

Highlights this week

- In Australia, the RBA increased the cash rate by 25 basis points to 4.60% as expected. The central bank warned that further rate hikes are likely, but expressed hopes that they will not be necessary.
- Meanwhile, the annual rate of headline CPI inflation rose less than feared in August, with annual trimmed mean inflation holding steady. Household spending was unexpectedly flat in August, dragged down by demand-dependent components. Dwelling approvals declined in August, which was followed by a fall in home prices in September. Goods trade surplus narrowed in August, partly due to higher imports of data centre equipment.
- Abroad, US GDP growth for Q1 and Q2 was revised upwards. US personal spending for August came out strong, as expected, while annual rates of PCE inflation were unchanged at the downwardly revised level. The ISM manufacturing PMI pointed to solid expansion in September, though with faster growth in prices paid. Chinese PMIs pointed to renewed broad-based expansion in September.

Highlights next week

- The main releases next week will be the Melbourne Institute inflation gauge for September on Monday, Westpac consumer sentiment for October on Tuesday and Melbourne Institute consumer inflation expectations for October on Thursday.
- The highlights offshore include FOMC minutes, ISM services for September as well as US consumer surveys for September and October.

Central Bank Rates (%)		Weekly Change	Australian Interest Rates (%)		Weekly Change	Major Overseas Interest Rates (%)		Weekly Change	Global Equities		Weekly Change
Australia	4.60	(↑25 pt)	O/N Interbank Cash	4.60	(↑25 pt)	USD 3-month	3.73	(↓6 pt)	ASX200	8646	(↓8 pt)
US (IOR)	3.90	(0 pt)	90-day Bills	4.76	(0 pt)	2-yr T-Notes	4.80	(↓11 pt)	S&P500	7666	(↓38 pt)
Eurozone (Deposit)	2.50	(0 pt)	3-yr T-Bond	4.91	(↓13 pt)	10-yr T-Notes	5.26	(↑7 pt)	DJIA	50927	(↓423 pt)
UK	3.75	(0 pt)	10-yr T-Bond	5.36	(↓2 pt)	Jap 10-yr	3.11	(↓1 pt)	Nikkei	68269	(↑1962 pt)
Japan (Target)	1.25	(0 pt)	3-yr WATC Bond	5.13	(↓11 pt)	UK 10-yr	5.40	(↑2 pt)	CSI300	4358	(↓82 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	5.75	(↓1 pt)	Ger 10-yr	3.51	(↓9 pt)	Stoxx600	627	(↓10 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets

Interest Rates

The RBA Monetary Policy Board unanimously increased the cash rate by 25 basis points to 4.60%, its highest level since October 2011. The hawkish media statement reinforced the RBA's focus on returning inflation to target within a reasonable timeframe, with the Board indicating it would raise rates further if needed.

At the press conference, Governor Michele Bullock said that she hoped that the monetary policy tightening so far is enough to bring inflation down to its goal over time, but cannot rule out monetary policy tightening completely and will follow the data closely.

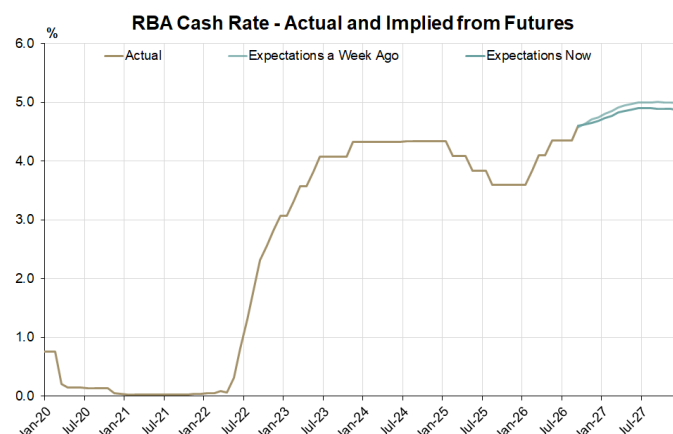
The less hawkish tone of the press conference led to a modest decline in expectations for future tightening. The downside surprise to CPI inflation figures on Wednesday added to this decline. Currently, the probability of a cash rate hike in November implied from futures is around 20%, and such a move is not fully priced in until May 2027.

Government bond yields were mixed this week, with US and British 10-year yields picking up further, while yields in Europe and Australia saw declines.

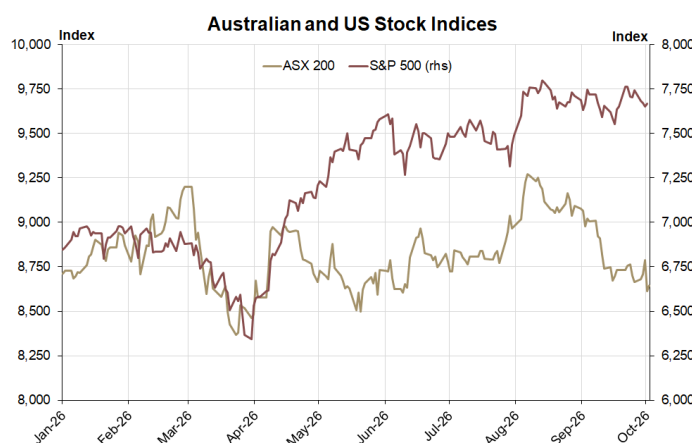
Equities

The ascent in US Treasury yields is not helping equities, which saw an almost uninterrupted streak of declines this week. The S&P 500 declined by 0.5%, despite solid US data releases, the downside surprise to PCE price inflation targeted by the Fed and some soothing Fed speak.

At home, the ASX 200 is marginally lower over the week, led by declines in financials and materials as global commodity prices fell. Consumer discretionary stocks made the largest positive contribution, supported by easing concerns about further RBA tightening, followed by information technology.



Source: Bloomberg



Source: Bloomberg

Currencies

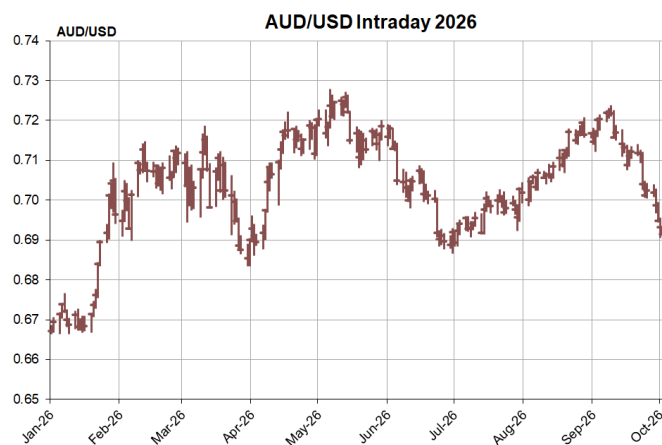
The Australian dollar has been among the weakest G10 currencies over the past week, outperforming only the Swedish krona and New Zealand dollar.

A stronger greenback and weaker Australian dollar have left the AUD/USD exchange rate on track for a fourth consecutive weekly decline.

The AUD/USD has fallen to a three-month low, with the Australian dollar weighed down by deteriorating risk appetite, lower commodity prices and reduced expectations for further RBA tightening.

Meanwhile, the US dollar index, which measures the dollar against a basket of major currencies, has risen to its highest level since April 2025.

The euro was the weakest of the four major currencies amid rising concerns over French government finances.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6918	0.7039	0.6904	↓1.3	0.7278	0.6421
AUD/EUR		0.6158	0.6188	0.6122	↓0.1	0.6220	0.4796
AUD/GBP		0.5247	0.5309	0.5231	↓1.1	0.5394	0.4796
AUD/JPY		109.41	110.89	108.71	↓1.5	114.96	96.26
AUD/CNY		4.6531	4.7236	4.6504	↓1.1	4.9567	4.5602
EUR/USD		1.1235	1.1395	1.1215	↓1.2	1.2081	1.1215
GBP/USD		1.3186	1.3311	1.3181	↓0.2	1.3868	1.3010
USD/JPY		158.16	158.45	156.38	↓0.2	163.99	146.60
USD/CNY		6.7060	6.7190	6.6993	↓0.1	7.1431	6.6951
Forward Rates		Spot	3M	6M	12M		
AUD/USD		0.6918	0.6909	0.6902	0.6893		
AUD/EUR		0.6158	0.6125	0.6095	0.6038		
AUD/GBP		0.5247	0.5237	0.5231	0.5223		
AUD/JPY		109.41	108.45	107.55	105.80		
AUD/NZD		1.2368	1.2317	1.2273	1.2206		
AUD/SGD		0.8865	0.8798	0.8731	0.8598		

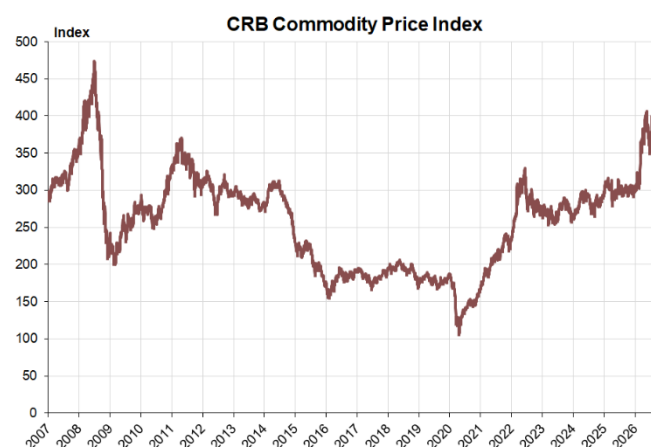
Commodities

Commodity prices fell broadly as the US dollar strengthened, pushing the CRB commodity price index to a one-month low before it edged higher over the past two days. The index nevertheless remains near its highest level since 2008.

Oil prices remained in focus, although some volatility reflected the expiry of November futures contracts for Brent crude and the US benchmark, WTI.

Reports that oil flows through the Strait of Hormuz have recovered towards pre-war levels have been offset by the continuing risk of an escalation in the Middle East conflict, underscored by reports that Washington is considering deploying additional forces to the region.

Iron ore futures have fallen to two-year lows. Despite the decline, stronger global steel demand prompted a major global bank to raise its long-term iron ore price forecast.



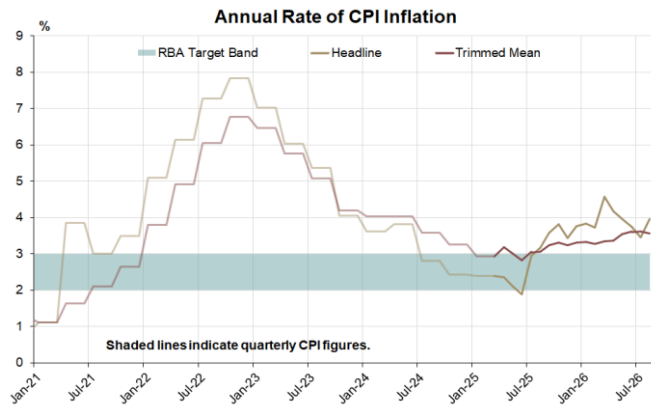
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,143.73	\$4,275.23	\$4,111.01	(↓\$141.63)	\$5,595.47	\$3,819.56
Brent Crude Oil (US\$)	\$102.49	\$108.83	\$96.55	(↓\$3.3)	\$126.41	\$58.72
Mogas95* (US\$)	\$133.79	\$148.67	\$129.45	(↓\$0.22)	\$150.55	\$68.52
WTI Oil (US\$)	\$92.85	\$96.54	\$88.58	(↓\$0.25)	\$119.48	\$54.98
CRB Index	412.02	418.54	409.45	(↓11.3)	429.15	291.69
Iron Ore Price 61% Fe (US\$) **	\$91.55	\$95.50	\$91.50	(↓\$3.65)	\$111.90	\$91.50

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

** The Iron Ore Price is the SGX 61% Fe iron ore futures 2nd contract.

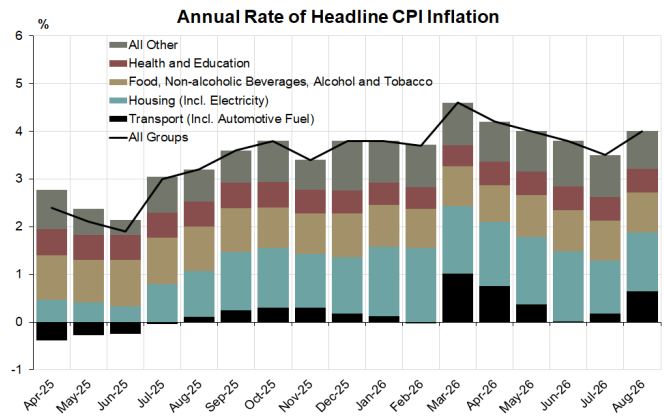
Domestic Economy

Headline **CPI inflation** rose back in August, while trimmed mean inflation held steady above the goal.



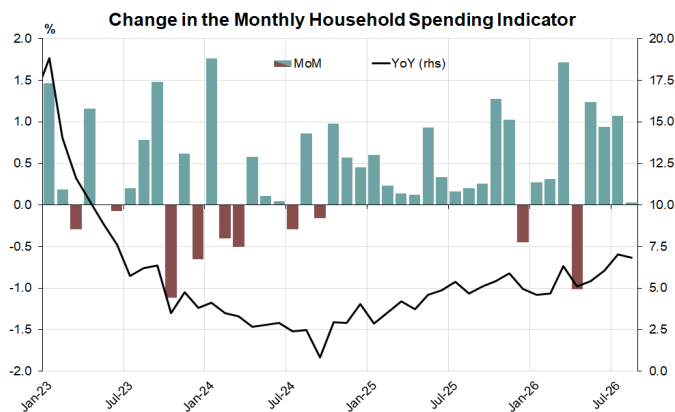
Source: ABS

The rise in headline inflation was driven almost exclusively by the recent pick-up in **petrol prices**.



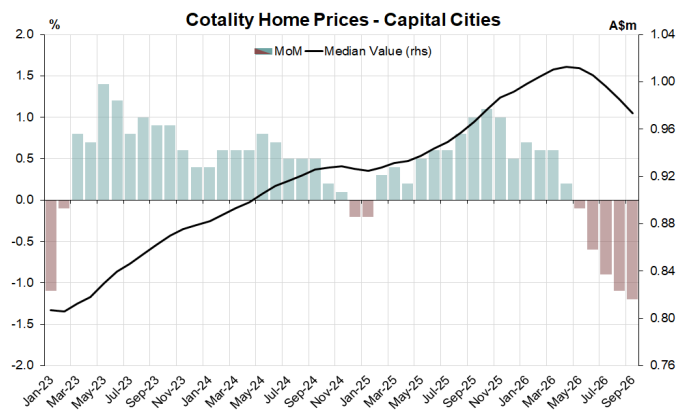
Source: ABS

The cost-of-living pressures are eating into **household spending** growth, which came to a halt in August.



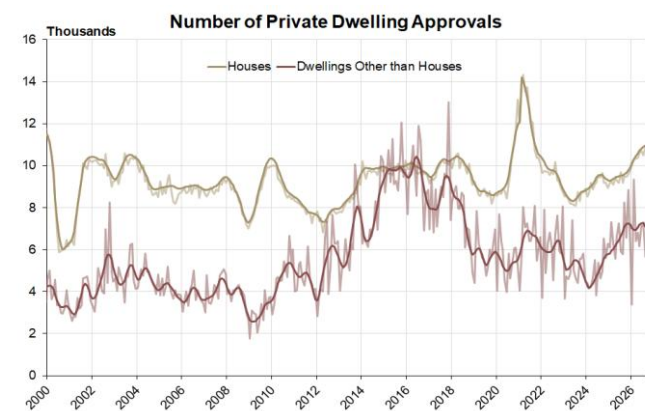
Source: ABS

Monetary policy tightening and tax changes have led to a correction in the **housing market**.



Source: Cotality

The **housing supply** is improving steadily, but remains insufficient for the growing population.



Source: ABS

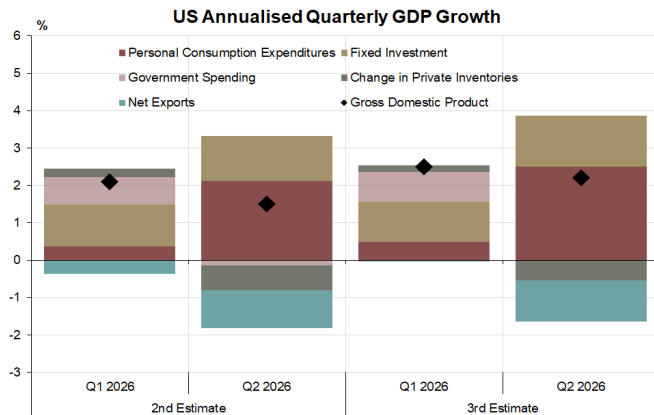
The increased demand for data centre equipment is driving imports higher, reducing the **trade surplus**.



Source: ABS

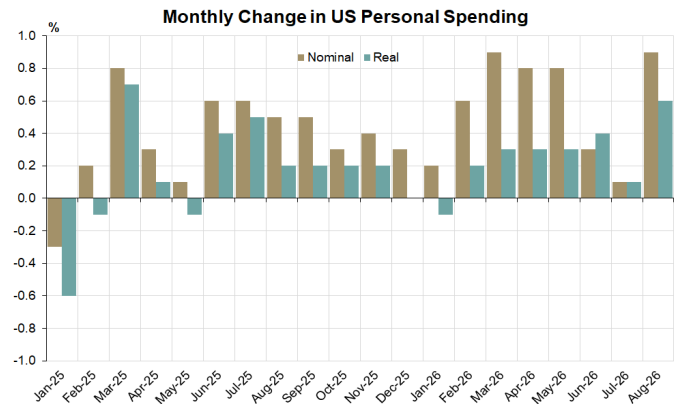
Global Economy

US GDP growth was revised upwards for Q1 and Q2, reflecting stronger consumption and investment.



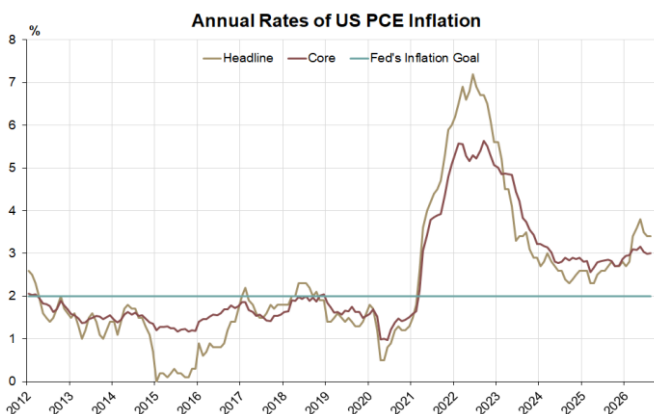
Source: Bloomberg

The strength of **US personal spending** continued into Q3 2026.



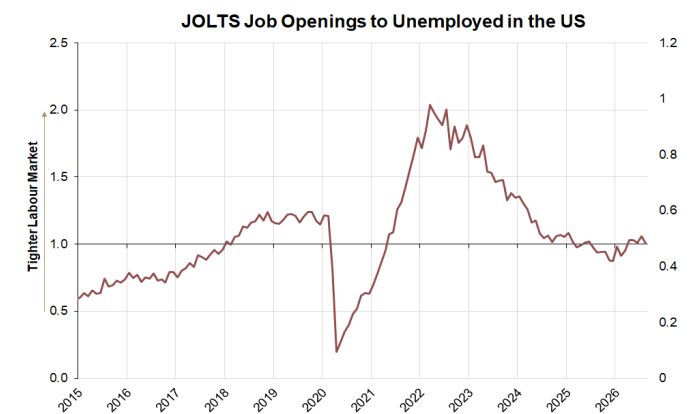
Source: Bloomberg

Meanwhile, **US PCE inflation rates**, while lower than earlier in 2026, remain stubbornly above the 2% goal.



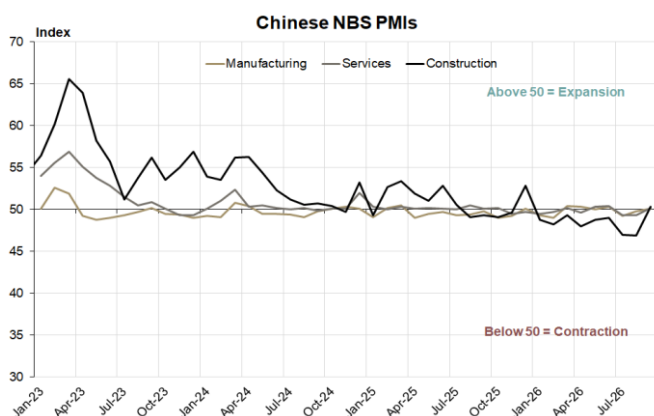
Source: Bloomberg

US JOLTS job openings data suggest that labour market conditions are balanced, not adding to inflation.



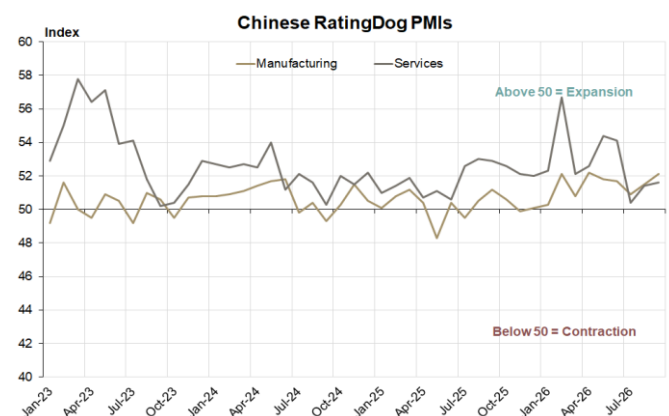
Source: Bloomberg

In China, **NBS PMIs** point to renewed and broad-based, albeit very modest, expansion...



Source: Bloomberg

... while their **RatingDog** equivalents remain more optimistic, pointing to faster expansion.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 28					
	No market moving data				
Tue 29					
AU	RBA Decision (Cash Rate Target)	4.60%	4.60%	4.35%	The post-meeting statement sounded hawkish...
AU	RBA Governor M. Bullock Speaks	-	-	-	... but the post-meeting press conference less so.
AU	Household Spending (MoM, Aug)	0.0%	0.4%	1.1%	The weakness driven by demand-dependent factors.
AU	ANZ Cons. Conf. (w/e 26 Sep)	70.5	-	72.0	A fall ahead of the RBA decision.
US	JOLTS Job Openings (Aug)	7.1m	7.2m	7.3m	Marginally above the number of officially unemployed.
US	CB Consumer Confidence (Sep)	81.9	89.0	88.6	The lowest level since 2014.
US	C-S Hse Pce 20 Cities (MoM, Jul)	0.3%	0.2%	0.3%	Up 2.5% YoY.
Wed 30					
AU	CPI (YoY, Aug)	4.0%	4.1%	3.5%	Annual trimmed mean remained at 3.6%.
AU	Dwelling Approvals (MoM, Aug)	-6.1%	-1.0%	-1.9%	Private sector house approvals rose by 3.7% in August.
AU	Private Sector Credit (MoM, Aug)	0.6%	0.5%	0.6%	Housing credit growth slowed, especially for investors.
CH	NBS Composite PMI (Sep)	50.7	-	49.5	All sectors, including construction, back in expansion.
CH	Caixin Composite PMI (Sep)	52.4	-	52.1	Improvement in orders, output and employment.
US	ADP Employment (MoM, Sep)	90k	75k	36k	Half of the increase came from education and health.
US	Personal Spending (MoM, Aug)	0.9%	0.9%	0.1%	Real personal spending rose by a solid 0.6% in Aug.
US	PCE Price Index (MoM, Aug)	0.3%	0.3%	0.1%	Significant downward revisions for previous months.
US	GDP (QoQ annualised, Q2, final)	2.2%	1.5%	1.5%	Q1 growth was also revised upwards, to 2.5%.
Thu 01					
AU	Cotality Home Prices (MoM, Sep)	-1.2%	-	-1.1%	Perth home prices down by 1.2% in September.
AU	Goods Trade Balance (Aug)	A\$0.5b	A\$2.0b	A\$1.4b	Dragged down by higher ADP equipment imports.
AU	Job Vacancies (QoQ, Q3)	-0.9%	-	-2.2%	Point to easing labour market conditions.
US	ISM Manufacturing PMI (Sep)	54.5	55.0	54.6	Prices paid growth reaccelerated and is very steep.
US	Initial Jobless Claims (w/e 26 Sep)	197k	200k	198k	Continued claims fell towards 1.7m in w/e 19 Sep.
Tonight					
EZ	HICP (YoY, Sep, flash)	-	3.7%	3.2%	Figures for Germany and France surprised to the upside.
US	Non-farm Payrolls (MoM, Sep)	-	104k	162k	The solid broad-based gain in August unlikely to repeat.
US	Unemployment Rate (Sep)	-	4.2%	4.1%	FOMC not worried about US labour market conditions.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 05				
AU	MI Inflation Gauge (YoY, Sep)	-	4.8%	Could be pushed further up by the rise in petrol prices.
US	ISM Services PMI (Sep)	55.2	55.4	S&P Global PMIs pointed to further acceleration.
Tue 06				
AU	Westpac Consumer Conf. (MoM, Oct)	-	-5.2%	Weekly confidence figures pointed to a further decline.
AU	ANZ Job Ads (MoM, Sep)	-	2.5%	Remain very high by historical standards.
Wed 07				
US	FOMC Minutes	-	-	Insights into the first rate hike decision in three years.
US	NY Fed 1Y Inflation Expectations (Sep)	3.6%	3.6%	Key inflation expectations report followed by the FOMC.
Thu 08				
AU	MI Cons. Inflation Expectations (Oct)	-	4.9%	RBA is keeping a close eye on inflation expectations.
Fri 09				
US	UMich Consumer Sentiment (Oct, prel.)	48.0	48.1	US consumer confidence is very bleak.