

Highlights this week

- At home, the monthly CPI indicator suggested that annual consumer price inflation remained at 2.1% in October, held down by the impacts of household electricity bill relief measures rolled out by Commonwealth and State governments. Private sector capex and construction work done rose more than expected in Q3.
- Offshore, the FOMC minutes suggested a cautious approach to fed funds rate cuts from now on. The annual rates of US PCE price inflation picked up a little in October, which was in line with market expectations. The RBNZ cut its official cash rate by another 50bps, as expected.

Highlights next week

- The key domestic highlight next week will be Q3 GDP on Wednesday, with slightly faster quarterly growth expected. Other releases include October retail sales and dwelling approvals as well as the November CoreLogic home price index on Monday, Q3 balance of payments on Tuesday and October goods trade balance on Thursday.
- Highlights offshore include US labour market data as well as US and Chinese PMI figures.

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	8415 (↑27 pt)
US (IOR)	4.65 (0 pt)	90-day Bills	4.43 (↑1 pt)	2-yr T-Notes	4.21 (↓13 pt)	S&P500	5999 (↑50 pt)
Eurozone (Deposit)	3.25 (0 pt)	3-yr T-Bond	3.94 (↓16 pt)	10-yr T-Notes	4.24 (↓17 pt)	DJIA	44722 (↑852 pt)
UK	4.75 (0 pt)	10-yr T-Bond	4.37 (↓19 pt)	Jap 10-yr	1.06 (↓3 pt)	Nikkei	38032 (↓294 pt)
Japan (Target)	0.25 (0 pt)	3-yr WATC Bond	4.15 (↓10 pt)	UK 10-yr	4.28 (↓17 pt)	CSI300	3873 (↓117 pt)
China (1Y LPR)	3.10 (0 pt)	10-yr WATC Bond	4.97 (↓16 pt)	Ger 10-yr	2.13 (↓19 pt)	Stoxx600	507 (↑5 pt)

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

Financial Markets

Interest Rates

Government bond yields slipped again this week, to be well off the post-US election peaks.

The declines in yields came despite further evidence that disinflation in the US has stalled, and FOMC meeting minutes showing wide support for only a gradual pace of rate cuts from now on given the recent volatility of the economic data. FOMC members stressed that future decisions would depend on the incoming data and the balance of risks.

The RBNZ cut its official cash rate by 50bps to 4.25%, as expected, and revised their near-term interest rate projections downwards. They now expect that the official cash rate will reach 3.55% at the end of 2025.

Speaking yesterday afternoon, RBA Governor Michele Bullock reiterated that the need to cut interest rates in Australia is lower than in many other advanced economies, whose central banks brought interest rates more into the restrictive territory. The market continues to fully price in the first cut for May 2025.

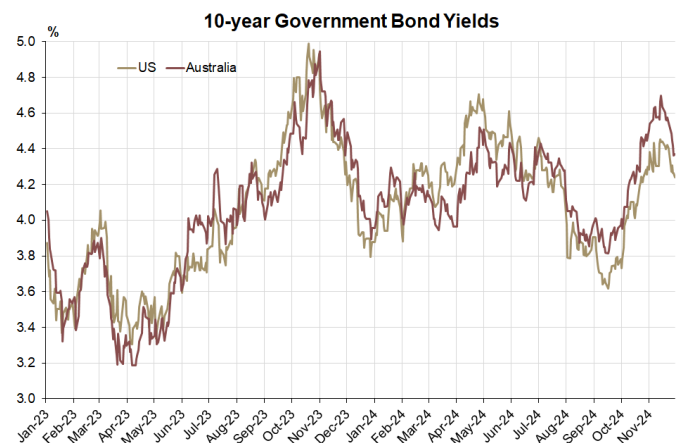
The Australian Parliament has passed a bill that creates two separate RBA boards, one for the setting of monetary policy and the other for governance, effective in March 2025.

Equities

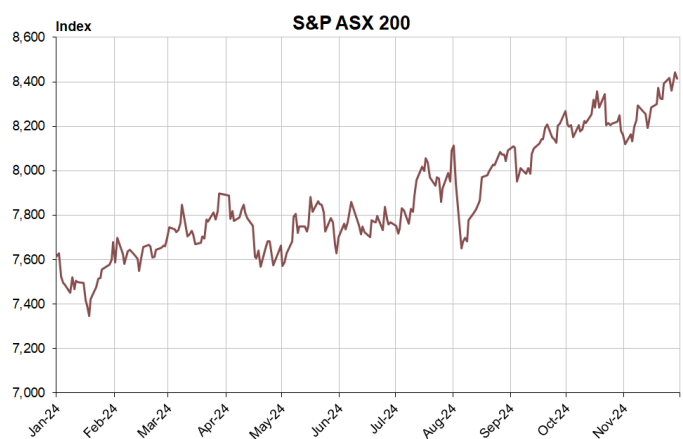
Aussie equities followed Wall Street to record highs this week as traders shook off President-elect Donald Trump's social media announcement that he will slap tariffs on Canada, Mexico and China on his first day in office.

The gains in the US were broad-based with only energy recording declines as oil prices slipped, before Wall Street pulled back on Wednesday ahead of the Thanksgiving Day holiday.

After a strong start to the week, the Aussie market got the wobbles on Tuesday following Donald Trump's tariff announcement on Tuesday morning Australian time. However, this proved to be a small setback with confidence returning quickly to push the market to fresh record highs, before opening lower this morning after RBA Governor Michele Bullock said overnight that inflation remains too high to be thinking about interest rate cuts just yet.



Source: Bloomberg



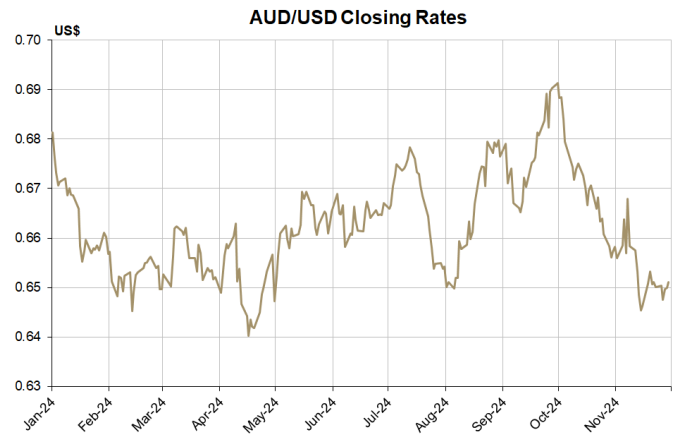
Source: Bloomberg

Currencies

The Australian dollar has slipped against all the majors since last Friday.

Following an encouraging start on Monday, the AUD dropped to as low as US\$0.6434 on Tuesday morning. This came after President-elect Donald Trump's social media post that he will roll out 25% tariffs on Mexico and Canada as well as 10% additional tariffs on China straight after being sworn in. The Aussie fluctuated around US\$0.65 for the rest of the week.

The AUD has again landed nearly at the bottom of the G10 currency ladder, above only the Canadian dollar that was obviously hit by the tariff announcement, along with the Mexican peso. The Chinese currency held steady this week. The Japanese yen was the strongest G10 currency, reflecting the rising expectations for another policy interest rate hike from the Bank of Japan.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6507	0.6550	0.6434	↓0.2	0.6942	0.6350
AUD/EUR		0.6159	0.6249	0.6133	↓1	0.6261	0.4990
AUD/GBP		0.5122	0.5204	0.5116	↓1.1	0.5393	0.4990
AUD/JPY		97.78	101.04	97.61	↓2.8	109.37	90.15
AUD/CNY		4.7079	4.7442	4.6758	↓0.3	4.9340	4.5273
EUR/USD		1.0565	1.0588	1.0425	↑0.8	1.1214	1.0335
GBP/USD		1.2704	1.2712	1.2507	↑0.9	1.3434	1.2300
USD/JPY		150.25	154.72	150.00	↓2.6	161.95	139.58
USD/CNY		7.2346	7.2592	7.2296	↓0.1	7.2775	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6507	0.6510	0.6510	0.6511
AUD/EUR		0.6159	0.6136	0.6104	0.6036
AUD/GBP		0.5122	0.5126	0.5128	0.5129
AUD/JPY		97.78	96.72	95.73	93.96
AUD/NZD		1.1024	1.1017	1.0999	1.0963
AUD/SGD		0.8724	0.8693	0.8658	0.8589

Commodities

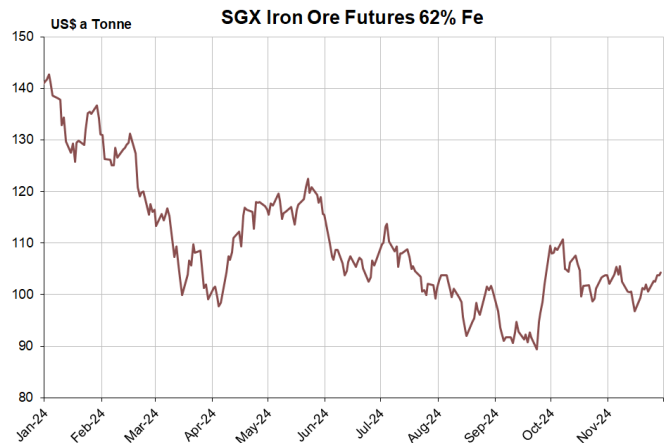
Oil prices pulled back amid news that Israel and Hezbollah have agreed to a ceasefire.

After rising last Friday to close at a 2½-week high, gold slumped by over US\$90 an ounce on Monday on news of the approaching ceasefire deal before edging higher again over the remainder of the week.

Iron ore futures bucked the slide in commodity prices, despite Donald Trump's announcement that he will increase tariffs on Chinese imports into the US as soon as he takes office in January.

The benchmark Singapore iron ore contract hit a near three-week high on signs that Chinese steelmakers have ramped up production, possibly to fill export orders ahead of the imposition of higher US tariffs in 2025.

The Western Australian Government unveiled a A\$150 million support package for the lithium industry, which is facing challenges amid concerns over medium-term oversupply.



Source: Bloomberg

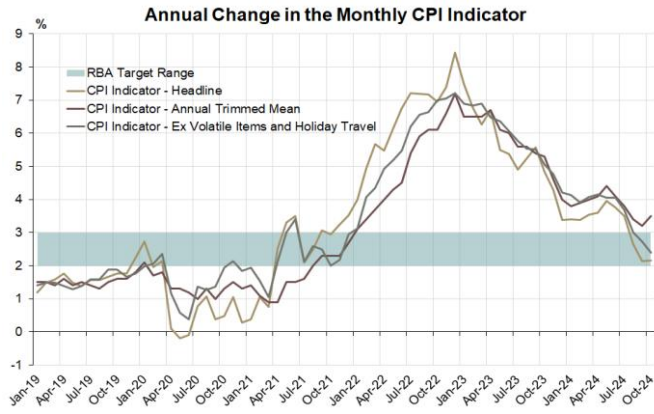
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,644.07	\$2,721.41	\$2,605.34	(↓\$32.91)	\$2,790.10	\$1,973.15
Brent Crude Oil (US\$)	\$73.28	\$75.38	\$72.09	(↓\$1.07)	\$92.18	\$68.68
Mogas95* (US\$)	\$83.25	\$85.78	\$82.24	(↓\$1.7)	\$109.19	\$76.37
WTI Oil (US\$)	\$68.76	\$71.51	\$68.05	(↓\$1.49)	\$87.67	\$65.27
CRB Index	286.72	289.91	286.72	(↓1.6)	300.23	258.09
Iron Ore Price 62% Fe (US\$)**	\$104.05	\$104.55	\$100.30	(↑\$1.75)	\$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.

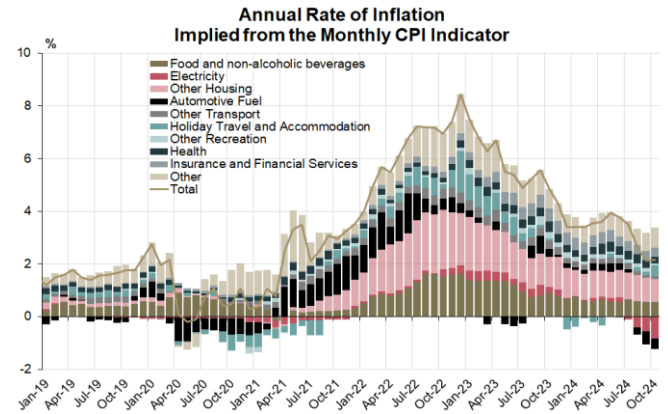
Domestic Economy

The **monthly CPI indicator** pointed to steady headline inflation in October and higher trimmed mean inflation...

... which partly reflects the downward impact of Commonwealth and state electricity bill relief.



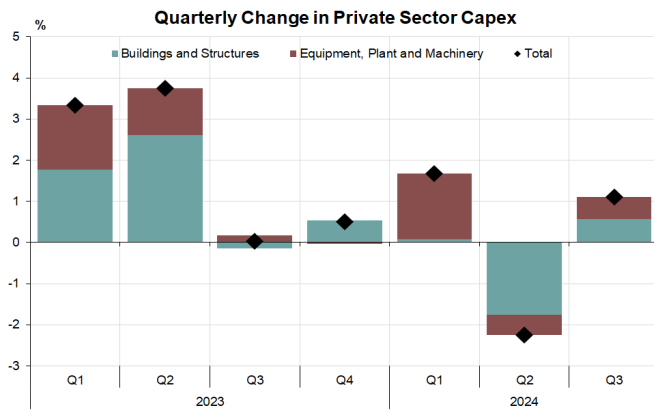
Source: ABS



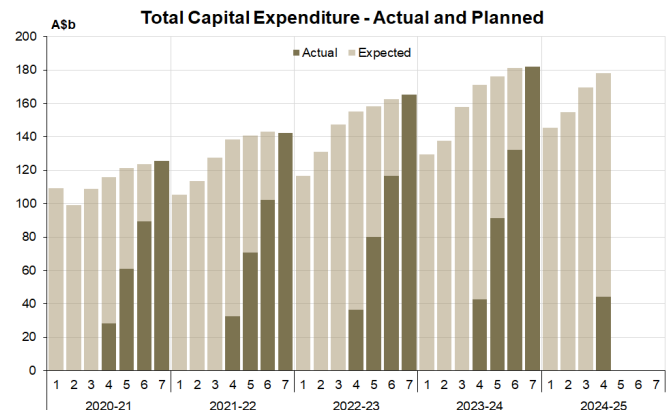
Source: ABS

Private sector capex saw a broad-based increase in Q3.

Investment plans for 2024-25 were revised up 5.1% from the previous estimate.



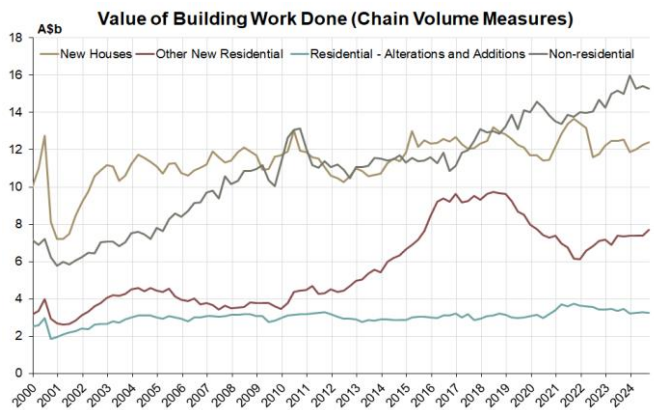
Source: ANZ



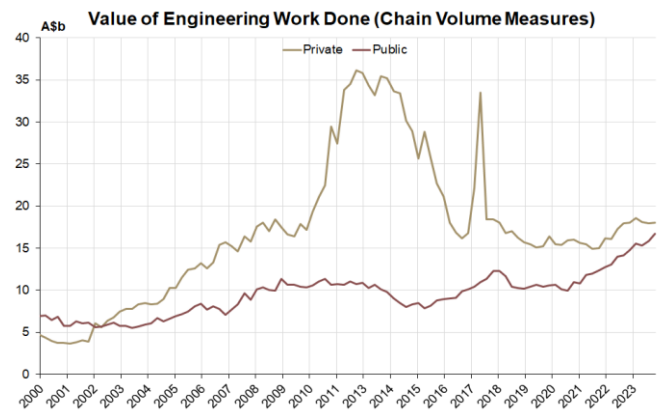
Source: ABS

Building work done rose in Q3, supported by higher residential construction.

Almost half the **engineering work done** in Q3 was public sector infrastructure projects.



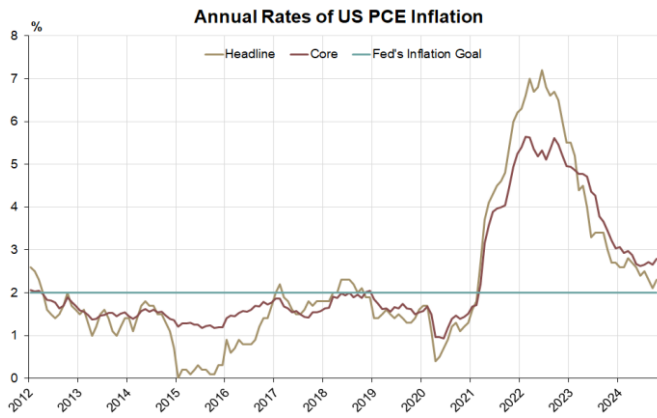
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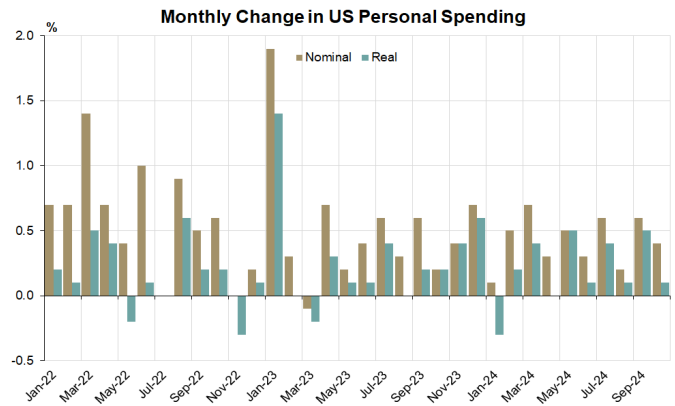
Global Economy

The slowdown **core US PCE price inflation** has stalled and remains above the Fed's inflation goal of 2%.



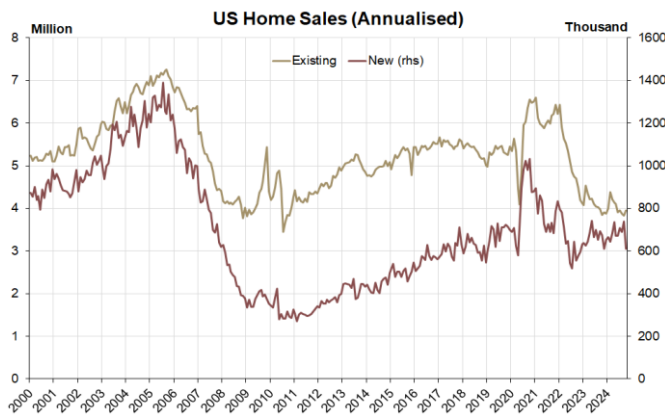
Source: Bloomberg

US personal spending growth slowed in October, with real spending almost stagnating.



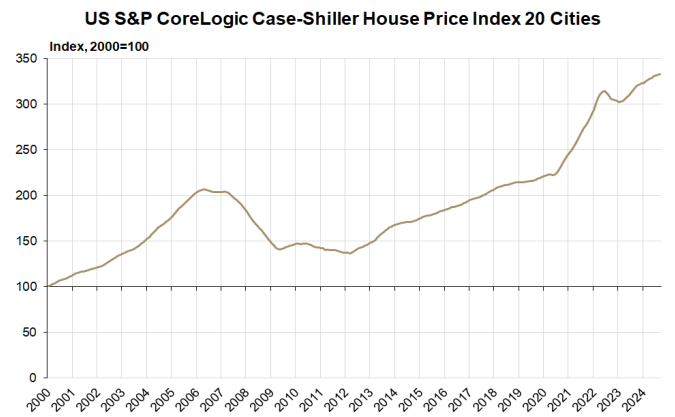
Source: Bloomberg

US existing home sales have stabilised at low levels, while new home sales are the lowest since late 2022.



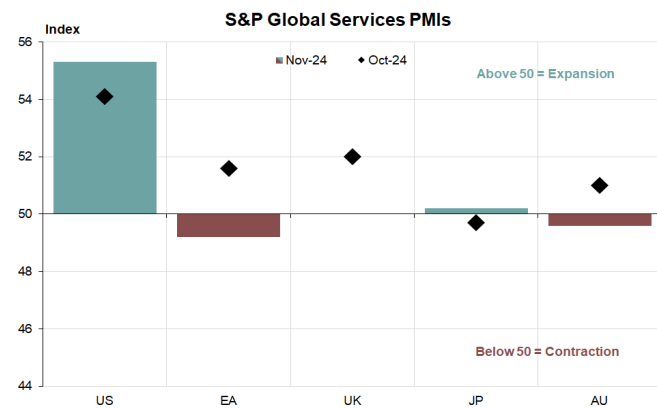
Source: Bloomberg

US house prices continue to establish new record highs, but the pace of increase is slowing.



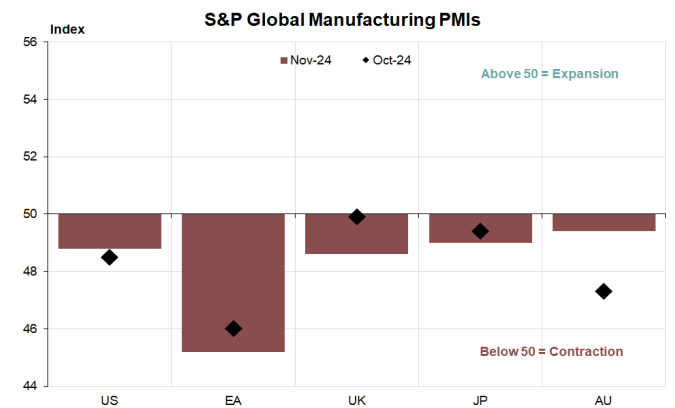
Source: Bloomberg

The S&P Global PMI report showed the **US services** sector outperforms other advanced economies.



Source: Bloomberg

At the same time, the **manufacturing** sector remains in contraction in all advanced economies.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 25					
	No market moving data.				
Tue 26					
AU	ANZ Cons. Conf. (w/e 23 Nov)	-1.3%	-	0.1%	Inflation expectations at a three-month high of 5.0%.
US	C-S Hse Pce 20 City (MoM, Sep)	0.2%	0.3%	0.3%	Annual rate of home price growth down 0.6ppts to 4.6%.
US	Conf. Board Cons. Conf. (Nov)	111.7	111.8	109.6	The highest level since July 2023.
US	New Home Sales (MoM, Oct)	-17.3%	-1.8%	7.0%	The strongest dropped since mid-2013.
US	FOMC Minutes	-	-	-	FOMC to increase fed funds rate only gradually.
Wed 27					
AU	Monthly CPI Indicator (YoY, Oct)	2.1%	2.3%	2.1%	Annual trimmed mean inflation up 0.3ppts to 3.5%.
AU	Constr. Work Done (QoQ, Q3)	1.6%	0.4%	1.1%	A broad-based increase.
NZ	RBNZ Decision (OCR)	4.25%	4.25%	4.75%	RBNZ now expects the rate to trough at around 3.0%.
US	Durable Goods Orders (MoM, Oct)	0.2%	0.5%	-0.4%	Core capital goods orders declined by 0.2% in October.
US	Personal Spending (MoM, Oct)	0.4%	0.4%	0.6%	Real spending rose by just 0.1%.
US	PCE Price Index (MoM, Oct)	0.2%	0.2%	0.2%	Annual rates up to 2.3% (headline) and 2.8% (core).
US	GDP (QoQ ann., Q3, 2nd est.)	2.8%	2.8%	2.8%	Personal consumption growth revised slightly down.
US	Initial Jobless Claims (w/e 23 Nov)	213k	215k	215k	Continued claims hit a three-year high in w/e 16 Nov.
Thu 28					
AU	Private Sector Capex (QoQ, Q3)	1.1%	1.0%	-2.2%	Spending for equipment, plant and machinery up 1.1%.
AU	RBA Governor M. Bullock Speaks	-	-	-	RBA still in no rush to cut rates.
Fri 29					
AU	Private Sector Credit (MoM, Oct)	0.6%	0.5%	0.5%	Annual growth rate accelerated 0.3ppts to 6.1%.
Tonight					
EZ	HICP (YoY, Nov)	-	2.3%	2.0%	Core inflation expected to tick up 0.1ppts to 2.8%.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 02				
AU	Retail Trade (MoM, Oct)	0.4%	0.1%	RBA now expects a later rebound in household consumption.
AU	Dwelling Approvals (MoM, Oct)	2.0%	4.4%	Private sector house approvals rose another 2.2% in Sep.
AU	CoreLogic Home Price Index (MoM, Nov)	-	0.2%	Discrepancy between capital cities is on the rise.
AU	Melb. Inst. Inflation Gauge (MoM, Nov)	-	0.3%	First insights into price formation in November.
AU	ANZ Job Ads (MoM, Nov)	-	0.3%	Despite a rise, remains well off its highs.
CH	Caixin Manufacturing PMI (Nov)	-	50.3	Official NBS PMI figures to be released over the weekend.
US	ISM Manufacturing PMI (Nov)	47.6	46.5	S&P Global PMIs also suggest further contraction.
Tue 03				
AU	Current Account Balance (Q3)	-A\$11.5b	A\$10.7b	IMF expects that it will turn sustainably negative next year.
US	JOLTS Job Openings (Oct)	7.5m	7.4m	Back at pre-COVID levels.
Wed 04				
AU	GDP (QoQ, Q3)	0.4%	0.2%	Annual rate of growth expected to remain at 1.0%.
CH	Caixin Services PMI (Nov)	-	52.0	Has been showing some signs of life recently.
US	ADP Employment (monthly change, Nov)	165k	233k	Was a poor predictor of the meagre payroll growth in Oct.
US	ISM Services PMI (Nov)	55.5	56.0	S&P Global PMIs suggested a boost from the US elections.
US	Beige Book	-	-	Anecdotal evidence of economic performance in Fed regions.
Thu 05				
AU	Goods Trade Balance (Oct)	A\$4.5b	A\$4.6b	Aussie export values have eased in 2024.
Fri 06				
US	Non-farm Payrolls (monthly change, Nov)	200k	12k	Meagre October increase due to strikes and hurricanes.
US	Unemployment Rate (Nov)	4.2%	4.1%	Remains slightly below the FOMC's longer-run estimate.
US	UoM Consumer Confidence (Dec, prelim.)	73.0	71.8	Contains consumer inflation expectations tracked by the Fed.