

Highlights this week

- In Australia, the RBA kept the cash rate target unchanged this week as expected, but sharpened its tone and appeared less willing to deliver a cut at the next meeting in November.
- Data-wise, according to Cotality, Aussie home price growth accelerated further in September. This followed an unexpected drop in dwelling approvals as well as steady private sector credit growth in August, with acceleration in housing loans.
- Abroad, ADP data showed US private employment declined in September, while the Conference Board consumer confidence index deteriorated. The Chinese PMIs painted a mixed picture of economic conditions in September.

Highlights next week

- The domestic releases next week will be the Melbourne Institute inflation gauge for September on Monday, ANZ job ads for September and Westpac consumer sentiment for October on Tuesday, Melbourne Institute inflation expectations for October on Thursday and the experimental business turnover indicator for August on Friday.
- The highlights offshore include the FOMC minutes, New York Fed survey of consumer inflation expectations for September and the preliminary results of the University of Michigan consumer confidence survey. There is also the RBNZ decision on Wednesday, with a 25bps cut to the official cash rate expected.

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	8962	(↑193 pt)
US (IOR)	4.15	(0 pt)	90-day Bills	3.59	(↓1 pt)	2-yr T-Notes	3.54	(↓11 pt)	S&P500	6715	(↑111 pt)
Eurozone (Deposit)	2.00	(0 pt)	3-yr T-Bond	3.54	(↓5 pt)	10-yr T-Notes	4.09	(↓9 pt)	DJIA	46520	(↑572 pt)
UK	4.00	(0 pt)	10-yr T-Bond	4.33	(↓5 pt)	Jap 10-yr	1.67	(↑2 pt)	Nikkei	45663	(↓40 pt)
Japan (Target)	0.50	(0 pt)	3-yr WATC Bond	3.68	(↓4 pt)	UK 10-yr	4.71	(↓5 pt)	CSI300	4641	(↑51 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	4.78	(↓6 pt)	Ger 10-yr	2.70	(↓7 pt)	Stoxx600	568	(↑17 pt)

Changes are since the previous issue of Market Watch Weekly.

Financial Markets**Interest Rates**

As expected, the [RBA Monetary Policy Board](#) left interest rates unchanged this week, including the cash rate target at 3.60%.

The post-meeting statement was more hawkish than the one after the previous meeting in August. At the press conference, RBA Governor Michele Bullock declined to provide specific guidance, saying that future decisions will remain data-dependent.

The probability of a November cut from the RBA remains around 40%, while the February cut is still not fully priced in. The terminal rate is still expected at around 3.25%, same as a week ago.

The hawkish tone struck by the RBA limited the declines in Commonwealth bond yields this week, which fell less than their US equivalents. Fed funds rate cut expectations intensified a little last week, following a series of disappointing labour market data, amplified by concerns over the macroeconomic impacts of the government shutdown that began at noon on Wednesday (AWST).

At the same time, Japanese government bond yields rose slightly this week, which reflects a rise in rate hike expectations in Japan.

Equities

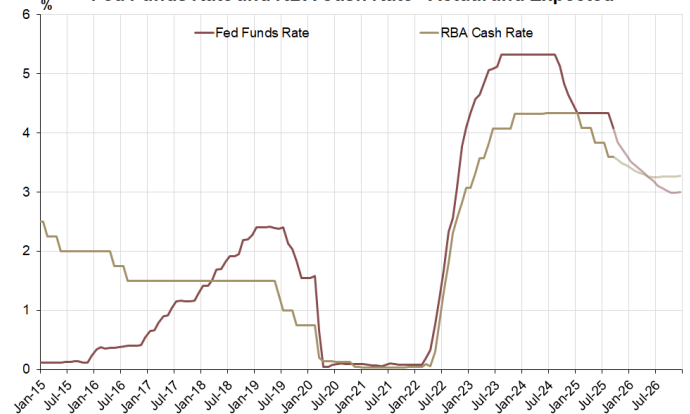
Equities are higher across most major markets, with valuations boosted by lower bond yields.

Wall Street shrugged off the US government shutdown and soft economic data to climb to fresh record highs, led by a rebound in healthcare stocks.

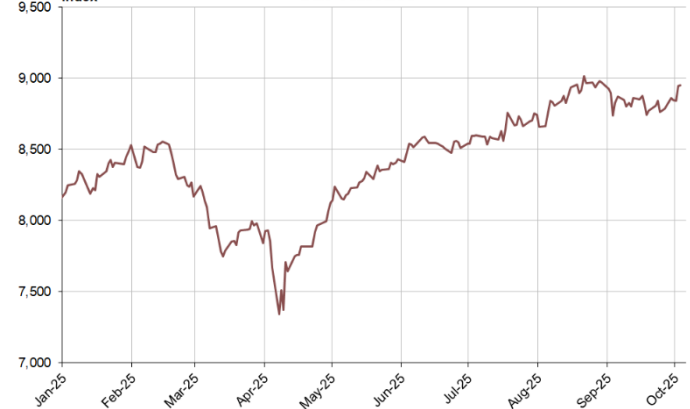
The Aussie market is currently on track for its best week in almost two months and is at its highest levels since early September.

Materials, financials, health, and industrials have been the best performing sectors over the past five days. Gold miners again led the gains in materials.

Energy sector shares have been the worst performers, dragged down by a sharp fall in oil prices.

Fed Funds Rate and RBA Cash Rate - Actual and Expected

Source: Bloomberg

S&P ASX 200

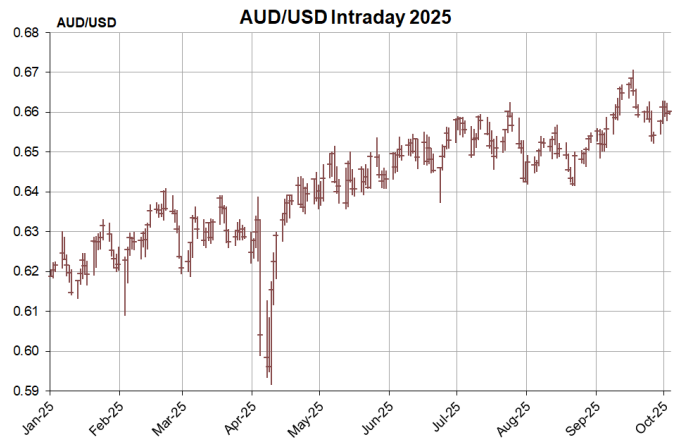
Source: Bloomberg

Currencies

It was a very positive week for the Australian dollar, which received some support from an easing in cash rate cut expectations as the RBA turned hawkish after its monetary policy meeting on Tuesday. Despite the appreciation this week, the AUD remains somewhat below the local highs from mid-September.

The Australian dollar appreciated against all the major currencies except the Japanese yen, which was the strongest G10 currency this week thanks to tailwinds from a rise in policy rate hike expectations.

The scale of AUD's appreciation was strongest versus the US dollar, dragged down by expectations for a US government shutdown, which took effect on Wednesday. The intensification of fed funds rate cut expectations did not help the greenback, either.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6597	0.6629	0.6544	↑0.9	0.6889	0.5915
AUD/EUR		0.5628	0.5645	0.5588	↑0.5	0.6261	0.4620
AUD/GBP		0.4910	0.4928	0.4880	↑0.2	0.5229	0.4620
AUD/JPY		97.39	98.15	96.86	↓0.6	102.41	86.05
AUD/CNY		4.6988	4.7216	4.6683	↑0.7	4.7867	4.3523
EUR/USD		1.1721	1.1779	1.1683	↑0.4	1.1919	1.0141
GBP/USD		1.3436	1.3527	1.3390	↑0.7	1.3789	1.2100
USD/JPY		147.65	149.63	146.59	↓1.4	158.87	139.89
USD/CNY		7.1224	7.1380	7.1135	↓0.2	7.3511	7.0484

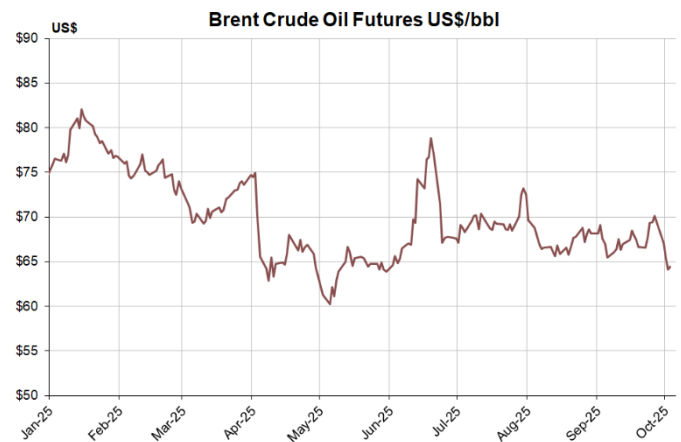
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6597	0.6604	0.6606	0.6603
AUD/EUR		0.5628	0.5605	0.5583	0.5540
AUD/GBP		0.4910	0.4915	0.4920	0.4928
AUD/JPY		97.39	96.60	95.90	94.57
AUD/NZD		1.1340	1.1311	1.1280	1.1218
AUD/SGD		0.8508	0.8460	0.8412	0.8318

Commodities

Gold prices achieved a new milestone this week, climbing above US\$3,800 an ounce for the first time and almost reaching US\$3,900 before falling back.

Oil prices slumped to five-month lows amid downward pressure from both the supply and demand sides. The initial fall came amid reports that the OPEC+ is planning to announce another big increase in supply at its meeting this weekend. The downward pressure was compounded by the US Government shutdown and concerns over the impact on the US economy and fuel demand.

Iron ore futures fell sharply last Friday, weighed down by reports the European Commission is planning to double tariffs on steel imports from 25% to 50% and cut import quotas by half to protect European producers. Futures prices have been relatively steady this week amid thin trade due the Chinese Golden Week holiday that began on 1 October.



Source: Bloomberg

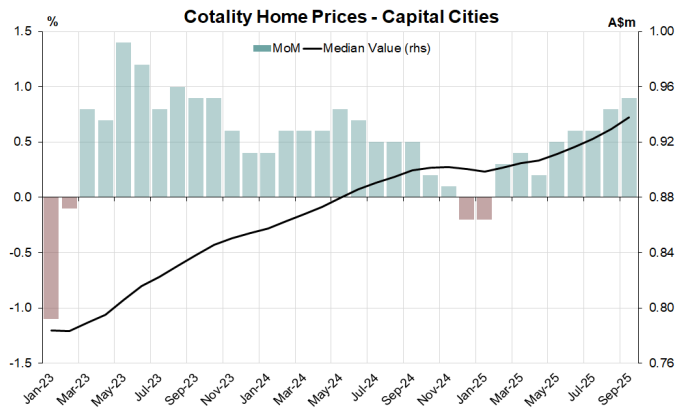
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,849.96	\$3,896.85	\$3,760.92	(↑\$110.98)	\$3,896.85	\$2,536.92
Brent Crude Oil (US\$)	\$64.35	\$69.91	\$64.00	(↓\$5.32)	\$82.63	\$58.40
Mogas95* (US\$)	\$75.21	\$82.12	\$74.95	(↓\$5.69)	\$95.91	\$67.57
WTI Oil (US\$)	\$60.72	\$65.40	\$60.40	(↓\$4.6)	\$80.77	\$55.12
CRB Index	298.33	305.03	298.33	(↓5.02)	316.63	277.71
Iron Ore Price 62% Fe (US\$) **	\$103.45	\$105.05	\$102.55	(↓\$1.45)	\$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.

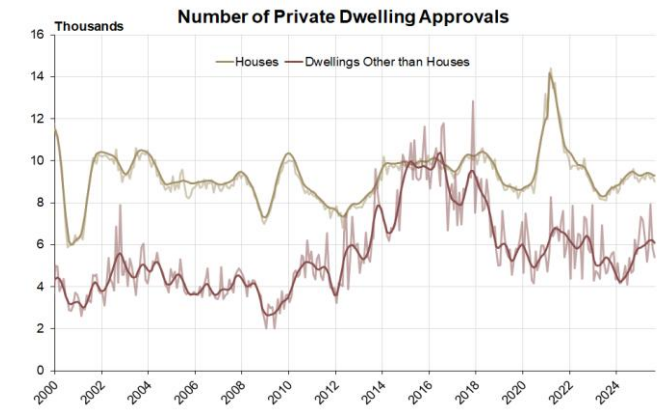
Domestic Economy

According to Cotality, the rise in **Aussie home prices** accelerated further in September...



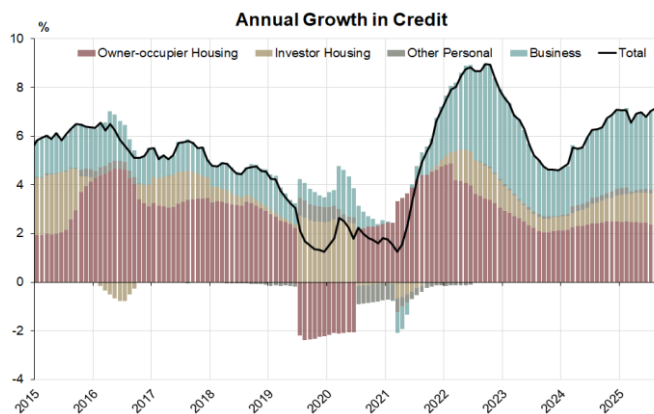
Source: Bloomberg

... which followed further signs of peaking in **dwelling approvals** revealed by the August data.



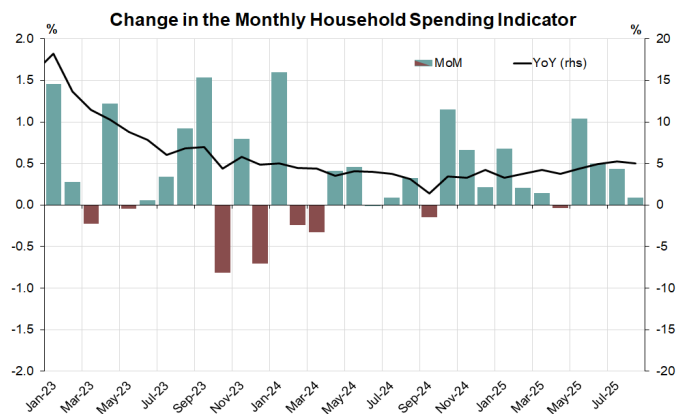
Source: ABS

Private sector credit growth remains quite solid, with a growing contribution from investor housing credit.



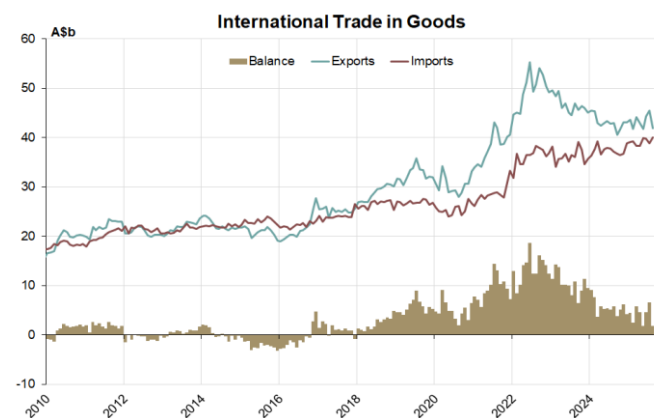
Source: RBA

Growth in the **household spending indicator** slowed in August, but remained solid in annual terms.



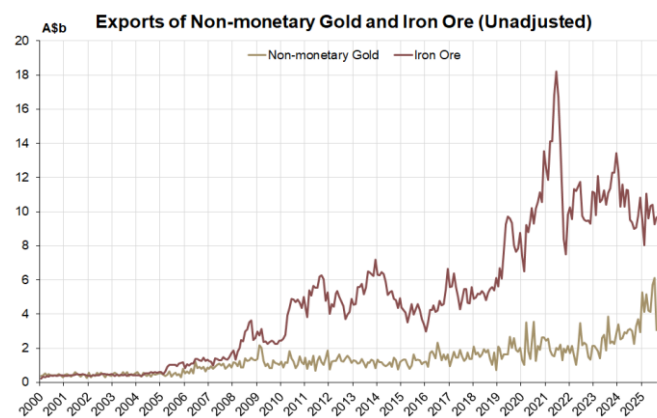
Source: ABS

Trade surplus dropped to a seven-year low in August, dragged down mainly by lower exports...



Source: ABS

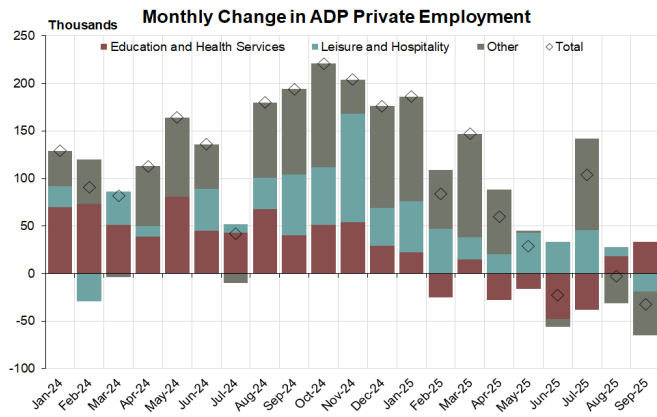
... with **gold exports** halving after reaching a record high in July, while iron ore exports held steady.



Source: ABS

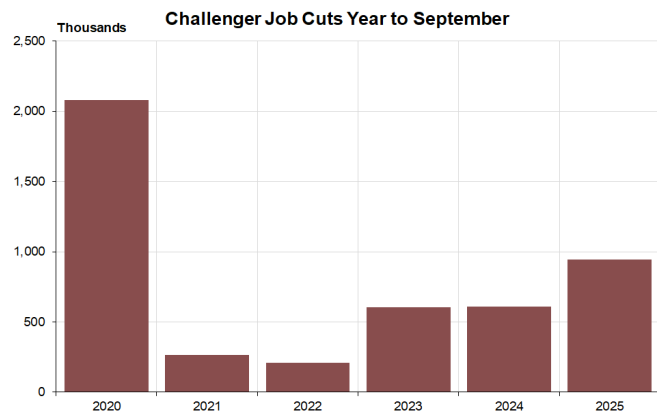
Global Economy

ADP private employment saw a second consecutive decline, partially offset by education and health services.



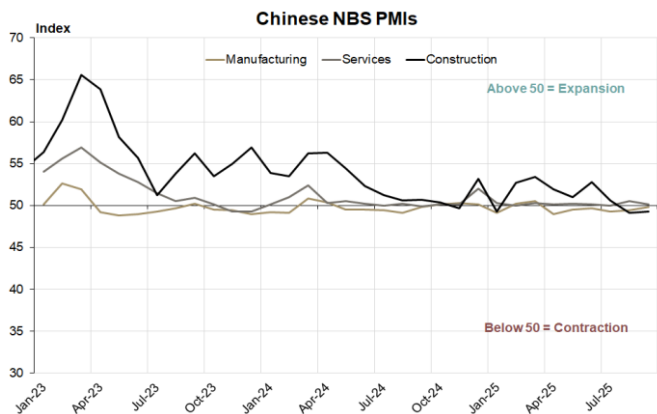
Source: Bloomberg

According to the **Challenger report**, job cuts in the US this year have been the largest since 2020.



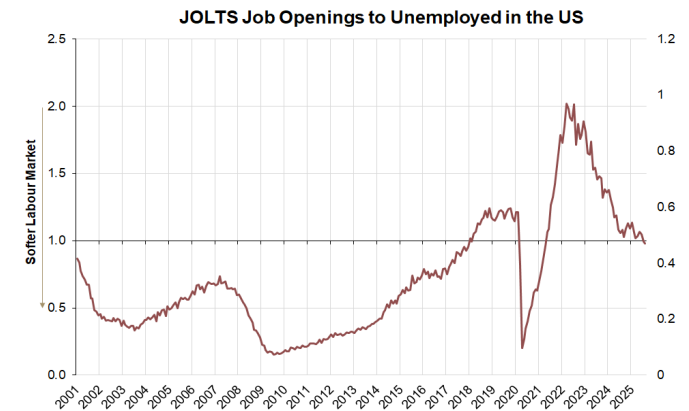
Source: Bloomberg

The Chinese **NBS PMIs** signalled stagnation in services and manufacturing, and a fall in construction activity.



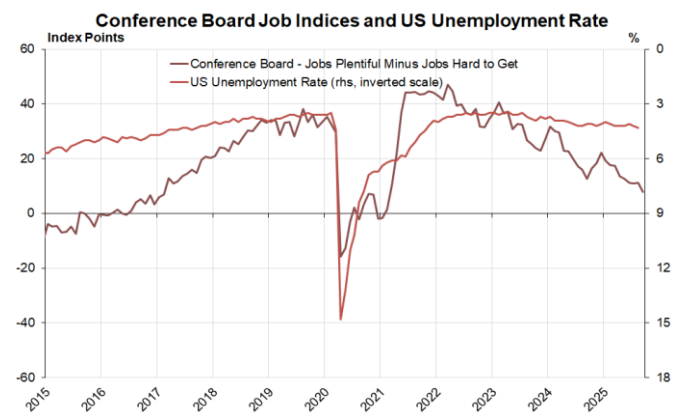
Source: Bloomberg

US JOLTS job openings are now lower than the number of officially unemployed, which was unseen since 2021.



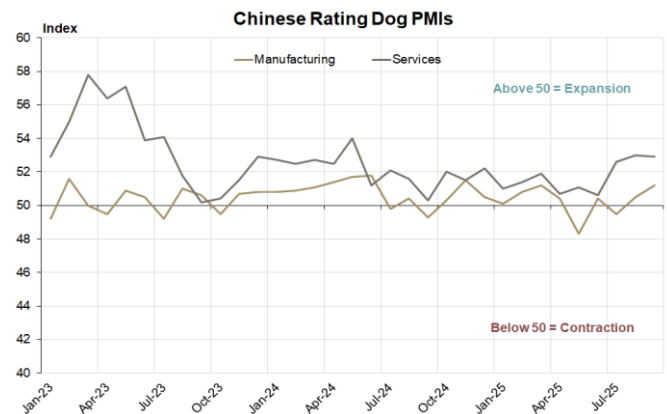
Source: Bloomberg

The **Conference Board survey** also points to the softest labour market conditions since the heights of COVID.



Source: Bloomberg

The **RatingDog PMIs** continue to paint a somewhat more positive picture of economic conditions in China.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 29					
	No market moving data				
Tue 30					
AU	RBA Decision (Cash Rate Target)	3.60%	3.60%	3.60%	Post-meeting statement hinted a further pause in cuts.
AU	RBA Governor M. Bullock Speaks	-	-	-	No specific forward guidance provided.
AU	Dwelling Approvals (MoM, Aug)	-6.0%	2.6%	-10.0%	A broad-based decline.
AU	Private Sector Credit (MoM, Aug)	0.6%	0.6%	0.7%	MoM housing credit growth the fastest since early 2023.
AU	ANZ Cons. Conf. (w/e 27 Aug)	86.3	-	84.6	Inflation expectations up to 5.1%, unseen since April.
CH	NBS Composite PMI (Sep)	50.6	-	50.5	Construction PMI remained in slight contraction at 49.3.
CH	RatingDog Composite PMI (Sep)	52.5	-	51.9	Faster expansion in both manufacturing and services.
US	C-S Hse Prices 20 City (MoM, Jul)	-0.1%	-0.2%	-0.2%	The decline in US house prices appears to be slowing.
US	Conf. Board Cons. Sent. (Sep)	94.2	96.0	97.8	'Jobs plentiful' vs 'jobs hard to get' the lowest since 2021.
US	JOLTS Job Openings (Aug)	7.2m	7.2m	7.2m	Again smaller than the number of officially unemployed.
Wed 01					
AU	Cotality Home Prices (MoM, Sep)	0.9%	-	0.8%	Perth home prices rose most of the state capitals (1.6%).
EZ	HICP (YoY, Aug)	2.2%	2.2%	2.0%	Core inflation remained unchanged at 2.3%.
US	ADP Employment (MoM, Sep)	-32k	51k	-3k	Third decline in four months.
US	ISM Manufacturing PMI (Sep)	49.1	49.0	48.7	Contraction in new export orders deepened.
Thu 02					
AU	Goods Trade Balance (Aug)	A\$1.8b	A\$6.2b	A\$6.6b	Fell to a seven-year low, as gold exports halved.
AU	Household Spending (Aug)	0.1%	0.3%	0.4%	Weakest result in four months.
AU	RBA Financial Stability Review	-	-	-	Domestic risks well contained, external shocks a threat.
US	Challenger Job Cuts (YoY, Sep)	-25.8%	-	13.3%	Job cuts the highest since 2020, hires at a 16-year low.
Fri 03					
US	Non-farm Payrolls (MoM, Sep)	-	50k	22k	Probably will not be released, due to the shutdown.
US	ISM Services PMI (Sep)		52.0	52.0	The employment subindex has been in contraction.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 06				
AU	MI Inflation Gauge (MoM, Sep)	-	-0.3%	First insights into price formation in September.
Tue 07				
AU	Westpac Consumer Sent. (MoM, Oct)	-	-3.1%	Improvement in consumer confidence faltered in September.
AU	ANZ Indeed Job Ads (MoM, Sep)	-	0.1%	Remain well above pre-COVID levels.
Wed 08				
NZ	RBNZ Decision (Official Cash Rate)	2.75%	3.00%	Some traders are betting on a larger 50bps cut.
US	NY Fed 1Y Inflation Expectations (Sep)	-	3.2%	Has been followed a bit more closely by the FOMC of late.
US	FOMC Minutes	-	-	More insights into the split in the FOMC on the pace of easing.
Thu 09				
AU	MI Inflation Expectations (Oct)	-	4.7%	The decline in inflation expectations appears to have stalled.
Fri 10				
AU	Monthly Business Turnover (MoM, Aug)	-	2.9%	Experimental indicator based on business activity statements.
US	UMich Consumer Sentiment (Oct, prel.)	54.3	55.1	Has become less reliable after the switch to the online survey.