

Highlights this week

- In Australia, Q3 CPI inflation figures surprised to the upside, resulting in the evaporation of cash rate cut expectations next week.
- Abroad, the FOMC cut the fed funds rate target range and announced an end to quantitative tightening, as expected, but put another rate cut in December in question. NBS PMIs suggested stagnation in the Chinese economy.

Highlights next week

- It will be a very busy week domestically, with the RBA Monetary Policy Board cash rate target decision and the Statement on Monetary Policy with the updated projections on Tuesday being the two major events.
- This will be preceded by September dwelling approvals and the household spending indicator, as well as Cotality home prices and the Melbourne Institute inflation gauge for October, on Monday. The last domestic release of note will be the September goods trade balance on Thursday.
- Highlights offshore include US and Chinese PMI figures for October, scheduled for Monday and Wednesday. The US non-farm payrolls report will likely not be released due to the US Government shutdown, but the ADP employment report for October will be published on Wednesday. The Bank of England will announce its monetary policy decision on Thursday, with no change 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	8902 (↓125 pt)
US (IOR)	3.90 (↓25 pt)	90-day Bills	3.64 (↑12 pt)	2-yr T-Notes	3.60 (↑12 pt)	S&P500	6822 (↑84 pt)
Eurozone (Deposit)	2.00 (0 pt)	3-yr T-Bond	3.61 (↑25 pt)	10-yr T-Notes	4.09 (↑10 pt)	DJIA	47522 (↑788 pt)
UK	4.00 (0 pt)	10-yr T-Bond	4.31 (↑17 pt)	Jap 10-yr	1.65 (↓1 pt)	Nikkei	51948 (↑2552 pt)
Japan (Target)	0.50 (0 pt)	3-yr WATC Bond	3.73 (↑22 pt)	UK 10-yr	4.42 (0 pt)	CSI300	4659 (↑22 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	4.75 (↑13 pt)	Ger 10-yr	2.64 (↑6 pt)	Stoxx600	575 (↑0 pt)

Changes are since the previous issue of Market Watch Weekly.

Financial Markets

Interest Rates

Government bond yields jumped this week, as Fed Chair Jerome Powell put a fed funds rate cut in December in question.

As expected, the FOMC cut the fed funds rate target range by 25bps to 3.75-4.00% and said it will conclude its balance sheet reduction on 1 December. During the press conference, Fed Chair Powell said that there were 'strongly different views' on how to proceed in December, further stressing that another fed funds rate cut in December is 'not a forgone conclusion – far from it'.

Aussie government bond yields were additionally propped up by a radical decline in cash rate cut expectations after the upside surprise in the Q3 CPI figures, while the probability of a February cut declined to below 50%. However, the cash rate futures market still expects one 25bps reduction in this cycle, in Q2 2026, with nearly 100% probability.

In other central bank news, the ECB and Bank of Japan both held their policy rates steady this week.

Equities

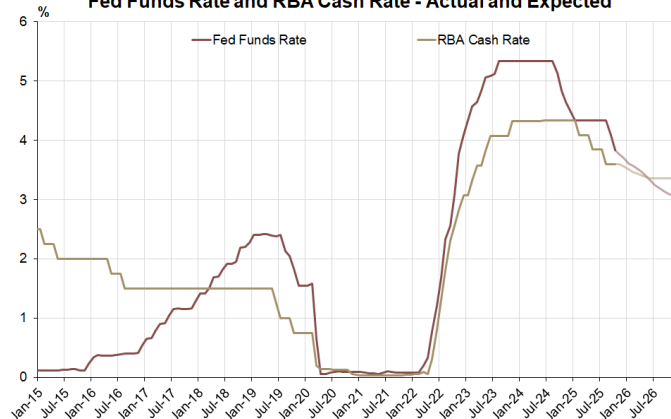
It was a quite choppy week on global equity markets.

After closing last week at a record high, Wall Street hit further highs on Monday and Tuesday, supported by hopes ahead of the FOMC meeting. Sentiment was additionally buoyed by a slight downside surprise to the US CPI figures for September. There was also some optimism about a potential trade agreement between the US and China.

However, all these hopes were dashed midweek, first by Fed signalling on Wednesday that there will be likely no cuts and possibly some disappointment over the outcome of the Xi-Trump summit. The leaders agreed to partially reverse the recent trade measures, but there were no more far-reaching outcomes.

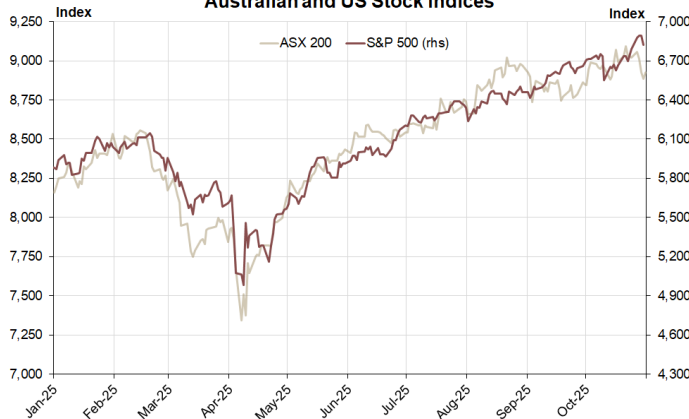
The Aussie share market was also hit by the decline in cash rate cut expectations following the upside surprise to the Q3 CPI. It is currently heading towards a 1.2% loss for the week.

Fed Funds Rate and RBA Cash Rate - Actual and Expected



Source: Bloomberg

Australian and US Stock Indices



Source: Bloomberg

Currencies

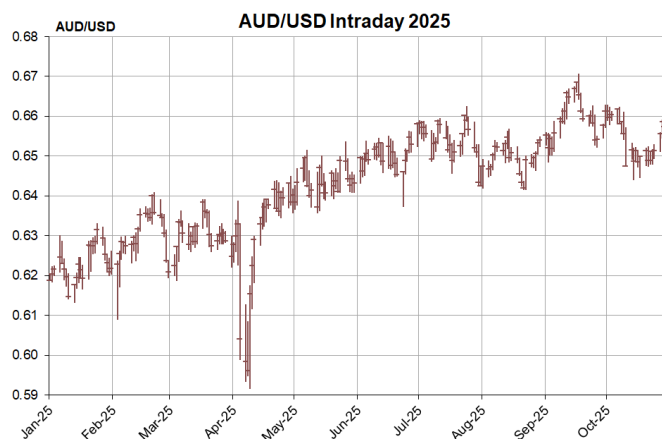
The Australian dollar has been the strongest of the G10 currencies over the past week.

The Aussie opened the week higher following news that the US and China had made progress in trade talks over the weekend ahead of this week's summit between President Xi Jinping and President Donald Trump.

Another solid rise followed the stronger-than-expected Aussie Q3 CPI print on Wednesday, which took a November cash rate cut by the RBA off the table. This, along with a slide in the US dollar after the US Federal Reserve cut interest rates, pushed the AUD/USD to a three-week high of US\$0.6618.

The AUD/USD has since eased amid a rebound in the greenback after Fed Chair Jerome Powell told the post-FOMC meeting press conference that a further cut in December isn't a done deal.

The upward momentum in the greenback continued overnight, pushing US dollar index to its highest level in almost three months.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6547	0.6618	0.6511	↑0.7	0.6707	0.5915
AUD/EUR		0.5659	0.5688	0.5601	↑1	0.6261	0.4620
AUD/GBP		0.4978	0.5003	0.4901	↑2	0.5204	0.4620
AUD/JPY		100.81	101.21	99.42	↑1.4	102.41	86.05
AUD/CNY		4.6555	4.6976	4.6443	↑0.5	4.7765	4.3523
EUR/USD		1.1569	1.1669	1.1547	↓0.3	1.1919	1.0141
GBP/USD		1.3152	1.3370	1.3117	↓1.3	1.3789	1.2100
USD/JPY		153.97	154.45	151.54	↑0.7	158.87	139.89
USD/CNY		7.1108	7.1144	7.0960	↓0.2	7.3511	7.0867

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6547	0.6552	0.6554	0.6552
AUD/EUR		0.5659	0.5635	0.5612	0.5566
AUD/GBP		0.4978	0.4982	0.4984	0.4984
AUD/JPY		100.81	99.97	99.21	97.81
AUD/NZD		1.1427	1.1391	1.1355	1.1283
AUD/SGD		0.8511	0.8461	0.8414	0.8317

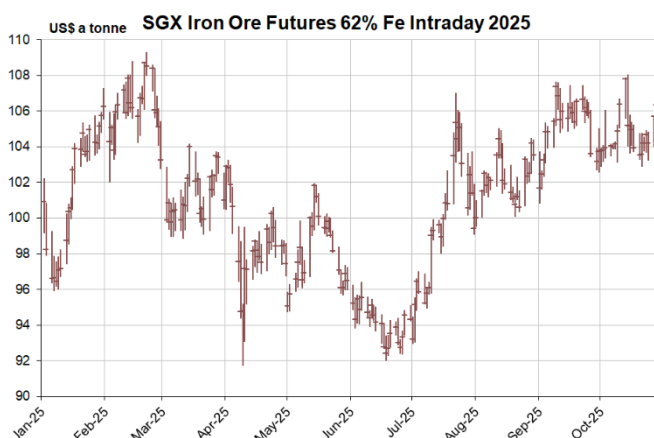
Commodities

Gold prices tumbled this week, with the decline beginning on Monday following news of positive trade discussions between US and Chinese representatives ahead of this week's Xi-Trump summit. The yellow metal closed at its lowest level in over three weeks on Wednesday before recovering some of its losses to push back above US\$4,000 an ounce.

Oil prices gave back some of last week's big increase that saw the Brent crude spot price rise 8.6% amid a tightening of sanctions on Russian oil exports.

OPEC+ members are expected to agree to another supply increase at their meeting this weekend.

The benchmark iron ore futures price hit an eight-month high on Thursday as the risk of a further escalation in US-China trade tensions appeared to ease. Prices have pulled back over the past two days as traders booked profits.



Source: Bloomberg

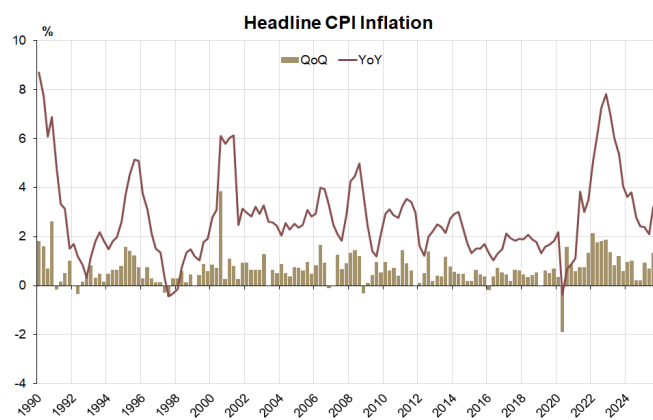
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,002.59	\$4,109.27	\$3,886.62	(↓\$113.49)	\$4,381.52	\$2,536.92
Brent Crude Oil (US\$)	\$64.55	\$66.64	\$63.92	(↓\$1.19)	\$82.63	\$58.40
Mogas95* (US\$)	\$79.48	\$81.90	\$79.06	(↑\$0.08)	\$95.91	\$67.57
WTI Oil (US\$)	\$60.12	\$62.17	\$59.64	(↓\$1.42)	\$80.77	\$55.12
CRB Index	300.77	302.98	298.96	(↓4.25)	316.63	278.92
Iron Ore Price 62% Fe (US\$) **	\$106.75	\$108.15	\$104.00	(↑\$3.05)	\$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.

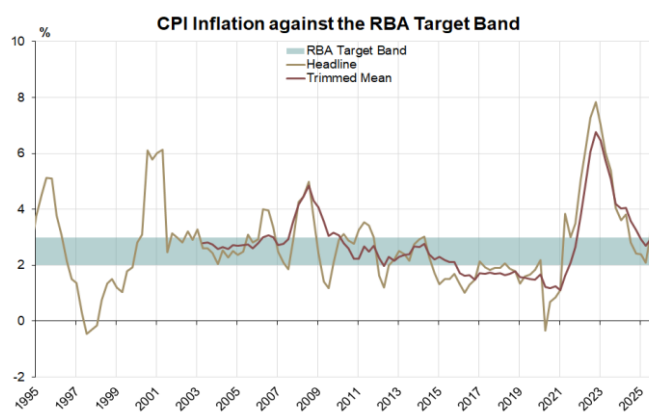
Domestic Economy

Aussie **CPI inflation** bounced more than expected in Q3...



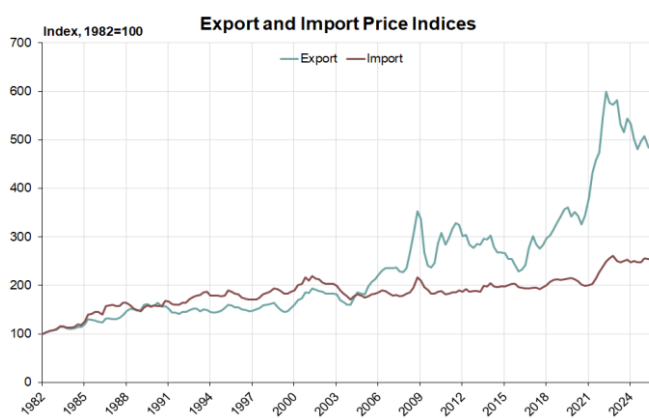
Source: ABS

However, **annual trimmed mean inflation** also rose to the upper bound of the 2-3% target range...



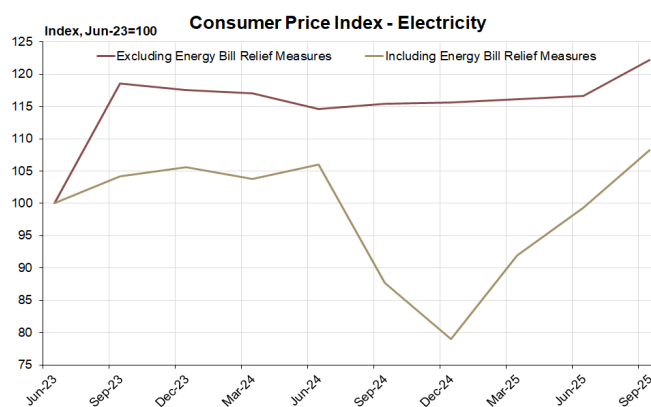
Source: ABS

As **export prices** are gradually heading south and **import prices** are broadly steady...



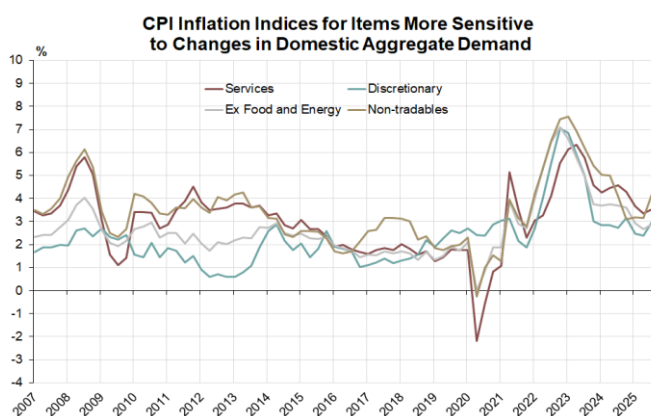
Source: ABS

... partly due to base effects on **electricity prices**, as the impact of energy bill relief continued to unwind.



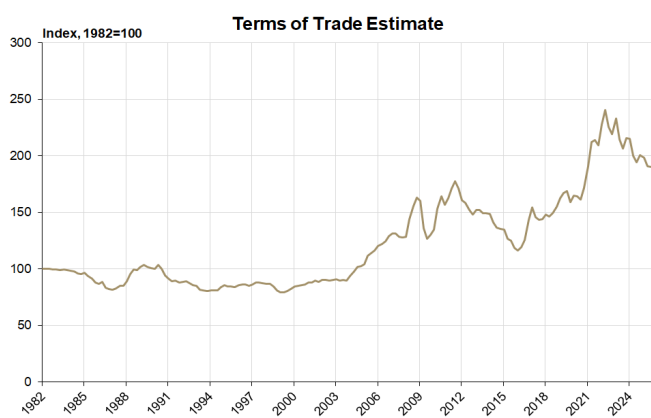
Source: ABS

... as prices of **services and discretionary items** are again on the rise.



Source: ABS

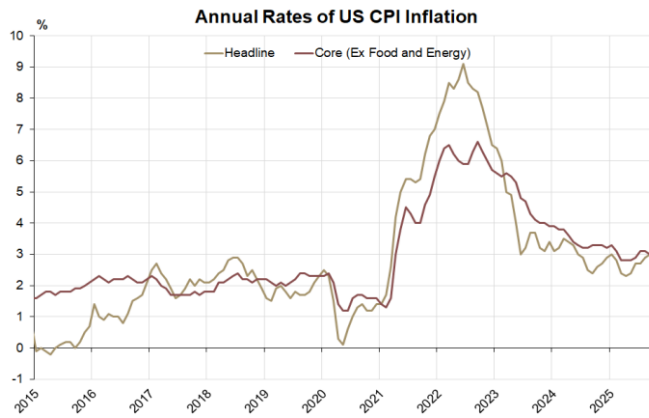
... the **terms of trade** appear to have reached the lowest level since early 2021.



Source: ABS

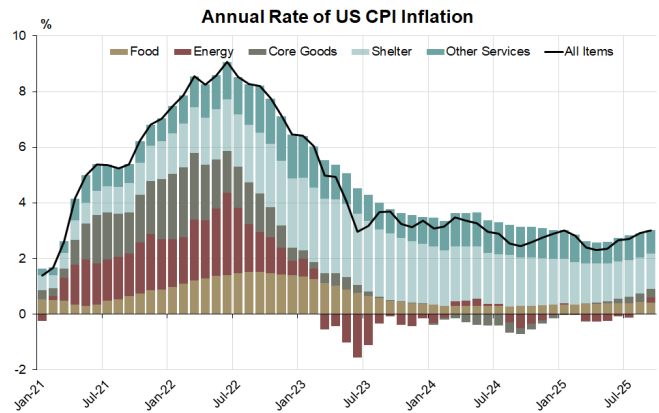
Global Economy

The headline rate of **US CPI inflation** is still rising, while core inflation remains steady but not low...



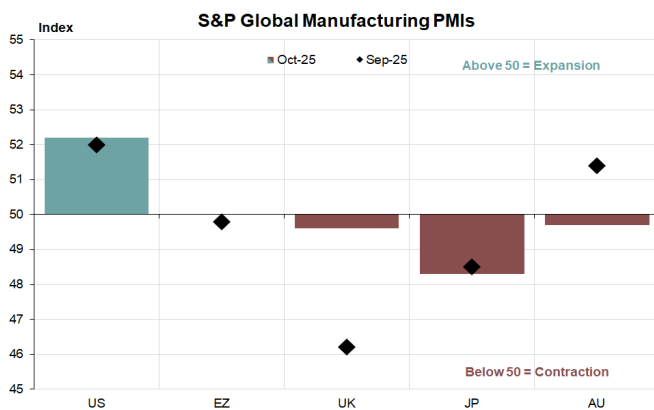
Source: Bloomberg

... as **US goods price inflation**, while still moderate, is picking up steam amid tariffs.



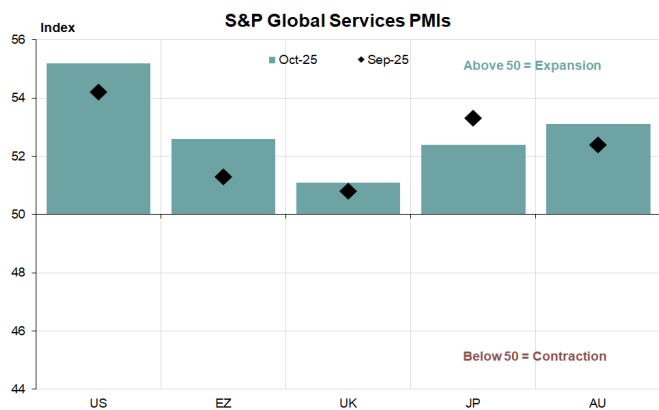
Source: Bloomberg

S&P Global PMIs point to contraction or stagnation in manufacturing outside of the US...



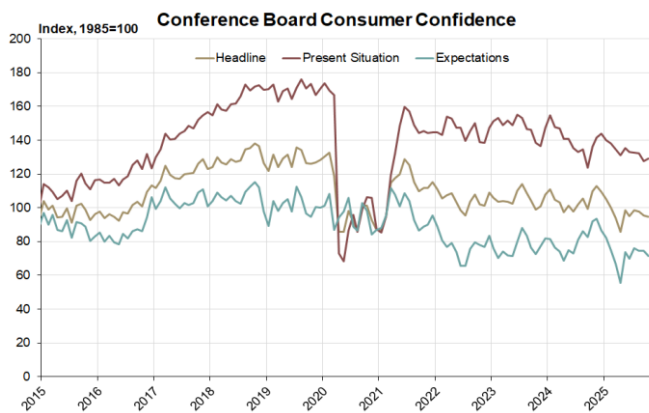
Source: Bloomberg

... while also suggesting expansion in **services** across major advanced economies, led by the US.



Source: Bloomberg

US Conference Board consumer confidence declined in October, dragged down by lower expectations...



Source: Bloomberg

... while the difference between jobs 'plentiful' and 'hard to get' is the smallest since early 2021.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 27					
AU	RBA Governor M. Bullock Speaks	-	-	-	RBA estimated Q3 trimmed mean inflation at 0.9% QoQ.
Tue 28					
US	C-S Hse Pce 20 Cities (MoM, Aug)	0.2%	-0.1%	-0.1%	The first increase since February.
US	CB Consumer Confidence (Oct)	94.6	93.4	95.6	Jobs 'plentiful' vs 'hard to get' the narrowest since 2021.
Wed 29					
AU	CPI (QoQ, Q3)	1.3%	1.1%	0.7%	Trimmed mean inflation at 1.0% QoQ and 3.0% YoY.
AU	Monthly CPI Indicator (YoY, Sep)	3.5%	3.1%	3.0%	The next month will see a full CPI report.
CA	BoC Decision (Policy Rate)	2.25%	2.25%	2.50%	No more cuts expected by the markets.
US	FOMC Decision (IoER)	3.90%	3.90%	4.15%	Fed Chair Powell has put a December cut in question.
Thu 30					
AU	Export Price Index (QoQ, Q3)	-0.9%	-	-4.5%	Dragged down by lower prices of fossil fuels.
AU	Import Price Index (QoQ, Q3)	-0.4%	-	-0.8%	Up 2.3% YoY.
JP	BoJ Decision (Policy Bal. Rate)	0.50%	0.50%	0.50%	Two out of nine participants voted for a rate hike.
EZ	GDP (QoQ, Q3, flash)	0.2%	0.1%	0.1%	Germany saw a flat outcome.
EZ	ECB Decision (Deposit Rate)	2.00%	2.00%	2.00%	No more cuts expected from the ECB in this cycle.
Fri 31					
AU	PPI (QoQ, Q3)	1.0%	-	0.7%	Annual rate up 0.1ppts to 3.5%.
AU	Private Sector Credit (MoM, Sep)	0.6%	0.6%	0.6%	Up 7.3% YoY, most since January 2023.
CH	NBS Composite PMI (Oct)	50.0	-	50.6	Suggests Chinese activity growth stagnated in October.
Tonight					
EZ	HICP (YoY, Oct, flash)	-	2.2%	2.2%	Headline and core slightly above the ECB goal.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 03				
AU	Dwelling Approvals (MoM, Sep)	5.0%	-6.0%	Remain too low, especially given population growth.
AU	Household Spending Indicator (MoM, Sep)	-	0.1%	August saw the weakest growth in four months.
AU	Cotality Home Value Index (MoM, Oct)	-	0.9%	Aussie home price growth re-accelerated on rate cuts.
AU	Melbourne Institute Inflation (MoM, Oct)	-	0.4%	First insights into price formation in October.
AU	ANZ Job Ads (MoM, Oct)	-	-3.3%	Aussie labour market conditions are clearly easing.
CH	RatingDog Manufacturing PMI (Oct)	50.9	51.2	NBS PMI suggested contraction in Chinese manufacturing.
US	ISM Manufacturing PMI (Oct)	49.2	49.1	Continues to suggest contraction, unlike the S&P Global PMIs.
Tue 04				
AU	RBA Decision (Cash Rate Target)	3.60%	3.60%	Following the upside surprise to Q3 CPI, no cut expected.
AU	RBA Statement on Monetary Policy (Q4)	-	-	Medium-term forecast assumptions will be closely watched.
Wed 05				
CH	RatingDog Services PMI (Oct)	-	52.9	NBS PMIs pointed to rather sluggish expansion.
US	ISM Services PMI (Oct)	51.0	50.0	Also more negative than its S&P Global equivalent.
US	ADP Employment (monthly change, Oct)	25k	-32k	The main source of information on US employment for now.
Thu 06				
AU	Goods Trade Balance (Sep)	A\$3.5b	A\$1.8b	Dropped to a seven-year low on a drop in gold exports.
NO	Norges Bank Decision (Policy Rate)	4.00%	4.00%	The other G10 central bank that is cautious with rate cuts.
UK	Bank of England Decision (Bank Rate)	4.00%	4.00%	The next cut is fully priced in for February 2026 only.
Fri 07				
	No market-moving data.			