

Highlights this week

- In Australia, the Judo Bank flash PMI for October pointed to near-stagnant conditions in services and further contraction in manufacturing.
- Abroad, S&P Global PMIs pointed to ongoing expansion in the US, slight contraction in the euro area and renewed contraction in Japan. China saw a 25bps reduction in benchmark loan prime rates.

Highlights next week

- A busy week ahead domestically, with the Q3 CPI on Wednesday being the most important release. Thursday will see September retail trade, including Q3 sales volumes, dwelling approvals and private sector credit for September as well as the Q3 international trade price indices. This will be followed by September housing finance, the September household spending indicator, the October CoreLogic home price index and Q3 PPI on Friday.
- The calendar will be full offshore as well, with the highlights being US and euro area GDP and inflation reports, the US and Chinese PMIs as well as the US employment report for October. The Bank of Japan 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	4.35 (0 pt)	O/N Interbank Cash	4.34 (0 pt)	USD 3-month	4.85 (0 pt)	ASX200	8241 (↓38 pt)
US (IOR)	4.90 (0 pt)	90-day Bills	4.38 (0 pt)	2-yr T-Notes	4.07 (↑10 pt)	S&P500	5810 (↓32 pt)
Eurozone (Deposit)	3.25 (0 pt)	3-yr T-Bond	3.90 (↑5 pt)	10-yr T-Notes	4.20 (↑11 pt)	DJIA	42374 (↓865 pt)
UK	5.00 (0 pt)	10-yr T-Bond	4.41 (↑10 pt)	Jap 10-yr	0.96 (↓2 pt)	Nikkei	38143 (↓875 pt)
Japan (Target)	0.25 (0 pt)	3-yr WATC Bond	4.11 (↑2 pt)	UK 10-yr	4.24 (↑15 pt)	CSI300	3929 (↑151 pt)
China (1Y LPR)	3.10 (↓25 pt)	10-yr WATC Bond	5.02 (↑5 pt)	Ger 10-yr	2.27 (↑6 pt)	Stoxx600	519 (↓5 pt)

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

Financial Markets

Interest Rates

Government bond yields were on the rise this week, as investors continued to reconsider the pace of monetary policy easing in the US amid concerns about fiscal expansion after the US elections.

Currently, fed funds futures are roughly pricing in a 25bps cut at the November FOMC meeting, while the probability of another cut at the meeting in December has reached around 75%.

Expectations for RBA cash rate cuts eased as well, with the first cut now fully priced in for May rather than April a week ago.

The Bank of Canada cut its policy rate by 50bps to 3.75%, saying that they will reduce it further if the economy evolves as expected. Another 50bps cut is around 40% priced in for December.

China saw a reduction of its benchmark one- and five-year loan prime rates by 25bps, to 3.10% and 3.60%, respectively.

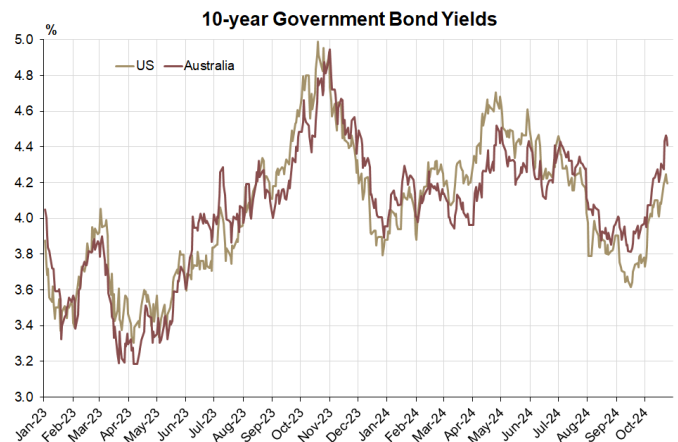
Equities

The global equity markets also got hit by concerns over a slower pace of monetary policy easing in the US.

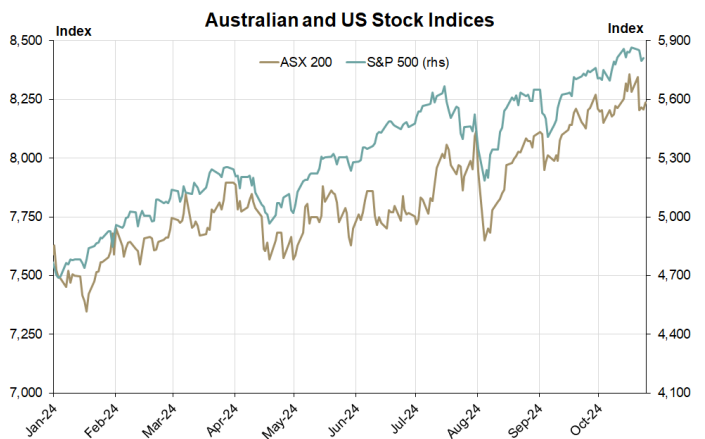
After reaching a record high on Friday, the S&P 500 was on a decline for the first three days of this week, before a surge in Tesla shares due to bumper quarterly results drove the market higher on Thursday night. The positive S&P Global flash PMI report for October helped sentiment as well. However, the S&P 500 remains 0.5% down for the week.

The Aussie share market is also down for the week, mainly due to the slide at the open on Tuesday morning. Information technology stocks lead the weekly decline, followed by real estate, industrials and consumer discretionary.

The ASX 200 has pared some of its losses this morning, with information technology stocks seeing a particularly strong rebound, supported by the overnight optimism on Wall Street.



Source: Bloomberg



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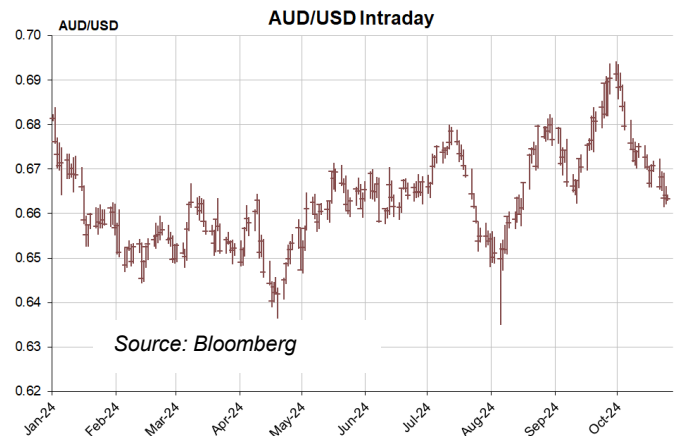
Currencies

The Australian dollar has had a tough week and has been the weakest member of the G10 currency basket except for the Japanese yen, which fell to its lowest level against the greenback since the end of July before edging up.

The AUD/USD exchange rate continued the downtrend it has been in since peaking at US\$0.6942 at the end of September, with the currency falling to a two-month low of US\$0.6614 on Wednesday before stabilising.

Part of the Aussie's fall against the USD has been driven by strength in the greenback itself, with the big dollar climbing against all the other major currencies.

The big drop in the Japanese yen over month has prompted the Japanese finance minister warn of the need to guard against excessive fluctuations in the yen, hinting at the possibility of intervention to stabilise the currency if it continues to fall sharply.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6633	0.6723	0.6614	↓0.8	0.6942	0.6270
AUD/EUR		0.6129	0.6195	0.6126	↓0.5	0.6251	0.4990
AUD/GBP		0.5115	0.5165	0.5111	↓0.7	0.5393	0.4990
AUD/JPY		100.83	101.69	99.95	↑0.8	109.37	90.15
AUD/CNY		4.7266	4.7806	4.7138	↓0.7	4.9340	4.5273
EUR/USD		1.0821	1.0872	1.0761	↓0.3	1.1214	1.0517
GBP/USD		1.2968	1.3058	1.2908	↓0.1	1.3434	1.2070
USD/JPY		152.01	153.19	149.09	↑1.6	161.95	139.58
USD/CNY		7.1199	7.1338	7.0977	↓0	7.3198	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6633	0.6638	0.6638	0.6631
AUD/EUR		0.6129	0.6109	0.6081	0.6017
AUD/GBP		0.5115	0.5119	0.5120	0.5115
AUD/JPY		100.83	99.68	98.65	96.75
AUD/NZD		1.1049	1.1047	1.1033	1.0992
AUD/SGD		0.8749	0.8718	0.8682	0.8607

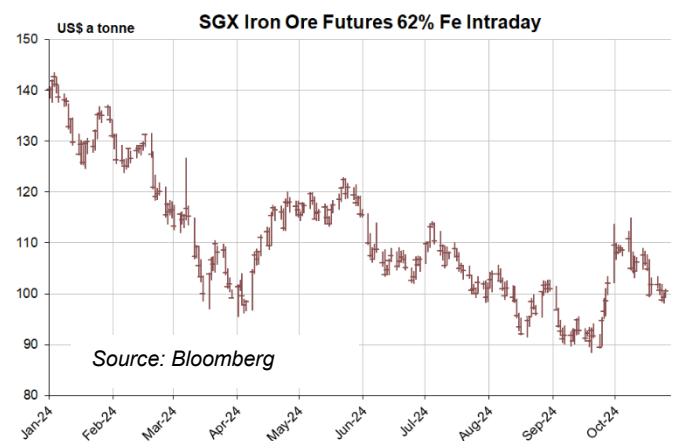
Commodities

Oil prices remain torn between the weak demand outlook and geopolitical risk, as a rise in US crude oil stockpiles and a further warning from the International Energy Agency over the subdued demand outlook offset lingering worry over a wider conflict in the Middle East. However, concerns over the Middle East have eased a little, as the ongoing threat of an Israeli retaliatory strike on Iran seems to have taken a backseat to hopes for a ceasefire in Gaza.

Iron ore futures slipped below US\$100 a tonne, as the market continues to wait for anticipated Chinese fiscal stimulus. News of increasing supply and rising Chinese steel inventories helped put further downward pressure on prices, before a late rally pushed the benchmark Singapore contract back above US\$100.

Gold made a fresh record high on Wednesday, before dropping back as the greenback strengthened.

As the race to secure critical minerals heats up, the European Union has started a process to create a joint purchasing platform for critical minerals.

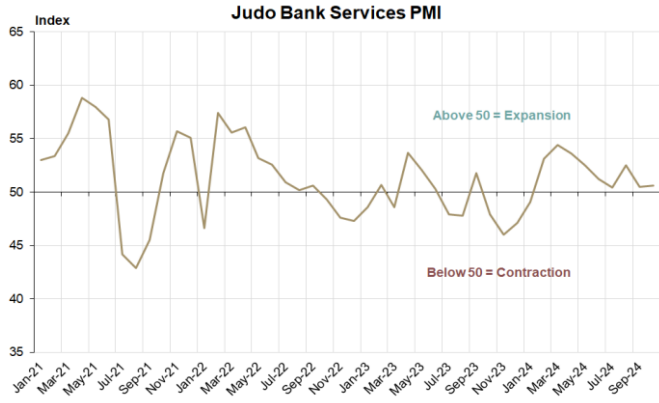


	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,731.68	\$2,758.49	\$2,708.83	(↑\$24.56)	\$2,758.49	\$1,931.74
Brent Crude Oil (US\$)	\$74.85	\$76.54	\$72.80	(↑\$0.13)	\$92.18	\$68.68
Mogas95* (US\$)	\$83.25	\$85.81	\$82.08	(↓\$0.95)	\$109.19	\$76.37
WTI Oil (US\$)	\$70.62	\$72.66	\$69.00	(↓\$0.38)	\$87.67	\$65.27
CRB Index	282.38	284.24	279.55	(↑0.67)	300.23	258.09
Iron Ore Price 62% Fe (US\$)**	\$100.15	\$103.45	\$98.10	(↓\$0.2)	\$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.

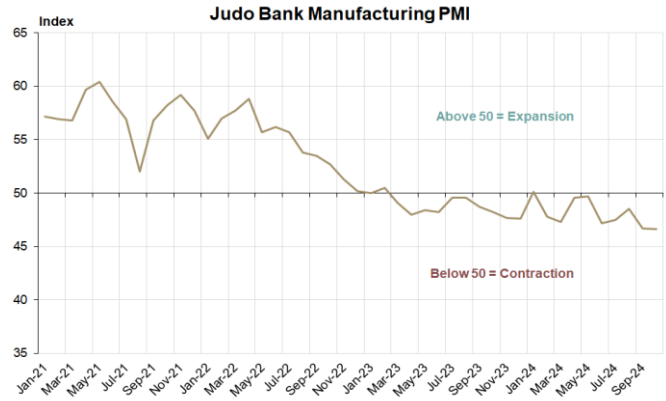
Domestic Economy

According to the Judo Bank PMI report for October, activity in the Aussie **services** sector is near-stagnant...



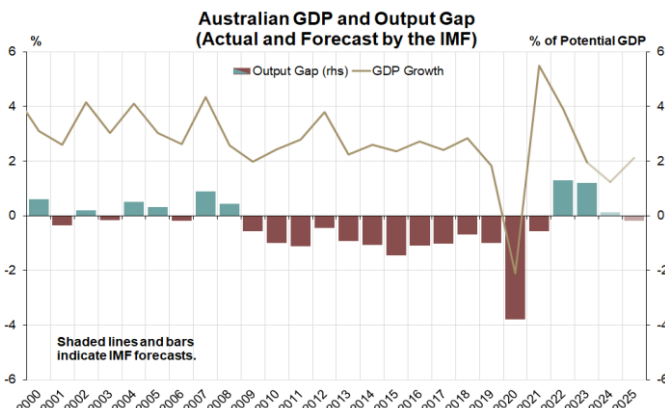
Source: Bloomberg

... while **manufacturing** remains in deep contraction.



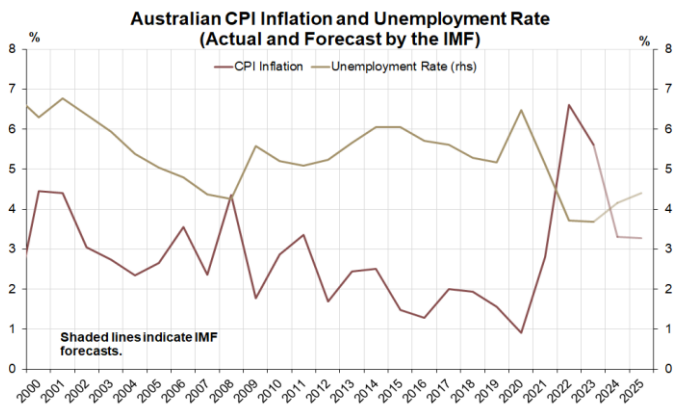
Source: Bloomberg

The IMF forecasts that Aussie **GDP growth** will accelerate next year, but output gap is to turn negative.



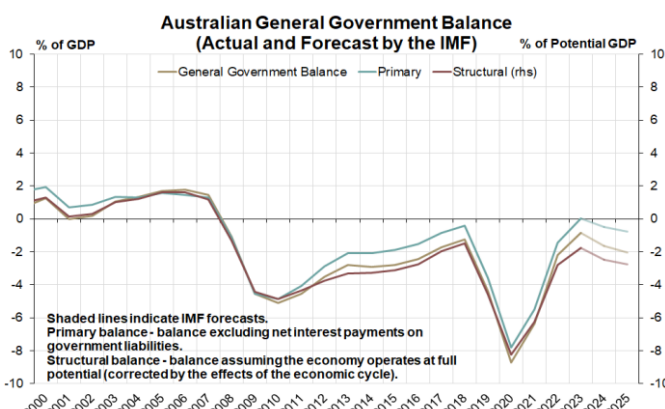
Source: International Monetary Fund

CPI inflation is expected to remain somewhat above the RBA target and the unemployment rate is to remain low.



Source: International Monetary Fund

The **general government deficit** is expected to deteriorate, driven by structural factors.



Source: International Monetary Fund

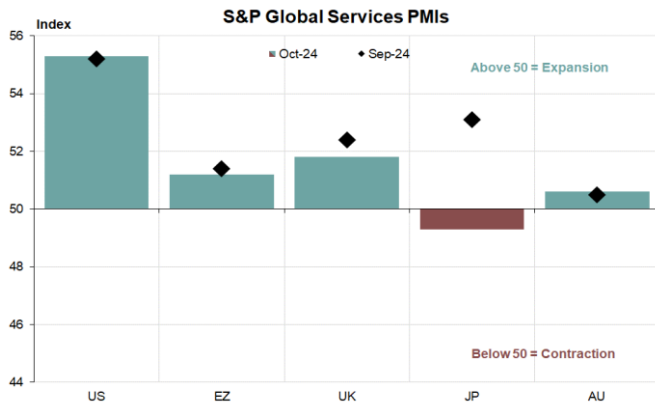
General government debt is expected to decline gradually, both in net and gross terms.



Source: International Monetary Fund

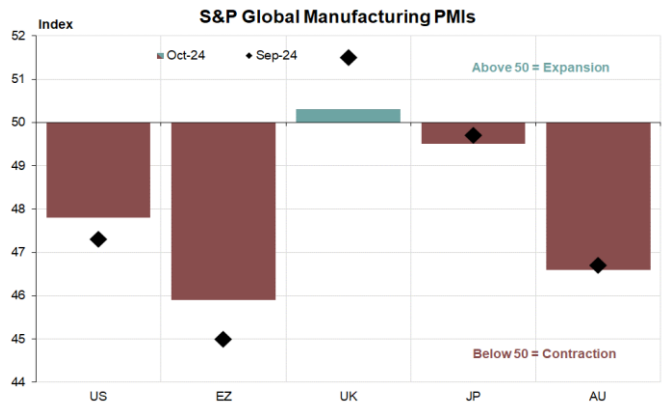
Global Economy

The **S&P Global PMIs** pointed to expansion in services in all major advanced economies except for Japan...



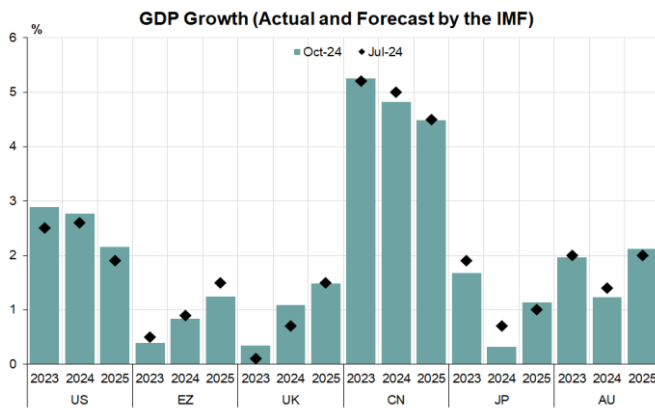
Source: Bloomberg

... while the **contraction in manufacturing** continues in all major advanced economies but the UK.



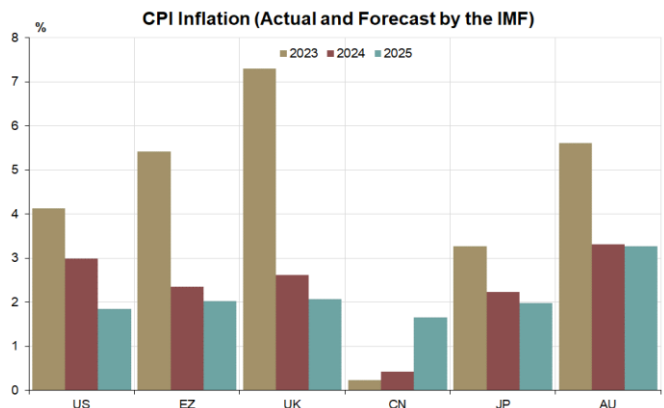
Source: Bloomberg

The IMF revised its **US and UK growth forecasts up**, but the euro area, China and Japan saw downgrades.



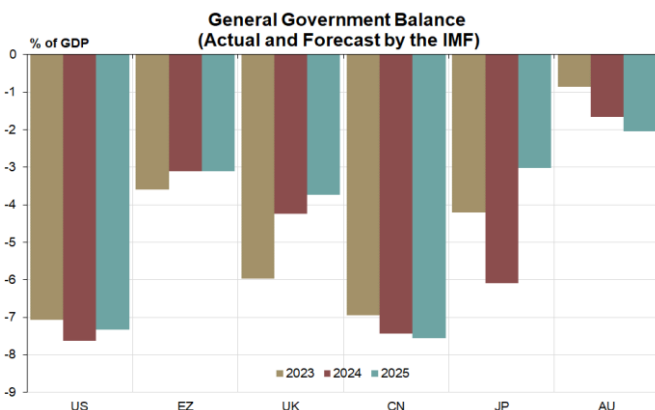
Source: International Monetary Fund

The IMF also expects that next year **CPI inflation will fall to or below 2%** in the US, euro area, UK and Japan.



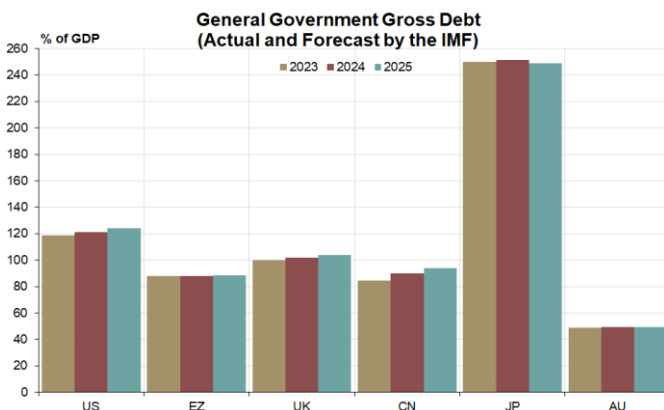
Source: International Monetary Fund

Fiscal position is expected to improve in the euro area and UK, but deteriorate further in the US and China.



Source: International Monetary Fund

However, the **public debt-to-GDP ratios** are expected to remain high and rise further in most major economies.



Source: International Monetary Fund

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 21					
AU	RBA Deputy Governor Speaks	-	-	-	Inflation still 'too high' to start thinking of rate cuts.
CH	PBoC Decision (1Y LPR)	3.10%	3.15%	3.35%	5-year rate also cut by 15bps to 3.60%.
Tue 22					
AU	ANZ Cons. Conf. (w/e 19 Oct)	4.9%	-	-0.1%	Inflation expectations the lowest since late 2021.
Wed 23					
CA	BoC Decision (Policy Rate)	3.75%	3.75%	4.25%	Another 50bps cut 50% priced in for December.
US	Existing Home Sales (MoM, Sep)	-1.0%	0.5%	-2.0%	The lowest since 2010.
US	Beige Book	-	-	-	Activity little changed, inflation still moderating.
Thu 24					
AU	Judo Bank Comp. PMI (Oct, flash)	49.8	-	49.6	Input price inflation the lowest in four years.
JP	Jibun Bank Comp. PMI (Oct, flash)	49.4	-	52.0	Back in contraction for the first time since June.
EZ	HCOB Composite PMI (Oct, flash)	49.7	49.7	49.6	Germany and France in deep contraction.
UK	S&P Global Comp. PMI (Oct, flash)	51.7	52.5	52.6	The slowest expansion in 11 months.
US	New Home Sales (MoM, Sep)	4.1%	0.6%	-2.3%	The highest level since May 2023.
US	S&P Global Comp. PMI (Oct, flash)	54.3	53.8	54.0	Prices paid rose at the slowest pace since May 2020.
US	Initial Jobless Claims (w/e 19 Oct)	227k	242k	242k	Impacts of hurricanes and industrial action receded.
Fri 25					
	<i>No market moving data.</i>				

Next Week

Date	Event	Forecast	Previous	Comment
Mon 28				
	<i>No market moving data.</i>			
Tue 29				
US	JOLTS Job Openings (Sep)	-	8.0m	Back at pre-COVID levels.
US	Conference Board Cons. Conf.	99.0	98.7	More focused on the labour market than its UoM equivalent.
US	C-S House Prices 20 Cities (YoY, Aug)	-	5.9%	Has been establishing new record highs.
Wed 30				
AU	CPI (QoQ, Q3)	0.4%	1.0%	Annual rate expected to fall to 3.0% due to electricity credits.
AU	Monthly CPI Indicator (YoY, Sep)	2.5%	2.7%	Has also been impacted by the household electricity credit.
EZ	GDP (QoQ, Q3, flash)	0.2%	0.2%	Annual rate to accelerate 0.2ppts to 0.8%.
US	GDP (QoQ annualised, Q3, prelim.)	3.0%	3.0%	GDPNow estimate suggests acceleration to 3.4%.
Thu 31				
AU	Retail Trade (MoM, Sep)	0.4%	0.7%	Bank transaction data suggest weakening.
AU	Retail Sales Volumes (QoQ, Q3)	0.8%	-0.3%	Expected to see the first increase in three quarters.
AU	Dwelling Approvals (MoM, Sep)	2.0%	-6.1%	Have been volatile due to the choppy high-rise activity.
AU	Private Sector Credit (MoM, Sep)	0.5%	0.5%	Business credit has been rising at a solid pace.
AU	International Price Indices	-	-	RBA index suggests a decline in export prices.
JP	Bank of Japan Decision (Policy Rate)	0.25%	0.25%	Further rate hikes not expected before next year.
CH	NBS Composite PMI (Oct)	-	50.4	First insights into the Chinese economy in October.
EZ	HICP (YoY, Oct, flash)	1.9%	1.7%	Core inflation still above the ECB's goal.
US	Personal Spending (MoM, Sep)	0.4%	0.2%	Retail sales figures suggested another gain.
US	PCE Price Index (MoM, Sep)	0.2%	0.1%	Annual rate to decline to 2.1%.
Fri 01				
AU	Housing Finance (MoM, Sep)	-	1.0%	Demand for housing remains high.
AU	CoreLogic Home Price Index (MoM, Oct)	-	0.5%	Discrepancy among capital cities is increasingly evident.
AU	Household Spending Ind. (MoM, Oct)	-	0.0%	To replace the retail trade report in mid-2025.
AU	PPI (QoQ, Q3)	-	1.0%	Rose by 4.8% over the year to June.
CH	Caixin Manufacturing PMI (Oct)	-	49.3	Both PMI measures point to slight contraction.
US	ISM Manufacturing PMI (Oct)	47.6	47.3	S&P Global PMI report suggested further decline.
US	Non-farm Payrolls (monthly chge, Oct)	135k	254k	Saw a surprisingly solid increase in September.
US	Unemployment Rate (Oct)	4.1%	4.1%	Still below the FOMC's longer-run estimate.