

Highlights this week

- In Australia, the annual rate of headline CPI inflation temporarily returned to the target band, but trimmed mean inflation remained somewhat above it. Retail sales growth slowed in September but posted a solid gain in volume terms in Q3. New home loans ebbed in September, but dwelling approvals picked up. CoreLogic home price growth slowed in October.
- Abroad, US GDP rose roughly in line with expectations in Q3. US PCE inflation has approached the Fed's goal in headline terms, but core inflation remained somewhat above it. The Chinese NBS PMIs suggested marginal expansion in October.

Highlights next week

- The RBA Board will announce a monetary policy decision on Tuesday, with no changes expected. However, the decision will be accompanied by a press conference and the quarterly Statement on Monetary Policy, containing updated economic projections. Other domestic events will be the October Melbourne Institute inflation gauge on Monday and the September trade balance on Thursday.
- Another eventful week coming up offshore, with the key events being the US elections on Tuesday night and an FOMC rate decision on Thursday (Friday morning AWST). Other events include the US and Chinese services PMIs as well as a Bank of England rate decision.

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	8088 (↓153 pt)
US (IOR)	4.90 (0 pt)	90-day Bills	4.41 (↑3 pt)	2-yr T-Notes	4.17 (↑10 pt)	S&P500	5705 (↓104 pt)
Eurozone (Deposit)	3.25 (0 pt)	3-yr T-Bond	4.06 (↑16 pt)	10-yr T-Notes	4.28 (↑8 pt)	DJIA	41763 (↓611 pt)
UK	5.00 (0 pt)	10-yr T-Bond	4.55 (↑14 pt)	Jap 10-yr	0.96 (0 pt)	Nikkei	38367 (↑224 pt)
Japan (Target)	0.25 (0 pt)	3-yr WATC Bond	4.27 (↑16 pt)	UK 10-yr	4.45 (↑21 pt)	CSI300	3891 (↓38 pt)
China (1Y LPR)	3.10 (0 pt)	10-yr WATC Bond	5.14 (↑12 pt)	Ger 10-yr	2.39 (↑12 pt)	Stoxx600	505 (↓14 pt)

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

Financial Markets

Interest Rates

Government bond yields saw a significant increases in all major advanced economies this week, except for Japan.

The increases were driven by rising expectations that monetary policy easing in the US will be gradual, and as concerns mount over the outlook for US public debt ahead of the US elections, given both presidential candidates' policies appear likely to widen the already substantial US government budget deficit.

The pace of increase in government bond yields was even stronger in the UK, where the government rolled out a budget that included more borrowing for infrastructure. 10-year gilt yields bounced by over 20bps this week, to reach one-year highs.

Aussie Commonwealth bond yields also picked up this week, taking 10-year yields to the highest levels since December 2023.

The Bank of Japan left its policy rate at 0.25% this week, as expected. It also revised its inflation forecasts downwards, but Governor Kazuo Ueda made comments which could imply tightening in the coming months.

Equities

Equities have had a poor week across most of the major markets, although Japanese shares have been boosted by the weaker Japanese yen.

In the US, a near 2% slump in the benchmark S&P 500 overnight pushed the index into the red for the month of October, the first monthly decline since April. The declines were broad-based over the week, with communication services the only sector to see and increase over the month, while info tech was the worst performer.

Domestically, the ASX 200 also finished October in the red, falling 1.3% over the month and is currently at its lowest level since mid-September. The slide over the past week has been led by a slump in consumer staples, largely sparked by a near 9% plunge in Woolworths shares as the company's earnings outlook fell short of analyst expectations. Rival Coles' shares are down over 3%.

10-year Government Bond Yields



Source: Bloomberg

Woolworths Share Price



Source: Bloomberg

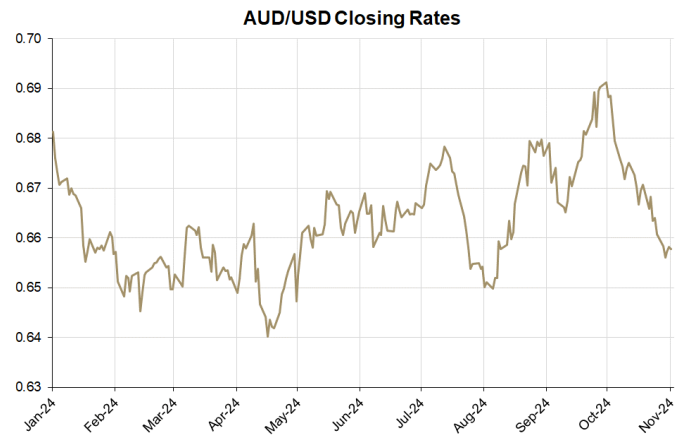
Currencies

It was another dismal week for the Australian dollar. The Aussie was hit by deterioration in global market sentiment, declines in some commodity prices as well as uncertainty ahead of the US election and Chinese National People's Congress next week.

The AUD/USD dropped below US\$0.66, to reach the lowest level since early August, before rising a little towards the end of the week.

The Australian dollar was again at the very bottom of the currency ladder. The euro and Danish krona, which is pegged to the euro, were the strongest currencies following upside surprises to euro area GDP and inflation this week.

The Japanese yen initially depreciated sharply after the snap general election over the weekend pointed to a hung parliament, and then made a U-turn, after hawkish comments by Bank of Japan Governor Kazuo Ueda on Thursday.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6580	0.6627	0.6537	↓0.8	0.6942	0.6339
AUD/EUR		0.6046	0.6137	0.6024	↓1.4	0.6251	0.4990
AUD/GBP		0.5101	0.5111	0.5029	↓0.3	0.5393	0.4990
AUD/JPY		100.08	101.53	99.54	↓0.7	109.37	90.15
AUD/CNY		4.6801	4.7354	4.6544	↓1	4.9340	4.5273
EUR/USD		1.0882	1.0888	1.0769	↑0.6	1.1214	1.0568
GBP/USD		1.2898	1.3043	1.2844	↓0.5	1.3434	1.2138
USD/JPY		152.11	153.88	151.84	↑0.1	161.95	139.58
USD/CNY		7.1180	7.1430	7.1142	↓0	7.3194	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6580	0.6584	0.6584	0.6575
AUD/EUR		0.6046	0.6026	0.5999	0.5935
AUD/GBP		0.5101	0.5106	0.5107	0.5108
AUD/JPY		100.08	98.94	97.92	95.97
AUD/NZD		1.1008	1.1004	1.0989	1.0943
AUD/SGD		0.8687	0.8657	0.8620	0.8542

Commodities

Commodity prices are mainly lower over the past week, led by falling oil, agricultural and base metal prices.

The slide in oil prices was mainly concentrated to a 6% drop on Monday after Israel's long anticipated retaliatory attack on Iran last weekend was confined to military targets and avoided the feared strike on oil infrastructure. Iran appeared to downplay the damage.

The early losses have since been trimmed on reports that Iran is planning another retaliation via one of its proxies.

Iron ore futures jumped early in the week on renewed Chinese stimulus expectations but have since slipped again as the official Chinese PMI continued to signal weak growth, including an ongoing slowdown in construction activity.

Gold hit another record high this week, peaking on Thursday before tumbling, as US core PCE price inflation came in a little higher than expected.



Source: Bloomberg

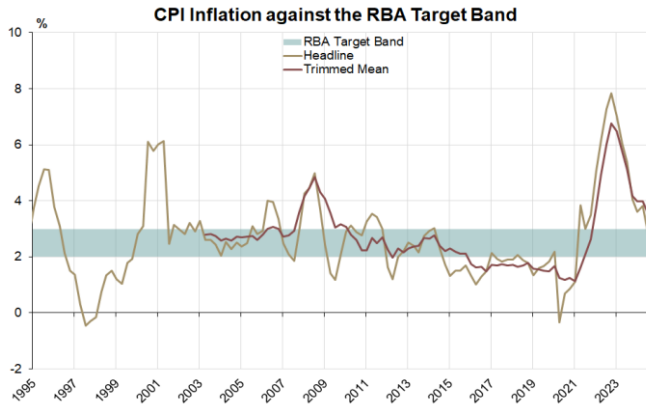
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,745.98	\$2,790.10	\$2,724.77	(↑\$14.3)	\$2,790.10	\$1,931.74
Brent Crude Oil (US\$)	\$72.81	\$76.14	\$70.72	(↓\$2.04)	\$92.18	\$68.68
Mogas95* (US\$)	\$82.40	\$84.66	\$79.21	(↓\$0.85)	\$109.19	\$76.37
WTI Oil (US\$)	\$70.47	\$70.81	\$66.72	(↓\$0.15)	\$87.67	\$65.27
CRB Index	279.86	284.68	277.71	(↓2.52)	300.23	258.09
Iron Ore Price 62% Fe (US\$) **	\$102.80	\$104.60	\$101.30	(↑\$2.65)	\$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.

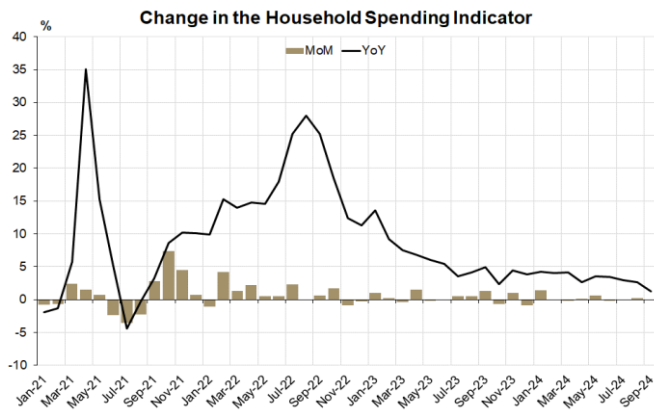
Domestic Economy

Annual headline **CPI inflation** has returned to the target range, but trimmed mean inflation remains above it.



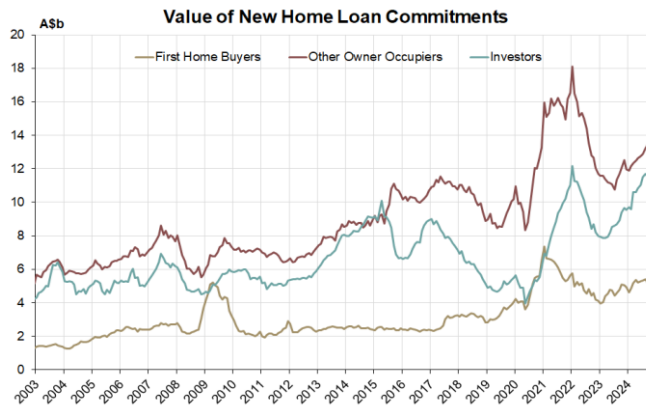
Source: ABS

However, the more **comprehensive household spending indicator** suggests ongoing weakness.



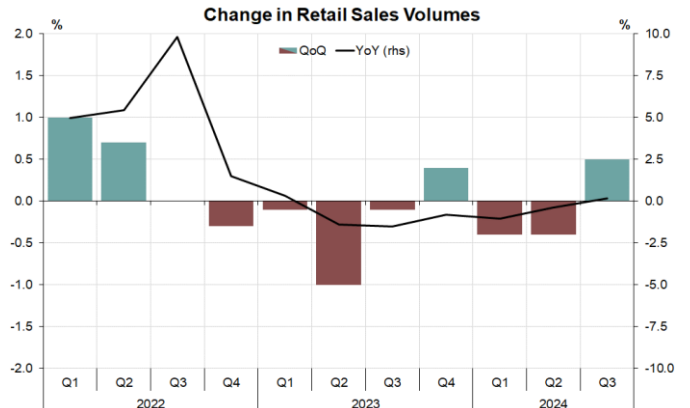
Source: ABS

New home loans to first home buyers and investors declined a little in September.



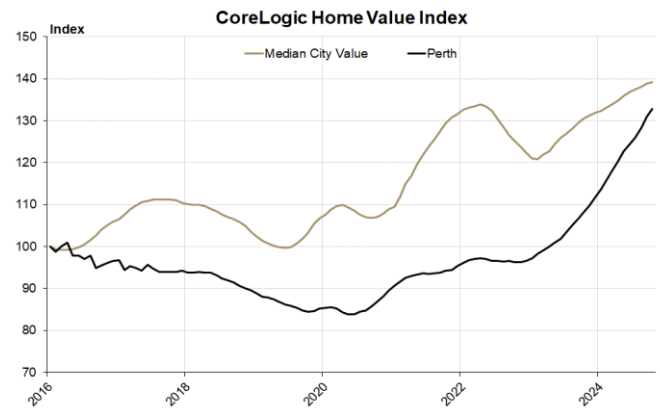
Source: ABS

Retail sales volumes saw the first increase in 2024 in Q3, supported by exceptionally warm weather over east.



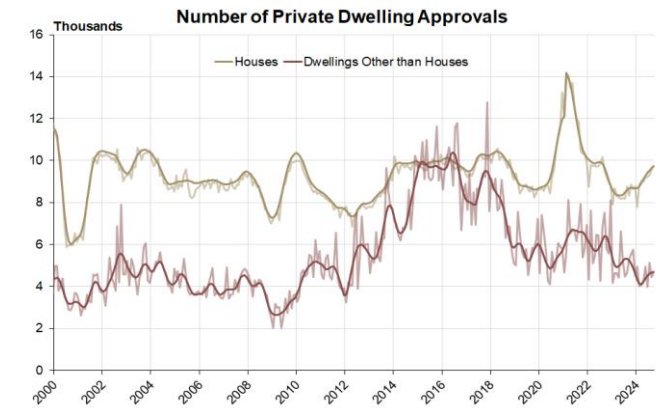
Source: ABS

Median **home price** growth is slowing across the capital cities, but Perth home prices are still rising quickly.



Source: ABS

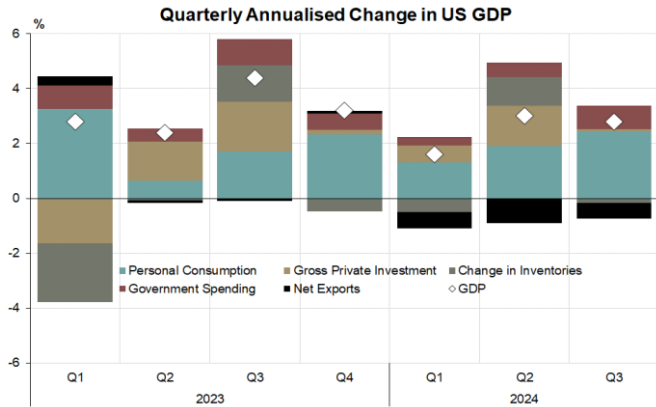
Dwelling approvals rose in September, with the upswing in private house approvals increasingly evident.



Source: ABS

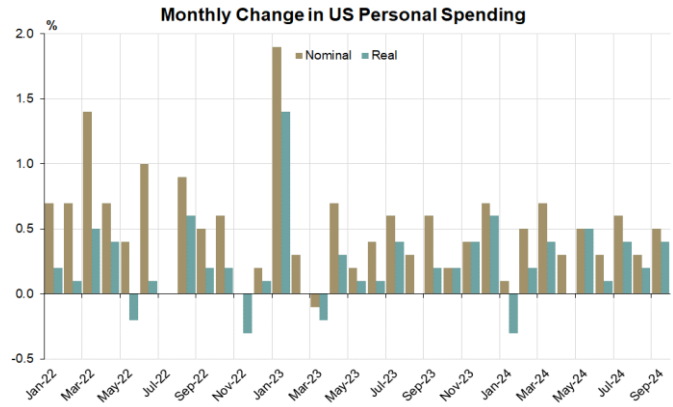
Global Economy

US GDP saw another solid increase in Q3, with growth driven by consumers and government...



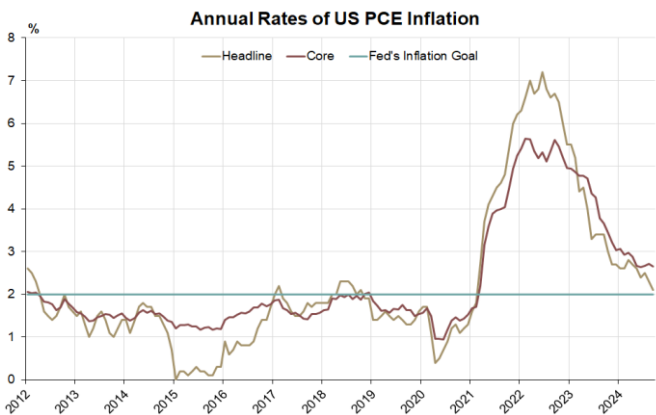
Source: Bloomberg

... with **US personal spending** growth accelerating at the end of the quarter.



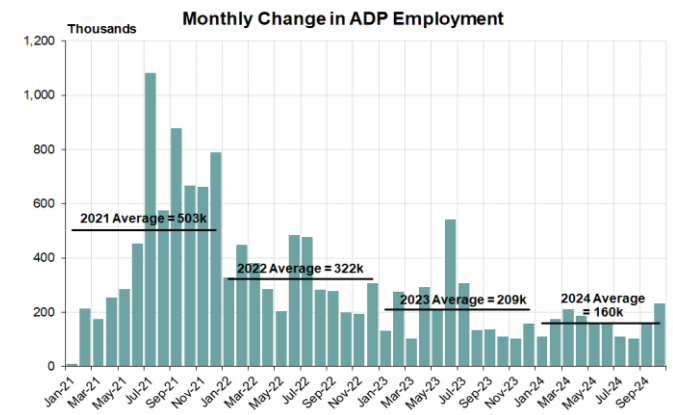
Source: Bloomberg

US PCE price inflation is approaching the Fed's goal in headline terms, but disinflation has stalled in core terms.



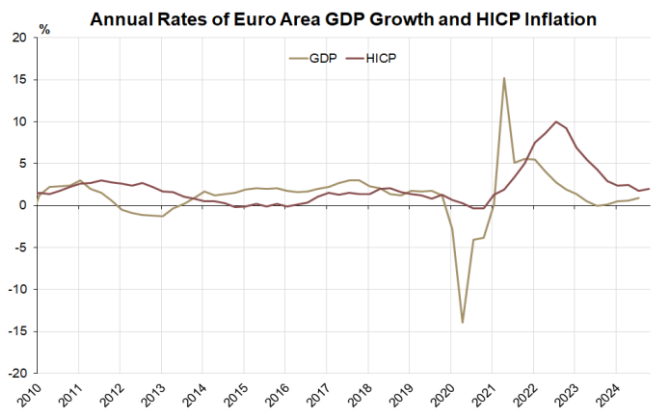
Source: Bloomberg

The September ADP report suggested the strongest gain in **US private sector payrolls** since mid-2023.



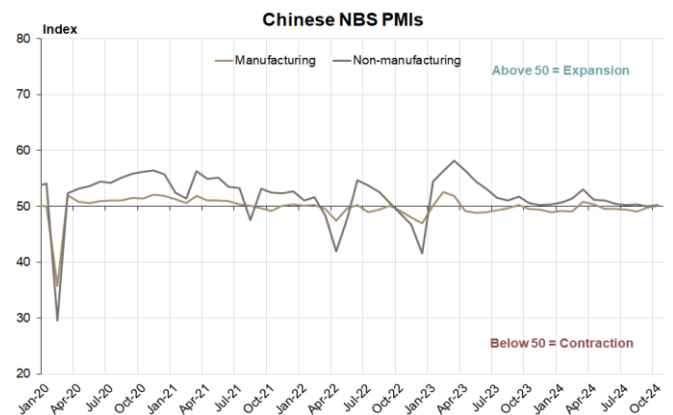
Source: Bloomberg

In the **euro area**, recovery becomes more evident,



Source: Bloomberg

The **NBS PMIs** pointed to only a marginal pace of expansion in the Chinese economy in October.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 28					
	<i>No market moving data.</i>				
Tue 29					
US	JOLTS Job Openings (Sep)	7.4m	8.0m	7.9m	The lowest level since January 2021.
US	Conference Board Cons. Conf.	108.7	99.5	99.2	Expectations component the highest since Dec-21.
US	C-S Hse Prices 20 City (YoY, Aug)	0.4%	0.2%	0.3%	Prices continue to rise.
Wed 30					
AU	CPI (QoQ, Q3)	0.2%	0.3%	1.0%	Annual rate declined 1ppts to 2.8%.
AU	Monthly CPI Indicator (YoY, Sep)	2.1%	2.3%	2.7%	Dragged down by the impact of electricity credits.
EZ	GDP (QoQ, Q3, flash)	0.4%	0.2%	0.2%	The strongest quarterly increase in two years.
US	GDP (QoQ annualised, Q3, prel.)	2.8%	2.9%	3.0%	Helped by a rise in private consumption and investment.
US	ADP Employment (MoM, Oct)	233k	111k	159k	The strongest gain since mid-2023.
Thu 31					
AU	Retail Trade (MoM, Sep)	0.1%	0.3%	0.7%	August spike in retail trade was only temporary.
AU	Retail Sales Volumes (QoQ, Q3)	0.5%	0.5%	-0.4%	The second increase in sales volumes in eight quarters.
AU	Dwelling Approvals (MoM, Sep)	4.4%	2.1%	-3.9%	Private house approvals rose by 2.2% in September.
AU	Private Sector Credit (MoM, Sep)	0.5%	0.5%	0.5%	Business credit saw the strongest increase of 0.6%.
AU	Export Price Index (QoQ, Q3)	-4.3%	-4.0%	-5.9%	The third decline in a row.
AU	Import Price Index (QoQ, Q3)	-1.4%	-0.3%	1.0%	The decline driven by lower petrol prices (-7.7% QoQ).
JP	BoJ Decision (Policy Rate)	0.25%	0.25%	0.25%	No more hikes expected this year.
CH	NBS Composite PMI (Oct)	50.8	-	50.4	Both manufacturing and services in slight expansion.
EZ	HICP (YoY, Oct, flash)	2.0%	1.9%	1.7%	Core inflation was steady at 2.7% in October.
US	Personal Spending (MoM, Sep)	0.5%	0.4%	0.3%	Real personal spending up by 0.4% in September.
US	PCE Price Index (MoM, Sep)	0.2%	0.2%	0.1%	Annual rate declined by 0.2ppts to 2.1%.
Fri 01					
AU	Housing Finance (MoM, Sep)	-0.3%	1.0%	2.1%	Dragged down by a 1.0% decline in investor loans.
AU	CoreLogic Home Price (MoM, Oct)	0.2%	-	0.5%	Perth again saw the strongest gain of 1.4%.
AU	Hsehold Spend. Ind. (MoM, Oct)	-0.1%	-	0.2%	Annual rate of growth the slowest since 2021.
AU	PPI (QoQ, Q3)	0.9%	-	1.0%	Up 3.9% YoY.
CH	Caixin Manufacturing PMI (Oct)	50.3	49.7	49.3	Marginally back in expansion.
Tonight					
US	ISM Manufacturing PMI (Oct)	-	47.6	47.2	S&P Global PMIs pointed to further contraction.
US	Non-farm Payrolls (MoM, Oct)	-	101k	254k	Likely distorted by adverse weather and strikes.
US	Unemployment Rate (Oct)	-	4.1%	4.1%	Expected to peak at just 4.4% in this cycle.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 04				
AU	Melbourne Institute Inflation (MoM, Oct)	-	0.1%	First insights into price formation in October.
Tue 05				
AU	RBA Decision (Cash Rate Target)	4.35%	4.35%	Currently, a cut is not fully priced in until Q2 2025.
AU	RBA Governor Conference	-	-	Post-decision meeting conference.
AU	RBA Statement on Monetary Policy (Q4)	-	-	Will contain a new set of economic projections.
CH	Caixin Services PMI (Oct)	50.5	50.3	The NBS report suggested anaemic expansion.
US	ISM Services PMI (Oct)	54.6	54.9	US services sector continues to expand at a solid pace.
US	Presidential Election	-	-	The polls point to a very close result.
Wed 06				
	<i>No market-moving data.</i>			
Thu 07				
AU	Trade Balance (Sep)	A\$5.3b	A\$5.6b	Exports continue to normalise, imports have been broadly flat.
UK	Bank of England Decision (Bank Rate)	4.75%	5.00%	Terminal rate expected at around 3.75%.
US	FOMC Decision (IoER)	4.65%	4.90%	Fed funds rate expected to reach 3.50% in early 2026.
Fri 08				
AU	Business Turnover Indicator (Sep)	-	-0.7%	An experimental indicator derived from activity statements.
US	UMich Consumer Sentiment (Nov, prel.)	71.0	70.5	Will contain inflation expectations tracked by the Fed.