

WEEKLY MARKET RECAP: June 05 –June 09, 2023

Happy Friday, traders.

Welcome to our weekly market wrap, where we look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to into the future for the US Dollar and other key correlated assets.

On Wednesday, the Reserve Bank of Australia had its meeting for the decision of the interest rates, and the Board decided to increase the cash rate target by 25 basis points to 4.10 per cent. It also increased the interest rate paid on Exchange Settlement balances by 25 basis points to 4.00 per cent.

Inflation in Australia has passed its peak, but at 7 per cent is still too high and it will be some time yet before it is back in the target range. This further increase in interest rates is to provide greater confidence that inflation will return to target within a reasonable timeframe.

On Thursday, the Bank of Canada increased its target for the overnight rate to 4¾%, with the Bank Rate at 5% and the deposit rate at 4¾%. The Bank is also continuing its policy of quantitative tightening.

Globally, consumer price inflation is coming down, largely reflecting lower energy prices compared to a year ago, but underlying inflation remains stubbornly high. While economic growth around the world is softening in the face of higher interest rates, major central banks are signalling that interest rates may have to rise further to restore price stability. In the United States, the economy is slowing, although consumer spending remains surprisingly resilient, and the labour market is still tight. Economic growth has essentially stalled in Europe but upward pressure on core prices is persisting.

Growth in China is expected to slow after surging in the first quarter. Financial conditions have tightened back to those seen before the bank failures in the United States and Switzerland.

Thanks for reading! Have a great weekend.

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