

Highlights this week

- At home, October saw a solid labour force survey report. NAB business conditions improved a bit in October, while business confidence edged down. This was followed by the strongest bounce in Westpac consumer sentiment since 2020 in November. New home loans saw the strongest rise in over four years in Q3.
- Offshore, the longest US Government shutdown on record ended on Thursday morning. Chinese economic activity data for October disappointed across the board.

Highlights next week

- The key domestic releases next week will be the RBA Monetary Policy Board minutes and the Q3 wage price index on Tuesday, followed by the S&P Global flash PMIs for November on Friday.
- Next Friday will also see the S&P Global flash PMIs for the major advanced economies, but the market's attention will be centred on belated US non-farm payrolls for September, due on Thursday.

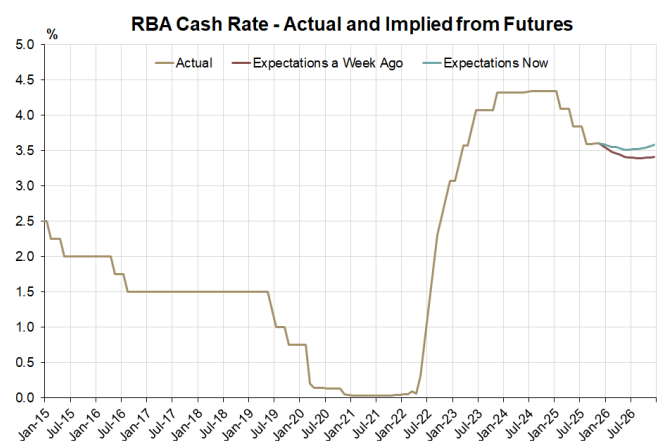
Central Bank Rates (%)		Weekly Change	Australian Interest Rates (%)		Weekly Change	Major Overseas Interest Rates (%)		Weekly Change	Global Equities		Weekly Change
Australia	3.60	(0 pt)	O/N Interbank Cash	3.60	(0 pt)	USD 3-month	4.85	(0 pt)	ASX200	8638	(↓164 pt)
US (IOR)	3.90	(0 pt)	90-day Bills	3.65	(↑2 pt)	2-yr T-Notes	3.59	(↑3 pt)	S&P500	6737	(↑17 pt)
Eurozone (Deposit)	2.00	(0 pt)	3-yr T-Bond	3.78	(↑16 pt)	10-yr T-Notes	4.12	(↑3 pt)	DJIA	47457	(↑545 pt)
UK	4.00	(0 pt)	10-yr T-Bond	4.45	(↑11 pt)	Jap 10-yr	1.70	(↑2 pt)	Nikkei	50435	(↑503 pt)
Japan (Target)	0.50	(0 pt)	3-yr WATC Bond	3.90	(↑15 pt)	UK 10-yr	4.44	(0 pt)	CSI300	4674	(↓10 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	4.89	(↑11 pt)	Ger 10-yr	2.69	(↑4 pt)	Stoxx600	581	(↑13 pt)

Financial Markets**Interest Rates**

Government bond yields rose across the major advanced economies this week, despite the end of the US Government shutdown, which should lead to a slight decline in near-term fiscal uncertainty in the world's largest economy.

The rise was mainly driven by hawkish Fed speak. Most Fed officials making a public appearance this week voiced concerns over inflation remaining above its goal and advocated caution regarding further rate cuts. Some also noted that limited economic data due to the Government shutdown means that there is elevated uncertainty about the state of the US economy.

The rise in government bond yields was particularly strong in Australia, which was due to the disappearance of cash rate cut expectations after a solid labour market report for October. The rise in Commonwealth bond yields was particularly strong at the front end of the yield curve, with 3-year yields being the highest since March. However, 10-year yields also saw a significant upswing, which took them to a six-month high.



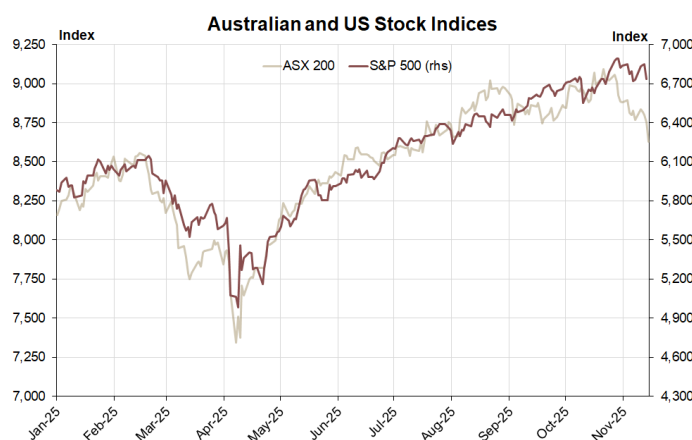
Source: Bloomberg

Equities

It was quite a choppy week in the global equity markets. The S&P 500 closed a little higher, but this was mainly thanks to gains early in the week amid hopes for the end of the US Government shutdown.

However, after the shutdown eventually ended on Thursday morning, US equity market started to decline, as it became apparent that the economic data flow will remain limited regardless. In addition, investors started to wonder whether stocks linked to the artificial intelligence revolution might be becoming overvalued.

The ASX 200 again underperformed Wall Street this week and is lower than it was around the same time last Friday. The Aussie share market was additionally hit by concerns about the end of the monetary easing cycle after the upbeat jobs report on Thursday. That said, several sectors saw gains, led by materials despite a mixed performance in commodities this week.



Source: Bloomberg

Currencies

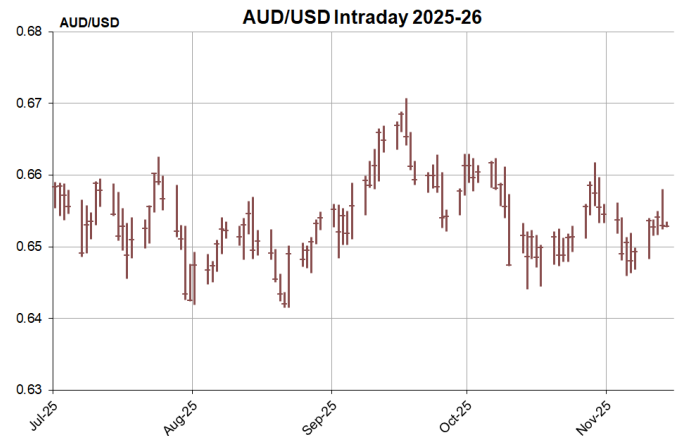
The Australian dollar made solid gains through most of this week until a market selloff overnight dragged the currency lower again.

The Aussie was initially boosted by news that the US Senate was getting closer to passing a bill allowing the US Government to reopen. The bill has since passed both houses of Congress and been signed into law by US President Donald Trump.

The news pushed the AUD/USD back above US\$0.65, where it settled, before receiving another lift on Thursday after news of a bigger-than-expected fall in the Aussie unemployment rate.

The sell-off in financial markets overnight, which included a wide range of asset classes, eroded the Aussie's earlier gains.

The Japanese yen was the weakest of the major currencies, with the Australian dollar climbing to its highest level against the yen in over a year, before easing overnight.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6544	0.6580	0.6483	↑0.9	0.6707	0.5915
AUD/EUR		0.5623	0.5671	0.5604	↑0.1	0.6261	0.4620
AUD/GBP		0.4976	0.5010	0.4928	↑0.8	0.5204	0.4620
AUD/JPY		101.04	101.83	99.46	↑1.9	101.83	86.05
AUD/CNY		4.6427	4.6697	4.6297	↑0.6	4.7637	4.3523
EUR/USD		1.1637	1.1656	1.1541	↑0.8	1.1919	1.0141
GBP/USD		1.3150	1.3216	1.3085	↑0.1	1.3789	1.2100
USD/JPY		154.41	155.04	153.36	↑1	158.87	139.89
USD/CNY		7.0946	7.1236	7.0920	↓0.3	7.3511	7.0920

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6544	0.6548	0.6549	0.6541
AUD/EUR		0.5623	0.5599	0.5575	0.5526
AUD/GBP		0.4976	0.4980	0.4980	0.4976
AUD/JPY		101.04	100.19	99.43	97.93
AUD/NZD		1.1517	1.1479	1.1439	1.1359
AUD/SGD		0.8510	0.8456	0.8406	0.8301

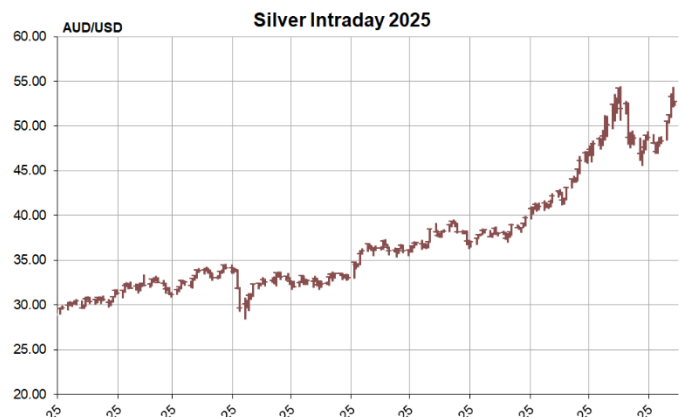
Commodities

The gold price appears on its way to its first weekly gain in almost a month, rising to its highest level since 21 October on Thursday before pulling back last night. However, silver outperformed gold, rising by around 9% and falling just short of a new record high.

Oil prices remain under downward pressure, as the US Energy Information Administration (EIA) and the International Energy Agency (IEA) both continue to warn of near-term oversupply.

However, over the longer-term, the IEA anticipates that oil consumption will continue to rise until at least 2050 under current energy policies already in place. A scenario, that includes current policies as well as other targets and strategies put forward but not yet adopted, projects oil demand to peak around 2030. Both scenarios fall well short of achieving net zero emissions by 2050.

Iron ore futures prices have traded in a narrow range this week, despite some concerns about oversupply after the Simandou mine site was officially opened this week.



Source: Bloomberg

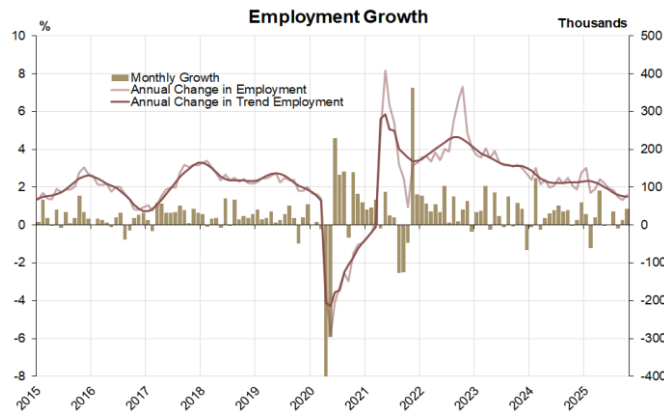
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,207.22	\$4,245.23	\$3,998.67	(↑\$204.24)	\$4,381.52	\$2,536.92
Brent Crude Oil (US\$)	\$64.33	\$65.31	\$62.34	(↑\$0.71)	\$82.63	\$58.40
Mogas95* (US\$)	\$80.64	\$81.86	\$77.66	(↑\$1.72)	\$95.91	\$67.57
WTI Oil (US\$)	\$60.04	\$61.28	\$58.12	(↑\$0.35)	\$80.77	\$55.12
CRB Index	302.35	307.05	300.91	(↑1.48)	316.63	279.72
Iron Ore Price 62% Fe (US\$) **	\$102.30	\$103.40	\$100.85	(↑\$0.3)	\$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.

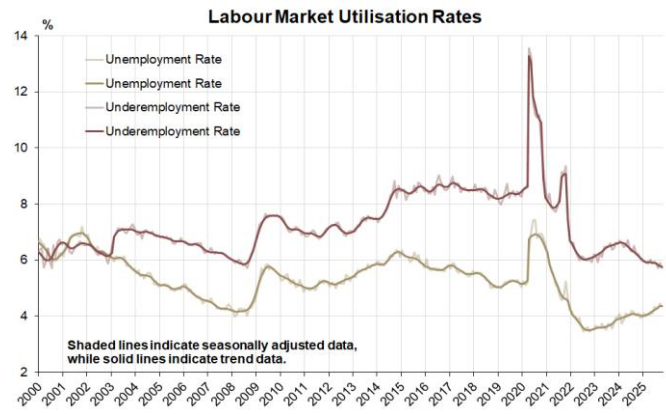
Domestic Economy

Employment recorded a solid gain in October, but the annual pace of trend jobs growth slowed further.



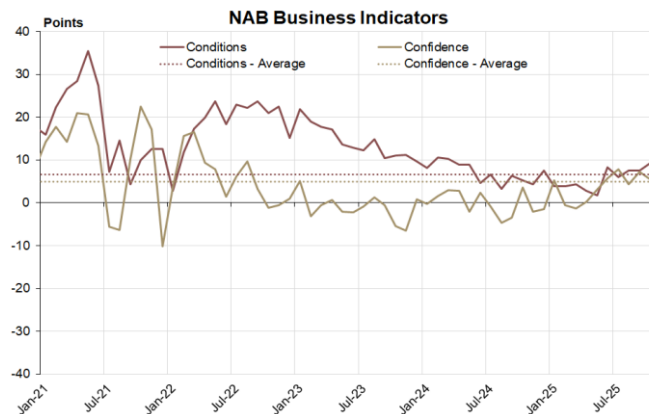
Source: ABS

The **unemployment and underemployment rates** are both very low by historical standards.



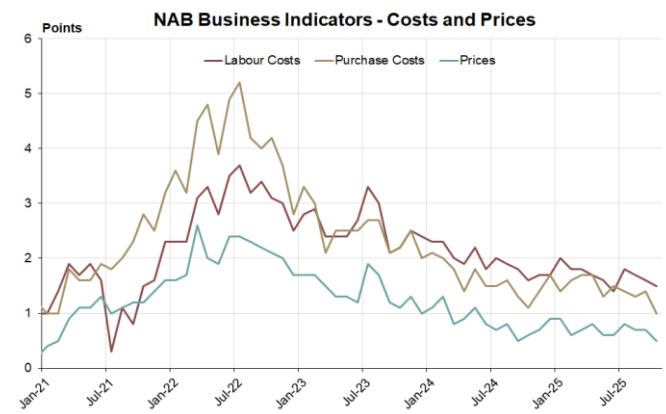
Source: ABS

NAB business conditions improved in October, while confidence declined back to their average level.



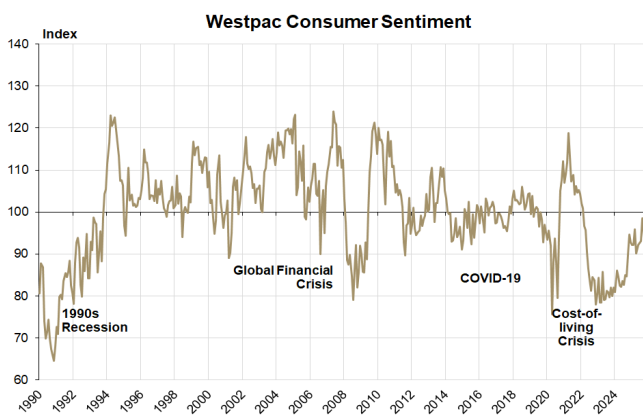
Source: Bloomberg

The NAB report also pointed to a slower rise in **business cost and price pressures**.



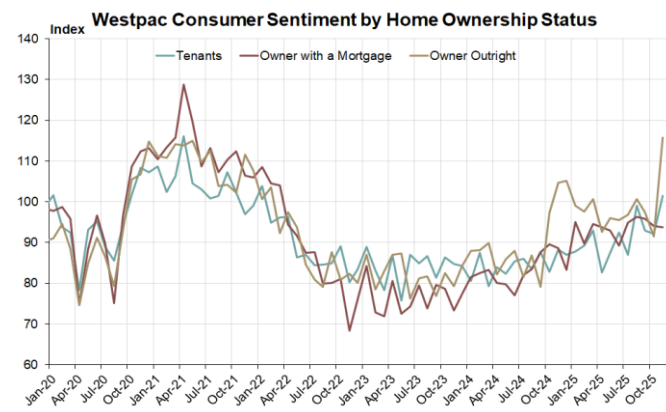
Source: Bloomberg

Westpac consumer sentiment has bounced into positive territory for the first time since February 2022.



Source: Bloomberg

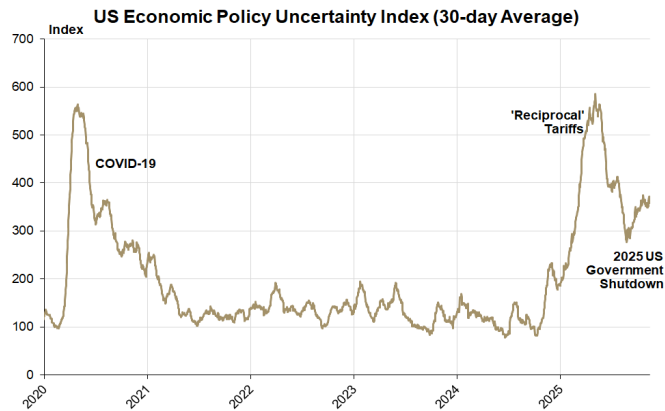
The rise was driven by **homeowners without a mortgage** and renters. Owners with a mortgage remain depressed.



Source: Bloomberg

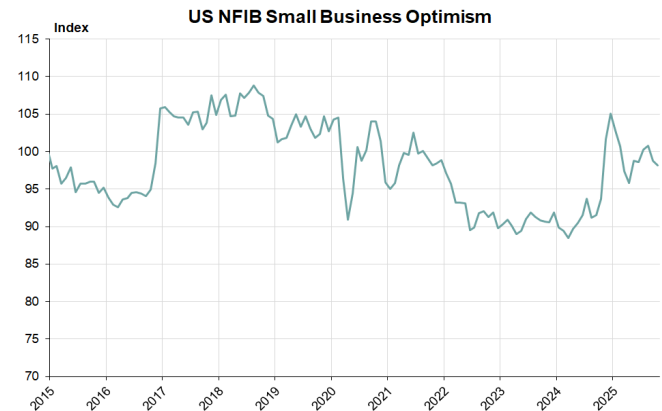
Global Economy

The recently ended **US Government shutdown** failed to push economic policy uncertainty above April levels.



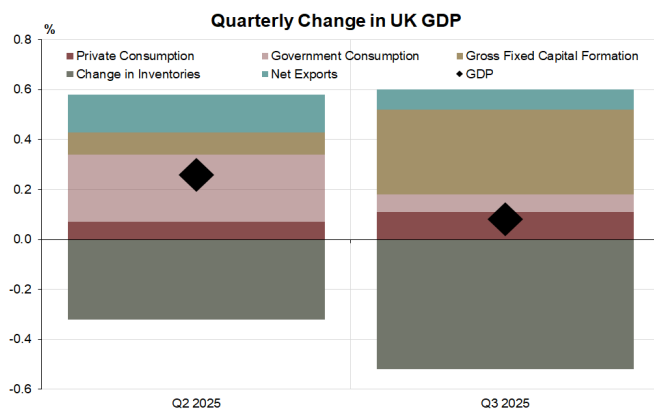
Source: Economic Policy Uncertainty

NFIB small business optimism is the lowest since the announcement of 'reciprocal' tariffs on 'Liberation Day'.



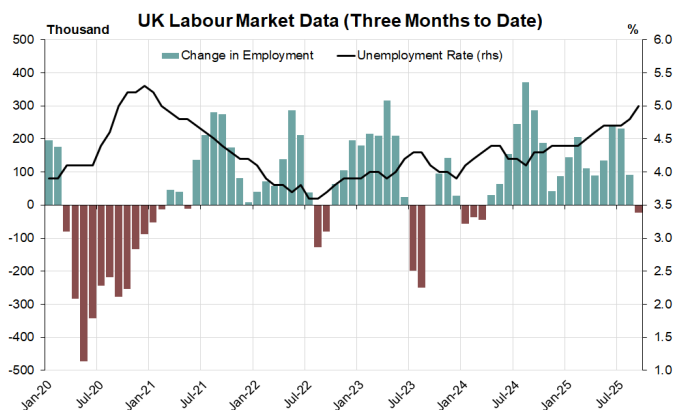
Source: Bloomberg

UK GDP growth slowed markedly in Q3, with slower growth in public spending and drag from inventories.



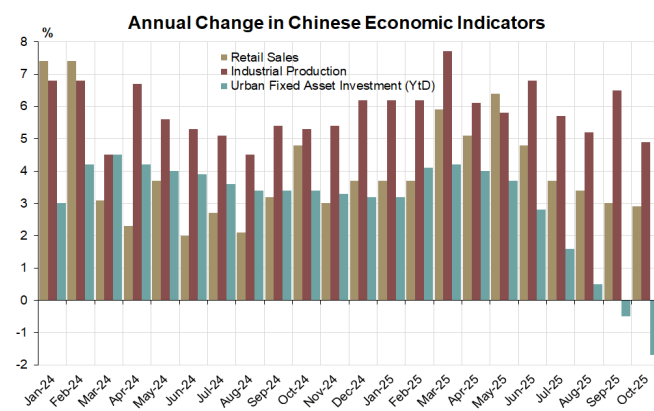
Source: UK Office for National Statistics

UK labour market data are not impressive either, with the unemployment rate at a near five-year high.



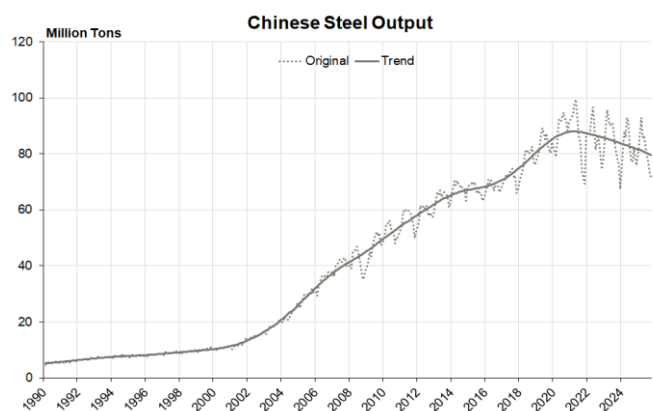
Source: Bloomberg

In **China**, growth in retail sales and industrial output has slowed further, with drop in investment accelerating.



Source: Bloomberg

Chinese steel output continued to trend downwards in October.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 10					
AU	RBA Deputy Governor Speaks	-	-	-	Elevated uncertainty about where the economy is.
Tue 11					
AU	NAB Business Conditions (Oct)	9	-	8	Trading conditions and profitability improved.
AU	NAB Business Confidence (Oct)	6	-	7	Remains a little above its long-term average.
AU	Westpac Consumer Sent. (Nov)	12.8%	-	-3.5%	The strongest surge since 2020.
UK	Unemployment Rate (Sep)	5.0%	4.9%	4.8%	A level unseen since February 2021.
US	NFIB Small Bus. Optimism (Oct)	98.3	98.2	98.8	The lowest since the 'Liberation Day' in April.
Wed 12					
AU	New Home Loans (QoQ, Q3)	9.6%	2.6%	2.4%	The strongest rise in four years, driven by investor loans.
Thu 13					
AU	Employment (MoM, Oct)	42.2k	20.0k	12.8k	Annual jobs growth still slowing in trend terms.
AU	Unemployment Rate (Oct)	4.3%	4.4%	4.5%	The number of unemployed declined by 17.0k in October.
AU	MI Inflation Expectations (Nov)	4.5%	-	4.8%	The lowest level in three months.
UK	GDP (QoQ, Q3)	0.1%	0.2%	0.3%	Slower growth in public spending and more destocking.
Fri 14					
CH	Retail Sales (YoY, Oct)	2.9%	2.8%	3.0%	Slowed slightly less than expected.
CH	Industrial Production (YoY, Oct)	4.9%	5.5%	6.5%	Steel output down 12.1% YoY.
CH	Urban Fixed Inv. (YoY YtD, Oct)	-1.7%	-0.8%	-0.5%	Property investment dropped by 14.7% YoY YtD.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 17				
JP	GDP (QoQ, Q3)	-0.6%	0.5%	A decline in business spending and exports expected.
Tue 18				
AU	RBA Monetary Policy Board Minutes	-	-	More insights into the recent shift in forecasts.
Wed 19				
AU	WPI (QoQ, Q3)	0.8%	0.8%	Year-on-year growth forecast to remain steady at 3.4%.
UK	CPI (MoM, Oct)	-	0.0%	Annual rate way above the 2% goal, but expected to fall.
Thu 20				
US	Non-farm Payrolls (monthly change, Sep)	50k	22k	Rescheduled from 3 October, due to Government shutdown.
Fri 21				
AU	S&P Global Composite PMI (Nov, flash)	-	52.1	The October reading was at odds with the NAB survey.
JP	CPI (YoY, Oct)	3.0%	2.9%	The so-called 'core-core' inflation to ebb 0.1ppts to 2.8%.
JP	Jibun Bank Composite PMI (Nov, flash)	-	51.5	Contraction in Japanese manufacturing the fastest in 6mths.
EZ	HCOB Composite PMI (Nov, flash)	-	52.5	German manufacturing was still in mild contraction in October.
UK	S&P Global Composite PMI (Nov, flash)	-	52.2	Strong rebound from near stagnant levels in October.
US	S&P Global Composite PMI (Nov, flash)	-	54.6	Has been a lot more optimistic than the established ISM PMI.