

Highlights this week

- In Australia, Westpac consumer confidence saw another significant decline in October, reaching the lowest level in six months. The Melbourne Institute inflation gauge suggested that price growth stabilised at an elevated level in September, while Melbourne Institute inflation expectations picked up in October but remained well below their April highs.
- Abroad, the FOMC minutes confirmed that one more fed funds rate hike is likely this year. The ISM services PMI suggested ongoing, albeit slightly slower expansion in September, with price growth re-accelerating.

Highlights next week

- The key domestic releases next week will be the NAB business survey on Tuesday and the labour force survey on Thursday; both releases are for September. The minutes from the latest RBA Monetary Policy Board meeting will come out on Tuesday.
- Highlights offshore include US and Chinese inflation data, US retail sales and industrial production reports as well as Chinese trade data; all of these releases will be also for September.

Central Bank Rates (%)	Weekly Change	Australian Interest Rates (%)	Weekly Change	Major Overseas Interest Rates (%)	Weekly Change	Global Equities	Weekly Change
Australia	4.60 (0 pt)	O/N Interbank Cash	4.60 (0 pt)	USD 3-month	3.77 (14 pt)	ASX200	8706 (160 pt)
US (IOR)	3.90 (0 pt)	90-day Bills	4.77 (11 pt)	2-yr T-Notes	4.76 (14 pt)	S&P500	7765 (199 pt)
Eurozone (Deposit)	2.50 (0 pt)	3-yr T-Bond	4.92 (11 pt)	10-yr T-Notes	5.23 (13 pt)	DJIA	51232 (1305 pt)
UK	3.75 (0 pt)	10-yr T-Bond	5.36 (0 pt)	Jap 10-yr	3.04 (17 pt)	Nikkei	68514 (1245 pt)
Japan (Target)	1.25 (0 pt)	3-yr WATC Bond	5.16 (13 pt)	UK 10-yr	5.48 (18 pt)	CSI300	4248 (110 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	5.77 (12 pt)	Ger 10-yr	3.50 (11 pt)	Stoxx600	626 (11 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets

Interest Rates

US Treasury yields declined across the 2-10Y curve this week, but remained close to their highest levels since 2002. This came despite some hawkish Fed speak during the week, with US central bank officials still signalling further rate hikes.

The minutes of the 15–16 September FOMC meeting confirmed that most participants expected that one more interest rate increase would be necessary by year-end to contain inflation, although future decisions would depend on incoming information.

Market pricing for the next fed funds rate rise has eased, with less than a 20% chance of a hike in October and a rise roughly priced in by December at the time of writing.

Developments in French yields caught some attention among global investors this week, with the spread to 10-year German bunds increasing to the highest level since the European sovereign debt crisis in early 2010s. This surge was a result of the worsening fiscal conditions and political instability coinciding with the global bond sell-off. The ECB refused to intervene, at least at this point.

Commonwealth bond yields were little changed this week and remain around their 15-year highs, with market pricing of RBA rate hikes roughly unchanged this week. The next rate hike is still not fully priced in until May 2027.

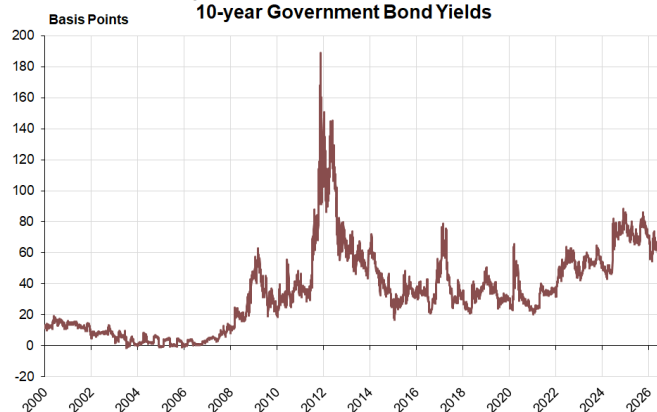
Equities

US equities rose early in the week, as gains in technology stocks lifted the S&P 500 and Nasdaq to record highs.

The market retreated over the past two days, initially led by a sell-off in industrial stocks. Losses extended overnight amid renewed concerns about AI-related earnings after reports that OpenAI's revenue had missed expectations.

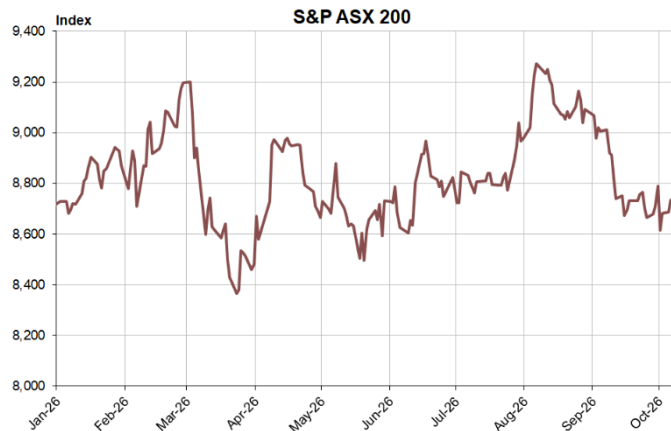
The Australian market is on track for a second consecutive weekly gain, despite declines in mining stocks over the past five days. Real estate, healthcare and consumer discretionary stocks were the main contributors to the rise.

Spread between French and German 10-year Government Bond Yields



Source: Bloomberg

S&P ASX 200



Source: Bloomberg

Currencies

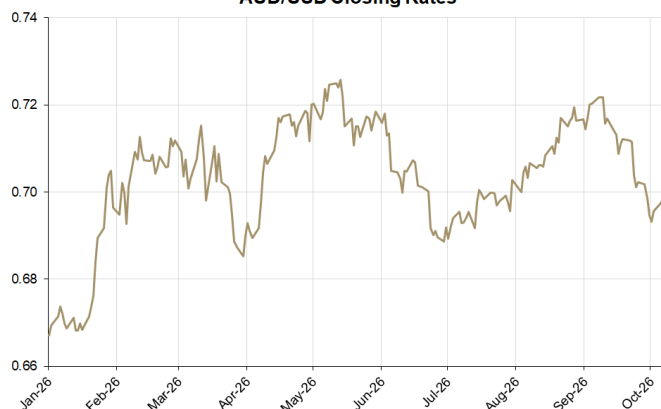
The Australian dollar has had a strong week, appreciating against all the major currencies, supported by positive sentiment in the global markets this week.

The strongest appreciation was against the euro (+0.8%), followed by the US dollar (+0.7%). The AUD strengthened less versus the British pound (+0.3%), which received some support from hawkish language from Bank of England officials speaking this week.

Despite this appreciation, the AUD/USD remained below the US\$0.70 mark for the entire week.

Overall, the Australian dollar was the third strongest G10 currency this week, surpassed only by the Scandinavian currencies. The euro was the weakest G10 currency this week, impacted by the troubles in France and the ECB's refusal to intervene.

AUD/USD Closing Rates



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6977	0.6990	0.6932	↑0.9	0.7278	0.6421
AUD/EUR		0.6215	0.6231	0.6168	↑0.9	0.6231	0.4796
AUD/GBP		0.5269	0.5279	0.5246	↑0.4	0.5394	0.4796
AUD/JPY		110.26	110.65	109.43	↑0.8	114.96	96.26
AUD/CNY		4.6736	4.6825	4.6481	↑0.4	4.9567	4.5602
EUR/USD		1.1226	1.1277	1.1161	↓0.1	1.2081	1.1161
GBP/USD		1.3243	1.3286	1.3184	↑0.4	1.3868	1.3010
USD/JPY		158.03	158.51	157.44	↓0.1	163.99	149.38
USD/CNY		6.6985	6.7164	6.6974	↓0.1	7.1431	6.6951

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6977	0.6968	0.6960	0.6951
AUD/EUR		0.6215	0.6182	0.6152	0.6094
AUD/GBP		0.5269	0.5260	0.5254	0.5248
AUD/JPY		110.26	109.28	108.37	106.62
AUD/NZD		1.2422	1.2371	1.2327	1.2259
AUD/SGD		0.8928	0.8861	0.8794	0.8660

Commodities

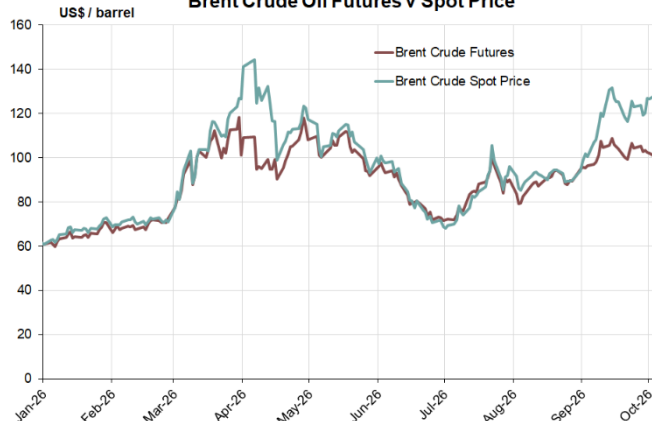
Oil prices remain driven by tensions around the Strait of Hormuz and US messaging on Iran. Reports of increased Middle East oil flows pushed Brent crude futures down to around US\$97 a barrel on Wednesday. However, renewed security concerns in the Strait of Hormuz and reports that Washington was considering further action against Iranian targets helped lift Brent above US\$105 a barrel on Thursday.

Futures have since eased after President Trump said the US would not attack Iran before the November midterm elections.

The physical market remains focused on near-term supply, pushing the spot price to its highest level since April.

Iron ore futures fell on thin trading as Chinese traders were away for the Golden Week holiday. The decline continued when traders returned on Thursday, with prices reaching a two-year low this morning.

Brent Crude Oil Futures v Spot Price



Source: Bloomberg

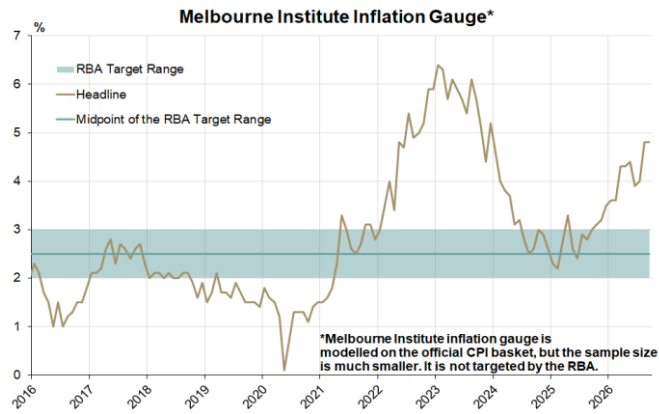
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,177.13	\$4,184.32	\$4,066.59	(↓\$33.4)	\$5,595.47	\$3,886.62
Brent Crude Oil (US\$)	\$103.50	\$105.92	\$97.06	(↑\$1.01)	\$126.41	\$58.72
Mogas95* (US\$)	\$129.96	\$134.84	\$125.67	(↓\$3.83)	\$150.55	\$68.52
WTI Oil (US\$)	\$90.91	\$93.20	\$86.86	(↓\$1.94)	\$119.48	\$54.98
CRB Index	414.34	414.34	410.09	(↑2.32)	429.15	291.69
Iron Ore Price 61% Fe (US\$) **	\$90.80	\$92.75	\$90.60	(↓\$0.75)	\$111.90	\$90.60

*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.

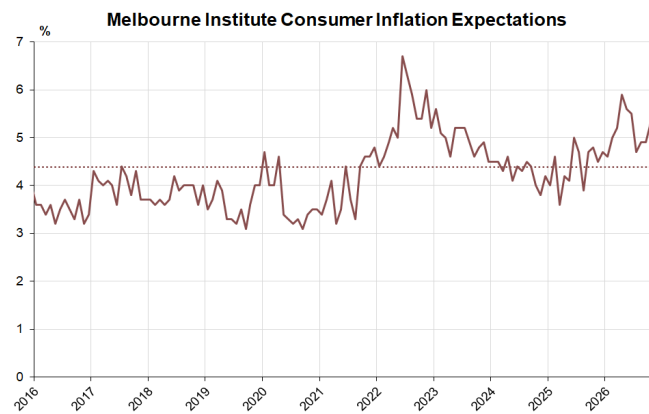
Domestic Economy

Melbourne Institute inflation gauge suggests that inflation stabilised at an elevated level in September...



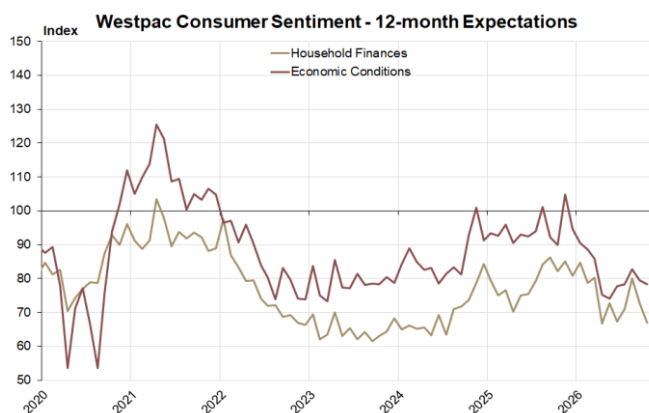
Source: Bloomberg

Melbourne institute inflation expectations are rising, but remain off their April peak.



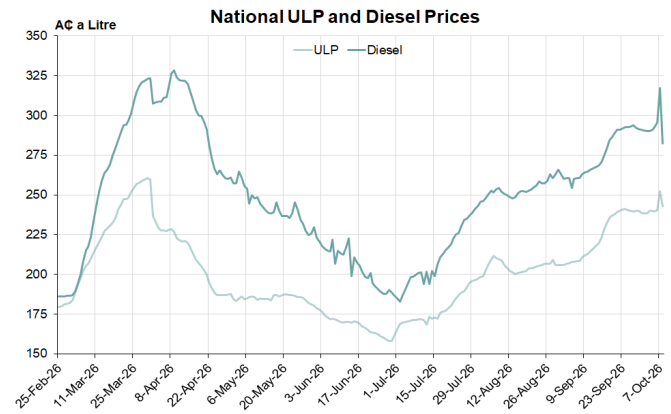
Source: Bloomberg

... with deterioration in outlook indicators, particularly for household finances.



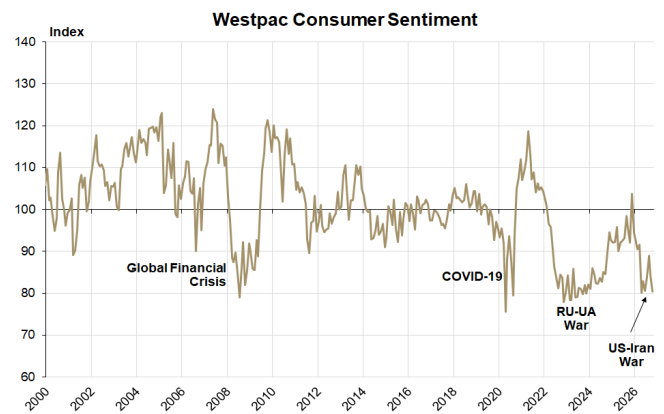
Source: ABS

... but this preceded some further increase in unleaded petrol prices in early October.



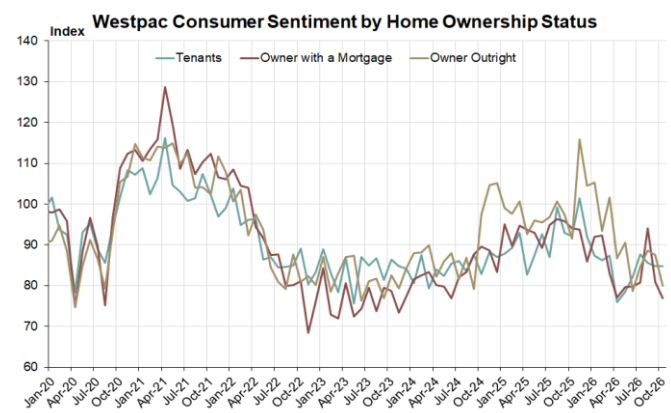
Source: ABC

The price pressures and rate hikes have pushed Westpac consumer confidence to a six-month low...



Source: Bloomberg

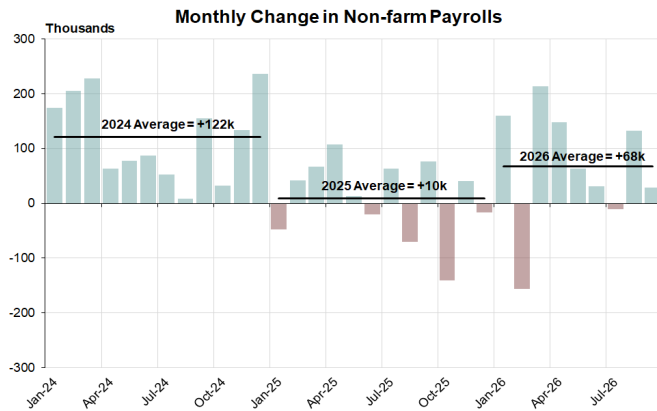
As house prices fall, the deterioration in household sentiment is the strongest among homeowners.



Source: Bloomberg

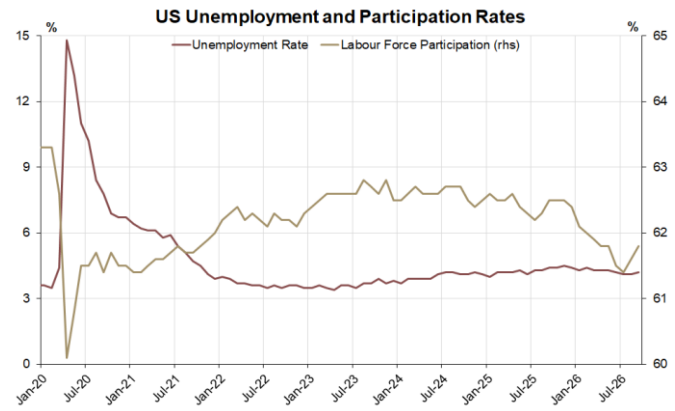
Global Economy

US non-farm payrolls have been choppy in 2026, but their average growth is much faster than in 2025.



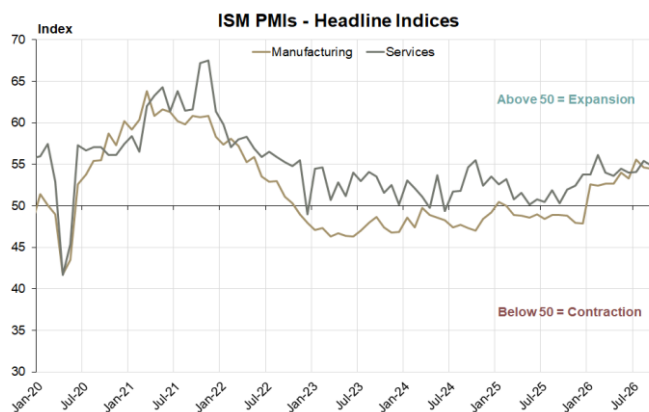
Source: Bloomberg

The **US unemployment rate** remains low by historical standards, but so is the participation rate.



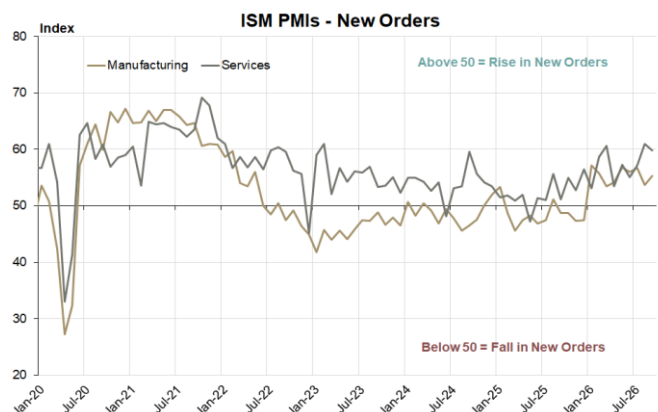
Source: Bloomberg

The **US ISM PMIs** point to ongoing solid expansion, both in manufacturing and services...



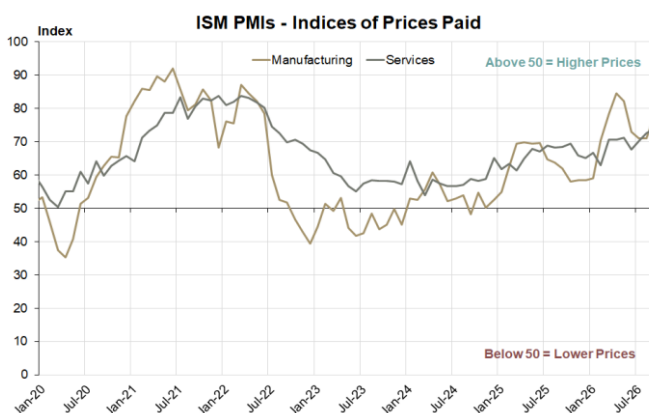
Source: Bloomberg

... with **new orders** seeing decent gains, especially in services.



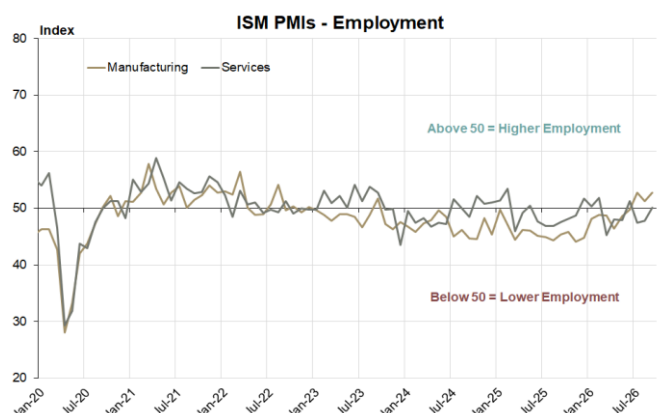
Source: Bloomberg

The ISM report also suggests faster growth in **prices paid** in manufacturing and services...



Source: Bloomberg

... and **employment** in services coming back into expansion.



Source: Bloomberg

This Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 05					
AU	MI Inflation Gauge (YoY, Sep)	4.8%	-	4.8%	Suggests the rise in inflation could come to a halt in Sep.
US	ISM Services PMI (Sep)	54.9	55.0	55.4	Price pressures have re-intensified.
Tue 06					
AU	Westpac Cons. Conf. (MoM, Oct)	-4.7%	-	-5.2%	Consumers' mood the most negative since April.
AU	ANZ Job Ads (MoM, Sep)	2.2%	-	2.6%	Have been on the rise since March.
Wed 07					
US	FOMC Minutes	-	-	-	Confirmed that one more hike will happen this year.
US	NY Fed 1Y Infl. Exp. (Sep)	3.9%	3.6%	3.6%	1Y inflation expectations the highest since 2023.
Thu 08					
AU	MI Cons. Inflation Exp. (Oct)	5.3%	-	4.9%	Despite a rise, still way off its April 2026 high of 5.9%.
US	Initial Jobless Claims (w/e 3 Oct)	197k	200k	199k	Continued claims remain low, at around 1.7m.
Fri 09					
US	UMich Consumer Sent. (Oct, prel.)	-	47.6	48.1	US consumer confidence is very bleak.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 12				
	No market-moving data.			
Tue 13				
AU	RBA Monetary Policy Board Minutes	-	-	Insights into the unanimous discussion on a rate hike.
AU	NAB Business Conditions (Sep)	-	-1	Turned negative in August.
AU	NAB Business Confidence (Sep)	-	-8	Up from the early 2026 lows, but still negative.
US	NFIB Small Business Optimism (Sep)	-	98.7	6.1% off its December 2025 peak.
Wed 14				
AU	Westpac Leading Index (MoM, Sep)	-	0.0%	Has been pointing to sub-trend growth ahead.
CH	Trade Balance (Sep)	US\$117b	US\$119b	Chinese trade data has been particularly strong of late.
CH	CPI (YoY, Sep)	1.0%	0.8%	Demand pressure in China is still very low...
CH	PPI (YoY, Sep)	4.4%	3.8%	... but cost pressures are rising.
US	CPI (MoM, Sep)	0.6%	0.4%	Annual rate expected to accelerate by 0.2ppts to 3.6%.
US	Beige Book	-	-	Anecdotal evidence on economic conditions in Fed districts.
Thu 15				
AU	Employment (monthly change, Sep)	20.0k	39.5k	The rise in August solely due to part-time jobs.
AU	Unemployment Rate (Sep)	4.6%	4.6%	RBA reckons 4.5-5% is enough to prevent inflation from rising.
UK	Monthly GDP (MoM, Aug)	-	0.4%	Business reports pointed to further moderate growth in Aug.
US	PPI (MoM, Sep)	0.5%	0.4%	Annual rate expected to decline by 0.1ppts to 5.3%.
US	Retail Sales (MoM, Sep)	0.3%	1.2%	US consumers showing strength despite the price pressures.
Fri 16				
US	Industrial Production (MoM, Sep)	0.4%	0.0%	Inconsistent with solid business reports.