Highlights this week

- In Australia, the CPI for October surprised to the upside, but we are likely close to the inflation peak. The S&P Global composite PMI suggested the fastest contraction in the Australian private sector since 2021. Data centre construction was the major driver of business investment in Q3, while residential building done hit a record high in chain volume terms.
- Abroad, US Q3 GDP growth was revised upwards and PCE price inflation remained well above the Fed target in October. The S&P Global flash PMIs for November showed ongoing expansion across the major advanced economies led by the US.

Highlights next week

- It will be a very busy week domestically, with Q3 GDP figures on Wednesday being the major release. It will be preceded by Q3 balance of payments, October dwelling approvals, November Cotality home value indices and a public appearance by RBA Governor Michele Bullock on Tuesday. October trade balance data on Thursday will conclude the Australian data calendar for next week.
- The highlights offshore will be US and Chinese PMI data, as well as US labour market figures.

Central Bank Rates (%)		Weekly Change	Australian Interest Rates (%)		Weekly Change	Major Overseas Interest Rates (%)		Weekly Change	Global Equities		Weekly Change
Australia	4.85	(0 pt)	O/N Interbank Cash	4.85	(0 pt)	USD 3-month	4.22	(↑3 pt)	ASX200	8836	(↑236 pt)
US (IOR)	3.90	(0 pt)	90-day Bills	4.93	(0 pt)	2-yr T-Notes	4.68	(↓6 pt)	S&P500	7183	(↑7 pt)
Eurozone (Deposit)	2.50	(0 pt)	3-yr T-Bond	4.50	(↓4 pt)	10-yr T-Notes	4.91	(↓12 pt)	DJIA	50183	(↑1086 pt)
UK	4.00	(0 pt)	10-yr T-Bond	4.84	(↓11 pt)	Jap 10-yr	2.64	(↓17 pt)	Nikkei	58562	(↑1318 pt)
Japan (Target)	1.25	(0 pt)	3-yr WATC Bond	4.76	(↓2 pt)	UK 10-yr	5.15	(↓17 pt)	CSI300	3910	(↓75 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	5.27	(↓10 pt)	Ger 10-yr	3.25	(↓15 pt)	Stoxx600	637	(↓1 pt)

Changes are since the previous issue of Market WATCh Weekly.

Financial Markets

Interest Rates

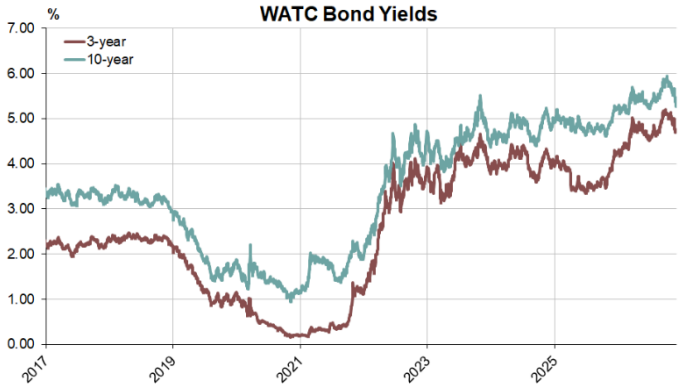
Bond yields continued to fall this week as risk-off sentiment prevailed amid AI-related volatility in equity markets.

Yields fell in the US and Australia despite further confirmation that inflation remains worryingly high in both countries.

However, monetary policy expectations continue to diverge, with weaker Australian employment data contrasting with signs of an improving US labour market.

The Fed is expected to raise the fed funds target range by 25bps to 3.75–4.0% at the December FOMC meeting, with a further 44bps of tightening priced in for 2027.

The RBA, which has raised rates by 125bps this year compared with the Fed's 25bps, is now expected to cut the cash rate in Q3 next year.



Source: Bloomberg

Equities

Technology and AI-related volatility remained the dominant theme in US equities early in the week. After closing last Friday at a seven-month low, the S&P 500 opened the week with its strongest gain since April 2025, before easing over the two sessions ahead of last night's Thanksgiving holiday.

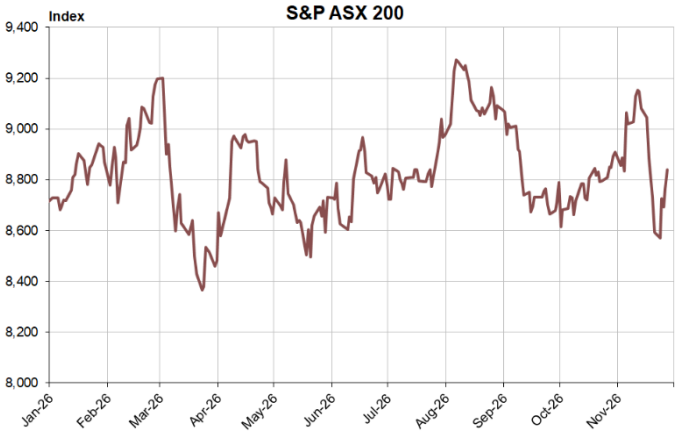
The outperformance of the blue-chip Dow Jones highlighted the rotation from AI-related stocks into more defensive sectors.

At home, the ASX 200 regained some of last week's 5.4% loss, rising 2.5% since last Friday's close, and appears on track for its best week since early August.

The market has risen over the past two days following a setback on Wednesday, despite an upside surprise in the October CPI that pointed to substantial domestic price pressures.

Most industry sectors have posted increases led by materials, energy and information technology.

Consumer staples and utilities were the only sectors to lose ground over the past week.



Source: Bloomberg

Market Watch Weekly

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Currencies

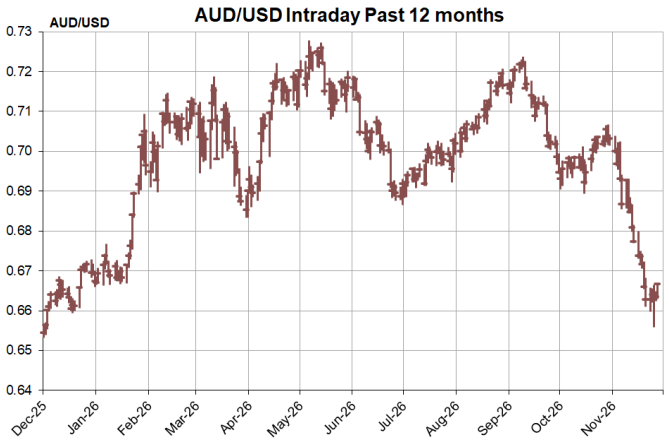
The Australian and US dollars have been the weakest performers among G10 currencies.

The AUD's decline was driven by a sharp rise in financial market volatility, falling metals and iron ore prices, and expectations that the RBA has finished raising rates despite persistently high inflation.

The AUD/USD fell to US$0.6559 during Wednesday's session, its lowest intraday level in almost a year, before rebounding as the US dollar weakened.

The trade-weighted index, which measures the AUD against a basket of currencies weighted by trade shares, also fell to its lowest level since December last year before recovering slightly.

The US dollar index closed near an eight-month high on Monday before retreating over the remainder of the week.



Source: Bloomberg

Spot Rates	Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD	0.6661	0.6669	0.6559	-	0.7278	0.6517
AUD/EUR	0.6071	0.6087	0.5997	↑0.1	0.6338	0.4922
AUD/GBP	0.5079	0.5092	0.5017	↓0.1	0.5394	0.4922
AUD/JPY	106.07	106.20	104.39	↓0.2	114.96	101.51
AUD/CNY	4.4384	4.4454	4.3768	↓0.6	4.9567	4.3768
EUR/USD	1.0972	1.1006	1.0881	↑0	1.2081	1.0881
GBP/USD	1.3116	1.3144	1.3011	↑0.2	1.3868	1.3011
USD/JPY	159.24	159.58	158.51	↓0.3	163.99	152.10
USD/CNY	6.6628	6.6780	6.6585	↓0.4	7.0837	6.6449

Forward Rates	Spot	3M	6M	12M
AUD/USD	0.6661	0.6652	0.6647	0.6649
AUD/EUR	0.6071	0.6039	0.6009	0.5962
AUD/GBP	0.5079	0.5071	0.5068	0.5073
AUD/JPY	106.07	105.12	104.21	102.61
AUD/NZD	1.2148	1.2094	1.2046	1.1980
AUD/SGD	0.8590	0.8527	0.8463	0.8344

Commodities

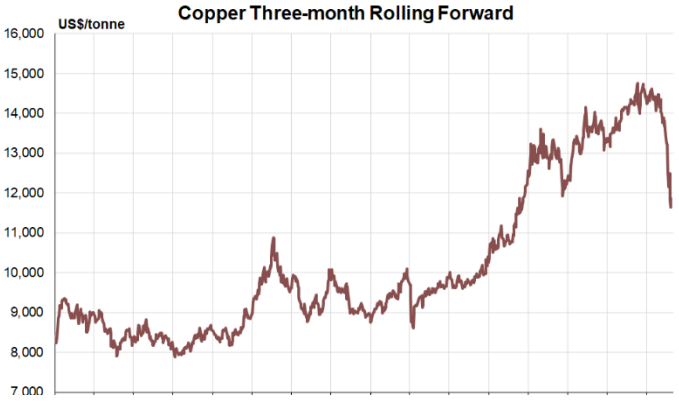
The ongoing conflict in the Middle East and disruptions to Russian petroleum infrastructure have kept upward pressure on oil prices this week.

Brent crude oil futures are trading at three-week highs and are on track for their first weekly gain in almost a month.

Gold remained under pressure despite a weaker US dollar and lower Treasury yields. Prices fell to a near 15-month low on Wednesday before recovering slightly.

Iron ore futures traded mostly below US$90 a tonne for a second consecutive week, as persistent concerns about the demand outlook weighed on prices.

Copper prices fell to an 11-month low on Wednesday, more than 20% below September's record high, as enthusiasm for AI waned. Prices recovered slightly overnight.



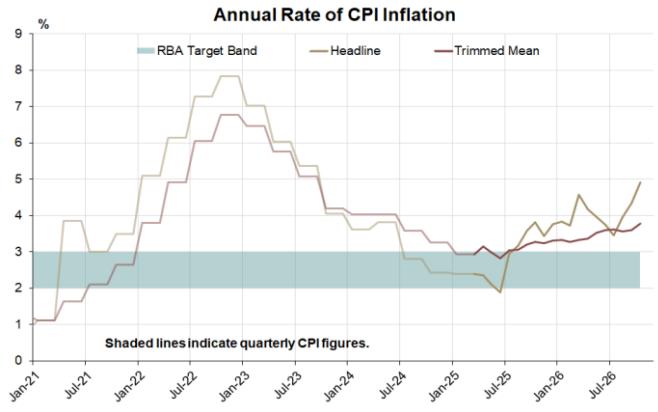
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US$)	$3,566.91	$3,689.64	$3,426.77	(↓$39.52)	$5,595.47	$3,426.77
Brent Crude Oil (US$)	$96.57	$96.70	$88.10	(↑$4.59)	$126.41	$58.72
Mogas95* (US$)	$94.00	$96.52	$89.90	(↓$3.41)	$150.55	$68.52
WTI Oil (US$)	$85.10	$85.60	$79.07	(↑$1.42)	$119.48	$54.98
CRB Index	368.50	371.57	366.47	(↓3.07)	429.15	291.69
Iron Ore Price 61% Fe (US$) **	$88.80	$90.50	$87.90	(↓$0.5)	$111.90	$86.90

*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.

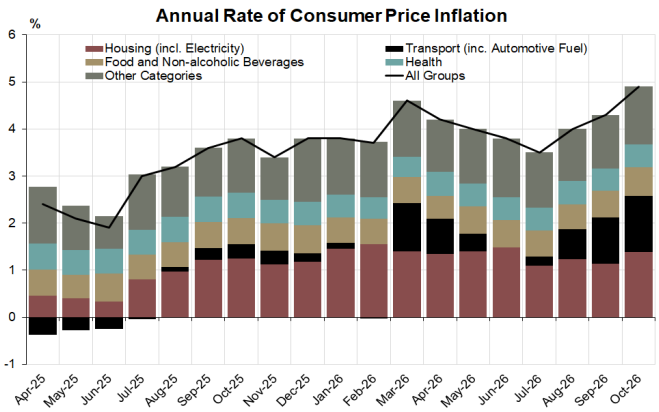
Domestic Economy

*Australian **annual inflation** accelerated in October, but this appears likely to be the peak.*



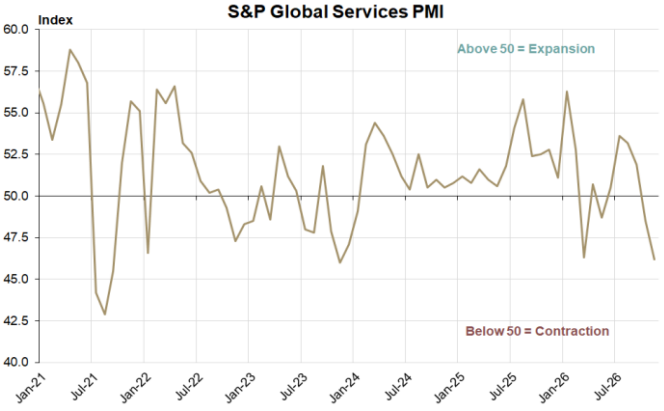
Source: ABS

*The housing and transport categories are responsible for about **half the CPI increase** over the past year.*



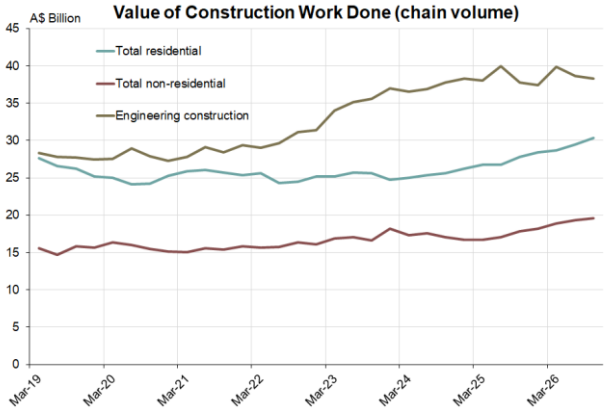
Source: ABS

*The **Aussie services PMI** for November suggests activity contracted at the fastest pace in over five years.*



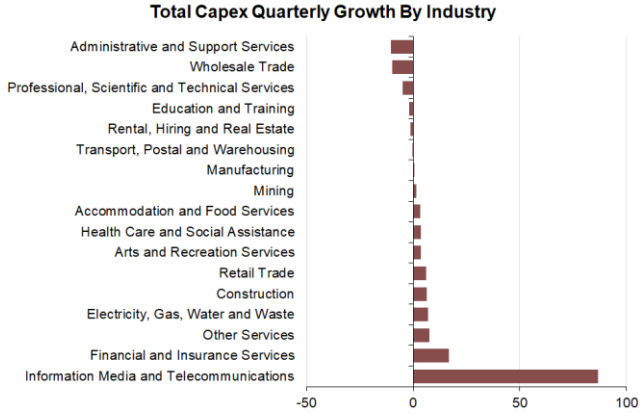
Source: ABS

***Residential and commercial building continued to rise** in Q3, while engineering construction eased.*



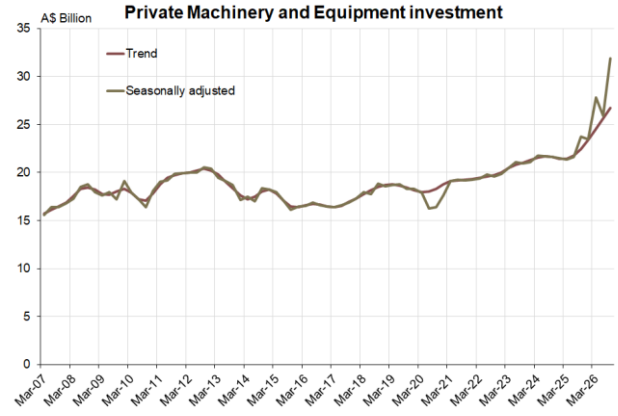
Source: ABS

*Data centre construction drove **the biggest rise in capital spending since Q3 2011…***



Source: ABS

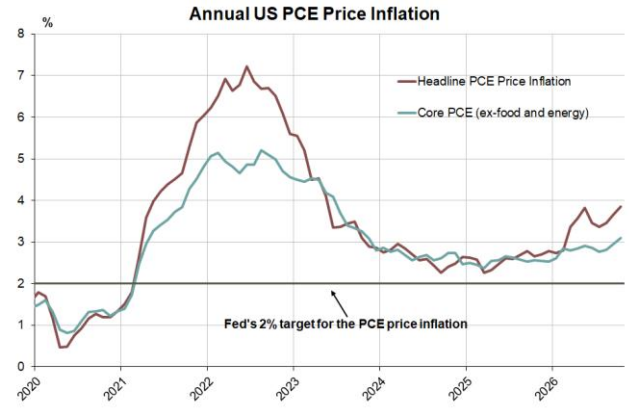
*...including a 23.1% rise in **equipment and machinery** investment.*



Source: ABS

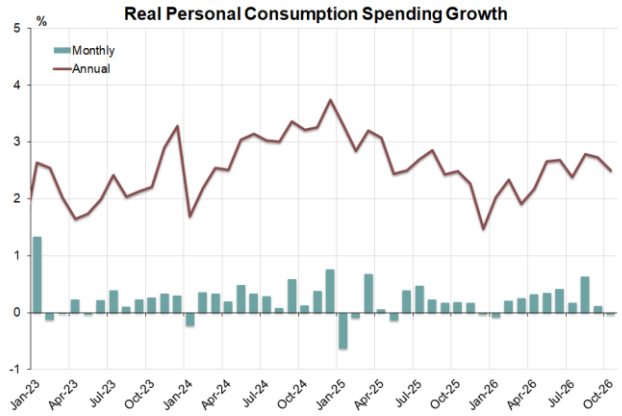
Global Economy

*US **PCE price inflation** equalled a more than three-year high in October.*



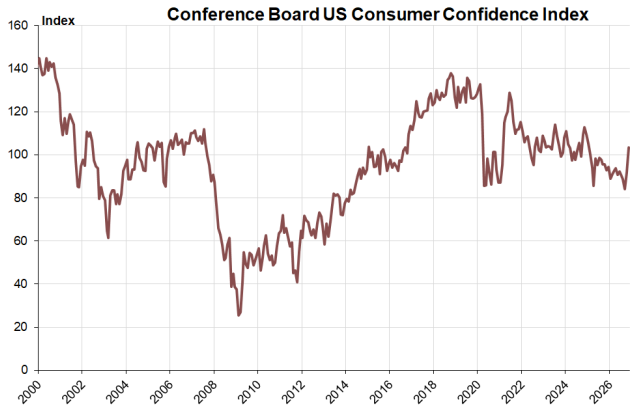
Source: Bloomberg

*US **real consumer spending growth** has slowed in the past two months as inflation has accelerated.*



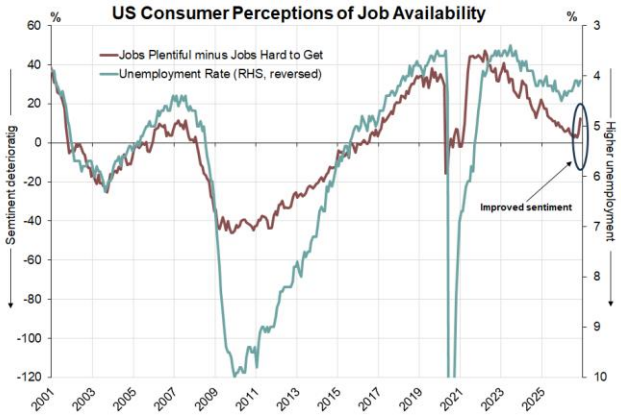
Source: Bloomberg

*US **consumer confidence** improved sharply in November…*



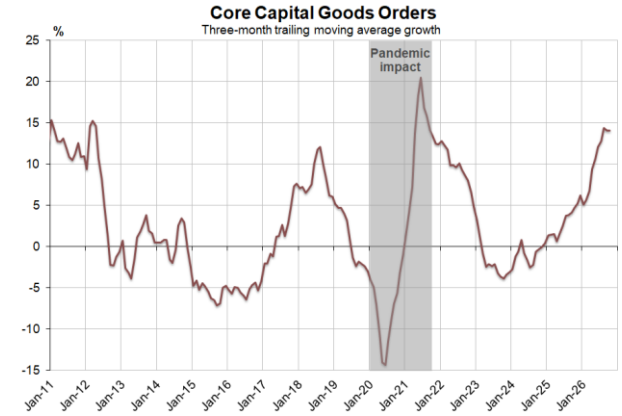
Source: Bloomberg

*…as US **consumer perceptions of job availability** improved.*



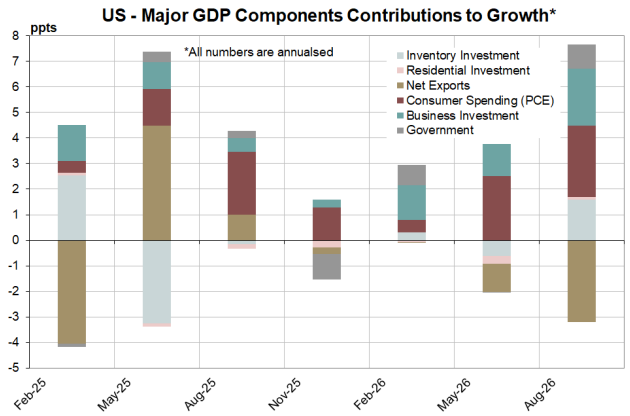
Source: Bloomberg

*US **core capital goods orders** continued to rise strongly in October.*



Source: Bloomberg

*Consumer spending and business investment were the major contributors to **strong US GDP growth** in Q3.*



Source: Bloomberg

Market Watch Weekly

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Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 23					
AU	S&P Global Composite PMI (Nov)	46.1	-	48.2	The fastest contraction in five years.
EZ	S&P Global Composite PMI (Nov)	51.7	52.0	51.7	Pace of expansion unchanged despite the protests.
UK	S&P Global Composite PMI (Nov)	52.3	52.8	52.9	Still a decent pace of expansion.
US	S&P Global Composite PMI (Nov)	54.6	55.6	55.9	The slowest growth in new orders since July.
Tue 24					
AU	ANZ Confidence (w/e 21 Nov)	66.7	-	66.6	Inflation expectations down by 0.2ppts to 5.7%.
JP	S&P Global Composite PMI (Nov)	51.5	-	52.1	Expansion in manufacturing solid and accelerating.
US	C-S Hse Pces 20 City (MoM, Sep)	0.1%	0.2%	0.2%	Up by 2.1% YoY.
US	CB Consumer Confidence (Nov)	103.3	92.2	91.9	The highest level since early 2024, helped by elections.
Wed 25					
AU	CPI (YoY, Oct)	4.9%	4.7%	4.3%	Annual trimmed mean inflation up by 0.2ppts to 3.8%.
AU	Constr. Work Done (QoQ, Q3)	0.9%	0.7%	-0.1%	The Q2 decline proved much smaller than estimated.
US	Personal Spending (MoM, Oct)	0.3%	0.4%	0.6%	Rise driven by inflation, with real spending growth flat.
US	PCE Price Index (MoM, Oct)	0.3%	0.3%	0.3%	Annual inflation rate equal to the highest rate since 2023.
US	GDP (QoQ ann., Q3, 2nd est.)	4.3%	3.5%	3.4%	Upgrade driven by consumer spending and business inv.
US	Durable Goods Orders (MoM, Oct)	0.2%	0.7%	2.0%	Core capital goods orders up a strong 1.2%.
US	Beige Book				Portrayed an economy under material cost pressures.
Thu 26					
AU	Private Sector Capex (QoQ, Q3)	12.2%	4.3%	-2.0%	Biggest rise since 2011 driven by data centres.
Fri 27	*No market-moving data.*				

Next Week

Date	Event	Forecast	Previous	Comment
Mon 30				
AU	Private Sector Credit (MoM, Oct)	0.5%	0.6%	Remains solid despite monetary policy tightening.
CH	NBS Composite PMI (Nov)	-	49.7	First insights into the Chinese economic activity in November.
Tue 01				
AU	Cotality Home Value Index (MoM, Nov)	-	-1.2%	Capital city home prices fell by 1.4% in October.
AU	Current Account Balance (Q3)	-A$25.0b	-A$27.2b	Was the widest on record in Q2.
AU	Dwelling Approvals (MoM, Oct)	-3.6%	5.1%	Private sector house approvals fell by 5.3% in September.
AU	RBA Governor Michele Bullock Speaks	-	-	Fireside chat at the ABE Annual Dinner.
CH	RatingDog Manufacturing PMI (Nov)	51.7	52.0	Its NBS equivalent remained in recession.
EZ	HICP (YoY, Nov, flash)	4.0%	4.0%	Core inflation stood at 2.6% in October.
US	ISM Manufacturing PMI (Nov)	55.0	55.5	S&P Global PMI suggested ongoing solid growth.
US	JOLTS Job Openings (Oct)	7.5m	7.5m	Remain above the number of officially unemployed.
Wed 02				
AU	GDP (QoQ, Q3)	0.5%	0.4%	Annual rate expected to remain steady at 2.1%.
US	ADP Employment (monthly change, Nov)	80k	86k	Failed to predict a rebound in jobs growth in October.
Thu 03				
AU	Goods Trade Balance (Oct)	A$1.5b	A$2.8b	Improved significantly in September.
CH	RatingDog Services PMI (Nov)	50.6	50.8	Its NBS equivalent pointed to stagnation.
US	ISM Services PMI (Nov)	54.5	54.5	S&P Global PMI suggests growth slowed but remained solid.
Fri 04				
US	Non-farm Payrolls (monthly change, Nov)	90k	165k	US jobs growth re-accelerated in October…
US	Unemployment Rate (Nov)	4.1%	4.1%	… while the unemployment rate was unchanged and low.