

Weekly Economics and Markets Review

- The RBA's September Board Minutes showed that the RBA Board debated the prospect of raising rates, considered increasing the cash rate by 25 basis points, but decided there was a stronger case for keeping the cash rate unchanged.
- The US Federal Reserve (Fed) kept its policy settings unchanged at its September meeting, though it also signalled that rates could be higher for longer.

Week in review

Domestic

- The RBA's September Board Minutes provided some insight on the Board's outlook for monetary policy.
 - The Minutes showed that the Board considered increasing the cash rate by 25 basis points, but decided there was a stronger case for keeping it unchanged at 4.1 per cent.
 - The Board suggested that recent data were *'consistent with inflation returning to target within a reasonable timeframe'* and that keeping policy on-hold for a third consecutive month would give the RBA more time to assess the impact of prior tightening.
 - The Minutes noted that inflation had eased, with prices *'expected to continue to moderate over the second half of 2023'*. While the unemployment rate remained low, broader measures of labour underutilisation had increased slightly and *'a range of indicators suggested the labour market was at a turning point.'* The Board also discussed the risks from a slowdown in China.
 - However, the RBA also maintained its tightening bias, noting that *'some further tightening in policy may be required should inflation prove more persistent than expected'*.

Offshore

- The US Federal Open Market Committee kept the target range for the Federal Funds Rate unchanged at 5.25-to-5.5 per cent at its September meeting, as was expected. The Fed also provided an updated outlook for the Fed Funds Rate and the US economy.
 - The Fed is expecting a slower reduction of interest rates in 2024 than previously expected. The median projection for the Funds Rate is for one more 25 basis point hike by the end of the year (the same as in June). However, the median 2024 expectation is now for 50 basis points of cuts (previously 100 basis points), with a further 125 basis points of cuts in 2025 and 100 basis points in 2026.
 - The outlook for the economy is stronger than previously expected. The projections for GDP growth in 2023 and 2024 were revised higher, while forecasts of the unemployment rate were revised lower. Inflation projections were broadly stable, with the core PCE deflator expected to reach the Fed's two per cent target by 2026.
- The Bank of England Monetary Policy Committee kept the Bank Rate unchanged at 5.25 per cent. The Committee voted 5-4 to maintain policy settings, with the four dissenters favouring a 25 basis point rise. The Committee cited recent weakness in the labour market and a downside inflation surprise (more on that below) as the key motivation for the pause. The policy outlook was little changed, with the Committee reiterating the path for interest rates will be data dependent.
- There were mixed comments from ECB officials, with some favouring maintaining its policy rates at current levels, while others were more cautious on whether interest rates had peaked (citing the uncertain inflation outlook).
- In other central bank news, the central banks of Sweden and Norway both increased policy rates (as was expected), while the central bank of Switzerland surprised the market by keeping policy settings on hold.
- The OECD raised its 2023 global growth forecast to 3.0 per cent (from 2.7 per cent) but lowered its 2024 projection to 2.7 (from 2.9 per cent). It also expects inflation to ease further in 2023 and 2024, though remain above many central bank objectives.
- US data were generally weaker over the past week.
 - The *University of Michigan's Index of Consumer Sentiment* declined in September, with a sharp fall in the current conditions index outweighing a slight rise in expectations. Consumer inflation expectations also eased.
 - Industrial production growth rose less than expected in August, amid a sharp decline in auto assemblies.
 - The *NAHB* index of home builder sentiment fell back into pessimistic territory in September, with higher mortgage rates reportedly *'choking off'* demand and *'taking a toll on builder confidence'*. Housing starts fell to the lowest level since June 2020 in August, while building permits rose due to a lift in the volatile apartments component. And finally, US existing home sales fell in August, against expectations for a slight rise.
- UK CPI inflation was lower than expected in August, with headline inflation easing one-tenth to 6.7 per cent and core inflation falling seven-tenths to 6.2 per cent. For headline inflation, an increase in fuel and alcohol prices was offset by the effect of lower services inflation.
- The *Bank of England's Inflation Attitudes Survey* showed the median perception of inflation over the past year eased considerably (from 9.6 per cent to 8.6 per cent), though inflation expectations for the next 12- and 24-months increased slightly to 3.6 per cent and 2.8 per cent respectively.
- Canada's CPI was notably stronger than expected in August, with headline inflation increasing to 4.0 per cent year-on-year (from 3.3 per cent). Energy prices and base effects were key drivers, with the CPI excluding gasoline unchanged.
- China's monthly activity data for August were mixed. The annual growth rates for industrial production and retail sales lifted, while the unemployment rate fell by one-tenth to 5.3 per cent. Growth in fixed asset investment, property investment and property sales all fell.
- New Zealand GDP growth rebounded in Q2, with the stronger-than-expected outcome reflecting firm increases in household consumption and business investment.

Markets

The prospect of a slower reduction in the Fed Funds Rate over 2024 and 2025 pushed global bond yields and the US dollar higher, while equities fell.

Economic & Market Calendar

DATE	DETAILS
Domestic	Wednesday: CPI Inflation (Aug). Thursday: Quarterly Job Vacancies (Aug), Retail Sales (Aug). Friday: Private Sector Credit (Aug).
Offshore	US: PCE Inflation (Aug), Personal Income/Spending (Aug), Durable Goods (Aug), Consumer Confidence (Sep), Various Housing Data (Jul/Aug). EMU: CPI (Sep), Economic Confidence (Sep). CHN: Official PMIs (Sep), Caixin PMIs (Sep), Industrial Profits (Aug).

Economic and Financial Market Charts

CHART 1: THE OECD REVISED ITS GLOBAL GROWTH OUTLOOK HIGHER FOR 2023, THOUGH THIS IS LARGELY OFFSET BY A WEAKER OUTLOOK FOR 2024

OECD Economic Outlook, Interim Report September 2023

		Estimate			Current projection		Forecast revision from June 2023	
		2022	2023	2024	2023	2024	2023	2024
Output	Global Growth	3.3%	3.0%	2.7%	0.3%	-0.2%		
	G20 Growth	3.1%	3.1%	2.7%	0.3%	-0.2%		
	US Growth	2.1%	2.2%	1.3%	0.6%	0.3%		
	Australia Growth	3.7%	1.8%	1.3%	0.0%	-0.1%		
Prices	G20 Inflation	7.8%	6.0%	4.8%	-0.1%	0.1%		
	US Inflation	6.3%	3.8%	2.6%	-0.1%	0.0%		
	Australia Inflation	6.6%	5.5%	3.2%	0.1%	0.0%		

Source: OECD Economic Outlook (Interim Report September 2023) & QTC

CHART 2: SENTIMENT AND ACTIVITY IN THE US HOUSING MARKET HAS SOFTENED NOTABLY AMID AN INCREASE IN MORTGAGE RATES AND BUILDING COSTS

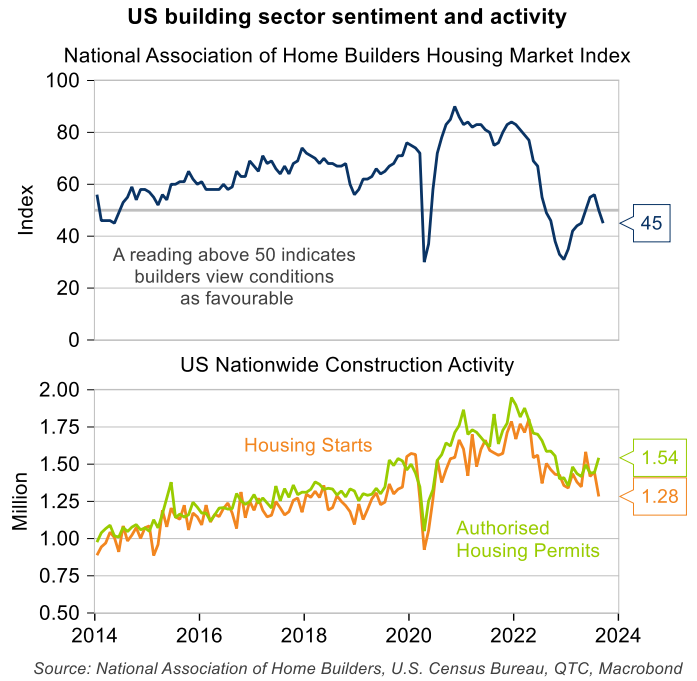
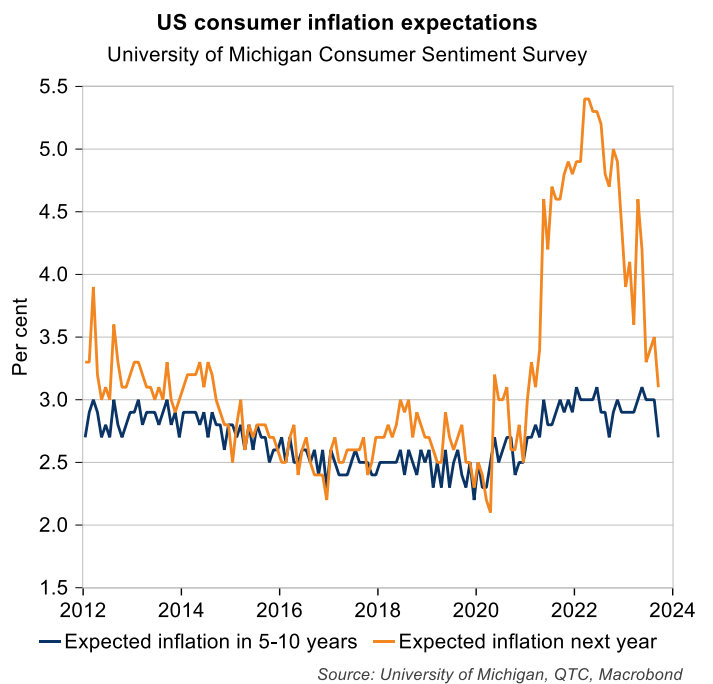
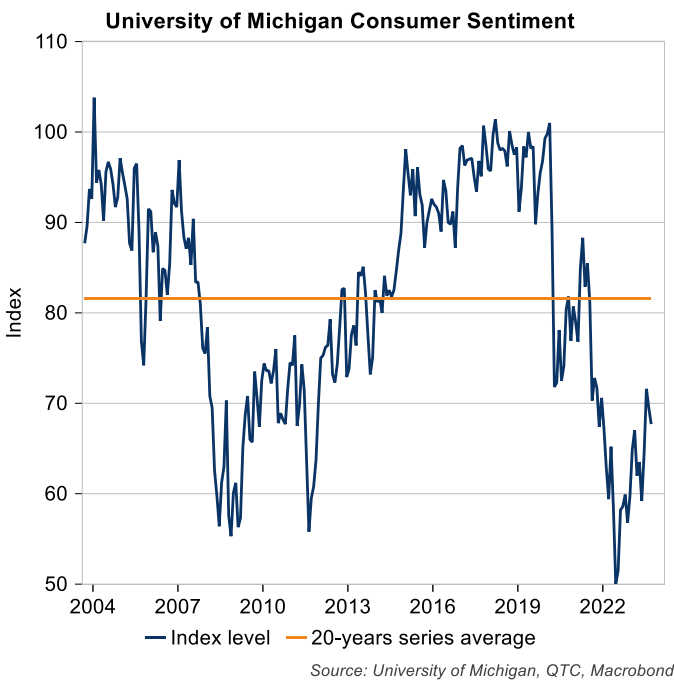


CHART 3: US CONSUMER SENTIMENT SOFTENED SLIGHTLY IN SEPTEMBER

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CHART 4: ... WHILE CONSUMER INFLATION EXPECTATIONS HAVE CONTINUED THEIR DOWNWARD TREND



Economic and Financial Market Charts

CHART 5: INFLATION IN THE UK HAS FALLEN NOTABLY OVER THE PAST FEW MONTHS...

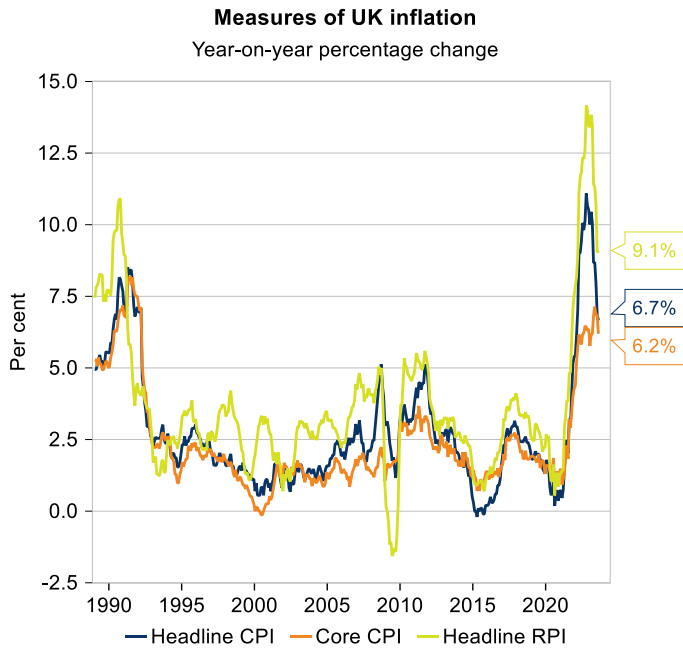


CHART 6: ... THOUGH CONSUMER EXPECTATIONS FOR FUTURE INFLATION LIFTED SLIGHTLY

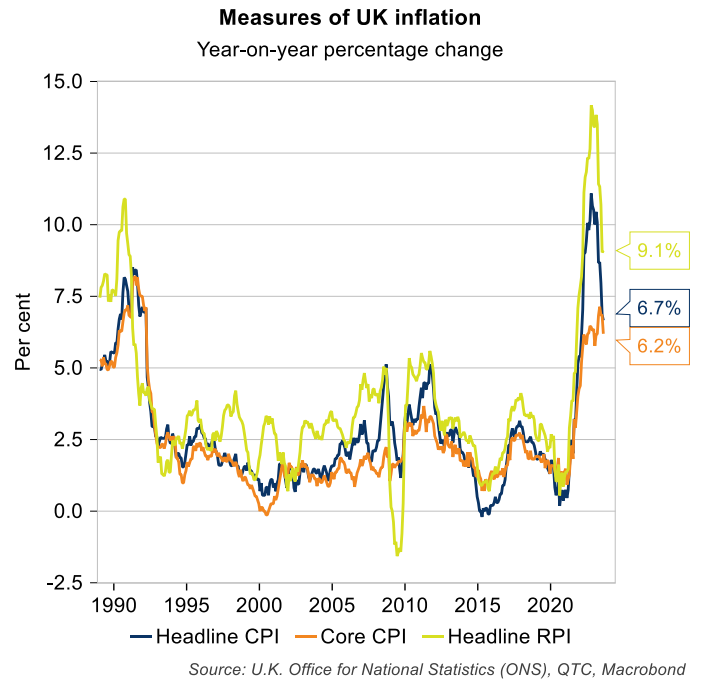


CHART 7: THE ANNUAL PACE OF CANADIAN CONSUMER INFLATION TICKED UP IN AUGUST

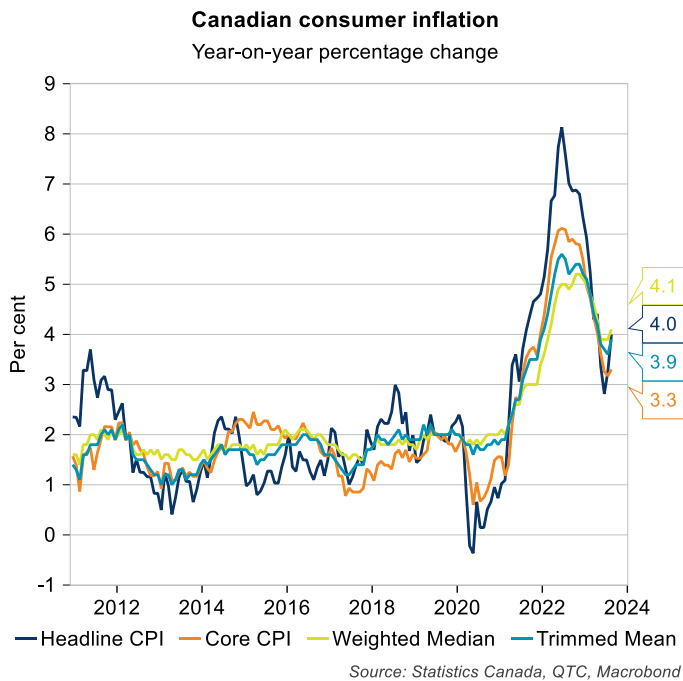
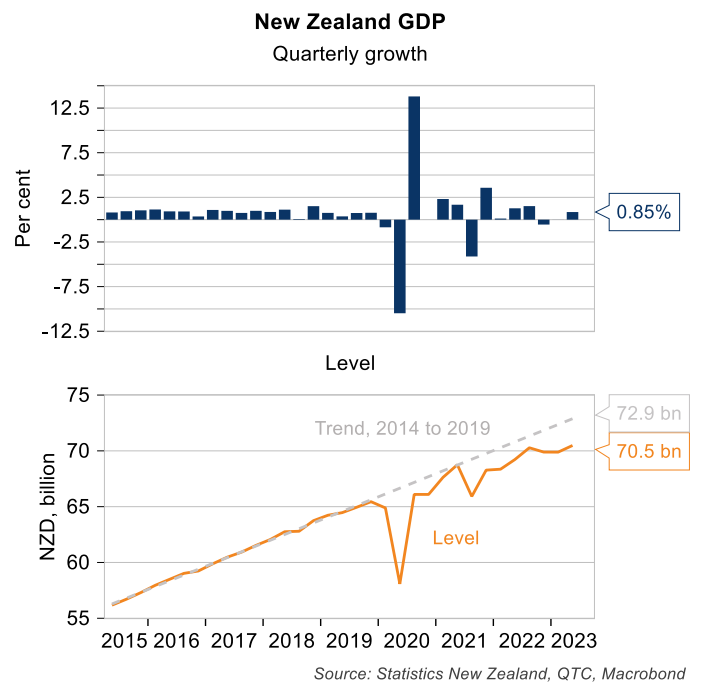


CHART 8: AN UPWARD REVISION TO Q1 GROWTH SAW NEW ZEALAND AVOID A TECHNICAL RECESSION (THOUGH THE LEVEL OF GDP REMAINS BELOW TREND)



Financial markets data table

The table below shows yields for bonds issued by the central financing authorities of various state governments in Australia as well as those on bonds issued by the Australian and US Governments. Further, there are values for the Australian Dollar against a range of currencies, and major exchange rates against the US Dollar. The change in these yields and rates over different time periods is also included.

MATURITY	ISSUER	YIELD	CHANGE (BASIS POINTS)			EQUITIES	RATE	CHANGE (PER CENT)		
			1WEEK	1MONTH	1YEAR			1WEEK	1MONTH	1YEAR
3 Year	QTC	4.28	20	12	61	AUD/USD	0.6422	-0.40	-0.03	-3.15
	NSWTC	4.29	19	10	64	AUD/EUR	0.6024	-0.33	1.71	-10.81
	TCV	4.33	20	12	69	AUD/GBP	0.5225	0.67	3.54	-11.23
	WATC	4.26	20	12	59	AUD/JPY	94.700	-0.16	1.06	0.55
	Australian Government	4.04	21	14	70	AUD/CAD	0.8664	-0.59	-0.50	-3.15
	US Government	4.86	17	10	71	AUD/NZD	1.0828	-0.59	0.16	-4.65
	QTC	4.33	19	8	54	AUD/SGD	0.8779	-0.08	0.61	-6.74
5 Year	NSWTC	4.36	18	5	55	AUD/HKD	5.0224	-0.50	-0.26	-3.49
	TCV	4.40	20	9	58	AUD/KRW	861.83	0.66	0.12	-7.66
	WATC	4.31	19	8	52	AUD/CNY	4.6937	0.03	0.15	0.11
	Australian Government	4.06	21	10	62	AUD/INR	53.390	-0.32	0.09	-0.71
	US Government	4.62	20	13	68	MAJOR CURRENCIES	RATE	1WEEK	1MONTH	1YEAR
	QTC	4.50	17	3	57	EUR/USD	1.0660	-0.07	-1.72	8.59
7 Year	NSWTC	4.56	16	1	59	GBP/USD	1.2291	-1.07	-3.45	9.11
	TCV	4.57	17	3	60	USD/JPY	147.46	-0.25	-1.10	-3.82
	WATC	4.48	17	4	53	USD/CHF	1.1077	-0.95	-2.54	8.05
	Australian Government	4.17	20	6	62	USD/CNY	7.3090	-0.43	-0.18	-3.36
	US Government	4.58	21	15	72	MAJOR COMMODITIES	PRICE (USD)	1WEEK	1MONTH	1YEAR
	QTC	4.82	16	1	66	Brent Crude Oil	93.30	-0.43	11.03	3.14
10 Year	NSWTC	4.87	12	-3	64	Gold	1,920.02	0.48	1.19	14.89
	TCV	4.91	15	-2	68	Copper	8,345.50	-0.86	-0.20	8.67
	WATC	4.72	15	0	57	Iron Ore	117.48	-2.61	8.11	27.27
	Australian Government	4.29	19	4	63					
	US Government	4.49	21	17	78					

Note: The Australian yield data (national and state) is sourced from QTC while the exchange rate and US yield data is from *Macrobond*.

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