

Highlights this week

- In Australia, the August CPI indicator surprised to the upside, while S&P Global PMIs suggested a slower pace of expansion in September.
- Abroad, US Q2 GDP growth was revised upwards, reflecting somewhat faster personal spending growth. US durable goods orders for August also came in stronger than expected. The S&P Global PMIs pointed to ongoing expansion in services across major advanced economies, while manufacturing was in contraction outside the US.

Highlights next week

- The key event next week will be the RBA Monetary Policy Board decision on Tuesday. No change to the cash rate is expected, but market participants will closely follow the post-meeting conference for any forward guidance.
- Data-wise, Aussie dwelling approvals and private sector credit for August will be released on Tuesday, the Cotality home value index for September is due on Wednesday, followed by the goods trade balance and monthly household spending indicator for August on Thursday.
- The key events offshore will include US and Chinese PMIs, as well as US labour market data.

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	8769 (↓9 pt)
US (IOR)	4.15 (0 pt)	90-day Bills	3.60 (↑5 pt)	2-yr T-Notes	3.65 (↑9 pt)	S&P500	6605 (↓27 pt)
Eurozone (Deposit)	2.00 (0 pt)	3-yr T-Bond	3.59 (↑17 pt)	10-yr T-Notes	4.18 (↑7 pt)	DJIA	45947 (↓195 pt)
UK	4.00 (0 pt)	10-yr T-Bond	4.38 (↑15 pt)	Jap 10-yr	1.65 (↑3 pt)	Nikkei	45703 (↑102 pt)
Japan (Target)	0.50 (0 pt)	3-yr WATC Bond	3.72 (↑17 pt)	UK 10-yr	4.76 (↑8 pt)	CSI300	4590 (↑92 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	4.84 (↑11 pt)	Ger 10-yr	2.77 (↑5 pt)	Stoxx600	550 (↓5 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets

Interest Rates

Government bond yields rose across the board this week, as central bank rate cut expectations were scaled back somewhat following slightly less dovish remarks by central bank heads and data justifying less monetary policy easing ahead.

The rise in government bond yields was relatively significant domestically. The slight upward move started on Monday, when RBA Governor Michele Bullock testified in the House of Representatives, stressing that the RBA remains 'attentive to the data' and 'evolving risks', and did not give specific forward guidance on the cash rate. Then came another bounce on Wednesday, when the CPI indicator surprised to the upside.

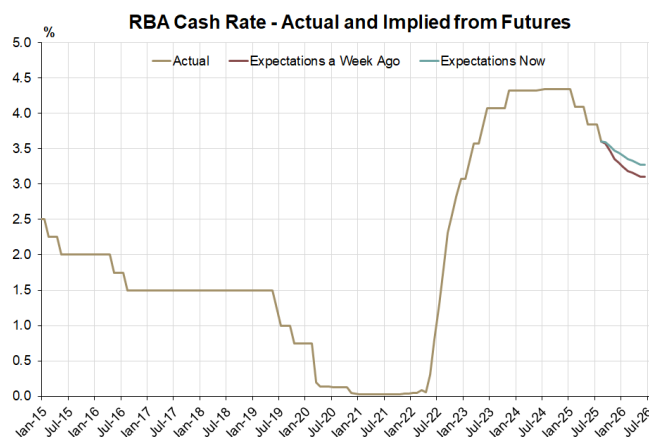
The final upswing came this morning, as local yields followed their US equivalents higher after the surprising upward revision to the Q2 US GDP figures, which led to some reconsideration of rate cut expectations. Earlier in the week, Fed Chair Jerome Powell stressed that US monetary policy is not on a 'preset course', highlighting the offsetting risks to inflation and the labour market.

In other central bank news, the Swedish Riksbank cut its policy rate by 25bps to 2.75% this week, while the Swiss National Bank left its policy rate unchanged at 0.00%. The People's Bank of China has also announced that the loan prime rates will stay put.

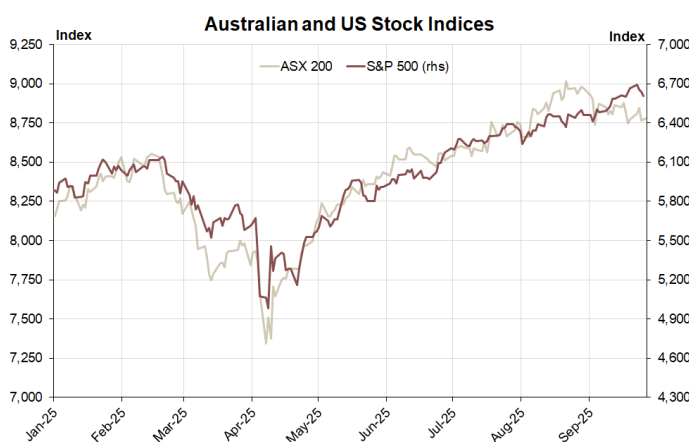
Equities

After reaching its record high on Monday, the US benchmark equity index, the S&P 500 was in retreat for the remainder of the week. The decline was caused by investors scaling back their fed funds rate cut bets, faced with somewhat less dovish Fed speak and better-than-expected economic data. The S&P 500 is down by 0.4% for the week.

The ASX 200 ebbed by just 0.1% this week, despite a quite significant reaction to the upside surprise to the August CPI indicator figures on Wednesday. The declines in the ASX 200 were limited by strong performances of materials and energy amid a rise in commodity prices this week.



Source: Bloomberg



Source: Bloomberg

Currencies

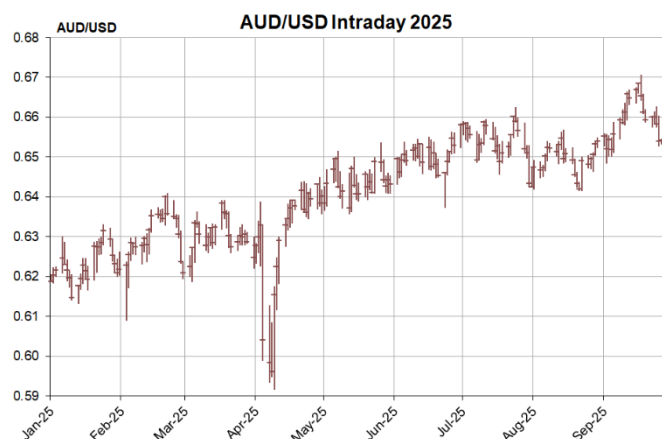
The Australian dollar has had a mixed week against the major currencies despite strong increases in commodity prices and rising domestic interest rates.

The Aussie slipped against the strong greenback as well as the euro, but gained against the Japanese yen and the British pound.

The AUD/USD cross hit its highest level of the week on Wednesday, after traders reacted to the Aussie monthly CPI indicator by winding back pricing for RBA cash rate cuts.

However, the exchange rate fell back on Thursday amid a rise in the greenback following the release of stronger than expected US economic data. The rebound in the greenback pushed the AUS/USD to a three-week low.

The Aussie dollar is also at its lowest level in three weeks against the euro.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6538	0.6628	0.6526	↓1.1	0.6942	0.5915
AUD/EUR		0.5601	0.5626	0.5576	↓0.2	0.6261	0.4620
AUD/GBP		0.4899	0.4912	0.4872	↑0.4	0.5229	0.4620
AUD/JPY		97.95	98.23	97.25	↑0.1	102.41	86.05
AUD/CNY		4.6644	4.7165	4.6560	↓0.9	4.8726	4.3523
EUR/USD		1.1672	1.1820	1.1646	↓1	1.1919	1.0141
GBP/USD		1.3347	1.3537	1.3324	↓1.5	1.3789	1.2100
USD/JPY		149.81	149.96	147.46	↑1.3	158.87	139.89
USD/CNY		7.1343	7.1365	7.1091	↑0.3	7.3511	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6538	0.6545	0.6550	0.6551
AUD/EUR		0.5601	0.5578	0.5556	0.5513
AUD/GBP		0.4899	0.4904	0.4909	0.4916
AUD/JPY		97.95	97.17	96.43	95.09
AUD/NZD		1.1344	1.1317	1.1287	1.1227
AUD/SGD		0.8453	0.8405	0.8360	0.8268

Commodities

Gold prices continued to reach new peaks this week, with all the gains coming early, before easing as the greenback strengthened.

Gold was clearly outperformed by silver and platinum over the week, with the latter climbing by almost 10%, as precious metals continue to attract safe-haven flows.

The gold / silver ratio, a long-term measure of the amount of silver it takes to purchase an ounce of gold, remains historically high.

Oil jumped to its highest level since early August. US President Donald Trump intensified pressure on allies to stop buying Russian oil and Ukraine continued to strike Russian petroleum infrastructure.

Copper prices jumped to 16-month highs on news of a halt in production at an Indonesian mine due to a mud slide and a mine shutdown in Peru, highlighting tight supply.



Source: Bloomberg

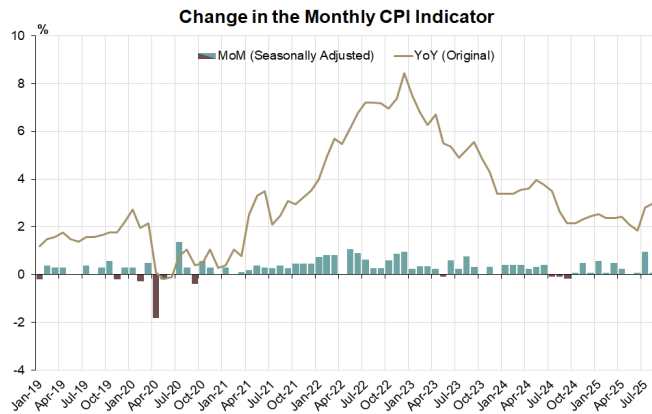
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,738.98	\$3,791.10	\$3,683.79	(↑\$98.98)	\$3,791.10	\$2,536.92
Brent Crude Oil (US\$)	\$69.67	\$69.75	\$65.94	(↑\$2.23)	\$82.63	\$58.40
Mogas95* (US\$)	\$80.90	\$82.31	\$77.75	(↑\$0.26)	\$95.91	\$67.57
WTI Oil (US\$)	\$65.32	\$65.39	\$61.85	(↑\$1.74)	\$80.77	\$55.12
CRB Index	303.35	303.35	297.75	(↑2.12)	316.63	277.71
Iron Ore Price 62% Fe (US\$) **	\$104.90	\$107.45	\$104.85	(↓\$0.7)	\$115.00	\$91.70

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

** The Iron Ore Price is the SGX62% Fe iron ore futures 2nd contract.

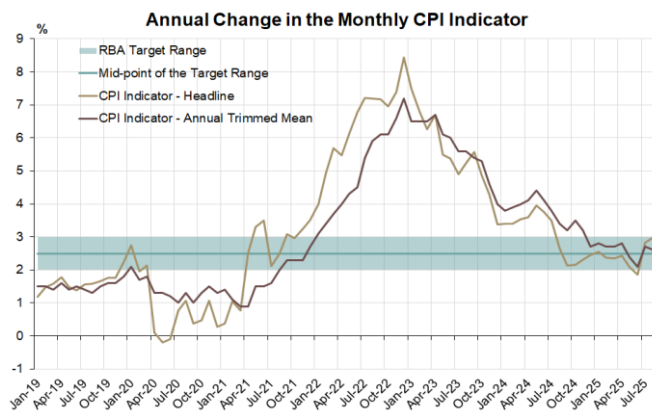
Domestic Economy

The **August CPI indicator** suggested consumer price inflation bounced to the upper bound of the 2-3% range.



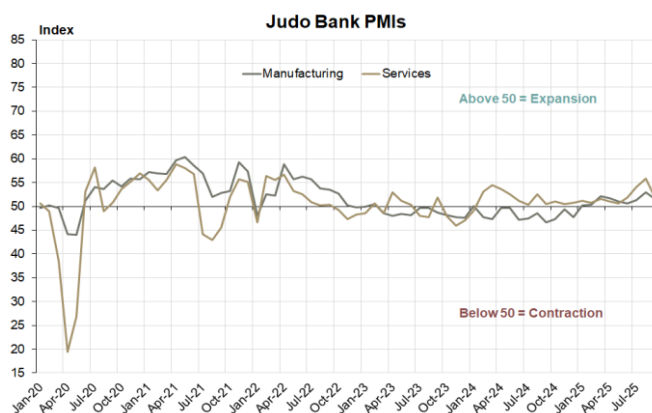
Source: ABS

Meanwhile, the RBA's favoured measure of underlying inflation, **trimmed mean inflation**, declined in August.



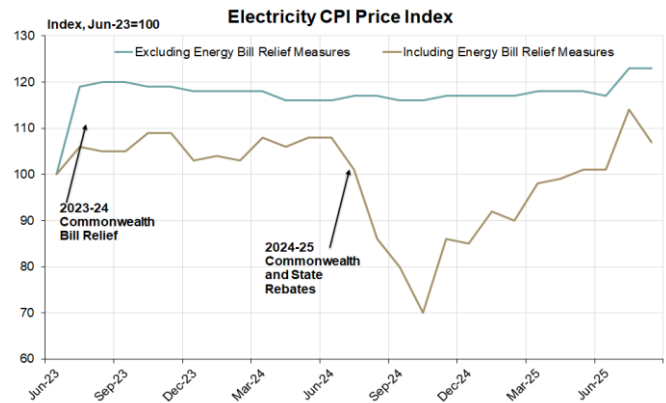
Source: ABS

Meanwhile, the **S&P Global PMI report** pointed to slower expansion in both services and manufacturing.



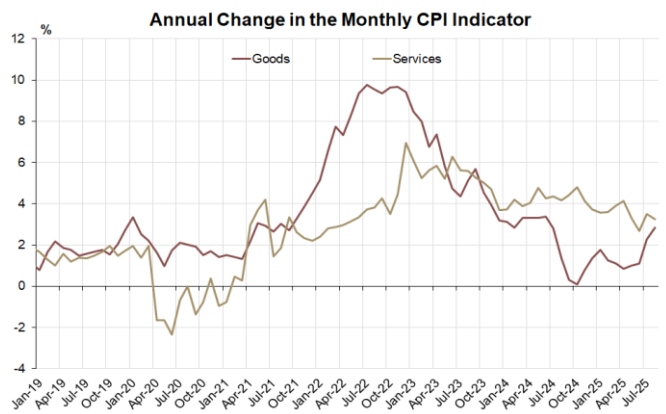
Source: ABS

Most of the increase came from a low base in **electricity** prices from 2024 due to energy bill relief measures.



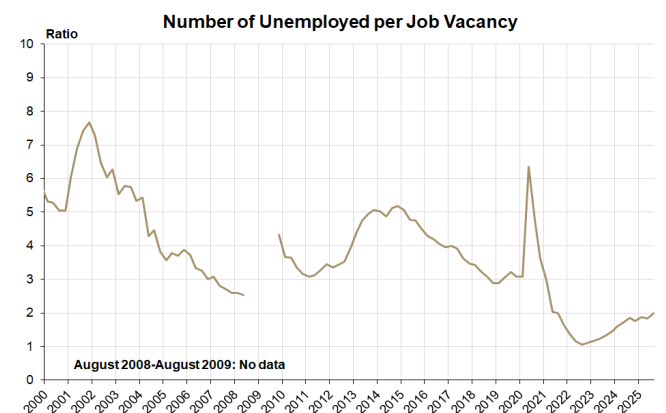
Source: ABS

The August CPI indicator showed a small decline in **services price inflation**.



Source: ABS

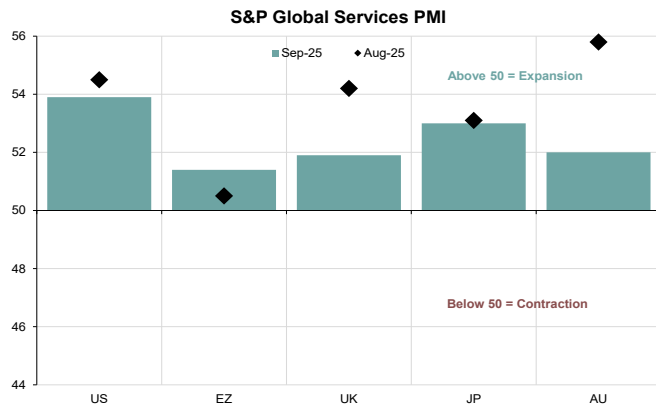
There are now two unemployed per **job vacancy**, the most since early 2021.



Source: ABS

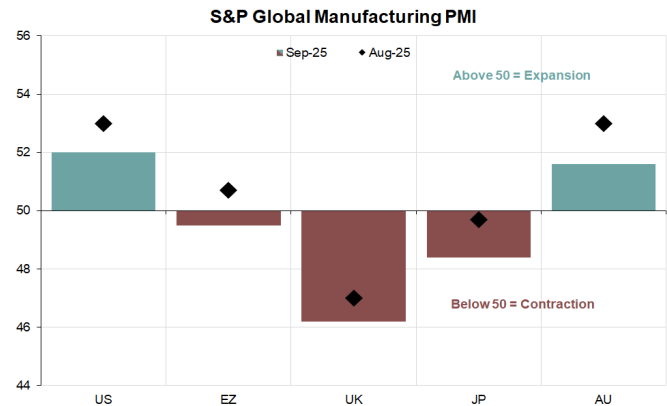
Global Economy

The **S&P Global PMIs** pointed to ongoing expansion in services across the major advanced economies...



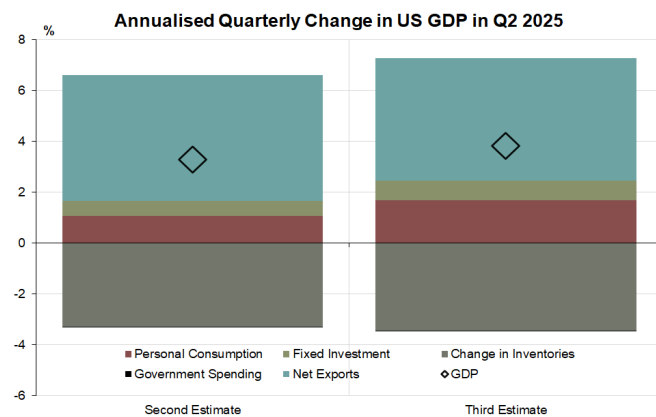
Source: Bloomberg

... and contraction in **manufacturing** in these economies, with the notable exception of the US.



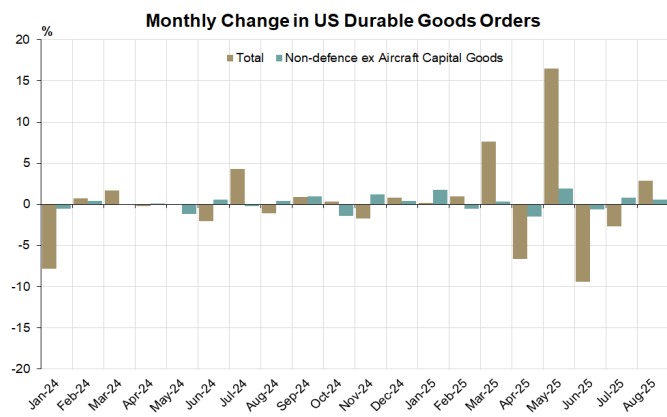
Source: Bloomberg

US Q2 GDP growth was revised slightly upwards, reflecting an upgrade to personal consumption growth.



Source: Bloomberg

US durable goods orders bounced back in August, with core orders seeing the second gain in a row.



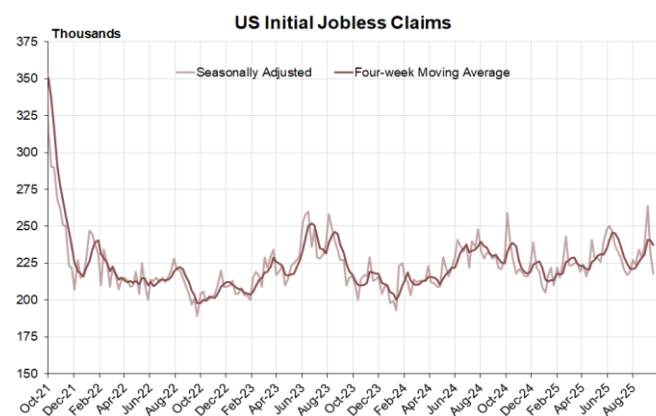
Source: Bloomberg

US goods trade balance is bouncing around the levels from before the start of Trump's second presidency.



Source: Bloomberg

Following a short-lived spike, **US initial jobless claims** have eased back to their levels from mid-2025.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 22					
AU	RBA Governor M Bullock Speaks	-	-	-	No forward guidance given.
CH	PBoC Announcement (5Y LPR)	3.50%	3.50%	3.50%	One-year loan prime rate also unchanged at 3.00%.
Tue 23					
AU	S&P Global Composite PMI (Sep)	52.1	-	55.5	Business confidence hit a one-year low.
AU	ANZ Cons. Conf. (w/e 20 Sep)	84.6	-	85.9	Consumer inflation expectations rose 0.1ppts to 5.0%.
EZ	HCOB Composite PMI (Sep, flash)	51.2	51.1	51.0	German and French manufacturing in contraction.
SE	Riksbank Decision (Policy Rate)	1.75%	1.75%	2.00%	No more cuts expected this year.
UK	S&P Global Composite PMI (Sep)	51.0	53.0	53.5	Services price inflation remains steep in the UK.
US	S&P Global Composite PMI (Sep)	53.6	54.0	54.6	Weaker demand prevents firms from passing on costs.
Wed 24					
AU	Monthly CPI Indicator (YoY, Aug)	3.0%	2.9%	2.8%	Annual trimmed mean inflation down to 2.6%.
JP	S&P Global Composite PMI (Sep)	51.1	-	52.0	Contraction in Japanese manufacturing accelerated.
US	New Home Sales (MoM, Aug)	20.5%	-0.3%	-1.8%	Hit the highest level since January 2022.
Thu 25					
AU	Job Vacancies (QoQ, Q3)	-2.7%	-	2.9%	There are twice more unemployed than job vacancies.
US	GDP (QoQ annualised, Q2, final)	3.8%	3.3%	3.3%	Personal consumption growth revised 0.5ppts up.
US	Durable Goods Ord. (MoM, Aug)	2.9%	-0.3%	-2.7%	Non-defence ex aircraft orders up by 0.6% in Aug.
US	Goods Trade Balance (Aug)	-US\$86b	-US\$95b	-US\$103b	Imports dropped by 7.0%, exports fell by 1.3%.
US	Existing Home Sales (MoM, Aug)	-0.2%	-1.5%	2.0%	Remain very low by historical standards.
US	Initial Jobless Claims (w/e 20 Sep)	218k	233k	232k	The lowest level since mid-July.
Tonight					
US	Personal Spending (MoM, Aug)	-	0.4%	0.5%	Retail sales figures signalled a solid gain.
US	PCE Price Index (MoM, Aug)	-	0.2%	0.3%	Annual headline rate expected to rise 0.1ppts to 2.7%.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 29				
	No market moving data			
Tue 30				
AU	RBA Decision (Cash Rate Target)	3.60%	3.60%	Next cut expected in November.
AU	RBA Governor M. Bullock Speaks	-	-	Post-meeting press conference.
AU	Dwelling Approvals (MoM, Aug)	3.0%	-8.2%	The volatility driven by high-rise approvals.
AU	Private Sector Credit (MoM, Aug)	0.7%	0.7%	The slight acceleration in July driven by business credit.
CH	NBS Composite PMI (Aug)	-	50.5	Manufacturing to stay in contraction, stagnation elsewhere.
CH	RatingDog Composite PMI (Aug)	-	51.9	Has been more optimistic than its official equivalent.
US	C-S Hse Price Index 20 Cities (MoM, Jul)	-0.1%	-0.3%	Has been on a decline since March.
US	JOLTS Job Openings (Aug)	7.1m	7.2m	Was surpassed by the number of unemployed in July.
Wed 01				
AU	Cotality Home Price Index (MoM, Sep)	-	0.8%	RBA rate cuts boosting demand and prices.
EZ	HICP (YoY, Aug)	-	2.0%	Is broadly in line with the ECB's definition of price stability.
US	ADP Employment (monthly change, Sep)	50k	54k	Has been a poor leading indicator, but still is a market mover.
US	ISM Manufacturing PMI (Sep)	49.2	48.7	The less established S&P Global PMI is in expansion.
Thu 02				
AU	Goods Trade Balance (Aug)	A\$6.3b	A\$7.3b	July saw another rise in non-monetary gold exports.
AU	Household Spending Indicator (Aug)	0.5%	0.5%	Household spending has improved in recent months.
Fri 03				
US	Non-farm Payrolls (monthly change, Sep)	50k	22k	The pace of US job formation has clearly slowed.
US	Unemployment Rate (Sep)	4.3%	4.3%	Has been held down by somewhat lower participation.
US	ISM Services PMI (Sep)	52.0	52.0	The employment subindex has been in contraction.