

Interest Rates			FX			Commodities US\$		
Australia		Δ bp	AUD/USD	0.6451	-0.6%	WTI Crude Oil	58.58	-\$1.17
	90-day Bill	3.65	AUD/JPY	101.61	-0.3%	Brent Crude Oil	63.38	-\$0.13
	3-year Bond	3.74	AUD/EUR	0.5595	-0.6%	Mogas95*	76.67	-\$1.03
	10-year Bond	4.44	AUD/GBP	0.4933	-0.8%	CRB Index	297.62	-1.62
US			AUD/NZD	1.1543	-0.1%	Gold	4075.40	-\$30.95
	2-year	3.55	AUD/CNY	4.5862	-0.3%	Silver	50.73	-\$1.05
	10-year	4.09	EUR/USD	1.1530	0.0%	Iron Ore (62% Fe)**	104.25	-\$0.05
			USD/JPY	157.50	0.2%	Iron Ore (25-26 Average)	103.04	\$0.01
Other 10-year			USD/CNY	7.1165	0.0%	Copper	10738.50	-\$14.00
			RBA Policy			Equities		
			O/N Cash Rate Target	3.60		ASX200	8445	-92
			Interbank O/N Cash Rate	3.60		Dow Jones	45752	-387
Japan	1.80	0	Probability of a 25bps Cut in Dec	5.6%		S&P500	6539	-103
Germany	2.72	1	RBA Bond Holdings (31 Oct)	A\$272.1b		Stoxx600	564	2
UK	4.59	-2				CSI300	4565	-23

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

**Iron ore is the second SGX futures contract.

US stocks resumed declining last night, as mixed US labour market data further clouded the Fed monetary policy outlook and investors once again started to question valuations in the tech sector. US Treasury yields dropped, however, as the probability of a fed funds rate cut in December climbed from around 30% to around 35% in reaction to an uptick in US unemployment rate. The US dollar held steady.

The losses in the US followed gains in Europe and most of the Asia-Pacific region, with a relatively strong increase in the Nikkei index on news that the Japanese government is preparing a large stimulus package. The ASX 200 bounced by 1.2% yesterday, with gains in all industries except for utilities and energy, but has declined this morning. The Australian dollar is down versus all the major currencies, while Commonwealth bond yields fell less than US yields.

US non-farm payrolls rose by 119k in September, significantly more than the 53k pencilled in by the consensus. However, this followed a considerable downward revision of the previous two months, with payrolls now down by -4k in August, rather than up by 22k as initially estimated. The unemployment rate picked up by 0.1ppts to 4.4%, as labour force participation saw a similar increase to reach 62.4%. Growth in average hourly earnings slowed to 0.3% MoM and remained at the upwardly revised 3.8% YoY.

A separate report showed that US initial jobless claims declined to 220k last week, having spiked to 235k in the first week of the US Government shutdown in early October. In the last week before the shutdown, the week ending 26 September, initial jobless claims stood at 224k, roughly the same as last week.

Fedspeak following the jobs reports was as mixed as the reports themselves, with Cleveland Fed President Beth Hammack stressing that more interest rate cuts to support labour market conditions could prolong the period of inflation remaining above target. Her Chicago and Philadelphia Fed counterparts, Austan Goolsbee and Anna Paulson, echoed those comments. Austan Goolsbee said that he was 'a little uneasy' about frontloading rate cuts, while Anna Paulson signalled that she would approach the December FOMC meeting 'cautiously'.

Across the Pacific, the annual rate of Japanese CPI inflation ticked up by 0.1ppts to 3.0%, in line with market expectations. Annual 'core-core' inflation, which excludes fresh food and energy, also rose by 0.1ppts to 3.1%.

In Australia, the S&P Global composite PMI rose by 0.5pts to 52.6 in November (above 50 = expansion), with growth in both services and manufacturing. The details of the report pointed to the slowest rise in employment in ten months, but also a faster rise in cost and price inflation. PMIs for the major advanced economies will be published later today.

Economic Data Review

- AU:** S&P Global Composite PMI (Nov) – Actual 52.6, Previous 52.1.
- JP:** CPI (YoY, Oct) – Actual 3.0%, Expected 3.0%, Previous 2.9%.
- US:** Non-farm Payrolls (monthly change, Sep) – Actual 119k, Expected 51k, Previous -4k (revised).
- US:** Unemployment Rate (Sep) – Actual 4.4%, Expected 4.3%, Previous 4.3%.

Economic Data Preview

- JP:** S&P Global Composite PMI (Nov) – Previous 51.5.
- EZ:** HCOB Composite PMI (Nov) – Expected 52.5, Previous 52.5.
- US:** S&P Global Composite PMI (Nov) – Expected 54.6, Previous 54.6.