

Highlights this week

- In Australia, the RBA Board minutes supported current market pricing for the first cash rate cut to be in May. The Judo Bank composite PMI fell back into contraction territory in November, as services activity fell for the first time in 10 months.
- Abroad, US initial jobless claims declined last week to the lowest level since April.

Highlights next week

- The key domestic release next week will be the monthly CPI indicator for October on Wednesday. Q3 GDP partials are also due, with construction work done and private sector capex to be released on Wednesday and Thursday, respectively. Friday will see private sector credit data for October. RBA Governor Michele Bullock is to speak at a conference on Thursday.
- The highlights offshore are due for release on Wednesday and include the FOMC minutes, the second estimate of US Q3 GDP as well as personal income and outlays for October, which will include PCE price inflation targeted by the Fed. The RBNZ is also to announce its monetary policy decision on Wednesday, with a 50bps cut expected.

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	8388 (↑133 pt)
US (IOR)	4.65 (0 pt)	90-day Bills	4.42 (0 pt)	2-yr T-Notes	4.34 (↓2 pt)	S&P500	5949 (↓0 pt)
Eurozone	3.25 (0 pt)	3-yr T-Bond	4.10 (↓9 pt)	10-yr T-Notes	4.41 (↓5 pt)	DJIA	43870 (↑119 pt)
UK	4.75 (0 pt)	10-yr T-Bond	4.56 (↓8 pt)	Jap 10-yr	1.09 (↑2 pt)	Nikkei	38326 (↓461 pt)
Japan (Target)	0.25 (0 pt)	3-yr WATC Bond	4.25 (↓8 pt)	UK 10-yr	4.44 (↓4 pt)	CSI300	3989 (↓42 pt)
China (1Y LPR)	3.10 (0 pt)	10-yr WATC Bond	5.13 (↓7 pt)	Ger 10-yr	2.32 (↓2 pt)	Stoxx600	503 (↓4 pt)

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

Financial Markets

Interest Rates

Government bond yields declined slightly this week, following strong increases after the US election. This reflected to some extent concerns over the escalation of the Russian-Ukrainian conflict, but also somewhat more soothing Fed speak. Fed officials speaking this week generally stressed that interest rates will be cut further, but the pace and timing will be dependent on the incoming data.

The RBA Board minutes brought no major surprises but supported current market pricing that the first cut is some way off, with the first cut currently not fully priced in until July 2025. The Board cited elevated uncertainty, including upside risks to inflation. They also said that there are scenarios where inflation declined more quickly than currently forecast. However, they will need to see 'more than one good quarterly inflation outcome' to be confident that such a decline would be sustainable.

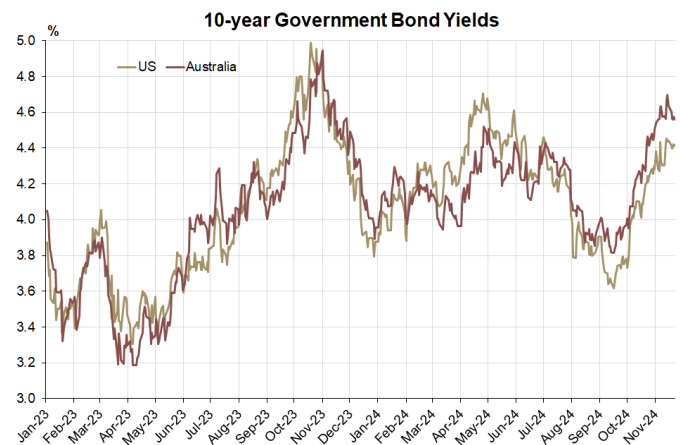
Reserve Bank of Australia Assistant Governor Christopher Kent spoke on Monday, quoting data suggesting that 40% of Australian households with variable rate mortgages have two years' worth of mortgage buffers, though around 30% of them have three months' worth of buffers or less.

Equities

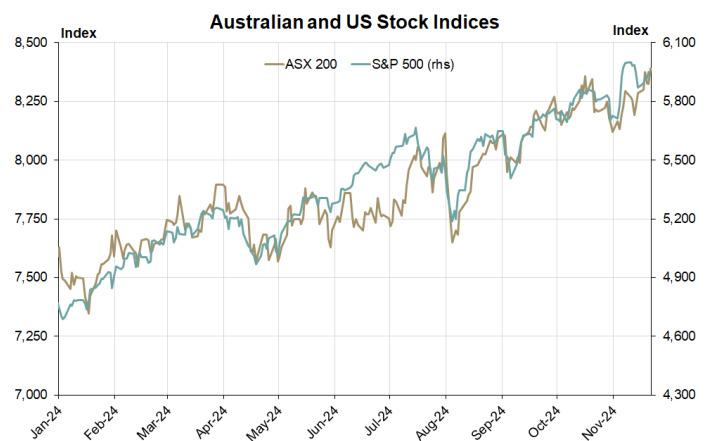
It was a choppy week in equity markets, battered with geopolitical jitters and concerns over the earnings outlook of semiconductor poster child Nvidia.

The disappointing revenue forecast by Nvidia caused some stir in the early trade last night, but these concerns were eventually dismissed, allowing for a flat weekly result in the benchmark S&P 500 for the week.

The Aussie stock market outperformed Wall Street for a change, with the ASX 200 up 1.6% since this time last week and at all-time high. Almost all industries registered gains, with the notable exception of consumer discretionary and – surprisingly – information technology. The strongest weekly gains were recorded by the energy sector, followed by utilities and consumer staples.



Source: Bloomberg



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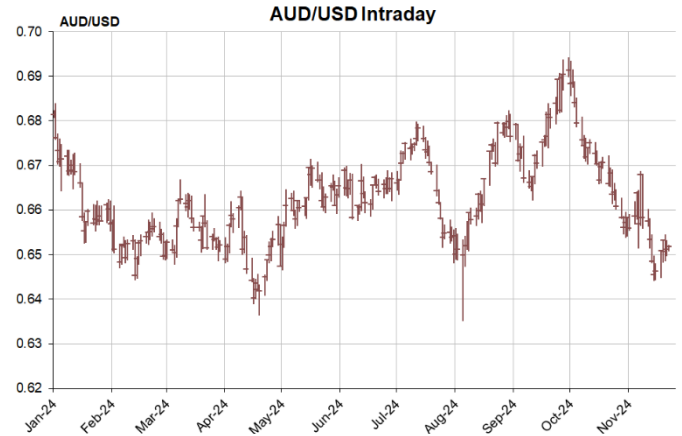
Currencies

The Australian dollar began the week trading below US\$0.65, but jumped late in Monday's trading session as commodity prices climbed.

The AUD/USD fell early Tuesday after the greenback temporarily spiked on geopolitical risk, before resuming its rise as the big dollar weakened. Traders continued to digest the hawkish commentary in the RBA Board minutes, with the AUD/USD exchange rate hitting its weekly high of US\$0.6545 early Wednesday.

While the Aussie has since slipped from those highs, it has managed to largely hold its own against the strengthening greenback.

The Aussie is higher against almost all the remaining G10 currencies, except for the Japanese yen, which steadied after two months of sharp declines.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6520	0.6545	0.6448	↑0.9	0.6942	0.6350
AUD/EUR		0.6223	0.6223	0.6113	↑1.5	0.6251	0.4990
AUD/GBP		0.5178	0.5178	0.5109	↑1.6	0.5393	0.4990
AUD/JPY		100.60	101.56	99.49	↓0.5	109.37	90.15
AUD/CNY		4.7201	4.7331	4.6591	↑1	4.9340	4.5273
EUR/USD		1.0476	1.0610	1.0462	↓0.6	1.1214	1.0462
GBP/USD		1.2592	1.2715	1.2576	↓0.6	1.3434	1.2300
USD/JPY		154.31	155.89	153.29	↓1.4	161.95	139.58
USD/CNY		7.2422	7.2469	7.2260	↑0.1	7.2775	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6520	0.6524	0.6525	0.6523
AUD/EUR		0.6223	0.6200	0.6169	0.6099
AUD/GBP		0.5178	0.5182	0.5184	0.5183
AUD/JPY		100.60	99.49	98.48	96.59
AUD/NZD		1.1134	1.1127	1.1109	1.1065
AUD/SGD		0.8772	0.8742	0.8708	0.8636

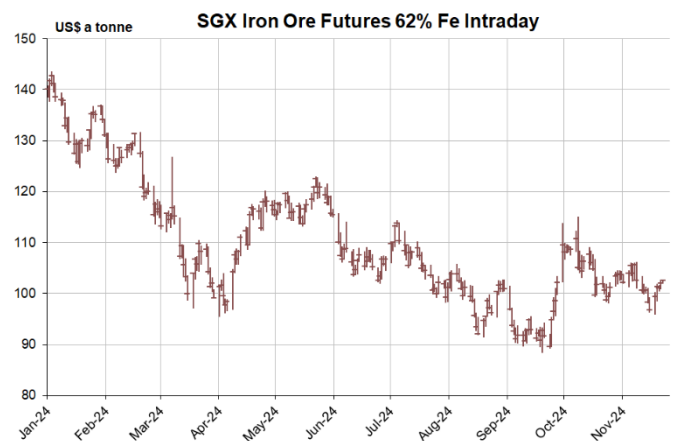
Commodities

Increased geopolitical risk drove a rebound in the gold price this week. The yellow metal jumped almost 2% on Monday after Ukrainian strikes on Russian territory using US-supplied long-range missiles, and has kept rising, to be sitting at its highest level since election day in the US.

The escalation in the Russia-Ukraine war has helped push oil prices higher, with Brent crude futures hitting at two-week highs.

Singapore benchmark contract price opened the week at its lowest levels in almost two months, before bouncing early on Monday. Traders appeared to take the view that demand would remain strong in the near-term if Chinese steel producers ramp up near-term production to get ahead of the expected rise in US tariffs after President-elect Trump's inauguration in January.

Copper, a crucial metal for the energy transition, remains at around its lowest levels since September.



Source: Bloomberg

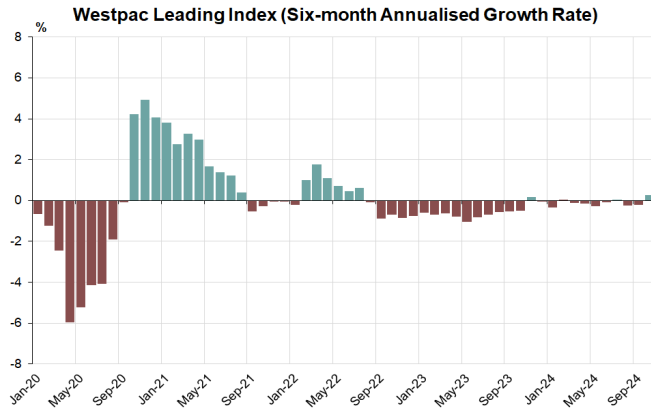
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,676.98	\$2,678.43	\$2,564.41	(↑\$108.98)	\$2,790.10	\$1,973.15
Brent Crude Oil (US\$)	\$74.35	\$74.44	\$70.70	(↑\$2.19)	\$92.18	\$68.68
Mogas95* (US\$)	\$84.95	\$85.60	\$81.70	(↑\$2.78)	\$109.19	\$76.37
WTI Oil (US\$)	\$70.25	\$70.38	\$66.61	(↑\$1.94)	\$87.67	\$65.27
CRB Index	288.32	288.32	279.72	(↑7.8)	300.23	258.09
Iron Ore Price 62% Fe (US\$) **	\$102.30	\$102.70	\$95.80	(↑\$4.7)	\$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.

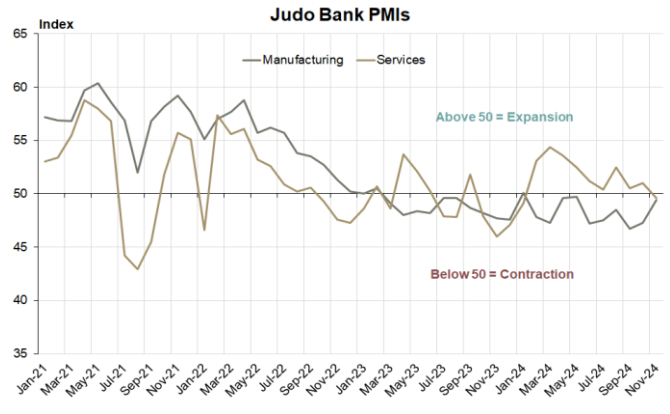
Domestic Economy

Six-month annualised growth in the **Westpac leading index** turned positive, signalling above-trend growth.



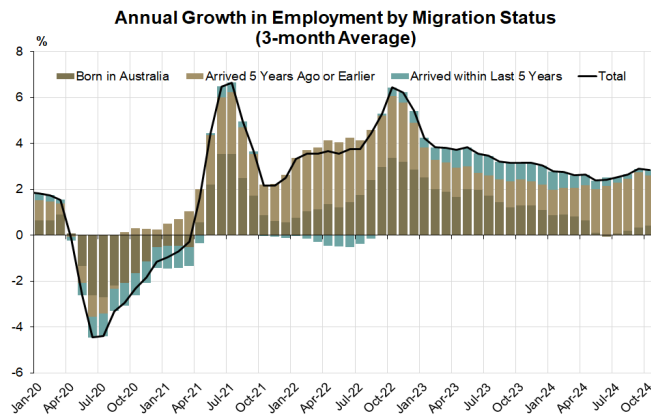
Source: Bloomberg

However, the November **Judo Bank PMI** report pointed to contraction in both manufacturing and services.



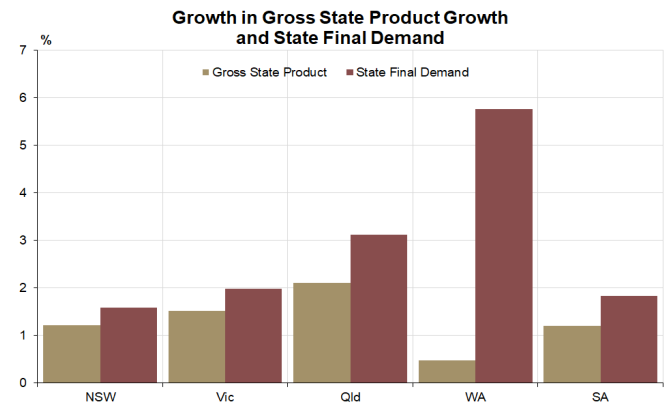
Source: Bloomberg

Recent immigration is supporting employment growth to a lesser extent than in 2023 and early 2024.



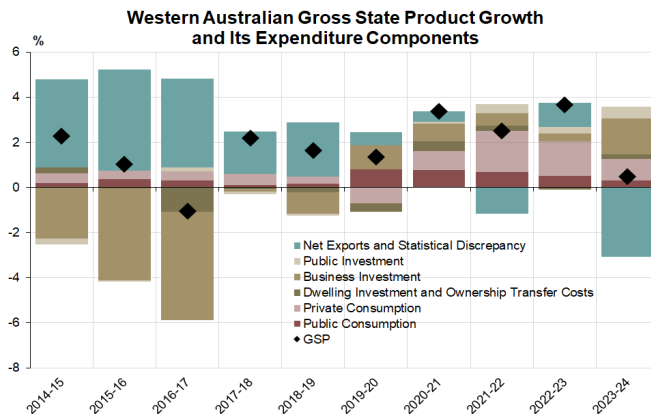
Source: ABS

Western Australia saw somewhat weaker GSP growth in 2023-24, but domestic demand remained solid.



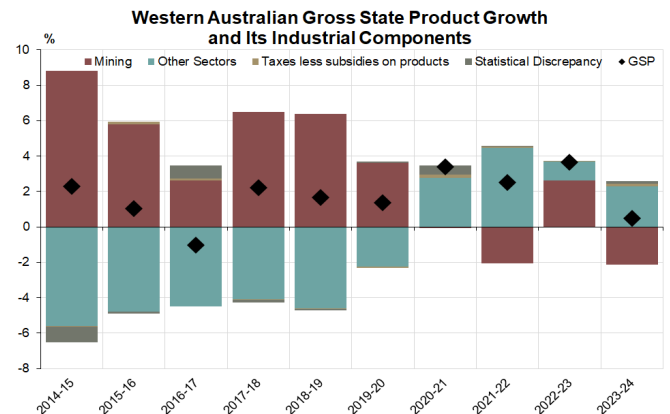
Source: ABS

The weaker GSP growth was due to **lower exports**, while SFD growth was faster and broad-based.



Source: ABS

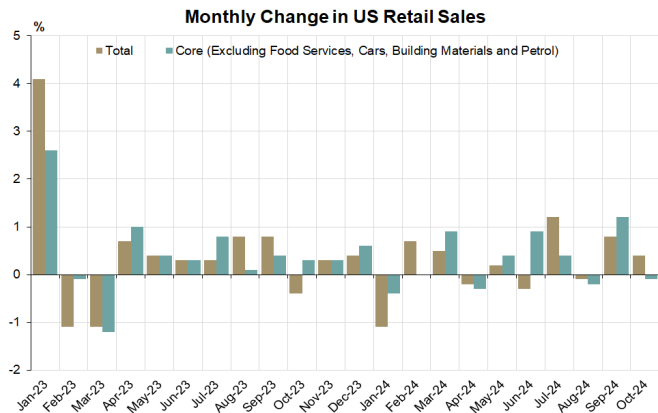
The lower exports resulted from a decline in **mining** output amid adverse weather and maintenance activities.



Source: ABS

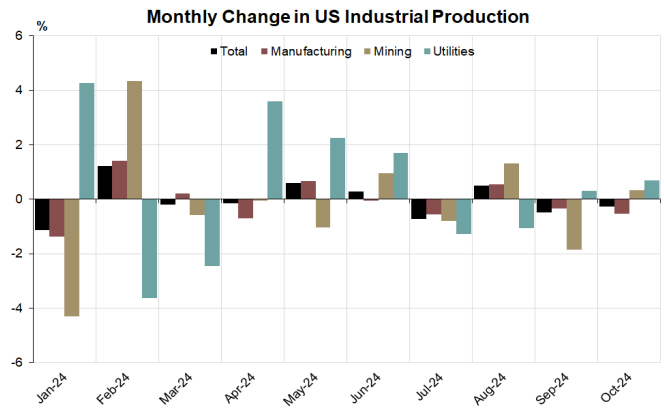
Global Economy

Following a solid gain in September, **core US retail sales growth stagnated in October...**



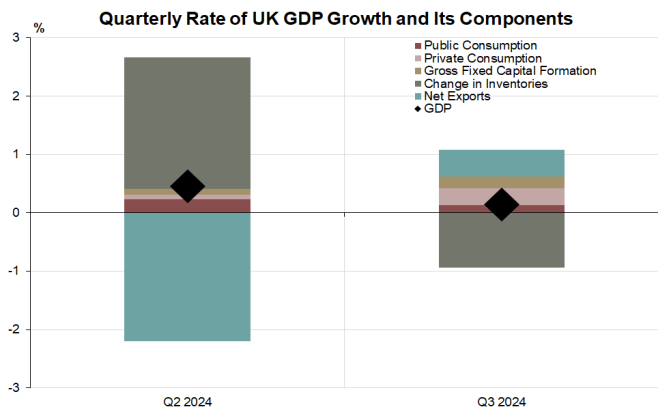
Source: Bloomberg

... while **US industrial production, including manufacturing, saw another decline.**



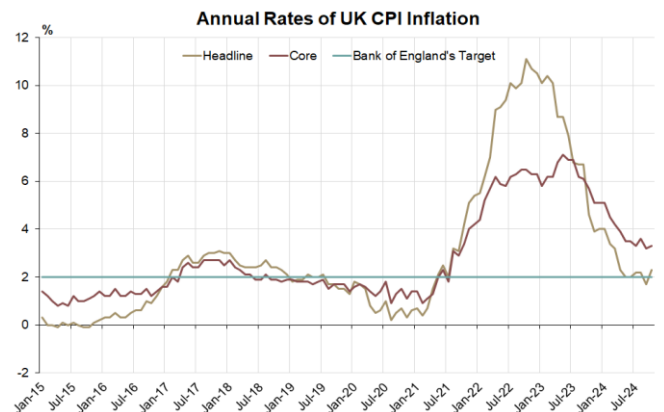
Source: Federal Reserve

UK GDP growth decelerated in Q3, with inventory investment the biggest drag.



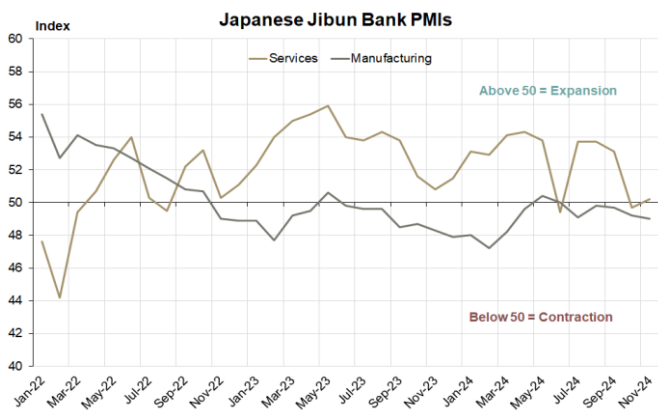
Source: Bloomberg

UK CPI inflation rose back above the target in headline terms while core inflation remains too high.



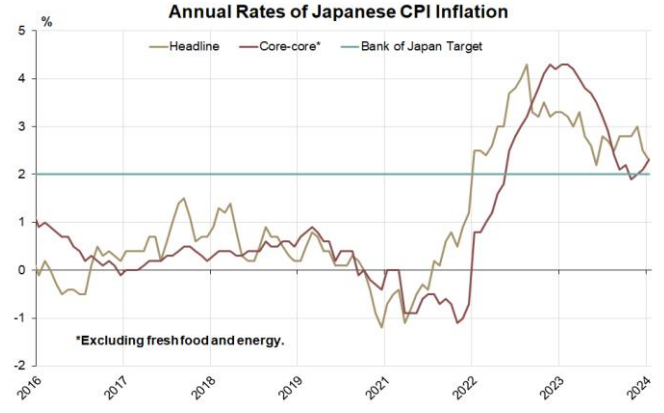
Source: Bloomberg

In Japan, the November **Jibun Bank PMIs** pointed to slight expansion in services and a fall in manufacturing.



Source: Bloomberg

Headline Japanese CPI inflation fell further towards the target in October, but 'core-core' inflation picked up.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 18					
	RBA Assistant Governor Speaks	-	-	-	Most mortgagors remain resilient to higher interest rates.
Tue 19					
AU	RBA Board Minutes	-	-	-	RBA needs more evidence of sustainable disinflation.
AU	ANZ Cons. Conf. (w/e 16 Nov)	0.1%	-	0.2%	Consumer inflation expectations declined back to 4.7%.
Wed 20					
AU	WA GSP (YoY, 2023-24)	0.5%		3.7%	Weighed down by mining. Real state final demand strong.
AU	Westpac Leading Ind. (MoM, Oct)	0.18%	-	0.01%	Six-month annualised growth rate has turned positive.
AU	Employee Earnings (MoM, Sep)	3.9%	-	1.6%	Wages bill up 6.3% through the year.
UK	CPI (MoM, Oct)	0.6%	0.5%	0.0%	Annual rate of inflation up 0.6ppts to 2.3%.
Thu 21					
AU	RBA Governor M. Bullock Speaks	-	-	-	A non-event in terms of the monetary policy outlook.
US	Initial Jobless Claims (w/e 16 Nov)	213k	220k	219k	Continued claims rose above 1.9m in w/e 9 November.
US	Existing Home Sales (MoM, Oct)	3.4%	2.9%	-1.3%	Remain around the lowest levels since the GFC.
Fri 22					
AU	Judo Bank Composite PMI (Nov)	49.4	-	50.2	Services in contraction for the first time in 10 months.
JP	CPI (YoY, Oct)	2.3%	2.3%	2.5%	'Core-core' inflation picked up to a 6-month high of 2.3%.
JP	Jibun Bank Composite PMI (Nov)	49.8	-	49.6	Services switched back to marginal expansion.
Tonight					
EZ	HCOB Composite PMI (Nov)	-	50.0	50.0	Germany and France were still in contraction in October.
UK	S&P Global Comp. PMI (Nov)	-	51.7	51.8	October saw the slowest expansion in a year.
US	S&P Global Comp. PMI (Nov)	-	54.4	54.1	Even faster expansion expected.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 25				
	<i>No market moving data.</i>			
Tue 26				
US	C-S Hse Price Index 20 Cities (MoM, Sep)	-	0.4%	US house prices continue to rise.
US	Conference Board Cons. Conf. (Nov)	112.5	108.7	More focused on the labour market than its UoM equivalent.
Wed 27				
AU	Monthly CPI Indicator (YoY, Oct)	2.5%	2.1%	Melbourne Institute inflation gauge pointed to re-acceleration.
AU	Construction Work Done (QoQ, Q3)	0.5%	0.1%	Q2 increase driven by engineering work done.
NZ	RBNZ Decision (Official Cash Rate)	4.25%	4.75%	Expected to trough at 3.25-3.50%.
US	Durable Goods Orders (MoM, Oct)	0.5%	-0.7%	The decline in September driven by the volatile aircraft orders.
US	New Home Sales (MoM, Oct)	-2.2%	4.1%	Is on an upward trend but remains 28.4% off its 2020 highs.
US	Personal Spending (MoM, Oct)	0.4%	0.5%	Retail sales figures suggest deceleration.
US	PCE Price Index (MoM, Oct)	0.2%	0.2%	Annual rate anticipated to accelerate 0.2ppts to 2.3%.
US	GDP (QoQ annualised, Q3, 2nd estimate)	2.8%	3.0%	No revision expected.
US	FOMC Minutes	-	-	Could contain hints on the prospect of a rate cut in December.
Thu 28				
AU	Private Sector Capex (QoQ, Q3)	1.0%	-2.2%	Saw a broad-based decline in Q2.
AU	RBA Governor Michele Bullock Speaks	-	-	Speech at the annual CEDA conference in Sydney.
Fri 29				
AU	Private Sector Credit (MoM, Oct)	0.5%	0.5%	Ongoing broad-based increase, led by business credit.
EZ	HICP (YoY, Nov)	-	2.0%	Core inflation remained at 2.7% in October.