Highlights this week

- In Australia, the CPI inflation figures for September and Q3 surprised slightly to the upside, with annual trimmed mean inflation drifting further away from the RBA's goal in Q3. RBA officials speaking this week remained hawkish, saying explicitly that the September inflation figures are 'far too high'.
- Abroad, the FOMC left the fed funds rate target unchanged at 3.75-4.00% in a split decision. US GDP growth accelerated in Q3, while PCE inflation picked up in September.

Highlights next week

- It will be a very busy week domestically. The RBA cash rate decision on Tuesday will be the key event, with a 25bps hike widely expected. The RBA will also release the Statement on Monetary Policy on Tuesday, which will contain updated economic projections.
- Data-wise, the key figures will be Melbourne Institute inflation for October, Cotality home prices for October and dwelling approvals for September on Monday, which will be followed by household spending for September on Wednesday and goods trade balance for September on Thursday.

Central Bank Rates (%)		Weekly Change	Australian Interest Rates (%)		Weekly Change	Major Overseas Interest Rates (%)		Weekly Change	Global Equities		Weekly Change
Australia	4.60	(0 pt)	O/N Interbank Cash	4.60	(0 pt)	USD 3-month	4.06	(↓1 pt)	ASX200	8968	(↑198 pt)
US (IOR)	3.90	(0 pt)	90-day Bills	4.90	(↑8 pt)	2-yr T-Notes	4.59	(↓6 pt)	S&P500	7720	(↑57 pt)
Eurozone (Deposit)	2.50	(0 pt)	3-yr T-Bond	4.80	(↓4 pt)	10-yr T-Notes	4.92	(↓3 pt)	DJIA	52343	(↓525 pt)
UK	3.75	(0 pt)	10-yr T-Bond	5.11	(↓4 pt)	Jap 10-yr	2.80	(↑1 pt)	Nikkei	64482	(↑2623 pt)
Japan (Target)	1.25	(0 pt)	3-yr WATC Bond	5.05	(↓5 pt)	UK 10-yr	5.29	(↓3 pt)	CSI300	4042	(↑6 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	5.58	(↓4 pt)	Ger 10-yr	3.36	(↑2 pt)	Stoxx600	649	(↑11 pt)

Changes are since the previous issue of Market WATCh Weekly.

Financial Markets

Interest Rates

Government bond yields declined this week both in the US and Australia, despite predominantly hawkish news in both countries, elevated oil prices and cautious optimism in global equity markets, which would imply fewer flight-to-safety flows.

RBA near-term monetary policy tightening expectations intensified further this week, with a 25bps hike now over 80% priced in for next week, compared to around 60% last Friday.

This came after the CPI figures for September and Q3 surprised to the upside on Wednesday. RBA officials, who were testifying before a Senate committee at the time the inflation numbers were released, described them as 'far too high'.

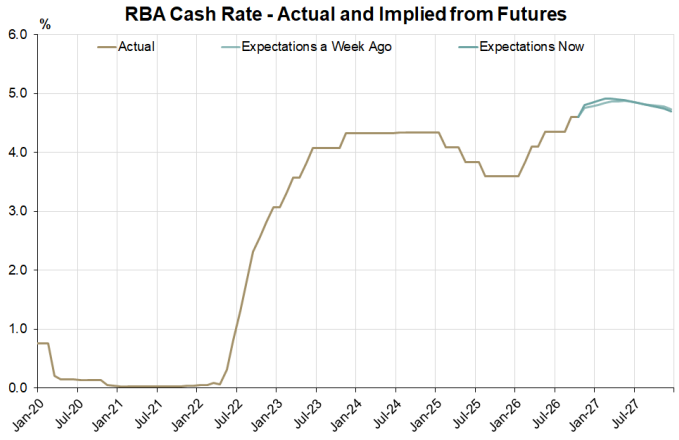
The FOMC voted 10-2 to leave the fed funds target range unchanged at 3.75-4.00% this week, with both dissenters favouring a 25bps hike. The FOMC characterised inflation as elevated, but said it needed more information to determine the appropriate policy stance to return it to the 2% goal. The probability of an increase in the fed funds rate in December is nearly 70% at the time of writing.

Elsewhere, the ECB, Bank of Japan, Bank of Canada and RBNZ kept their policy rates unchanged, but tightening is expected in the coming months.

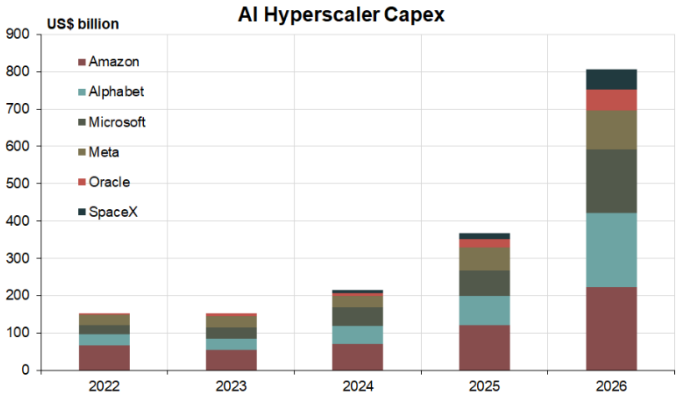
Equities

US equities strengthened this week amid positive sentiment as chipmakers and equipment manufacturers reported bumper revenues. However, markets weakened on Thursday as concerns re-emerged over possible overinvestment in AI infrastructure after Alphabet said its capex spending would reach around US$200b this year and rise significantly in 2027.

Australian equities shook off the elevated September CPI and rising expectations for an RBA cash rate increase next week to climb to their highest level in seven weeks. Materials and financials were the biggest contributors to the increase.



Source: Bloomberg



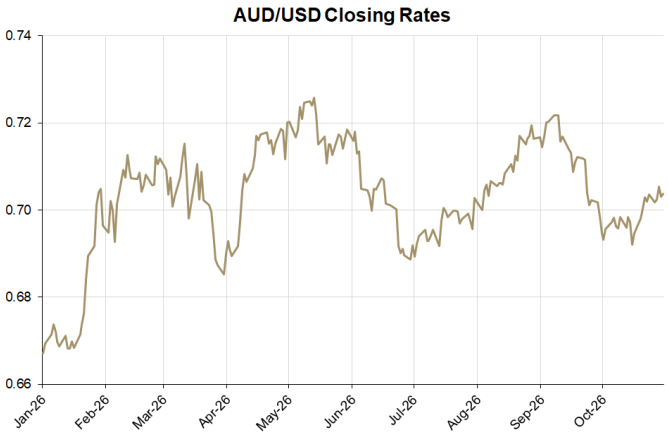
Source Bloomberg

Currencies

The Australian dollar appreciated versus all the major currencies this week, having benefitted from further intensification in near-term cash rate hike expectations, a rise in commodity prices and some improvement in the global market sentiment.

The pace of appreciation was the strongest versus the Japanese yen, which came amid the risk-on trade that usually weakens the JPY. The appreciation was the weakest against the USD, which received some support from good economic data and hawkish language coming from the Fed after the monetary policy meeting on Wednesday night.

Overall, the AUD is sitting in the middle of the G10 currency ladder for the week. It was surpassed only by oil-dependent Norwegian krone and Canadian dollar, as well as the Swedish krona. The New Zealand dollar was the weakest G10 currency this week, reflecting the surprising decision by the RBNZ on Wednesday to keep their official cash rate steady.



Source Bloomberg

Spot Rates	Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD	0.7029	0.7068	0.7010	↑0.1	0.7278	0.6421
AUD/EUR	0.6269	0.6338	0.6257	↑0.3	0.6338	0.4884
AUD/GBP	0.5244	0.5303	0.5239	↑0.2	0.5394	0.4884
AUD/JPY	110.64	111.57	110.09	↑1	114.96	98.83
AUD/CNY	4.6831	4.7093	4.6730	↑0	4.9567	4.5602
EUR/USD	1.1209	1.1227	1.1105	↓0.1	1.2081	1.1105
GBP/USD	1.3403	1.3407	1.3273	↓0	1.3868	1.3010
USD/JPY	157.41	158.35	156.65	↑0.8	163.99	152.10
USD/CNY	6.6611	6.6737	6.6609	↓0.2	7.1333	6.6609

Forward Rates	Spot	3M	6M	12M
AUD/USD	0.7029	0.7016	0.7006	0.6991
AUD/EUR	0.6269	0.6234	0.6201	0.6142
AUD/GBP	0.5244	0.5235	0.5228	0.5224
AUD/JPY	110.64	109.62	108.67	106.92
AUD/NZD	1.2471	1.2410	1.2359	1.2281
AUD/SGD	0.8985	0.8913	0.8841	0.8698

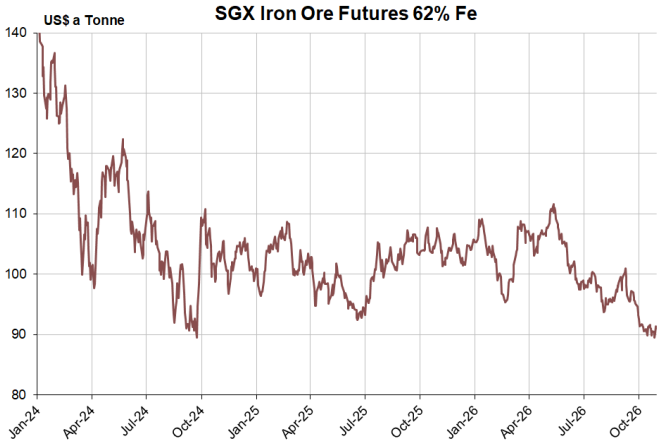
Commodities

Oil remains the main focus across commodity markets, with developments in the Middle East keeping upward pressure on prices.

Brent crude futures reached their highest level since late April last Friday and held near that level early this week.

Reports of fresh efforts to restart peace negotiations helped ease prices. However, the risk of escalation in the US-Iran war and threats to Saudi oil infrastructure from the conflict with the Houthis continue to fuel uncertainty.

Iron ore futures fell to a fresh two-year low before rebounding. A global bank estimates that 150 million tonnes or more of global supply is unsustainable at prices below US$90. Western Australian miners are among the world's lowest-cost iron ore producers.



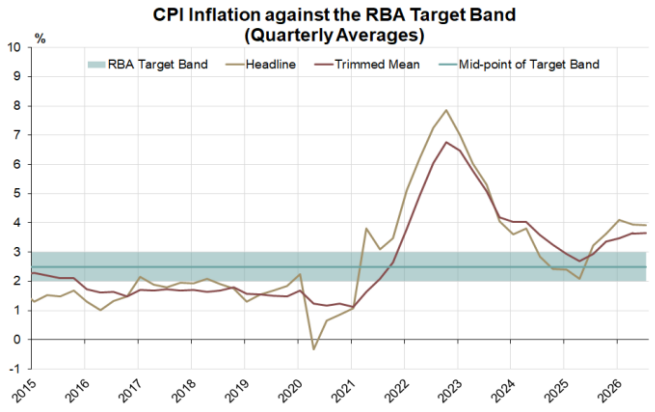
Source Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US$)	$4,010.68	$4,082.58	$3,978.32	(↓$8.43)	$5,595.47	$3,915.52
Brent Crude Oil (US$)	$115.74	$117.44	$112.89	(↑$2.7)	$126.41	$58.72
Mogas95* (US$)	$127.80	$136.17	$125.48	(↑$1.07)	$150.55	$68.52
WTI Oil (US$)	$102.68	$103.55	$99.44	(↑$3.42)	$119.48	$54.98
CRB Index	411.42	418.60	411.42	(↓3.56)	429.15	291.69
Iron Ore Price 61% Fe (US$) **	$91.15	$92.10	$89.10	(↑$1.15)	$111.90	$89.10

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.
** The Iron Ore Price is the SGX 61% Fe iron ore futures 2nd contract.

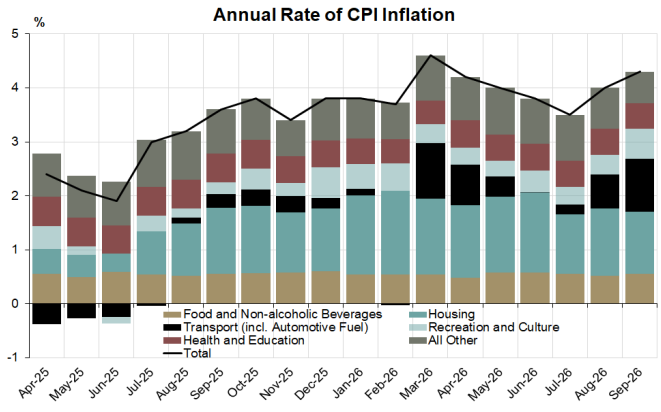
Domestic Economy

*Both headline and trimmed mean **CPI inflation** remain above the target, with trimmed mean inflation rising.*



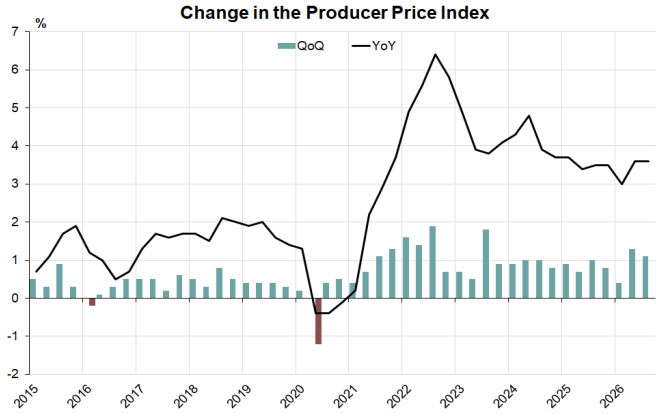
Source: ABS

*Headline inflation is also rising month-to-month, with the strongest contribution coming from **automotive fuel**.*



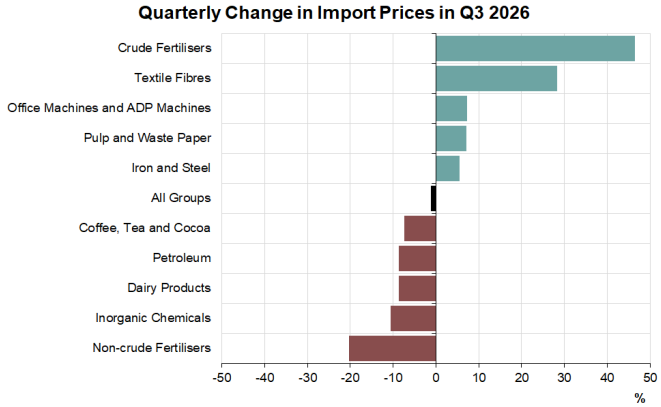
Source: ABS

***Producer price inflation** remains elevated, but it does not appear to be accelerating.*



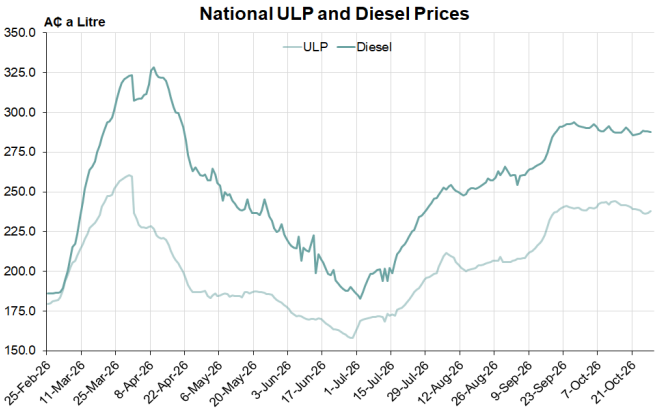
Source: ABS

*The **import price index** declined slightly in Q3, but with gains in fertilisers and ADP equipment.*



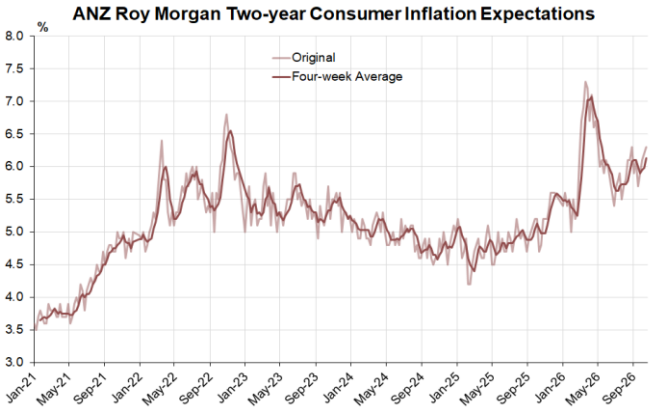
Source: ABS

*Meanwhile, **domestic fuel prices** have been broadly steady at elevated levels for around a month.*



Source: ABC

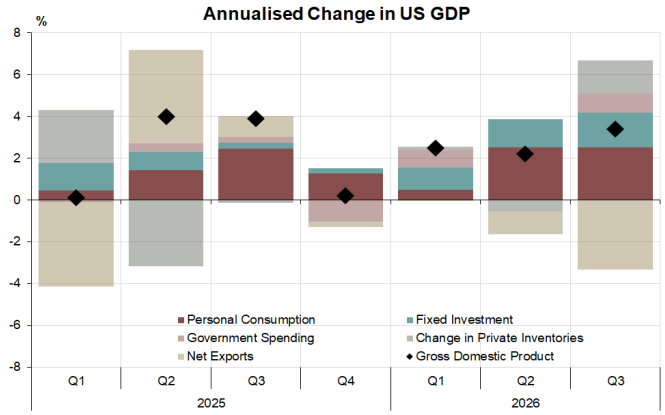
***ANZ Roy Morgan consumer inflation expectations** are elevated, but still way off their early 2026 highs.*



Source: ABS

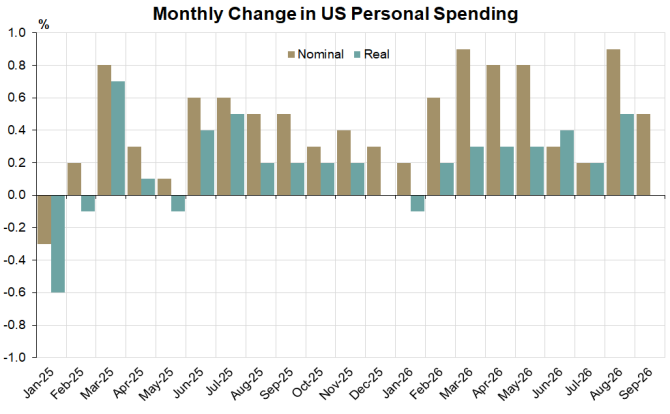
Global Economy

__US GDP growth__ accelerated in Q3, supported by solid growth in private consumption and investment…



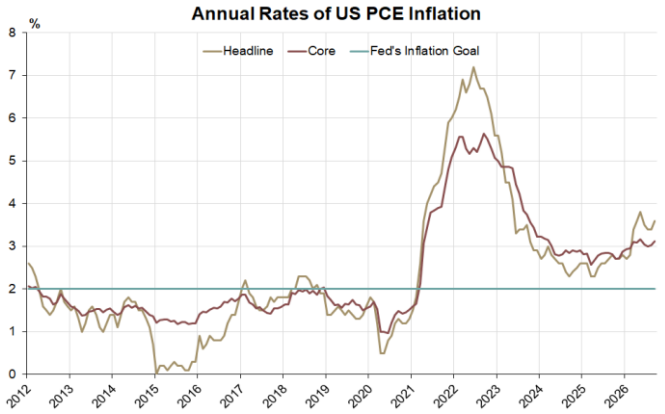
Source: Bloomberg

… but __US real private consumption__ appears to have stagnated towards the end of Q3…



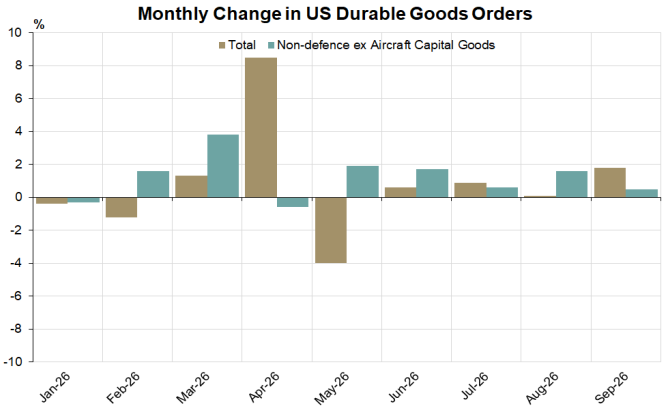
Source: Bloomberg

… as __US PCE inflation__ picked up a little in September, to remain the Fed's goal but well off 2022 highs.



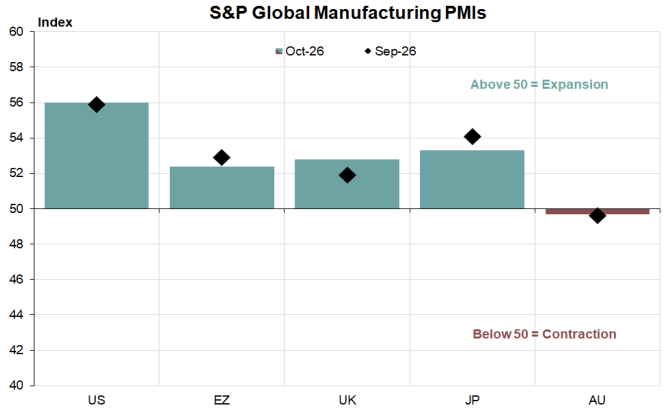
Source: Bloomberg

Growth in __US non-defence durable goods orders excluding aircraft__ slowed somewhat in September.



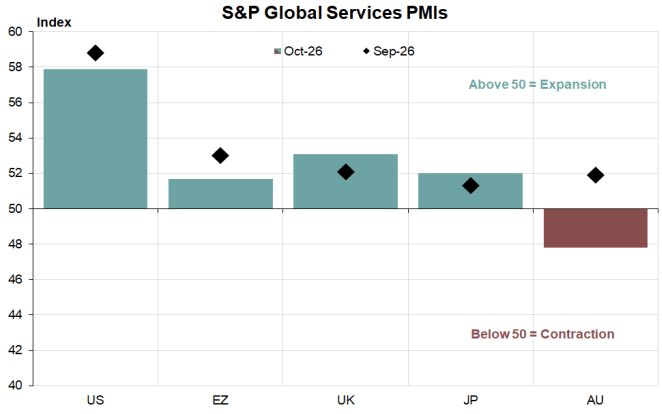
Source: Bloomberg

However, the US continues to lead the major advanced economies in terms of expansion in __manufacturing__…



Source: Bloomberg

… and __services__.



Source: Bloomberg

Market Watch Weekly

30 OCTOBER 2026

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 26					
AU	RBA Assistant Governor Speaks	-	-	-	
Tue 27					
AU	ANZ Cons. Conf. (w/e 24 Oct)	67.9	-	67.7	Inflation expectations up by 0.1ppts to 6.3%.
US	Dur. Goods Orders (MoM, Sep)	1.8%	1.9%	0.1%	Non-defence orders excluding aircraft rose by 0.5%.
US	CB Cons. Conf. (Oct)	91.7	81.0	84.2	'Jobs plentiful' vs 'jobs hard to get' the best since May.
Wed 28					
AU	CPI (YoY, Sep)	4.3%	4.2%	4.0%	The increase came mainly from fuel and chip costs.
AU	Trimmed Mean CPI (QoQ, Q3)	1.0%	1.0%	0.8%	The annual rate up to a two-year high of 3.7%.
AU	RBA before a Senate Committee	-	-	-	September inflation figures 'far too high'.
NZ	RBNZ Decision (OCR)	2.75%	3.00%	2.75%	Tight decision to hold, made with a 4-6 majority.
CA	BoC Decision (Policy Rate)	2.50%	2.50%	2.00%	More tightening priced in for 2027.
US	FOMC Decision (IoER)	3.90%	3.90%	3.90%	Two dissenters preferred a 25bps hike.
Thu 29					
AU	Export Price Index (QoQ, Q3)	1.4%	-	1.1%	LNG prices were driving the increase.
AU	Import Price Index (QoQ, Q3)	-1.1%	-	5.7%	Iron ore and gold weighed on the import price index.
EZ	ECB Decision (Deposit Rate)	2.50%	2.50%	2.50%	ECB President confirmed a rate hike was discussed.
US	GDP (QoQ ann., Q3, 1st est.)	3.4%	3.2%	2.2%	Supported by solid private consumption and investment.
US	Personal Spending (MoM, Sep)	0.5%	0.6%	0.9%	Real personal spending stagnated in September.
US	PCE Price Index (MoM, Sep)	0.5%	0.5%	0.3%	Annual rate of PCE inflation rose by 0.2ppts to 3.6%.
US	Initial Jobless Claims (w/e 24 Oct)	194k	198k	195k	Continued claims fell back to 1.7m in w/e 17 October.
Fri 30					
AU	PPI (QoQ, Q3)	1.1%	-	1.3%	Annual rate of producer price inflation remained at 3.6%.
AU	Private Sector Credit (MoM, Sep)	0.6%	0.5%	0.6%	Still up by 8.4% YoY.
JP	BoJ Decision (Policy Rate)	1.25%	1.25%	1.25%	Further rate hikes expected in early 2027.
Tonight					
EZ	GDP (QoQ, Q3, flash)	-	0.2%	0.6%	Business reports point to a possible upside surprise.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 02				
AU	MI Inflation Gauge (YoY, Oct)	-	4.8%	First insights into inflation after the credit card surcharge ban.
AU	Cotality Home Price Index (MoM, Oct)	-	-1.1%	Correction in the housing market set to continue.
AU	Dwelling Approvals (MoM, Sep)	4.0%	-6.1%	The fall in August caused by
CH	RatingDog Mfg PMI (Oct)	52.0	52.1	NBS PMIs will be released over the weekend.
US	ISM Manufacturing PMI (Oct)	54.7	54.5	S&P Global PMI suggested ongoing decent expansion.
Tue 03				
AU	RBA Decision (Cash Rate)	4.85%	4.60%	A hike now over 80% priced in.
AU	RBA Statement on Monetary Policy (Q4)	-	-	Will contain updated projections.
AU	RBA Governor M. Bullock Speaks	-	-	Post-meeting press conference.
US	JOLTS Job Openings (Sep)	7.1m	7.1m	Remain slightly above the number of officially unemployed.
US	Mid-term Elections	-	-	Potential market-mover, particularly regarding the Senate.
Wed 04				
AU	Housing Spending (MoM, Sep)	0.4%	0.0%	Will contain Q3 spending volumes, which might be weak.
CH	RatingDog Services PMI (Oct)	51.7	51.6	Has been more optimistic than its NBS component.
EZ	HICP (YoY, Oct, flash)	3.9%	3.8%	Headline and core inflation significantly above the 2% goal.
US	ADP Employment (monthly change, Oct)	70k	90k	Failed to predict slowdown in official figures in Sep.
US	ISM Services PMI (Oct)	54.7	54.9	S&P Global report suggested slower, but strong growth.
Thu 05				
AU	Goods Trade Balance (Sep)	A$1.2b	A$0.5b	August drop caused by the increased ADP equipment imports.
UK	Bank of England Decision (Bank Rate)	4.00%	3.75%	Nearly 95% priced in, but decision expected to be 6-3 split.
Fri 06				
US	Non-farm Payrolls (monthly change, Oct)	55k	29k	US labour market conditions weaker than previously thought.
US	Unemployment Rate (Oct)	4.2%	4.2%	Roughly in line with the Fed's longer-run estimate.