



Highlights this week

- In Australia, the Commonwealth's MYEFO and the Western Australian Mid-year review both showed better fiscal outcomes compared to the Budgets. Westpac consumer sentiment fell back to a negative level after the RBA's hawkish pivot in December, which followed a spike in the previous month. The S&P Global PMIs suggested a slowdown in economic activity growth in December. Private sector credit growth slowed in monthly terms but accelerated slightly in annual terms.
- Abroad, US CPI inflation figures for November surprised to the downside. US non-farm payrolls rose in November, after dropping due to DOGE layoffs in October, while the unemployment rate rose to over a four-year high. Chinese economic data again disappointed across the board.
- This is the last Market WATCH Weekly for 2025. WATC Economics Team wishes a great festive break to all our readers!

Highlights over the Christmas Break

- Next week's calendar will be very light, with the RBA Monetary Policy Board minutes on Tuesday being the major release. There are no domestic releases in the following week apart from the December Cotality home prices, however the first week of the new year will be quite busy, with November CPI and dwelling approvals due on Wednesday, followed by November goods trade balance on Thursday.
- Key releases offshore during the Christmas break will include FOMC minutes, US and Chinese PMIs as well as US labour market figures for December.

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	8634 (↓67 pt)
US (IOR)	3.65 (0 pt)	90-day Bills	3.73 (↑1 pt)	2-yr T-Notes	3.47 (↓6 pt)	S&P500	6775 (↓126 pt)
Eurozone (Deposit)	2.00 (0 pt)	3-yr T-Bond	4.13 (↑2 pt)	10-yr T-Notes	4.14 (↓2 pt)	DJIA	47952 (↓752 pt)
UK	3.75 (↓25 pt)	10-yr T-Bond	4.76 (↑3 pt)	Jap 10-yr	2.01 (↑6 pt)	Nikkei	49666 (↓898 pt)
Japan (Target)	0.75 (↑25 pt)	3-yr WATC Bond	4.21 (0 pt)	UK 10-yr	4.48 (0 pt)	CSI300	4581 (↑19 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	5.17 (↑1 pt)	Ger 10-yr	2.85 (↑1 pt)	Stoxx600	585 (↑4 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets

Interest Rates

Government bond yields were little changed this week, as US economic data showed lower inflation on the one hand and a rise in non-farm payrolls on the other.

Many central banks in the advanced economies announced their monetary policy decisions this week. The Bank of England cut the bank rate by 25bps to 3.75% in a very close vote, while the Bank of Japan increased its policy rate by 25bps to 0.75%. However, the ECB, Norges Bank and Riksbank all kept their interest rates unchanged.

Looking ahead, the markets expect further easing from the Fed and the Bank of England only, while other central banks are expected to stay put or, in the case of the RBA and the Bank of Japan, increase rates next year. At the time of writing, 61bps of easing is priced for the Fed in 2026, while the RBA is expected to deliver 37bps of hikes next year.

Equities

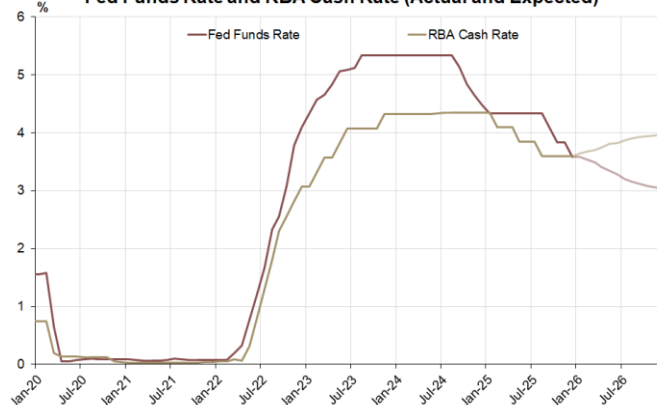
It was not a good week for equities, as investors were again spooked by elevated pricing of tech stocks.

The S&P 500 lost 1.8% since last Thursday night, while tech-heavy Nasdaq is down by 2.1%. However, the losing streak came to a halt last night, following the downside surprise to the US inflation figures.

The ASX 200 declined by just 0.8% this week, as losses were limited by a rebound this morning. Most industries are down for the week, with the strongest falls in energy, healthcare and materials.

This meagre week concluded an otherwise good year in global stock markets. Year-to-date, the MSCI World is up by 19.8%, while the S&P 500 rose by 15.4%. The ASX 200 underperformed its global peers this year, rising by 5.1% YtD.

Fed Funds Rate and RBA Cash Rate (Actual and Expected)



Source: Bloomberg

Australian and US Stock Indices



Source: Bloomberg



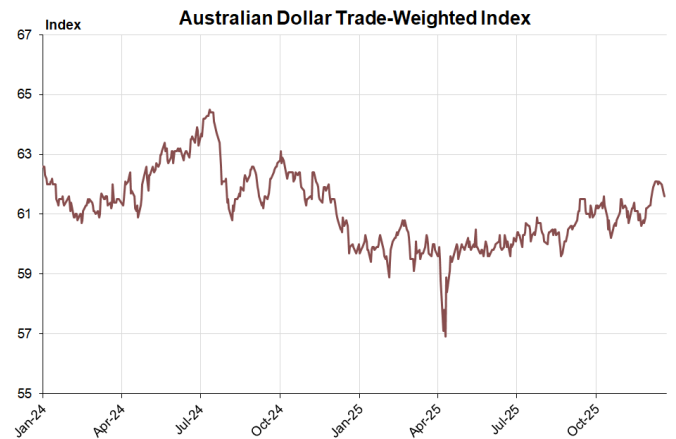
Currencies

The Australian dollar was dragged down by soft Chinese economic data and a touch of anxiety in financial markets. The slide pushed the AUD/USD below US\$0.66 for the first time in two weeks, before the Aussie dollar stabilised.

Barring a turnaround today, the Aussie appears to be on track for its first weekly decline against the greenback in three weeks.

The Aussie dollar has also unwound some of its recent gains against other major currencies and has been the weakest member of the G10, except for the Norwegian krone this week. The krone is heavily exposed to oil prices, which have seen another sharp drop this week, dragging the currency lower.

The AUD trade-weighted index has also slipped back after hitting over one-year highs this month, but remains well above the levels it occupied during the first 11 months of the year.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6619	0.6661	0.6593	↓0.7	0.6707	0.5915
AUD/EUR		0.5645	0.5671	0.5616	↓0.6	0.6113	0.4620
AUD/GBP		0.4946	0.4981	0.4929	↓0.6	0.5104	0.4620
AUD/JPY		103.10	103.76	102.32	↓0.7	104.40	86.05
AUD/CNY		4.6582	4.7108	4.6429	↓1	4.7637	4.3523
EUR/USD		1.1726	1.1804	1.1703	↓0.1	1.1919	1.0141
GBP/USD		1.3383	1.3456	1.3312	↓0.1	1.3789	1.2100
USD/JPY		155.76	155.99	154.40	↑0	158.87	139.89
USD/CNY		7.0413	7.0576	7.0404	↓0.2	7.3511	7.0404
Forward Rates		Spot	3M	6M	12M		
AUD/USD		0.6619	0.6620	0.6614	0.6589		
AUD/EUR		0.5645	0.5621	0.5595	0.5538		
AUD/GBP		0.4946	0.4948	0.4945	0.4932		
AUD/JPY		103.10	102.28	101.43	99.76		
AUD/NZD		1.1451	1.1413	1.1371	1.1287		
AUD/SGD		0.8538	0.8486	0.8432	0.8321		

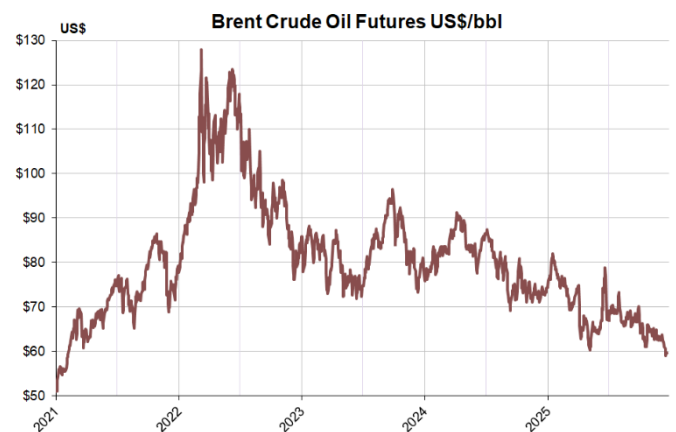
Commodities

Concerns of an oversupply continued to weigh on oil prices, with Brent crude futures falling to its lowest close-of-day level since early 2021 on Tuesday. However, prices clawed back some of the earlier losses as the US President called for a blockade on Venezuelan oil tankers.

Iron ore futures prices fell to a near four-month low late last Friday and remained subdued early on Monday after another soft set of Chinese economic data releases. The data showed that Chinese crude steel production declined for the sixth month in a row in November, to the lowest level since December 2023.

However, the resilience in iron ore prices continues and futures rallied through the rest of the week, currently sitting at three-week highs.

Copper prices slumped last Friday, perhaps under the gravity of the heavy selloff in AI stocks in the US. However, the strong outlook for copper demand soon saw prices rise again, sitting not far from last Thursday's record high.



Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,324.96	\$4,374.65	\$4,271.92	(↑\$53.74)	\$4,381.52	\$2,583.57
Brent Crude Oil (US\$)	\$59.77	\$61.50	\$58.72	(↓\$1.9)	\$82.63	\$58.40
Mogas95* (US\$)	\$71.87	\$75.44	\$68.52	(↓\$3.87)	\$95.91	\$67.57
WTI Oil (US\$)	\$55.99	\$57.80	\$54.98	(↓\$1.99)	\$80.77	\$54.98
CRB Index	293.21	298.29	291.69	(↓7.57)	316.63	279.79
Iron Ore Price 62% Fe (US\$) **	\$104.65	\$105.00	\$100.40	(↑\$2.85)	\$109.30	\$91.70

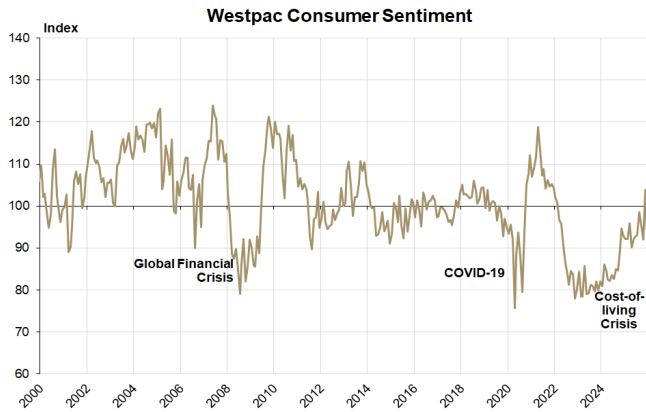
*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.

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



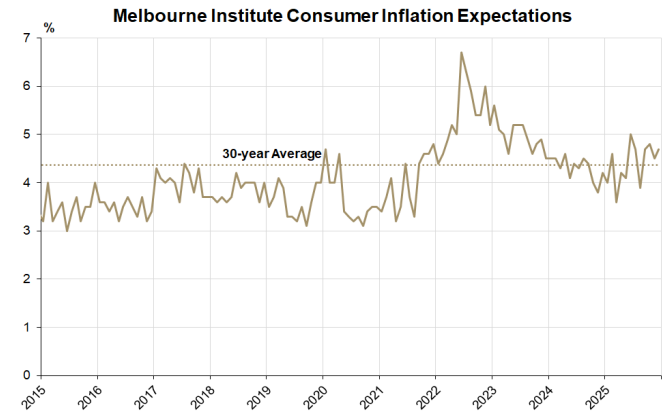
Domestic Economy

Westpac consumer sentiment turned back negative in December, after the RBA's hawkish pivot.



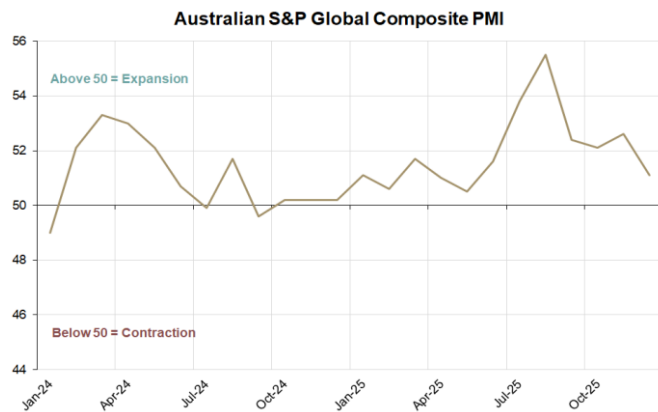
Source: ABS

Melbourne Institute inflation expectations remain above their long-run average.



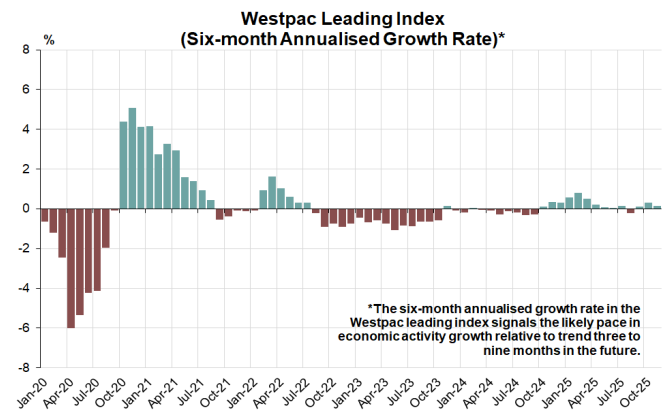
Source: ABS

The **S&P Global composite PMI** suggests that the pace of expansion in the Australian economy is slowing.



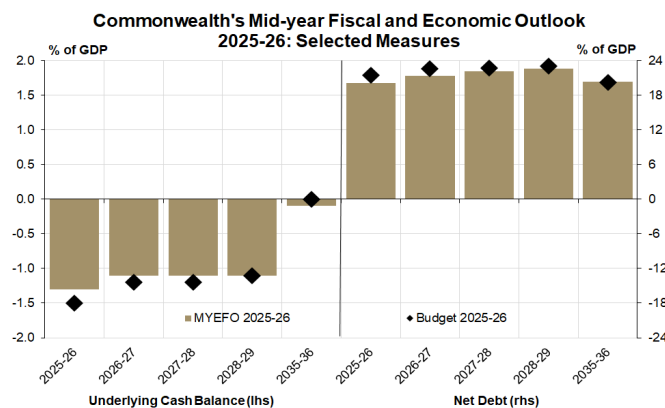
Source: Bloomberg

The **Westpac leading index** also suggests that growth will slow towards its trend rate in the coming months.



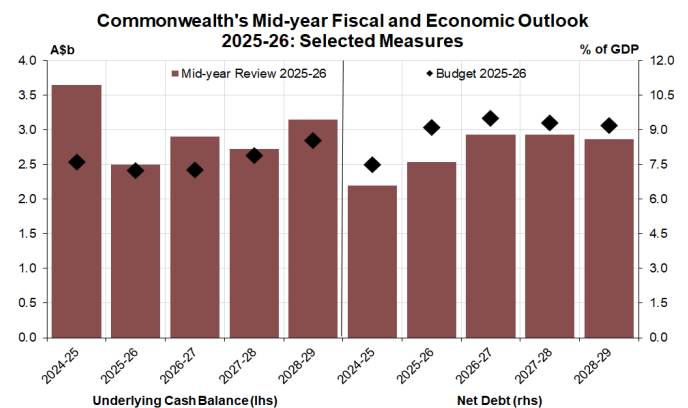
Source: Bloomberg

MYEFO has shown that **Commonwealth's fiscal outcomes** have improved a little since the Budget.



Source: Commonwealth Treasury

Western Australian Mid-year Review also saw higher surpluses and lower net debt to GSP in the State.

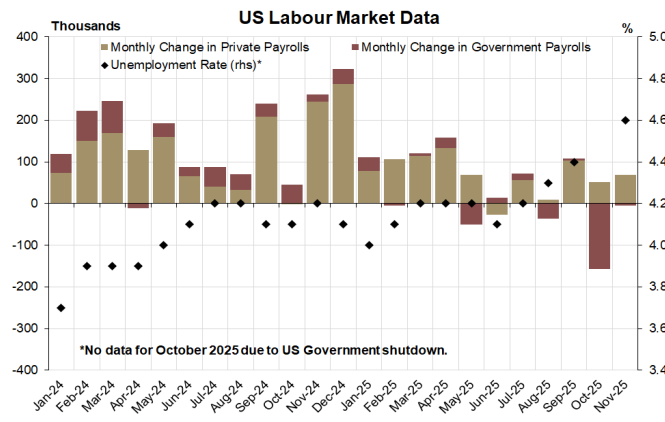


Source: WA Department of Treasury and Finance



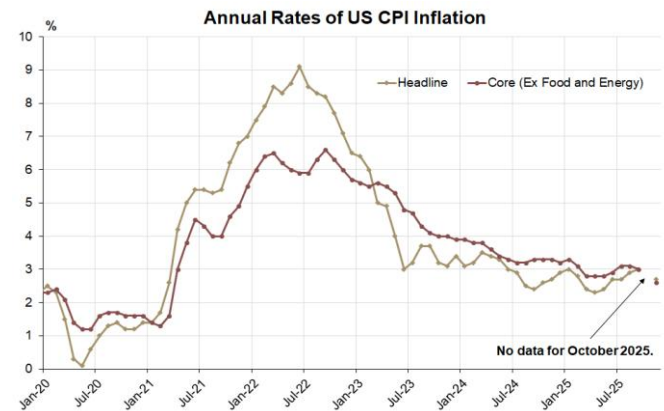
Global Economy

US payrolls rose in Nov, following the **DOGE-driven** drop in Oct, while the unemployment rate picked up.



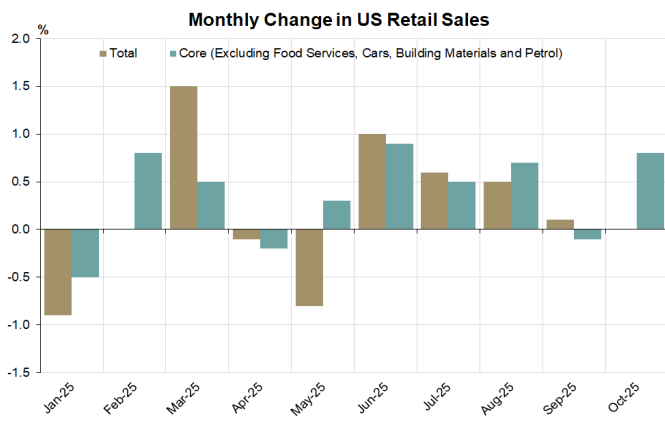
Source: Bloomberg

The annual rate of **US CPI inflation** declined in November, with core inflation at its lowest since 2021.



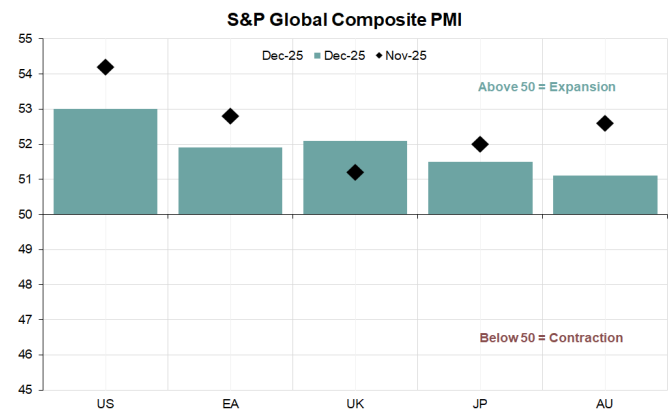
Source: Bloomberg

US retail sales were flat in October, but core sales saw the strongest rise since mid-2025.



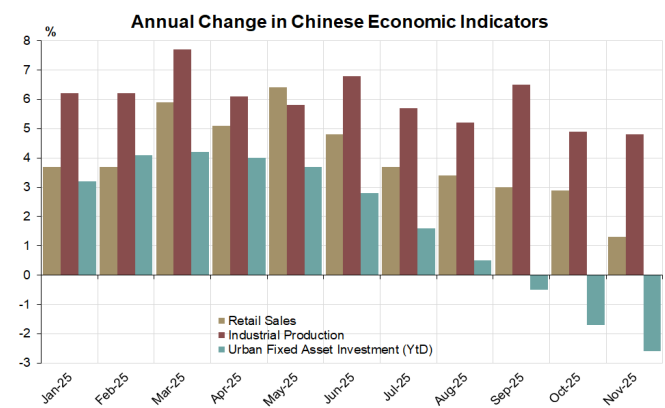
Source: Bloomberg

The **S&P Global PMIs** suggest US growth has slowed but is still faster than in other advanced economies.



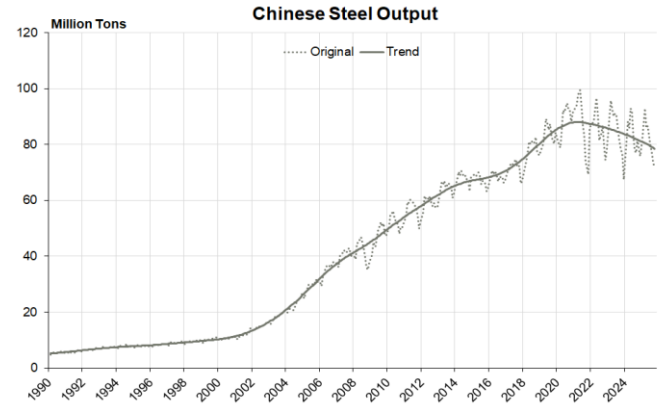
Source: Bloomberg

The **Chinese activity data** continue to deteriorate, with industrial production holding relatively steady...



Source: Bloomberg

Chinese steel output continues to fall as the downturn in the property sector weighs on demand.



Source: Bloomberg



Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 15					
CH	Retail Sales (YoY, Nov)	1.3%	2.9%	2.9%	The slowest rise in retail sales in almost three years.
CH	Industrial Production (YoY, Nov)	4.8%	5.0%	4.9%	A plunge in steel output narrowed to 10.9% YoY.
CH	Urban Asset Inv. (YTD, YoY, Nov)	-2.6%	-2.3%	-1.7%	The largest decline since mid-2020.
Tue 16					
AU	Westpac Cons. Conf. (MoM, Dec)	-9.0%	-	12.8%	Aussie consumer spooked by RBA's hawkish pivot.
AU	S&P Global Composite PMI (Dec)	51.1	-	52.6	Details pointed to a rise in price and cost pressures.
US	Non-farm Payrolls (MoM, Nov)	64k	50k	-105k	The October drop driven by DOGE-related layoffs.
US	Unemployment Rate (Nov)	4.6%	4.5%	-	The highest level in more than four years.
US	Retail Sales (MoM, Oct)	0.0%	0.1%	0.1%	Core retail sales bounced by 0.8% in November.
US	S&P Global Composite PMI (Dec)	53.0	53.9	54.2	US still seeing the strongest S&P Global PMI readings.
Wed 17					
AU	Westpac Lead. Index (MoM, Dec)	0.0%	-	0.1%	6m annualised growth rate down 0.1ppts to 0.2%.
AU	MYEFO (2025-26)	-	-	-	Stronger growth supported better fiscal outcomes.
Thu 18					
AU	WA Mid-year Review (2025-26)	-	-	-	Surpluses higher than in Budget, net debt/GSP lower.
AU	MI Inflation Expectations (Dec)	4.7%	-	4.5%	Above the series average of 4.4% (since 1995).
UK	BoE Decision (Bank Rate)	3.75%	3.75%	4.00%	The vote was a very close call.
EZ	ECB Decision (Deposit Rate)	2.00%	2.00%	2.00%	No more cuts expected from the ECB in this cycle.
US	CPI (YoY, Nov)	2.7%	3.1%	-	Core inflation is the lowest since March 2021.
Fri 19					
AU	Private Sector Credit (MoM, Nov)	0.6%	0.6%	0.7%	Up by 7.4% YoY.
JP	CPI (YoY, Nov)	2.9%	2.9%	3.0%	Annual 'core-core' inflation unchanged at 3.0%.
JP	Bank of Japan (Policy Rate)	0.75%	0.75%	0.50%	Another 25bps hike is expected in 2026.

Christmas Break

Date	Event	Forecast	Previous	Comment
Mon 22				
CH	PBoC Announcement (Five-year LPR)	3.50%	3.50%	One-year loan prime rate also to remain unchanged at 3.00%.
Tue 23				
AU	RBA Monetary Policy Board Minutes	-	-	More insights into the pivot on the cash rate outlook.
US	GDP (QoQ Annualised, Q3)	3.2%	3.8%	Release was delayed due to the US Government shutdown.
US	Conference Board Cons. Conf. (Dec)	91.7	88.7	'Jobs plentiful' vs 'jobs hard to get' to be closely watched.
Tue 30				
US	C-S Hse Prices 20 Cities (MoM, Oct)	-	0.1%	US house prices are rising again, as the Fed resumed cuts.
US	FOMC Minutes	-	-	Insights into discussion in a divided FOMC.
Wed 31				
CH	NBS Composite PMI (Dec)	-	49.7	Chinese economic data have not been impressive lately.
CH	RatingDog Manufacturing PMI (Dec)	-	49.9	Slightly more positive than the NBS equivalent, but still weak.
Mon 05				
CH	RatingDog Services PMI (Dec)	-	52.1	Stands at odds with other Chinese indicators.
US	ISM Manufacturing PMI (Dec)	-	48.2	S&P Global PMI pointed to ongoing expansion.
Wed 07				
AU	CPI (YoY, Nov)	-	3.8%	The inaugural full monthly CPI brought some inflation scare.
AU	Dwelling Approvals (MoM, Nov)	-	-6.4%	Appear to be in retreat again and are definitely insufficient.
US	ADP Employment (monthly change, Dec)	-	-32k	The official payrolls report did not confirm a decline in Nov.
US	ISM Services PMI (Dec)	-	52.6	US services faring better than manufacturing.
Thu 08				
AU	Goods Trade Balance (Nov)	-	A\$4.4b	Non-monetary gold exports remain close to record highs.
Fri 09				
US	Non-farm Payrolls (monthly change, Dec)	-	64k	US jobs growth still led largely by the care sector.
US	Unemployment Rate (Dec)	-	4.6%	Remains above the FOMC's longer-run estimate.