

Interest Rates				FX			Commodities US\$		
Australia		Δ bp	AUD/USD	0.6504	0.2%	WTI Crude Oil	59.63	-\$0.73	
	90-day Bill	3.64	0	AUD/JPY	100.09	0.4%	Brent Crude Oil	63.52	-\$0.92
	3-year Bond	3.65	1	AUD/EUR	0.5656	0.1%	Mogas95*	77.59	-\$0.29
	10-year Bond	4.36	4	AUD/GBP	0.4983	0.0%	CRB Index	302.28	-1.90
			AUD/NZD	1.1486	-0.1%	Gold	3974.46	\$38.73	
			AUD/CNY	4.6378	0.3%	Silver	48.08	\$0.96	
US			EUR/USD	1.1499	0.1%	Iron Ore (62% Fe)**	103.25	\$0.20	
	2-year	3.62	4	USD/JPY	153.88	0.1%	Iron Ore (25-26 Average)	103.02	\$0.01
	10-year	4.15	6	USD/CNY	7.1268	0.0%	Copper	10697.50	-\$157.50
			RBA Policy			Equities			
Other 10-year			O/N Cash Rate Target		3.60	ASX200	8835	42	
			Interbank O/N Cash Rate		3.60	Dow Jones	47311	226	
	Japan	1.68	0	Probability of a 25bps Cut in Dec		14.1%	S&P500	6796	25
	Germany	2.67	2	RBA Bond Holdings (31 Oct)		A\$272.1b	Stoxx600	572	1
	UK	4.46	4				CSI300	4627	9

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

**Iron ore is the second SGX futures contract.

Wall Street saw renewed gains yesterday, as upside surprises to US economic data boosted sentiment. US Treasury yields bounced, as fed funds rate cut expectations declined slightly. In addition, the US Treasury Department announced in its quarterly refunding announcement that it had started to 'preliminary reconsider future increases' in auctions, even though it stated clearly that these changes are not anticipated 'for at least the next several quarters'.

The Australian dollar benefited from the improved global market sentiment, appreciating against all the major currencies. The AUD/USD is marginally back above US\$0.65. Commonwealth bond yields rose less than their US equivalents. The ASX 200 opened significantly higher this morning, after ebbing by 0.1% yesterday.

In commodity markets, the gold price bounced back but remains below US\$4,000 an ounce. Oil prices saw slight declines, after the US Energy Information Administration reported the largest rise in US crude inventories since July. Iron ore futures are little changed since yesterday.

US ADP private sector employment rose by 42k in October, somewhat more than the 30k expected, while the September figure was revised slightly upwards (to -29k from -32k estimated initially). The results were mixed across industries, however, with the strongest gains in trade, transportation and utilities, while information saw the largest decline. ADP employment is usually a poor gauge of the official employment figures, but – given the US government shutdown – this is the only estimate that is currently available.

At the same time, ISM services PMI picked up by 2.4pts to 52.4 in October (above 50 = expansion), signalling renewed growth in the largest sector of the US economy. The ISM report also pointed to faster growth in new orders, though with a further decline in new export orders, and a rise in current business activity. The pace of contraction in employment slowed, but growth in prices paid accelerated. Survey participants appeared generally positive about current economic conditions, though some pointed to negative impacts from the US government shutdown and tariffs.

Speaking overnight, Fed Governor Stephen Miran, an ultra-dove, said that the ADP employment report was a 'welcome surprise', but still stressed that the fed funds rate needs to be lower. Currently, a 25bps cut is around 60% priced in for December and over 90% priced in for January.

Across the Pacific, the RatingDog services PMI declined 0.3pts to 52.6 in October, with details of the report pointing to a decline in new export orders, employment, and prices paid. Overall, the RatingDog composite PMI dropped 0.7pts to 51.8 in October.

Economic Data Review

- **CH:** RatingDog Services PMI (Oct) – Actual 52.6, Expected 52.5, Previous 52.9.
- **US:** ISM Services PMI (Oct) – Actual 52.4, Expected 50.7, Previous 50.0.
- **US:** ADP Employment (monthly change, Oct) – Actual 42k, Expected 30k, Previous -29k (revised).

Economic Data Preview

- **AU:** Trade Balance (Sep) – Expected A\$4.0b, Previous A\$1.8b.
- **UK:** Bank of England Decision (Bank Rate) – Expected 4.00%, Previous 4.00%.