

Highlights this week

- In Australia, real GDP rose more than expected in Q2, supported by private consumption growth. This was followed by a further increase in the household spending indicator in July. The current account deficit narrowed in Q2, mainly due to an improvement in the net primary income balance, while the goods trade surplus rose in July amid higher gold exports.
- Abroad, the US ISM PMIs indicated continued contraction in manufacturing and faster expansion in services. US labour market data generally disappointed. The Chinese PMIs came out mixed, with the official figures being more negative than those issued by RatingDog (formerly Caixin).

Highlights next week

- The key domestic releases next week will be on Tuesday and will include the NAB business survey for August and Westpac consumer sentiment for September. They will be followed by Melbourne Institute consumer inflation expectations for September on Thursday.
- The highlights offshore will include the Chinese trade balance on Monday, Chinese inflation figures on Tuesday and US PPI on Wednesday and US CPI on Thursday, all these releases are for August. The ECB is to announce its monetary policy decision on Thursday, with no changes 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	3.59	(0 pt)	USD 3-month	4.85	(0 pt)	ASX200	8862	(↓111 pt)
US (IOR)	4.40	(0 pt)	90-day Bills	3.58	(↑1 pt)	2-yr T-Notes	3.58	(↓5 pt)	S&P500	6502	(0 pts)
Eurozone (Deposit)	2.00	(0 pt)	3-yr T-Bond	3.49	(↑8 pt)	10-yr T-Notes	4.15	(↓6 pt)	DJIA	45621	(↓16 pt)
UK	4.00	(0 pt)	10-yr T-Bond	4.35	(↑5 pt)	Jap 10-yr	1.58	(↓4 pt)	Nikkei	42916	(↑189 pt)
Japan (Target)	0.50	(0 pt)	3-yr WATC Bond	3.61	(↑5 pt)	UK 10-yr	4.72	(↑2 pt)	CSI300	4365	(↓125 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	4.83	(↑3 pt)	Ger 10-yr	2.72	(↑2 pt)	Stoxx600	550	(↓4 pt)

Changes are since the previous issue of Market Watch Weekly.

Financial Markets**Interest Rates**

Events in fixed income markets were quite varied this week, reflecting differences in the monetary policy outlook in the individual jurisdictions.

US government bond yields declined following a set of disappointing US labour market data. JOLTS job openings fell below the number of unemployed for the first time since 2021 in July, ADP employment growth in August disappointed, while initial jobless claims rose again. The market probability of a 25bps cut hit 100% on Thursday night, further supported by dovish comments from voting FOMC members.

At home, Commonwealth bond yields picked up, as cash rate cut expectations were scaled back a little following an upside surprise to the Q2 GDP figures.

Equities

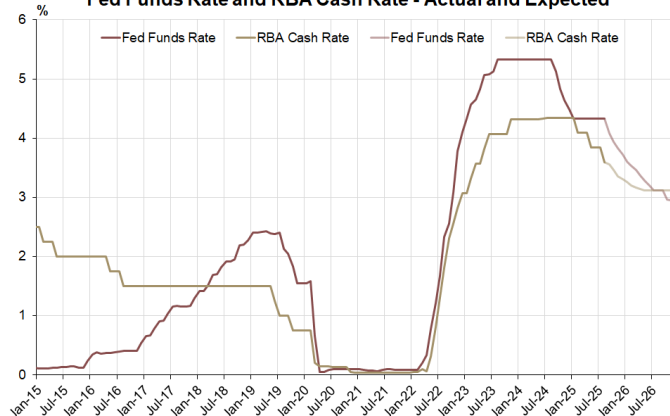
Equities have had a volatile week, with shares in the Asia-Pacific and Europe seeing the heaviest falls.

However, sharp rebounds in Japan and Hong Kong have helped those markets recover their early losses. Mainland China saw the heaviest falls, with the CSI 300 losing almost 3% amid reports Chinese regulators are looking at methods to curb speculation.

European markets remain under pressure due to concerns over the fiscal outlook ahead of Monday's confidence vote in the French parliament related to measures to curb the deficit.

US equities dipped early in the week amid the rise in bond yields connected to fiscal concerns. However, shares have since rebounded, as soft labour market data boosted the case for Fed rate cuts, with the S&P 500 edging marginally above last Thursday's record high.

The Aussie market followed global equities lower early in the week, before plunging 1.8% on Wednesday, its biggest drop since April. The slump pushed the ASX 200 to a five-week low on Wednesday before bouncing a little over the past two days.

Fed Funds Rate and RBA Cash Rate - Actual and Expected

Source: Bloomberg

S&P ASX 200

Source: Bloomberg

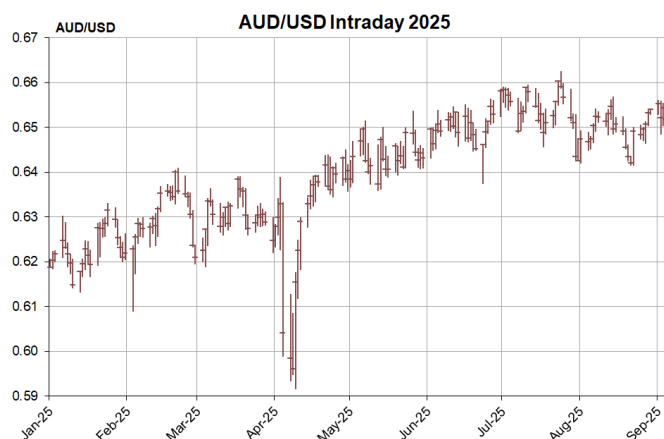
Currencies

It was quite a mixed week for the Australian dollar.

The AUD was largely directionless on Friday night and Monday, given the lack of market moving releases due to the long weekend in the US. The AUD dropped sharply on Tuesday night, however, as market sentiment turned sour amid concerns over the state of US institutions and geopolitics.

The Aussie dollar rebounded on Wednesday, as RBA cash rate cut expectations were scaled back after the upside surprise to the domestic Q2 GDP figures, before falling back again last night.

Overall, the Australian dollar depreciated against the greenback and euro this week, but was up versus the Japanese yen and British pound. Despite this mixed performance against the majors, it was one of the strongest performing G10 currencies.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6528	0.6560	0.6484	↓0.1	0.6942	0.5915
AUD/EUR		0.5592	0.5618	0.5576	↓0.2	0.6261	0.4620
AUD/GBP		0.4853	0.4881	0.4831	↑0.2	0.5229	0.4620
AUD/JPY		96.69	97.30	96.06	↑0.7	102.41	86.05
AUD/CNY		4.6580	4.6814	4.6347	↓0	4.8726	4.3523
EUR/USD		1.1674	1.1736	1.1608	↑0.1	1.1829	1.0141
GBP/USD		1.3454	1.3550	1.3333	↓0.3	1.3789	1.2100
USD/JPY		148.11	149.14	146.79	↑0.8	158.87	139.58
USD/CNY		7.1348	7.1498	7.1283	↑0.1	7.3511	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6528	0.6537	0.6544	0.6549
AUD/EUR		0.5592	0.5569	0.5548	0.5506
AUD/GBP		0.4853	0.4857	0.4864	0.4874
AUD/JPY		96.69	95.91	95.18	93.85
AUD/NZD		1.1137	1.1116	1.1096	1.1058
AUD/SGD		0.8405	0.8357	0.8311	0.8220

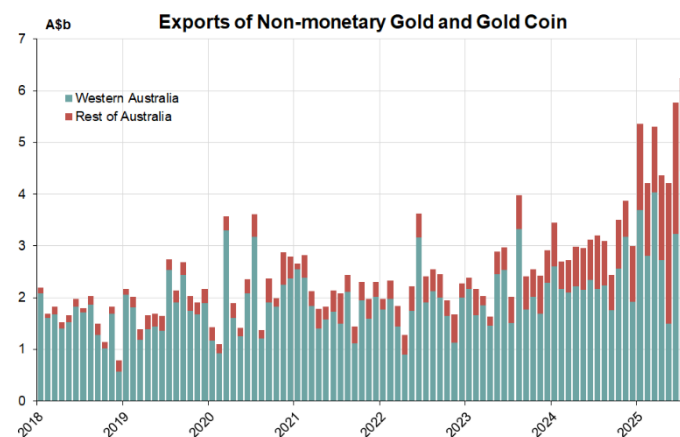
Commodities

Economic and political uncertainty continues to drive the gold price to new highs, with the yellow metal surging to new records against all the major currencies.

Gold has also hit all-time highs against the AUD, with trade data this week showing Australia the value of gold exports jumping by over 50% in 2025. Western Australia accounts for well over half of total Australian gold exports.

Oil prices have fallen over the past few days after prices hit a one-month high on Tuesday, as concerns of oversupply re-emerged as the major price driver. The switch in focus was driven by news of an unexpected build of US oil inventories and speculation OPEC+ will announce a further increase in supply at its meeting this weekend. The fall came after geopolitical concerns saw prices hit the highest level in a month on Tuesday.

Iron ore futures prices hit a near six-week high on Thursday. Steel mills expected to ramp up production and demand for iron ore after the conclusion of its celebrations marking the end of WWII. Prices have since edged down, to be unchanged for the week.



Source: Bloomberg

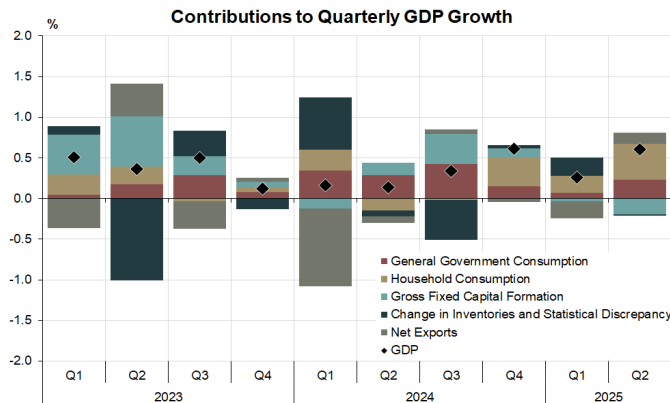
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,552.63	\$3,578.51	\$3,437.11	(↑\$143.25)	\$3,578.51	\$2,485.21
Brent Crude Oil (US\$)	\$66.72	\$69.53	\$66.35	(↓\$1.52)	\$82.63	\$58.40
Mogas95* (US\$)	\$78.72	\$81.16	\$77.79	(↓\$1.69)	\$95.91	\$67.57
WTI Oil (US\$)	\$63.19	\$66.03	\$62.72	(↓\$1.03)	\$80.77	\$55.12
CRB Index	300.35	304.38	300.35	(↓1.4)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$104.20	\$105.35	\$100.80	(0)	\$115.00	\$88.40

*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.

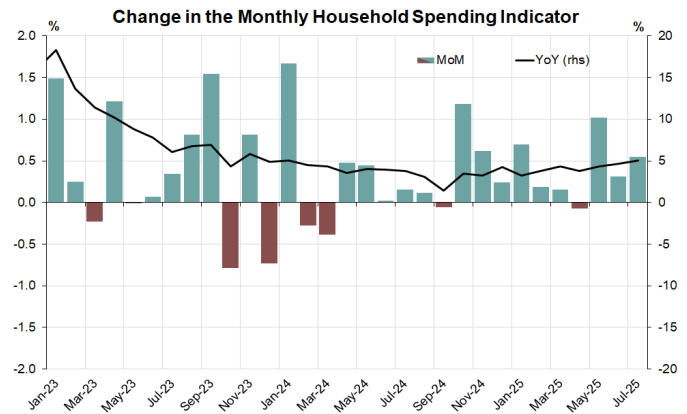
Domestic Economy

Real GDP saw a solid gain in Q2, supported by stronger household consumption.



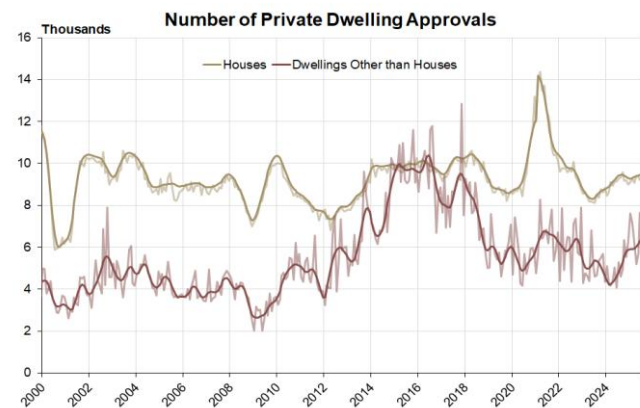
Source: ABS

The **household spending indicator** for July suggested that recovery in private consumption continued into Q3.



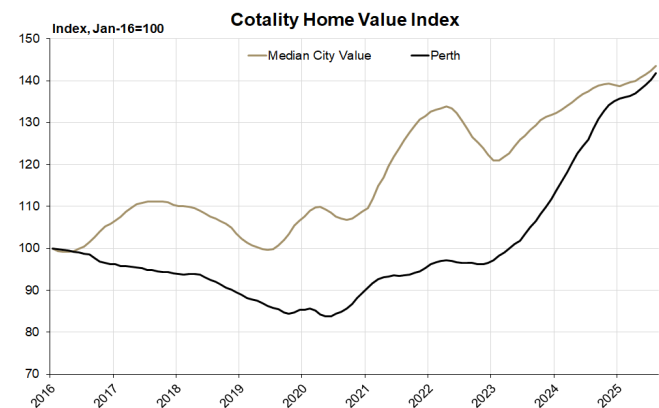
Source: ABS

Coming to housing market developments, **dwelling approvals** were trending further upwards in July...



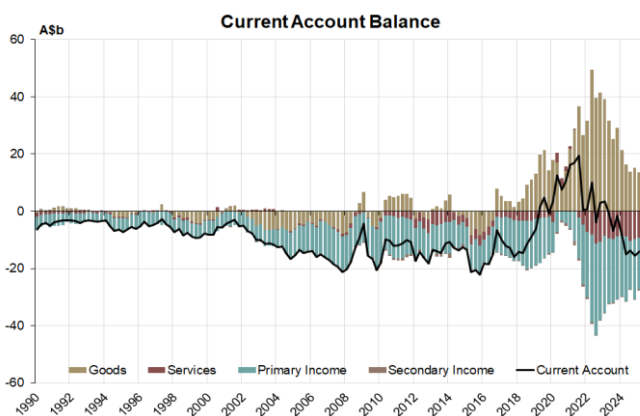
Source: ABS

... but this is still insufficient to prevent the acceleration in **home price growth**.



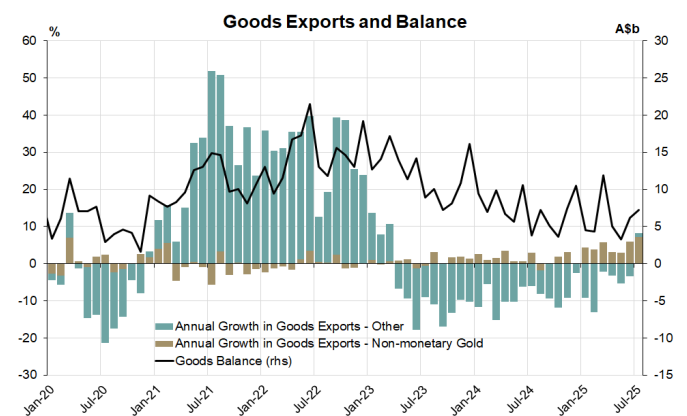
Source: Bloomberg

Current account deficit narrowed slightly in Q2, thanks to improvement in the net primary income balance...



Source: ABS

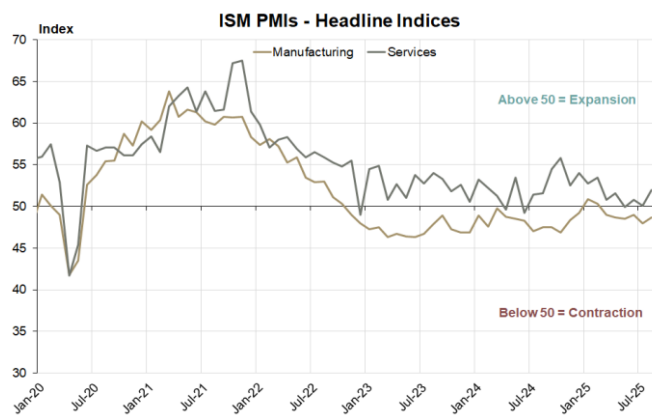
... which was followed by a rise in **goods trade surplus** in July, supported among others by higher gold exports.



Source: ABS

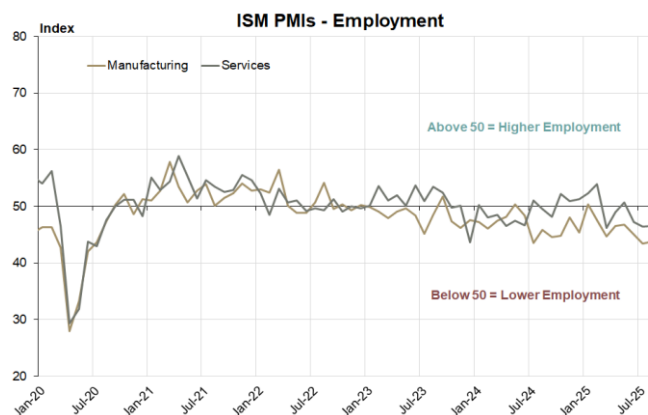
Global Economy

The **US ISM PMI** reports pointed to further contraction in manufacturing and faster expansion in services.



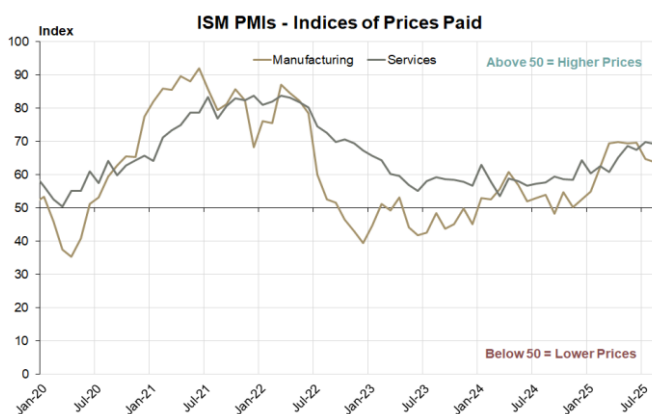
Source: Bloomberg

According to the ISM survey, **US employment** remains in deep contraction both in manufacturing and services.



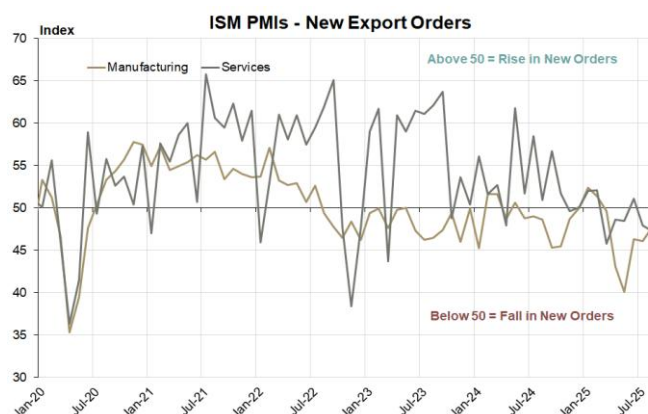
Source: Bloomberg

Despite some slowdown, **US prices paid inflation** appears to remain quite steep.



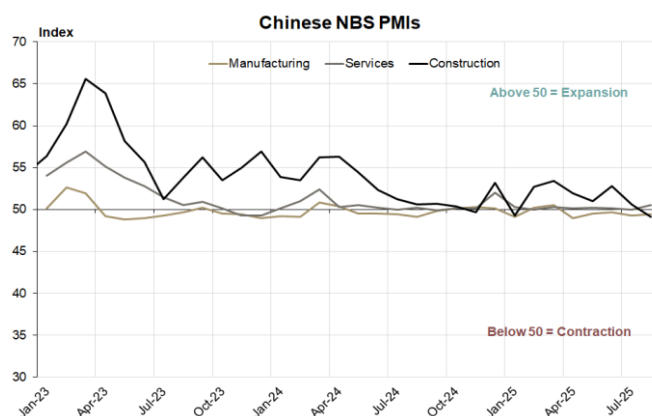
Source: Bloomberg

New export orders remain in contraction, which has however narrowed substantially in manufacturing.



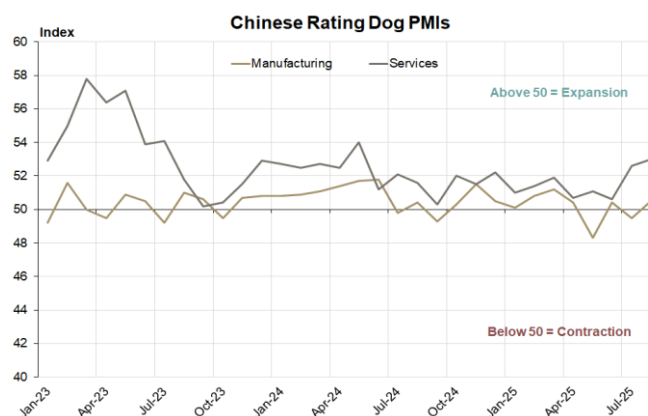
Source: Bloomberg

At the same time, **NBS Chinese PMIs** remain meagre, with construction plunging into contraction.



Source: Bloomberg

However, the **RatingDog (formerly Caixin) PMI** reports are way more optimistic than the NBS report.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 01					
AU	Cotality Home Value (MoM, Aug)	0.8%	-	0.6%	Perth home prices rose by 1.1% in August.
AU	Dwelling Approvals (MoM, Jul)	-8.2%	-5.0%	12.2%	The drop driven by the volatile unit approvals.
AU	MI Inflation Gauge (MoM, Aug)	-0.3%	-	0.9%	Annual rate declined 0.1ppts to 2.8%.
AU	ANZ Indeed Job Ads (MoM, Aug)	0.1%	-	-0.6%	Up 1.6% YoY and 15.1% from the pre-COVID average.
CH	RatingDog Manuf. PMI (Aug)	50.5	49.8	49.5	NBS PMI suggested further contraction.
Tue 02					
AU	ANZ Cons. Conf. (w/e 30 Aug)	88.0	-	86.0	Inflation expectations down 0.1ppts to 4.9%.
AU	Current Account Balance (Q2)	-\$13.7b	-\$16.0b	-\$14.1b	Improvement was thanks to net primary income balance.
EZ	HICP (YoY, Aug, flash)	2.1%	2.0%	2.0%	Rose slightly above the ECB's goal.
US	ISM Manufacturing PMI (Aug)	48.7	49.0	48.0	New orders rose back into expansion.
Wed 03					
AU	GDP (QoQ, Q2)	0.6%	0.5%	0.3%	The upside surprise driven by private consumption.
AU	RBA Governor M. Bullock Speaks	-	-	-	The speech did not discuss the monetary policy outlook
CH	RatingDog Services PMI (Aug)	53.0	52.5	52.6	NBS PMI pointed to stagnation.
US	JOLTS Job Openings (Jul)	7.2m	7.4m	7.4m	Below unemployed for the first time since April 2021.
US	Beige Book	-	-	-	Signalled little or no change in economic activity.
Thu 04					
AU	Goods Trade Balance (Jul)	A\$7.3b	A\$4.9b	A\$5.4b	The rise driven i.e. by higher non-monetary gold exports.
AU	Household Spending (MoM, Jul)	0.5%	0.5%	0.3%	Driven by services, but mainly the essential ones.
US	ADP Employment (MoM, Aug)	54k	68k	106k	Health and education, quite steady so far, saw a fall.
US	ISM Services PMI (Aug)	52.0	51.0	50.1	Expansion in new orders accelerated substantially.
US	Initial Jobless Claims (w/e 30 Aug)	237k	230k	229k	The highest level since June.
Fri 05					
US	Non-farm Payrolls (MoM, Aug)	-	75k	73k	Another meagre report expected.
US	Unemployment Rate (Aug)	-	4.3%	4.2%	Kept low by the depressed labour supply.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 08				
CH	Trade Balance (Aug)	US\$97.4b	US\$98.2b	Exports growth to slow, imports growth to accelerate.
Tue 09				
AU	NAB Business Conditions (Aug)	-	5	The less established S&P Global PMI report pointed to a rise.
AU	NAB Business Confidence (Aug)	-	7	S&P Global PMI report indicated higher confidence in August.
AU	Westpac Consumer Sent. (MoM, Sep)	-	5.7%	Weekly figures suggest further improvement.
US	NFIB Small Business Optimism (Aug)	-	100.3	Has improved a lot over the recent months.
Wed 10				
CH	CPI (YoY, Aug)	-0.2%	0.0%	Renewed consumer price deflation expected.
CH	PPI (YoY, Aug)	-2.9%	-3.6%	PPI deflation in China lowers inflation globally.
US	PPI (MoM, Aug)	0.3%	0.9%	ISM PMI reports suggested slower producer price growth.
Thu 11				
AU	MI Cons. Inflation Expectations (Sep)	-	3.9%	July saw a retreat to a four-month low.
EZ	ECB Decision (Deposit Rate)	2.00%	2.00%	ECB appears to have ended its rate cutting cycle.
US	CPI (MoM, Aug)	0.3%	0.2%	Annual rate expected to rise by 0.2ppts to 2.9%.
Fri 12				
UK	Monthly GDP (MoM, Jul)	-	0.4%	PMI reports pointed to slight slowdown.
US	UMich Consumer Sentiment (Aug, prel.)	59.3	58.2	Has been prone to significant revisions of late.