

Interest Rates (%)			FX			Commodities US\$		
<b>Australia</b>		$\Delta$ bp	AUD/USD	0.6337	-0.5%	WTI Crude Oil	70.18	-\$0.43
90-day Bill	4.47	0	AUD/JPY	97.40	-0.8%	Brent Crude Oil	73.19	-\$0.72
3-year Bond	3.82	-1	AUD/EUR	0.6037	-0.3%	Mogas95*	83.89	-\$1.20
10-year Bond	4.30	-1	AUD/GBP	0.4986	-0.7%	CRB Index	290.93	-2.29
			AUD/NZD	1.1006	0.0%	Gold	2648.10	-\$3.42
			AUD/CNY	4.6174	-0.6%	Silver	30.53	\$0.01
<b>US</b>			EUR/USD	1.0497	-0.2%	Iron Ore (62% Fe)**	104.05	-\$0.90
2-year	4.23	-1	USD/JPY	153.70	-0.3%	Iron Ore (24-25 Average)	101.61	\$0.02
10-year	4.39	0	USD/CNY	7.2842	0.0%	Copper	8989.50	-\$73.00
			<b>RBA Policy</b>			<b>Equities</b>		
<b>Other 10-year</b>			O/N Cash Rate Target	4.35		ASX200	8335	40
Japan	1.08	0	Interbank O/N Cash Rate	4.34		Dow Jones	43450	-268
Germany	2.23	-2	Probability of a 25bps Cut in Feb	5.6%		S&P500	6051	-23
UK	4.52	8	RBA Bond Holdings (29 Nov)	A\$298.3b		Stoxx600	514	-2
						CSI300	3922	10

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

\*\*Iron ore is the second SGX futures contract.

Wall Street saw broad-based declines yesterday, as mixed US activity data added uncertainty ahead of the FOMC decision and projection update tonight. All three major US stock indices and virtually all sectors closed in red yesterday. This followed declines in most of European and Asian equity markets.

US retail trade rose by 0.7% in November, somewhat more than the 0.6% pencilled in by the market consensus, while the October figures were revised slightly upwards (to +0.5% from the initially estimated +0.4%). Core retail sales, which corresponds with private consumption scheduled for a release on Friday night, picked up by a solid 0.4%, in line with expectations.

At the same time, US industrial production declined by another 0.1% in November, dragged down by a 1.3% fall in mining. Manufacturing rose by 0.2%, which was the first gain in three months.

Following the above data releases, the FOMC is still expected to deliver a 25bps fed funds rate cut tonight, but only around 75bps worth of cuts is fully priced in for 2025, instead of over 100bps that was priced in before the US elections.

The concerns over the Chinese economic outlook exacerbated by another set of weak activity data continued to weigh on commodity prices, with oil prices down by 0.5-1.0% and iron ore futures falling by 1.0%.

The weaker global market sentiment took the Australian dollar lower against the major currencies, with the AUD/USD trading at the lowest level since late October 2023 at the time of writing. Commonwealth bond yields have declined slightly since yesterday morning. The ASX 200 closed 0.8% up yesterday, with gains in all sectors except for energy, materials and utilities, before opening largely flat this morning.

Data-wise, the Westpac leading index rose by 0.05% in November, somewhat slower than the 0.16% registered for the previous month. The six-month annualised growth rate of the index, which indicates the pace of economic growth relative to trend within three to nine months from now, increased to 0.32% from 0.22%. This is the first time in over two years that this measure was positive for two consecutive months, signalling above-trend, but still unimpressive growth.

The Commonwealth Treasury released its 2024-25 mid-year economic and fiscal outlook at the time of writing, showing a roughly unchanged underlying cash deficit of 1.0% of GDP for 2024-25. Deficits in the outyears are somewhat wider, but do not exceed 1.5% of GDP. Gross debt projections were also revised slightly upwards, but remain comfortably below 40% of GDP, while net debt is forecast to remain below 25% of GDP, despite the steady increase.

These projections are based on assumptions of GDP growth at 1.75% in 2024-25 and 2.25% in 2025-26, while the unemployment rate is expected to peak at 4.5%. These assumptions roughly correspond with the results of the RBA November projection round.

### Economic Data Review

- **AU:** Westpac Leading Index (MoM, Nov) – Actual 0.05%, Previous 0.16% (revised).
- **US:** Retail Sales (MoM, Nov) – Actual 0.7%, Expected 0.6%, Previous 0.5% (revised).
- **US:** Industrial Production (MoM, Nov) – Actual -0.1%, Expected 0.3%, Previous -0.4% (revised).

### Economic Data Preview

- **US:** FOMC Decision (Fed Funds Rate Target Range) – Expected 4.25-4.50%, Previous 4.50-4.75%.