

Highlights this week

- In Australia, employment saw another outsized increase in September, while the unemployment rate was steady at a downwardly revised 4.1%.
- Abroad, US retail sales growth surprised to the upside, but industrial production fell more than expected. Chinese Q3 GDP growth and September activity data surprised to the upside but remained sluggish. The Chinese trade data disappointed, but iron ore imports rose to the highest levels since January.

Highlights next week

- A very quiet week ahead, with the Judo Bank flash composite PMI for September on Thursday being the only release of note. RBA Deputy Governor Andrew Hauser will speak at a CBA conference on Monday.
- Flash PMIs will be also released across the major advanced economies. Other highlights include the Fed's Beige Book, US existing and new home sales as well as the Bank of Canada's decision on interest rates.

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	8279 (↑70 pt)
US (IOR)	4.90 (0 pt)	90-day Bills	4.39 (↓4 pt)	2-yr T-Notes	3.97 (↑2 pt)	S&P500	5841 (↑61 pt)
Eurozone (Deposit)	3.25 (↓25 pt)	3-yr T-Bond	3.85 (↑8 pt)	10-yr T-Notes	4.09 (↑3 pt)	DJIA	43239 (↑785 pt)
UK	5.00 (0 pt)	10-yr T-Bond	4.31 (↑9 pt)	Jap 10-yr	0.98 (↑3 pt)	Nikkei	39018 (↓363 pt)
Japan (Target)	0.25 (0 pt)	3-yr WATC Bond	4.08 (↑8 pt)	UK 10-yr	4.09 (↓12 pt)	CSI300	3778 (↓220 pt)
China (1Y LPR)	3.35 (0 pt)	10-yr WATC Bond	4.97 (↑9 pt)	Ger 10-yr	2.21 (↓5 pt)	Stoxx600	524 (↑5 pt)

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

Financial Markets

Interest Rates

US and Australian government bond yields rose this week, as upside surprises to US retail trade and Aussie employment data led to a slight adjustment of central bank rate expectations.

Currently, only 43bps worth of fed funds rate cuts are priced in for the remainder of the year. Fed officials speaking this week were generally supportive of a moderate pace of monetary policy easing looking forward.

In Australia, the probability of a 25bps cash rate cut in December declined to around 25% from 50% a week ago. The odds of a move in February are at around 70%, and the first cut is now not fully priced in until April.

The ECB delivered its third 25bps cut in the cycle, taking the deposit rate to 3.25%. At the press conference, ECB President Christine Lagarde reiterated that decisions going forward will be data-dependent and made meeting by meeting but failed to tame expectations for more aggressive easing ahead. The markets continue to see a significant chance for a 50bps reduction at the December meeting.

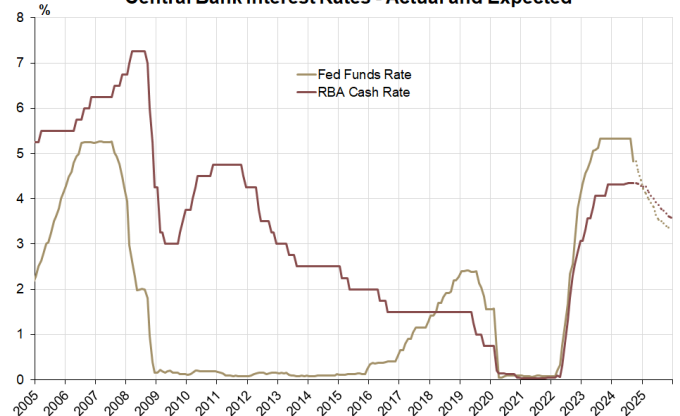
Equities

In the US, the S&P 500 opened the week strongly to close Monday's session at an all-time high. However, shares retreated on Tuesday as the release of poor earnings results from a major Dutch chipmaker sent semiconductor shares sharply lower, while the energy sector took a hit from a big decline in oil prices as fears of an Israeli attack on Iran's oil facilities faded. The market has since bounced but has not quite made up all the lost ground, with the S&P 500 currently sitting 0.3% below Monday's record close.

The Aussie market is on track for its fifth weekly gain in the past six, with the ASX 200 closing at a record high on Thursday, before sliding today following a late decline on Wall Street overnight. Financials have been the standout performer, while energy, info tech and utilities have seen the biggest losses.

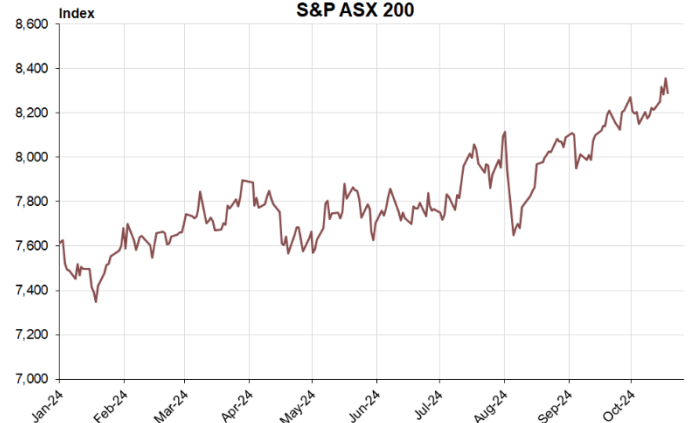
Chinese equities have been the big movers, as ongoing disappointment over government efforts to support the economy drove the CSI 300 down over 5% this week.

Central Bank Interest Rates - Actual and Expected



Source: Bloomberg

S&P ASX 200



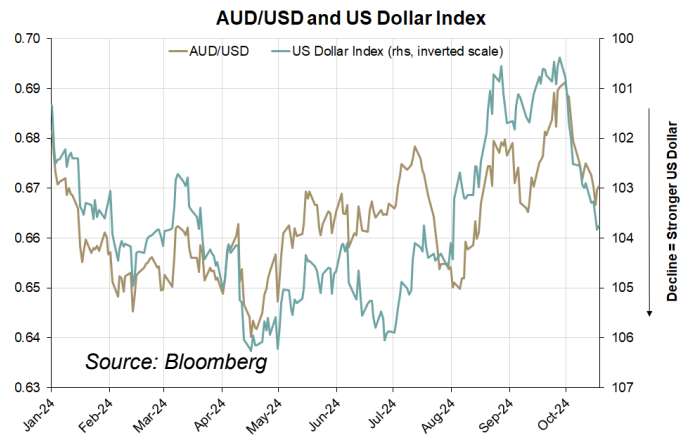
Source: Bloomberg

Currencies

The Australian dollar did not have a good week, depreciating against all the major currencies, particularly the stronger greenback, which received support from safe haven flows due to the ongoing geopolitical concerns and a slight increase in fed funds rate expectations.

The AUD/USD reached the lowest level since mid-September on Wednesday, before clawing back some of the losses towards the end of the week due to another bumper Aussie labour force report.

The Australian dollar was in the middle of the G10 currency ladder. All the G10 currencies weakened against the USD this week, with the scale of depreciation being the smallest for the British pound and the largest for the Swedish krona.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6684	0.6759	0.6658	↓0.8	0.6942	0.6270
AUD/EUR		0.6159	0.6178	0.6125	↓0.1	0.6251	0.4990
AUD/GBP		0.5148	0.5171	0.5106	↓0.3	0.5393	0.4990
AUD/JPY		100.00	100.95	99.44	↓0.2	109.37	90.15
AUD/CNY		4.7603	4.7867	4.7401	↓0	4.9340	4.5273
EUR/USD		1.0852	1.0954	1.0851	↓0.8	1.1214	1.0517
GBP/USD		1.2984	1.3103	1.2977	↓0.6	1.3434	1.2070
USD/JPY		149.60	149.98	148.41	↑0.7	161.95	139.58
USD/CNY		7.1219	7.1245	7.0634	↑0.6	7.3198	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6684	0.6690	0.6689	0.6681
AUD/EUR		0.6159	0.6140	0.6115	0.6056
AUD/GBP		0.5148	0.5153	0.5153	0.5149
AUD/JPY		100.00	98.85	97.83	95.98
AUD/NZD		1.1027	1.1027	1.1014	1.0975
AUD/SGD		0.8780	0.8749	0.8712	0.8641

Commodities

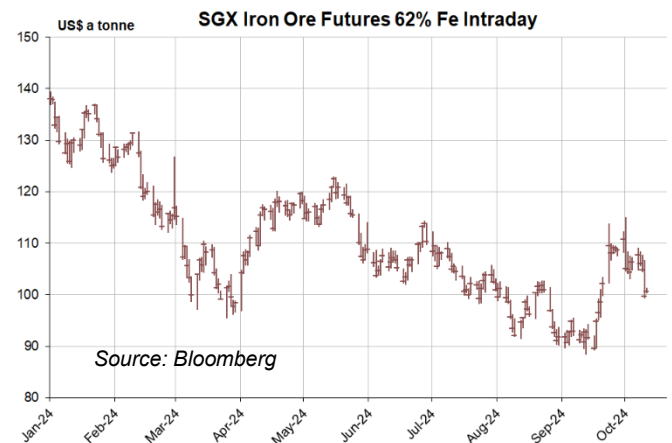
Gold hit fresh record highs this week as geopolitical risk remained in focus.

Oil prices slipped, as concerns over a possible Israeli strike on Iranian oil facilities faded.

Iron ore futures prices slumped, as yet another announcement of Chinese economic support measures disappointed traders, driving the Singapore benchmark price below US\$100 a tonne for the first time since late September, before the market stabilised. Chinese trade data for September, released early this week, suggests China's appetite for iron ore remains strong, with imports rising to 104 million tonnes, the highest level since January.

Industrial production data released this morning, showed Chinese crude steel production fell another 1.1% to 77.1 million tonnes in September, the lowest level since December last year.

Copper, a key metal in the energy transition, also continued to slide after hitting a four-month high early in the month.

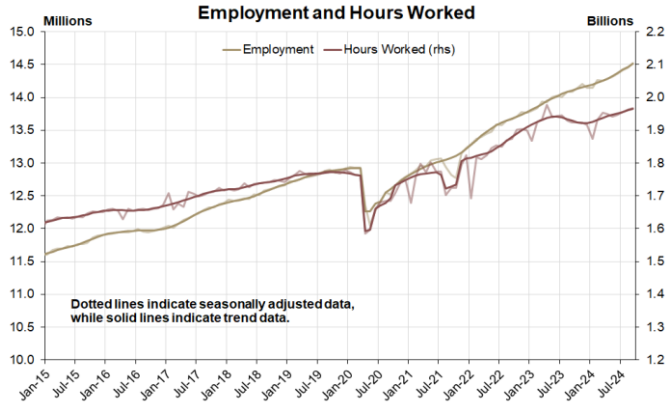


	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,707.12	\$2,708.11	\$2,638.21	(↑\$78.11)	\$2,708.11	\$1,931.74
Brent Crude Oil (US\$)	\$74.72	\$78.55	\$73.26	(↓\$4.68)	\$92.45	\$68.68
Mogas95* (US\$)	\$84.20	\$89.11	\$82.64	(↓\$4.92)	\$109.19	\$76.37
WTI Oil (US\$)	\$71.00	\$75.08	\$69.44	(↓\$4.72)	\$90.78	\$65.27
CRB Index	281.71	290.99	281.71	(↓8.92)	300.23	258.09
Iron Ore Price 62% Fe (US\$) **	\$100.35	\$109.05	\$99.30	(↓\$6.35)	\$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.

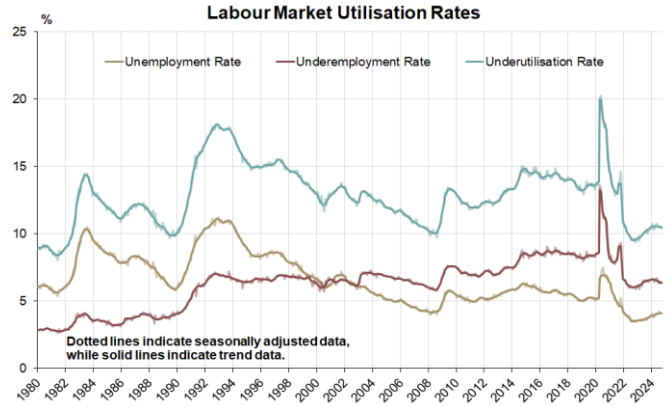
Domestic Economy

Employment and hours worked continue to climb, reaching new record highs in trend terms.



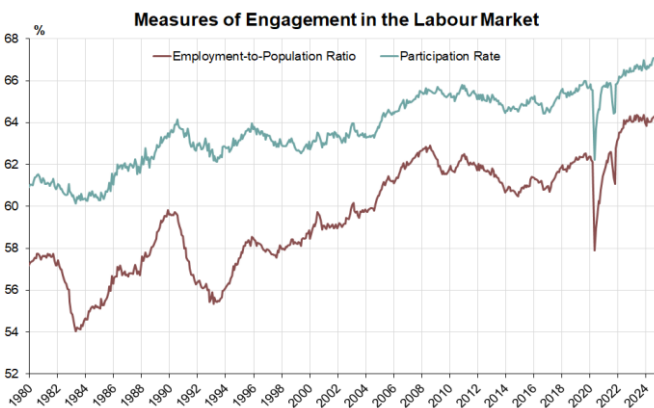
Source: ABS

Measures of labour market underutilisation are also at levels suggesting very tight conditions.



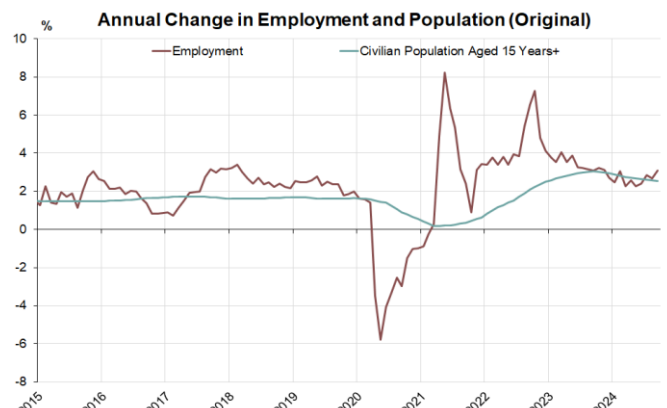
Source: ABS

The proportion of Australians participating in the labour market and being employed is the largest ever.



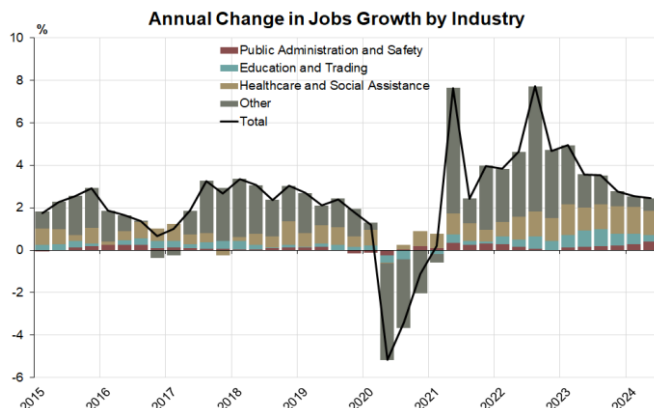
Source: ABS

However, the rise in population due to higher migration is also part of the recent labour market strength story.



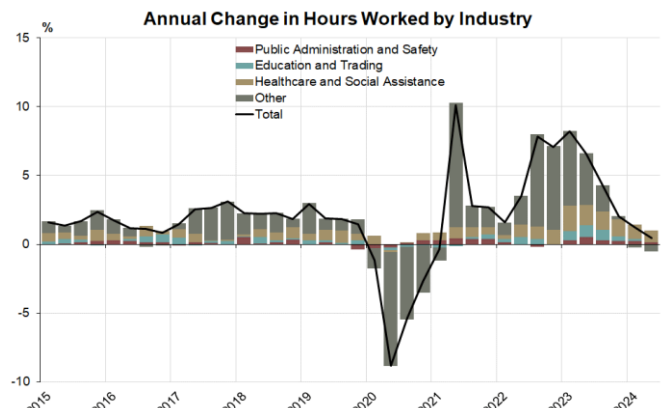
Source: ABS

In addition, the recent job gains have been largely driven by the non-market sector.



Source: ABS

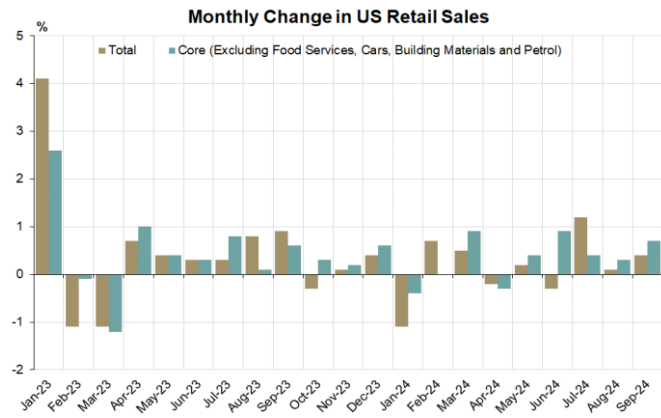
The reliance on the non-market sector is even more evident in the recent gains in hours worked.



Source: ABS

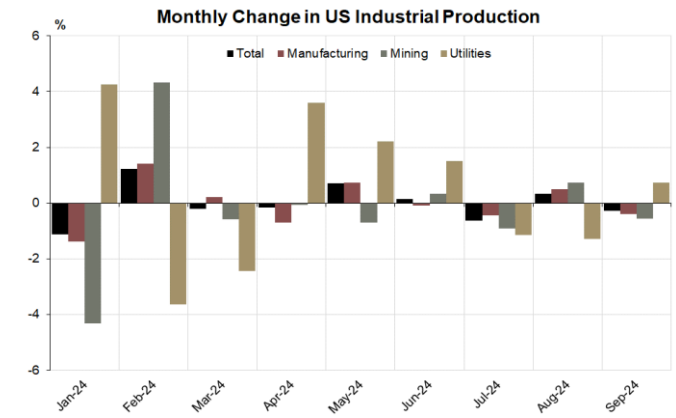
Global Economy

US retail sales saw another solid increase in September...



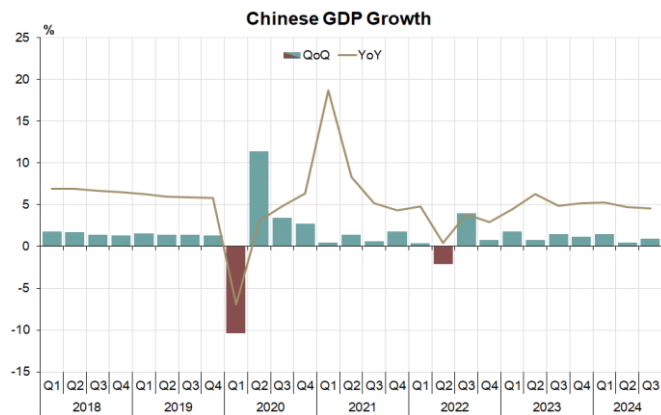
Source: Bloomberg

... but **US industrial production** saw renewed weakness.



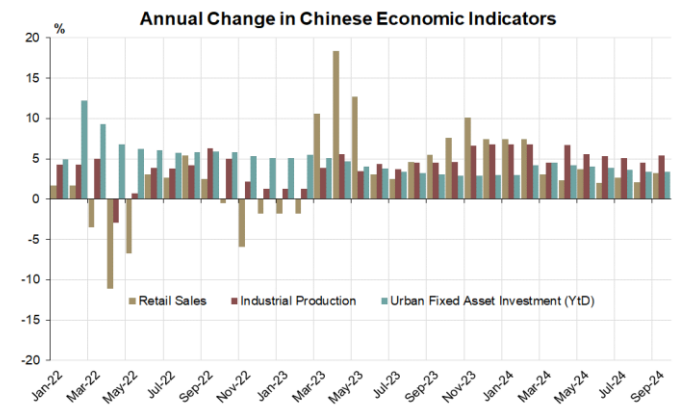
Source: Bloomberg

In China, **GDP growth** continued to slow in annual terms in Q3, but accelerated slightly in quarterly terms.



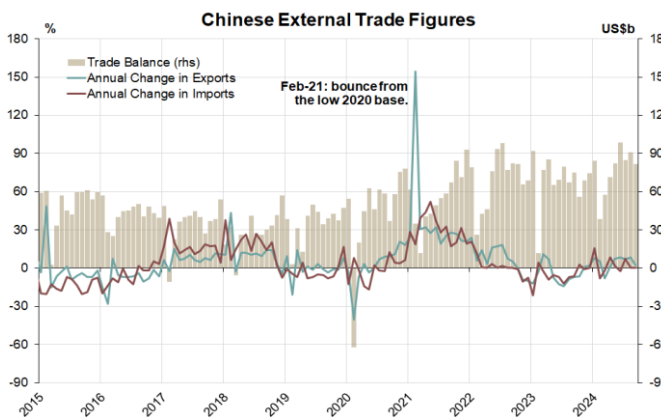
Source: Bloomberg

Chinese retail sales and industrial production growth accelerated in September.



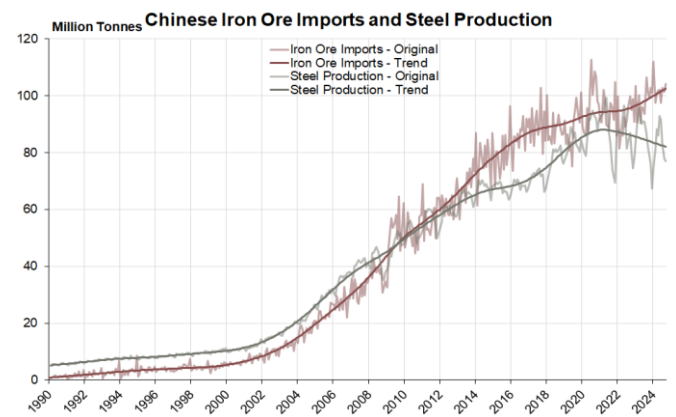
Source: Bloomberg

Annual growth in **Chinese exports** slowed sharply in September while **import** growth remained flat.



Source: Bloomberg

Chinese iron ore imports picked up in September, but steel output fell further.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 14					
CH	Trade Balance (Sep)	US\$81.7b	US\$90.5b	US\$91.0b	Iron ore imports the highest since January.
Tue 15					
AU	ANZ Consumer Conf. (w/e 16 Oct)	-0.1%	-	1.8%	Consumer inflation expectations slide to 4.6%.
UK	Unemployment Rate (Aug)	4.0%	4.1%	4.1%	Employment rose the most on record (since 1971).
Wed 16					
AU	Westpac Leading Index (MoM, Sep)	0.03%	-	-0.01%	Six-month annualised rate at -0.15%.
AU	RBA Assistant Governor Speaks	-	-	-	Inflation expectations well anchored.
NZ	CPI (QoQ, Q3)	0.6%	0.7%	0.4%	Kiwi inflation has slowed sharply.
UK	CPI (MoM, Sep)	0.0%	0.1%	0.3%	Annual rate down to 1.7%, the lowest since Apr-21.
Thu 17					
AU	Employment (monthly change, Sep)	64.1k	25.0k	42.6k	The strongest gain since February.
AU	Unemployment Rate (Sep)	4.1%	4.2%	4.1%	Unchanged at August's downwardly revised level.
EZ	ECB Decision (Deposit Rate)	3.25%	3.25%	3.50%	Further decisions to remain data-dependent.
US	Retail Sales (MoM, Sep)	0.4%	0.3%	0.1%	Core retail sales rose by 0.7% in September.
US	Industrial Production (MoM, Sep)	-0.3%	-0.2%	0.3%	August growth revised downwards from 0.8%.
US	Initial Jobless Claims (w/e 16 Oct)	241k	259k	260k	Continued claims little changed in w/e 5 October.
Fri 18					
CH	GDP (YoY, Q3)	4.6%	4.5%	4.7%	Quarterly growth accelerated to 0.9% from 0.5%.
CH	Retail Sales (YoY, Sep)	3.2%	2.5%	2.1%	Average since 1990 is 11.8%.
CH	Industrial Production (YoY, Sep)	5.4%	4.6%	4.5%	Steel output down 2.6% YoY.
CH	Urban Asset Inv. (YoY YtD, Sep)	3.4%	3.3%	3.4%	Property investment down 10.1% YoY YtD.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 21				
AU	RBA Deputy Governor Speaks	-	-	Fireside chat at the CBA 2024 Global Markets Conference.
Tue 22				
	<i>No market moving data.</i>			
Wed 23				
CA	Bank of Canada Decision (Policy Rate)	4.00%	4.25%	A 50bps cut around 50% priced in.
US	Existing Home Sales (MoM, Sep)	1.0%	-2.5%	Down 41.5% from the 2020 peak.
US	Beige Book	-	-	Anecdotal evidence on economic conditions in Fed districts.
Thu 24				
AU	Judo Bank Composite PMI (Oct, flash)	-	49.6	In and out of contraction in the past four months.
JP	Jibun Bank Composite PMI (Oct, flash)	-	52.0	Japanese manufacturing activity still in slight decline.
EZ	HCOB Composite PMI (Oct, flash)	-	49.6	Germany and France are both in contraction.
UK	S&P Global Composite PMI (Oct, flash)	-	51.5	Services and manufacturing are expanding.
US	New Home Sales (MoM, Sep)	-0.4%	-4.7%	Have been pretty directionless since mid-2023.
US	S&P Global Composite PMI (Oct, flash)	-	54.0	Has been at odds with the more established ISM PMIs.
Fri 25				
	<i>No market moving data.</i>			