

Highlights this week

- In Australia, the RBA left its cash rate unchanged, as expected, but issued a relatively dovish post-meeting statement. Data-wise, employment growth surprised to the upside in November, while the unemployment rate unexpectedly fell to 3.9%. The NAB business conditions and confidence indices deteriorated in November.
- Abroad, the annual rate of US CPI inflation picked up slightly in November, as expected, while PPI inflation surprised to the upside. The ECB, Swiss National Bank and the Bank of Canada cut their respective policy rates this week.

Highlights next week

- It will be a very quiet week at home, with the only data of note being the RBA's private sector credit report for November, the December Judo Bank flash PMIs and Westpac consumer sentiment for December.
- The most important event offshore will be the FOMC meeting on Wednesday, with a 25bps cut nearly fully priced in. The most significant data includes US retail sales, industrial production, and personal income and outlays, the Chinese economic monthly activity data, as well as the S&P Global flash PMIs. There are also Bank of Japan and Bank of England meetings.

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	8271 (↓173 pt)
US (IOR)	4.65 (0 pt)	90-day Bills	4.46 (↑3 pt)	2-yr T-Notes	4.19 (↑4 pt)	S&P500	6051 (↓24 pt)
Eurozone	3.00 (↓25 pt)	3-yr T-Bond	3.86 (↑2 pt)	10-yr T-Notes	4.32 (↑14 pt)	DJIA	43914 (↓852 pt)
UK	4.75 (0 pt)	10-yr T-Bond	4.30 (↑4 pt)	Jap 10-yr	1.04 (↓3 pt)	Nikkei	39474 (↑79 pt)
Japan (Target)	0.25 (0 pt)	3-yr WATC Bond	4.04 (↓1 pt)	UK 10-yr	4.36 (↑8 pt)	CSI300	4029 (↑107 pt)
China (1Y LPR)	3.10 (0 pt)	10-yr WATC Bond	4.89 (↑3 pt)	Ger 10-yr	2.21 (↑9 pt)	Stoxx600	519 (↓0 pt)

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

Financial Markets

Interest Rates

Government bond yields are generally up for the week, with the scale of increase in Commonwealth bond yields contained by the dovish tone coming from the RBA.

As expected, the RBA kept the cash rate target unchanged at 4.35% on Tuesday. However, the indirect reference to the possibility of a cash rate hike was removed from the post-meeting statement. At the post-meeting conference, RBA Governor Michele Bullock confirmed a rate cut was not discussed at the meeting, but did not completely rule it out in February.

The more dovish communication from the RBA led to a short-lived increase in cash rate cut expectations, which was reversed after the solid labour market report on Thursday. Currently, a 25bps cut is around 50% priced in for February and fully priced in for May.

There was no shortage of global central banking news, with the ECB, Swiss National Bank and the Bank of Canada all delivering rate cuts. Investor attention is now turning to next week's FOMC meeting, where another cut to the fed funds rate is expected.

Equities

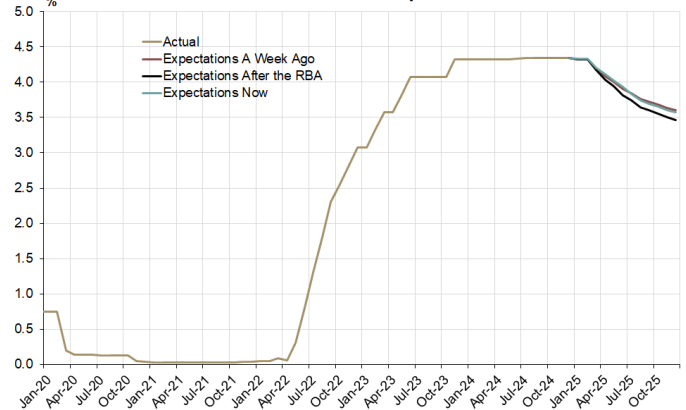
Aussie equities have performed poorly over the past week, with the market getting little relief from the dovish RBA statement.

The ASX 200 was flat on Monday before falling over the past four days to be on its way to its worst weekly loss since August 2024, with all sectors recording losses (at time of writing). Information technology has seen by far the biggest losses with the index currently down almost 6% over the past week.

Equities are also lower in the US, with the benchmark S&P 500 down 0.4% since this time last week. The losses would have been greater without a 5% rise in communication services and consumer discretionary shares.

Chinese markets have gained on hopes that early 2025 will see some decisive stimulus from Chinese authorities.

RBA Cash Rate - Actual and Implied from Futures



Source: Bloomberg

S&P ASX 200



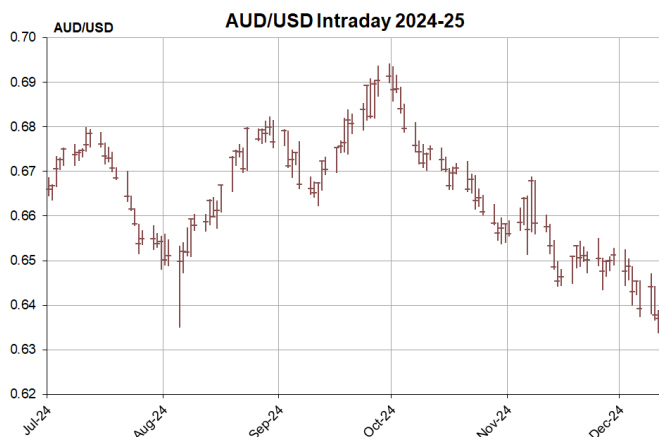
Source: Bloomberg

Currencies

It was another dismal week for the Australian dollar, despite temporary boosts on Monday and Thursday from positive global market sentiment and the better-than-expected domestic jobs report, respectively.

The AUD weakness this week resulted mainly from the dovish tone coming from the RBA on Tuesday, which drove AUD/USD to a new one-year low. However, the cautiousness of global investors ahead of the FOMC meeting this week was not helpful for the Aussie, either.

Despite its weakness, the AUD is sitting only in the middle of the G10 currency table for the week. The two weakest currencies were the New Zealand dollar and Japanese yen, which was dragged down by flagging expectations for a rate hike next week.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6365	0.6471	0.6337	↓1.1	0.6942	0.6337
AUD/EUR		0.6081	0.6115	0.6037	↓0.1	0.6261	0.4974
AUD/GBP		0.5025	0.5060	0.4974	↓0.5	0.5393	0.4974
AUD/JPY		97.32	98.07	95.62	↑0.7	109.37	90.15
AUD/CNY		4.6291	4.6990	4.6058	↓1	4.9340	4.5273
EUR/USD		1.0466	1.0594	1.0463	↓1	1.1214	1.0335
GBP/USD		1.2666	1.2799	1.2664	↓0.6	1.3434	1.2300
USD/JPY		152.91	152.96	149.69	↑1.8	161.95	139.58
USD/CNY		7.2734	7.2805	7.2388	↑0.2	7.2972	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6365	0.6366	0.6367	0.6370
AUD/EUR		0.6081	0.6058	0.6028	0.5967
AUD/GBP		0.5025	0.5028	0.5031	0.5036
AUD/JPY		97.32	96.28	95.32	93.61
AUD/NZD		1.1046	1.1038	1.1020	1.0983
AUD/SGD		0.8576	0.8545	0.8510	0.8443

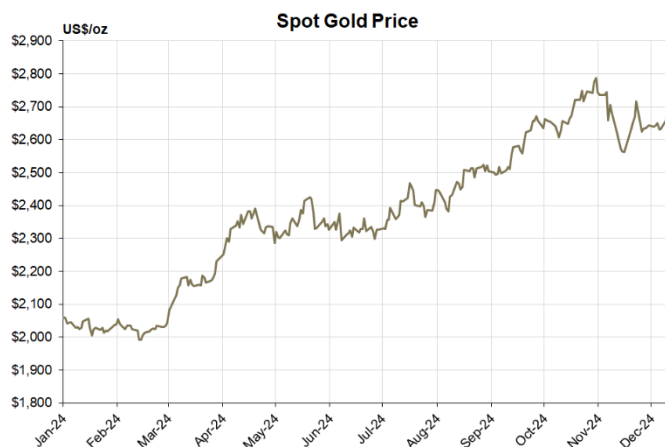
Commodities

Commodity prices received a lift this week as Chinese authorities signalled stronger stimulus efforts in 2025, including reviving some global financial crisis-era rhetoric to highlight their determination to turn around the economy. However, the actual targets and policy details will not be released until the National People's Congress meeting in March next year.

Iron ore futures prices jumped to near two-month highs on Tuesday on the stimulus news out of China before settling into a relatively narrow trading range over the rest of the week.

Oil prices have lifted on hopes of improved Chinese demand in 2025 and expectations for tighter sanctions on Russia and Iran. Brent crude appears on track for its first weekly gain in three weeks.

Gold prices hit the highest levels in over a month, as the fall of the Assad regime in Syria increased geopolitical uncertainty in the Middle East, before giving up some of its gains later in the week.



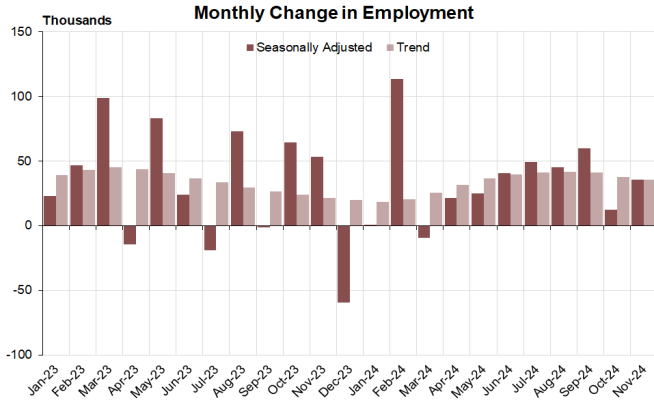
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,691.08	\$2,726.23	\$2,627.61	(↑\$69.33)	\$2,790.10	\$1,984.34
Brent Crude Oil (US\$)	\$73.33	\$74.00	\$70.92	(↑\$1.36)	\$92.18	\$68.68
Mogas95* (US\$)	\$85.65	\$86.14	\$81.83	(↑\$2.96)	\$109.19	\$76.37
WTI Oil (US\$)	\$69.95	\$70.72	\$67.08	(↑\$1.72)	\$87.67	\$65.27
CRB Index	293.27	293.68	286.34	(↑6.84)	300.23	261.65
Iron Ore Price 62% Fe (US\$) **	\$104.60	\$107.30	\$102.55	(↑\$0.8)	\$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.

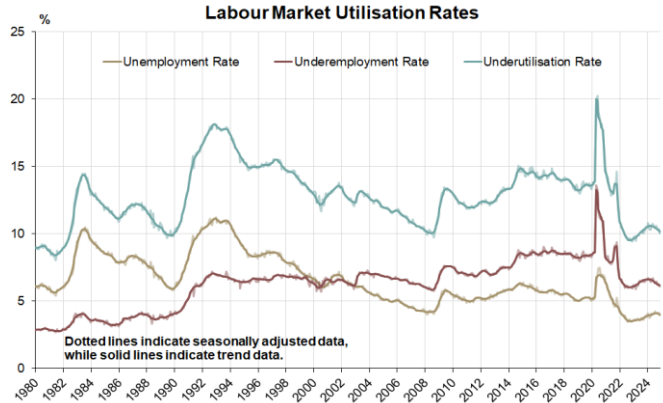
Domestic Economy

Following a meagre gain in October, **employment** rose in line with the trend in November...



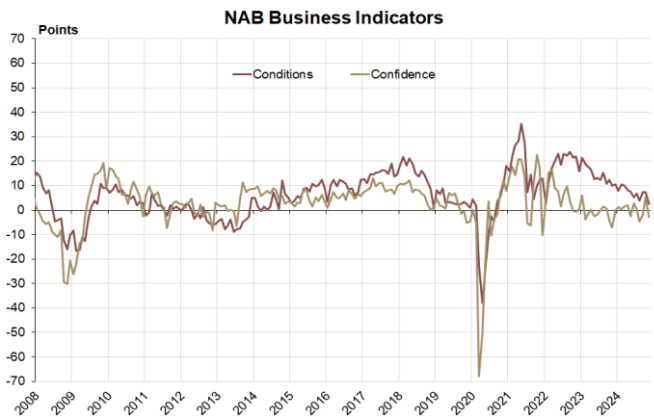
Source: ABS

... while the **unemployment rate** declined, along with other measures of labour market underutilisation.



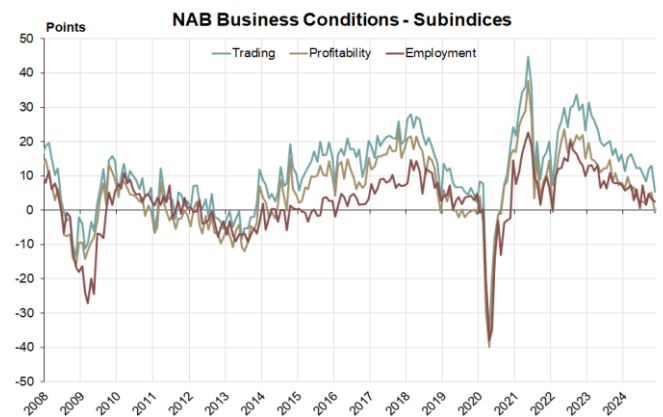
Source: ABS

NAB business conditions reached a four-year low in November, while the spike in confidence was reversed.



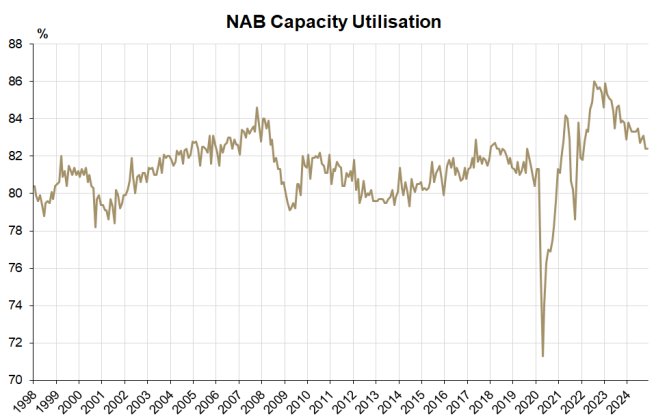
Source: Bloomberg

Deterioration in business conditions was **broad-based**, with profitability turning negative.



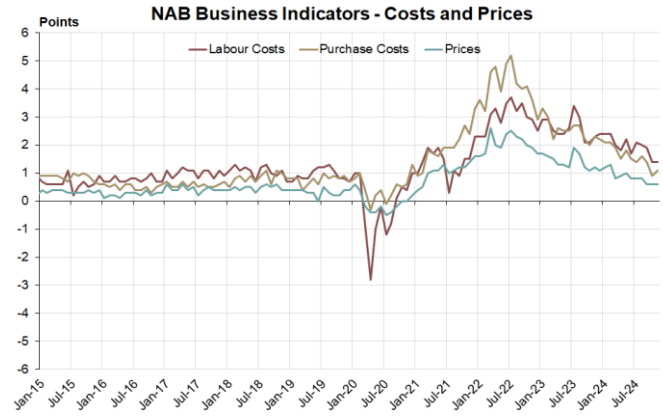
Source: Bloomberg

NAB capacity utilisation remains historically high but has been on a sustained decline since mid-2022.



Source: Bloomberg

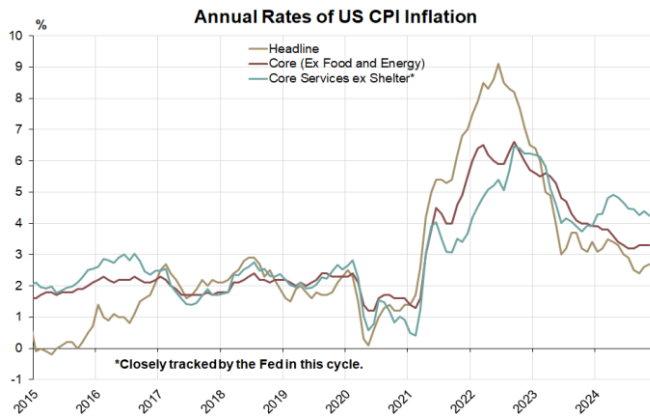
Cost and price pressures have eased significantly, yet they are still slightly above the pre-COVID levels.



Source: Bloomberg

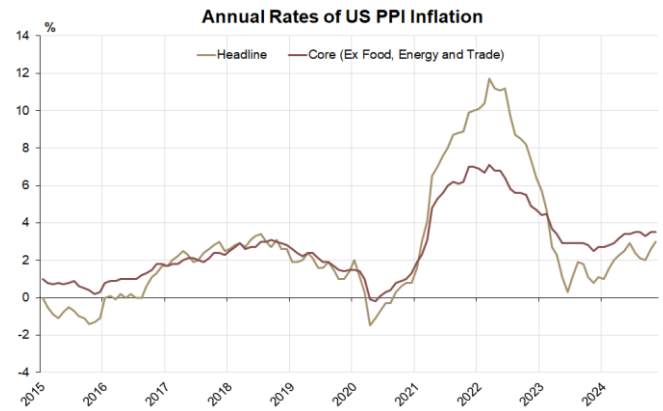
Global Economy

The annual rates of **US consumer price inflation** remain somewhat above pre-COVID levels...



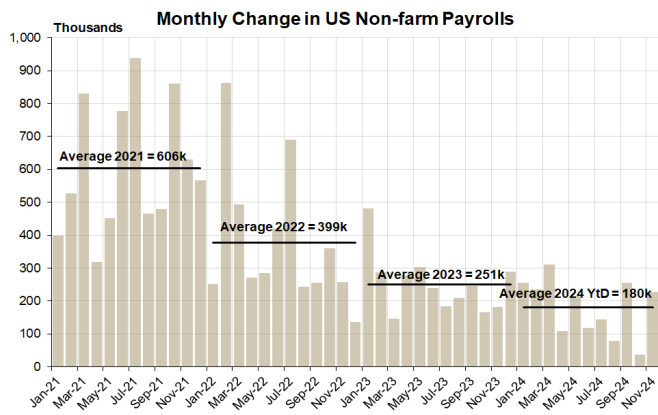
Source: Bloomberg

... while **US producer price inflation** is the highest since April 2023.



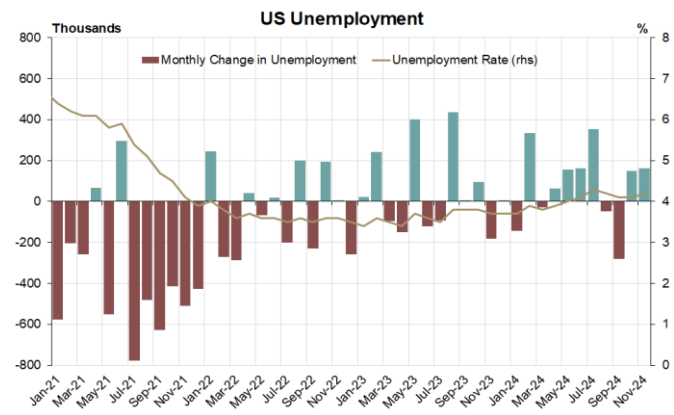
Source: Bloomberg

US non-farm payrolls bounced after a setback in October caused by hurricanes and strikes...



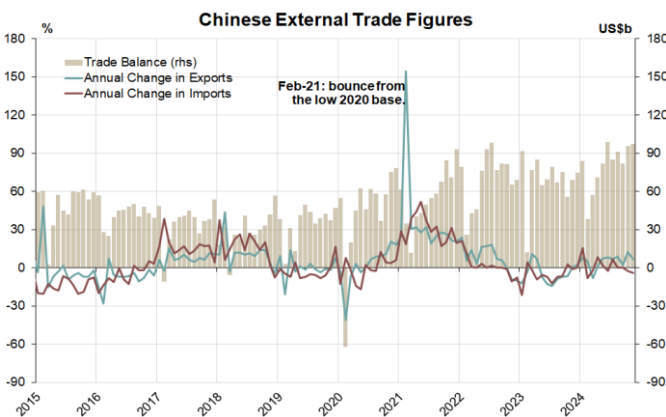
Source: Bloomberg

... but the **US unemployment rate** rose for the second month in a row.



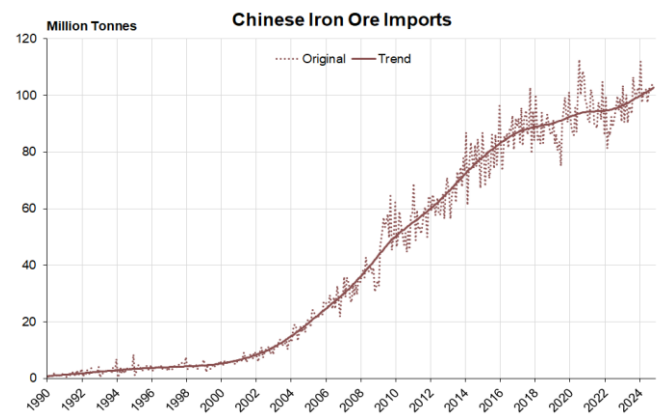
Source: Bloomberg

China's trade surplus rose to near record highs, mainly due to the underperformance of imports.



Source: Bloomberg

However, **Chinese iron ore imports** remained above 100 million tonnes for the fifth month in a row.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 09					
CH	CPI (YoY, Nov)	0.2%	0.4%	0.3%	Core inflation picked up to the still meagre 0.3%.
CH	PPI (YoY, Nov)	-2.5%	-2.8%	-2.9%	The slowest pace of deflation in three months.
Tue 10					
AU	RBA Board Decision (Cash Rate)	4.35%	4.35%	4.35%	Post-meeting statement turned a bit more dovish.
AU	RBA Governor M. Bullock Speaks	-	-	-	A February cut not ruled out completely.
AU	NAB Business Conditions (Nov)	2	-	7	The lowest level since September 2020.
AU	NAB Business Confidence (Nov)	-3	-	5	The improvement in October turned out to be temporary.
AU	ANZ Consumer Conf. (w/e 7 Dec)	-3.3%	-	3.2%	Consumer inflation expectations eased to 4.5%.
CH	Trade Balance (Nov)	US\$97b	US\$94b	US\$96b	Chinese iron ore imports remain strong.
Wed 11					
AU	RBA Deputy Governor Speaks	-	-	-	Impacts of a US-China trade war hard to quantify.
CA	BoC Decision (Policy Rate)	3.25%	3.25%	3.75%	BoC looks to slow the pace of this easing cycle.
US	CPI (MoM, Nov)	0.3%	0.3%	0.2%	Annual rate picked up 0.1ppt to 2.7%, as expected.
Thu 12					
AU	Employment (MoM, Nov)	35.6k	25.0k	12.1k	An upside surprise, but still in line with trend growth.
AU	Unemployment Rate (Nov)	3.9%	4.2%	4.1%	WA unemployment rate fell to just 3.3%.
EZ	ECB Decision (Deposit Rate)	3.00%	3.25%	3.25%	ECB to cut rates to neutral, estimated at 1.75-2.50%.
US	PPI (MoM, Nov)	0.4%	0.2%	0.3%	Annual rate rose to 3.0%, the most since February 2023.
US	Initial Jobless Claims (w/e 7 Dec)	242k	220k	225k	The highest level since July.
Tonight					
AU	RBA Assistant Governor Speaks	-	-	-	Speech on uncertainty and forecasting.
AU	MYEFO (2024-25)	-	-	-	Fiscal indicator forecasts to be better than in the Budget.
UK	Monthly GDP (MoM, Oct)	-	0.1%	-0.1%	Has been oscillating around 0% since early 2023.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 16				
AU	Judo Bank Composite PMI (Dec, flash)	-	50.2	First insights into the Aussie economy in December.
JP	Jibun Bank Composite PMI (Dec, flash)	-	50.1	Emerged back from contraction in November.
CH	Retail Sales (YoY, Nov)	5.0%	4.8%	Has shown some signs of life of late but is still soft.
CH	Industrial Production (YoY, Nov)	5.5%	5.3%	Steel output picked up in October.
CH	Urban Fixed Asset Inv. (YoY YtD, Nov)	3.5%	3.4%	The key indicator for Chinese demand for iron ore.
EZ	HCOB Composite PMI (Dec, flash)	-	48.3	Deep contraction in Germany and France continues.
US	S&P Global Composite PMI (Dec, flash)	-	54.9	US the only major advanced economy with solid expansion.
Tue 17				
AU	Westpac Consumer Sent. (MoM, Dec)	-	5.3%	Has received some boost from cost-of-living measures.
US	Retail Sales (MoM, Nov)	0.5%	0.4%	US consumers just keep on spending (in nominal terms).
US	Industrial Production (MoM, Nov)	0.2%	-0.3%	PMIs suggest a possibility of a downside surprise.
Wed 18				
AU	Westpac Leading Index (MoM, Dec)	-	0.2%	Signalled above-trend growth in November.
US	FOMC Decision (IoER)	4.40%	4.65%	FOMC will also release its updated forecasts.
Thu 19				
AU	MI Consumer Inflation Expectations (Dec)	-	3.8%	At the lowest levels since 2021.
JP	Bank of Japan Decision (Policy Rate)	0.25%	0.25%	Expectations for another hike on a decline.
JP	Bank of England Decision (Policy Rate)	4.75%	4.75%	The next cut expected, but not fully priced in for February.
Fri 20				
AU	Private Sector Credit (MoM, Dec)	-	0.6%	Annual growth rate hit 6.1% in Nov, the most since mid-2023.
US	Personal Spending (MoM, Nov)	0.5%	0.4%	Real personal spending picked up by 0.1% in October.
US	PCE Price Index (MoM, Nov)	0.2%	0.2%	Disinflation appears to have stalled again in the US.
US	UoM Consumer Sentiment (Dec, prelim.)	-	74.0	Will contain inflation expectations tracked by the Fed.