

**Highlights this week**

- At home, real GDP growth unexpectedly slowed in Q3, dragged down by a deceleration in private consumption growth after a spike due to EoFY sales in the previous quarter, but this was followed by renewed strength in household spending in October. Dwelling approvals declined in October, and the Cotality home price index picked up again in November. The current account deficit widened slightly in Q3, while the goods trade surplus increased in October.
- Offshore, the US ISM PMIs pointed to further contraction in manufacturing and slightly faster expansion in services. US ADP employment fell the most since early 2023. The Chinese PMIs for November were again mixed but generally disappointed.

**Highlights next week**

- The highlights next week will be the RBA monetary policy decision on Tuesday (with no changes expected), the results of the November labour force survey on Thursday. and the NAB business survey for November on Tuesday.
- The key event offshore will be the FOMC decision on Wednesday, with another cut widely expected. The Bank of Canada is also scheduled to announce its rate decision, but it is expected to leave rates unchanged. Chinese inflation data for November will be released on Wednesday morning.

Central Bank Rates (%)			Australian Interest Rates (%)			Major Overseas Interest Rates (%)			Global Equities		Weekly Change
		Weekly Change			Weekly Change			Weekly Change			
Australia	3.60	(0 pt)	O/N Interbank Cash	3.60	(0 pt)	USD 3-month	4.85	(0 pt)	ASX200	8609	(↓12 pt)
US (IOR)	3.90	(0 pt)	90-day Bills	3.68	(↑2 pt)	2-yr T-Notes	3.52	(↑3 pt)	S&P500	6857	(↑45 pt)
Eurozone (Deposit)	2.00	(0 pt)	3-yr T-Bond	4.03	(↑13 pt)	10-yr T-Notes	4.10	(↑9 pt)	DJIA	47851	(↑424 pt)
UK	4.00	(0 pt)	10-yr T-Bond	4.69	(↑16 pt)	Jap 10-yr	1.94	(↑12 pt)	Nikkei	51028	(↑884 pt)
Japan (Target)	0.50	(0 pt)	3-yr WATC Bond	4.14	(↑11 pt)	UK 10-yr	4.44	(↓2 pt)	CSI300	4547	(↑32 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	5.14	(↑13 pt)	Ger 10-yr	2.77	(↑9 pt)	Stoxx600	579	(↑4 pt)

Changes are since the previous issue of Market Watch Weekly.

**Financial Markets****Interest Rates**

Government bond yields are up across the advanced economies, with the notable exception of the UK.

Australia saw a particularly steep increase, which reflects a radical reassessment of the RBA monetary policy outlook. Expectations of cash rate cuts were replaced by anticipated monetary policy tightening, with a 25bps cash rate cut fully now priced in for 2026. Some traders are betting that a rate hike could come as early as February.

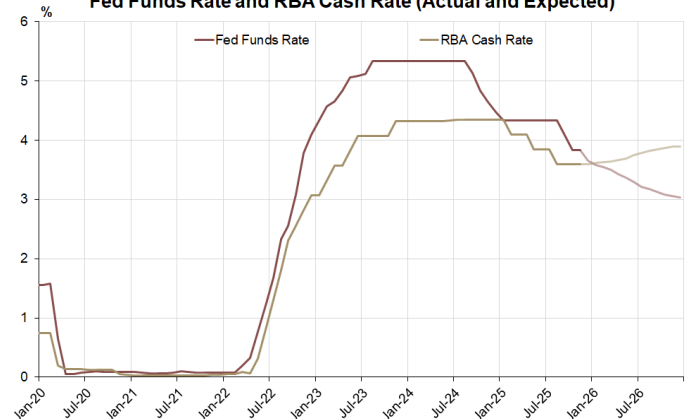
While the reassessment was initially ignited by hawkish inflation and labour market data for October, it gathered steam this week following RBA Governor Michele Bullock's appearance before the Senate Economics Legislation Committee this week. Most notably, she declared the battle with inflation as 'not done yet' and acknowledged that persistent inflation would have 'consequences for the future path of monetary policy'.

The RBA is not expected to change rates next week, but the language of the post-meeting communication will undoubtedly be quite hawkish. Conversely, the FOMC is widely expected to cut the fed funds rate by 25bps next week, but market participants will pay close attention to forward guidance, including the updated 'dot-plot'.

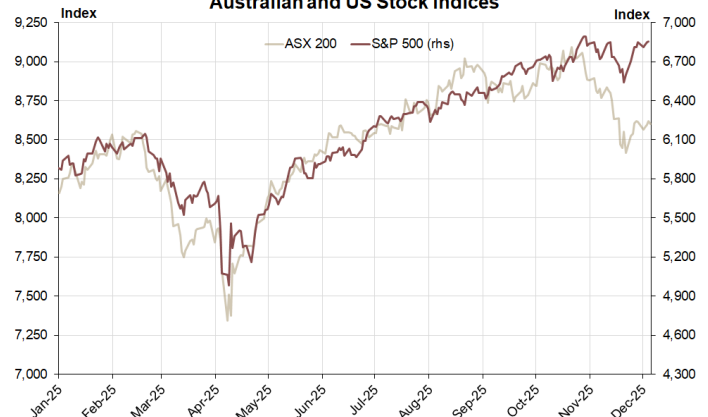
**Equities**

It was a good week for equities, despite a weak start on Monday night. The market optimism was supported by expectations for another fed funds rate cut next week, especially since the US labour market data released this week was predominantly weak (with a notable exception of initial jobless claims affected by the Thanksgiving Day holiday).

The ASX 200 again underperformed, to be slightly down for the week at the time of writing. It was affected by establishing cash rate hike expectations for 2026. Declines were recorded for most industries, except for energy and materials, despite another set of disappointing PMIs from Australia's main trading partner, China.

**Fed Funds Rate and RBA Cash Rate (Actual and Expected)**

Source: Bloomberg

**Australian and US Stock Indices**

Source: Bloomberg

## Currencies

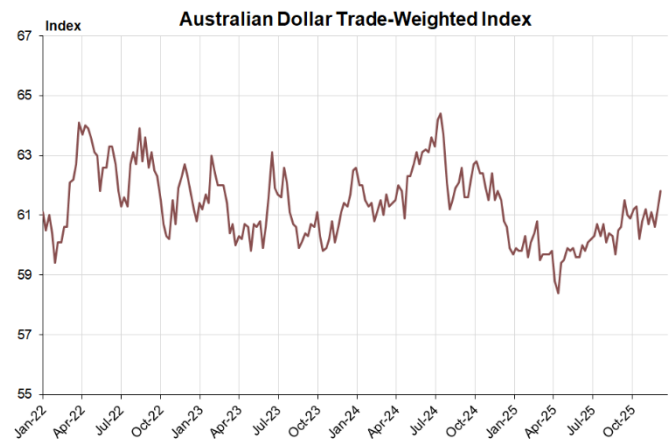
Strong domestic economic data and its implications for monetary policy drove the Australian dollar higher again this week. Traders continue to price in RBA interest rate increases in 2026 ahead of what is likely to be hawkish messaging from the RBA following the Monetary Policy Board meeting next week.

On the other hand, the greenback continues to slide, with the US dollar index slipping to a five-week low ahead of an expected interest rate cut from the Fed next week.

The relative movements have pushed AUD/USD to its highest level since early October.

The Aussie has gained against all G10 currencies, while the greenback has been the weakest member of the basket.

The trade-weighted index – which values the Aussie against a basket of currencies based on their share of trade with Australia – has risen to its highest level in over a year.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6611	0.6624	0.6531	↑1.1	0.6707	0.5915
AUD/EUR		0.5676	0.5680	0.5630	↑0.6	0.6121	0.4620
AUD/GBP		0.4961	0.4977	0.4937	↑0.4	0.5104	0.4620
AUD/JPY		102.50	102.85	101.51	↑0.3	102.85	86.05
AUD/CNY		4.6784	4.6847	4.6142	↑1.1	4.7637	4.3523
EUR/USD		1.1645	1.1682	1.1590	↑0.5	1.1919	1.0141
GBP/USD		1.3326	1.3385	1.3180	↑0.7	1.3789	1.2100
USD/JPY		155.06	156.24	154.51	↓0.8	158.87	139.89
USD/CNY		7.0719	7.0833	7.0617	↓0.1	7.3511	7.0617

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6611	0.6613	0.6610	0.6589
AUD/EUR		0.5676	0.5652	0.5626	0.5568
AUD/GBP		0.4961	0.4963	0.4961	0.4949
AUD/JPY		102.50	101.67	100.84	99.21
AUD/NZD		1.1475	1.1437	1.1395	1.1309
AUD/SGD		0.8569	0.8516	0.8462	0.8353

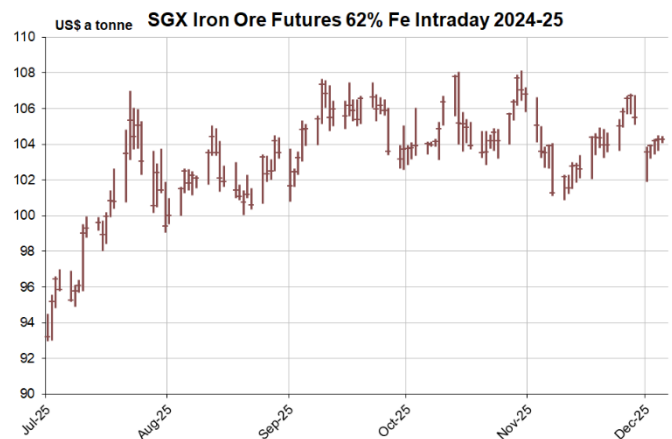
## Commodities

Iron ore futures opened sharply lower on Monday, following the weekend release of soft Chinese PMI data, including the fourth consecutive month of contraction in the construction index. Prices have since drifted higher again but are still around 1.5% lower for the week.

Oil prices remained in a narrow range this week as traders continued to await news of progress on a proposed ceasefire between Russia and Ukraine.

Brent crude prices slipped to their lowest level for the week on Wednesday, before reports that negotiations have hit a snag pushed them slightly higher again over the past couple of days..

OPEC+ confirmed after their meeting last weekend, that they would keep oil output quotas steady in early 2026. The announcement came after a series of monthly increases since April added around 2.9 million barrels a day to global output, raising concerns that the market is oversupplied.



Source: Bloomberg

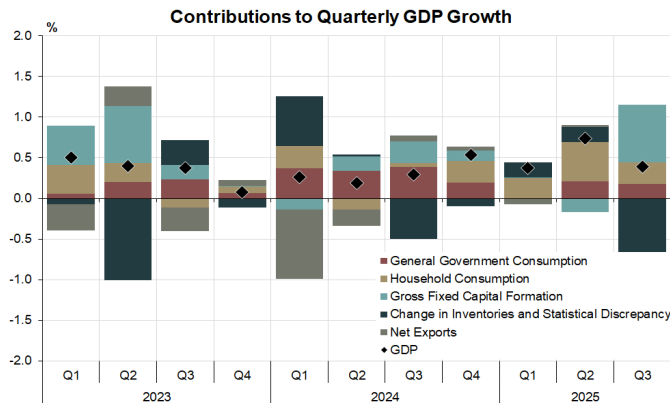
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,209.54	\$4,264.62	\$4,163.95	(↑\$21.08)	\$4,381.52	\$2,583.57
Brent Crude Oil (US\$)	\$63.26	\$63.82	\$62.17	(↓\$0.12)	\$82.63	\$58.40
Mogas95* (US\$)	\$76.71	\$78.24	\$74.83	(↓\$1.89)	\$95.91	\$67.57
WTI Oil (US\$)	\$59.69	\$60.02	\$58.28	(↑\$0.68)	\$80.77	\$55.12
CRB Index	303.92	303.92	300.87	(↑6.07)	316.63	279.79
Iron Ore Price 62% Fe (US\$) **	\$104.25	\$104.50	\$101.90	(↓\$1.65)	\$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.

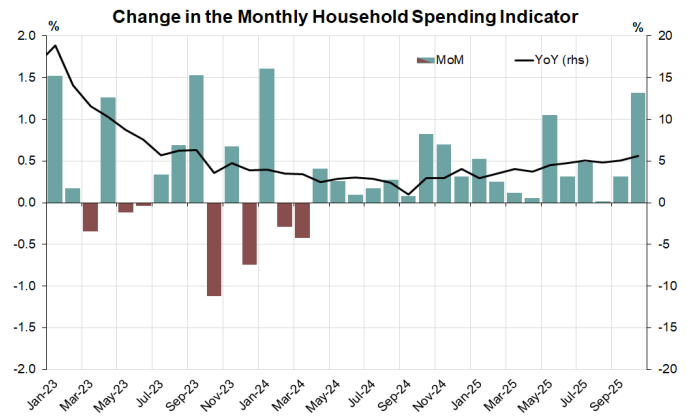
## Domestic Economy

**GDP growth** slowed in Q3, dragged down by a slower rise in private consumption after EOFY sales in Q2...



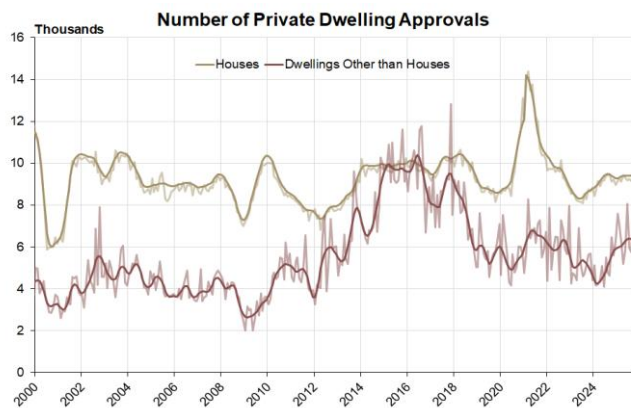
Source: ABS

... but **household spending** appears to have re-gathered strength in October.



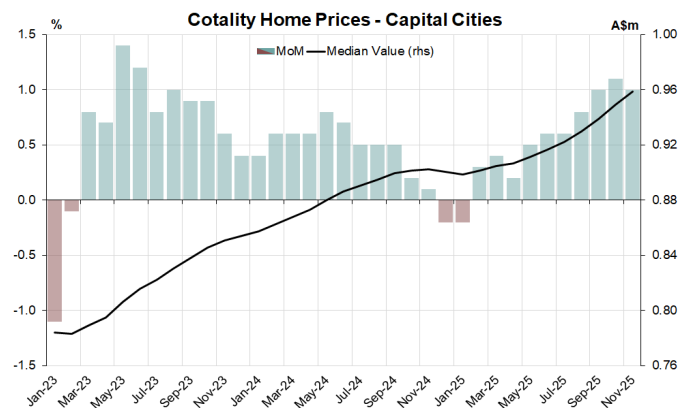
Source: ABS

**Trend dwelling approvals** appear to be steady at levels insufficient to close the housing supply gap.



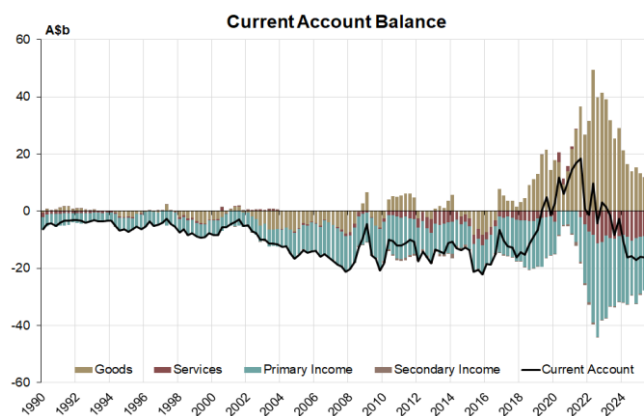
Source: ABS

According to Cotality, **home prices** continued to rise steeply in November.



Source: Bloomberg

**Current account deficit** remained around pre-COVID levels in Q3, with a further decline in trade surplus...



Source: ABS

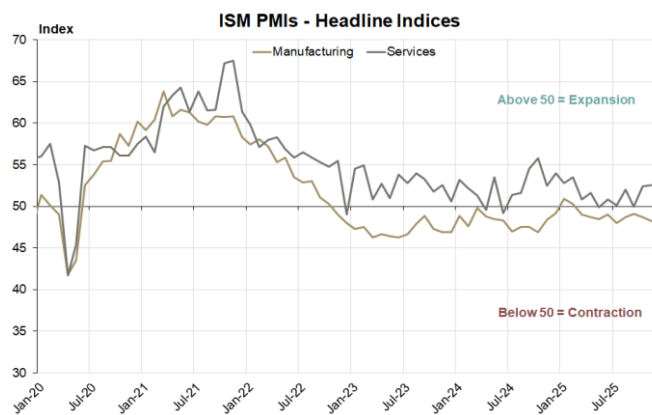
... but this was followed by a rise in the **goods trade surplus** in October.



Source: ABS

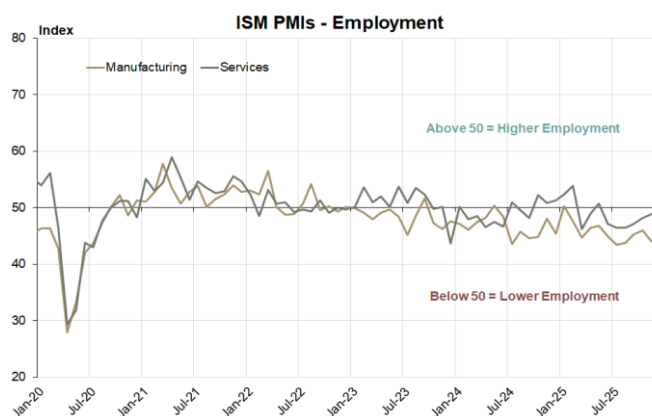
## Global Economy

The **US ISM PMI** reports pointed to a faster expansion in services and further contraction in manufacturing...



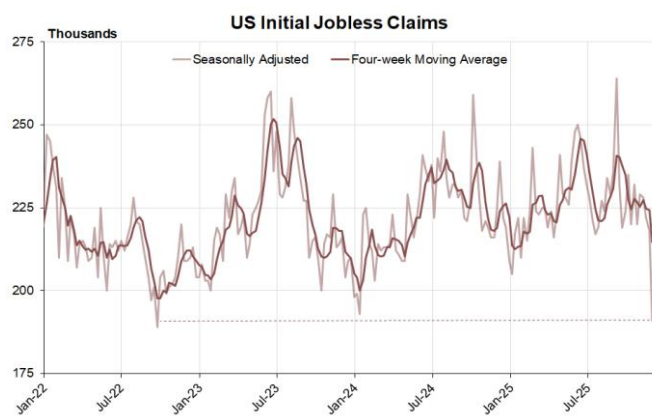
Source: Bloomberg

At the same time, contraction in **employment** continued in November, though it slowed somewhat in services.



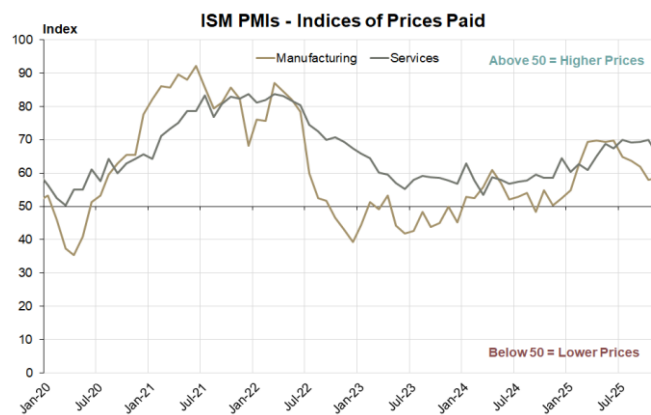
Source: Bloomberg

**US initial jobless claims**, in contrast, dropped last week, but this could be due to the Thanksgiving holiday.



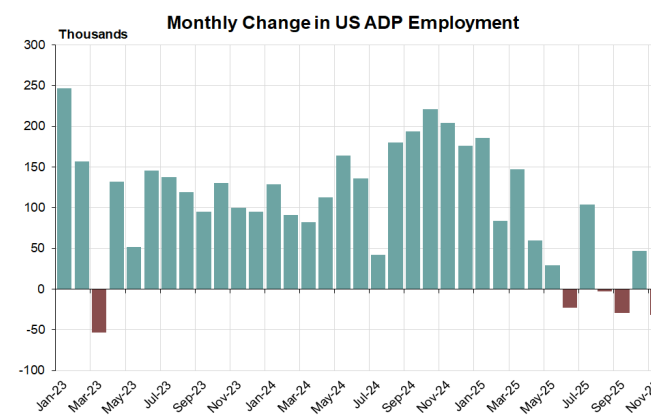
Source: Bloomberg

... with **price pressures** easing but remaining acute in both sectors.



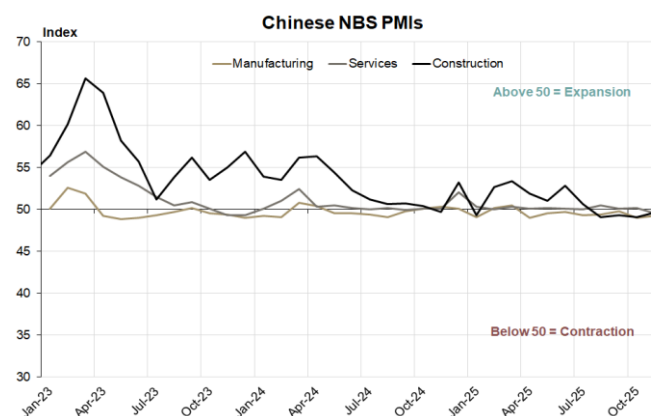
Source: Bloomberg

A separate **ADP report** pointed to the fastest decline in US private sector employment since early 2023.



Source: Bloomberg

Across the Pacific, the **Chinese NBS PMIs** suggested contraction in manufacturing, construction and services.



Source: Bloomberg

## Last Week

Date	Event	Actual	Forecast	Previous	Comment
<b>Mon 01</b>					
AU	Cotality Home Value (MoM, Nov)	1.0%	-	1.1%	Perth again saw the strongest gain of 2.4%.
AU	MI Inflation Gauge (MoM, Nov)	0.3%	-	0.3%	Annual rate up to 3.2%.
AU	ANZ Indeed Job Ads (MoM, Nov)	-0.8%	-	-1.9%	Remain the lowest since March 2021.
CH	RatingDog Manuf. PMI (Nov)	49.9	50.5	50.6	NBS manufacturing PMI up 0.2pts to 49.2.
US	ISM Manufacturing PMI (Nov)	48.2	49.0	48.7	Further decline in employment, prices rise faster.
<b>Tue 02</b>					
AU	Current Account Balance (Q3)	-\$16.6b	-\$13.0b	-\$16.2b	Trade surplus fell, net primary income deficit narrowed.
AU	Value of Dwellings (QoQ, Q3)	2.7%	-	1.8%	The number of residential dwellings up by 53.8k.
AU	Dwelling Approvals (MoM, Oct)	-6.4%	-4.5%	11.1%	Private sector house approvals down by 2.1%.
AU	ANZ Cons. Conf. (w/e 30 Nov)	85.5	-	87.1	Inflation expectations at a two-year high of 5.6%.
EZ	HICP (YoY, Nov)	2.2%	2.1%	2.1%	Core HICP inflation ex food and energy steady at 2.4%.
<b>Wed 03</b>					
AU	GDP (QoQ, Q3)	0.4%	0.7%	0.7%	Hit by slower consumption growth after EoFY sales in Q2.
CH	RatingDog Services PMI (Nov)	52.1	52.1	52.6	Meanwhile, NBS services PMI are down 0.7pts to 49.5.
US	ADP Employment (MoM, Nov)	-32k	10k	47k	Official jobs report will be released on 16 December.
US	ISM Services PMI (Nov)	52.6	52.0	52.4	Suggested slower, albeit still solid, price growth.
US	Industrial Production (MoM, Sep)	0.1%	0.1%	-0.3%	Manufacturing was flat in September.
<b>Thu 04</b>					
AU	Trade Balance (Oct)	A\$4.4b	A\$4.5b	A\$3.7b	Exports up by 3.4%, imports rose by 2.0%.
AU	Household Spending (MoM, Oct)	1.3%	0.6%	0.3%	A broad-based rebound.
US	Initial Jobless Claims (w/e 30 Nov)	191k	220k	218k	The lowest level since September 2022.
<b>Tonight</b>					
US	Personal Spending (MoM, Sep)	-	0.3%	0.6%	Another report delayed by US Government shutdown.
US	PCE Price Index (MoM, Sep)	-	0.3%	0.3%	Annual rate of PCE inflation to climb 0.1ppts to 2.8%.
US	UMich Cons. Sent. (Dec, prel.)	-	52.0	51.0	US consumers again turning sour.

## Next Week

Date	Event	Forecast	Previous	Comment
<b>Mon 08</b>				
	<i>No market moving data</i>			
<b>Tue 09</b>				
AU	RBA Decision (Cash Rate Target)	3.60%	3.60%	RBA looks done with cuts.
AU	NAB Business Conditions (Nov)	-	9	Employment conditions are underperforming.
AU	NAB Business Confidence (Nov)	-	6	Remain roughly around their long-run average.
<b>Wed 10</b>				
CH	CPI (YoY, Nov)	0.7%	0.2%	Price pressures in China are still very low.
CH	PPI (YoY, Nov)	-2.0%	-2.1%	Chinese producer price deflation lowering prices worldwide.
CA	Bank of Canada Decision (Policy Rate)	2.25%	2.25%	Bank of Canada also seems to have concluded easing.
US	FOMC Decision (IoER)	3.65%	3.90%	A 25bps cut nearly 100% priced in.
<b>Thu 11</b>				
AU	Employment (monthly change, Nov)	20.0k	42.2k	Aussie labour market roared again in October.
AU	Unemployment Rate (Nov)	4.4%	4.3%	RBA expects 4.4% to be the peak for this business cycle.
<b>Fri 12</b>				
UK	Monthly GDP (MoM, Oct)	-	-0.1%	Business reports point to a rebound.

There could be more US data releases rescheduled due to the Government shutdown.