

Highlights this week

- In Australia, S&P Global flash PMIs pointed to the strongest contraction in private sector activity since March. Hawkish comments by RBA Deputy Governor Andrew Hauser led to a re-intensification of cash rate hike expectations.
- Abroad, Chinese GDP growth accelerated somewhat in Q3, with industrial production and retail sales seeing a stronger increase in September, while the downturn in investment continued.

Highlights next week

- The key domestic release next week will be the Q3 and September CPI report on Wednesday, followed by Q3 international price indices on Thursday and Q3 PPI on Friday.
- A very busy week offshore, especially in central banking, with FOMC, ECB, Bank of Japan, Bank of Canada and RBNZ all expected to announce their decisions, with rate hikes expected in Canada and New Zealand. The main economic releases will include US and euro area Q3 GDP figures, US PCE inflation figures for September and Chinese NBS PMIs for October.

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	4.07 (↓14 pt)	ASX200	8770 (↓31 pt)
US (IOR)	3.90 (0 pt)	90-day Bills	4.82 (↑6 pt)	2-yr T-Notes	4.65 (↓12 pt)	S&P500	7663 (↓81 pt)
Eurozone (Deposit)	2.50 (0 pt)	3-yr T-Bond	4.83 (↓1 pt)	10-yr T-Notes	4.96 (↓13 pt)	DJIA	52868 (↑690 pt)
UK	3.75 (0 pt)	10-yr T-Bond	5.16 (↓8 pt)	Jap 10-yr	2.80 (↓14 pt)	Nikkei	61859 (↓3561 pt)
Japan (Target)	1.25 (0 pt)	3-yr WATC Bond	5.09 (↑1 pt)	UK 10-yr	5.33 (↓5 pt)	CSI300	4036 (↓130 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	5.62 (↓5 pt)	Ger 10-yr	3.33 (↓8 pt)	Stoxx600	638 (↓2 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets**Interest Rates**

US Treasury yields fell considerably this week, reflecting flight-to-safety flows amid the equity market sell-off. Most of the decline occurred on Thursday night, while yields were steady or higher for much of the week.

Government bond yields also fell in other major advanced economies. France was the exception, with the spread between French and German 10-year yields approaching its record high from the height of the European sovereign debt crisis in 2011.

In Australia, Commonwealth bond yields fell much less than in the US, with only a marginal decline at the front end of the curve. This reflected RBA rate hike expectations being pulled forward after hawkish comments by RBA Deputy Governor Andrew Hauser.

During a 'fireside chat' at an investor conference on Wednesday, Deputy Governor Hauser reiterated that inflation was the RBA's main concern, while acknowledging easing labour market conditions and tepid consumption growth. He emphasised the need to prevent persistently high inflation from becoming embedded in expectations.

Following these comments, a cash rate hike is more than 50% priced in for November, compared with 30% a week ago.

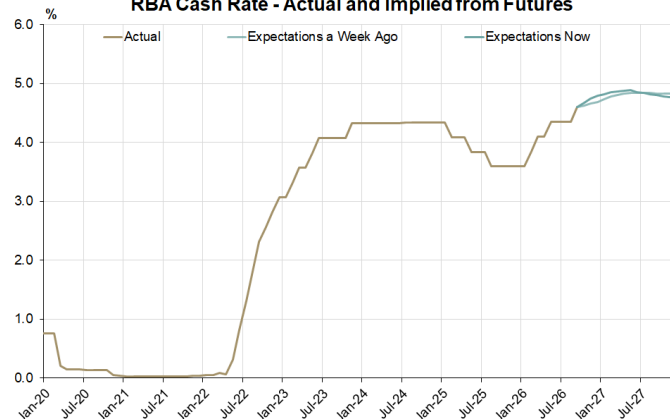
Equities

The S&P 500 is down 1.0% for the week, reflecting declines last Friday and Thursday amid concerns about excessive investment in artificial intelligence. These losses were partly offset by gains from Monday to Wednesday following strong earnings results from some tech companies.

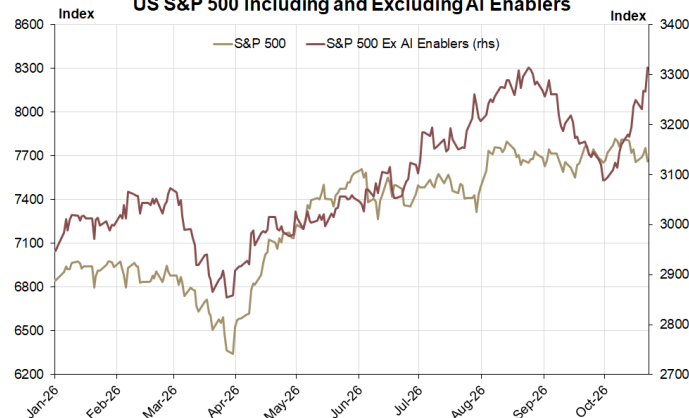
Despite heavy losses in the US information technology and communications sectors, most other sectors registered gains, led by consumer staples.

The Dow Jones, which has relatively little exposure to tech stocks, rose 1.3% over the week.

The ASX 200 outperformed the S&P 500 this week, declining only 0.3% at the time of writing. Materials led the declines, followed by information technology and energy, while other sectors appeared on track to close the week in the black.

RBA Cash Rate - Actual and Implied from Futures

Source: Bloomberg

US S&P 500 Including and Excluding AI Enablers

Source: Bloomberg

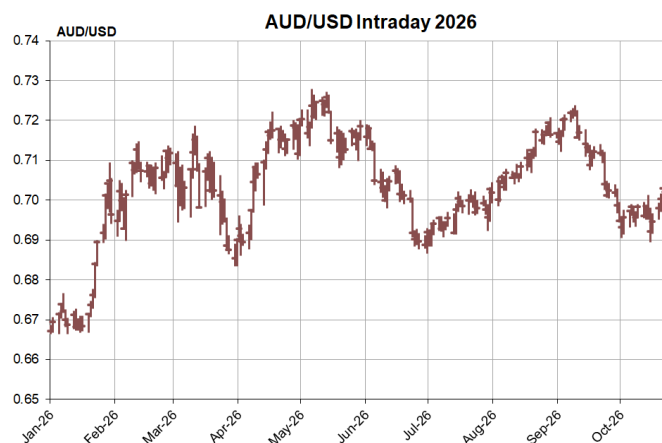
Currencies

The Australian dollar has performed strongly this week, outperforming all G10 currencies except the Norwegian krone, which has been supported by sharply higher oil prices.

The Australian dollar's strength, combined with a weaker greenback, has put AUD/USD on track for its best week in two months.

Concerns about European government finances, particularly in France, have weighed heavily on the euro. Combined with the Australian dollar's strength, this has lifted AUD/EUR to its highest level since June 2023.

Safe-haven flows have also seen the Japanese yen appreciate against the greenback over the past week, trimming its losses against the stronger Australian dollar.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.7017	0.7037	0.6951	↑1.4	0.7278	0.6421
AUD/EUR		0.6251	0.6266	0.6176	↑1.3	0.6267	0.4856
AUD/GBP		0.5235	0.5254	0.5213	↑0.4	0.5394	0.4856
AUD/JPY		109.59	111.31	109.49	↑0.2	114.96	98.54
AUD/CNY		4.6824	4.6974	4.6315	↑1.1	4.9567	4.5602
EUR/USD		1.1224	1.1261	1.1183	↑0.1	1.2081	1.1113
GBP/USD		1.3406	1.3419	1.3299	↑1	1.3868	1.3010
USD/JPY		156.19	158.60	156.08	↓1.2	163.99	151.54
USD/CNY		6.6748	6.6923	6.6724	↓0.3	7.1333	6.6724
Forward Rates		Spot	3M	6M	12M		
AUD/USD		0.7017	0.7006	0.6998	0.6987		
AUD/EUR		0.6251	0.6217	0.6185	0.6128		
AUD/GBP		0.5235	0.5226	0.5220	0.5216		
AUD/JPY		109.59	108.60	107.67	105.93		
AUD/NZD		1.2337	1.2285	1.2242	1.2175		
AUD/SGD		0.8959	0.8890	0.8821	0.8684		

Commodities

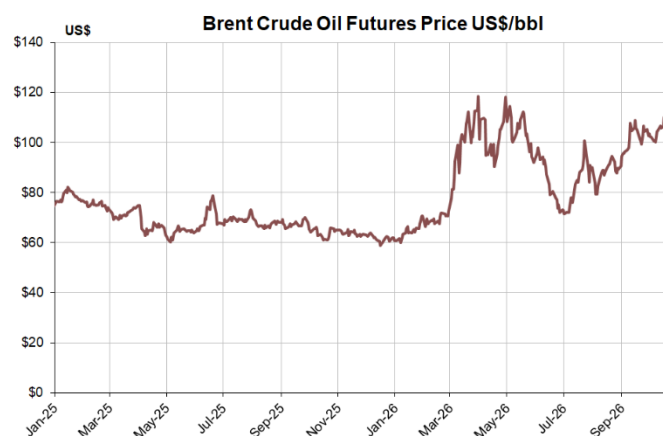
Oil prices remain under upward pressure from the ongoing conflict in the Middle East, with Brent crude futures climbing to their highest level since early May.

Reports of talks between the US and Iran provided some midweek relief to oil prices but were soon revealed as inaccurate.

Iron ore futures in Singapore dipped below US\$90 a tonne to a fresh two-year low before stabilising. Rio Tinto reportedly reached an agreement to supply China's state-backed iron ore buyer through to November 2028, easing some market uncertainty.

Nickel prices rebounded from recent lows amid reports that Indonesian producers had agreed to cut output to support prices. Copper prices fell to a five-week low.

Gold fell to a two-month low despite increased demand for safe-haven assets this week.



Source: Bloomberg

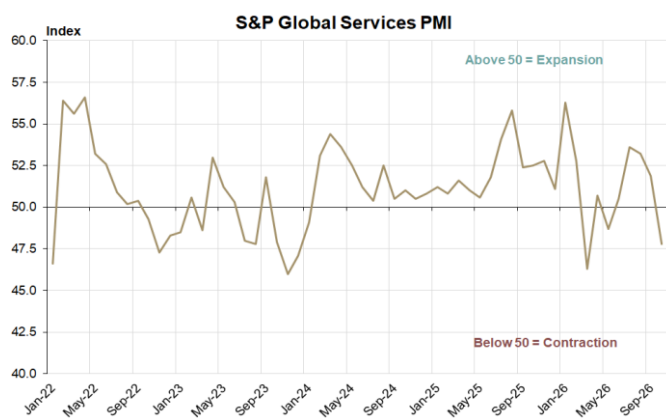
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,019.11	\$4,190.33	\$4,016.83	(↓\$134.94)	\$5,595.47	\$3,886.62
Brent Crude Oil (US\$)	\$113.04	\$113.50	\$105.95	(↑\$7.47)	\$126.41	\$58.72
Mogas95* (US\$)	\$126.73	\$131.98	\$122.78	(↓\$0.27)	\$150.55	\$68.52
WTI Oil (US\$)	\$99.26	\$110.48	\$96.26	(↑\$1.83)	\$119.48	\$54.98
CRB Index	414.98	419.83	414.98	(↓2.51)	429.15	291.69
Iron Ore Price 61% Fe (US\$) **	\$90.00	\$92.35	\$89.45	(↓\$0.2)	\$111.90	\$89.45

*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.

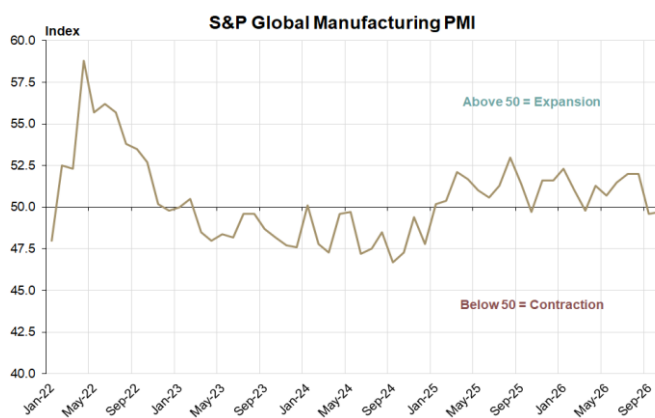
Domestic Economy

S&P Global PMIs pointed to renewed contraction in services, which is the largest sector of the economy...



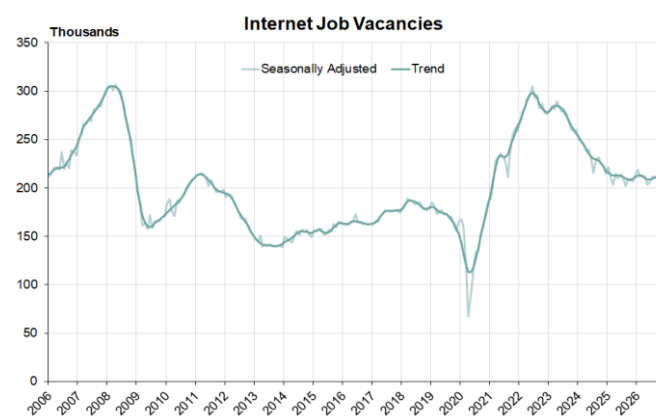
Source: Bloomberg

... with contraction continuing also in **manufacturing**, though only at a minor pace.



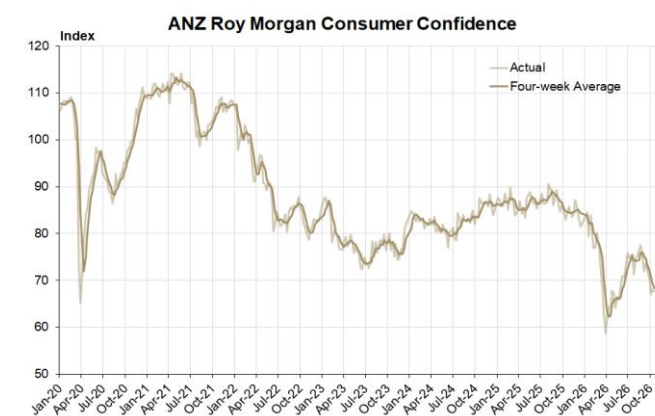
Source: Bloomberg

Following a steady decline over the past few years, **job vacancies** have been steady at still elevated levels.



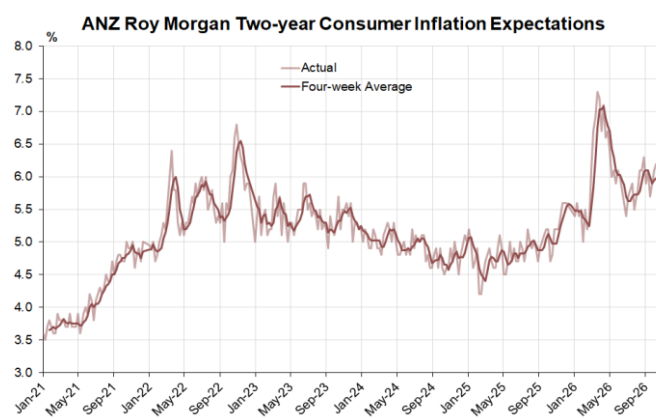
Source: Jobs and Skills Commission

ANZ Roy Morgan consumer confidence is trending downwards, but is still above its 2026 lows...



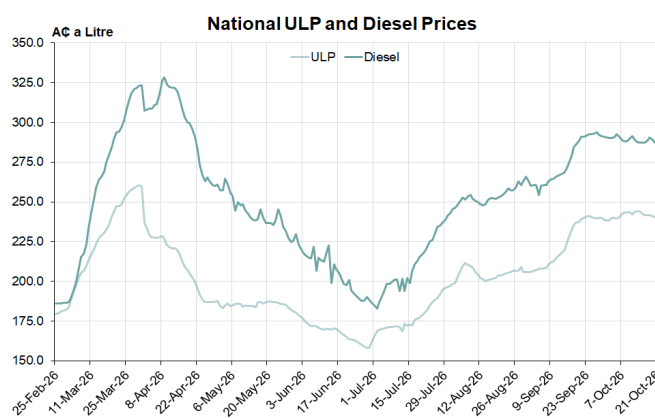
Source: Bloomberg

... as **consumer inflation expectations** remain well below their peak from early 2026...



Source: ANZ

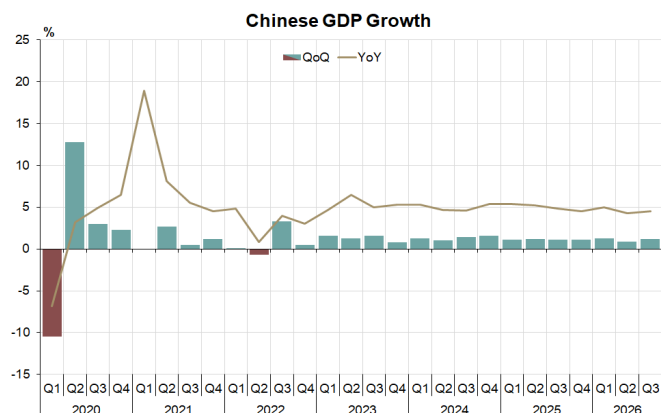
... despite **petrol and diesel prices** remaining elevated, though still below their levels from March and April.



Source: ABC

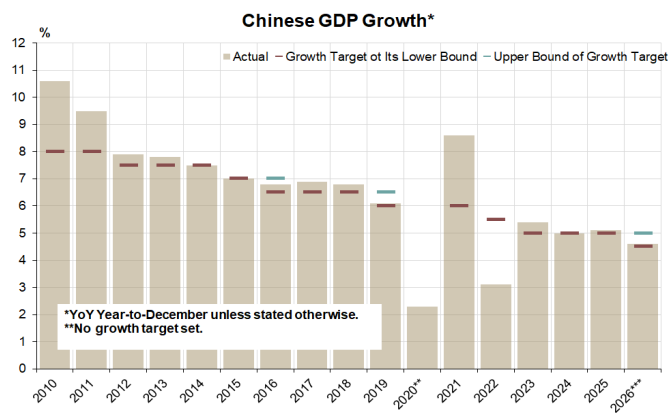
Global Economy

Chinese GDP growth accelerated a bit in Q3, but remained unimpressive.



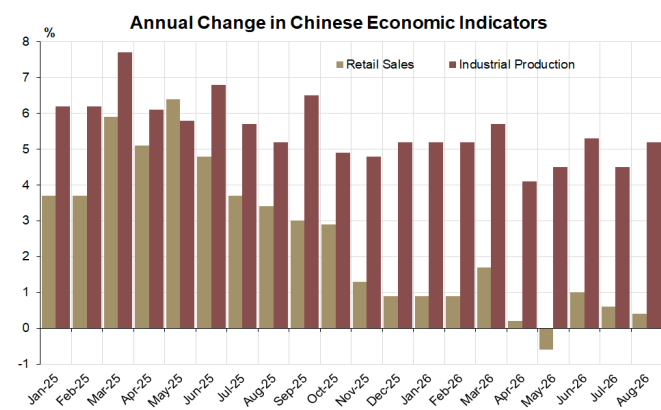
Source: Bloomberg

At this stage, it looks like China will meet its **2026 growth target**, but only just.



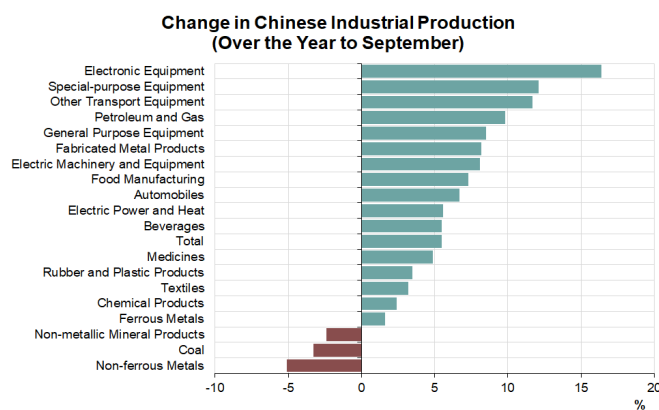
Source: Bloomberg

Growth in **Chinese industrial production and retail sales** has accelerated, but the latter remained slow.



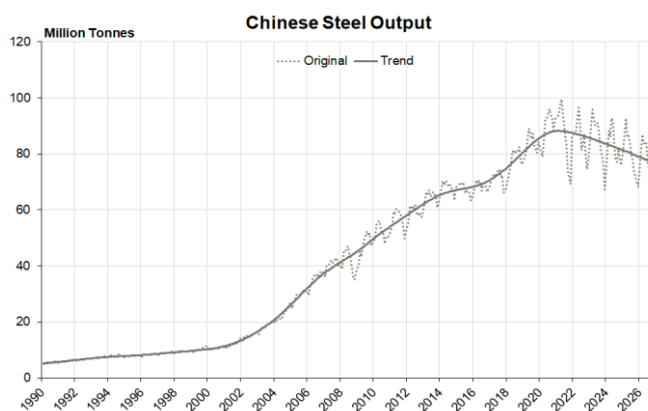
Source: Bloomberg

Meanwhile, growth in industrial production continues to be led by **electronic and transport equipment**...



Source: Bloomberg

... while **Chinese steel output** continues to trend downwards...



Source: Bloomberg

... as the **Chinese investment downturn** is the strongest on record.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 19					
CH	GDP (YoY, Q3)	4.5%	4.4%	4.3%	Up 4.6% YoY YtD.
CH	Retail Sales (YoY, Sep)	1.1%	0.5%	0.4%	The strongest increase since March.
CH	Industrial Production (YoY, Sep)	5.5%	5.5%	5.2%	Steel output ticked up by 0.1% YoY.
CH	Urban Fixed Inv. (YoY YtD, Sep)	-7.2%	-7.3%	-7.2%	Property investment down by a record 20.6% YoY YtD.
Tue 20					
AU	ANZ Cons. Conf. (w/e 17 Oct)				
CH	PBoC Announcement (5Y LPR)	3.50%	3.50%	3.50%	One-year loan prime rate also unchanged at 3.00%.
UK	Unemployment Rate (Jun-Aug)	4.7%	4.9%	4.9%	Employment rose by 102k over three months to August.
Wed 21					
AU	RBA Deputy Governor Speaks	-	-	-	Hawkish comments leading to rise in hike expectations.
UK	CPI (YoY, Sep)	3.5%	3.4%	3.1%	The highest level since October 2025.
Thu 22					
NZ	CPI (QoQ, Q3)	0.7%	0.8%	1.5%	Annual inflation slowed to 3.7%
US	Initial Jobless Claims (w/e 17 Oct)	194k	200k	200k	Continued claims the highest in two months.
Fri 23					
AU	S&P Global Composite PMI (Oct)	47.7	-	51.3	The fastest fall since March, just after ME war started.
JP	CPI (YoY, Sep)	2.1%	2.1%	1.9%	Core-core inflation rose by 0.5ppts to a 6m high of 2.4%.
JP	S&P Global Manuf. PMI (Oct)	53.3	-	51.3	Services PMI up 0.7pts to 52.0.
Tonight					
EZ	S&P Global Composite PMI (Oct)	-	52.7	53.1	Expansion in the euro area has been gathering pace.
UK	S&P Global Composite PMI (Oct)	-	51.8	52.0	The pace of expansion eased somewhat in September.
US	S&P Global Composite PMI (Oct)	-	57.6	58.4	Signals strong expansion in manufacturing and services.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 26				
	No market moving data			
Tue 27				
US	Durable Goods Orders (MoM, Sep)	1.4%	-0.1%	Non-defence orders ex aircraft expected to rise by 0.7%.
US	Conference Board Cons. Conf. (Oct)	80.4	81.4	UoM equivalent also deteriorated in October.
Wed 28				
AU	CPI (YoY, Sep)	4.2%	4.0%	Expected to rise by 1.3% QoQ in Q3.
AU	Trimmed Mean CPI (QoQ, Q3)	1.0%	0.8%	Annual rate expected to increase
NZ	RBNZ Decision (Official Cash Rate)	3.00%	2.75%	RBNZ hike 80% prices in...
CA	Bank of Canada Decision (Policy Rate)	2.50%	2.25%	... with a Bank of Canada hike also expected.
US	FOMC Decision (IoER)	3.90%	3.90%	A hike not expected before December.
Thu 29				
AU	International Price Indices (Q3)	-	-	Both export and import prices to be affected by energy costs.
EZ	ECB Decision (Deposit Rate)	2.50%	2.50%	ECB's reaction to a recent rise in spreads also in focus.
US	GDP (QoQ annualised, Q3, 1st est.)	3.0%	2.2%	GDPNow model forecasts a 3.5% annualised gain.
US	Personal Spending (MoM, Sep)	0.6%	0.9%	Real spending expected to rise by 0.1% vs 0.6% in August.
US	PCE Price Index (MoM, Sep)	0.5%	0.3%	CPI and PPI figures point to solid acceleration.
Fri 30				
AU	PPI (QoQ, Q3)	-	1.3%	Business reports point to ongoing cost pressures.
AU	Private Sector Credit (MoM, Sep)	0.5%	0.6%	Remains solid despite the recent monetary policy tightening.
CH	NBS Composite PMI (Oct)	-	50.7	First insights into the Chinese economic activity in October.
EZ	GDP (QoQ, Q3, flash)	0.2%	0.6%	Indicators suggest there could be an upside surprise.