

Highlights this week

- In Australia, retail sales bounced in August, supported among others by unusually warm weather over east, but lower spending for fuel and automotive cars translated into stagnation in the household spending indicator. Dwelling approvals fell in August, while new home loans picked up slightly, which was followed another rise in CoreLogic home prices in September.
- Abroad, the ISM US manufacturing PMI remained in contraction in September, but the ISM services PMI pointed to the fastest expansion since February 2023. The ADP employment report exceeded expectations in September and JOLTS job openings picked up in August. The Chinese PMIs were mixed, but generally pointed to ongoing soft business conditions.

Highlights next week

- A quieter week at home, with the RBA Board minutes, the NAB business survey for September and Westpac consumer sentiment for October being the major releases; all of them are scheduled for Tuesday.
- The highlights offshore will be US inflation data for September and the minutes from the FOMC meeting in September. The RBNZ will 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 (↓5 pt)	ASX200	8121 (↓89 pt)
US (IOR)	4.90 (0 pt)	90-day Bills	4.41 (↓3 pt)	2-yr T-Notes	3.69 (↑6 pt)	S&P500	5700 (↓45 pt)
Eurozone (Deposit)	3.50 (0 pt)	3-yr T-Bond	3.59 (↑6 pt)	10-yr T-Notes	3.84 (↑5 pt)	DJIA	42012 (↓164 pt)
UK	5.00 (0 pt)	10-yr T-Bond	4.06 (↑9 pt)	Jap 10-yr	0.88 (↑6 pt)	Nikkei	38624 (↓651 pt)
Japan (Target)	0.25 (0 pt)	3-yr WATC Bond	3.83 (↑9 pt)	UK 10-yr	4.02 (↑1 pt)	CSI300	4018 (↑339 pt)
China (1Y LPR)	3.35 (0 pt)	10-yr WATC Bond	4.72 (↑11 pt)	Ger 10-yr	2.14 (↓4 pt)	Stoxx600	516 (↓9 pt)

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

Financial Markets

Interest Rates

Government bond yields have picked up a little since last Friday, despite declines early in the week caused by escalation of geopolitical concerns after the Israeli ground invasion of Lebanon and the Iranian missile attack on Israel.

The rise in government bond yields later in the week came as Fed Chair Jerome Powell suggested that only two 25bps cuts are likely in the remainder of 2024. The markets are currently pricing in just below 70bps of cuts by the end of 2024.

US Treasury yields are at the highest levels since early September, while Commonwealth bond yields are at two-month highs.

In his interview this week, Bank of England Governor Andrew Bailey said that the central bank could be more 'aggressive' and 'activist' about interest rate cuts.

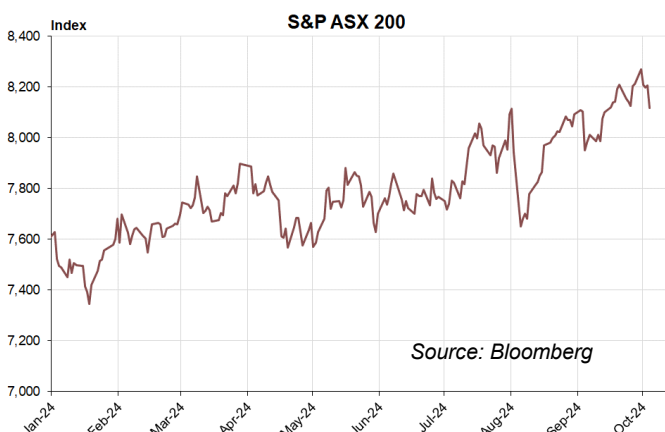
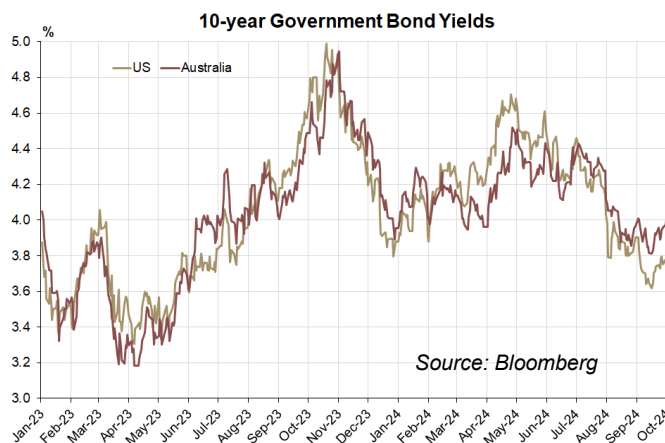
On the other side of the ledger, expectations for interest rate increases in Japan initially intensified a little after Shigeru Ishiba, who is perceived as a supporter of monetary policy normalisation, was elected the next prime minister. However, concerns eased later in the week, following comments from Mr Ishiba that the Japanese economy is not ready for further rate hikes at this stage.

Equities

Equities began the week on the front foot with the US benchmark, the S&P 500 closing at a record high and the Chinese market posting a huge 8.5% increase ahead of the weeklong National Day holiday.

The remainder of the week was dominated by geopolitical effects following Iran's missile attack on Israel and Israel's promised retaliation, which pushed markets lower over the remainder of the week. The increased uncertainty was reflected in a rise in the US Volatility Index (VIX) to a 3½-week high.

The Aussie market followed global trends, closing at a record high on Monday before geopolitical events took over to send the market lower. Consumer shares, materials and financials saw the biggest losses while energy was the best performer by a country mile.



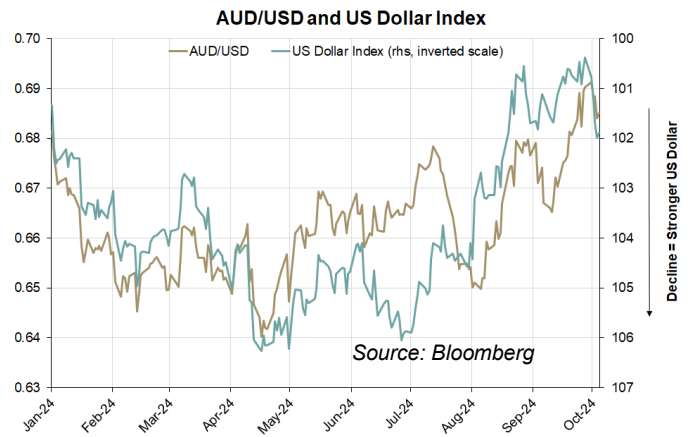
Currencies

The Australian dollar depreciated against the US dollar this week but strengthened versus the rest of the major currencies.

Concerns over the escalating and broadening conflict in the Middle East pushed the US dollar higher this week, taking the DXY index to the highest level since mid-August.

Other safe haven currencies benefited less from the rise in geopolitical concerns. This was particularly true for the Japanese yen. The JPY initially received a boost from the ascension of Shigeru Ishiba, a supporter of monetary policy normalisation, to the position of Japanese prime minister. However, the soothing comments from Mr Ishiba resulted in the Japanese yen more than unwinding this move.

The British pound was by far the weakest G10 currency this week, dragged down by dovish comments by Bank of England Governor Andrew Bailey.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6850	0.6942	0.6830	↓0.4	0.6942	0.6270
AUD/EUR		0.6208	0.6248	0.6178	↑0.8	0.6251	0.4990
AUD/GBP		0.5217	0.5229	0.5157	↑1.5	0.5393	0.4990
AUD/JPY		100.46	101.28	98.09	↑0.4	109.37	90.15
AUD/CNY		4.8013	4.8726	4.7942	↓0.5	4.9340	4.5273
EUR/USD		1.1035	1.1209	1.1008	↓1.2	1.1214	1.0483
GBP/USD		1.3131	1.3423	1.3092	↓1.9	1.3434	1.2070
USD/JPY		146.67	147.24	141.65	↑0.8	161.95	139.58
USD/CNY		7.0187	7.0634	7.0063	↑0.1	7.3198	7.0063

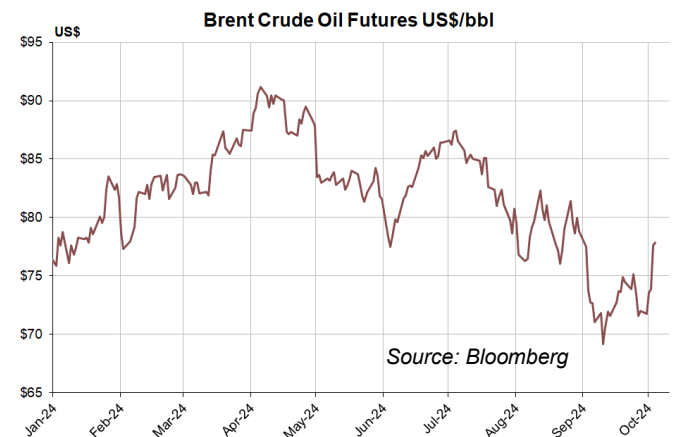
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6850	0.6856	0.6853	0.6842
AUD/EUR		0.6208	0.6190	0.6166	0.6111
AUD/GBP		0.5217	0.5222	0.5224	0.5225
AUD/JPY		100.46	99.32	98.31	96.47
AUD/NZD		1.1024	1.1028	1.1024	1.0997
AUD/SGD		0.8881	0.8851	0.8812	0.8745

Commodities

Oil prices have unsurprisingly jumped this week, as the Middle East conflict continued to escalate with Iran's missile attack on Israel. The world is now waiting for Israel's retaliation and the possibility that Iran's oil infrastructure could be among the targets. The rise in oil prices was topped off by a 5% increase on Thursday that drove prices to the highest levels since the end of August.

Iron ore futures prices in Singapore jumped over 7% on Monday ahead of the weeklong Chinese National Day holiday, peaking at its highest level since early July, before easing over the remainder of the week as trading volumes fell away.

The gold price slipped against the stronger US dollar amid some selling pressure on Thursday, following the strong US ISM services PMI, which reduced the chances of another big Fed rate cut when the FOMC meets later this month.

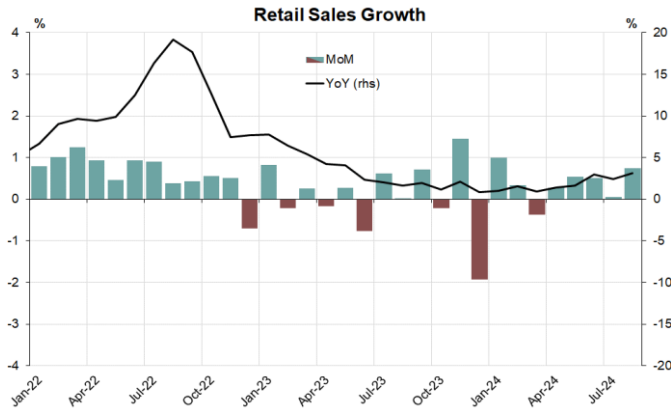


	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,657.26	\$2,673.18	\$2,624.81	(↓\$13.76)	\$2,685.58	\$1,810.51
Brent Crude Oil (US\$)	\$77.85	\$77.99	\$69.91	(↑\$6.45)	\$93.79	\$68.68
Mogas95* (US\$)	\$86.90	\$87.11	\$77.69	(↑\$6.75)	\$109.19	\$76.37
WTI Oil (US\$)	\$73.95	\$74.09	\$66.33	(↑\$6.45)	\$90.78	\$65.27
CRB Index	291.15	291.15	284.94	(↑6.52)	300.23	258.09
Iron Ore Price 62% Fe (US\$) **	\$108.00	\$113.75	\$102.15	(↑\$5.65)	\$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.

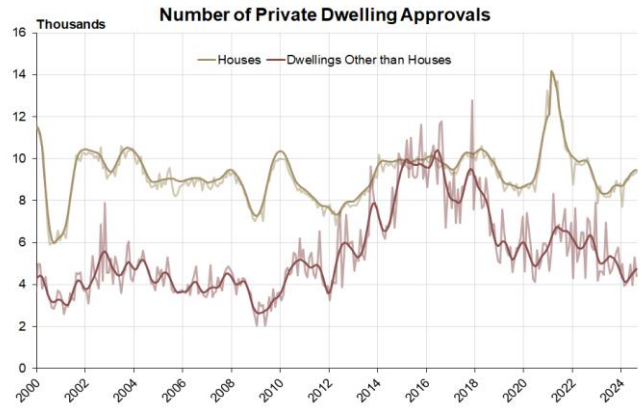
Domestic Economy

Retail sales bounced in August, supported by warm weather over east, tax cuts and cost-of-living measures.



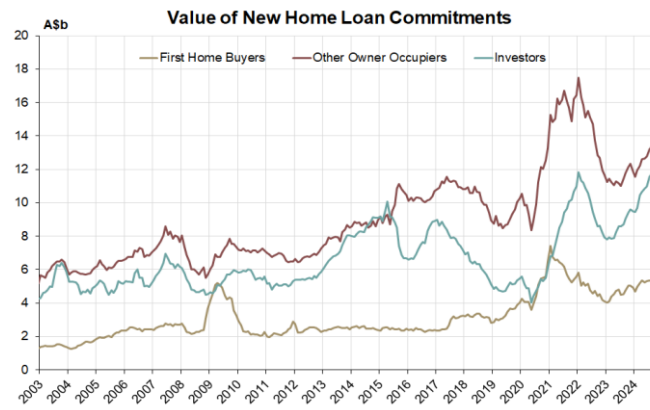
Source: ABS

Private house approvals continued to trend upwards in August, but apartment approvals are underperforming.



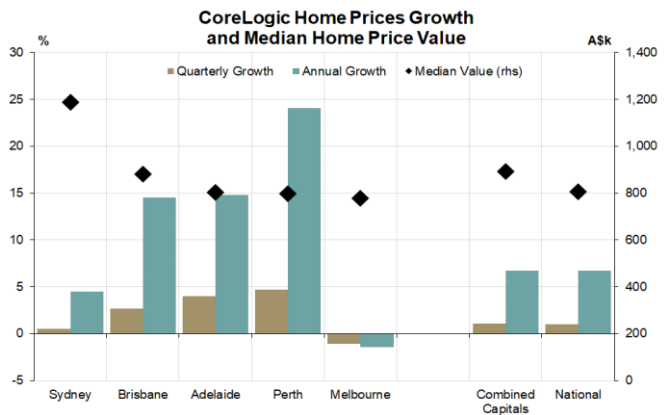
Source: ABS

New home loans rose in August, driven by investors and owner occupiers other than first home buyers.



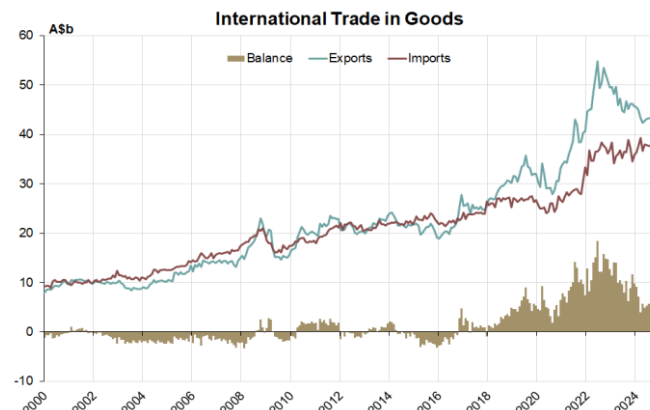
Source: ABS

The **home price divergence** between capital cities continued in September.



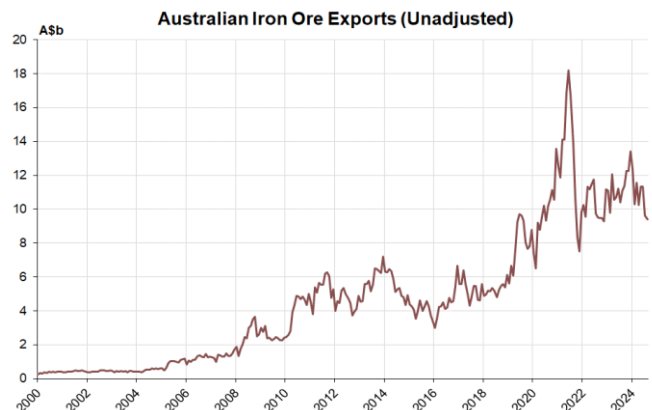
Source: CoreLogic

The **goods trade surplus** saw both exports and imports little changed in August.



Source: ABS

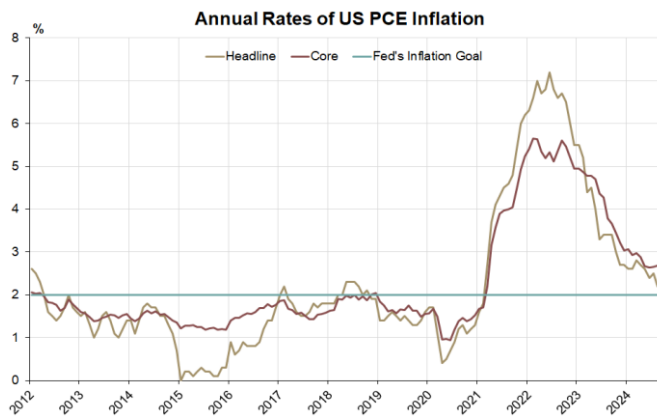
Despite coming off their recent highs, **iron ore exports** remain solid.



Source: ABS

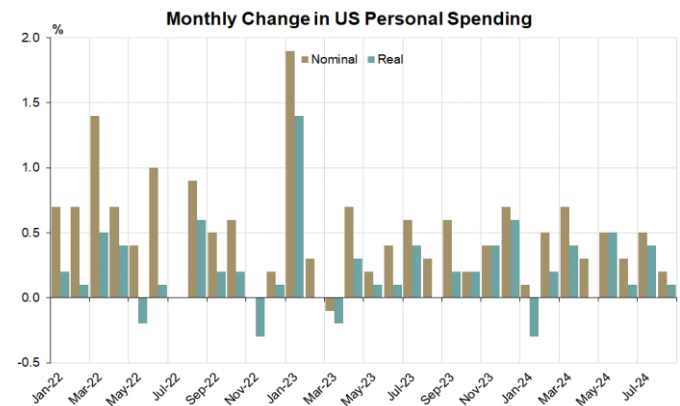
Global Economy

US headline PCE price inflation is approaching the FOMC's goal...



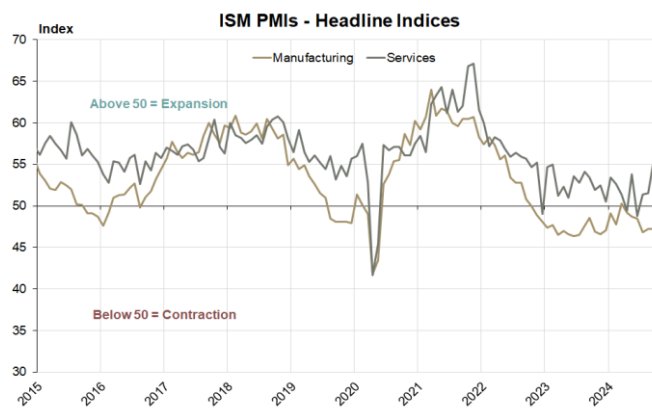
Source: Bloomberg

...while US consumers just keep spending, even if the growth rate has slowed from earlier in the year.



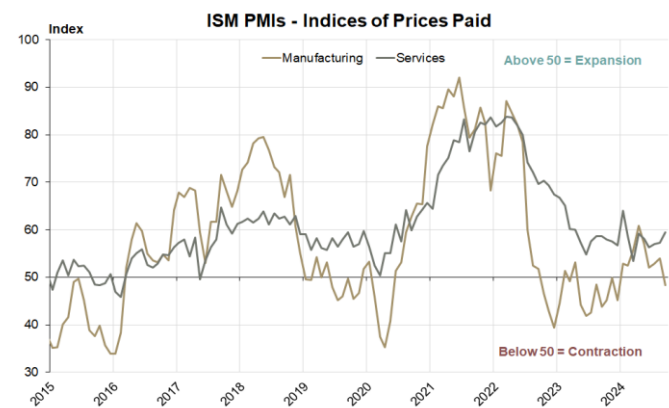
Source: Bloomberg

According to the ISM, US manufacturing remains in contraction, while growth in services has accelerated.



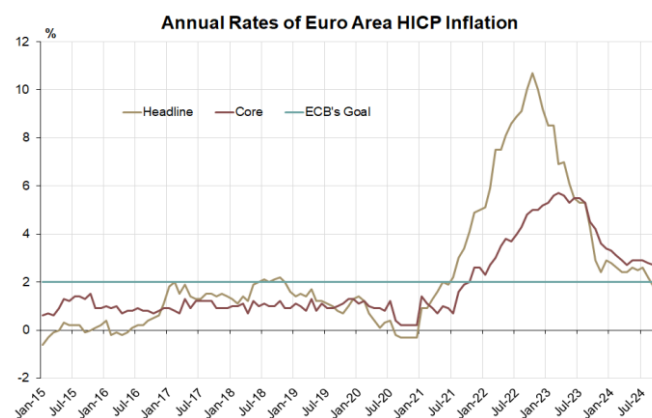
Source: Bloomberg

Manufacturing input prices fell in September but continued to rise in the services sector.



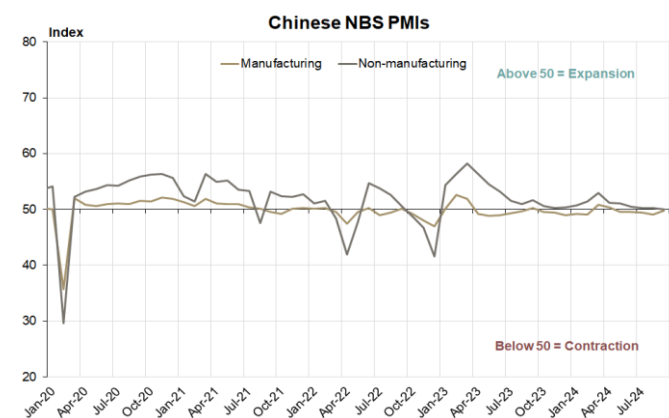
Source: Bloomberg

Elsewhere, euro area headline HICP inflation has slipped 2%, but core inflation remains above that mark.



Source: Bloomberg

The Chinese PMIs pointed to broad stagnation in the economy.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 30					
AU	Private Sector Credit (MoM, Aug)	0.5%	0.5%	0.5%	Business credit again saw the strongest increase.
CH	NBS Composite PMI (Sep)	50.4	-	50.1	Contraction in manufacturing, stagnation elsewhere.
CH	Caixin Composite PMI (Sep)	50.3	-	51.2	Further decline in new export orders.
Tue 01					
AU	Retail Trade (MoM, Aug)	0.7%	0.4%	0.0%	Helped among others by weather and tax cuts.
AU	Dwelling Approvals (MoM, Aug)	-6.1%	-4.3%	2.2%	Dragged down by the volatile apartment approvals.
AU	CoreLogic Hse Prices (MoM, Sep)	0.5%	-	0.5%	Up 1.1% QoQ and 6.7% YoY.
AU	ANZ Cons. Conf. (w/e 28 Sep)	-3.4%	-	1.0%	Negative reaction to the RBA's hawkish language.
EZ	HICP (YoY, Sep, flash)	1.8%	1.8%	2.2%	Core inflation declined 0.1ppts to 2.7%.
US	ISM Manufacturing PMI (Sep)	47.2	47.6	47.2	Faster contraction in employment, fall in prices paid.
US	JOLTS Job Openings (Aug)	8.0m	7.7m	7.7m	Exceeds official unemployment by almost 1 million.
Wed 02					
US	ADP Employment (MoM, Sep)	143k	125k	103k	The strongest increase since June.
Thu 03					
AU	Trade Balance (MoM, Aug)	A\$5.6b	A\$5.5b	A\$5.6b	Goods exports and imports were hardly changed.
US	ISM Services PMI (Sep)	54.9	51.7	51.5	Faster growth in new orders and prices.
US	Initial Jobless Claims (w/e 28 Sep)	225k	221k	219k	Continued claims were little changed in w/e 21 Sep.
Fri 04					
AU	Housing Finance (MoM, Aug)	1.0%	1.0%	3.5%	Owner occupier loans up 0.7% in August.
AU	Hsehold Spend Ind. (MoM, Aug)	0.0%	0.5%	-0.5%	Dragged down by lower spending for fuel and cars.
Tonight					
US	Non-farm Payrolls (MoM, Sep)	-	140k	142k	Private payrolls excluding care sectors are soft.
US	Unemployment Rate (Sep)	-	4.2%	4.2%	FOMC median expectation is for 4.4% by end-2024.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 07				
AU	Melbourne Institute Inflation (YoY, Sep)	-	2.5%	First insights into Aussie inflation in September.
Tue 08				
AU	RBA Minutes	-	-	A rate hike was not discussed at the September meeting.
AU	NAB Business Conditions (Sep)	-	3	Aussie business conditions are weakening.
AU	NAB Business Conditions (Sep)	-	-4	Businesses see the glass half empty.
AU	Westpac-MI Consumer Sent. (MoM, Oct)	-	-0.5%	Weekly figures point to another slight decline.
AU	ANZ-Indeed Job Ads (MoM, Sep)	-	-2.1%	Aussie labour market conditions strong but softening.
Wed 09				
NZ	RBNZ Decision (Official Cash Rate)	4.75%	5.25%	A 50bps cut around 75% priced in.
US	FOMC Minutes	-	-	Insights into discussion on an outsized 50bps cut.
Thu 10				
AU	Melbourne Institute Inflation Exp. (Oct)	-	4.4%	Consumer inflation expectations are easing.
US	CPI (MoM, Sep)	0.1%	0.2%	Annual rate of CPI inflation to fall 0.2ppts to 2.3%.
Fri 11				
AU	Business Turnover Indicator (MoM, Aug)	-	1.0%	Experimental indicator of turnover in 13 Aussie industries.
US	PPI (MoM, Sep)	0.1%	0.2%	Annual PPI inflation to be steady at 1.7%.
US	UMich Consumer Sentiment (Oct, prel.)	70.0	70.1	Will contain inflation expectations tracked by the Fed.