

Interest Rates (%)				FX			Commodities US\$		
Australia		Δ bp	AUD/USD	0.7029	0.2%	WTI Crude Oil	101.82	\$2.56	
	90-day Bill	4.85	2	AUD/JPY	110.46	0.8%	Brent Crude Oil	115.29	\$2.25
	3-year Bond	4.87	5	AUD/EUR	0.6266	0.2%	Mogas95*	129.18	\$2.45
	10-year Bond	5.19	4	AUD/GBP	0.5255	0.4%	CRB Index	418.60	3.62
			AUD/NZD	1.2340	0.0%	Gold	3986.04	-\$33.07	
			AUD/CNY	4.6929	0.2%	Silver	53.98	-\$0.43	
US			EUR/USD	1.1218	-0.1%	Iron Ore (61% Fe)**	90.20	\$0.20	
	2-year	4.69	5	USD/JPY	157.13	0.6%	Iron Ore (26-27 Average)	95.84	-\$0.14
	10-year	4.99	4	USD/CNY	6.6703	-0.1%	Copper	14322.50	\$244.50
			RBA Policy			Equities			
Other 10-year			O/N Cash Rate Target		4.60	ASX200	8754	-18	
			Interbank O/N Cash Rate		4.60	Dow Jones	52215	-653	
	Japan	2.83	2	Probability of a 25bps Hike in Nov		64.4%	S&P500	7624	-40
	Germany	3.35	1	RBA Bond Holdings (30 Sep)		A\$214.7b	Stoxx600	636	-2
	UK	5.36	3				CSI300	4105	69

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

**Iron ore is the second SGX futures contract.

Friday was another risk-off session for US equities, with more than 70% of shares in the S&P 500 declining. US Treasury yields rose as oil prices surged and the S&P Global PMIs indicated that US businesses were raising selling prices at the fastest pace in four years. Oil prices jumped amid growing speculation that the Middle East conflict would soon escalate. Brent crude futures peaked at US\$117.45 a barrel on Friday but have opened lower this morning.

In Europe, the Stoxx 600 fell for the fourth time in five days on Friday. German shares were the weakest among the major markets, while shares in France and the UK also closed lower. Moody's affirmed France's sovereign credit rating at Aa3 but revised the outlook to negative. Earlier in the day, Asia-Pacific shares were mixed, with markets in mainland China, Hong Kong and South Korea closing higher, while benchmarks in Japan and Taiwan fell.

At home, the ASX 200 was flat on Friday and opened lower this morning but has since recovered most of the early losses. Australian Government bond yields were relatively steady on Friday but have opened higher this morning, following the rise in US Treasury yields and further hawkish comments from an RBA official in a weekend television interview. Market pricing implies a 67% probability of an RBA cash rate increase on 3 November, up from 56% on Friday morning. The AUD has gained against all major currencies, including the firmer US dollar.

Reserve Bank of Australia assistant governor and chief economist Sarah Hunter appeared on 60 Minutes over the weekend. She defended the RBA's policy tightening and reiterated its determination to bring inflation down and prevent high inflation from becoming embedded in expectations.

The US S&P Global flash Composite PMI eased 0.8pts to 57.6 in October, indicating slower growth (above 50 = expansion), although it remained close to a five-year high. Growth moderated in both manufacturing and services but remained very strong. Order backlogs rose sharply, highlighting capacity constraints, while the employment indices pointed to robust jobs growth in both sectors. Rising costs pushed selling price inflation to its highest level in over four years across both goods and services.

In the euro area, the flash S&P Global Composite PMI fell 1.2pts to a four-month low of 51.9. Employment was steady and output price inflation slowed despite a faster rise in input costs, led by manufacturing. Growth moderated in Germany and elsewhere, while French private sector output returned to contraction after expanding in September for the first time in ten months.

The key domestic release next week will be the September CPI on Wednesday, followed by the Q3 international trade price indices on Thursday and Q3 PPI on Friday. Offshore, the FOMC, ECB, Bank of Japan, Bank of Canada and RBNZ will all announce policy decisions, with interest rate increases expected in Canada and New Zealand. Key economic releases include US and euro area Q3 GDP, US PCE inflation for September and China's NBS PMIs for October.

Economic Data Review

- **JP:** S&P Global Composite PMI (Oct, Flash) – Actual 52.3, Previous 52.3.
- **EZ:** S&P Global Composite PMI (Oct, Flash) – Actual 51.9, Expected 52.7, Previous 53.1.
- **US:** S&P Global Composite PMI (Oct, Flash) – Actual 57.6, Expected 57.6, Previous 58.4.

Economic Data Preview

- **US:** Chicago Fed National Activity Index (Sep) – Expected -0.09, Previous -0.04.