

Interest Rates (%)			FX			Commodities US\$		
Australia		Δ bp	AUD/USD	0.6355	-0.6%	WTI Crude Oil	94.24	\$3.50
90-day Bill	4.15	1	AUD/JPY	94.96	-0.3%	Brent Crude Oil	97.04	\$2.77
3-year Bond	4.09	4	AUD/EUR	0.6045	-0.1%	Mogas95*	102.12	\$1.53
10-year Bond	4.45	5	AUD/GBP	0.5234	-0.6%	CRB Index	287.46	2.74
			AUD/NZD	1.0726	-0.2%	Gold	1877.02	-\$24.50
			AUD/CNY	4.6475	-0.6%	Silver	22.54	-\$0.27
US			EUR/USD	1.0512	-0.5%	Iron Ore (62% Fe)**	116.00	\$0.55
2-year	5.12	6	USD/JPY	149.47	0.3%	Iron Ore (23-24 Average)	111.31	\$0.11
10-year	4.60	8	USD/CNY	7.3118	0.0%	Copper	8114.00	\$23.00
			RBA Policy			Equities		
			O/N Cash Rate Target		4.10	ASX200	7024	8
			Interbank O/N Cash Rate		4.07	Dow Jones	33550	-69
Other 10-year			Probability of a 25bps Hike in Oct		8.9%	S&P500	4275	1
Japan	0.75	1	RBA Bond Holdings (31 Aug)		A\$337.0b	Stoxx600	447	-1
Germany	2.84	4				CSI300	3701	8
UK	4.36	3						

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.

**Iron ore is the second SGX futures contract.

US stocks were mixed yesterday, with the Dow Jones declining, the S&P 500 broadly unchanged and the Nasdaq managing to close in black. The strongest declines were in utilities, while the energy sector saw the largest gains, as the rise in global oil prices continued. The sell-off in US Treasuries resumed, with US 10-year yields reaching a new 16-year high.

Speaking overnight, Minneapolis Fed President Neel Kashkari said that the government shutdown, coupled with the prolonged strike by US automotive sector workers, could have a negative impact on US economic growth. He suggested that this might be an argument against increasing the fed funds rate further. This followed a post on the Minneapolis Fed website, in which President Kashkari assigned a 60% probability to a scenario of US inflation coming back to target without any further fed funds rate increases.

In commodity markets, oil prices rose by another 3-4%, after the US Energy Information Administration informed that US crude oil inventories dropped significantly more than expected last week. Iron ore futures rose by another 0.5% ahead of the Chinese Golden Week holiday.

Data-wise, US durable goods orders unexpectedly ticked up by 0.5% in August, though from an upwardly revised level for July. The so-called core orders, which exclude defence and aircraft, rose by 0.9% in August.

In Australia, the August **monthly CPI indicator** pointed to a 0.3ppts rise in the annual rate of headline inflation to 5.2%. The rise was driven almost exclusively by automotive fuel, which added 0.7ppts to the headline rate. Annual trimmed mean inflation remained unchanged at the downwardly revised 5.6%.

The rise in headline inflation was expected by the markets and hence had hardly any impact on cash rate expectations, Commonwealth bond yields or the Australian dollar, though 3-month BBSW rose by 0.1ppts to 4.15%.

However, Commonwealth bond yields followed their global equivalents higher later in the trading day, while the AUD depreciated against all the major currencies amid weaker global market sentiment. The AUD/USD slid back below US\$0.64, as the US dollar index rose to a fresh 10-month high. The ASX 200 closed 0.1% lower yesterday, with declines in nine of 11 industries, before opening flat this morning.

ECONOMIC DATA REVIEW

- **AU:** Monthly CPI Indicator (YoY, Aug) – Actual 5.2%, Expected 5.2%, Previous 4.9%.
- **US:** Durable Goods Orders (MoM, Aug) – Actual 0.5%, Expected -0.4%, Previous -5.6% (revised).

ECONOMIC DATA PREVIEW

- **AU:** Retail Trade (MoM, Aug) – Expected 0.3%, Previous 0.5%.
- **AU:** Job Vacancies (QoQ, Q3) – Previous -2.0%.
- **US:** Initial Jobless Claims (w/e 23 Sep) – Expected 215k, Previous 201k.
- **US:** GDP (QoQ, Q2, final) – Expected 2.3%, Previous 2.0%.

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