Market Daily Update

Interest	Rates (%)	FX			Commodities US\$			
Australia		Δ bp	AUD/USD	0.6606	0.4%	WTI Crude Oil	72.01	\$0.58
90-day Bill	4.42	1	AUD/JPY	100.69	0.4%	Brent Crude Oil	75.53	\$0.45
3-year Bond	4.12	3	AUD/EUR	0.6078	0.4%	Mogas95*	85.06	\$1.10
10-year Bond	4.59	3	AUD/GBP	0.5086	0.1%	CRB Index	283.65	0.90
			AUD/NZD	1.1041	0.2%	Gold	2739.38	\$2.98
			AUD/CNY	4.7136	0.7%	Silver	32.48	\$0.07
US			EUR/USD	1.0867	-0.1%	Iron Ore (62% Fe)**	105.60	\$1.40
2-year	4.23	7	USD/JPY	152.42	0.1%	Iron Ore (24-25 Average)	101.21	\$0.07
10-year	4.33	4	USD/CNY	7.1047	0.1%	Copper	9738.50	\$42.00
			RBA Policy		Equities			
			O/N Cash Rate Target 4.35		ASX200	8201	79	
Other 10-year			Interbank O/N Cash Rate		4.34	Dow Jones	42222	427
Japan	0.94	0	Probability of a 25bps Cut in Nov		0.0%	S&P500	5783	70
Germany	2.43	3	RBA Bond Holdings (31 Oct)		A\$311.7b	Stoxx600	510	0
UK	4.53	7				CSI300	4045	100

^{*}Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.

As expected, the <u>RBA Board</u> kept interest rates unchanged at the November meeting, with the cash rate target remaining at 4.35% and the interest rate on Exchange Settlement balances staying at 4.25%.

The post-meeting statement acknowledged that headline inflation had declined to 2.8% in Q3 but stressed that underlying inflation remained 'too high' at 3.5% and again cited multiple uncertainties around their economic outlook. Forward guidance was little changed from the previous statement, with the RBA still not ruling 'anything in or out', with future decisions being data-dependent.

The RBA also released the quarterly Statement on Monetary Policy, with updated projections. The forecasts for underlying inflation were revised downwards around 0.1ppts across the horizon, and the outlook for headline inflation remained bumpy. Both are expected to reach the mid-point of the target range in late 2026. The forecasts for the peak of the unemployment rate in the cycle were revised up 0.1ppts, to a still low level of 4.5%.

In the press conference, Governor Bullock again remained hawkish, reminding that services price inflation remains elevated, the output gap is likely positive, labour market conditions remain tight and government spending is stronger than thought during the previous projection round.

The market reaction was muted; however, the improvement in global market sentiment saw the Australian dollar appreciate against all the major currencies overnight. Commonwealth bond yields have increased since yesterday morning. The ASX 200 closed 0.4% lower yesterday, with declines in all sectors, before opening stronger this morning.

Abroad, as Americans headed towards the polls, Wall Street saw strong and broad-based increases in equity prices last night, with all three major stock indices gaining more than 1%. All sectors closed in the black last night, with the strongest gains in consumer discretionary and information technology. US Treasury yields picked up, particularly at the front end of the yield curve.

In commodity markets, oil prices continued to climb. Iron ore futures rose by 1.2%, still supported by stimulus hopes, with additional help from the upside surprise to Caixin services PMI. The gold price picked up but remained 1.6% off its record high from last week.

Data-wise, the US ISM services PMI rose 1.1pts to 56.0 in October (above 50 = expansion), the highest since mid-2022. However, the results were distorted by the impacts of longer delivery times due to hurricanes, which took the index of supplier delivery times 4.3pts higher to 56.4. Other details of the report pointed to a slower, albeit still solid, increase in prices and a rebound in employment. New orders and business activity/production growth slowed but remained strong.

Across the Pacific, the Chinese Caixin services PMI rose 1.7pts to a three-month high of 52.0. The report details suggested slower price growth and expansion in employment for the second month straight.

Economic Data Review

- CH: Caixin PMI Services PMI (Oct) Actual 52.0, Expected 50.5, Previous 50.3.
- US: ISM Services PMI (Oct) Actual 56.0, Expected 53.8, Previous 54.9.

Economic Data Preview

No market-moving data.

^{**}Iron ore is the second SGX futures contract.