

Highlights this week

- At home, the RBA kept the cash rate unchanged and delivered a hawkish message regarding the interest rate outlook. The NAB business survey reported easing business conditions and confidence, while capacity utilisation increased further. Job vacancies fell, while employment also declined in November.
- Offshore, China's November trade surplus widened amid higher-than-expected exports, while inflation remained very low. In the US, job openings picked up in the September-October period, and the Fed cut interest rates as expected. The US trade deficit narrowed to a five-year low, and initial jobless claims jumped last week.

Highlights next week

- A quiet week coming up domestically, with the Westpac-Melbourne Institute consumer sentiment report and the S&P Global flash PMI for December the only events in the calendar.
- It'll be busy offshore, starting with the Chinese monthly activity indicators for November on Monday. Tuesday will see the advanced economy flash PMIs for December, US employment and retail sales for November. Thursday's highlights will be the Bank of England and European Central Bank decisions, and the November CPI in the US. The week rounds out on Friday, with the Japanese CPI for November and Bank of Japan interest rate decision.

Central Bank Rates (%)			Australian Interest Rates (%)			Major Overseas Interest Rates (%)			Global Equities		Weekly Change
		Weekly Change			Weekly Change			Weekly Change			
Australia	3.60	(0 pt)	O/N Interbank Cash	3.60	(0 pt)	USD 3-month	4.85	(0 pt)	ASX200	8701	(↑92 pt)
US (IOR)	3.65	(↓25 pt)	90-day Bills	3.71	(↑4 pt)	2-yr T-Notes	3.53	(0 pt)	S&P500	6901	(↑44 pt)
Eurozone (Deposit)	2.00	(0 pt)	3-yr T-Bond	4.11	(↑8 pt)	10-yr T-Notes	4.15	(↑6 pt)	DJIA	48704	(↑853 pt)
UK	4.00	(0 pt)	10-yr T-Bond	4.73	(↑4 pt)	Jap 10-yr	1.94	(0 pt)	Nikkei	50564	(↓465 pt)
Japan (Target)	0.50	(0 pt)	3-yr WATC Bond	4.20	(↑6 pt)	UK 10-yr	4.48	(↑5 pt)	CSI300	4562	(↑16 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	5.16	(↑2 pt)	Ger 10-yr	2.84	(↑7 pt)	Stoxx600	581	(↑3 pt)

Changes are since the previous issue of Market Watch Weekly.

Financial Markets

Interest Rates

The [RBA Monetary Policy Board](#) kept the cash rate unchanged at 3.60% this week and delivered a hawkish statement, as expected. The Board is clearly concerned about the recent inflation numbers but is keen not to jump the gun given the monthly series is new and there has been only one worrying set of quarterly numbers.

However, Governor Bullock in her post-meeting press conference said that, while the Board didn't consider hiking at the meeting, there was a lot of discussion about what would drive them to hike rates in the future. Much of the case for hiking, or not, will be made by the upcoming labour market and inflation data, particularly the quarterly CPI in late January, ahead of the first RBA policy meeting of 2026 on 2-3 February.

Aussie bond yields continued their strong upward momentum following the RBA meeting, with the three-year yield rising to its highest levels since November last year, and the 10-year to its highest since November 2023. However, yields eased slightly following the soft November employment report.

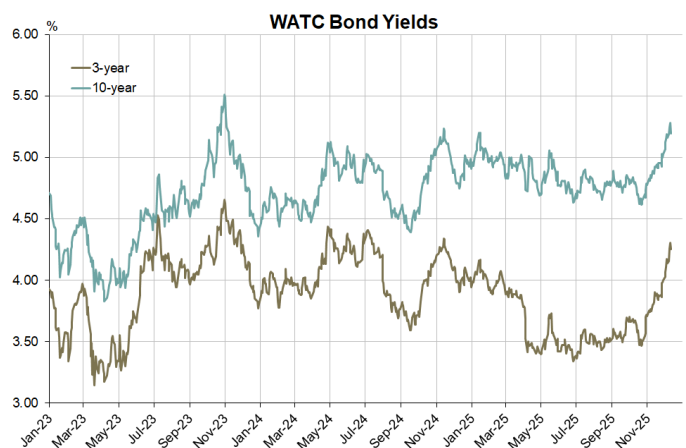
In the US, the Fed cut interest rates as expected and the median expectation among FOMC participants is for just one 25bps cut in 2026, as inflation remains above target. However, Fed Chair Jerome Powell did voice some concerns about downside risks to the labour market in his post-meeting press conference.

Equities

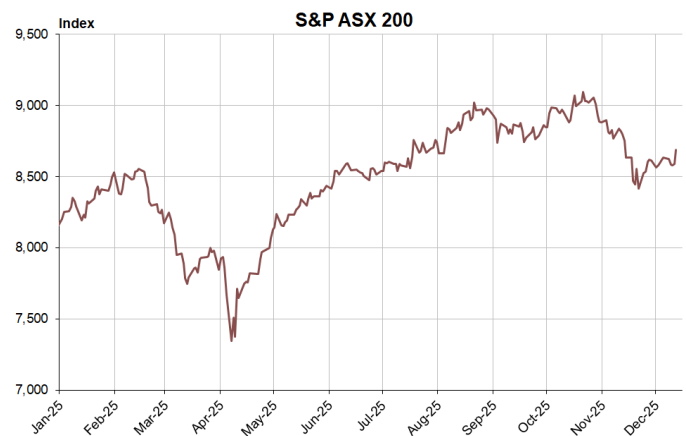
The Aussie equity market was soft early in the week, as hawkish RBA commentary and declines on Wall Street pushed the ASX 200 lower. However, the market picked up on Thursday ahead of a sharp rise this morning, currently sitting 1% higher than last Friday.

The gains were led by resources and financials. Info tech saw the biggest fall.

US equities bounced back from early weakness, pushing the S&P 500 and Dow Jones to record highs on Thursday.



Source: Bloomberg



Source: Bloomberg

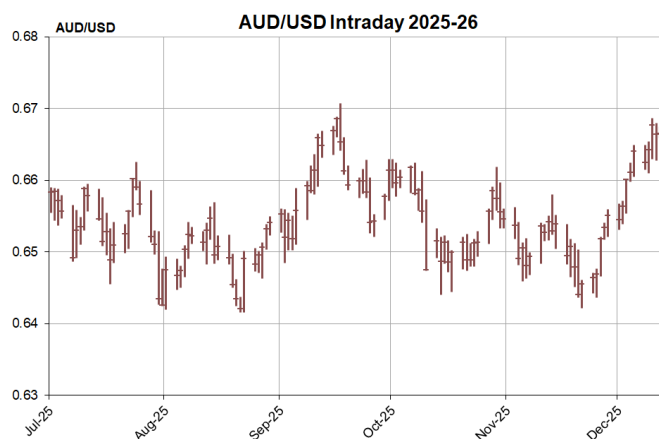
Currencies

The Australian dollar made further gains against the US dollar this week and is on track for its third weekly rise in a row.

Much of the increase in the AUD/USD has come as the central bank outlook continued to diverge. The RBA kept the cash rate unchanged and said policy interest rates are more likely to move higher than lower over the next year. In the US, the Fed cut rates and signalled there would likely be at least one more rate cut in 2026.

The Aussie peaked at a 12-week high of US\$0.6686 against the big dollar on Wednesday. The Aussie slipped on Thursday following news of an unexpected fall in employment in November, but has since recovered to be close to its weekly high.

The Aussie also climbed against the other majors but was middle of the road among the G10 currencies. The AUD trade-weighted index hit a fresh one-year high before easing a little.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6667	0.6686	0.6609	↑0.8	0.6707	0.5915
AUD/EUR		0.5680	0.5720	0.5669	↑0.1	0.6113	0.4620
AUD/GBP		0.4978	0.5001	0.4958	↑0.3	0.5104	0.4620
AUD/JPY		103.80	104.40	102.91	↑1.3	104.40	86.05
AUD/CNY		4.7037	4.7154	4.6746	↑0.5	4.7637	4.3523
EUR/USD		1.1736	1.1763	1.1615	↑0.8	1.1919	1.0141
GBP/USD		1.3393	1.3438	1.3288	↑0.5	1.3789	1.2100
USD/JPY		155.70	156.95	154.90	↑0.4	158.87	139.89
USD/CNY		7.0557	7.0723	7.0555	↓0.2	7.3511	7.0555
Forward Rates		Spot	3M	6M	12M		
AUD/USD		0.6667	0.6668	0.6664	0.6640		
AUD/EUR		0.5680	0.5655	0.5629	0.5571		
AUD/GBP		0.4978	0.4979	0.4978	0.4965		
AUD/JPY		103.80	102.96	102.12	100.42		
AUD/NZD		1.1470	1.1432	1.1390	1.1313		
AUD/SGD		0.8611	0.8558	0.8505	0.8395		

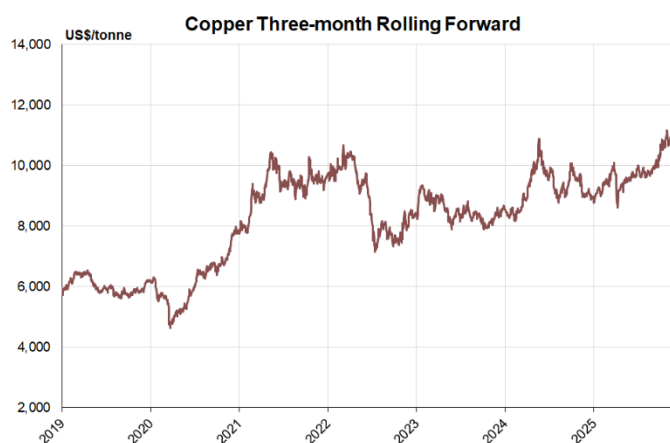
Commodities

Gold prices picked up against the US dollar after the Fed interest rate cut, rising to the highest levels in seven-weeks. Silver prices climbed to a fresh record high, peaking at over US\$63 an ounce, up from under US\$29 at the end of 2024, pushing the gold / silver price ratio to a four-year low.

Brent crude has fallen to its lowest levels since October as traders remain concerned over a supply glut. The International Energy Agency revised its 2026 oil demand forecast a little higher, but is still projected to fall short of supply.

Iron ore futures hit one-month lows despite news that November was another strong month for iron ore deliveries to China.

Copper prices climbed to record highs, boosted by the Fed interest rate cut and upgrade to its projection for US economic growth. Concerns over a likely future supply shortage from rising demand from decarbonisation and data centre expansion is also supporting prices.



Source: Bloomberg

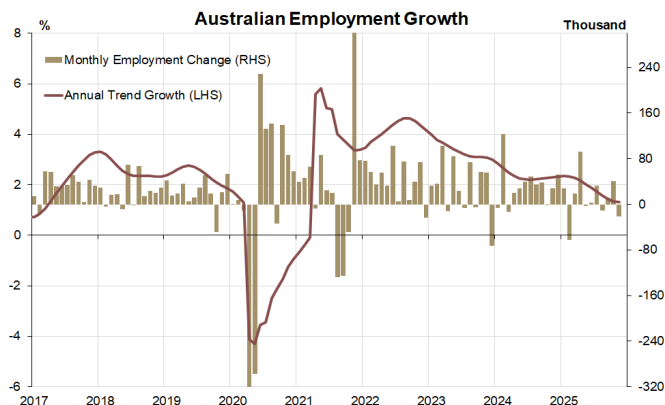
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,271.22	\$4,285.89	\$4,170.29	(↑\$61.68)	\$4,381.52	\$2,583.57
Brent Crude Oil (US\$)	\$61.67	\$63.96	\$60.77	(↓\$1.59)	\$82.63	\$58.40
Mogas95* (US\$)	\$75.74	\$77.60	\$74.82	(↓\$0.97)	\$95.91	\$67.57
WTI Oil (US\$)	\$57.98	\$60.30	\$57.01	(↓\$1.71)	\$80.77	\$55.12
CRB Index	300.78	305.97	299.63	(↓3.14)	316.63	279.79
Iron Ore Price 62% Fe (US\$) **	\$101.80	\$103.45	\$100.85	(↓\$2.45)	\$109.30	\$91.70

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

** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

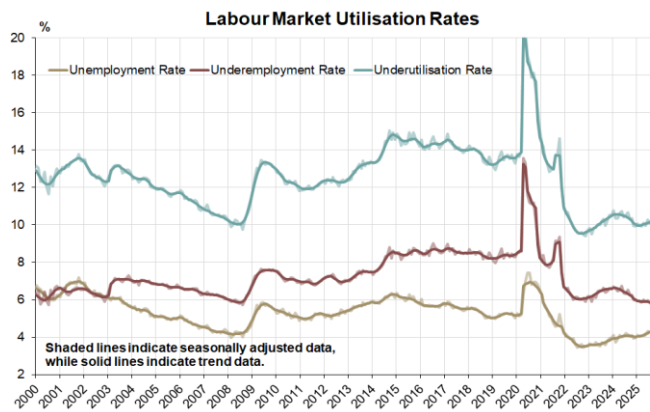
Domestic Economy

Aussie **employment** fell in November, with annual trend growth continuing to slow.



Source: ABS

The **unemployment rate** was steady, and measures of underutilisation picked up but remain low



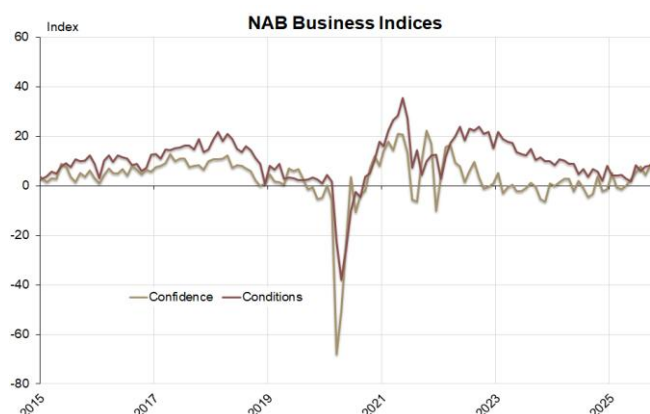
Source: ABS

The number of **unemployed per job vacancy** has increased but remains below pre-pandemic levels.



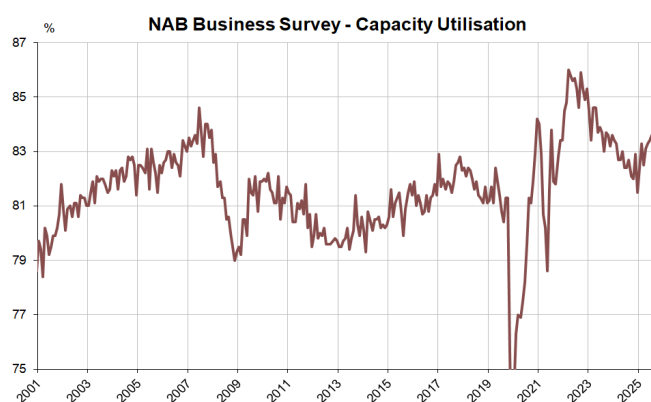
Source: ABS, Bloomberg

The **NAB survey** saw business confidence slide as RBA rate cut hopes evaporated, but conditions remain solid.



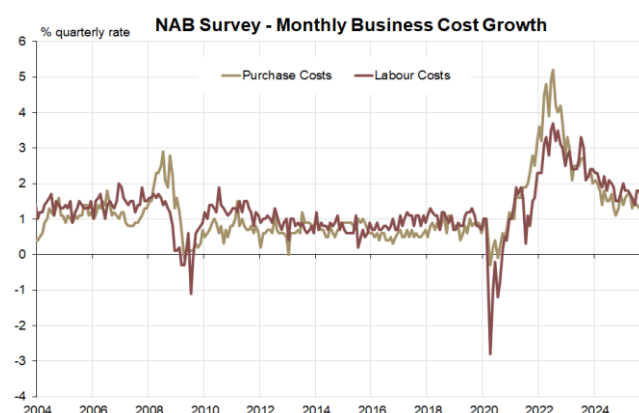
Source: Bloomberg

NAB's measure of business **capacity utilisation** rose to a 19-month high in November...



Source: Bloomberg

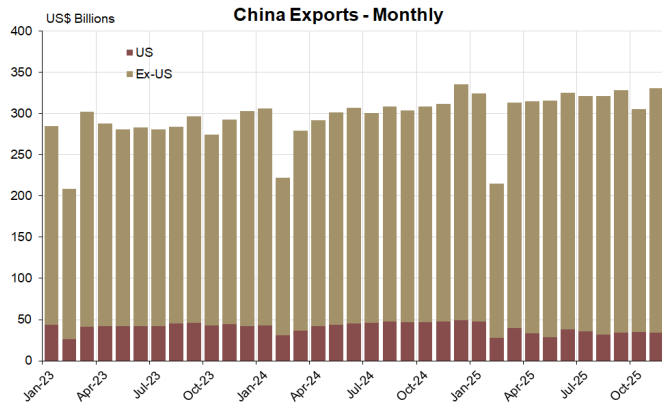
...however, **cost pressures** appear to be contained, at least for now.



Source: Bloomberg

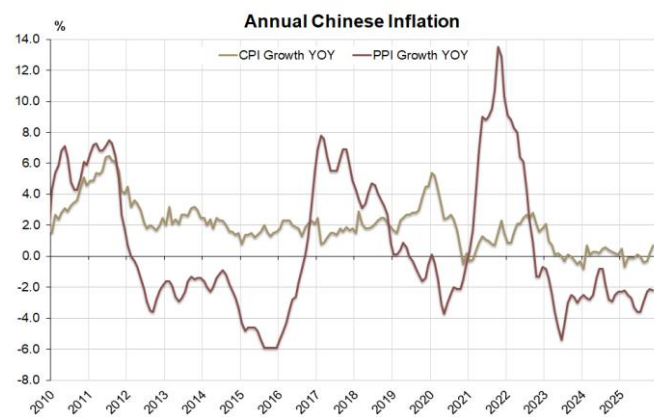
Global Economy

Chinese exports to the US have fallen 19% year-to-date, while exports excluding the US have risen 10%.



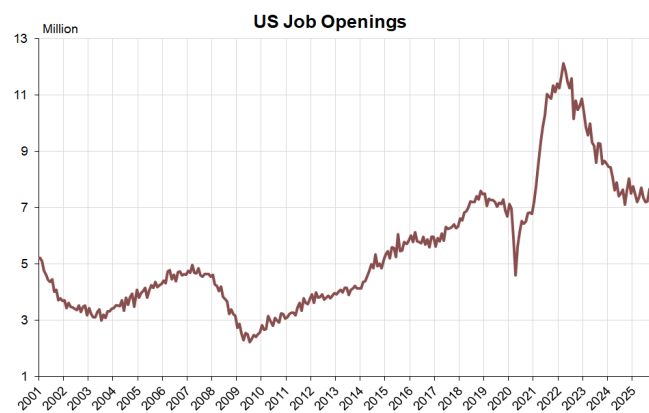
Source: Bloomberg

Soft demand and excess production capacity continue to put downward pressure on **Chinese inflation**.



Source: Bloomberg

US job openings have been relatively steady since mid-2024 but remain above pre-COVID levels...



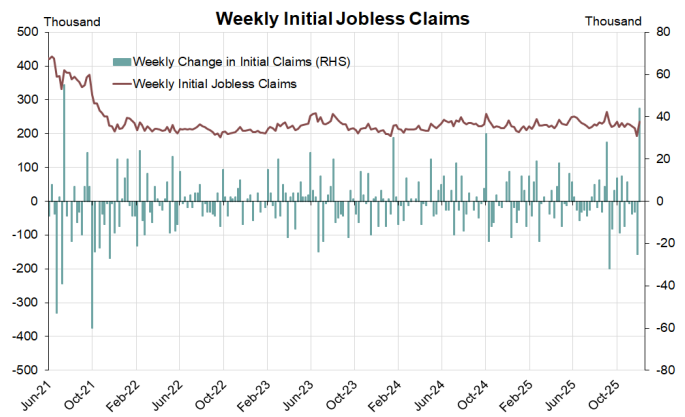
Source: Bloomberg

China continues to import **record amounts of iron ore**, despite subdued steel production.



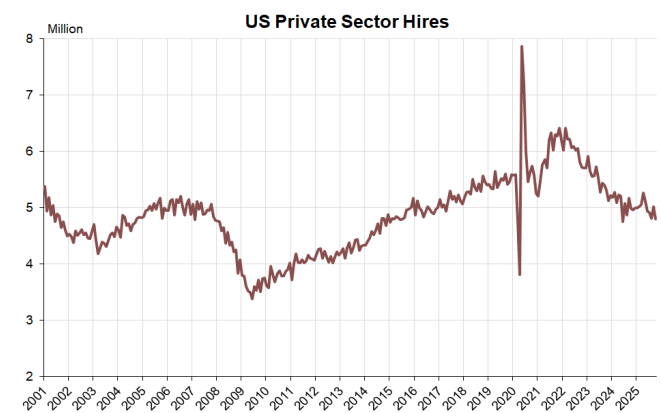
Source: Bloomberg

US initial jobless claims had their biggest weekly rise since 2021 last week, but the level of claims remains low.



Source: Bloomberg

...however, **private sector hiring** remains around its lowest levels since 2014, excluding the pandemic period.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 08					
CH	Trade Surplus (Nov)	US\$112b	US\$103b	US\$90b	Iron ore imports over 100mt for a sixth month in a row.
Tue 09					
AU	RBA Decision (Cash Rate Target)	3.60%	3.60%	3.60%	Outlook has tipped to possible rate increases in 2026.
AU	NAB Business Conditions (Nov)	7	-	10	Capacity utilisation at an 18-month high.
AU	NAB Business Confidence (Nov)	1	-	6	Solid fall but series can be volatile.
US	Job Openings (Oct)	7,658k	7,198k	7,227k	Delayed due to government shutdown.
Wed 10					
AU	Internet Job Vac. (MoM, Nov)	-1.3%		0.1%	Vacancies down 7.2% YoY but up 20% on 2019 ave.
CH	CPI (YoY, Nov)	0.7%	0.7%	0.2%	Rise driven by food. Core inflation steady at 1.2% YoY.
CH	PPI (YoY, Nov)	-2.2%	-2.0%	-2.1%	Chinese PPI has been in deflation since 2022.
CA	Bank of Canada Decision	2.25%	2.25%	2.25%	Market expects the BoC to hike in late 2026.
US	FOMC Decision (IoER)	3.65%	3.65%	3.90%	Fed delivers cut as expected.
Thu 11					
AU	Employment (mthly change, Nov)	-21.3k	20.0k	41.1k	Employment growth has averaged just 11.8k in 2025.
AU	Unemployment Rate (Nov)	4.3%	4.4%	4.3%	Steady thanks to lower labour force participation.
US	Trade Balance (Sep)	US\$52.8b	-US\$63.1b	-US\$59.3b	Lowest deficit since 2020.
US	Initial Jobless Claims (w/e 6 Dec)	236k	220k	192k	Biggest weekly rise since 2021, but level still low.
Fri 12					
UK	Monthly GDP (MoM, Oct)	0.1%	-	-0.1%	Business reports point to a rise.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 15				
CH	Retail Sales (YoY, Nov)	2.9%	2.9%	Annual growth slowed to a 14-month low in October.
CH	Industrial Production (YoY, Nov)	5.0%	4.9%	October steel production was the lowest since Dec 2023.
CH	Urban Fixed Asset Inv. (YTD, YoY, Nov)	-2.3%	-1.7%	Contraction in fixed asset investment continues to deepen.
Tue 16				
AU	Westpac-MI Consumer Conf. (MoM, Dec)	-	12.8%	Surged into optimism territory at 103.8 in November.
AU	S&P Global Composite. PMI (flash, Dec)	-	52.6	The index picked up in November after two months of decline.
JP	S&P Global Composite. PMI (flash, Dec)	-	52.0	Solid services growth offsetting a manufacturing contraction.
EZ	HCOB Composite PMI (flash, Dec)	-	52.8	Hit a 30-month high in November.
US	S&P Global Composite. PMI (flash, Dec)	-	54.2	S&P Global PMIs more positive than their ISM counterparts.
US	Non-Farm Payrolls (monthly change, Nov)	50k	-	October report was cancelled due to the shutdown.
US	Unemployment Rate (Nov)	4.4%	-	Unemployment rate hit a four-year high of 4.4% in September.
US	Retail Sales (MoM, Nov)	0.2%	0.2%	September report was weaker-than-expected.
Wed 17				
UK	CPI (MoM, Nov)		0.4%	Annual inflation at 3.6% is well above the BoE 2% target.
Thu 18				
UK	Bank of England Decision (Bank Rate)	3.75%	4.0%	Cut expected despite inflation being well above target.
EZ	ECB Decision (Deposit Facility Rate)		2.0%	ECB expected to keep rates unchanged through 2026.
US	CPI (YoY, Nov)	3.1%	-	Delayed by government shutdown. October report cancelled.
Fri 19				
JP	CPI (YoY, Nov)	2.9%	3.0%	High inflation has the BoJ's finger on the interest rate trigger.
JP	Bank of Japan (Policy Rate)	0.75%	0.50%	Interest rate increase 94% priced in by the market.
US	UMich Consumer Confidence (Final, Dec)		53.3	Advance estimate was an improvement but remains very low.