

## Highlights this week

- In Australia, RBA Board minutes suggested that, while a decision to increase the cash rate at the meeting was not discussed, the members still considered the case for a prolonged period of restrictive, or even tighter, monetary conditions going forward. NAB business conditions and confidence improved in September, while the Westpac consumer sentiment index saw a strong gain in October.
- Abroad, the US CPI data surprised to the upside. The Chinese fiscal stimulus announcement this week was disappointing, but further measures are expected to be revealed over the weekend.

## Highlights next week

- The only domestic highlight next week will be the September labour force survey, which will be an important piece of information for the RBA.
- A busier week offshore, the highlights being Chinese Q3 GDP, Chinese activity and trade data for September as well as US industrial production and retail sales for September.

Central Bank Rates (%)			Australian Interest Rates (%)			Major Overseas Interest Rates (%)			Global Equities		Weekly Change
	Rate	Weekly Change		Rate	Weekly Change		Rate	Weekly Change	Index	Weekly Change	
Australia	4.35	(0 pt)	O/N Interbank Cash	4.34	(0 pt)	USD 3-month	4.85	(0 pt)	ASX200	8209	(↑88 pt)
US (IOR)	4.90	(0 pt)	90-day Bills	4.42	(↑1 pt)	2-yr T-Notes	3.95	(↑26 pt)	S&P500	5780	(↑80 pt)
Eurozone (Deposit)	3.50	(0 pt)	3-yr T-Bond	3.77	(↑18 pt)	10-yr T-Notes	4.06	(↑22 pt)	DJIA	42454	(↑443 pt)
UK	5.00	(0 pt)	10-yr T-Bond	4.22	(↑17 pt)	Jap 10-yr	0.95	(↑8 pt)	Nikkei	39381	(↑757 pt)
Japan (Target)	0.25	(0 pt)	3-yr WATC Bond	4.00	(↑17 pt)	UK 10-yr	4.21	(↑19 pt)	CSI300	3998	(↓20 pt)
China (1Y LPR)	3.35	(0 pt)	10-yr WATC Bond	4.88	(↑16 pt)	Ger 10-yr	2.26	(↑11 pt)	Stoxx600	519	(↑3 pt)

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

## Financial Markets

### Interest Rates

Government bond yields surged over the week, as fed funds rate cut expectations eased after the solid US labour market report for September. Currently, 45bps of cuts are priced in for the rest of 2024, which compares to around 65bps before the jobs release.

FOMC minutes revealed that a 50bps cut was not the only option seriously considered at the September meeting, but the outsized cut was judged to be more in line with the inflation and jobs data. However, the inflation and employment data has since surprised to the upside.

Fed officials speaking this week generally supported cuts of 25bps increments at upcoming meetings, though one said he would favour no cut at the next FOMC meeting in November.

The RBA Board minutes from the September meeting showed that the information received since August had not changed the members' view that keeping the cash rate steady was the best decision for the time being. However, the sentence about a cash rate cut being unlikely in near term, which was present in the minutes from the prior meeting, was cut from the final paragraph.

The RBNZ cut its official cash rate by 50bps to 4.75%, as expected. Markets expect another 50bps cut in November and the cash rate to sit at 3.00% in around a year.

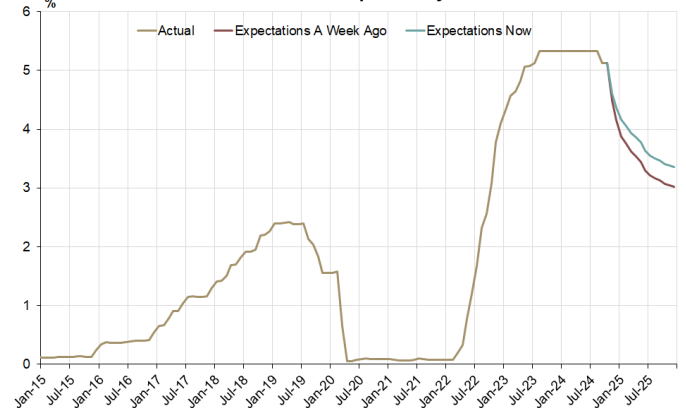
### Equities

It was another positive week for equities, with some volatility on the way.

US equities closed marginally higher last Friday, supported by the strong US labour market report for September. Sentiment was dented on Tuesday amid an easing in fed funds rate cut expectations. Optimism returned on Tuesday and Wednesday, taking the S&P 500 and Dow Jones to record highs, before receding again on Thursday.

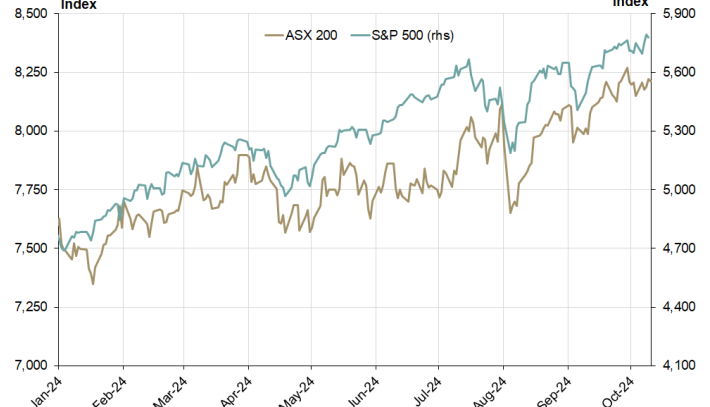
The ASX 200 moved in line with Wall Street this week, but stopped short of establishing a fresh record high, as the disappointing scale of Chinese stimulus weighed on commodity prices and energy.

Fed Funds Rate - Actual and Expected by the Futures Market



Source: Bloomberg

Australian and US Stock Indices



Source: Bloomberg

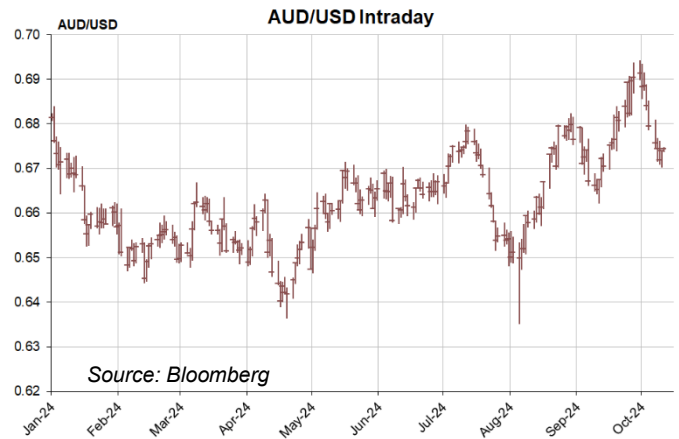
## Currencies

The Aussie dollar slipped against all the major currencies this week and has been the weakest member of the G10 currency basket except for the Kiwi dollar, which fell sharply after the RBNZ cut its official cash rate by 50bps and opened the way for a further big cut in November.

The Aussie's biggest fall was against the stronger greenback, with the exchange rate tumbling to a low of US\$0.6702 before finding support. The AUD has lost two cents against the big dollar since the end of September.

The fall in the Aussie has been a continuation of last week's downtrend exacerbated by disappointment over the lack of a major Chinese stimulus announcement this week.

The strength in the greenback has been largely the result of a pullback in US rate cut expectations that has pushed the US dollar index to near two-month highs.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6740	0.6810	0.6702	↓1.6	0.6942	0.6270
AUD/EUR		0.6165	0.6207	0.6115	↓0.7	0.6251	0.4990
AUD/GBP		0.5162	0.5197	0.5132	↓1.1	0.5393	0.4990
AUD/JPY		100.16	101.42	99.09	↓0.3	109.37	90.15
AUD/CNY		4.7618	4.8089	4.7338	↓0.8	4.9340	4.5273
EUR/USD		1.0935	1.0997	1.0900	↓0.9	1.1214	1.0496
GBP/USD		1.3059	1.3134	1.3022	↓0.5	1.3434	1.2070
USD/JPY		148.60	149.55	147.35	↑1.3	161.95	139.58
USD/CNY		7.0765	7.0848	7.0110	↑0.8	7.3198	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6740	0.6747	0.6747	0.6741
AUD/EUR		0.6165	0.6146	0.6123	0.6068
AUD/GBP		0.5162	0.5167	0.5169	0.5170
AUD/JPY		100.16	99.01	98.00	96.12
AUD/NZD		1.1061	1.1063	1.1054	1.1024
AUD/SGD		0.8800	0.8772	0.8737	0.8672

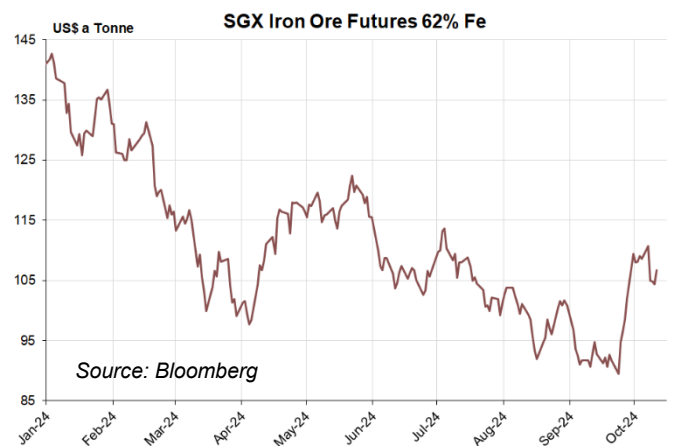
## Commodities

Commodity prices have come under renewed downward pressure, as expectations for a major fiscal stimulus announcement in China were disappointed.

The benchmark Singapore iron ore futures price hit a four-month high on Tuesday morning, before slumping following the underwhelming stimulus announcement from China's National Development and Reform Commission. News that the Chinese Ministry of Finance will hold a press briefing this Saturday rekindled hopes for a strong fiscal support package, helping to keep iron ore futures above US\$100 a tonne.

The widening Middle East conflict and lingering threat of Israeli attacks on Iranian oil infrastructure continue to put upward pressure on oil prices, with some analysts predicting a rise of US\$10-US\$15 a barrel if such an attack goes ahead.

Gold slipped back, as interest rates rose following the stronger-than-expected US employment and inflation data.

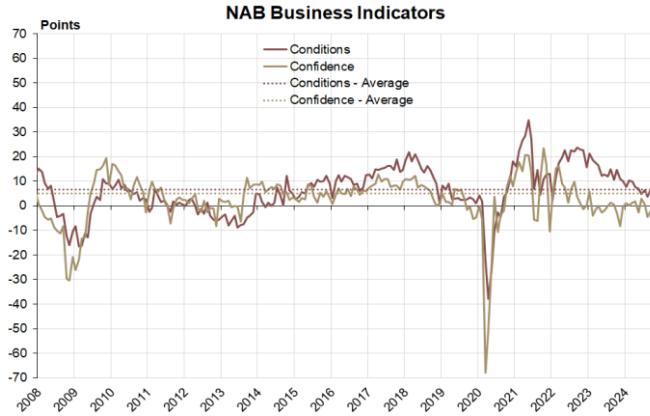


	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,629.01	\$2,659.66	\$2,604.88	(↓\$28.25)	\$2,685.58	\$1,867.97
Brent Crude Oil (US\$)	\$79.40	\$81.16	\$75.15	(↑\$1.55)	\$93.79	\$68.68
Mogas95* (US\$)	\$89.11	\$89.76	\$84.54	(↑\$2.21)	\$109.19	\$76.37
WTI Oil (US\$)	\$75.72	\$78.46	\$71.53	(↑\$1.77)	\$90.78	\$65.27
CRB Index	290.63	293.57	286.14	(↓0.52)	300.23	258.09
Iron Ore Price 62% Fe (US\$)**	\$106.70	\$115.00	\$103.05	(↓\$1.3)	\$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.

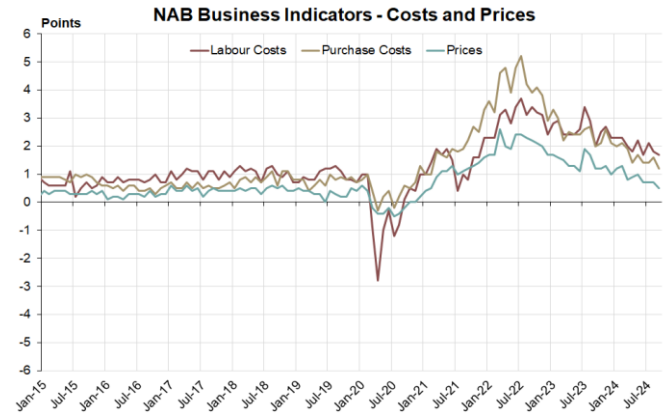
## Domestic Economy

The **NAB business conditions index** came back to its long-run average, while confidence remains subdued.



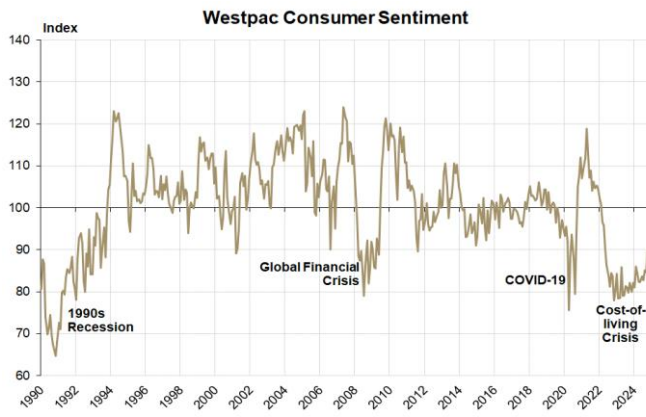
Source: Bloomberg

The NAB business survey also pointed to further softening in **cost and price pressures**.



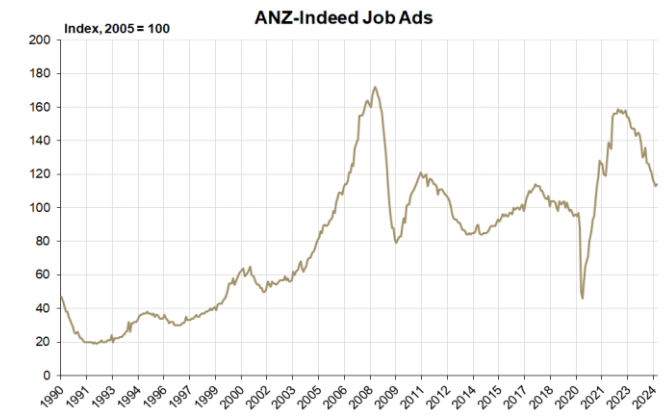
Source: Bloomberg

The **Westpac consumer sentiment index** surged in October but remains depressed.



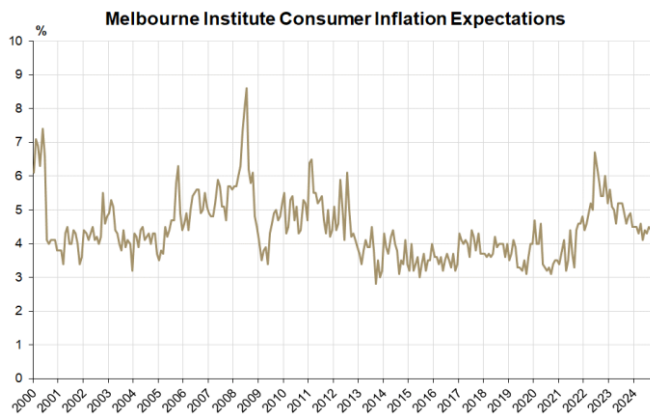
Source: Bloomberg

Despite a slight gain in September, **ANZ-Indeed job ads** remain off their 2022 highs but are still elevated.



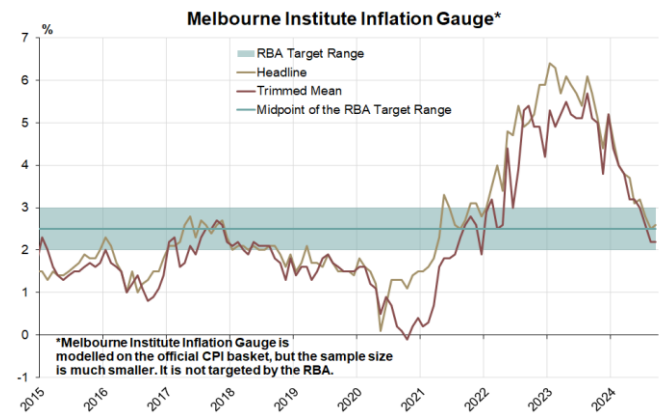
Source: Bloomberg

**Consumer inflation expectations** continued to decline in October, to reach the lowest level since August 2021.



Source: Bloomberg

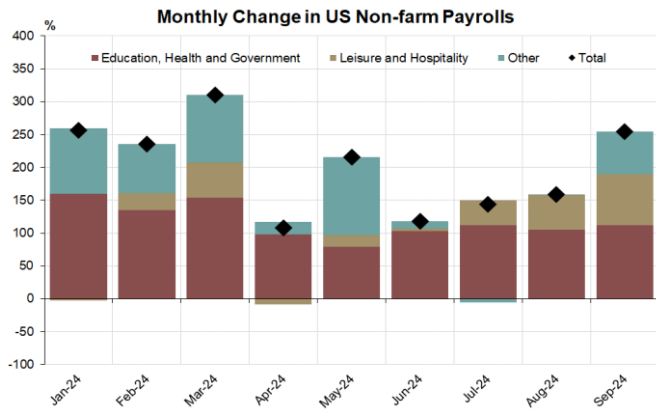
The **Melbourne Institute inflation gauge** remains close to the mid-point of the RBA target range.



Source: Bloomberg

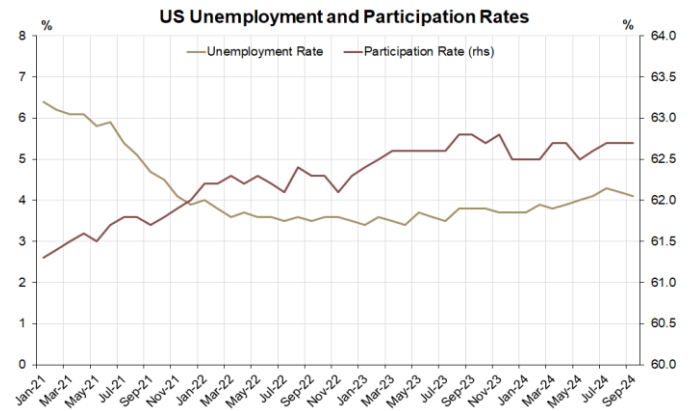
## Global Economy

The acceleration in **US non-farm payrolls** growth in September was driven by the private sector.



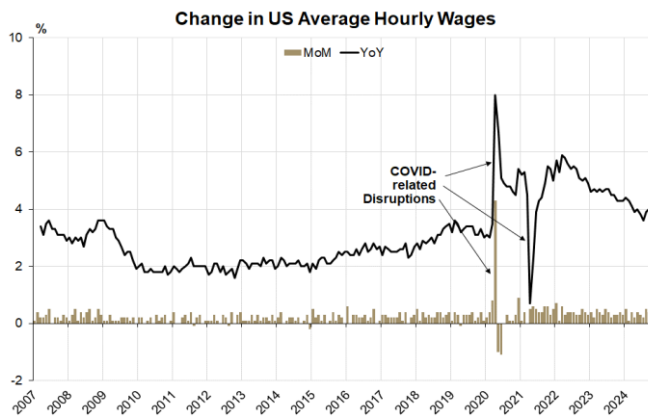
Source: Bloomberg

**US unemployment rate** declined a little in September, despite a steady participation rate.



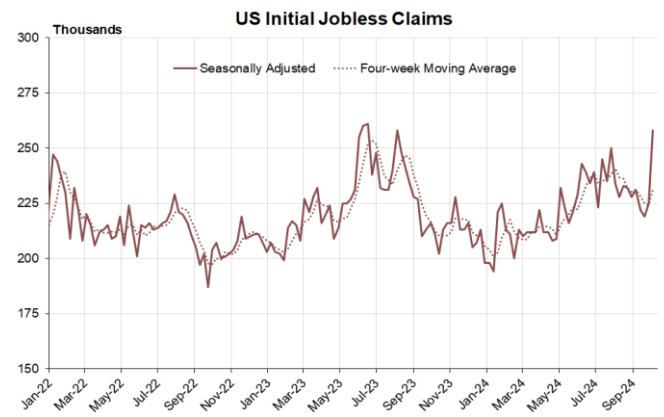
Source: Bloomberg

**US wages growth** remains faster than in the pre-COVID era.



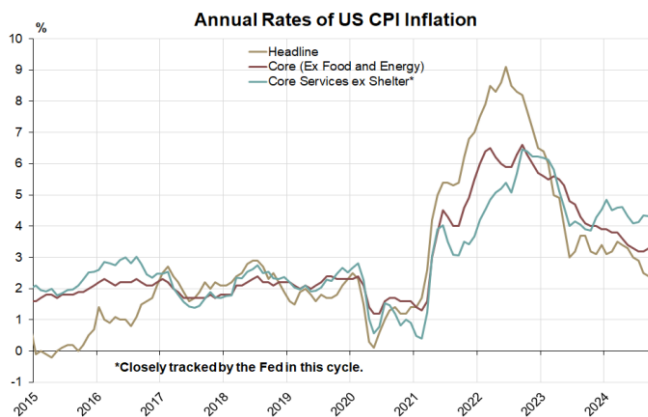
Source: Bloomberg

However, the impact of Hurricane Helene helped drive **US initial jobless claims** to a one-year high.



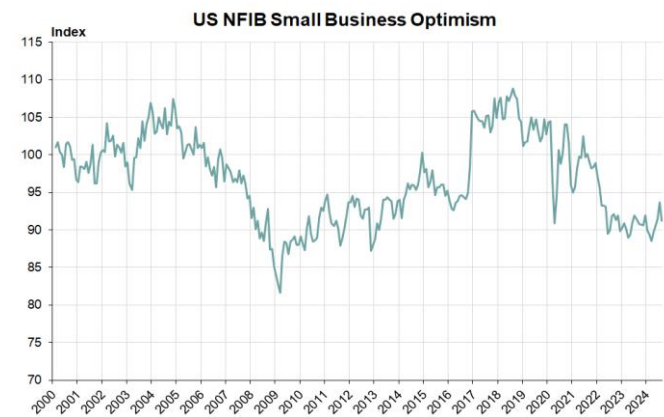
Source: Bloomberg

**US core CPI inflation** picked up in September, mainly due to the costs of car insurance and medical services.



Source: Bloomberg

The **NFIB Small Business Optimism Index** remains at depressed levels.



Source: Bloomberg

## Last Week

Date	Event	Actual	Forecast	Previous	Comment
<b>Mon 07</b>					
AU	Melbourne Institute Inflation (YoY, Sep)	2.6%	-	2.5%	Trimmed mean inflation unchanged at 2.6%.
<b>Tue 08</b>					
AU	RBA Minutes	-	-	-	RBA still not ruling out a cash hike completely.
AU	NAB Business Conditions (Sep)	7	-	4	Back at the long-run average.
AU	NAB Business Confidence (Sep)	-2	-	-5	WA one of the states with a non-negative number.
AU	Westpac Consumer Sent. (MoM, Oct)	6.2%	-	-0.5%	Still at a very subdued level of 89.8.
AU	ANZ-Indeed Job Ads (MoM, Sep)	1.6%	-	-1.8%	The first rise in eight months.
US	NFIB Small Business Optimism (Sep)	91.5	92.0	91.2	Remains depressed.
<b>Wed 09</b>					
NZ	RBNZ Decision (Official Cash Rate)	4.75%	4.75%	5.25%	Another 50bps priced in for the November meeting.
US	FOMC Minutes	-	-	-	Considered a 25bps cut but opted for 50bps.
<b>Thu 10</b>					
AU	Melbourne Institute Inflation Exp. (Oct)	4.0%	-	4.4%	The lowest level since August 2021.
US	CPI (MoM, Sep)	0.2%	0.1%	0.2%	Annual core inflation picked up to 3.3%.
US	Initial Jobless Claims (w/e 5 Oct)	258k	230k	225k	Pushed up by the impact of Hurricane Helene.
<b>Fri 11</b>					
AU	Business Turnover (MoM, Aug)	-0.7%	-	0.8%	Weighed down by a 3.5% drop in mining.
<b>Tonight</b>					
UK	Monthly GDP (MoM, Aug)	-	0.2%	0.0%	Manufacturing and construction activity to rebound.
US	PPI (MoM, Sep)	-	0.1%	0.2%	Annual rate of PPI inflation to decline to just 1.6%.
US	UMich Consumer Sent. (Oct, prel.)	-	70.0	70.1	To contain inflation expectations tracked by the Fed.

## Next Week

Date	Event	Forecast	Previous	Comment
<b>Mon 14</b>				
CH	Trade Balance (Sep)	US\$91.2b	US\$91.0b	Exports were strong in August, but import growth slowed.
<b>Tue 15</b>				
UK	Unemployment Rate (Aug)	4.1%	4.1%	Claimant count suggested an increase in unemployment.
<b>Wed 16</b>				
UK	CPI (MoM, Sep)	-	0.3%	Annual rate expected to temporarily fall below target.
<b>Thu 17</b>				
AU	Employment (monthly change, Sep)	23.7k	47.5k	Keeps surprising with its strength.
AU	Unemployment Rate (Sep)	4.2%	4.2%	RBA sees a peak at just 4.4%.
US	Retail Sales (MoM, Sep)	0.2%	0.1%	Core retail sales rose 0.3% in August.
US	Industrial Production (MoM, Sep)	-0.1%	0.8%	PMI reports point to a weak result.
<b>Fri 18</b>				
CH	GDP (YoY, Q3)	4.6%	4.7%	The 2024 growth target is around 5%.
CH	Retail Sales (YoY, Sep)	2.5%	2.1%	The underperformer during the rebound from COVID.
CH	Industrial Production (YoY, Sep)	4.6%	4.5%	Steel output trending downwards.
CH	Urban Fixed Asset Inv. (YoY YtD, Sep)	3.3%	3.4%	One of the key indicators for Chinese iron ore demand.