

Highlights this week

- In Australia, RBA has kept the cash rate on hold, while revising inflation forecasts upwards and signalling there might be a case for no more rate cuts in this cycle.
- Data-wise, household spending indicator growth surprised to the downside in September and Q3. The trade surplus picked up in September supported by a broad-based increase in exports. Dwelling approvals bounced in September thanks to the volatile unit approvals, which was followed by the fastest rise in home prices since mid-2023.
- Abroad, the ISM PMI reports showed renewed expansion in US services and faster contraction in manufacturing. The ADP employment report suggested slight growth in US private jobs in October. The Chinese PMIs painted a mixed picture of economic conditions, while the trade figures pointed to slower export growth, with ongoing strong demand for iron ore.

Highlights next week

- The key domestic releases next week will be Westpac-Melbourne Institute consumer sentiment for November and NAB business report for October on Tuesday, and labour force survey results for October on Thursday.
- A quiet week offshore, with Chinese economic activity figures for October on Friday being the only potentially market-moving release.

Central Bank Rates (%)		Weekly Change	Australian Interest Rates (%)		Weekly Change	Major Overseas Interest Rates (%)		Weekly Change	Global Equities		Weekly Change
Australia	3.60	(0 pt)	O/N Interbank Cash	3.60	(0 pt)	USD 3-month	4.85	(0 pt)	ASX200	8802	(↓100 pt)
US (IOR)	3.90	(0 pt)	90-day Bills	3.64	(0 pt)	2-yr T-Notes	3.56	(↓4 pt)	S&P500	6720	(↓102 pt)
Eurozone (Deposit)	2.00	(0 pt)	3-yr T-Bond	3.62	(↑1 pt)	10-yr T-Notes	4.09	(0 pt)	DJIA	46912	(↓610 pt)
UK	4.00	(0 pt)	10-yr T-Bond	4.33	(↑2 pt)	Jap 10-yr	1.68	(↑3 pt)	Nikkei	49931	(↓2017 pt)
Japan (Target)	0.50	(0 pt)	3-yr WATC Bond	3.75	(↑1 pt)	UK 10-yr	4.43	(↑1 pt)	CSI300	4685	(↑26 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	4.78	(↑3 pt)	Ger 10-yr	2.65	(↑1 pt)	Stoxx600	568	(↓7 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets

Interest Rates

As expected, the RBA kept the cash rate at 3.60% this week, while revising its forecasts quite substantially, especially for inflation.

Trimmed mean inflation is now expected to temporarily rise slightly above the 2-3% target range, before falling back to 2.7% at the end of 2026 and 2.6% in 2027, which is reasonably close to the mid-point of the target range. Forecasts of the unemployment rate were also revised upwards, with a peak at 4.4% (rather than 4.3%) now expected.

At the press conference, RBA Governor Michele Bullock said that she saw a case for no more rate cuts in the current cycle, but generally continued to abstain from forward guidance. She also confirmed that a rate cut was not discussed at the meeting.

From other central bank news, the Bank of England and Norges Bank kept their policy rates unchanged this week.

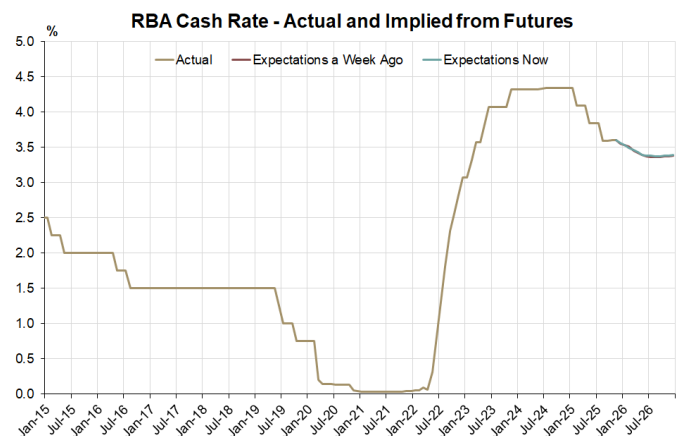
Government bond yields picked up in most advanced economies this week, with the US being the notable exception. Aussie Commonwealth bond yields are also up, reflecting further a slight decline in cash rate cut expectations after the RBA meeting.

Equities

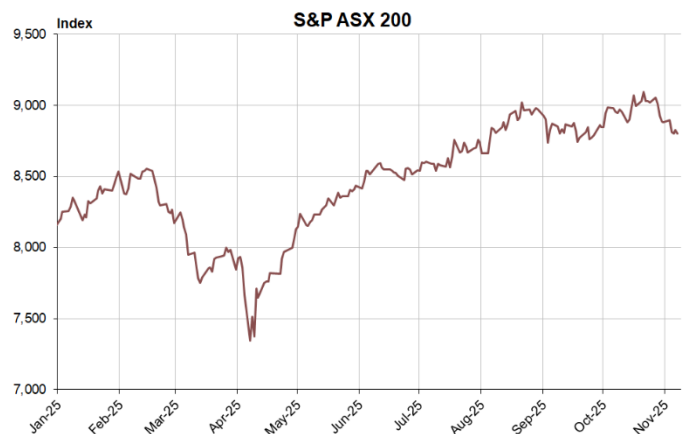
US equities have been wobbly, despite mainly positive company earnings reports. The week was punctuated by sharp falls on Tuesday, which had no apparent catalyst, and another fall on Thursday amid news of a steep rise in US job cut announcements in October. The market continues to be starved of official economic data in the wake of the US government shutdown.

The Aussie market fell on Tuesday, as the RBA kept the cash rate unchanged and raised its inflation forecasts. While expected, this highlighted that the cash rate appears likely to be on hold for an extended period.

The ASX 200 has remained relatively steady in the second half of the week, with a rise on Thursday being reversed today.



Source: Bloomberg



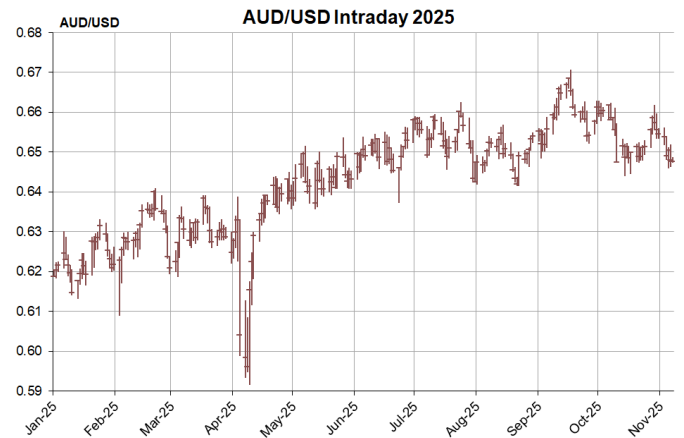
Source: Bloomberg

Currencies

It was not a good week for the Australian dollar, which failed to benefit from the RBA's more hawkish tone and was instead hit by risk-off sentiment that dominated global markets for most of the week.

The AUD was broadly steady on Friday night and Monday, and remained largely unchanged around the RBA's decision announcement and press conference, but began to slide thereafter. It fell below US\$0.65, temporarily bounced on Wednesday, and dropped again last night.

The Aussie currency was roughly in the middle of the G10 currency ladder for the week, with the Kiwi dollar and Scandinavian currencies being weaker. The safe-haven Japanese yen topped the G10 currency ranking this week.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6486	0.6562	0.6459	↓0.9	0.6707	0.5915
AUD/EUR		0.5616	0.5693	0.5602	↓0.8	0.6261	0.4620
AUD/GBP		0.4936	0.4995	0.4929	↓0.8	0.5204	0.4620
AUD/JPY		99.15	101.14	98.83	↓1.6	102.41	86.05
AUD/CNY		4.6140	4.6699	4.6022	↓0.9	4.7765	4.3523
EUR/USD		1.1550	1.1552	1.1469	↓0.2	1.1919	1.0141
GBP/USD		1.3140	1.3162	1.3010	↓0.1	1.3789	1.2100
USD/JPY		152.86	154.48	152.82	↓0.7	158.87	139.89
USD/CNY		7.1193	7.1333	7.1087	↑0.1	7.3511	7.0960

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6486	0.6490	0.6492	0.6487
AUD/EUR		0.5616	0.5592	0.5570	0.5524
AUD/GBP		0.4936	0.4940	0.4942	0.4942
AUD/JPY		99.15	98.33	97.60	96.20
AUD/NZD		1.1501	1.1462	1.1424	1.1349
AUD/SGD		0.8457	0.8405	0.8355	0.8257

Commodities

A lack of major market moving news saw gold have a relatively quiet week compared to its recent volatility, trading within a relatively narrow range.

The yellow metal appeared to be on its way to a third consecutive weekly loss, but rebounded this morning.

Oil prices were weighed down by news of a larger than expected jump in US inventories since July, although this was offset by a fall in US petrol stockpiles to the lowest level in three years.

OPEC+ announced another 137k of supply will be added to their collective production limits in December, as expected. However, they also announced that it will hold production quotas steady in the first quarter of 2026.

Iron ore futures prices fell to the lowest level in over a month amid further soft Chinese manufacturing data.



Source: Bloomberg

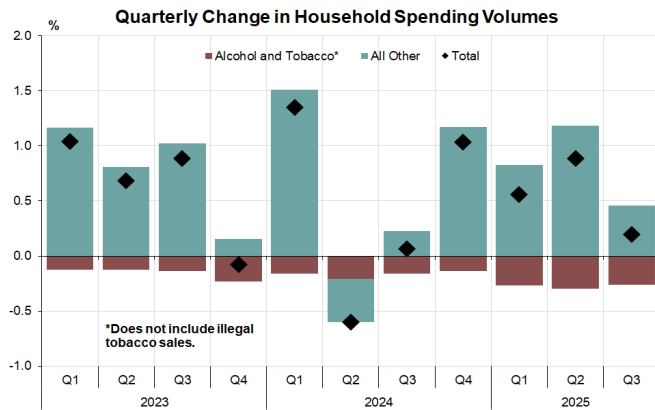
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,002.98	\$4,030.48	\$3,928.98	(↑\$0.39)	\$4,381.52	\$2,536.92
Brent Crude Oil (US\$)	\$63.62	\$65.32	\$62.84	(↓\$0.93)	\$82.63	\$58.40
Mogas95* (US\$)	\$78.92	\$79.25	\$76.97	(↓\$0.57)	\$95.91	\$67.57
WTI Oil (US\$)	\$59.69	\$61.50	\$58.83	(↓\$0.43)	\$80.77	\$55.12
CRB Index	300.87	306.09	300.87	(↑0.1)	316.63	278.92
Iron Ore Price 62% Fe (US\$) **	\$102.00	\$106.65	\$101.85	(↓\$4.75)	\$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.

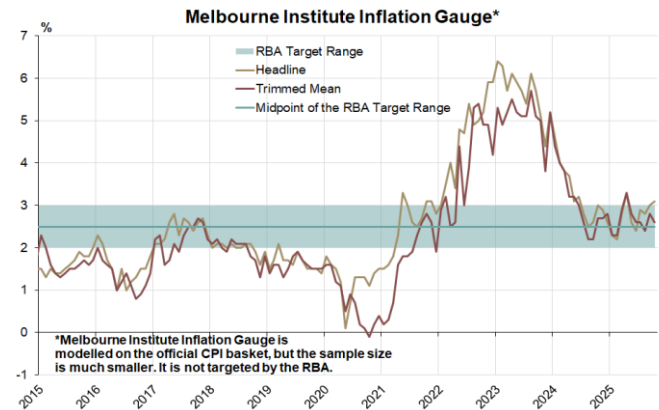
Domestic Economy

Growth in **household spending volumes** has slowed, even excluding the sluggish legal tobacco sales...



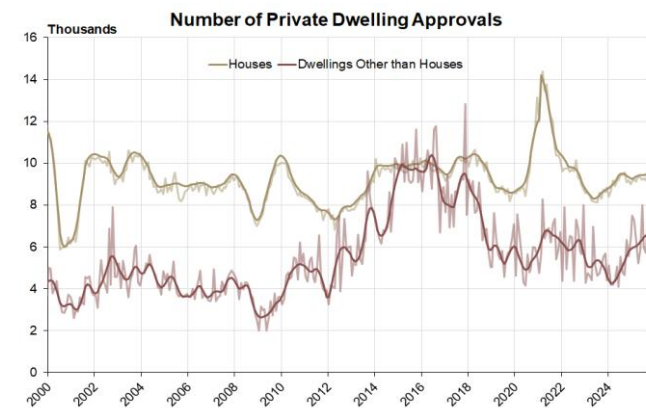
Source: ABS

... as **Melbourne Institute inflation gauge** suggests that price pressures were again biting.



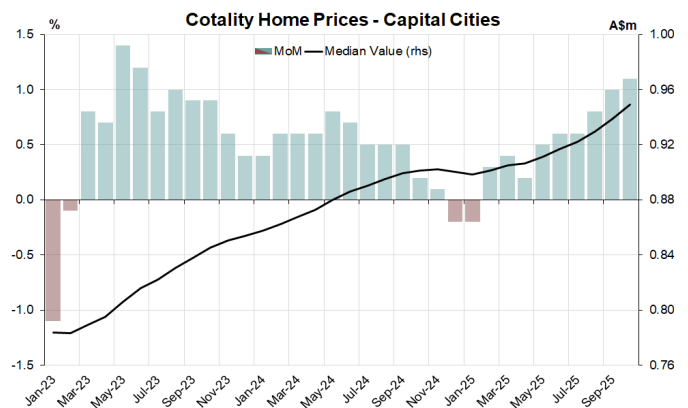
Source: Bloomberg

Building approvals continue to trend upwards for units, but are quite directionless for detached houses.



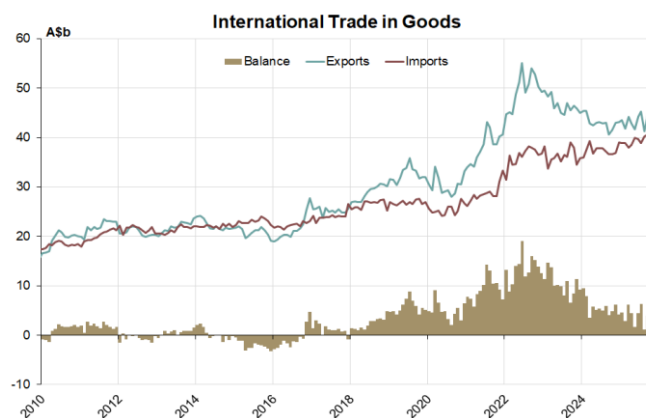
Source: ABS

The low housing supply and heated demand amid lower mortgage rates continues to fuel **home price growth**.



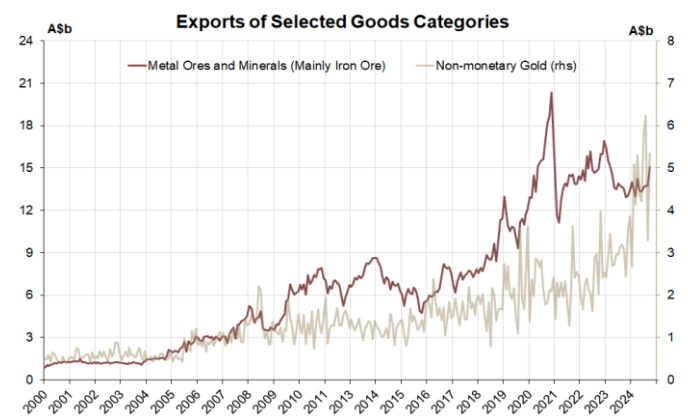
Source: Bloomberg

The **goods trade surplus** rose in September, supported by a rise in exports...



Source: ABS

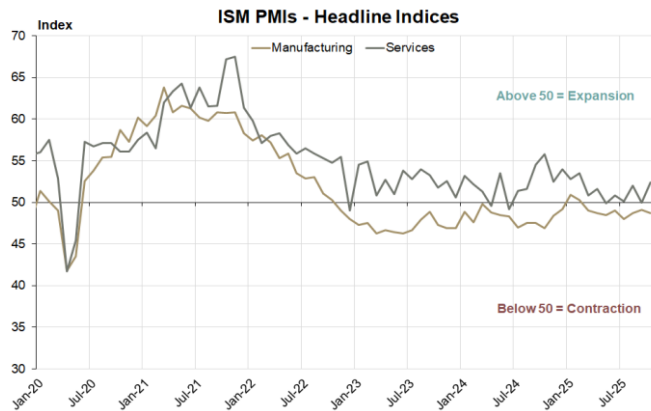
... with solid gains in exports of **iron ore and non-monetary gold**.



Source: ABS

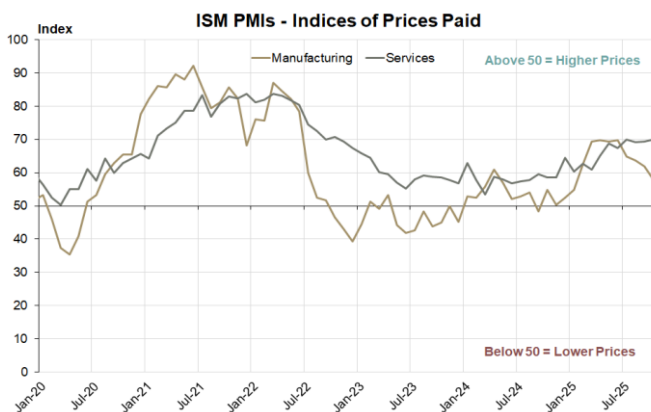
Global Economy

The **ISM PMIs** suggested a renewed expansion in US services and faster contraction in manufacturing...



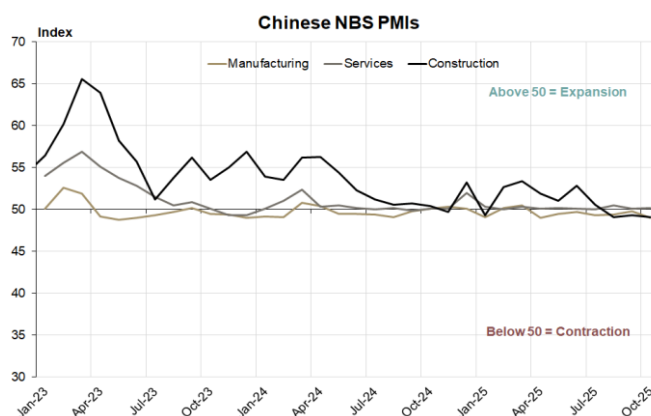
Source: Bloomberg

Growth in prices paid in manufacturing appears to be slowing, but is holding fast in services.



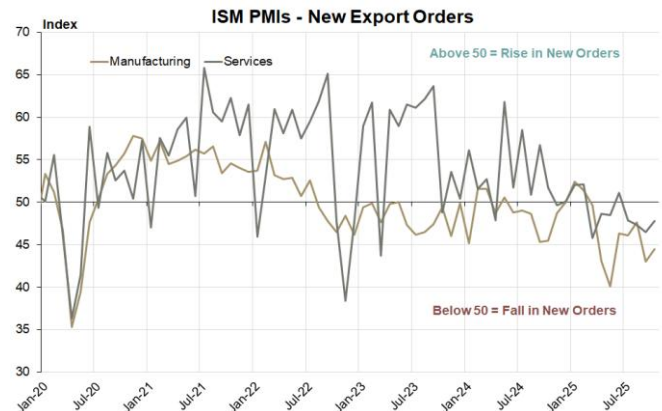
Source: Bloomberg

In China, the **NBS PMIs** suggest stagnation in services and decline in manufacturing and construction.



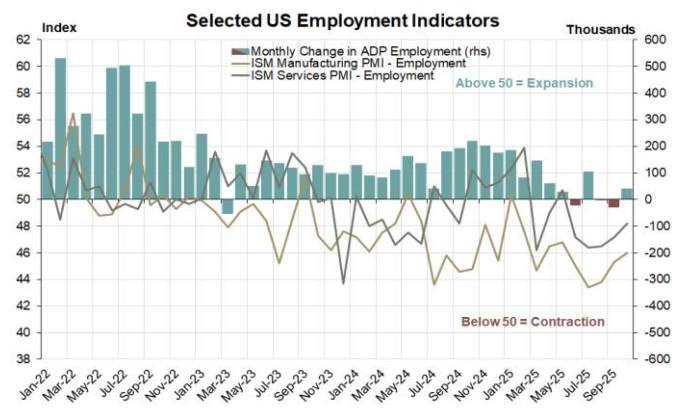
Source: Bloomberg

... with further, albeit slower contraction in **new export orders**.



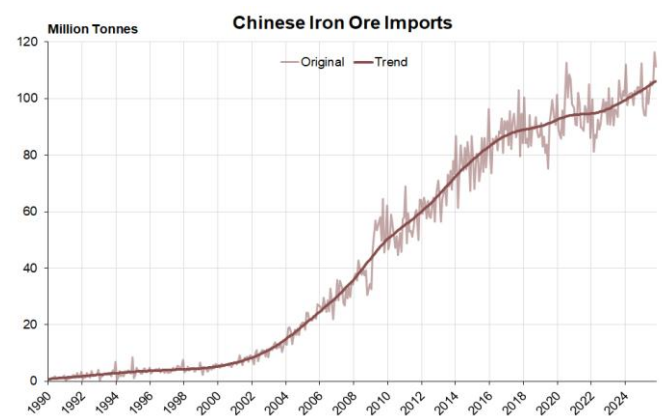
Source: Bloomberg

US employment fell further in October according to the ISM PMIs, yet rose slightly according to the ADP report.



Source: Bloomberg

However, **trade figures** for October confirmed that China's demand for iron ore remains high.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 03					
AU	Dwelling Approvals (MoM, Sep)	12.0%	5.0%	-3.6%	Bounce driven by the volatile unit approvals.
AU	Household Spending (MoM, Sep)	0.2%	0.4%	0.0%	Household spending volumes also rose by 0.2% in Q3.
AU	Cotality Home Value (MoM, Oct)	1.1%	-	0.9%	The strongest rise since mid-2023.
AU	Melb. Inst. Inflation (MoM, Oct)	0.3%	-	0.4%	Suggests that annual inflation ticked up 0.1ppts to 3.1%.
AU	ANZ Job Ads (MoM, Oct)	-2.2%	-	-3.5%	The lowest level since February 2021.
CH	RatingDog Manuf. PMI (Oct)	50.6	50.7	51.2	Details point to a renewed fall in export orders.
US	ISM Manufacturing PMI (Oct)	48.7	49.5	49.1	New orders and employment still in contraction.
Tue 04					
AU	RBA Decision (Cash Rate Target)	3.60%	3.60%	3.60%	The bar for another rate cut has been set high.
AU	RBA SoMP (Q4)	-	-	-	Trimmed mean inflation to temporarily rise above 3%.
Wed 05					
CH	RatingDog Services PMI (Oct)	52.6	52.5	52.9	RatingDog composite PMI down 0.7pts to 51.8.
US	ISM Services PMI (Oct)	52.4	50.8	50.0	The rise supported by current work and new orders.
US	ADP Employment (MoM, Oct)	42k	30k	-29k	Results across sectors were quite mixed.
Thu 06					
AU	Goods Trade Balance (Sep)	A\$3.9b	A\$4.0b	A\$1.1b	Solid rise in exports of gold and iron ore.
NO	Norges Bank Decision (Pol. Rate)	4.00%	4.00%	4.00%	No more cuts expected from Norges Bank for now.
UK	BoE Decision (Bank Rate)	4.00%	4.00%	4.00%	The decision to stay put was a very close call.
US	Challenger Job Cuts (YoY, Oct)	175.3%	-	-25.8%	Job cuts hit 1 million year to date, most since 2003.
Fri 07					
CH	Trade Balance (Oct)	US\$90b	US\$97b	US\$90b	Chinese iron ore imports remain high, above 100MT.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 10				
	No market moving data.			
Tue 11				
AU	NAB Business Conditions (Oct)	-	8	Have been broadly steady since early 2024.
AU	NAB Business Confidence (Oct)	-	7	Has shown some signs of improvement of late.
AU	Westpac-MI Consumer Sentiment (Nov)	-	-3.5%	A further decline likely as high inflation puts a stop to rate cuts.
UK	Unemployment Rate (Sep)	5.0%	4.8%	UK employment growth slowed significantly in August.
Wed 12				
AU	New Home Loans (QoQ, Q3)	2.0%	2.0%	Attracts less attention since a shift to quarterly figures.
Thu 13				
AU	Employment (monthly change, Oct)	19.0k	14.9k	Aussie labour market conditions are easing.
AU	Unemployment Rate (Oct)	4.4%	4.5%	RBA now expects the unemployment rate to stabilise at 4.4%.
UK	GDP (QoQ, Q3)	0.1%	0.3%	PMIs point to another positive quarter.
Fri 14				
CH	Retail Sales (YoY, Oct)	2.8%	3.0%	Chinese customers remain cautious.
CH	Industrial Production (YoY, Oct)	5.5%	6.5%	The driver of economic growth in China right now.
CH	Urban Fixed Asset Inv. (YoY YtD, Oct)	-0.9%	-0.5%	September saw the first decline since 2020.