

Highlights this week

- In Australia, the Westpac Melbourne Institute consumer sentiment dropped again in October, as consumers were spooked by inflation news. Meanwhile, the Melbourne Institute inflation gauge rose to the upper bound of the 2-3% target range in September, while consumer inflation expectations picked up to a five-month high in October. ANZ-Indeed data revealed a fall in job ads in September.
- Overseas, the US government shutdown continued, while FOMC minutes confirmed that most participants remain concerned about upside risks to inflation, as they are also becoming more concerned about the employment outlook. The Reserve Bank of New Zealand delivered an outsized interest rate cut.

Highlights next week

- Economic data highlights in Australia will be the NAB business survey report for September and the RBA Monetary Policy Board meeting minutes on Tuesday, followed by the September labour force report on Thursday.
- Overseas, the Chinese trade balance for September is due on Monday, and the Chinese inflation reports for September will be released on Wednesday. Major US economic data for September are CPI on Wednesday, retail sales and the PPI on Thursday and industrial production on Friday. The US Government shutdown means these releases are in doubt.

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	8964 (↑2 pt)
US (IOR)	4.15 (0 pt)	90-day Bills	3.59 (0 pt)	2-yr T-Notes	3.59 (↑4 pt)	S&P500	6735 (↑20 pt)
Eurozone (Deposit)	2.00 (0 pt)	3-yr T-Bond	3.59 (↑5 pt)	10-yr T-Notes	4.14 (↑5 pt)	DJIA	46358 (↓161 pt)
UK	4.00 (0 pt)	10-yr T-Bond	4.38 (↑5 pt)	Jap 10-yr	1.70 (↑3 pt)	Nikkei	48192 (↑2530 pt)
Japan (Target)	0.50 (0 pt)	3-yr WATC Bond	3.72 (↑4 pt)	UK 10-yr	4.75 (↑4 pt)	CSI300	4668 (↑27 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	4.80 (↑2 pt)	Ger 10-yr	2.70 (0 pt)	Stoxx600	571 (↑4 pt)

Changes are since the previous issue of Market Watch Weekly.

Financial Markets

Interest Rates

Government bond yields are slightly higher this week, mainly due to slightly more hawkish language coming from the Fed.

FOMC minutes confirmed that the Fed has resumed the rate cutting cycle amid a shift of the balance of risks towards weaker labour market conditions. However, the FOMC members also 'generally' judged that upside risks to inflation remained elevated.

The RBNZ cut its official cash rate by 50bps to 2.50% this week, citing spare capacity in the economy that is expected to see inflation decline in the coming quarters.

At home, RBA Governor Michele Bullock testified before the Senate Economics Legislation Committee this morning, reiterating that the RBA is waiting for the quarterly inflation figures for confirmation if price growth was indeed stronger than expected in Q3 and characterising the labour market as 'close to balance', but still a bit 'tight'.

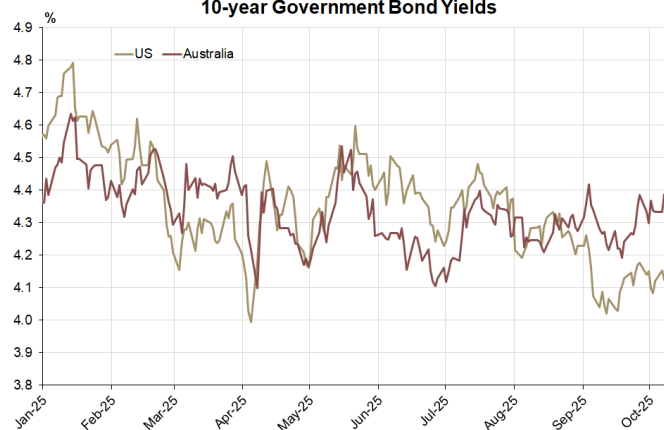
Equities

Equity markets fluctuated a bit this week, with no guidance from US official data releases due to the government shutdown, and news on the 'phase one' Gaza deal failing to spark market optimism. That said, all three major stock indices managed to reach record highs at least once since last week, with the S&P 500 and Nasdaq slightly up for the week.

The Japanese stock market was an outperformer this week, surging by 5.9%, thanks to a decline in Bank of Japan rate cut expectations and hopes for stimulatory policies from the Prime Minister in waiting Sanae Takaichi.

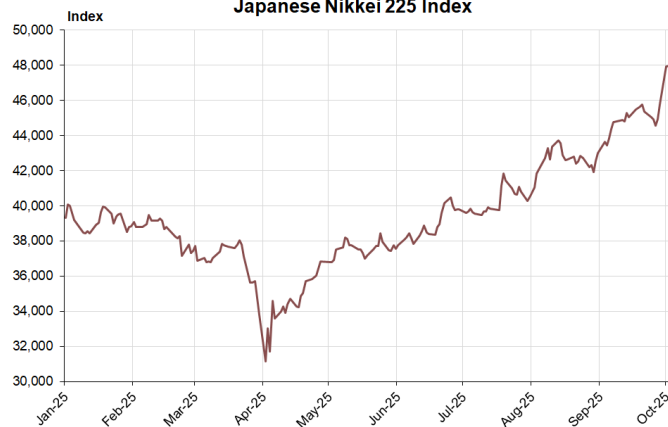
The Aussie share market rose by a modest 0.1% this week, as solid performances of materials, industrials and health were almost entirely offset by declines in other industries, led by consumer discretionary. Overall, the ASX 200 remains 0.5% below its record high from mid-August.

10-year Government Bond Yields



Source: Bloomberg

Japanese Nikkei 225 Index



Source: Bloomberg

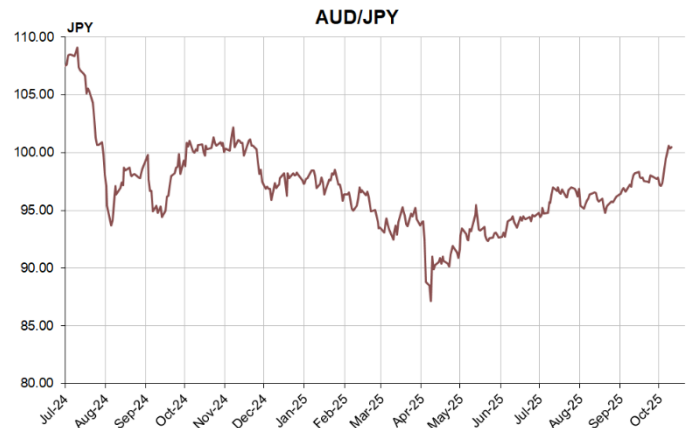
Currencies

The Australian dollar has been one of strongest members of the G10 currency basket this week, boosted by higher commodity prices and weakness among some other currencies. The AUD trade-weighted hit a fresh 2025 high.

However, the Aussie has slipped against the US dollar, which has been the strongest G10 currency, with the US dollar index rising to its highest levels in over two months.

The big dollar has benefitted from the sell-off in the Japanese yen after pro-stimulus candidate Sanae Takaichi won a leadership ballot for the Liberal Democratic Party, the senior member of the ruling coalition. The vote means that she is in the box seat to become Japan's prime minister and raised questions over the outlook for Bank of Japan interest rate hikes.

As a result, the yen has had its worst week in 12 months, sliding to its lowest level against the Aussie dollar since November 2024.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6570	0.6624	0.6540	↓0.4	0.6759	0.5915
AUD/EUR		0.5678	0.5691	0.5614	↑0.9	0.6261	0.4620
AUD/GBP		0.4937	0.4939	0.4891	↑0.5	0.5204	0.4620
AUD/JPY		100.47	100.95	97.58	↑3.2	102.41	86.05
AUD/CNY		4.6824	4.7183	4.6629	↓0.3	4.7867	4.3523
EUR/USD		1.1570	1.1731	1.1542	↓1.3	1.1919	1.0141
GBP/USD		1.3308	1.3490	1.3280	↓1	1.3789	1.2100
USD/JPY		152.92	153.27	149.05	↑3.6	158.87	139.89
USD/CNY		7.1269	7.1380	7.1169	↑0.1	7.3511	7.0622

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6570	0.6576	0.6579	0.6575
AUD/EUR		0.5678	0.5655	0.5632	0.5586
AUD/GBP		0.4937	0.4942	0.4946	0.4953
AUD/JPY		100.47	99.65	98.90	97.49
AUD/NZD		1.1418	1.1384	1.1348	1.1277
AUD/SGD		0.8531	0.8482	0.8434	0.8337

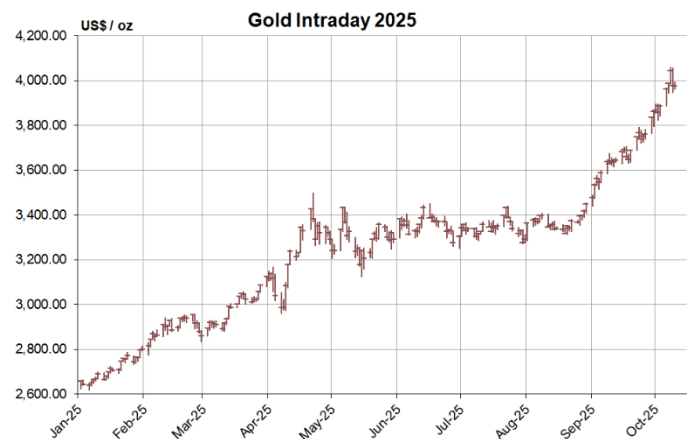
Commodities

Gold prices appear on track for the eighth weekly gain in a row, climbing above US\$4,000 an ounce for the first time, before edging back over the past couple of days.

Oil prices have picked up, with prices initially receiving a leg up from news that OPEC+ will increase production quotas by a less-than-expected 137k barrels per day (bpd) in November. This was well below the amount some traders were expecting, but takes the total planned increases since April to more than 2.7m bpd.

Prices posted a further gain midweek amid signs of improved demand for fuel in the US, but news of the ceasefire agreement in Gaza trimmed some of the earlier gains.

Iron ore futures were relatively steady over the first three days of the week amid thin trading volumes due to the ongoing Golden Week holiday in China. However, prices picked up on Thursday, as traders returned from their break.



Source: Bloomberg

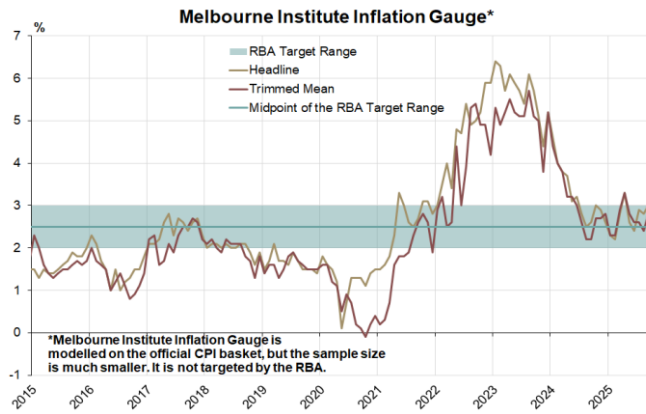
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,982.78	\$4,059.31	\$3,884.07	(↑\$132.82)	\$4,059.31	\$2,536.92
Brent Crude Oil (US\$)	\$65.27	\$66.58	\$64.53	(↑\$0.92)	\$82.63	\$58.40
Mogas95* (US\$)	\$77.24	\$78.05	\$74.36	(↑\$2.03)	\$95.91	\$67.57
WTI Oil (US\$)	\$61.59	\$62.92	\$60.72	(↑\$0.87)	\$80.77	\$55.12
CRB Index	299.33	302.12	299.33	(↑1)	316.63	277.71
Iron Ore Price 62% Fe (US\$) **	\$105.35	\$105.90	\$103.10	(↑\$1.9)	\$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.

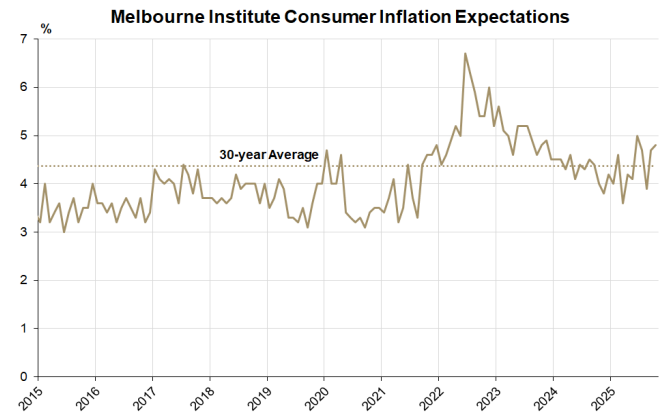
Domestic Economy

*The **Melbourne Institute inflation gauge** suggested a further acceleration in price growth in September...*



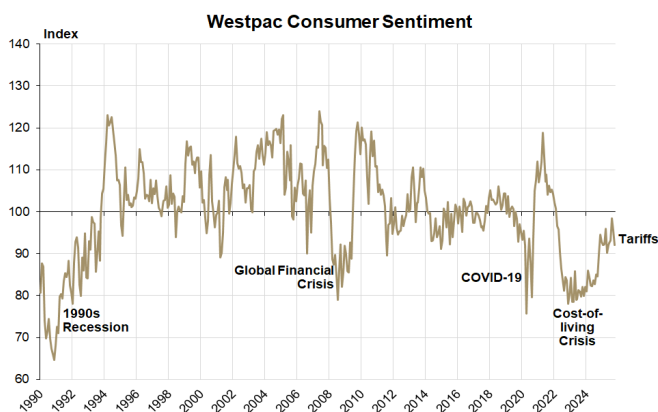
Source: Bloomberg

*... while **Melbourne Institute consumer inflation expectations** remain above their long-run average.*



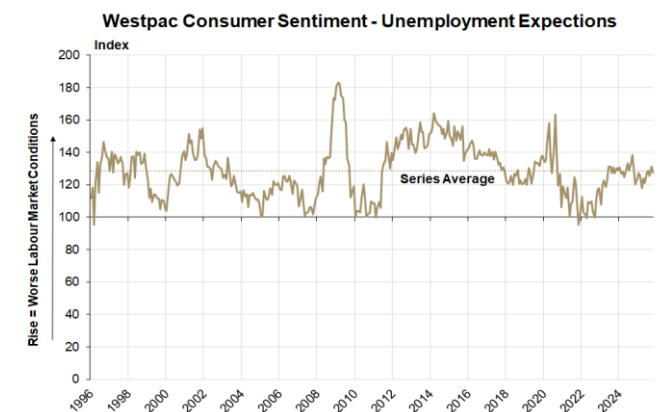
Source: Bloomberg

*Inflation concerns are putting a drag to **Westpac Melbourne Institute consumer sentiment**...*



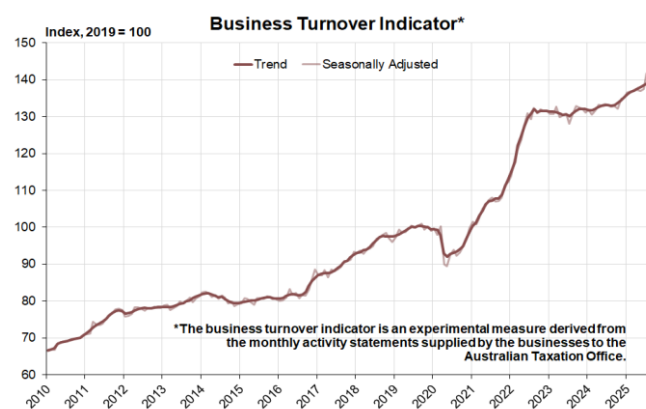
Source: Bloomberg

*... but households appear not to be too concerned about **labour market conditions**.*



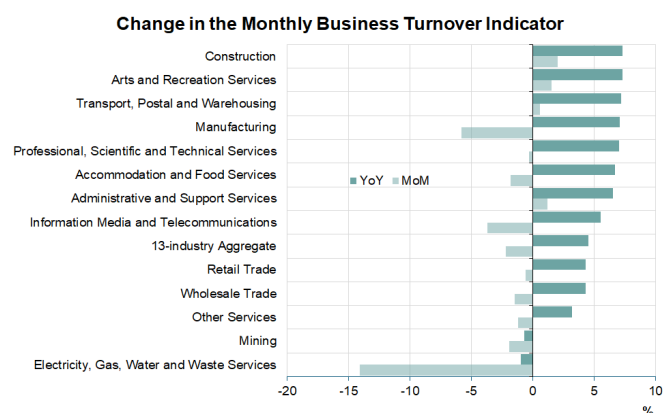
Source: Bloomberg

*The **business turnover indicator** retreated in August in seasonally adjusted terms, but rose in trend terms.*



Source: ABS

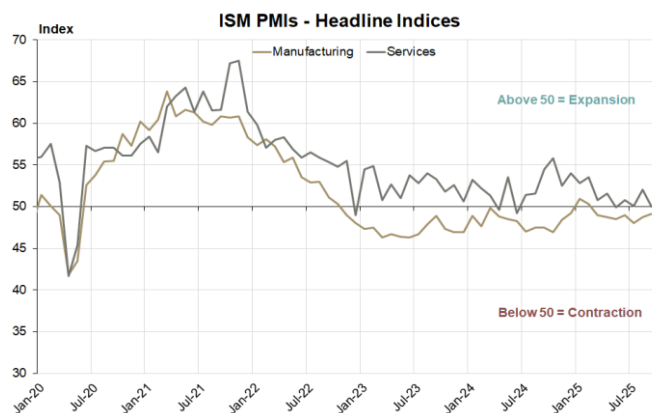
*The seasonally adjusted decline in August was quite **broad-based**, with nine out of 13 industries seeing a fall.*



Source: ABS

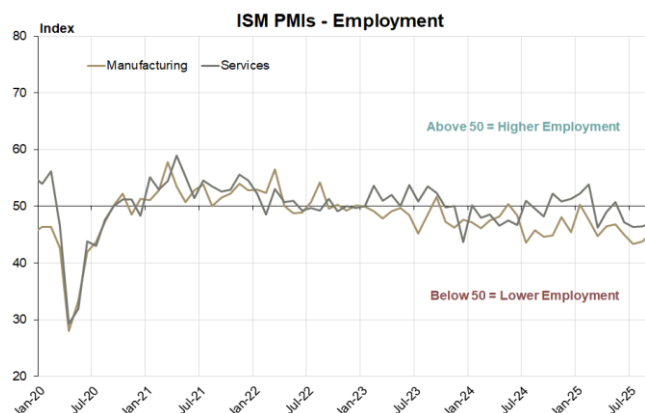
Global Economy

With no official data, **survey-based releases like the ISM** take a centre stage, and were not encouraging...



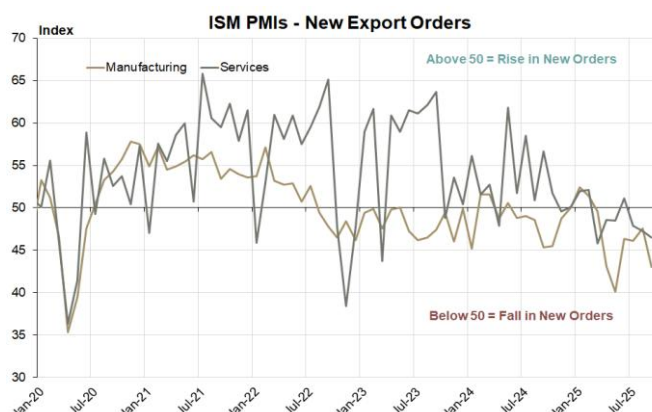
Source: Bloomberg

... pointing to an ongoing, albeit slightly slower, decline in **employment**, both in manufacturing and services...



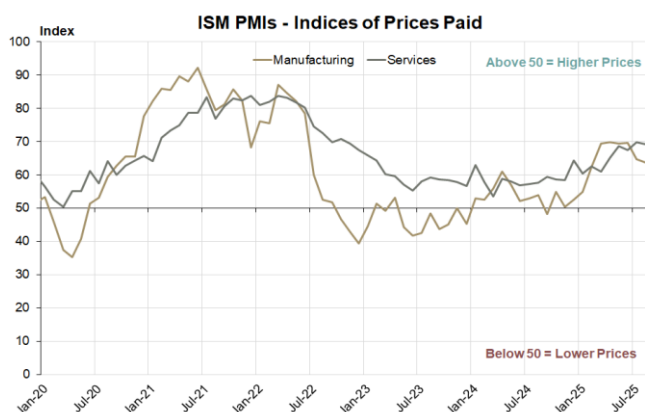
Source: Bloomberg

... re-acceleration in contraction in **new export orders**, as trade tensions continue...



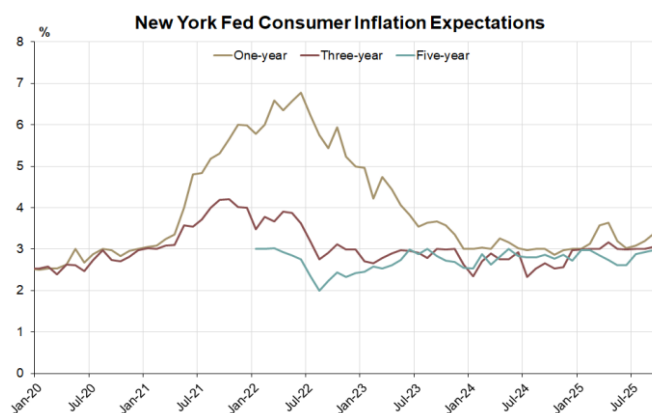
Source: Bloomberg

... and a solid rise in **prices paid**, though some deceleration in manufacturing prices is evident.



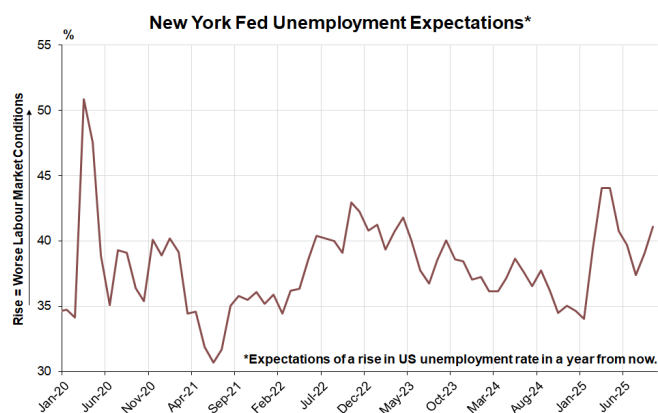
Source: Bloomberg

A separate NY Fed survey suggested a rise in **inflation expectations**, which however remain moderate...



Source: New York Fed

... while **unemployment expectations** are climbing, but remain below their local peak from earlier this year.



Source: New York Fed

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 06					
AU	MI Inflation Gauge (MoM, Sep)	0.4%	-	-0.3%	Annual rate rose to 3.0%, the highest level since April.
Tue 07					
AU	Westpac Cons. Sent. (MoM, Oct)	-3.5%	-	-3.1%	Consumers spooked by the pick-up in inflation.
AU	ANZ Indeed Job Ads (MoM, Sep)	-3.3%	-	-0.3%	Job ads fell to the lowest level since February 2021.
US	NY Fed 1Y Inflation Expect. (Sep)	3.4%	-	3.2%	Inflation and unemployment expectations both higher.
Wed 08					
NZ	RBNZ Decision (OCR)	2.50%	2.75%	3.00%	RBNZ increasingly concerned about the Kiwi economy.
US	FOMC Minutes	-	-	-	FOMC members 'generally' see upside risks to inflation.
Thu 09					
AU	MI Inflation Expectations (Oct)	4.8%	-	4.7%	Have climbed to the highest level since May.
Fri 10					
AU	Monthly Bus. Turnover (MoM, Aug)	-2.2%	-	3.1%	Declines observed in nine out of 13 industries.
Tonight					
US	UMich Consumer Sent. (Oct, prel.)	-	54.3	55.1	Less reliable after the switch to online survey last year.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 13				
CH	Trade Balance (Sep)	US\$99.0b	US\$102.3b	Exports to the US have been noticeably weaker.
Tue 14				
AU	RBA Monetary Policy Board Minutes	-	-	More insights into the recent hawkish pivot.
AU	NAB Business Conditions (Sep)	-	7	Have improved after weakening earlier in the year.
AU	NAB Business Confidence (Sep)	-	4	Confidence has also picked up after a soft first half of 2025.
US	NFIB Small Business Optimism (Sep)	-	100.8	Optimism hit a six-month high in August.
Wed 15				
CH	CPI (YoY, Sep)	-0.2%	-0.4%	Suggestive of soft consumer demand.
CH	PPI (YoY, Sep)	-2.3%	-2.9%	Has been in deflation since October 2022.
US	CPI (MoM, Sep)*	0.4%	0.4%	US inflation remains elevated.
US	Beige Book	-	-	The Fed's round up of the US economy.
Thu 16				
AU	Employment (monthly change, Sep)	20.0k	-5.4k	Employment growth has slowed markedly in recent months.
AU	Unemployment Rate (Sep)	4.3%	4.2%	Despite the expected rise, will stay relatively low.
UK	GDP (MoM, Aug)	0.1%	0.0%	Business surveys also suggest not impressive growth.
US	Retail Sales (MoM, Sep)*	0.4%	0.6%	US consumer spending has been resilient.
US	PPI (MoM, Sep)*	0.3%	-0.1%	Goods price inflation has picked up recently.
Fri 17				
US	Housing Starts (MoM, Sep)*	0.6%	-8.5%	Housing starts fell to a three-month low in August.
US	Industrial Production (MoM, Sep)	0.0%	0.1%	Industrial production growth remains very soft.

*May not be released as scheduled due to the US government shutdown.