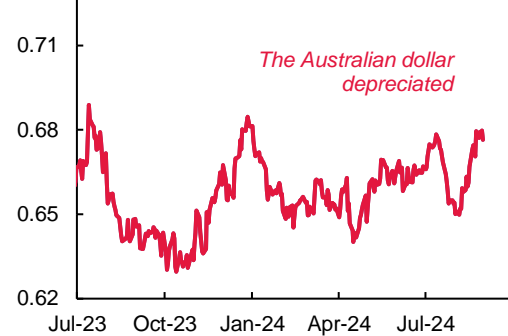
Economic calendar

Monday 02/09	AU: Building approvals, Jul CH: Caixin Manufacturing PMI, Aug
Tuesday 03/09	AU: Balance of payments, Jun qtr
Wednesday 04/09	US: ISM Manufacturing, Aug AU: GDP, Jun qtr CA: Bank of Canada policy decision CH: Caixin Services PMI, Aug
Thursday 05/09	US: JOLTS job openings, Jul; ADP employment, Aug AU: RBA Governor speech
Friday 06/09	US: Non-farm payrolls, Aug; ISM Services, Aug EC: GDP, Jun qtr (final)

The week ahead

- Investors will focus on US employment data and the ISM surveys. If the data are much weaker than expected, this could be seen as increasing the likelihood of the US Federal Reserve cutting rates by 50bps, rather than 25bps, at its September meeting.
- Locally, GDP data is expected to show that the Australian economy grew by a modest 0.2% in the June quarter. Attention will also be paid to public appearances by the RBA Governor this week.
- The Bank of Canada is expected to deliver its third 25bps rate cut this week.

AUD/USD



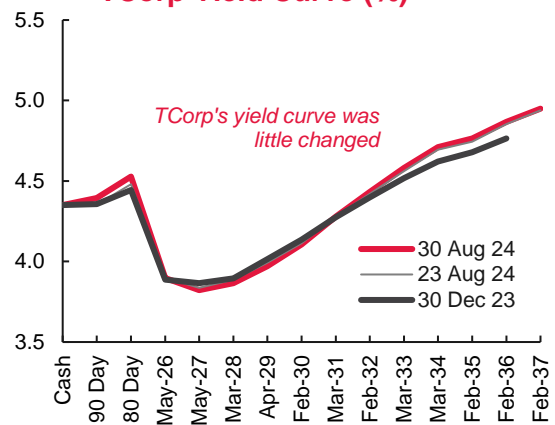
10-year Australian Yield (%)



ASX200 (Index)



TCorp Yield Curve (%)



Financial markets data: Week ending 30 August 2024

INTEREST RATES	CLOSE (%)	1 WEEK (BPS)		YTD (BPS)	
RBA Cash Rate	4.35	0	—	0	—
90-day BBSW	4.39	4	▲	4	▲
3-year Australian Bond Yield	3.55	1	▲	-5	▼
10-year Australian Bond Yield	3.97	5	▲	1	▲
20-year Australian Bond Yield	4.46	5	▲	22	▲
10-year Australian Break-Even Inflation	2.29	1	▲	-28	▼
10-year Australian Real Yield	1.68	3	▲	29	▲
Fed Funds Rate (lower bound)	5.25	0	—	0	—
2-year US Treasury Yield	3.92	0	▲	-33	▼
10-year US Treasury Yield	3.90	10	▲	2	▲
30-year US Treasury Yield	4.20	10	▲	17	▲
10-year German Bund Yield	2.30	7	▲	28	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 20 May 2026	3.90	0	▼	1	▲
3.00% 20 May 2027	3.82	-1	▼	-4	▼
3.00% 20 March 2028	3.87	-2	▼	-3	▼
3.00% 20 April 2029	3.97	-2	▼	-4	▼
3.00% 20 February 2030	4.11	-1	▼	-3	▼
2.00% 20 March 2031	4.28	0	▲	0	▲
1.50% 20 February 2032	4.43	1	▲	3	▲
2.00% 8 March 2033	4.58	2	▲	6	▲
1.75% 20 March 2034	4.71	2	▲	9	▲
4.75% 20 February 2035	4.77	2	▲	9	▲
4.25% 20 February 2036	4.87	1	▲	10	▲
4.75% 20 February 2037	4.95	1	▲	--	--
2.75% 20 November 2025 CIB	1.56	0	—	49	▲
2.50% 20 November 2035 CIB	2.36	5	▲	29	▲
10-year NSW TCorp Bond Yield	4.70	1	▲	15	▲
10-year TCV (Victoria) Spread	0.09	3	▲	-2	▼
10-year QTC (Queensland) Spread	0.00	-1	▼	8	▲
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	8,092	0.8%	▲	6.6%	▲
S&P500 (US)	5,648	0.2%	▲	18.4%	▲
FTSE 100 (UK)	8,377	0.6%	▲	8.3%	▲
DJ Stoxx600 (Europe)	525	1.3%	▲	9.6%	▲
Nikkei 225 (Japan)	38,648	0.7%	▲	15.5%	▲
Shanghai Composite (China)	2,842	-0.4%	▼	-4.5%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.677	-0.4%	▼	-0.7%	▼
EUR/USD	1.105	-1.3%	▼	0.1%	▲
USD/JPY	146.17	1.2%	▲	3.6%	▲
GBP/USD	1.31	-0.7%	▼	3.1%	▲
US\$ Index	101.70	1.0%	▲	0.4%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	78.80	-0.3%	▼	2.3%	▲
Iron Ore (US\$/t)	98.70	1.1%	▲	-27.6%	▼
Coking Coal (US\$/t)	179.34	0.3%	▲	-34.9%	▼
Gold (US\$/oz)	2,503.39	-0.4%	▼	21.3%	▲

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