

Highlights this week

- In Australia, employment saw a surprising decline in August, driven by fewer full-time jobs. The unemployment rate remained steady at 4.2% due to lower labour force participation.
- Abroad, the FOMC decreased the fed funds rate target range by 25bps, as expected, with the 'dot plot' suggesting two more cuts this year. US retail sales and industrial production data for August surprised to the upside. The Chinese activity data for August confirmed a broad-based slowdown in the economy.

Highlights next week

- The key domestic event next week will be the August CPI indicator on Wednesday, preceded by PMI figures on Tuesday.
- Tuesday will also see the release of PMIs for the major advanced economies. Other global highlights of note will be the final US Q2 GDP report on Thursday and the August personal income and disposition report, which will include PCE inflation targeted by the Fed.

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	8778 (↓100 pt)
US (IOR)	4.15 (↓25 pt)	90-day Bills	3.55 (↓4 pt)	2-yr T-Notes	3.56 (↑2 pt)	S&P500	6632 (↑44 pt)
Eurozone (Deposit)	2.00 (0 pt)	3-yr T-Bond	3.41 (↓2 pt)	10-yr T-Notes	4.11 (↑8 pt)	DJIA	46142 (↑34 pt)
UK	4.00 (0 pt)	10-yr T-Bond	4.24 (↑3 pt)	Jap 10-yr	1.61 (↑2 pt)	Nikkei	45600 (↑932 pt)
Japan (Target)	0.50 (0 pt)	3-yr WATC Bond	3.55 (↓3 pt)	UK 10-yr	4.68 (↑7 pt)	CSI300	4498 (↓47 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	4.73 (↓2 pt)	Ger 10-yr	2.73 (↑7 pt)	Stoxx600	555 (↓0 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets**Interest Rates**

US government bond yields picked up this week, as the pace of further monetary policy easing from the Fed, implied by the 'dot-plot' chart, turned out to be slower than some market participants had hoped. Aussie Commonwealth bond yields declined at the front end, however, reflecting another set of disappointing labour force survey results.

As expected, the FOMC cut the fed funds rate target range by 25bps to 4.00-4.25%, citing downside risks to its employment goal. The updated median FOMC projection suggested two more 25bps rate cuts this year, one more than was forecast in June. Newly appointed interim Fed Board member Stephen Miran, currently on unpaid leave from his White House role, assessed that the fed funds rate should be 125bps lower by the end of the year.

In other central banking news, the Bank of Canada and Norges Bank also cut their respective policy rates by 25bps this week, while the Bank of England kept the bank rate steady, as expected, but reduced the pace of its quantitative tightening, which had been more proactive compared to other central banks.

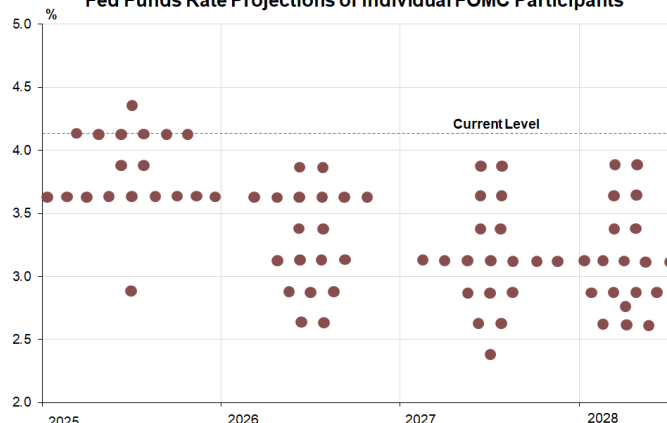
Equities

US equities reached fresh record highs this week, with markets boosted by the Fed interest rate cut and a slight increase in projected cuts from Fed governors and regional Fed presidents in the so-called dot plot.

There were also gains across Europe and most of the Asia-Pacific region, with the Aussie market and mainland China being major exceptions.

Domestically, the ASX 200 has dropped a little over 1% from this time last week. Most sectors have recorded losses, led by a 3.1% fall in the energy index, while the information technology sector was the best performer.

The ASX 200 has lost 2.5% since closing at a record high of 9,019 on 21 August. All the major sectors have slipped over that time, except for info tech.

Fed Funds Rate Projections of Individual FOMC Participants

Source: Bloomberg



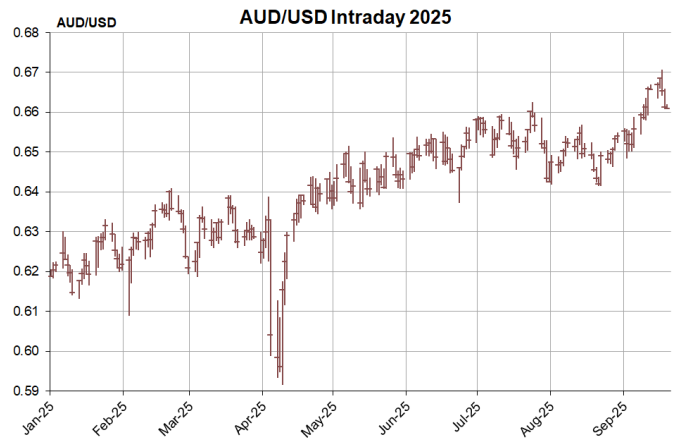
Source: Bloomberg

Currencies

The Australian dollar was in retreat this week, dragged down by disappointing economic data from China, confusion after the FOMC meeting mid-week, and another set of discouraging domestic labour force survey results.

The Australian dollar depreciated against all major currencies, with the largest retreat versus the euro (-1.1%), followed by the greenback (-0.6%) and the British pound (-0.6%). The intraweek performance of the AUD was quite choppy, however, with the AUD/USD reaching a 10-month high on Tuesday, as the USD plunged to the lowest level since early 2022.

Overall, the Australian dollar was the second weakest G10 currency this week, outperforming only the New Zealand dollar that received huge headwinds following a downside surprise to Kiwi GDP figures for Q2 released this week.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6614	0.6707	0.6607	↓0.6	0.6942	0.5915
AUD/EUR		0.5612	0.5681	0.5609	↓1.1	0.6261	0.4620
AUD/GBP		0.4881	0.4913	0.4866	↓0.6	0.5229	0.4620
AUD/JPY		97.86	98.39	97.43	↓0.3	102.41	86.05
AUD/CNY		4.7056	4.7637	4.6982	↓0.7	4.8726	4.3523
EUR/USD		1.1787	1.1919	1.1716	↑0.5	1.1919	1.0141
GBP/USD		1.3552	1.3726	1.3534	↓0.1	1.3789	1.2100
USD/JPY		147.94	148.27	145.49	↑0.3	158.87	139.89
USD/CNY		7.1124	7.1255	7.1024	↓0.1	7.3511	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6614	0.6622	0.6628	0.6630
AUD/EUR		0.5612	0.5590	0.5570	0.5530
AUD/GBP		0.4881	0.4886	0.4893	0.4904
AUD/JPY		97.86	97.08	96.37	95.07
AUD/NZD		1.1242	1.1218	1.1193	1.1143
AUD/SGD		0.8478	0.8430	0.8384	0.8294

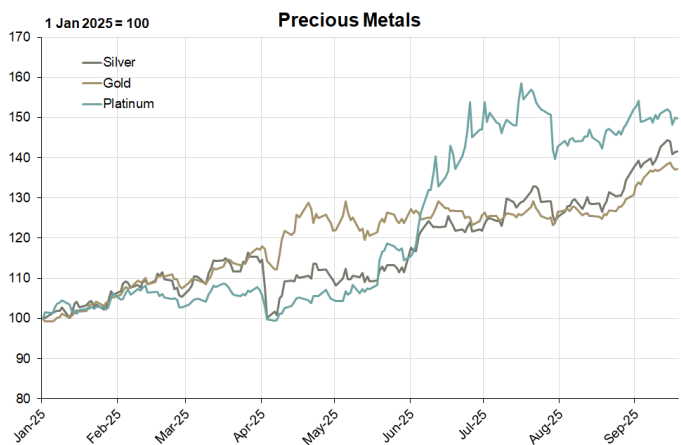
Commodities

Gold maintained its upward momentum, hitting fresh record highs early in the week before edging back.

Gold is not the only precious metal to see outsized gains this year. Both silver (42%) and platinum (50%) have outdone the 37% increase in gold since the start of 2025.

Reports of further Ukrainian drone attacks on Russian oil infrastructure helped push prices higher. The upward pressure was further supported by news of a bigger-than-expected drop in US oil inventories last week, which pushed stockpiles to the lowest level since June.

Iron ore futures prices dipped on Monday, following the release of disappointing Chinese economic data that increased concerns over the outlook for steel demand. However, there was a turnaround of sorts on Tuesday, as major Chinese steelmakers reportedly ramped up production and Brazilian shipments slowed. The market settled back from the early volatility later in the week.



Source: Bloomberg

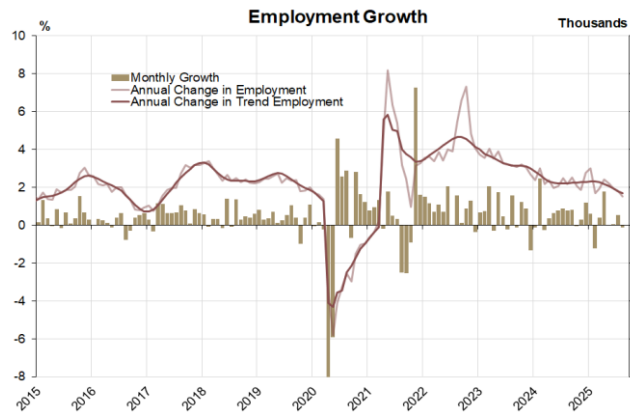
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,640.00	\$3,707.57	\$3,626.66	(↓\$8.98)	\$3,707.57	\$2,536.92
Brent Crude Oil (US\$)	\$67.44	\$68.69	\$65.71	(↑\$1.55)	\$82.63	\$58.40
Mogas95* (US\$)	\$80.64	\$82.78	\$79.60	(↑\$2.29)	\$95.91	\$67.57
WTI Oil (US\$)	\$63.58	\$64.76	\$62.52	(↑\$1.71)	\$80.77	\$55.12
CRB Index	301.23	307.28	301.23	(↑0.91)	316.63	277.71
Iron Ore Price 62% Fe (US\$) **	\$105.60	\$107.45	\$104.85	(↑\$0.35)	\$115.00	\$88.40

*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.

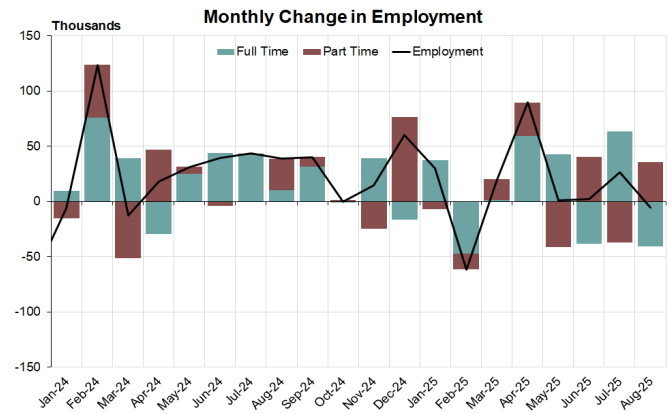
Domestic Economy

Employment fell in August, taking annual jobs growth to the lowest level since the COVID-19 pandemic.



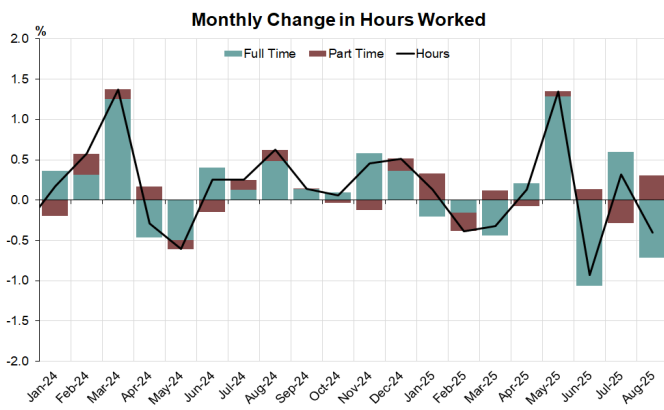
Source: ABS

The August decline in employment was driven by **full-time jobs**, while part-time jobs rebounded.



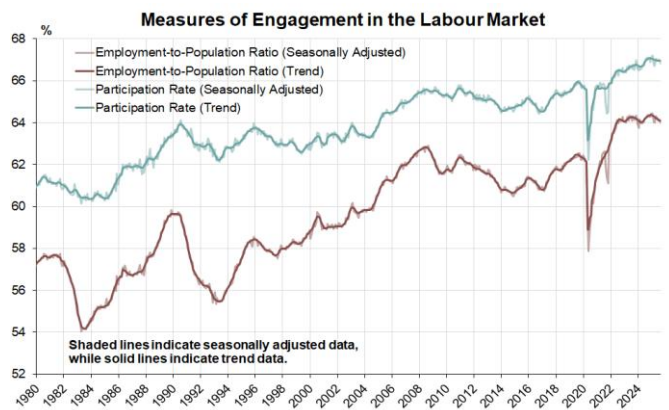
Source: ABS

The decline in full-time jobs was behind the renewed fall in **hours worked**, while part-time job hours climbed.



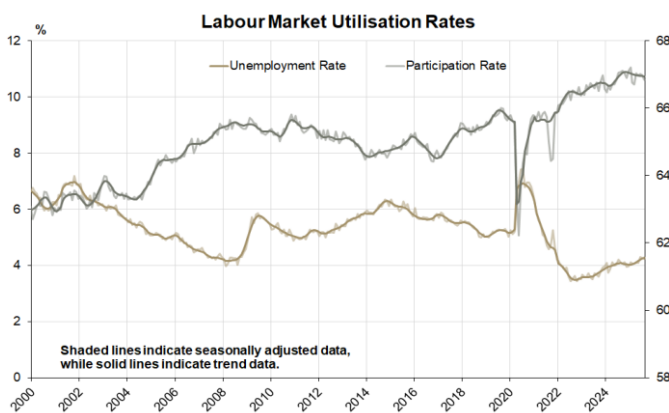
Source: ABS

The employment-to-population rate and **labour force participation**, while still quite high, are trending down.



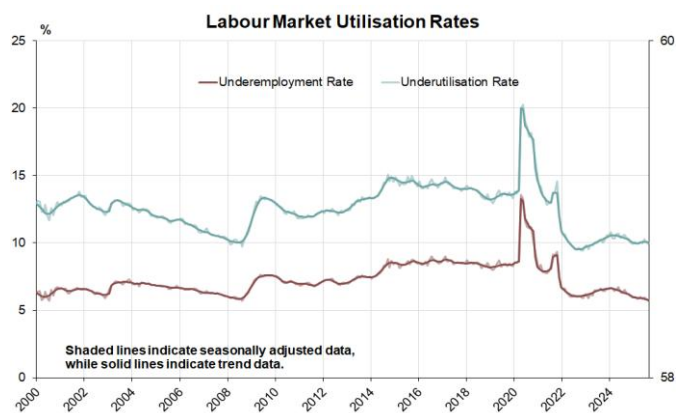
Source: ABS

The lower participation keeps the **unemployment rate** steady, but the upward trend in unemployment is clear.



Source: ABS

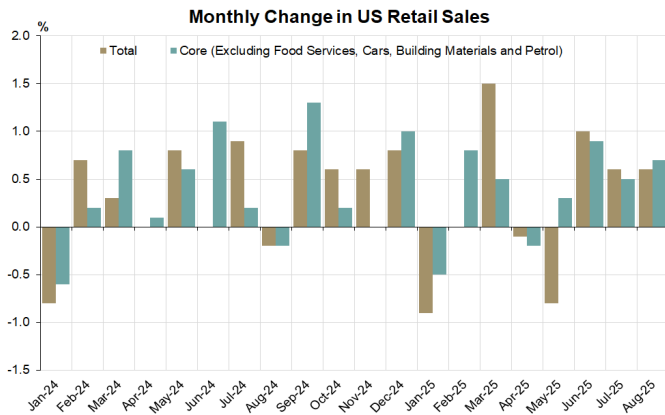
The **underemployment rate** is still trending down, which contrasts the generally softening labour market data.



Source: ABS

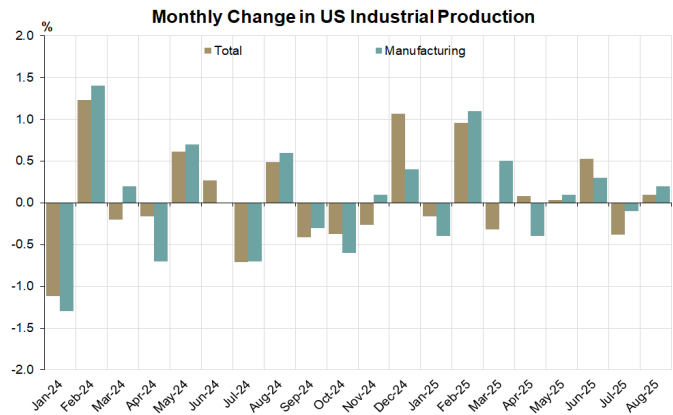
Global Economy

US retail sales saw another strong increase in August, though this could be partly due to higher retail prices.



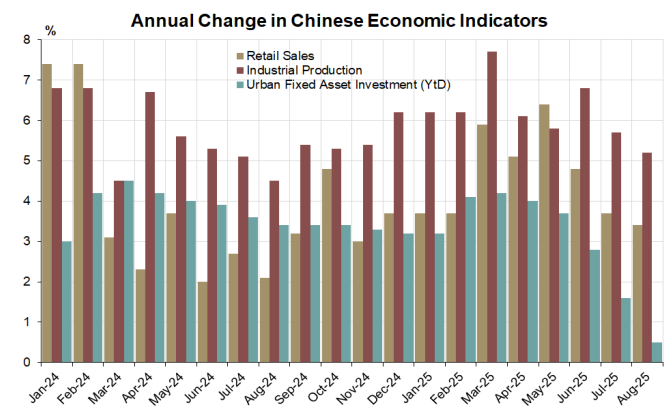
Source: Bloomberg

US industrial production, including manufacturing, also showed some tentative strength in August.



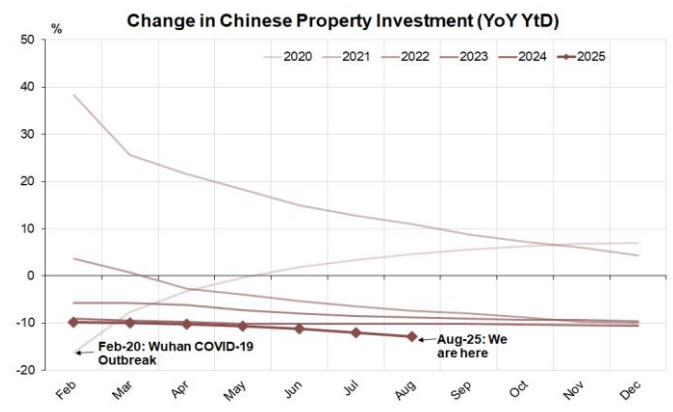
Source: Bloomberg

Across the Pacific, the **Chinese activity indicators** for August suggested further broad-based slowdown.



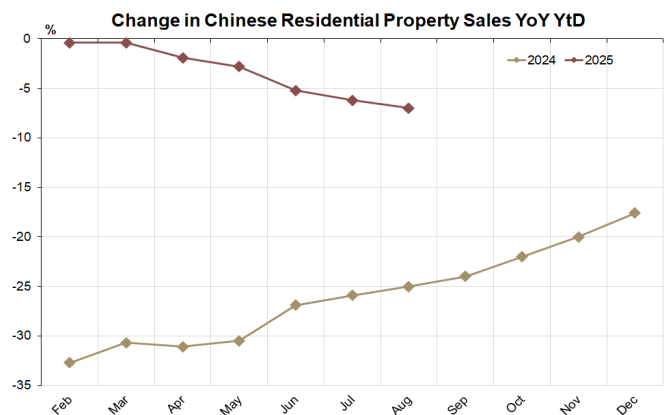
Source: Bloomberg

Chinese property investment is now falling at the fastest pace since the early days of COVID-19.



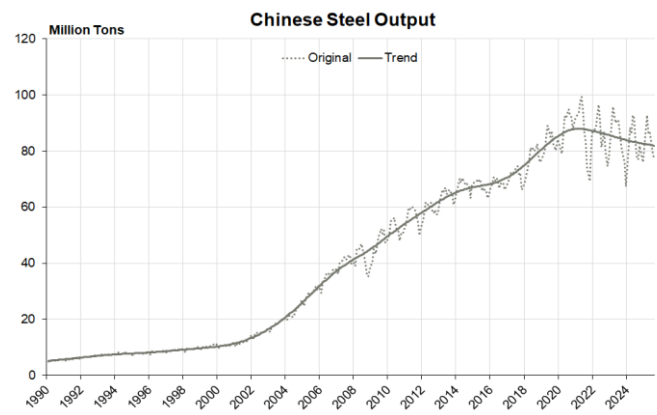
Source: Bloomberg

The pace of decline in **Chinese residential property sales** is accelerating, but remains slower than in 2024.



Source: Bloomberg

While trending slightly downwards, **Chinese steel output** remains high by historical standards.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 15					
CH	Retail Sales (YoY, Aug)	3.4%	3.8%	3.8%	The slowest growth since November 2024.
CH	Industrial Production (YoY, Aug)	5.2%	5.6%	5.7%	The pace of YoY decline in steel output slowed to 0.7%.
CH	Urban Fixed Inv. (YoY YtD, Aug)	0.5%	1.5%	1.6%	Property investment drop accelerated to 12.9% YoY YtD.
Tue 16					
AU	ANZ Cons. Conf. (w/e 13 Sep)	85.9	-	89.3	Consumer inflation expectations up 0.2ppts to 4.9%.
AU	RBA Assistant Governor Speaks	-	-	-	The RBA is determined to keep the economy balanced.
UK	Unemployment Rate (Aug)	4.7%	4.7%	4.7%	Annual wages growth the slowest since February 2022.
US	Retail Sales (MoM, Aug)	0.6%	0.3%	0.6%	Retail sales control group also saw a solid gain of 0.7%.
US	Industrial Production (YoY, Aug)	0.1%	-0.1%	-0.4%	Manufacturing activity picked up by 0.2% in August.
Wed 17					
UK	CPI (MoM, Aug)	0.3%	0.3%	0.1%	Annual rate at 3.6% is significantly above the 2% goal.
CA	BoC Decision (Policy Rate)	2.50%	2.50%	2.75%	Further cuts expected, but in the next year.
US	FOMC Decision (IoER)	4.15%	4.15%	4.40%	'Dot plot' points to two more cuts this year.
Thu 18					
AU	Employment (MoM, Aug)	-5.4k	21.0k	26.5k	Decline driven by full-time jobs.
AU	Unemployment Rate (Aug)	4.2%	4.2%	4.2%	Held steady by lower labour force participation.
NZ	GDP (QoQ, Q2)	-0.9%	-0.3%	0.9%	Down 0.6% YoY.
UK	BoE Decision (Bank Rate)	4.00%	4.00%	4.00%	The BoE reduced the pace of quantitative tightening.
NO	Norges Bank Dec. (Policy Rate)	4.00%	4.00%	4.25%	The other central bank that started to cut rates later.
US	Initial Jobless Claims (w/e 13 Sep)	231k	240k	264k	Continued claims little changed at 1.9m in w/e 6 Sep.
Fri 19					
JP	CPI (YoY, Aug)	2.7%	2.8%	3.1%	The lowest level since October 2024.
Tonight					
JP	BoJ Decision (Policy Bal. Rate)	-	0.5%	0.5%	Bank of Japan has paused its tightening cycle for now.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 22				
CH	PBoC Decision (5Y Loan Prime Rate)	3.50%	3.50%	Benchmark rate for new mortgages in China.
Tue 23				
AU	S&P Global Composite PMI (Sep, flash)	-	55.5	Hit an over three-year high in August.
JP	S&P Global Composite PMI (Sep, flash)	-	52.0	Japanese manufacturing still in slight contraction.
EZ	HCOB Composite PMI (Sep, flash)	-	51.0	Contraction in France and parts of German economy still on.
SE	Riksbank Decision (Policy Rate)	2.00%	2.00%	No more cuts expected from Riksbank in this cycle.
UK	S&P Global Composite PMI (Sep, flash)	-	53.5	Has been overestimating the pace of growth in the UK.
US	S&P Global Composite PMI (Sep, flash)	-	54.6	Has been more positive than the more established ISM.
Wed 24				
AU	Monthly CPI Indicator (YoY, Aug)	2.9%	2.8%	RBA waiting for the more comprehensive quarterly figures.
US	New Home Sales (MoM, Aug)	0.5%	-0.6%	Holding up slightly better than existing home sales.
Thu 25				
US	GDP (QoQ annualised, Q2, final)	3.3%	3.3%	Expect further revisions to external trade and inventories.
US	Goods Trade Balance (Aug)	-US\$96b	-US\$102b	Saw deterioration in July, ahead of a renewed hike in tariffs.
US	Existing Home Sales (MoM, Aug)	-0.8%	2.0%	Remain depressed by historical standards.
Fri 26				
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%.