

## Highlights this week

- In the US, Republican Donald Trump secured victory in the presidential election, and the Republican party won both houses of the US Congress. The FOMC cut the fed funds rate by 25bps, as expected, and did not rule out another cut in December. The ISM services PMI for October suggested the fastest expansion since mid-2022 but was partly supported by longer delivery times caused by hurricanes.
- In China, the Caixin services PMI rose to a three-month high in October, while the trade surplus widened amid strong export growth. Iron ore imports remained above 100 million tonnes.
- In Australia, the RBA left its cash rate target unchanged at 4.35% as expected, while maintaining its hawkish tone. The trade surplus narrowed in October, but iron ore export volumes climbed. The Melbourne Institute inflation gauge suggested re-acceleration in consumer price growth in October. ANZ-Indeed job ads rose further in October.

## Highlights next week

- It will be another busy week at home, with the NAB October business report and Westpac November consumer sentiment on Tuesday, the Q3 wage price index on Wednesday and the October labour force survey on Thursday.
- The key events offshore will be US inflation figures as well as US and Chinese activity data; all these releases are for October.

Central Bank Rates (%)	Weekly Change	Australian Interest Rates (%)	Weekly Change	Major Overseas Interest Rates (%)	Weekly Change	Global Equities	Weekly Change
Australia	4.35 (0 pt)	O/N Interbank Cash	4.34 (0 pt)	USD 3-month	4.85 (0 pt)	ASX200	8302 (†1214 pt)
US (IOR)	4.65 (‡125 pt)	90-day Bills	4.42 (†1 pt)	2-yr T-Notes	4.21 (†14 pt)	S&P500	5973 (†1268 pt)
Eurozone (Deposit)	3.25 (0 pt)	3-yr T-Bond	4.08 (†2 pt)	10-yr T-Notes	4.34 (†6 pt)	DJIA	43729 (†1966 pt)
UK	4.75 (‡125 pt)	10-yr T-Bond	4.57 (†3 pt)	Jap 10-yr	1.00 (†14 pt)	Nikkei	39595 (†1227 pt)
Japan (Target)	0.25 (0 pt)	3-yr WATC Bond	4.26 (‡1 pt)	UK 10-yr	4.50 (†5 pt)	CSI300	4178 (†1287 pt)
China (1Y LPR)	3.10 (0 pt)	10-yr WATC Bond	5.14 (0 pt)	Ger 10-yr	2.45 (†5 pt)	Stoxx600	510 (†5 pt)

Changes are since the issue of last week's Market Watch.

## Financial Markets

### Interest Rates

Government bond yields are up for the week and are at multi-month highs, both in the US and Australia. The rise was driven by concerns over the impacts of electoral promises on the already dire state of US public finances. In addition, market participants are anxious about the inflationary impacts of the supersized tariffs proposed by US President-elect Donald Trump.

The decline in yields towards the end of the week came as FOMC cut the fed funds rate corridor by 25bps to 4.50-4.75%. Fed Chair Jerome Powell said that he does not rule 'out or in' another 25bps cut in December, which is currently 70% priced in.

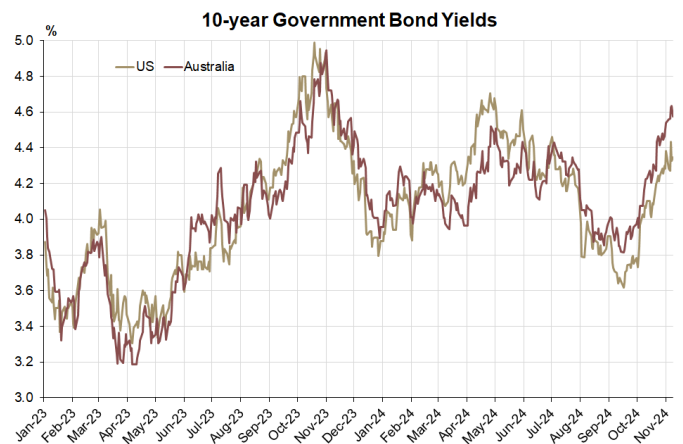
The Bank of England and the Swedish Riksbank have also cut their policy rates, but the Norges Bank held rates steady.

At home, the RBA Board kept its cash rate target unchanged at 4.35% this week, with forward guidance little changed. The updated projections suggested that, despite a slight downward revision, headline and core inflation rates are not expected to reach the mid-point of the target range until late 2026.

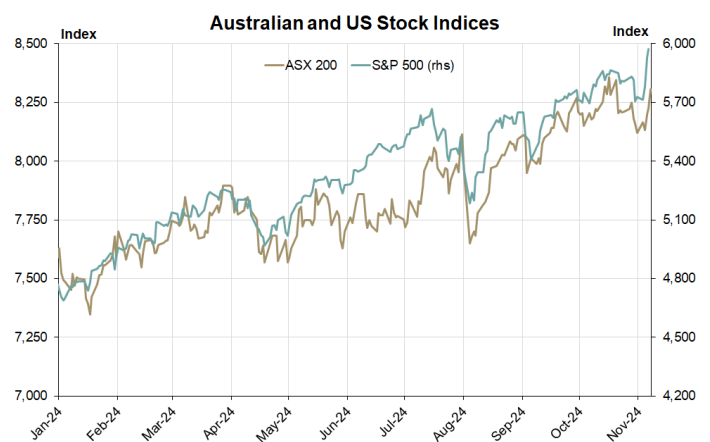
### Equities

Global equities have had a very positive week, supported by the strongest post-election day gain on record in the US on Wednesday night. All three major US stock indices reached all-time highs at some point this week, with the strongest rallies in consumer discretionary and information technology stocks.

The ASX 200 saw considerable gains this week, but underperformed Wall Street, to be 0.6% off its record high from mid-October. The smaller gains in the Aussie stock market came despite upside surprises to Chinese data and Chinese stimulus hopes. Information technology and industrials saw the strongest gains in Australia, while real estate and energy stocks are down for the week.



Source: Bloomberg



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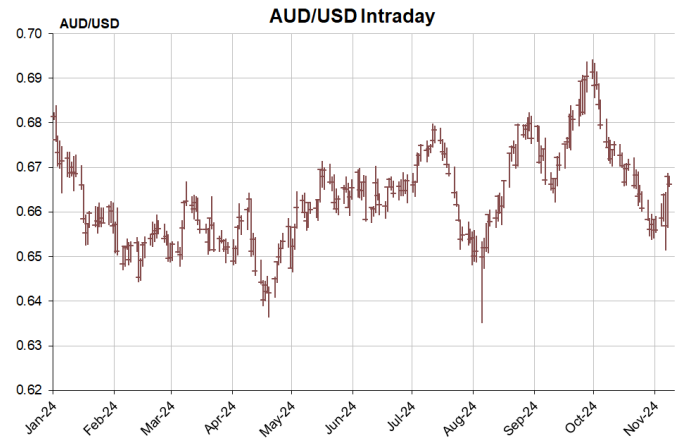
## Currencies

It has been a volatile week on currency markets, as the US election result put a rocket under the greenback, pushing the USD index to its highest level since July, before easing on Thursday as US Treasury yields fell back from four-month highs.

The Aussie dollar picked up after the RBA Board meeting but fell sharply on Wednesday morning, sinking more than a cent against the big dollar in just a few hours as the election result came through. It looked to be sliding below US\$0.65 for the first time since early August before stabilising.

News that China's appetite for iron ore remained strong in October and expectations for a stimulus announcement from the Chinese National People's Congress Standing Committee later in the week gave the Aussie a lift on Thursday, driving the AUD/USD exchange rate to two-week highs.

The Aussie is also higher against the broader currency universe, rising against all the G10 currencies except the Norwegian krone over the past week.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6660	0.6688	0.6513	↑1.2	0.6942	0.6339
AUD/EUR		0.6176	0.6187	0.6040	↑2.2	0.6251	0.4990
AUD/GBP		0.5135	0.5147	0.5055	↑0.7	0.5393	0.4990
AUD/JPY		102.03	102.41	100.01	↑1.9	109.37	90.15
AUD/CNY		4.7632	4.7765	4.6579	↑1.8	4.9340	4.5273
EUR/USD		1.0786	1.0937	1.0683	↓0.9	1.1214	1.0601
GBP/USD		1.2971	1.3048	1.2834	↑0.6	1.3434	1.2187
USD/JPY		153.19	154.71	151.30	↑0.7	161.95	139.58
USD/CNY		7.1515	7.1870	7.0867	↑0.5	7.2980	7.0063

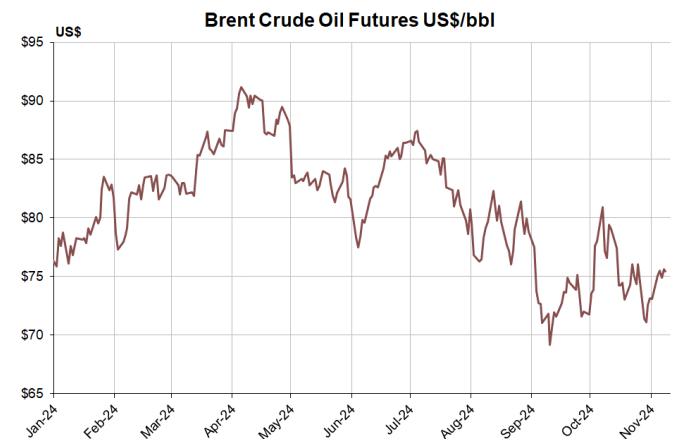
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6660	0.6663	0.6663	0.6657
AUD/EUR		0.6176	0.6155	0.6126	0.6058
AUD/GBP		0.5135	0.5139	0.5141	0.5141
AUD/JPY		102.03	100.89	99.88	97.91
AUD/NZD		1.1071	1.1066	1.1051	1.1012
AUD/SGD		0.8806	0.8775	0.8739	0.8660

## Commodities

Gold was a major casualty of the US election result as Donald Trump's election victory and the apparent Republican sweep of Congress suggested there is little to stand in the way of US tariff increases, tax cut plans and higher bond yields.

Oil prices climbed, initially fuelled by news that OPEC+ will delay its planned return of supply to the market. The election result in the US raised concerns of a further escalation in the Middle East conflict putting further upward pressure on prices later in the week. Traders also remain hopeful that Chinese stimulus could support China's faltering oil demand, after October trade data released this week showed import volumes were down 8.7% YoY.

Iron ore futures prices have hit their highest levels since mid-October, buoyed by news that China imported a further 100 million tonnes of iron ore in October and expectations for a Chinese stimulus announcement.



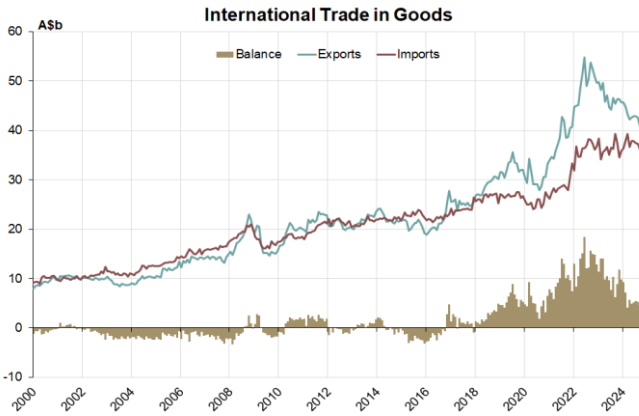
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,701.41	\$2,750.01	\$2,643.47	(↓\$44.57)	\$2,790.10	\$1,931.74
Brent Crude Oil (US\$)	\$75.47	\$76.24	\$73.34	(↑\$2.66)	\$92.18	\$68.68
Mogas95* (US\$)	\$85.26	\$85.81	\$82.66	(↑\$2.86)	\$109.19	\$76.37
WTI Oil (US\$)	\$72.11	\$72.88	\$69.74	(↑\$1.64)	\$87.67	\$65.27
CRB Index	286.20	286.20	279.44	(↑6.34)	300.23	258.09
Iron Ore Price 62% Fe (US\$) **	\$105.45	\$106.20	\$101.25	(↑\$2.65)	\$143.50	\$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.

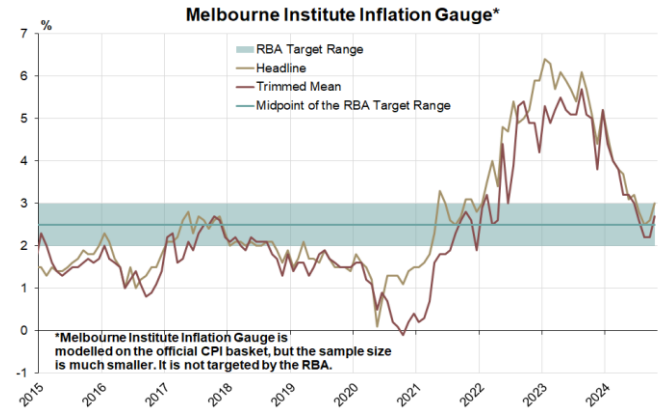
## Domestic Economy

**Exports** continued to normalise in September, but risks are tilted to the downside after the US elections.



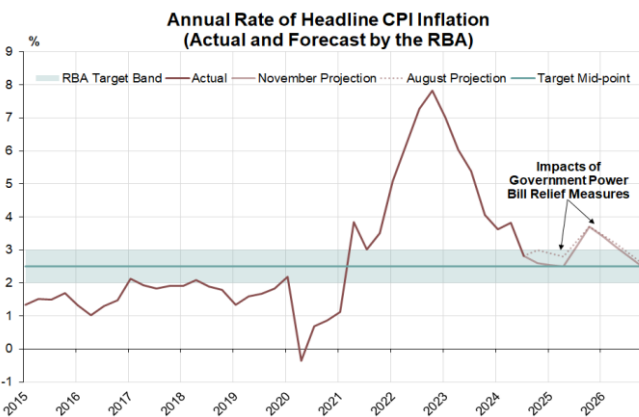
Source: ABS

The **Melbourne Institute inflation gauge** suggested that consumer price growth re-accelerated in October.



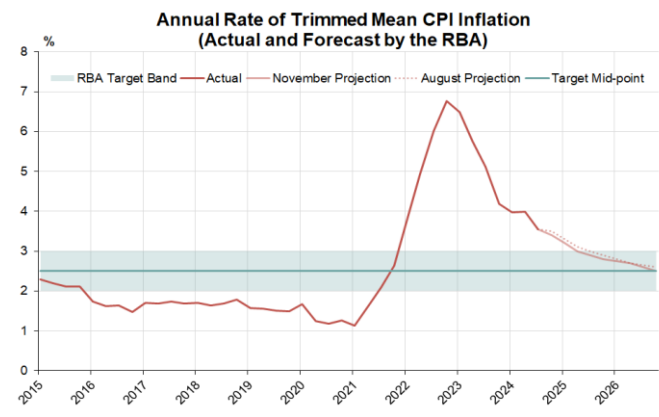
Source: Bloomberg

The RBA expects **headline inflation** to bounce back above target as the energy relief measures unwind.



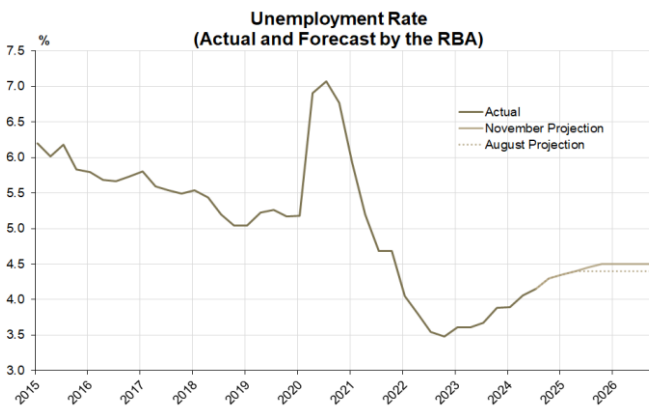
Source: ABS

The **core inflation** forecasts were cut but still projected not to fall to the target range mid-point until late 2026.



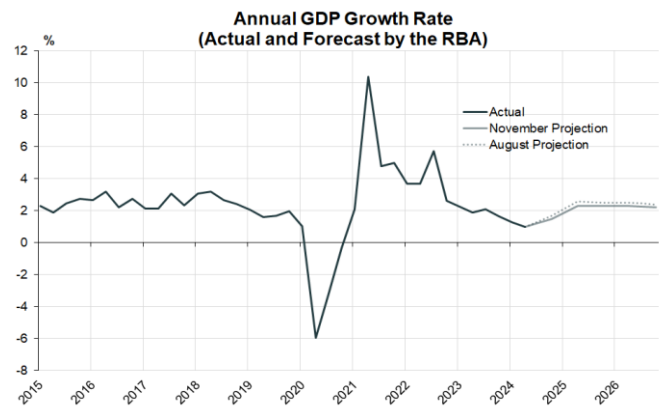
Source: ABS

The RBA revised its full employment estimate of the **unemployment rate** up slightly to 4.5% from 4.4%...



Source: ABS

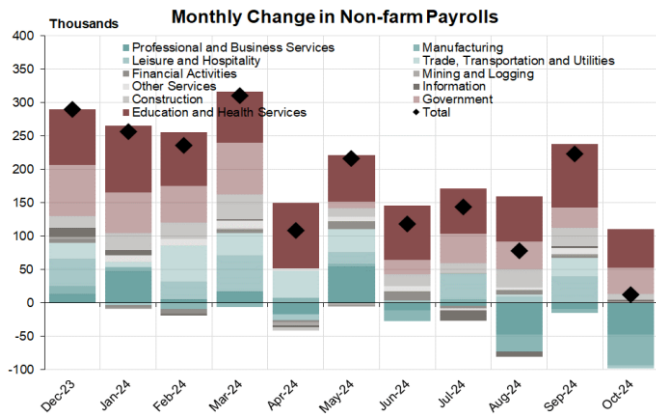
...and expects a slightly more subdued **economic growth** outlook.



Source: ABS

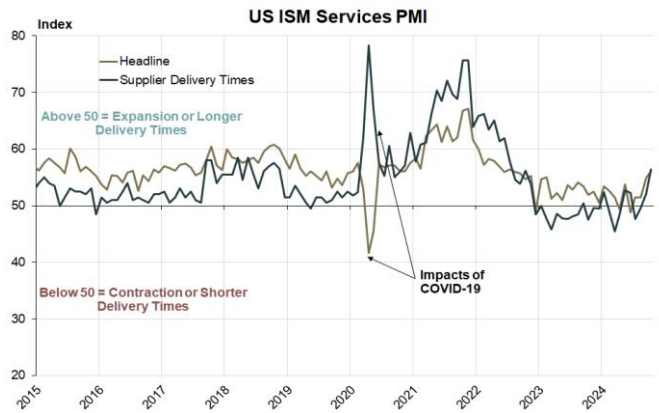
## Global Economy

**US non-farm payrolls** stagnated in October due to temporary factors, but government jobs kept climbing.



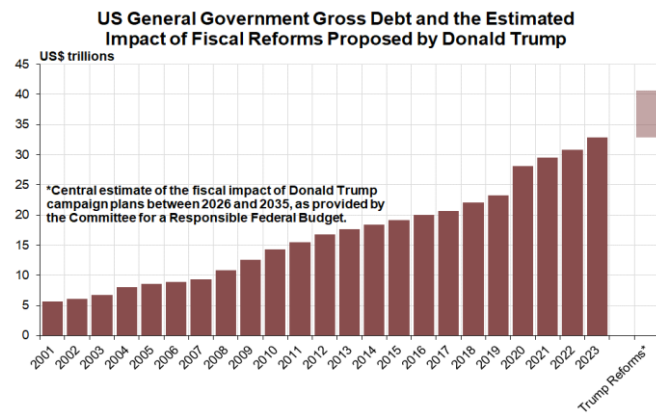
Source: Bloomberg

The **US ISM services PMI** bounced in October, propped up by longer supplier delivery times due to hurricanes.



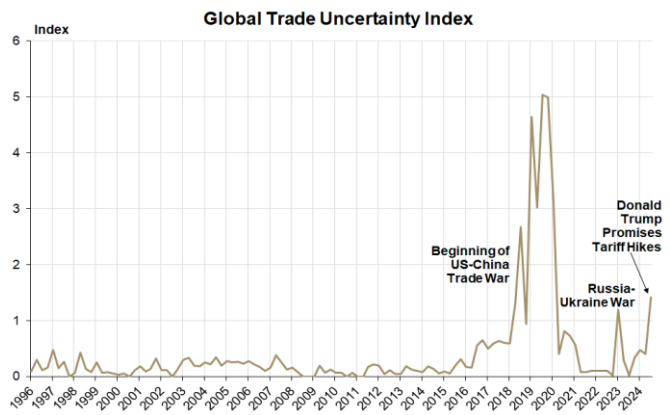
Source: Bloomberg

Reforms proposed by US President-elect would lead to a deterioration of the already dire **US fiscal position**.



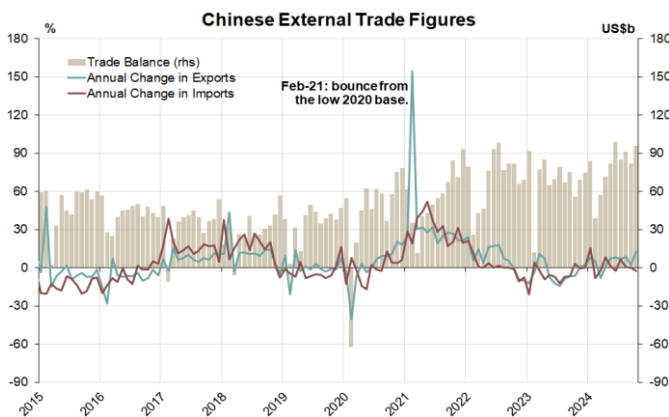
Source: International Monetary Fund / Committee for Responsible Federal Budget

Promises to increase US tariffs led to a spike in **global trade uncertainty** even before the election result.



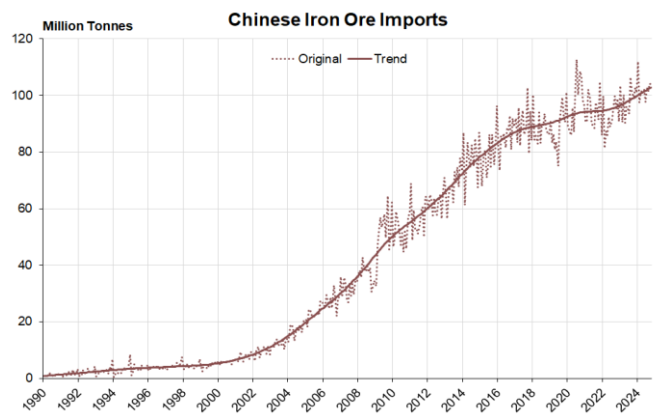
Source: World Uncertainty Index

However, the **Chinese trade surplus** widened in October, supported by faster export growth.



Source: Bloomberg

At the same time, **Chinese iron ore imports** remain above US\$100MT.



Source: Bloomberg

## Last Week

Date	Event	Actual	Forecast	Previous	Comment
<b>Mon 04</b>					
AU	MI Inflation Gauge. (MoM, Oct)	0.3%	-	0.1%	Annual rate up 0.4ppts to 3.0%.
AU	ANZ Job Ads (MoM, Oct)	0.3%	-	2.3%	Still 16.1% above the pre-COVID levels.
<b>Tue 05</b>					
AU	RBA Decision (Cash Rate Target)	4.35%	4.35%	4.35%	RBA expect no cuts until well into 2025.
AU	RBA Governor Conference	-	-	-	Michele Bullock still sounds hawkish.
AU	RBA SoMP (Q4)	-	-	-	Inflation not to return to mid-point by late 2026.
AU	ANZ Consumer Conf. (w/e 2 Nov)	0.3%	-	0.1%	4wk average inflation expectations the lowest in 3 years.
CH	Caixin Services PMI (Oct)	52.0	50.5	50.3	Points to the fastest expansion in three months.
US	ISM Services PMI (Oct)	56.0	53.8	54.9	Supported by longer delivery times and employment.
US	Election	-	-	-	Donald Trump is president-elect, GOP takes Congress.
<b>Wed 06</b>					
	<i>No market-moving data.</i>				
<b>Thu 07</b>					
AU	Trade Balance (Sep)	A\$4.6b	A\$5.3b	A\$5.3b	Lower exports more than offset a decline in imports.
CH	Trade Balance (Oct)	US\$96b	US\$75b	US\$82b	Iron ore imports still above 100 million tonnes.
SE	Riksbank Decision (Policy Rate)	2.75%	3.25%	3.25%	Outsized cut to stimulate economic activity in Sweden.
NO	Norges Bank Dec. (Policy Rate)	4.50%	4.50%	4.50%	One of the few G10 central banks keeping rates on hold.
UK	BoE Decision (Bank Rate)	4.75%	5.00%	5.00%	BoE sees a 0.5ppts inflation boost from the new budget.
US	FOMC Decision (IoER)	4.65%	4.65%	4.90%	FOMC noncommittal on a December cut.
US	Initial Jobless Claims (w/e 2 Nov)	221k	222k	218k	Continued claims the highest in three years.
<b>Fri 08</b>					
AU	Business Turnover (MoM, Sep)	0.2%	-	0.8%	Construction saw the strongest monthly increase of 3.7%.
<b>Tonight</b>					
US	Uni Mich Cons. Sent. (Nov, prel.)	-	71.0	70.5	Will contain inflation expectations tracked by the Fed.

## Next Week

Date	Event	Forecast	Previous	Comment
<b>Mon 11</b>				
	<i>No market moving data.</i>			
<b>Tue 12</b>				
AU	NAB Business Conditions (Oct)	-	7	Remains close to the long-run average.
AU	NAB Business Confidence (Oct)	-	-2	Has been subdued for the past two years.
AU	Westpac Consumer Sent. (MoM, Nov)	-	6.2%	Despite some improvement, remains at recessionary levels.
UK	Unemployment Rate (Sep)	-	4.0%	Unemployment benefits data suggests an increase.
<b>Wed 13</b>				
AU	Wage Price Index (QoQ, Q3)	0.9%	0.8%	Annual wages growth expected to slow to 3.7%.
US	CPI (MoM, Oct)	0.2%	0.2%	Annual rate expected to have picked up 0.2ppts to 2.4%.
<b>Thu 14</b>				
AU	Employment (monthly change, Oct)	20.0k	64.1k	Continues to post supersized gains.
AU	Unemployment Rate (Oct)	4.2%	4.1%	Expected to climb to a peak of 4.5% by late 2025.
US	PPI (MoM, Oct)	0.2%	0.0%	ISM reports suggest an increase.
<b>Fri 15</b>				
JP	GDP (QoQ, Q3)	0.1%	0.7%	The Japanese economy has been in and out of expansion.
CH	Retail Sales (YoY, Oct)	3.8%	3.2%	Has been lagging the other indicators.
CH	Industrial Production (YoY, Oct)	5.5%	5.4%	September saw the fastest rise in five months.
CH	Urban Fixed Asset Inv. (YoY YTD, Oct)	3.5%	3.4%	Key indicator of Chinese demand for iron ore.
UK	GDP (QoQ, Q3)	-	0.5%	Monthly GDP figures suggest another quarter in black.
US	Retail Sales (MoM, Oct)	0.3%	0.4%	US consumers just keep on spending.
US	Industrial Production (MoM, Oct)	-0.2%	-0.3%	PMIs suggest another decline in manufacturing.