

Highlights this week

- In Australia, real GDP growth disappointed in Q3, with the annual rate the lowest since the early 90s (outside of COVID-19). Q3 also saw the sixth consecutive current account deficit, which was followed by a rise in the goods trade surplus in October. Retail sales and the household spending indicator saw solid gains in October. Dwelling approvals picked up in October, due to the volatile unit approvals, while consents for private house building fell. This was followed by a meagre rise in the national CoreLogic home value index in November.
- Abroad, the US ISM PMIs suggested slower contraction in manufacturing and deceleration in services growth. The Chinese PMIs were mixed, but generally pointed to sluggish growth.

Highlights next week

- Domestic highlights next week will be the RBA Board cash rate decision, with no changes expected, and the November NAB business survey report on Tuesday, followed by the results of the November labour force survey on Thursday. There will be plenty of RBA speak, with Aussie central bank officials appearing publicly virtually every day.
- The key events offshore include US and Chinese inflation figures for November. The ECB and Bank of Canada are both expected to announce their interest rate decisions next week, with 25- and 50bps cuts expected, respectively.

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	8444 (↑30 pt)
US (IOR)	4.65 (0 pt)	90-day Bills	4.43 (0 pt)	2-yr T-Notes	4.14 (↓17 pt)	S&P500	6075 (↑76 pt)
Eurozone (Deposit)	3.25 (0 pt)	3-yr T-Bond	3.84 (↓10 pt)	10-yr T-Notes	4.18 (↓17 pt)	DJIA	44766 (↑44 pt)
UK	4.75 (0 pt)	10-yr T-Bond	4.26 (↓11 pt)	Jap 10-yr	1.07 (↑1 pt)	Nikkei	39396 (↑1364 pt)
Japan (Target)	0.25 (0 pt)	3-yr WATC Bond	4.05 (↓11 pt)	UK 10-yr	4.28 (↑1 pt)	CSI300	3922 (↑49 pt)
China (1Y LPR)	3.10 (0 pt)	10-yr WATC Bond	4.86 (↓11 pt)	Ger 10-yr	2.11 (↓2 pt)	Stoxx600	520 (↑12 pt)

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

Financial Markets

Interest Rates

Government bond yields are again sharply down for the week in the US and Australia and are back at mid-October levels.

The decline in US Treasury yields came amid geopolitical concerns due to the unexpected escalation of the civil war in Syria, the (very) brief martial law in South Korea and successful no-confidence vote against the French Prime Minister. Investors are awaiting the US jobs report tonight, which will be an important piece of information ahead of the FOMC meeting. Meanwhile, FedSpeak has turned cautious as to whether a fed funds rate cut should be delivered in December.

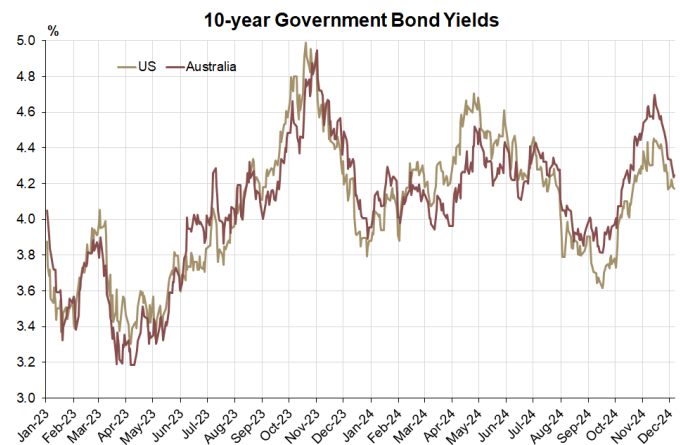
The fall in Commonwealth bond yields was somewhat stronger than the fall in US yields. This was a result of the disappointing Aussie GDP report, which caused cash rate cut expectations to shift from May to April. The RBA Board meeting next week and multiple public appearances by the RBA top officials will be great opportunities to clarify if the weak GDP report had an impact on the monetary policy outlook.

Equities

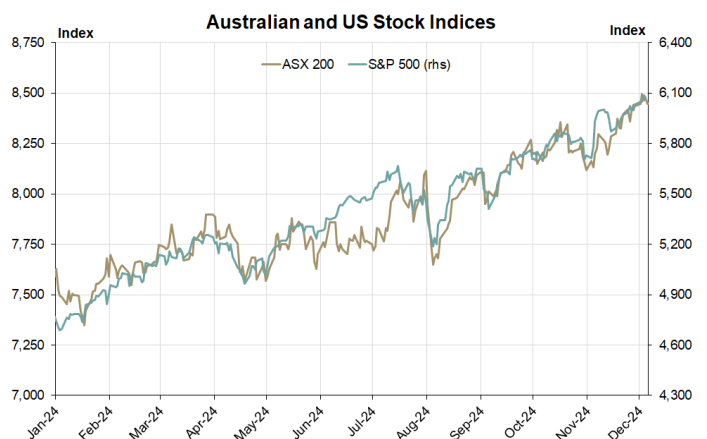
It was another positive week in global equity markets. All three major US stock indices reached record highs, but the gains were concentrated in consumer discretionary, information technology and communication services. Thursday saw declines on Wall Street ahead of the US jobs report tonight.

The ASX 200 also reached a record high on Tuesday but retreated after the meagre Aussie GDP report on Wednesday, which was followed by choppy trade later in the week. As a result, the Aussie stock market again underperformed US equities.

The South Korean Kospi is the only major market to be down for the week at the time of writing, which is due to the rise in political uncertainty in the country.



Source: Bloomberg



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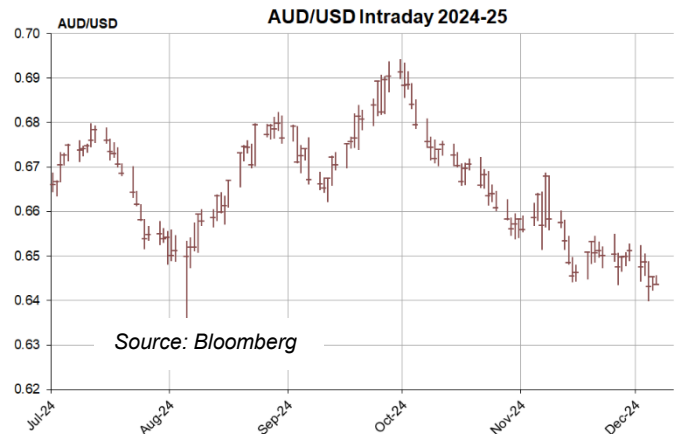
Currencies

The AUD/USD exchange rate has been under downward pressure since early Monday morning, initially driven by a sharp rise in the USD following fresh tariff threats from the US President-elect. This time the threats were toward the BRICS group of nations if they seek to move away from the US dollar as the major reserve currency.

The major leg down came on Wednesday following the weaker-than-expected Aussie Q3 GDP report, which showed that economic growth in the quarter was again driven by government spending and population growth.

The Aussie dipped below US\$0.64 for the first time since August, before picking up from its lows later in the week after the big dollar fell back.

The AUD has also slipped against the broader currency universe and has been the worst performer of the G10 currencies.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6435	0.6525	0.6399	↓1.1	0.6942	0.6350
AUD/EUR		0.6087	0.6188	0.6086	↓1.2	0.6261	0.4990
AUD/GBP		0.5048	0.5126	0.5043	↓1.5	0.5393	0.4990
AUD/JPY		96.61	98.02	95.91	↓1.2	109.37	90.15
AUD/CNY		4.6737	4.7369	4.6543	↓0.7	4.9340	4.5273
EUR/USD		1.0571	1.0589	1.0461	↑0.1	1.1214	1.0335
GBP/USD		1.2748	1.2771	1.2617	↑0.3	1.3434	1.2300
USD/JPY		150.14	151.23	148.65	↓0.1	161.95	139.58
USD/CNY		7.2624	7.2972	7.2510	↑0.4	7.2972	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6435	0.6438	0.6439	0.6441
AUD/EUR		0.6087	0.6065	0.6035	0.5972
AUD/GBP		0.5048	0.5052	0.5055	0.5060
AUD/JPY		96.61	95.60	94.64	92.95
AUD/NZD		1.0953	1.0946	1.0930	1.0896
AUD/SGD		0.8625	0.8594	0.8560	0.8491

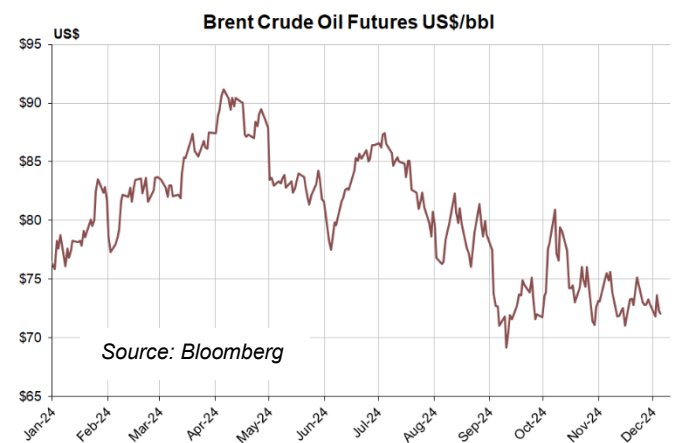
Commodities

Oil prices have slipped this week despite the US announcement that it will tighten sanctions on the trade in Iranian oil, the OPEC+ decision to again push back its timetable for returning oil supply to the market and the flare-up in the war in Syria.

OPEC+ had planned to start returning oil supply to the market in January 2025 but have now delayed that increases until April. This is the third time the group has pushed back its taper plan.

Iron ore futures prices hit the highest levels in almost a month on Thursday, before sliding on news of worsening sales at a major Chinese property developer.

In other news, China announced a ban on exports of a range of critical minerals to the US, with tech, military and energy transition applications, among others, adding to concerns over the outlook for mineral supply chains crucial to those sectors. The move followed a US Government announcement that it is adding 140 Chinese chip companies to a list restricting trade of advanced memory chips, chipmaking equipment and related technologies.

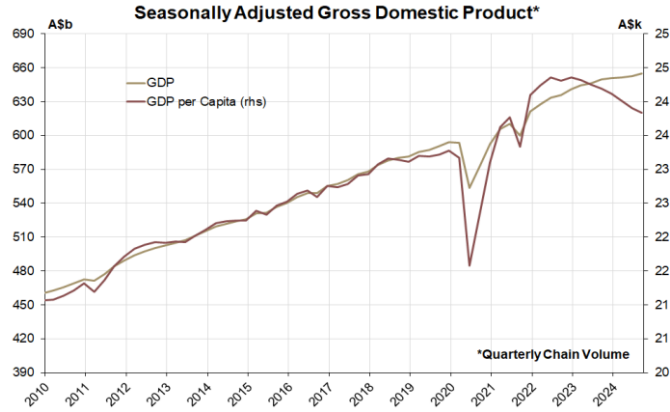


	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,621.75	\$2,657.21	\$2,613.67	(↓\$22.32)	\$2,790.10	\$1,973.15
Brent Crude Oil (US\$)	\$71.97	\$74.28	\$71.52	(↓\$1.31)	\$92.18	\$68.68
Mogas95* (US\$)	\$82.69	\$85.01	\$81.90	(↓\$0.56)	\$109.19	\$76.37
WTI Oil (US\$)	\$68.23	\$70.51	\$67.71	(↓\$0.53)	\$87.67	\$65.27
CRB Index	286.43	286.94	284.55	(↓0.29)	300.23	258.09
Iron Ore Price 62% Fe (US\$) **	\$103.80	\$105.70	\$102.25	(↓\$0.25)	\$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.

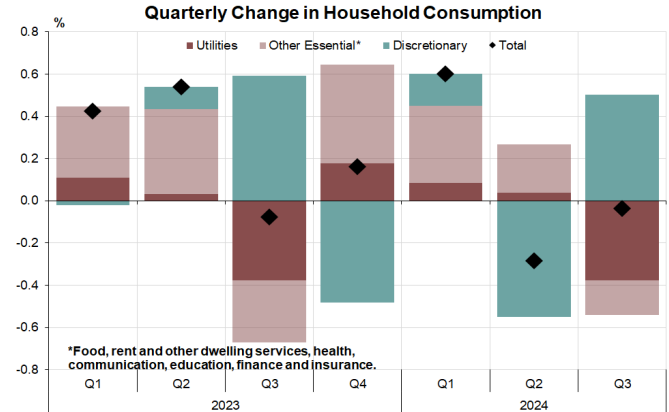
Domestic Economy

Real GDP continues to climb at a slow pace in absolute terms and decline in per capita terms.



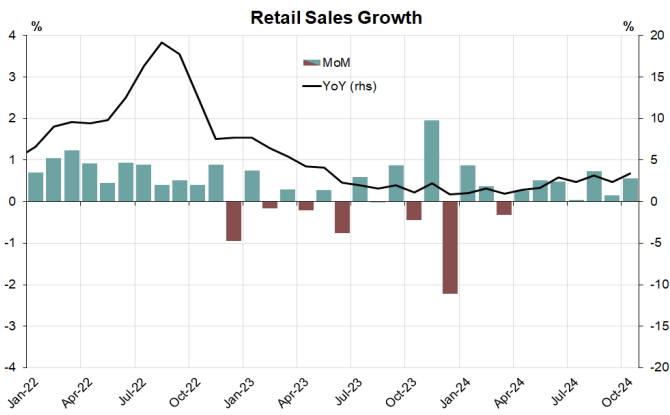
Source: ABS

Household consumption growth was dragged down by the impacts of electricity bill relief measures in Q3.



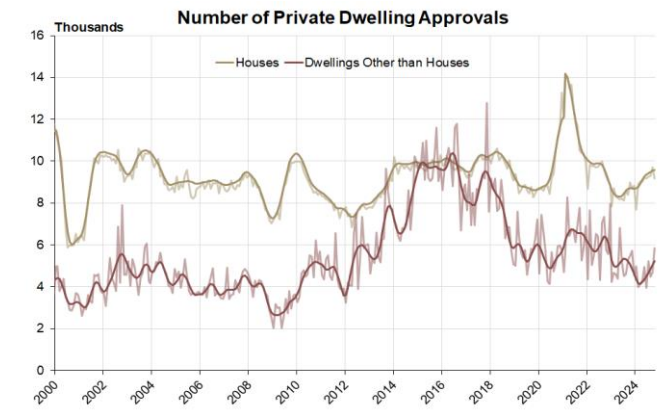
Source: ABS

Retail trade saw a solid increase in October, supported by the early start of Black Friday sales.



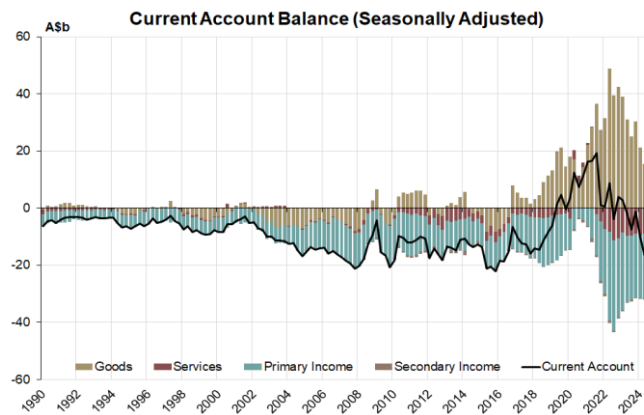
Source: CoreLogic

Private house approvals declined in October but continued to climb in trend terms.



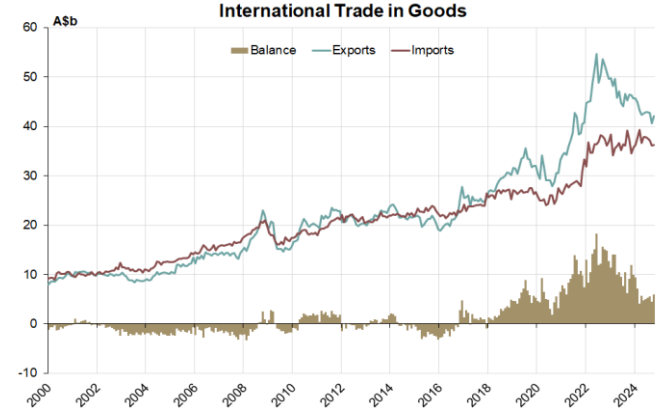
Source: ABS

The **current account** remained in deficit in Q3, as the normalisation in external trade continued...



Source: ABS

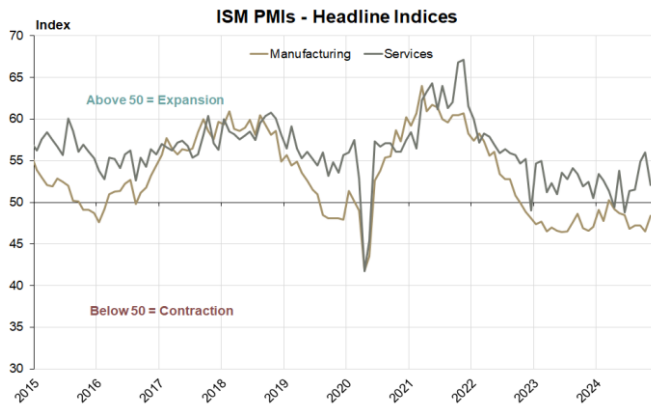
The **goods trade surplus** picked up a little in October, but remained well below its 2022 highs.



Source: ABS

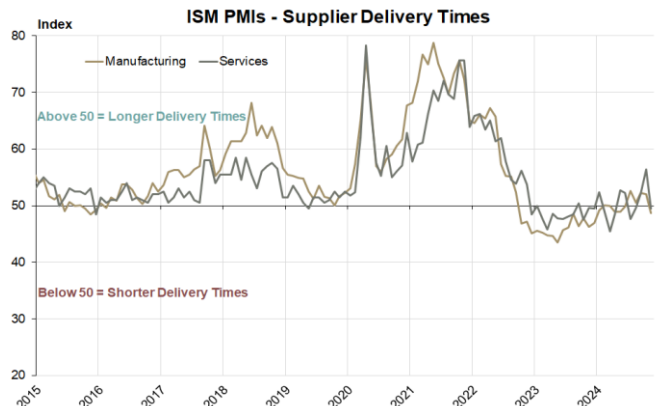
Global Economy

The **US ISM PMI reports** signalled slower contraction in manufacturing and a deceleration in services growth...



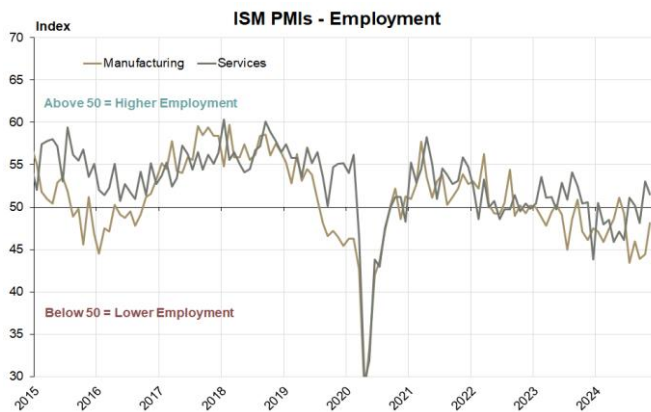
Source: Bloomberg

... with growth additionally weighed down by improved **delivery times** after the impacts of hurricanes receded.



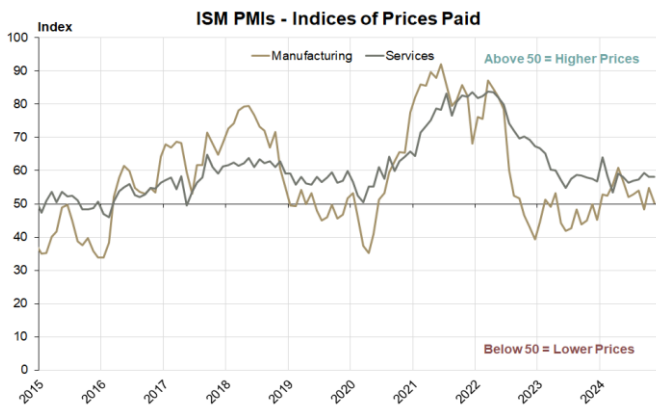
Source: Bloomberg

Employment continued to rise in services, while job shedding in manufacturing slowed.



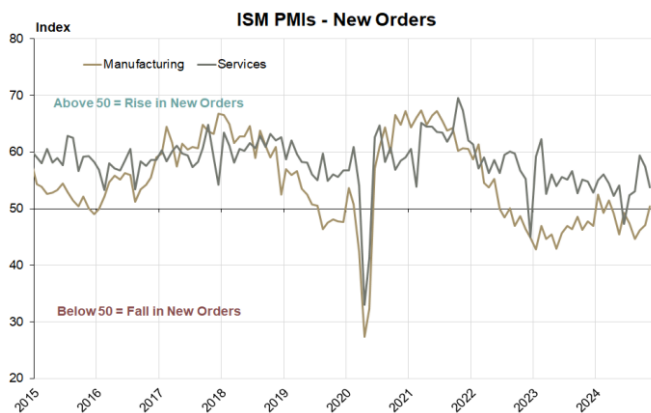
Source: Bloomberg

The rise in **prices paid** is significantly slower than in the pandemic years.



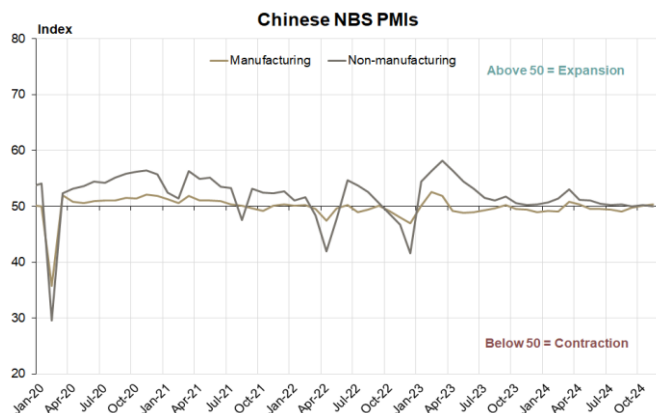
Source: Bloomberg

New orders are now in expansion for both services and manufacturing (just), signalling growth ahead.



Source: Bloomberg

Across the Pacific, the official **NBS Chinese PMIs** continued to signal only marginal growth.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 02					
AU	Retail Trade (MoM, Oct)	0.6%	0.4%	0.1%	Supported by the early start of Black Friday sales.
AU	Dwelling Approvals (MoM, Oct)	4.2%	1.5%	5.8%	Rise solely thanks to the volatile unit approvals.
AU	CoreLogic Hse Prices (MoM, Nov)	0.1%	-	0.2%	Declines in Sydney and Melbourne; 1.1% rise in Perth.
AU	Melb. Inst. Inflation (MoM, Nov)	0.2%	-	0.3%	Annual rate down 0.1ppts to 2.9%.
AU	ANZ Job Ads (MoM, Nov)	-1.3%	-	0.7%	Down 11.5% YoY, but 15.1% above pre-COVID levels.
CH	Caixin Manufacturing PMI (Nov)	51.5	50.6	50.3	A five-month high.
US	ISM Manufacturing PMI (Nov)	48.4	47.6	46.5	New orders saw a renewed increase in November.
Tue 03					
AU	ANZ Cons. Conf. (w/e 30 Nov)	3.2%	-	-1.3%	The highest level since May 2022.
AU	Current Account Balance (Q3)	-\$14.1b	-\$10.9b	-\$16.4b	The sixth deficit in a row.
US	JOLTS Job Openings (Oct)	7.7m	7.5m	7.4m	Remain roughly at pre-COVID levels.
Wed 04					
AU	GDP (QoQ, Q3)	0.3%	0.5%	0.2%	Annual rate slowed to just 0.8%.
CH	Caixin Services PMI (Nov)	51.5	52.4	52.0	Caixin composite PMI picked up by 0.4ppts to 52.3.
US	ADP Employment (MoM, Nov)	146k	150k	184k	Has been a poor indicator for the official payrolls report.
US	ISM Services PMI (Nov)	52.1	55.7	56.0	Fall exaggerated by easing supply chain disruptions.
US	Beige Book	-	-	-	Suggests a small improvement in economic conditions
Thu 05					
AU	Goods Trade Balance (Oct)	A\$6.0b	A\$4.5b	A\$4.5b	Rise due to non-monetary gold and petroleum exports.
AU	Household Spending (MoM, Oct)	0.8%	0.3%	-0.2%	Significant gains in apparel, recreation and culture.
US	Initial Jobless Claims (w/e 30 Nov)	224k	215k	215k	Continued claims back below 1.9 million.
Tonight					
US	Non-farm Payrolls (MoM, Nov)	-	215k	12k	Meagre October increase due to strikes and hurricanes.
US	Unemployment Rate (Nov)	-	4.1%	4.1%	Remains slightly below the FOMC's longer-run estimate.
US	UoM Cons. Conf. (Dec, prelim.)	-	73.3	71.8	Contains inflation expectations tracked by the Fed.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 09				
CH	CPI (YoY, Nov)	0.5%	0.3%	Chinese consumer price inflation is almost non-existent.
CH	PPI (YoY, Nov)	-2.9%	-2.9%	Deflationary pressure may intensify due to US tariff increases.
Tue 10				
AU	RBA Board Decision (Cash Rate Target)	4.35%	4.35%	No rate expected cuts in the coming months.
AU	RBA Governor Michele Bullock Speaks	-	-	Do not expect more dovish tone.
AU	NAB Business Conditions (Nov)	-	7	Remains around the long-run average.
AU	NAB Business Confidence (Nov)	-	5	Saw significant improvement in October.
Wed 11				
AU	RBA Deputy Governor A. Hauser Speaks	-	-	Speech at the annual ABE dinner.
CA	Bank of Canada Decision (Policy Rate)	3.25%	3.75%	A 50bps cut is now only 50% priced in.
US	CPI (MoM, Nov)	0.3%	0.2%	Annual rate expected to climb further, to 2.7%.
Thu 12				
AU	Employment (monthly change, Nov)	30.0k	15.9k	The weaker October outcome followed outsized gains.
AU	Unemployment Rate (Nov)	4.2%	4.1%	Expected to peak at just 4.5% in this cycle.
AU	RBA Assistant Governor B. Jones Speaks	-	-	Speech at the AusPayNet Summit.
EZ	ECB Decision (Deposit Rate)	3.00%	3.25%	Expected to fall below 2% in this cycle.
US	PPI (MoM, Nov)	0.3%	0.2%	Last US inflation data ahead of FOMC decision on 17-18 Dec.
Fri 13				
AU	RBA Assistant Governor S. Hunter Speaks	-	-	Speech at a luncheon at the University of Adelaide.