

Interest Rates			FX			Commodities US\$		
Australia		Δ bp	AUD/USD	0.6608	0.0%	WTI Crude Oil	62.03	-\$0.39
90-day Bill	3.61	0	AUD/JPY	97.32	-0.5%	Brent Crude Oil	65.64	-\$0.43
3-year Bond	3.54	-4	AUD/EUR	0.5635	0.1%	Mogas95*	76.49	-\$0.58
10-year Bond	4.32	-3	AUD/GBP	0.4906	-0.2%	CRB Index	300.51	-0.09
			AUD/NZD	1.1369	-0.3%	Gold	3858.08	-\$3.65
			AUD/CNY	4.7085	-0.1%	Silver	47.14	\$0.45
US			EUR/USD	1.1726	-0.1%	Iron Ore (62% Fe)**	103.65	\$0.00
2-year	3.53	-8	USD/JPY	147.28	-0.5%	Iron Ore (25-26 Average)	102.32	\$0.02
10-year	4.09	-6	USD/CNY	7.1224	0.0%	Copper	10379.00	\$110.50
			RBA Policy			Equities		
			O/N Cash Rate Target		3.60	ASX200	8900	66
Other 10-year			Interbank O/N Cash Rate		3.60	Dow Jones	46441	43
Japan	1.65	0	Probability of a 25bps Cut in Nov		39.2%	S&P500	6711	23
Germany	2.71	0	RBA Bond Holdings (29 Aug)		A\$272.1b	Stoxx600	565	6
UK	4.70	0				CSI300	4641	0

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

**Iron ore is the second SGX futures contract.

After a meagre start, all three major stock indices closed at fresh record highs, as investors shrugged off the US government shutdown that took effect yesterday at noon (AWST).

The lessons from the previous shutdowns are that they generally tend not to last too long, and that equity prices are not affected, even during the longest shutdown in history during the first Trump presidency, which lasted 34 days at the turn of 2018 and 2019.

Instead of the government shutdown, the investors' focus was on disappointing US economic data, which increases the probability of further fed funds rate cuts ahead. US Treasury yields dropped, with slightly stronger declines at the front end of the curve, while the US dollar was surprisingly steady.

The Australian dollar appreciated slightly versus the greenback and euro but was down against the stronger Japanese yen and the British pound. Commonwealth bond yields declined less than their US equivalents.

The ASX closed virtually flat yesterday, with losses in consumer discretionary, materials, and energy almost entirely offset by gains in other sectors. The decline in Aussie materials was partly driven by reports that Chinese authorities have temporarily banned imports of iron ore from one of the major Australian mining companies.

The ADP employment report showed a 32k decline in private payrolls in September, while the August figures were revised downwards (to -3k, from the originally estimated 51k). The revision to the September figure reflected a preliminary re-benchmarking that was carried out by ADP, which will not be done for the official figures until February.

Speaking of official employment figures, there is a considerable risk that they will not be released this month, which is one of the impacts of the government shutdown. The shutdown, if lasts long enough, might impact other data releases, most notably CPI.

The US ISM manufacturing PMI rose by 0.1pts to 49.1 (below 50 = contraction), with the new orders subindex slipping back into contraction, with a faster fall in new export orders. Employment also remained in deep contraction, while the prices paid subindex suggested further, albeit slightly slower, inflation.

Elsewhere, the Japanese Tankan survey pointed to further solid conditions in both manufacturing and outside of this sector, which has kept the probability of a 25bps hike from the Bank of Japan has held well above 50% and the Japanese yen appreciated further. In Europe, euro area HICP inflation picked up 0.2ppts to 2.2% in September, as expected, while core inflation remained unchanged at 2.3%.

Economic Data Review

- **US:** ADP Employment (monthly change, Sep) – Actual -32k, Expected 51k, Previous -3k (revised).
- **US:** ISM Manufacturing PMI (Sep) – Actual 49.1, Expected 49.0, Previous 48.2.

Economic Data Preview

- **AU:** Household Spending Indicator (MoM, Aug) – Expected 0.3%, Previous 0.5%.
- **AU:** Trade Balance (Aug) – Expected A\$6.2b, Previous A\$7.3b.
- **AU:** RBA Financial Stability Review.